



NATIONAL BANK OF CANADA

ANALYST AND INVESTOR PRESENTATION Q2-2018 CONFERENCE CALL

Wednesday, May 30, 2018 – 1:00 pm



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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 this 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 2018 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 2018 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 51 of this Annual Report; 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 this 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.

OVERVIEW

Louis Vachon
President & Chief Executive Officer



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STRONG RESULTS WITH EPS UP 12%, ROE OF 18.7% AND STRONG CAPITAL LEVELS

(millions of dollars)

ADJUSTED RESULTS ⁽¹⁾	Q2 18	Q1 18	Q2 17	QoQ	YoY
Revenues	1,820	1,868	1,654	(3%)	10%
Net Income ⁽²⁾	551	556	492	(1%)	12%
Diluted EPS	\$1.45	\$1.48	\$1.30	(2%)	12%
Efficiency ratio	54.3%	54.6%	56.6%	-30 bps	-230 bps
Return on Equity	18.7%	18.9%	18.2%		
Common Equity Tier 1 Ratio Under Basel III	11.3%	11.2%	10.8%		

(1) Excluding specified items (see Appendix 12), taxable equivalent basis

(2) Net income before non-controlling interests

HIGHLIGHTS

- ❑ Strong performance in all sectors
- ❑ Operating leverage of 4%
- ❑ Continued efficiency improvements
- ❑ Industry leading ROE of 18.7%
- ❑ Common Equity Tier 1 ratio at 11.3%
- ❑ Balance between prudent risk management and sustainable growth
- ❑ Quarterly dividend: 3% increase
- ❑ New NCIB program to purchase up to 8 million shares
- ❑ Favorable economic conditions in core Québec economy

SOLID GROWTH IN ALL BUSINESS SEGMENTS

(millions of dollars)

ADJUSTED NET INCOME	Q2 18	Q1 18	Q2 17	QoQ	YoY
P&C Banking	213	230	226	(7%)	(6%)
<i>P&C Banking excluding sectoral provision adj. ⁽¹⁾</i>			197		8%
Wealth Management	123	126	103	(2%)	19%
Financial Markets	190	204	171	(7%)	11%
US Specialty Finance & International	63	50	40	26%	58%

(1) Reversal of sectoral allowance of \$40M (\$29M after taxes) in Q2-17

SEGMENT HIGHLIGHTS

- ❑ **P&C BANKING – Net income up 8%**
 - ❑ Good revenue growth in retail and commercial
 - ❑ Continued efficiency improvements
 - ❑ Disciplined pricing and risk management

- ❑ **WEALTH MANAGEMENT – Net income up 19%**
 - ❑ Strong performance in all business lines
 - ❑ Very good cost management
 - ❑ Volume growth and margin increase from higher interest rates

- ❑ **FINANCIAL MARKETS – Net income up 11%**
 - ❑ Consistent performance overtime
 - ❑ Solid growth in trading and lending activities
 - ❑ Attractive opportunities in securities finance

- ❑ **USSFI – Net income up 58%**
 - ❑ Credigy: strong performance across all assets class
 - ❑ ABA Bank: network expansion and volumes up 40% YoY
 - ❑ Extension of moratorium on additional investments in emerging markets until end of 2020

FINANCIAL REVIEW

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



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TRANSFORMATION DRIVING EFFICIENCIES

Excluding specified items
Taxable equivalent basis
(millions of dollars)

Total Bank	Q2 18	Q1 18	Q2 17	YoY
Revenues	1,820	1,868	1,654	10%
Expenses	989	1,020	936	6%
Operating Leverage				4.4%

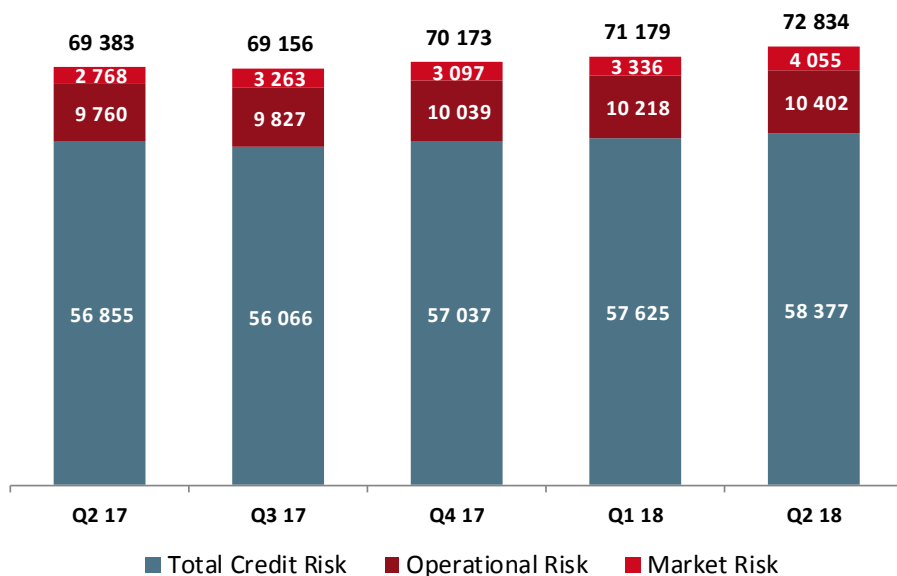
Efficiency Ratio (YTD)	Efficiency Ratio		
	6M 18	6M 17	YoY (bps)
Total Bank	54.5%	56.6%	210
Personal & Commercial	54.4%	56.2%	180
Wealth Management	61.5%	64.6%	310
Financial Markets	39.5%	41.4%	190
US Specialty Finance & International	36.4%	46.3%	990

