



NATIONAL BANK OF CANADA

ANALYST AND INVESTOR PRESENTATION Q3-2016 CONFERENCE CALL

Wednesday, August 31, 2016 – 1:00 pm



CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the Outlook for National Bank and the Major Economic Trends sections of the 2015 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 2016 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. 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 2016 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 credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk (all of which are described in more detail in the Risk Management section beginning on page 55 of the 2015 Annual Report), the general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business, capital and liquidity; 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 U.S. Foreign Account Tax Compliance Act (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank's information technology systems, including evolving cyber attack risk.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section of the 2015 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. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

ADJUSTED RESULTS ⁽¹⁾	Q3 16	Q2 16 *	Q3 15	QoQ	YoY
Net Income ⁽²⁾	486	237	444	105%	9%
Diluted EPS	\$1.33	\$0.60	\$1.25	122%	6%
Provision for Credit Losses	45	317	56	(86%)	(20%)
Return on Equity	19.0%	8.9%	18.4%		
Common Equity Tier 1 Ratio Under Basel III	9.9%	9.8%	9.5%		
Leverage ratio	3.7%	3.7%	3.6%		
Liquidity coverage ratio	137%	135%	128%		
Dividend Payout ⁽³⁾	49.9%	50.1%	42.3%		

* Net income \$420 million or \$1.14 per share excluding sectoral provision for credit losses of \$250 million (\$183 million after taxes)

- (1) Excluding specified items (see Appendix 1, page 27)
 (2) Net income before non-controlling interests
 (3) Trailing 4 quarters

MID-TERM OBJECTIVES

Excluding specified items

MID-TERM	
Growth in diluted earnings per share	5% to 10%
Return on common shareholders' equity	15% to 20%
Common Equity Tier 1 capital ratio (by the end of FY 2017)	≥ 10.0%
Leverage ratio	≥ 3.5%
Dividend payout ratio	40% to 50%
Liquidity coverage ratio	≥ 100%

FINANCIAL REVIEW

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



PERFORMANCE SNAPSHOT – Q3 2016

(millions of dollars)

ADJUSTED ⁽¹⁾	Q3 16	Q2 16	Q3 15	QoQ	YoY
Revenues ⁽²⁾	1,610	1,507	1,553	7%	4%
Expenses	932	871	900	7%	4%
Net Income	486	237	444	105%	9%
Diluted EPS	\$1.33	\$0.60	\$1.25	122%	6%
ROE	19.0%	8.9%	18.4%		
Net Income excluding sectoral provision	486	420	444	16%	9%
Diluted EPS excluding sectoral provision	\$1.33	\$1.14	\$1.25	17%	6%

- Adjusted revenues up 4% YoY
- Adjusted net income of \$486 million up 9% YoY
- Adjusted diluted EPS of \$1.33 up 6% YoY

REPORTED	Q3 16	Q2 16	Q3 15	QoQ	YoY
Specified Items	(8)	(27)	9		
Net Income	478	210	453	128%	6%
Diluted EPS	\$1.31	\$0.52	\$1.28	152%	2%
ROE	18.7%	7.7%	18.8%		

(1) Excluding specified items (see Appendix 1, page 27)
(2) Taxable equivalent basis

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PERFORMANCE SNAPSHOT – YTD 2016

(millions of dollars)

ADJUSTED ⁽¹⁾	9M 16	9M 15	YoY
Revenues ⁽²⁾	4,647	4,509	3%
Expenses	2,699	2,636	2%
Net Income	1,150	1,265	(9%)
Diluted EPS	\$3.11	\$3.54	(12%)
ROE	14.9%	17.9%	
Net Income excluding sectoral provision	1,333	1,265	5%
Diluted EPS excluding sectoral provision	\$3.65	\$3.54	3%
REPORTED	9M 16	9M 15	YoY
Specified Items	(201)	7	
Net Income	949	1,272	(25%)
Diluted EPS	\$2.51	\$3.56	(29%)
ROE	12.0%	18.1%	

- Adjusted revenues up 3% with 1% positive operating leverage
- Excluding sectoral provision, adjusted net income of \$1,333 million up 5%

(1) Excluding specified items (see Appendix 1, page 27)

