

# ANALYST AND INVESTOR PRESENTATION Q2-2014 CONFERENCE CALL

Wednesday, May 28, 2014 - 11:00 am



## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the "Major Economic Trends" and the "Outlook for National Bank" sections of the 2013 Annual Report, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2014 and the objectives it has set for itself for that period. These forward-looking statements are made in accordance with current securities legislation. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank-projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2014 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include strategic risk, credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputation risk, and environmental risk, which are described in more detail in the "Risk Management" section beginning on page 60 of the 2013 Annual Report, and in particular the general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including the regulatory changes affecting the Bank's business, capital and liquidity; the situation with respect to the restructured notes of the master asset vehicle (MAV) conduits, in particular the realizable value of underlying assets; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the new reporting regime set out in sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 (FATCA)); and changes to capital adequacy and liquidity guidelines and to the manner in which they are to be presented and interpreted.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the "Risk Management" and "Other Risk Factors" sections of the 2013 Annual Report. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Bank also cautions readers not to place undue reliance on these forward-looking statements.

The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.



## HIGHLIGHTS

<b>ADJUSTED RESULTS <sup>(1)</sup></b>	<b>Q2 14</b>	<b>Q1 14</b>	<b>Q2 13</b>	<b>QoQ</b>	<b>YoY</b>
Net Income <sup>(2)</sup>	375	384	352	(2%)	7%
Diluted EPS	\$1.05	\$1.09	\$1.00	(4%)	5%
Provision for Credit Losses	51	51	53	-	(4%)
Return on Equity	18.1%	18.8%	19.6%		
Common Equity Tier 1 Ratio Under Basel III	8.7%	8.3%	8.3%		
Dividend Payout <sup>(3)</sup>	42.5%	41.8%	41.3%		

- Quarterly dividend increase by \$0.02 to \$0.48

(1) Excluding specified items (see Appendix 1, page 21)

(2) Net income before non-controlling interests

(3) Trailing 4 quarters

# FINANCIAL REVIEW

**Ghislain Parent**  
**Chief Financial Officer and**  
**Executive Vice-President, Finance and Treasury**

## PERFORMANCE SNAPSHOT – Q2 2014

(millions of dollars)

<b>ADJUSTED <sup>(1)</sup></b>	<b>Q2 14</b>	<b>Q1 14</b>	<b>Q2 13</b>	<b>QoQ</b>	<b>YoY</b>
Revenues	1,283	1,326	1,248	(3%)	3%
Expenses	789	807	788	(2%)	-
Net Income	375	384	352	(2%)	7%
Diluted EPS	\$1.05	\$1.09	\$1.00	(4%)	5%
ROE	18.1%	18.8%	19.6%		

<b>REPORTED</b>	<b>Q2 14</b>	<b>Q1 14</b>	<b>Q2 13</b>	<b>QoQ</b>	<b>YoY</b>
Specified Items	(13)	21	65		
Net Income	362	405	417	(11%)	(13%)
Diluted EPS	\$1.01	\$1.15	\$1.20	(12%)	(16%)
ROE	17.4%	19.8%	23.4%		

(1) Excluding specified items (see Appendix 1, page 21)

## PERFORMANCE SNAPSHOT – YTD 2014

(millions of dollars)

<b>ADJUSTED <sup>(1)</sup></b>	<b>6M 14</b>	<b>6M 13</b>	<b>YoY</b>
Revenues	2,609	2,470	6%
Expenses	1,596	1,554	3%
Net Income	759	696	9%
Diluted EPS	\$2.14	\$1.97	9%
ROE	18.4%	19.3%	

<b>REPORTED</b>	<b>6M 14</b>	<b>6M 13</b>	<b>YoY</b>
Specified Items	8	94	-
Net Income	767	790	(3%)
Diluted EPS	\$2.16	\$2.25	(4%)
ROE	18.6%	22.1%	

(1) Excluding specified items (see Appendix 1, page 21)

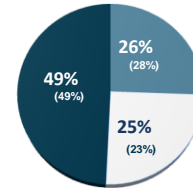
## INCOME STATEMENT OVERVIEW - Q2 2014 (Excluding specified items)