HIGHLIGHTS

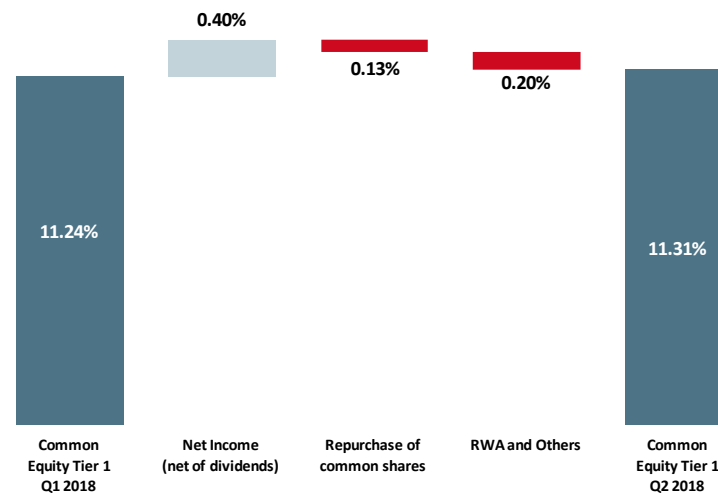
- ❑ Solid cost control
- ❑ Positive operating leverage YoY: +4.4%
 - ❑ P&C: +3%
 - ❑ Wealth Management: +6%
 - ❑ Financial Markets: +3%
- ❑ Efficiency ratio improvement YTD: 210 bps
- ❑ On track to meet P&C efficiency ratio targets of 53% by end of 2018
- ❑ Target operating leverage: close to 2%

STRONG CAPITAL POSITION

TOTAL RISK-WEIGHTED ASSETS UNDER BASEL III



COMMON EQUITY TIER 1 UNDER BASEL III EVOLUTION (QoQ)



HIGHLIGHTS

- ❑ Common Equity Tier 1 ratio at 11.3%
- ❑ Total capital ratio at 16.6%
- ❑ Leverage ratio at 4.0%
- ❑ Liquidity coverage ratio at 137%

RISK MANAGEMENT

William Bonnell

Executive Vice-President, Risk Management



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PROVISION FOR CREDIT LOSSES

IFRS 9

<i>PCL (millions of dollars)</i>	Q2 18		Q1 18	Q2 17*
	Total	Stage 3	Total	
Personal	45	41	44	38
Commercial	13	6	13	8
Wealth Management	-	-	1	-
Credigy	28	30	26	9
ABA Bank	3	1	3	1
Financial Markets	2	-	-	-
Total Provisions	91	78	87	56

IFRS 9

<i>PCL (bps)</i>	Q2 18		Q1 18	Q2 17*
	Total	Stage 3	Total	
Personal	28	26	26	24
Commercial	16	8	16	11
Wealth Management	-	-	3	-
Credigy	186	199	167	80
ABA Bank	63	14	92	-
Financial Markets	3	-	-	-
Total Provisions	27	23	25	18

HIGHLIGHTS

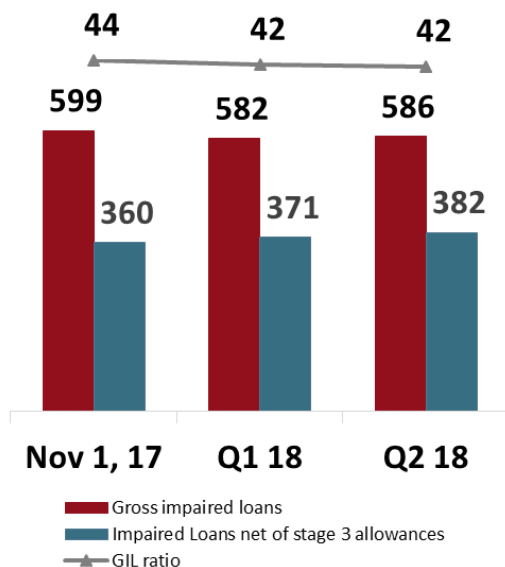
- Provisions on impaired loans of 23bps (\$78 million):
 - Up \$22 million YoY, driven by increase in Credigy (\$21 million) due to portfolio growth and seasoning
 - Excluding Credigy, PCLs on impaired loans were stable at 15bps
- Total provisions for credit losses of \$91 million (27bps):
 - Increased 2bps QoQ, due in part to seasonal impacts in personal banking
- Credigy's portfolio performance continues to meet expectations. Following a peak in the first half, provisions are expected to decline through the second half of the year
- Credit conditions remain benign and we maintain target range of 20-30bps for 2018

* Excluding changes in the sectoral provision and the increase of the collective allowance.

IMPAIRED LOANS AND BA'S⁽¹⁾ AND FORMATION

(millions of dollars)

IMPAIRED LOANS AND BA'S



IMPAIRED LOANS AND BA'S FORMATION⁽²⁾

(millions of dollars)	IFRS 9		
	Q2 18	Q1 18	Q2 17
Personal	36	48	18
Commercial	30	8	14
Financial Markets	-	-	-
Wealth Management	2	2	1
Credigy	20	27	-
ABA Bank	-	4	2
Total	88	89	35