(2) Taxable equivalent basis

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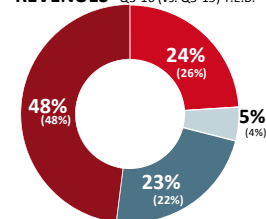


INCOME STATEMENT OVERVIEW – Q3 2016 (Excluding specified items)

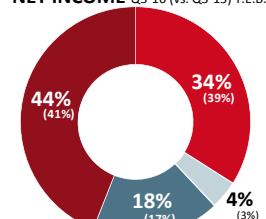
(millions of dollars)	Q3 16	Q2 16	Q3 15	QoQ	YoY
Revenues ⁽¹⁾	1,610	1,507	1,553	7%	4%
P&C Banking	739	698	731	6%	1%
Wealth Management	362	355	347	2%	4%
Financial Markets	440	429	470	3%	(6%)
Other Segment	69	25	5		
Net Income	486	237	444	105%	9%
P&C Banking	203	(9)	193		5%
Wealth Management	86	86	82	-	5%
Financial Markets	174	169	201	3%	(13%)
Other Segment	23	(9)	(32)		

(1) Taxable equivalent basis

REVENUES Q3-16 (vs. Q3-15) T.E.B.



NET INCOME Q3-16 (vs. Q3-15) T.E.B.



- Personal and Commercial Banking
- Financial Markets (excluding Credigy)
- Credigy
- Wealth Management



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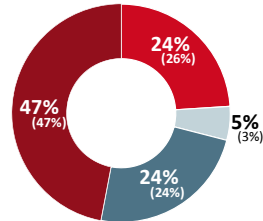
INCOME STATEMENT OVERVIEW – YTD 2016 (Excluding specified items)

<i>(millions of dollars)</i>	9M 16	9M 15	YoY
Revenues ⁽¹⁾	4,647	4,509	3%
P&C Banking	2,161	2,106	3%
Wealth Management	1,075	1,052	2%
Financial Markets	1,320	1,316	0%
Other Segment	91	35	
Net Income	1,150	1,265	(9%)
P&C Banking ⁽²⁾	378	528	(28%)
Wealth Management	256	247	4%
Financial Markets	529	552	(4%)
Other Segment	(13)	(62)	

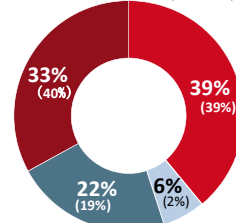
(1) Taxable equivalent basis

(2) Excluding sectoral provision for credit losses, 9M-16 net income of \$561 million, up 6% YoY

REVENUES 9M-16 (vs. 9M-15) T.E.B.



NET INCOME 9M-16 (vs. 9M-15) T.E.B.



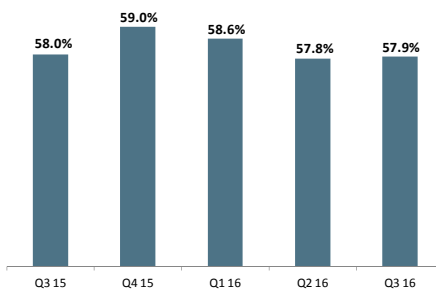
■ Personal and Commercial Banking
■ Financial Markets (excluding Credigy)
■ Credigy
■ Wealth Management



NON INTEREST EXPENSES (Excluding specified items)

<i>(millions of dollars)</i>	Q3 16	Q2 16	Q3 15	QoQ	YoY	9M 16	9M 15	YoY
Salaries and Staff Benefits	553	504	554	10%	-	1,597	1,634	(2%)
Technology, Professional and Servicing Fees	204	199	180	2%	13%	553	494	12%
Other Expenses	175	168	166	4%	5%	549	508	8%
Non Interest Expense	932	871	900	7%	4%	2,699	2,636	2%

EFFICIENCY RATIO

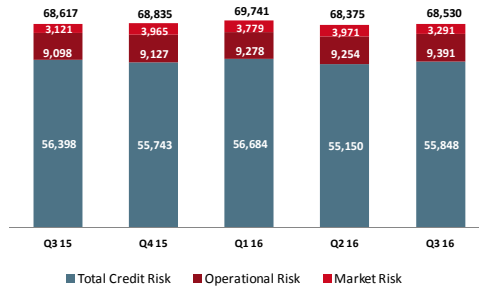


- Higher expenses YoY resulting from technology investments, professional fees and expenses related to the activities of the new ABA subsidiary
- 1% positive operating leverage YTD
- YTD efficiency ratio at 58.1%