<small>(millions of dollars)</small>	Q2 14	Q1 14	Q2 13	QoQ	YoY
<b>Revenues</b>	<b>1,283</b>	<b>1,326</b>	<b>1,248</b>	<b>(3%)</b>	<b>3%</b>
P&C Banking	649	658	630	(1%)	3%
Wealth Management	332	325	290	2%	14%
Financial Markets	337	365	363	(8%)	(7%)
Other Segment	(35)	(22)	(35)		

<b>Net Income</b>	<b>375</b>	<b>384</b>	<b>352</b>	<b>(2%)</b>	<b>7%</b>
P&C Banking	162	168	153	(4%)	6%
Wealth Management	77	76	55	1%	40%
Financial Markets	128	144	141	(11%)	(9%)
Other Segment	8	(4)	3		

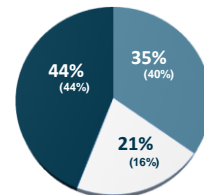
### Revenues Q2-14 (vs. Q2-13)

T.E.B.



### Net Income Q2-14 (vs. Q2-13)

T.E.B.



■ Personal and Commercial Banking  
■ Financial Markets  
■ Wealth Management



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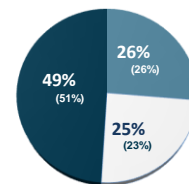
## INCOME STATEMENT OVERVIEW – YTD 2014 (Excluding specified items)

<small>(millions of dollars)</small>	6M 14	6M 13	YoY
<b>Revenues</b>	<b>2,609</b>	<b>2,470</b>	<b>6%</b>
P&C Banking	1,307	1,269	3%
Wealth Management	657	568	16%
Financial Markets	702	666	5%
Other Segment	(57)	(33)	

<b>Net Income</b>	<b>759</b>	<b>696</b>	<b>9%</b>
P&C Banking	330	316	4%
Wealth Management	153	108	42%
Financial Markets	272	254	7%
Other Segment	4	18	

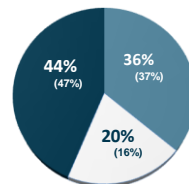
### Revenues 6M-14 (vs. 6M-13)

T.E.B.



### Net Income 6M-14 (vs. 6M-13)

T.E.B.



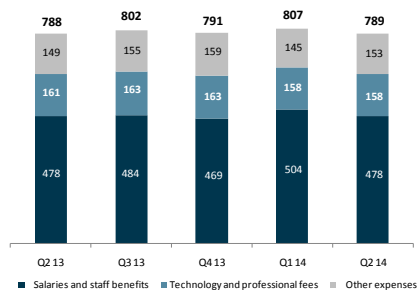
■ Personal and Commercial Banking  
■ Financial Markets  
■ Wealth Management



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## NON INTEREST EXPENSES (Excluding specified items)

<small>(millions of dollars)</small>	Q2 14	Q1 14	Q2 13	QoQ	YoY	6M 14	6M 13	YoY
Salaries and Staff Benefits	478	504	478	(5%)	-	982	951	3%
Technology and Professional Fees	158	158	161	-	(2%)	315	308	2%
Other Expenses	153	145	149	5%	2%	299	295	1%
<b>Non Interest Expense</b>	<b>789</b>	<b>807</b>	<b>788</b>	<b>(2%)</b>	<b>-</b>	<b>1,596</b>	<b>1,554</b>	<b>3%</b>



- Expenses flat YoY and down 2% QoQ
- YTD 2014 positive operating leverage: 3%
- YTD 2014 efficiency ratio: 58.8% (60.4% YTD 2013)