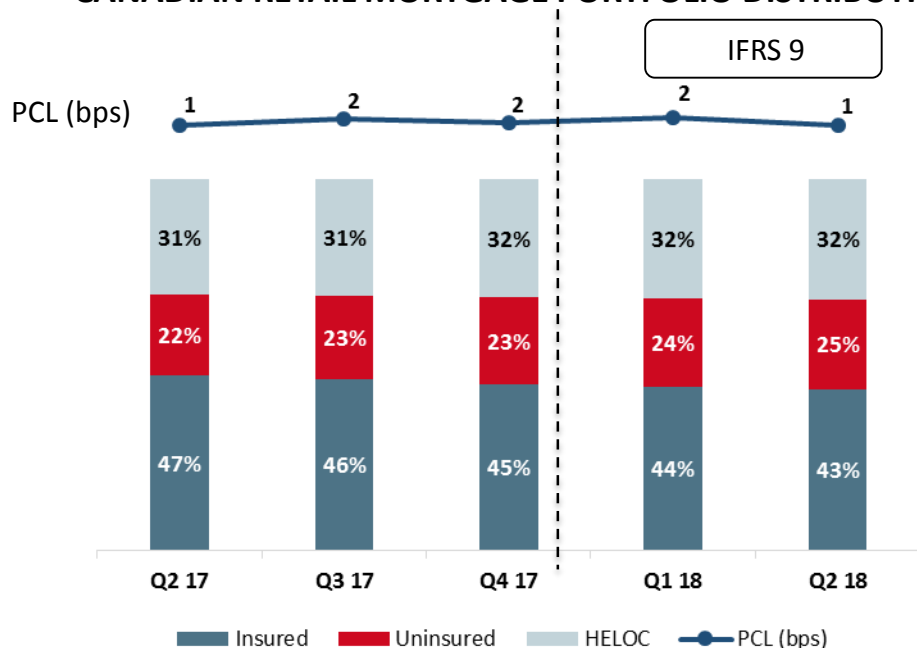
HIGHLIGHTS

- ❑ GIL ratio of 42bps, stable QoQ
- ❑ Lower formations in Credigy and Personal partially offset by higher formations in Commercial
- ❑ The small increase in Commercial GIL due to new impairments in a few small files, partially offset by lower GIL in O&G

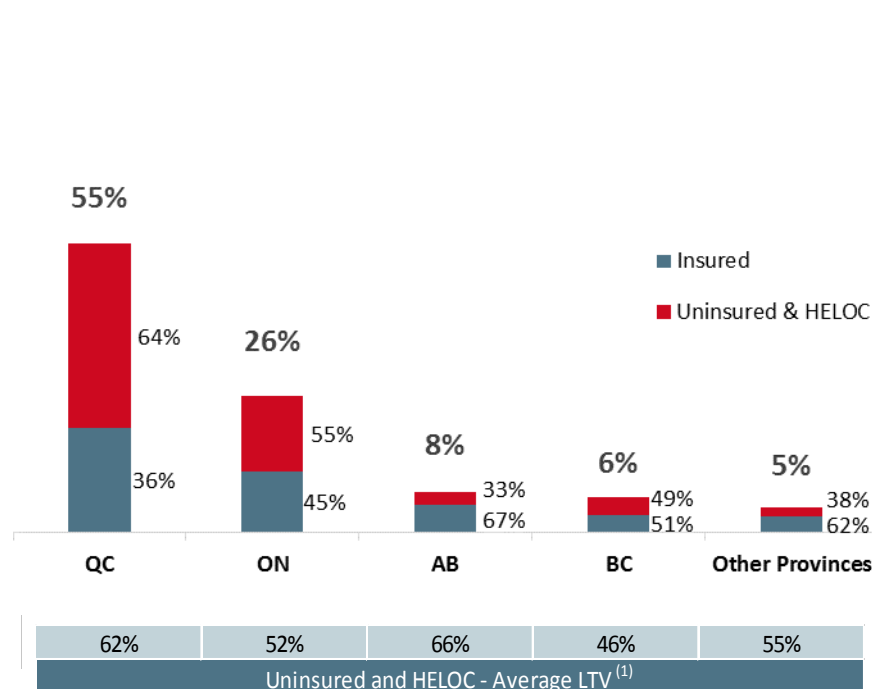
- (1) Under IFRS 9, impaired loans are all loans classified in stage 3 of the expected credit loss model. Those loans do not take into account purchased or originated credit-impaired loans. During the second quarter of 2018, upon refinement of the impaired loans identification process, certain loans classified in Stage 1 and 2 as at November 1, 2017 and as at January 31, 2018, were reclassified in Stage 3.
- (2) Formations include new accounts, disbursements, principal repayments, and exchange rate fluctuation and exclude write-offs.

RETAIL MORTGAGE AND HELOC PORTFOLIO

CANADIAN RETAIL MORTGAGE PORTFOLIO DISTRIBUTION



DISTRIBUTION BY CANADIAN PROVINCE



⁽¹⁾ Average LTV are updated using Teranet-National Bank sub-indices by area and property type.

HIGHLIGHTS

- ❑ Distribution across product and geography remained stable. Insured mortgages account for 43% of the total.
- ❑ The average LTV⁽¹⁾ on the uninsured mortgages and HELOC portfolio was approximately 59%
- ❑ Uninsured mortgages and HELOC in GTA and GVA represent 9% and 2% of the total portfolio and have an average LTV⁽¹⁾ of 50% and 44% respectively.