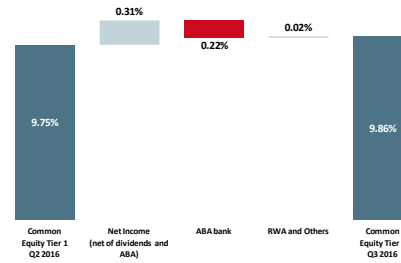


STRONG CAPITAL POSITION

TOTAL RISK-WEIGHTED ASSETS
UNDER BASEL III



COMMON EQUITY TIER 1 UNDER BASEL III
EVOLUTION (QoQ)



- Common Equity Tier 1 ratio at 9.9%
- Pension plan impact of 9 bps, offset by AFS
- Total capital ratio at 15.1%
- Leverage ratio at 3.7%

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RISK MANAGEMENT

William Bonnell
Executive Vice-President, Risk Management



LOAN PORTFOLIO OVERVIEW

(billions of dollars)	Q3 16	% of Total
Retail mortgages & HELOC	57.8	45%
Secured by non real estate	4.6	4%
Credit cards	2.0	2%
Other retail	7.7	6%
Total Retail	72.1	57%

(billions of dollars)	Q3 16	% of Total
Real Estate	8.2	7%
Retail & Wholesale Trade	4.7	4%
Agriculture	4.6	4%
Manufacturing	3.8	3%
Oil & Gas	2.5	2%
Education & Health Care	2.7	2%
Other ⁽¹⁾	27.0	21%
Total Wholesale	53.5	43%
Total Gross Loans and Acceptances	125.6	100%

Oil & Gas (billions of dollars)	Q3 16	% of total
O&G Corporate	0.9	0.7%
O&G Commercial	1.5	1.2%
O&G Services	0.1	0.1%
Total	2.5	2.0%

(1) Includes Mining, Utilities, Transportation, Financial, Prof. Services, Construction, Communication, Government, and Other Services

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REGIONAL DISTRIBUTION OF CANADIAN LOANS

As at July 29th, 2016

REGION	RETAIL			WHOLESALE			TOTAL
	RM + HELOC	Other Retail	Other Wealth Mgt	Oil & Gas Sector	Commercial	Other ⁽¹⁾	
QC / ON	38.8%	8.1%	2.3%	0.1%	22.2%	10.7%	82.2%
Oil Regions (AL/SK/NL)	3.2%	0.4%	0.3%	2.0%	0.8%	2.9%	9.6%
BC / MB	2.6%	0.3%	0.6%	0.0%	0.6%	1.2%	5.3%
Maritimes (NB/NS/PE)	1.1%	0.5%	0.1%	0.0%	0.5%	0.7%	2.9%

(1) Other Wholesale in the oil regions includes Financial Markets securitization activity of insured mortgages

HIGHLIGHTS

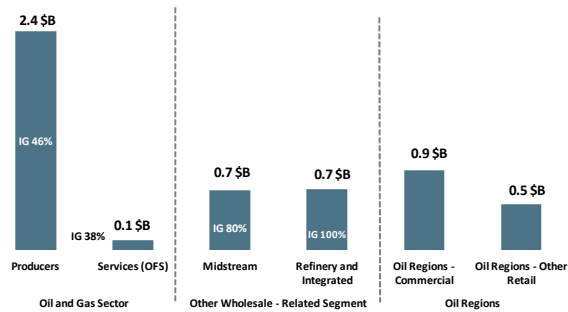
- ❑ Loan portfolio concentrated in regions with stronger job growth
- ❑ Limited small commercial or unsecured retail lending in the oil regions

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OIL & GAS SECTOR & RELATED SEGMENTS

OUTSTANDING LOANS – Q3 16



HIGHLIGHTS

- 46% of loans to producers and 38% to servicers rated investment grade
- Majority of loans in the other wholesale related segments have investment grade rating
- Approximately 60% of loans in commercial segment in Agriculture, CRE and Financial sectors
- Modest unsecured retail exposure in the region