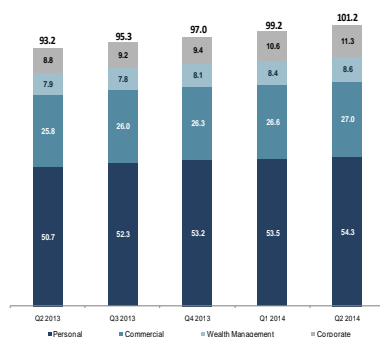
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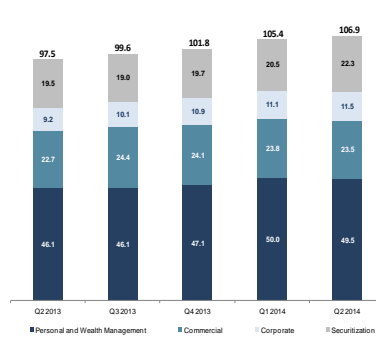
## BALANCE SHEET OVERVIEW (Banking Book)

(billions of dollars)

### LENDING – LOANS AND BAS (MONTH END BALANCE)



### FUNDING – DEPOSITS AND BAS (MONTH END BALANCE)



- YoY growth:
  - Personal and Wealth Management +7%
  - Commercial and Corporate +11%
  - Total +9%

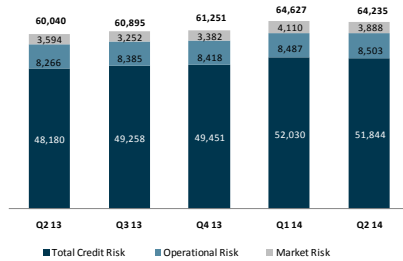
- YoY growth:
  - Personal and Wealth Management +7%
  - Commercial and Corporate +10%
  - Securitization +14%
  - Total +10%

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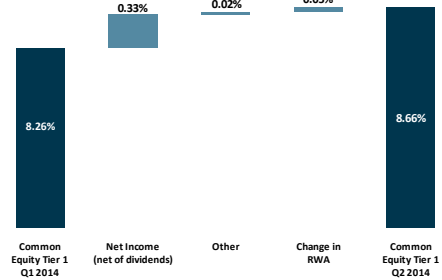


## STRONG CAPITAL POSITION

TOTAL RISK-WEIGHTED ASSETS UNDER BASEL III



COMMON EQUITY TIER 1 UNDER BASEL III EVOLUTION (QoQ)



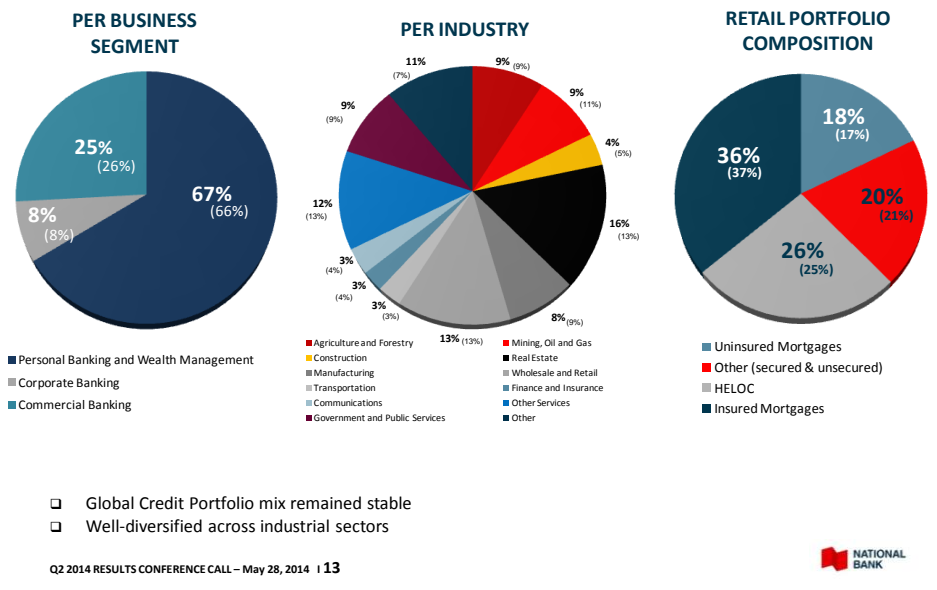
- Common Equity Tier 1 ratio is 8.66% in Q2 14
- Risk-weighted assets at \$64.2B