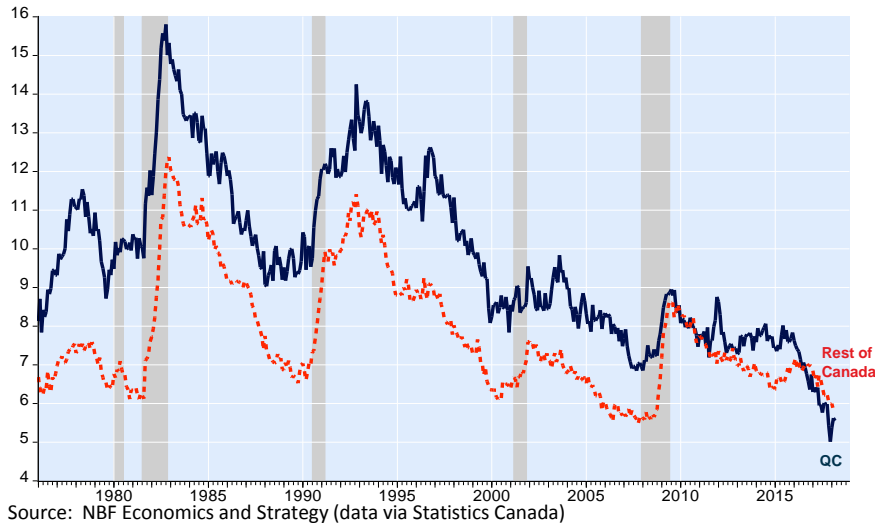
APPENDIX



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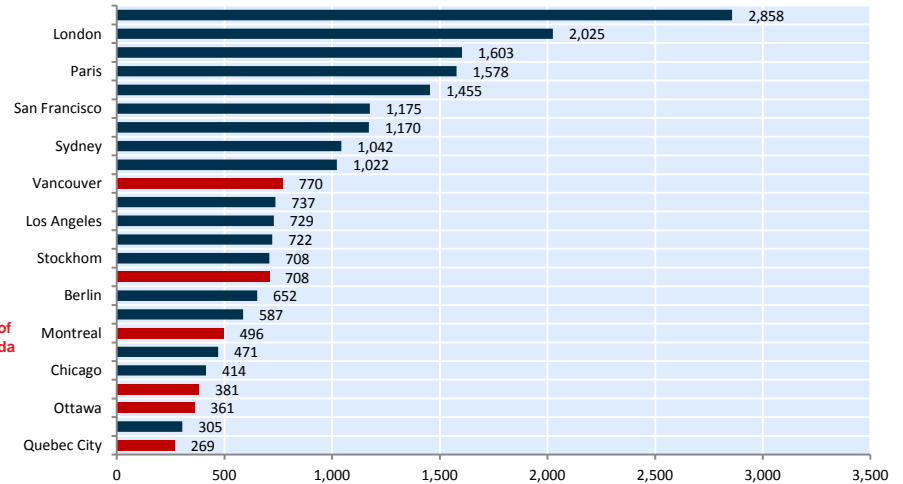
APPENDIX 1 | Strong Fundamentals In Québec Economy

QUÉBEC: JOBLESS RATE STANDS AT 5.6% IN APRIL 2018



WORLD: HOME PRICES DO NOT SEEM EXTREME IN CANADA

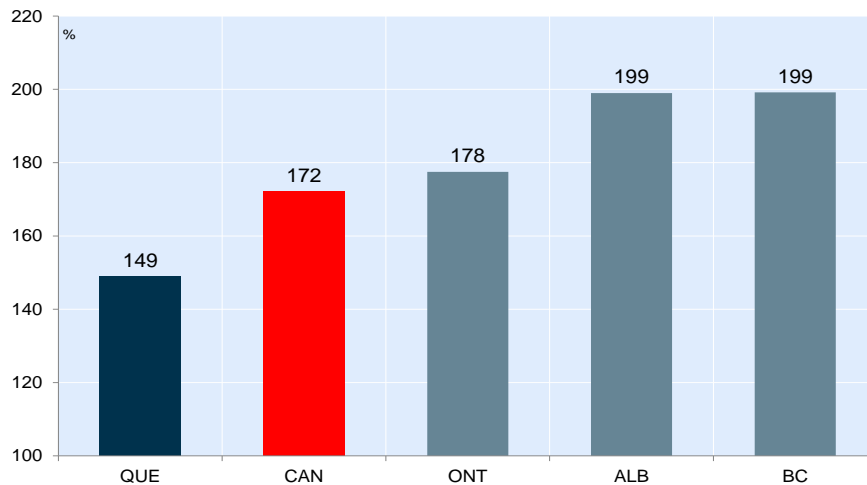
Price per square feet in USD for downtown living* (May 2018)



* For a 645 sq.ft. apartment / Source: NBF Economics and Strategy (as of May 14, 2018)

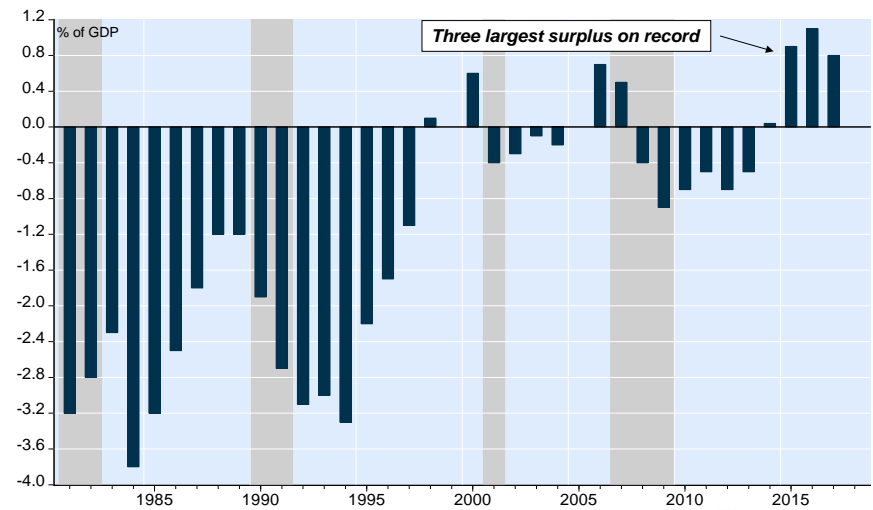
QUEBEC: HOUSEHOLD LEVERAGE REMAINS BELOW NATIONAL AVERAGE

Household debt as a % of disposable income, 2016 (Data does not include NPISH)



Source: NBF Economics and Strategy (data via Statistics Canada)

QUEBEC HAS SOUND PUBLIC FINANCES



Source: NBF Economics and Strategy (data via Statistics Canada)



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APPENDIX 2 | PERFORMANCE SHAPSHOT – YTD 2018

ADJUSTED ⁽¹⁾	6M 18	6M 17	YoY
Revenues ⁽²⁾	3,688	3,361	10%
Expenses	2,009	1,901	6%
Net Income	1,107	994	11%
Diluted EPS	\$2.93	\$2.65	11%
ROE	18.8%	18.4%	

REPORTED	6M 18	6M 17	YoY
Specified Items	(10)	(13)	
Net Income	1,097	981	12%
Diluted EPS	\$2.90	\$2.62	11%
ROE	18.6%	18.1%	

(1) Excluding specified items (see Appendix 12)