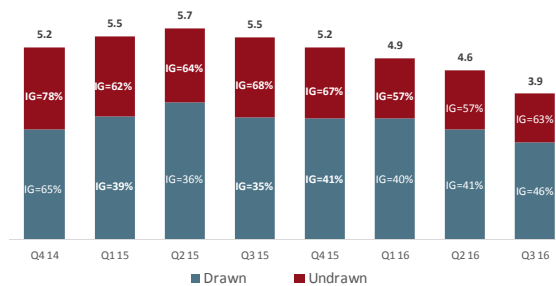
Note: IG refers to investment grade equivalent AIRB ratings

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PRODUCERS & SERVICES

HISTORICAL TREND IN EXPOSURES AT DEFAULT (\$B)



HIGHLIGHTS

- Proactive management
- Sectoral provision for non-impaired loans represents 9% of total drawn loans and 16% of non-investment grade drawn loans in this portfolio
- Comfortable with the overall level of provisions for this portfolio

Note: Based on AIRB estimates of exposures at default

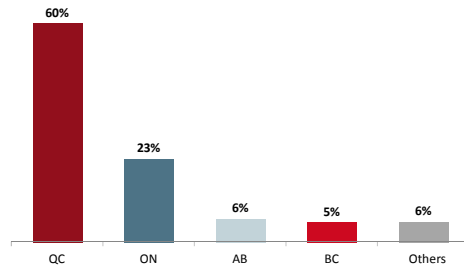
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RETAIL MORTGAGE AND HELOC PORTFOLIO

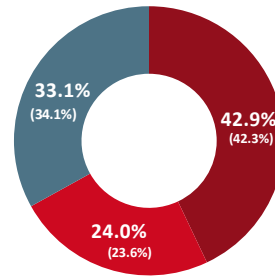
DISTRIBUTION BY PROVINCE

As at July 29, 2016



MORTGAGE PORTFOLIO COMPOSITION

As at July 29, 2016
(vs. April 29, 2016)



■ Insured ■ Uninsured ■ HELOC

HIGHLIGHTS

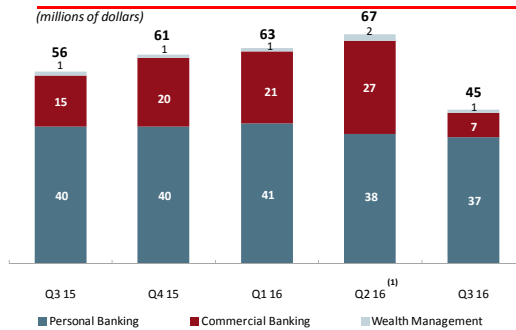
- The average Loan to Value on the HELOC and uninsured mortgage portfolio was approximately 59%
- Less than \$300 million of second lien mortgages

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PROVISION FOR CREDIT LOSSES

(millions of dollars)



(1) Excluding sectoral provision for non-impaired loans of \$250 million before taxes

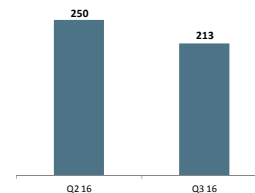
PCLs (in bps)	Q3 16	Q2 16	Q1 16	Q4 15	Q3 15
Personal Banking	24	26	27	27	27
Commercial Banking	10	37	26	28	21
Wealth Management	3	10	3	5	3
Corporate Banking	-	-	-	-	-
Total Specific Provisions	15	23	21	21	20

HIGHLIGHTS

- 15 bps of specific provisions
- \$37M transferred from the oil & gas sectoral allowance
- Favorable conditions in Central Canada generated only 15 bps of PCLs
- Maintain PCL target of 20-30 bps for the next 2 quarters

OIL AND GAS SECTORAL PROVISION

(millions of dollars)



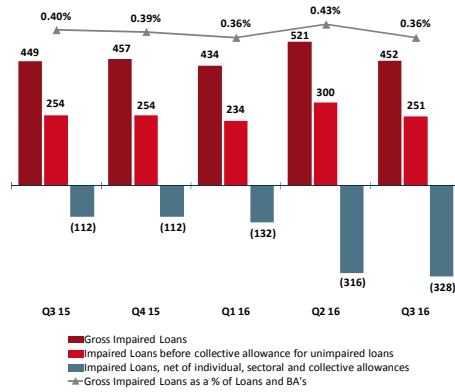
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IMPAIRED LOANS AND BA'S AND FORMATION