## RISK MANAGEMENT

William Bonnell  
Executive Vice-President, Risk Management

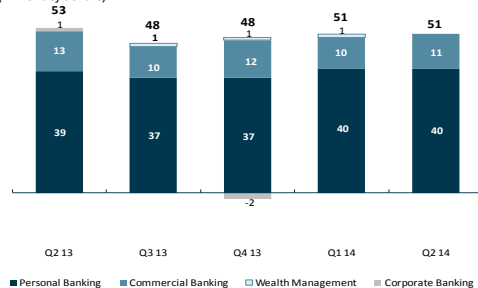
## GLOBAL CREDIT PORTFOLIO

As at April 30, 2014 vs. (April 30, 2013)



## SPECIFIC PROVISION FOR CREDIT LOSSES

(millions of dollars)



### RISK PROVISIONING

- Q2 2014: \$51M or 21 bps
- Next 2 quarters target: 20-30 bps

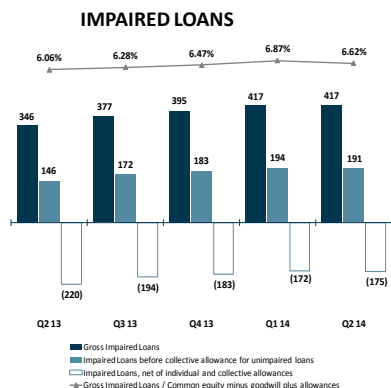
PCLs (in bps)	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13
Personal Banking	31	30	28	29	32
Commercial Banking	16	15	18	15	21
Wealth Management	-	5	5	5	-
Corporate Banking	-	-	(11)	-	6
<b>TOTAL</b>	<b>21</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>24</b>

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## IMPAIRED LOANS AND FORMATION

(millions of dollars)



### IMPAIRED LOANS FORMATION<sup>(1)</sup>

(millions of dollars)

	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13
Retail	15	36	21	26	20
Commercial	15	9	26	36	(13)
Corporate Banking	-	-	(6)	(6)	7
Wealth Management	-	1	1	2	1
<b>Total</b>	<b>30</b>	<b>46</b>	<b>42</b>	<b>58</b>	<b>15</b>

(1) Formations include new accounts, disbursements, principal repayments, and exchange rate fluctuation and exclude write-offs.

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## BUSINESS SEGMENT REVIEW

Jean Dagenais  
 Senior Vice-President  
 Finance, Taxation and Investor Relations





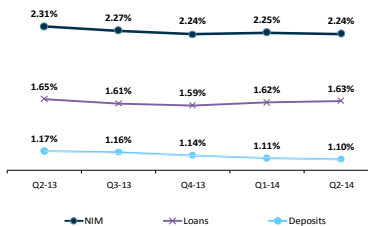
## PERSONAL AND COMMERCIAL BANKING

(millions of dollars)	Q2 14	Q1 14	Q2 13	QoQ	YoY
<b>Revenues</b>	<b>649</b>	<b>658</b>	<b>630</b>	<b>(1%)</b>	<b>3%</b>
Personal Banking	301	305	290	(1%)	4%
Commercial Banking	236	241	233	(2%)	1%
Credit Card	83	85	80	(2%)	4%
Insurance	29	27	27	6%	7%
<b>Operating Expenses</b>	<b>376</b>	<b>378</b>	<b>369</b>	<b>(1%)</b>	<b>2%</b>
<b>Contribution</b>	<b>273</b>	<b>280</b>	<b>261</b>	<b>(3%)</b>	<b>5%</b>
<b>Provisions for Credit Losses</b>	<b>51</b>	<b>50</b>	<b>52</b>	<b>2%</b>	<b>(2%)</b>
<b>Net Income</b>	<b>162</b>	<b>168</b>	<b>153</b>	<b>(4%)</b>	<b>6%</b>
<b>Key Metrics (in millions)</b>					
Loans & BAs (avg vol.)	80,311	79,176	75,793	1%	6%
Deposits (avg vol.)	42,570	42,363	39,386	-	8%
Efficiency Ratio (%)	57.9%	57.5%	58.6%		