(2) Taxable equivalent basis

HIGHLIGHTS

- ❑ Adjusted diluted EPS of \$2.93, up 11% YoY
- ❑ Adjusted revenues up 10% YoY
- ❑ Expenses up 6% YoY
- ❑ Adjusted net income of \$1,107 million, up 11% YoY

APPENDIX 3 | PERSONAL AND COMMERCIAL BANKING

<i>(millions of dollars)</i>	Q2 18	Q1 18	Q2 17	QoQ	YoY
Revenues	777	799	732	(3%)	6%
Personal	484	504	463	(4%)	5%
Commercial	293	295	269	(1%)	9%
Operating Expenses	429	428	417	-	3%
Pre-provisions / Pre-tax	348	371	315	(6%)	10%
Provisions for Credit Losses	58	57	6	2%	867%
Provisions for Credit Losses excluding sectoral provision	58	57	46	2%	26%
Income Before Taxes	290	314	309	(9%)	(6%)
Net Income	213	230	226	(7%)	(6%)
Net Income excluding sectoral provision adj. ⁽²⁾	213	230	197	(7%)	8%
Key Metrics (millions of dollars)	Q2 18	Q1 18	Q2 17	QoQ	YoY
Loans & BAs - Personal (avg vol.)	66,327	66,165	64,094	-	3%
Loans & BAs - Commercial (avg vol.)	33,356	32,305	31,471	3%	6%
Loans & BAs - Total (avg vol.)	99,683	98,470	95,565	1%	4%
Deposits (avg vol.)	56,333	56,194	53,580	-	5%
Efficiency Ratio (%)	55.2%	53.6%	57.0%		

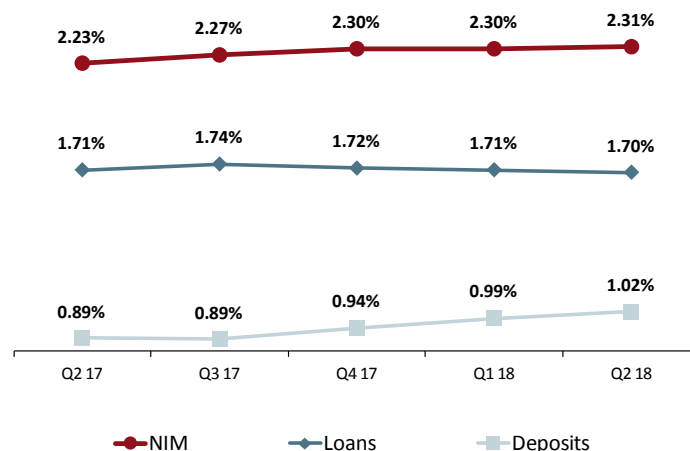
(1) NIM is on Earning Assets

(2) Reversal of sectoral allowance of \$40M (\$29M after taxes) in Q2-17

HIGHLIGHTS

- Net income up 8% YoY due to good revenue growth, and good cost control
- Good loan and deposit volume growth
- NIM up 1 bp QoQ and 8 bps YoY
- Operating leverage at 3%
- Efficiency ratio improved by 180 bps YoY

P&C MARGINS EVOLUTION ⁽¹⁾



APPENDIX 4 | WEALTH MANAGEMENT⁽¹⁾

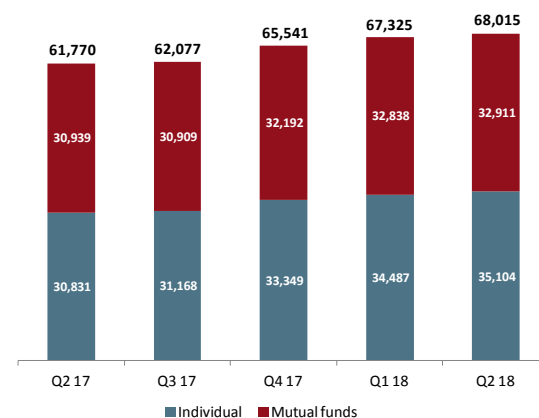
<i>(millions of dollars)</i>	Q2 18	Q1 18	Q2 17	QoQ	YoY
Revenues	433	444	395	(2%)	10%
Fee-based	243	247	222	(2%)	9%
Transaction & Others	65	73	71	(11%)	(8%)
Net Interest Income	125	124	102	1%	23%
Operating Expenses	266	273	256	(3%)	4%
Provision for Credit Losses	-	1	-	-	-
Net Income	123	126	103	(2%)	19%
<i>Key Metrics (billions of dollars)</i>	Q2 18	Q1 18	Q2 17	QoQ	YoY
Loans & BAs (avg vol.)	10.9	10.6	9.7	3%	12%
Deposits (avg vol.)	31.4	31.3	32.0	0%	(2%)
Asset Under Administration	427	428	364	(0%)	17%
Asset Under Management	68	67	62	1%	10%
Efficiency Ratio (%)	61.4%	61.5%	64.8%		

(1) Excluding specified items

HIGHLIGHTS

- Net income up 19% driven by all business lines and strong operating leverage
- Fee-based revenues growth driven by sales momentum in all business lines
- NII growth driven by interest rate increase and higher loan volumes
- Efficiency ratio of 61.4%, an improvement of 340 bps
- AUA and AUM up 17% and 10% due to strong sales momentum and the onboarding of an important client at NBIN in Q4 of last year

ASSETS UNDER MANAGEMENT (\$M)