(millions of dollars)

IMPAIRED LOANS AND BA'S



IMPAIRED LOANS AND BA'S FORMATION ⁽¹⁾

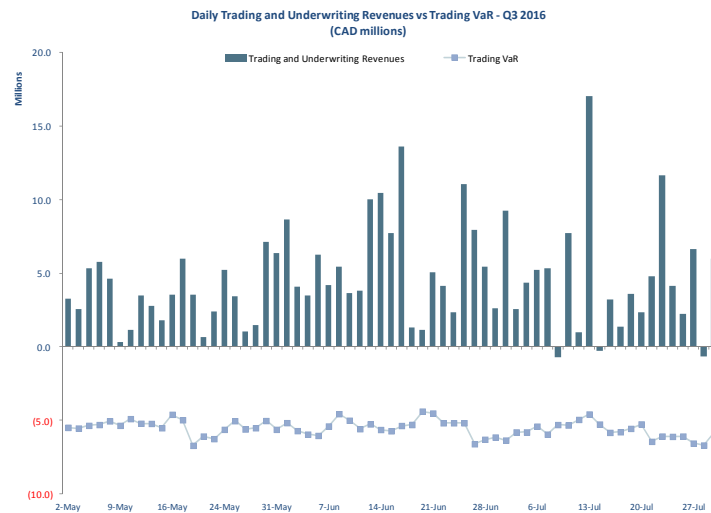
(millions of dollars)	Q3 16	Q2 16	Q1 16	Q4 15	Q3 15
Retail	11	21	23	23	16
Commercial (excluding O&G)	(23)	3	(35)	(6)	24
Oil & Gas	29	86	30	25	-
Corporate Banking	-	-	-	-	-
Wealth Management	(1)	3	4	1	4
Other	1	-	-	-	-
Total	17	113	22	43	44

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

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DAILY TRADING and UNDERWRITING REVENUES vs VaR

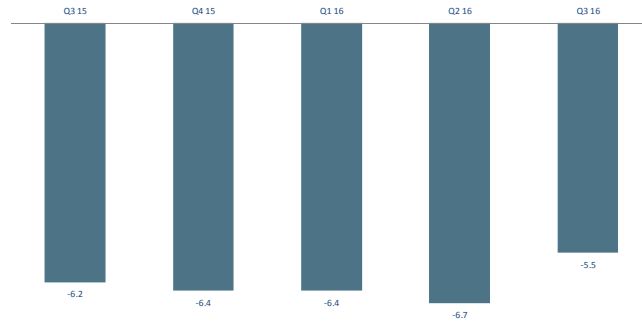


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VaR TREND

Trading VaR Quarterly Average



\$ millions

BUSINESS SEGMENT REVIEW

Jean Dagenais
Senior Vice-President, Finance

PERSONAL AND COMMERCIAL BANKING

(millions of dollars)	Q3 16	Q2 16	Q3 15	QoQ	YoY
Revenues	739	698	731	6%	1%
Personal Banking	344	330	343	4%	-
Commercial Banking	273	255	264	7%	3%
Credit Card	92	88	91	5%	1%
Insurance	30	25	33	20%	(9%)
Operating Expenses	417	395	412	6%	1%
Pre-provisions / Pre-tax	322	303	319	6%	1%
Provisions for Credit Losses⁽¹⁾	44	315	55		(20%)
Net Income	203	(9)	193		5%
Net Income excluding sectoral provision	203	174	193	17%	5%
Key Metrics (billions of dollars)	Q3 16	Q2 16	Q3 15	QoQ	YoY
Loans & BAs (avg vol.)	90.8	90.7	87.1	-	4%
Loans & BAs (avg vol.) excluding Oil & Gas sector	89.3	88.6	84.5	1%	6%
Deposits (avg vol.)	49.3	47.4	45.1	4%	9%
Efficiency Ratio (%)	56.4%	56.6%	56.4%		