### HIGHLIGHTS

- 6% loans and BA's growth and 8% deposits growth (YoY)
- Revenues up 3% YoY due to good volume growth
- Net Interest margin stable QoQ
- Good cost control
- Operating leverage ratio at 1%, YoY
- Efficiency ratio improved by 50 bps YoY

### P&C MARGINS EVOLUTION<sup>(1)</sup>



(1) Note: NIM is on Earning Assets



## WEALTH MANAGEMENT<sup>(1)</sup>

(millions of dollars)	Q2 14	Q1 14	Q2 13	QoQ	YoY
<b>Revenues</b>	<b>332</b>	<b>325</b>	<b>290</b>	<b>2%</b>	<b>14%</b>
Fee-based	160	155	138	3%	16%
Transaction & Others	93	93	86	-	8%
Net Interest Income	79	77	66	3%	20%
<b>Operating Expenses</b>	<b>227</b>	<b>222</b>	<b>214</b>	<b>2%</b>	<b>6%</b>
<b>Contribution</b>	<b>105</b>	<b>103</b>	<b>76</b>	<b>2%</b>	<b>38%</b>
<b>Provision for Credit Losses</b>	<b>0</b>	<b>1</b>	<b>0</b>		
<b>Net Income</b>	<b>77</b>	<b>76</b>	<b>55</b>	<b>1%</b>	<b>40%</b>
<b>Key metrics (billions of dollars)</b>					
Loans & BAs (avg vol.)	8.2	8.1	7.8	2%	5%
Deposits (avg vol.)	24.3	24.4	21.7	(1%)	12%
Asset Under Administration	281	267	207	5%	36%
Asset Under Management	46	43	39	8%	17%
Efficiency Ratio (%)	68.4%	68.3%	73.8%		

### HIGHLIGHTS

- Net income up 40% (30% excl. TDWIS)
- Revenue up 14% (10% excl. TDWIS) due mainly to higher NII and fee-based revenues
- Operating leverage ratio at 8%, YoY
- Efficiency ratio improved by 540 bps YoY
- TDWIS acquisition: Phases 1 and 2 of integration completed. Approximately 30% of the assets are now on our platform. Clients retention is still very high at above 99%. Remaining assets will be converted during the third quarter.

(1) Excluding specified items



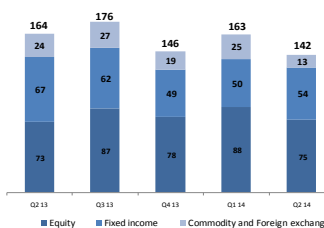
## FINANCIAL MARKETS

(millions of dollars)	Q2 14	Q1 14	Q2 13	QoQ	YoY
<b>Revenues</b>	<b>337</b>	<b>365</b>	<b>363</b>	<b>(8%)</b>	<b>(7%)</b>
Trading	142	163	164	(13%)	(13%)
Banking Services	61	58	64	5%	(5%)
Financial Market Fees	66	61	69	8%	(4%)
Gains on AFS Securities	2	11	1		
Other	66	72	65	(8%)	2%
<b>Operating Expenses</b>	<b>162</b>	<b>168</b>	<b>169</b>	<b>(4%)</b>	<b>(4%)</b>
<b>Contribution</b>	<b>175</b>	<b>197</b>	<b>194</b>	<b>(11%)</b>	<b>(10%)</b>
<b>Provision for Credit Losses</b>	<b>-</b>	<b>-</b>	<b>1</b>		
<b>Net Income</b>	<b>128</b>	<b>144</b>	<b>141</b>	<b>(11%)</b>	<b>(9%)</b>
<b>Other Metrics</b>					
CVA / DVA (millions of dollars)	(3.3)	0.5	(2.7)		
Proprietary Trading (millions of dollars)	4.9	8.7	4.1		
Efficiency Ratio (%)	48.1%	46.0%	46.6%		

### HIGHLIGHTS

- YoY Revenues 7% lower, due to low volatility and flat yield curve
- Corporate and Investment Banking pipeline remains good

Trading Revenues (\$M)