APPENDIX 5 | FINANCIAL MARKETS

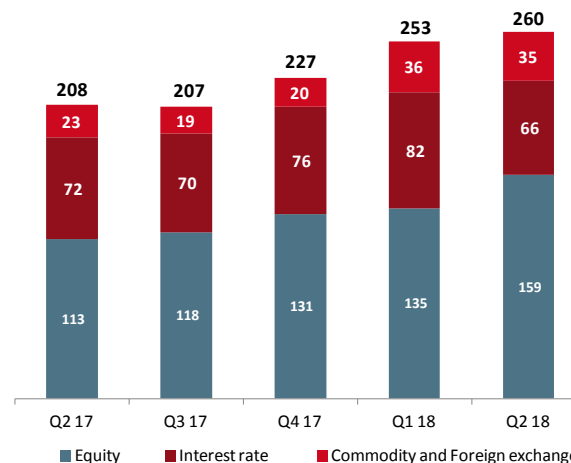
<i>(millions of dollars)</i>	Q2 18	Q1 18	Q2 17	QoQ	YoY
Revenues	437	454	400	(4%)	9%
Trading	260	253	208	3%	25%
Banking Services	94	85	78	11%	21%
Financial Market Fees	69	90	77	(23%)	(10%)
Gains on Investments	7	18	30	(61%)	(77%)
Other	7	8	7	(13%)	-
Operating Expenses	176	176	166	0%	6%
Provision for Credit Losses	2	-	-	-	-
Net Income	190	204	171	(7%)	11%

<i>Other Metrics (millions of dollars)</i>	Q2 18	Q1 18	Q2 17	QoQ	YoY
Proprietary Trading	-	-	-	-	-
Loans & BAs (avg vol.) Corporate banking	14,756	14,025	12,546	5%	18%
Efficiency Ratio (%)	40.3%	38.8%	41.5%		

HIGHLIGHTS

- ❑ Net income up 11%, our second highest quarter after Q1-18
- ❑ Strong trading revenues mainly driven by attractive opportunities in Securities Finance and volatility
- ❑ Strong momentum in Corporate lending and market share gain in ECM

TRADING REVENUES (\$M)



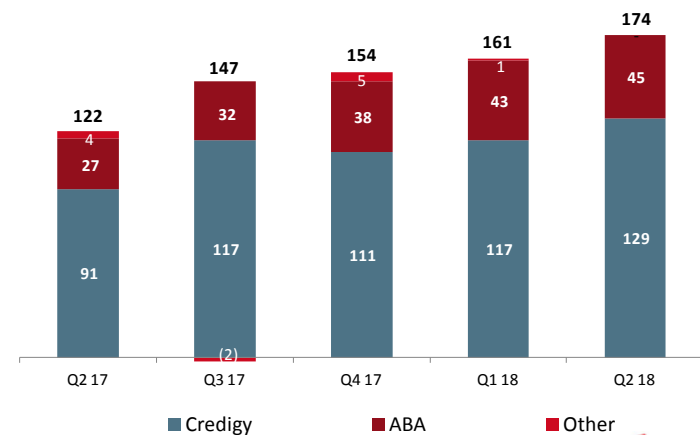
APPENDIX 6 | US SPECIALTY FINANCE & INTERNATIONAL

<i>(millions of dollars)</i>	Q2 18	Q1 18	Q2 17	QoQ	YoY
Revenues	174	161	122	8%	43%
Credigy	129	117	91	10%	42%
ABA	45	43	27	5%	67%
Other	-	1	4	-	-
Operating Expenses	62	60	55	3%	13%
Credigy	39	39	39	-	-
ABA	22	20	14	10%	57%
Other	1	1	2	-	(50%)
Provision for Credit Losses	31	29	10	7%	-
Credigy	28	26	9	8%	-
ABA	3	3	1	-	-
Net Income	63	50	40	26%	58%
Credigy	48	34	28	41%	71%
ABA	16	16	10	-	60%
Other	(1)	-	2	-	-
Other Metrics (millions of dollars)	Q2 18	Q1 18	Q2 17	QoQ	YoY
Loans & Receivables and revenue bearing assets (avg vol.) Credigy	6,160	6,243	4,689	(1%)	31%
Loans (avg vol.) ABA	1,706	1,487	1,131	15%	51%
Deposits (avg vol.) ABA	1,795	1,532	1,225	17%	47%
Efficiency Ratio (%)	35.6%	37.3%	45.1%		

HIGHLIGHTS

- ❑ Credigy's revenues up 42% due to:
 - ❑ Strong asset growth since Q2-17
- ❑ Higher PCLs in line with expectations
- ❑ ABA's revenues up 67% due to strong loan and deposit volume growth.
- ❑ Moratorium on significant investments in emerging markets extended until the end of 2020

QUARTERLY REVENUES (\$M)



APPENDIX 7 | LOAN PORTFOLIO OVERVIEW

<i>(billions of dollars)</i>	Q2 18	% of Total
Secured - Mortgage & HELOC	67.8	48%
Secured - Other ⁽²⁾	8.8	7%
Unsecured	5.5	4%
Credit Cards	2.0	1%
Total Retail	84.1	60%

<i>(billions of dollars)</i>	Q2 18	% of Total
Real Estate	9.6	7%
Agriculture	5.4	4%
Retail & Wholesale Trade	5.3	4%
Manufacturing	4.9	3%
Other Services	4.8	3%
Oil & Gas	2.3	2%
Other ⁽¹⁾	22.6	16%
Total Wholesale	54.9	39%
Purchased or originated credit-impaired	1.5	1%
Total Gross Loans and Acceptances	140.5	100%

HIGHLIGHTS

- ❑ Secured lending accounts for 91% of Retail loans
- ❑ Modest exposure to unsecured consumer lending (5% of total loans)
- ❑ Wholesale portfolio is well-diversified across industries

⁽¹⁾ Includes Mining, Finance & Insurance, Utilities, Transportation, Prof. Services, Construction, Communication, Government and Education & Health Care

⁽²⁾ Includes indirect lending and other lending secured by assets other than real estate.