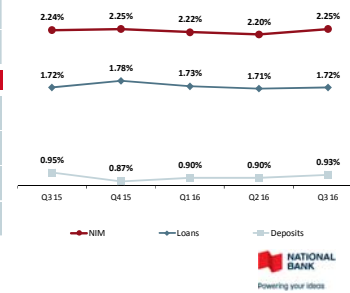
(1) Including the Q2-16 sectoral loss of \$250M (\$183M after taxes)
 (2) NIM is on Earning Assets

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HIGHLIGHTS

- Revenues up 1% YoY due to:
 - Strong loan and deposit volume growth
 - NIM up 5 bps sequentially due to business mix
 - Lower insurance revenues due to actuarial liabilities adjustment
 - Lower activities in FX and derivatives
- Operating expenses up 1% due to efficiency initiatives
- PCL down 20% YoY
- YTD operating leverage of 2.4%

P&C MARGINS EVOLUTION⁽²⁾



WEALTH MANAGEMENT (1)

(millions of dollars)	Q3 16	Q2 16	Q3 15	QoQ	YoY
Revenues	362	355	347	2%	4%
Fee-based	202	192	196	5%	3%
Transaction & Others	66	72	73	(8%)	(10%)
Net Interest Income	94	91	78	3%	21%
Operating Expenses	245	238	236	3%	4%
Provision for Credit Losses	1	2	1		
Net Income	86	86	82	-	5%
Key Metrics (billions of dollars)	Q3 16	Q2 16	Q3 15	QoQ	YoY
Loans & BAs (avg vol.)	9.4	9.4	8.8	-	7%
Deposits (avg vol.)	28.3	27.4	24.2	3%	17%
Asset Under Administration	332	316	315	5%	5%
Asset Under Management	56	52	50	7%	10%
Efficiency Ratio (%)	67.7%	67.0%	68.0%		

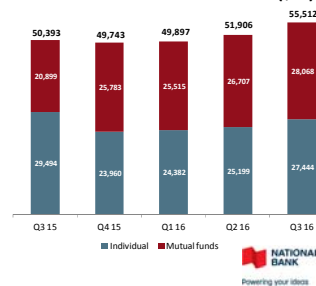
(1) Excluding specified items

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YOY HIGHLIGHTS

- Net income growth of 5% which is good performance considering a negative average market return
- Revenues are up 4% driven by higher NII (volumes up 17%) partly offset by lower transactional revenues
- AUM are up 10% as we continue to see a migration of assets from transactional to discretionary management at the full-service brokerage level

ASSETS UNDER MANAGEMENT (\$M)



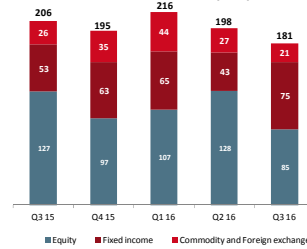
FINANCIAL MARKETS

<i>(millions of dollars)</i>	Q3 16	Q2 16	Q3 15	QoQ	YoY
Revenues	440	429	470	3%	(6%)
Trading	181	198	206	(9%)	(12%)
Banking Services	84	75	75	12%	12%
Financial Market Fees	93	71	90	31%	3%
Gains on AFS Securities	7	5	15		
Credigy	70	71	63	(1%)	11%
Other	5	9	21		
Operating Expenses	198	195	194	2%	2%
Net Income	174	169	201	3%	(13%)
<i>Other Metrics (in millions)</i>	Q3 16	Q2 16	Q3 15	QoQ	YoY
CVA / DVA	(6.3)	(43.2)	2.1		
Proprietary Trading	(1.0)	(3.2)	0.1		
Efficiency Ratio (%)	45.0%	45.5%	41.3%		

YOY HIGHLIGHTS

- Lower trading revenues driven mostly by lower equity derivatives revenues
- Solid performance in interest rate derivatives, equity and fixed income trading
- Strong performance in corporate banking
- Credigy on target for expansion plan

TRADING REVENUES (\$M)



