

National Bank reports its results for the Third Quarter of 2022

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the quarter and nine-month period ended July 31, 2022 and is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). All amounts are presented in Canadian dollars.

MONTREAL, August 24, 2022 – For the third quarter of 2022, National Bank is reporting net income of \$826 million, down 2% from \$839 million in the third quarter of 2021. Third-quarter diluted earnings per share stood at \$2.35 compared to \$2.36 in the third quarter of 2021. Solid performance in all of the business segments was partly offset by higher provisions for credit losses recorded to reflect a less favourable macroeconomic outlook in the third quarter of 2022, whereas, in the third quarter of 2021, reversals of allowances for credit losses had been recorded to reflect a more favourable macroeconomic outlook. Income before provisions for credit losses and income taxes totalled \$1,107 million in the third quarter of 2022 compared to \$1,038 million in the third quarter of 2021, a 7% increase arising from total revenue growth in all of the business segments.

For the nine-month period ended July 31, 2022, the Bank's net income totalled \$2,651 million, up 10% from \$2,401 million in the same period of 2021, while nine-month diluted earnings per share stood at \$7.55 compared to \$6.77 in the same period last year. Excellent performance in all of the business segments, driven by revenue growth, contributed to these increases in nine-month net income and diluted earnings per share, even though there were higher provisions for credit losses. Also for the nine-month period, income before provisions for credit losses and income taxes totalled \$3,442 million, a 10% year-over-year increase driven by the revenue growth in all of the business segments.

“The Bank's excellent results in the third quarter of fiscal 2022 were driven by strong growth in each of the business segments. Sustained loan and deposit growth contributed to the Bank's performance this quarter,” said Laurent Ferreira, President and Chief Executive Officer of National Bank of Canada. “We continue to operate in an increasingly complex backdrop. Despite these challenges, the Bank is in a solid position with strong capital levels and substantial allowances for credit losses, which, along with our prudent positioning, gives us comfort in the current environment,” added Mr. Ferreira.

Highlights

(millions of Canadian dollars)	Quarter ended July 31			Nine months ended July 31		
	2022	2021	% Change	2022	2021	% Change
Net income	826	839	(2)	2,651	2,401	10
Diluted earnings per share (<i>dollars</i>)	\$ 2.35	\$ 2.36	–	\$ 7.55	\$ 6.77	12
Income before provisions for credit losses and income taxes	1,107	1,038	7	3,442	3,121	10
Return on common shareholders' equity ⁽¹⁾	17.7 %	21.3 %		20.0 %	21.5 %	
Dividend payout ratio ⁽¹⁾	34.2 %	34.6 %		34.2 %	34.6 %	
				As at July 31, 2022	As at October 31, 2021	
CET1 capital ratio under Basel III ⁽²⁾				12.8 %	12.4 %	
Leverage ratio under Basel III ⁽²⁾				4.4 %	4.4 %	

(1) For details on the composition of these measures, see the Glossary section on pages 45 to 48 in the *Report to Shareholders – Third Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(2) For additional information on capital management measures, see the Financial Reporting Method section on pages 4 to 6 in the *Report to Shareholders – Third Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Personal and Commercial

- Net income totalled \$335 million in the third quarter of 2022 versus \$303 million in the third quarter of 2021, an 11% increase that was driven by growth in total revenues, partly offset by higher provisions for credit losses.
- Income before provisions for credit losses and income taxes totalled \$505 million in the third quarter of 2022, up 18% from \$429 million in the third quarter of 2021.
- At \$1,043 million, third-quarter total revenues were up \$121 million or 13% year over year due to an increase in net interest income (driven by growth in loan and deposit volumes), to a higher net interest margin, and to an increase in non-interest income.
- Compared to a year ago, personal lending grew 8% and commercial lending grew 17%.
- The net interest margin⁽¹⁾ stood at 2.17% in the third quarter of 2022, up from 2.09% in the third quarter of 2021.
- Third-quarter non-interest expenses stood at \$538 million, a 9% year-over-year increase.
- Third-quarter provisions for credit losses were \$32 million higher than those of third-quarter 2021, mainly because higher allowances for credit losses on non-impaired loans were recorded to reflect a less favourable macroeconomic outlook, whereas, in the third quarter of 2021, a more favourable macroeconomic outlook had led to reversals of allowances for credit losses on non-impaired loans.
- At 51.6%, the third-quarter efficiency ratio⁽¹⁾ improved from 53.5% in third-quarter 2021.