APPENDIX 8 | REGIONAL DISTRIBUTION OF CANADIAN LOANS

As at April 30, 2018

REGION	RETAIL			WHOLESALE			TOTAL
	Secured Mortgages & HELOC	Secured Others	Unsecured and Credit Card	Oil & Gas Sector	Commercial	Corporate Banking and Other ⁽¹⁾	
Quebec	27.6%	3.6%	3.7%	0.0%	18.1%	4.4%	57.4%
Ontario	13.0%	1.4%	0.6%	0.1%	3.7%	5.0%	23.8%
Oil Regions (AL/SK/NL)	4.8%	0.5%	0.2%	1.7%	0.9%	1.4%	9.5%
BC / MB	3.8%	0.6%	0.1%	0.0%	1.0%	1.0%	6.5%
Maritimes (NB/NS/PE) and Territories	1.1%	0.4%	0.2%	0.0%	0.6%	0.5%	2.8%

⁽¹⁾ Includes Corporate, Other FM and Government portfolios

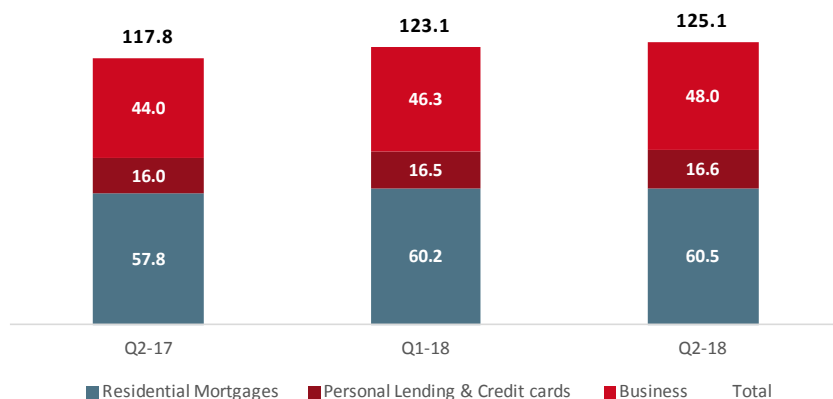
HIGHLIGHTS

- ❑ Limited real estate secured lending exposure in regions with high home price growth
- ❑ Modest unsecured consumer exposure outside Quebec (1.1% of total loans)

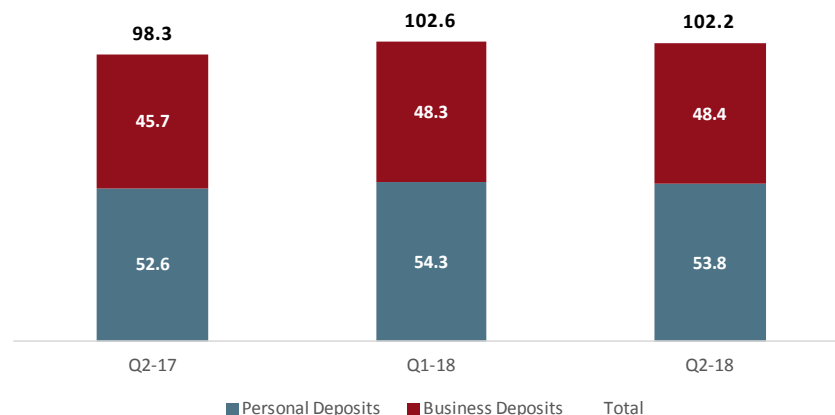
APPENDIX 9 | LOAN AND DEPOSIT GROWTH

(billions of dollars)