APPENDIX

APPENDIX 1 | DETAIL OF SPECIFIED ITEMS

(millions of dollars)	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Wealth Management acquisitions	(7)	(6)	(9)	(7)	(7)
Items related to TMX	(2)	(1)	(18)	-	(1)
MAV and Other Notes	21	(2)	(2)	(3)	(2)
Restructuring charge	-	(86)	-	-	-
Write-off of an equity interest in an associate	-	-	(164)	-	-
Income Before Income Taxes	12	(95)	(193)	(10)	(10)
Income Taxes	(3)	25	27	1	2
Impact of changes to tax measures	-	-	-	(18)	-
Net Income	9	(70)	(166)	(27)	(8)
EPS Impact	0.03	(0.21)	(0.50)	(0.08)	(0.02)

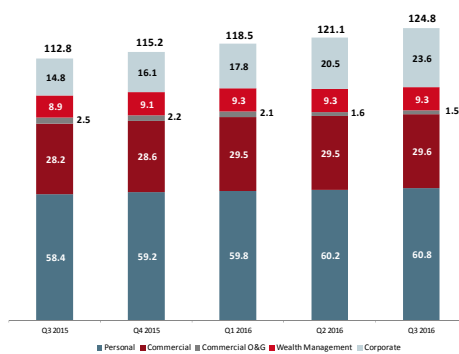
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APPENDIX 2 | BALANCE SHEET OVERVIEW (Banking Book & Other)

(billions of dollars)

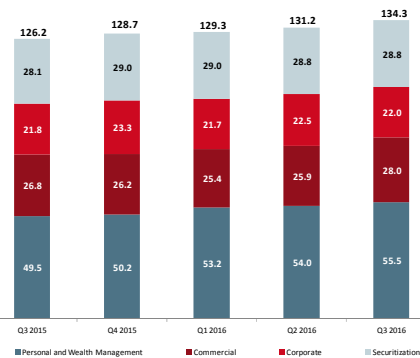
LENDING – LOANS AND BAS (MONTH END BALANCE)



YoY growth:

Personal and Wealth Management	4%
Commercial and Corporate	23%
Commercial O&G	-39%

FUNDING – DEPOSITS AND BAS (MONTH END BALANCE)



YoY growth:

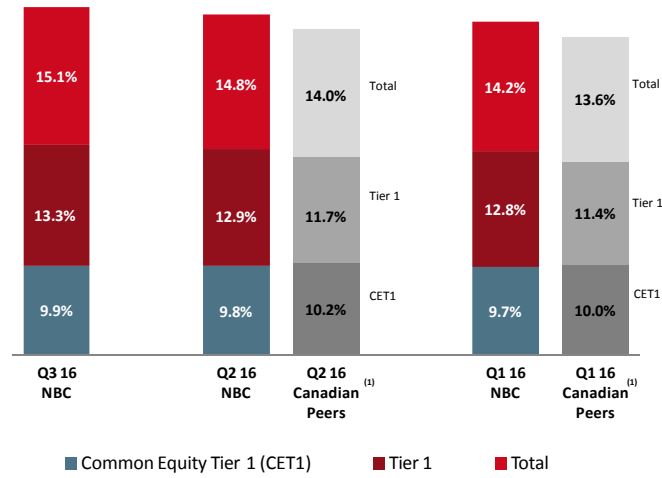
Personal and Wealth Management	12%
Commercial and Corporate	3%
Securitization	3%

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APPENDIX 3 | COMPARATIVE PERFORMANCE – Capital Ratios

CAPITAL RATIOS UNDER BASEL III

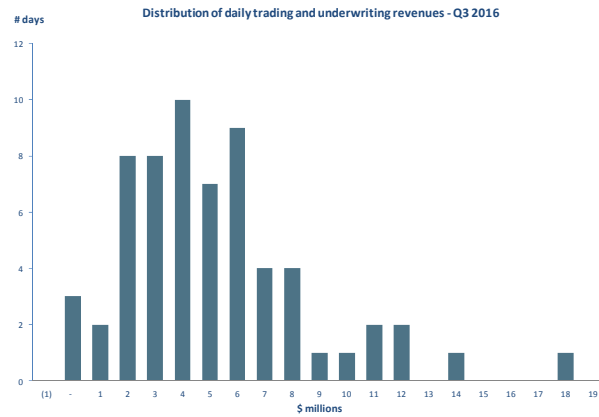


(1) Weighted average ratios of Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal and Canadian Imperial Bank of Commerce

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APPENDIX 4 | TRADING P&L RESULTS



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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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