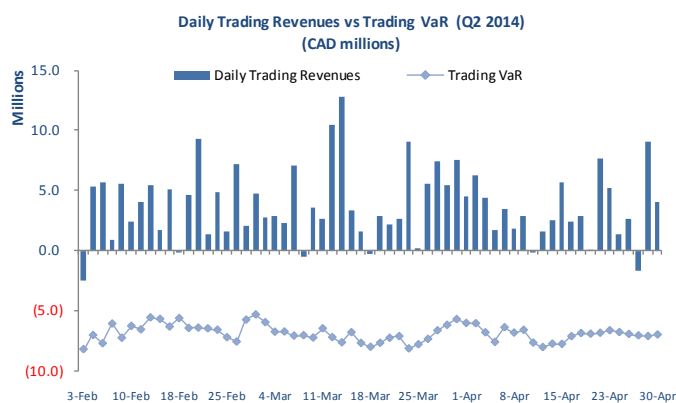


## APPENDIX

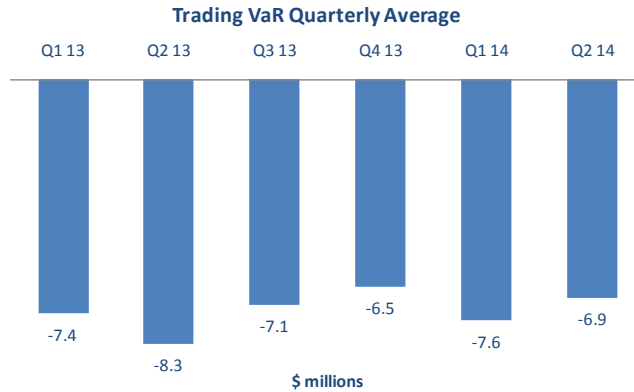
## APPENDIX 1 | DETAIL OF SPECIFIED ITEMS

<i>(millions of dollars)</i>	Q2 13	Q3 13	Q4 13	Q1 14	<b>Q2 14</b>
Wealth Management and other acquisitions	(9)	(8)	(14)	(11)	<b>(12)</b>
Severance Pay	-	-	(12)	-	-
MAV and Other Notes	137	(4)	(3)	40	<b>(4)</b>
Leases Termination	-	-	(16)	-	-
Write-off of Intangible Assets	(39)	-	-	-	<b>(1)</b>
Item related to employee benefits	-	-	-	-	-
Income Before Income Taxes	89	(12)	(45)	29	<b>(17)</b>
Income Taxes	(24)	3	12	(8)	<b>4</b>
Income Tax Recovery	-	37	-	-	-
Net Income	65	28	(33)	21	<b>(13)</b>
<hr/>					
EPS Impact	0.20	0.09	(0.10)	0.06	<b>(0.04)</b>

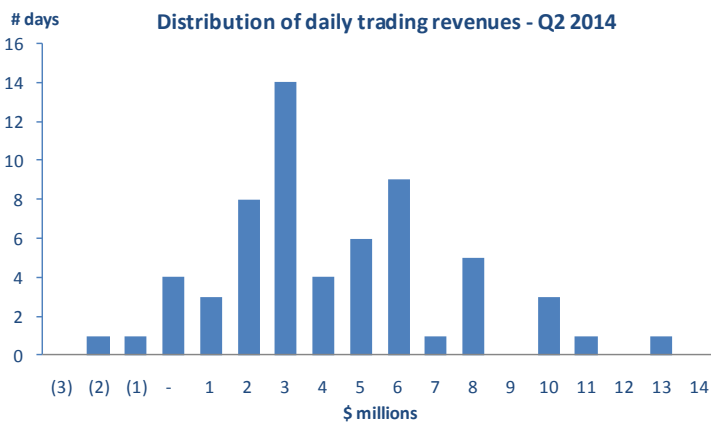
## APPENDIX 2 | Daily Trading Revenues vs VAR



## APPENDIX 3 | VaR TREND



## APPENDIX 4 | TRADING P&L RESULTS





## **INVESTOR RELATIONS**

Financial analysts and investors who want to obtain financial information on the Bank are asked to contact the Investor Relations Department.

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