AVERAGE NET LOANS AND BAs - CANADA



AVERAGE DEPOSITS - CANADA

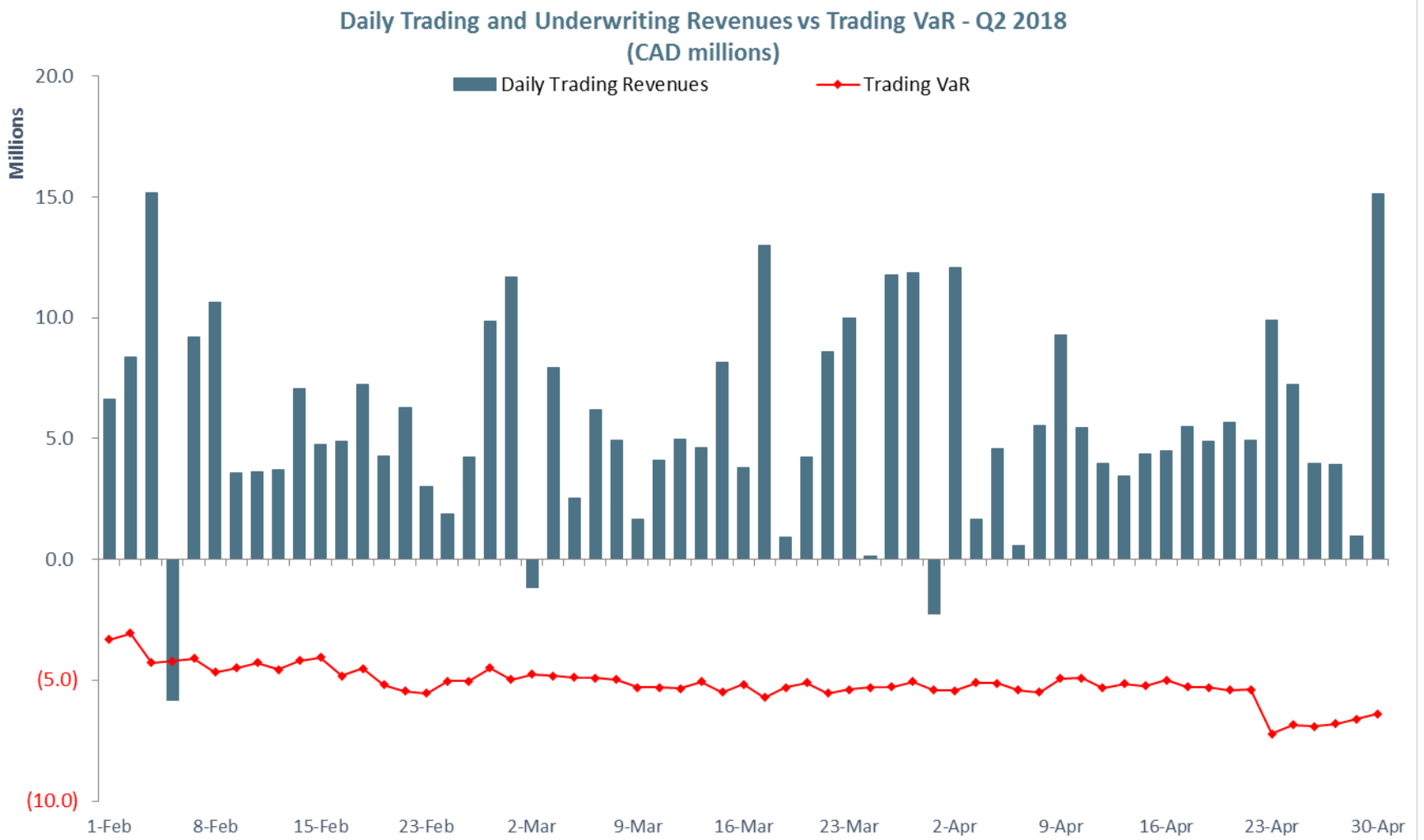


Loan and BA's growth	QoQ	YoY
Residential Mortgages (1)	0.5%	4.8%
Personal Lending & Credit cards (1)	0.5%	3.7%
Business (2)	3.5%	9.0%
Total	1.7%	6.2%

Deposits growth	QoQ	YoY
Personal Deposits	-0.9%	2.3%
Business Deposits	0.1%	5.9%
Total	-0.4%	4.0%

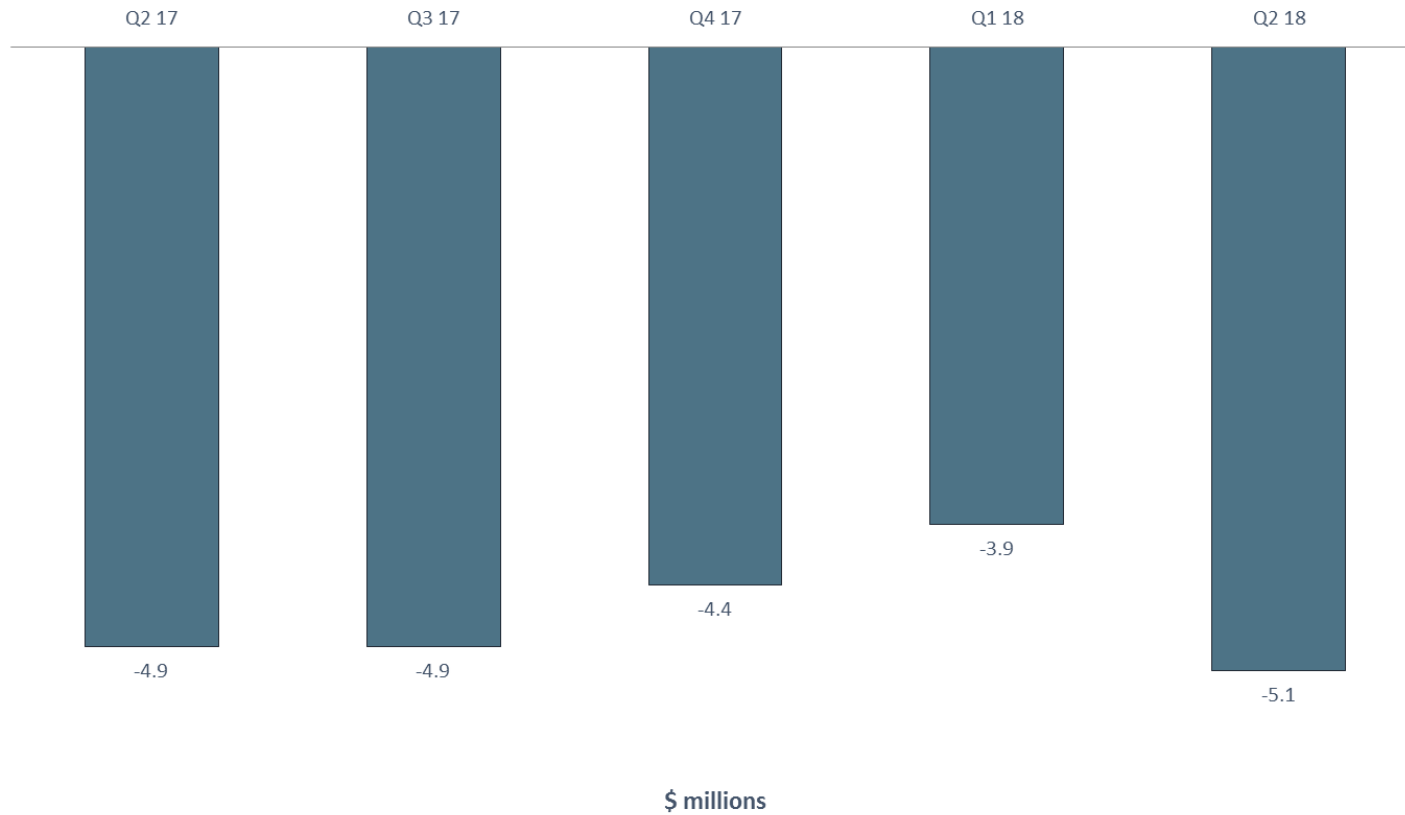
- (1) Personal + Wealth management (Personal)
 (2) Commercial + Corporate Banking + Wealth management (Commercial)

APPENDIX 10 | DAILY TRADING and UNDERWRITING REVENUES vs VAR



APPENDIX 11 | VaR TREND

Trading VaR Quarterly Average



APPENDIX 12 | DETAIL OF SPECIFIED ITEMS

<i>(millions of dollars)</i>	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
Wealth Management acquisitions	(7)	(8)	(7)	(7)	(5)
Items related to TMX	(2)	-	-		
Income Before Income Taxes	(9)	(8)	(7)	(7)	(5)
Income Taxes	1	2	1	1	1
Net Income	(8)	(6)	(6)	(6)	(4)
EPS Impact	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)



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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