Wealth Management

- Net income totalled \$181 million in the third quarter of 2022, a 10% increase from \$164 million in the third quarter of 2021.
- Third-quarter total revenues amounted to \$591 million compared to \$546 million in third-quarter 2021, a \$45 million or 8% increase driven mainly by growth in net interest income.
- Third-quarter non-interest expenses stood at \$344 million compared to \$323 million in the third quarter of 2021, a 7% increase associated with revenue growth.
- At 58.2%, the third-quarter efficiency ratio⁽¹⁾ improved from 59.2% in the third quarter of 2021.

Financial Markets

- Net income totalled \$280 million in the third quarter of 2022 versus \$249 million in the third quarter of 2021, a 12% increase that was driven by higher total revenues.
- Third-quarter total revenues on a taxable equivalent basis amounted to \$611 million, a \$74 million or 14% year-over-year increase attributable to global markets revenues.
- Third-quarter non-interest expenses stood at \$253 million compared to \$224 million in third-quarter 2021, an increase that was partly attributable to compensation and employee benefits as well as to technology investment expenses.
- Recoveries of credit losses of \$23 million were recorded in the third quarter of 2022, essentially recoveries on impaired loans, compared to credit loss recoveries of \$25 million recorded in the third quarter of 2021, as allowances for credit losses on non-impaired loans had been reversed to reflect a more favourable macroeconomic outlook at that time.
- At 41.4%, the third-quarter efficiency ratio⁽¹⁾ on a taxable equivalent basis improved from 41.7% in the third quarter of 2021.

U.S. Specialty Finance and International

- Net income totalled \$125 million in the third quarter of 2022 versus \$161 million in the third quarter of 2021, a 22% decrease attributable mainly to higher provisions for credit losses.
- Third-quarter total revenues amounted to \$273 million, a 10% year-over-year increase driven by revenue growth at the ABA Bank subsidiary.
- Third-quarter non-interest expenses stood at \$86 million, a 9% year-over-year increase attributable to business growth at ABA Bank.
- At 31.5%, the third-quarter efficiency ratio⁽¹⁾ improved from 31.9% in the third quarter of 2021.

Other

- There was a net loss of \$95 million in the third quarter of 2022 compared to a \$38 million net loss in the third quarter of 2021, a change arising mainly from a decrease in total revenues associated with a lower contribution from treasury activities.

Capital Management

- As at July 31, 2022, the Common Equity Tier 1 (CET1) capital ratio under Basel III⁽²⁾ stood at 12.8%, up from 12.4% as at October 31, 2021.
- As at July 31, 2022, the Basel III leverage ratio⁽²⁾ was 4.4%, unchanged from October 31, 2021.

Dividends

- On August 23, 2022, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 92 cents per common share, payable on November 1, 2022 to shareholders of record on September 26, 2022.

(1) For details on the composition of these measures, see the Glossary section on pages 45 to 48 in the *Report to Shareholders – Third Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(2) For additional information on capital management measures, see the Financial Reporting Method section on pages 4 to 6 in the *Report to Shareholders – Third Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Financial Reporting Method

The Bank's consolidated financial statements are prepared in accordance with IFRS, as issued by the IASB. The financial statements also comply with section 308(4) of the Bank Act (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the consolidated financial statements are to be prepared in accordance with IFRS, which represent Canadian GAAP. None of the OSFI accounting requirements are exceptions to IFRS.

The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the fiscal year beginning November 1, 2021. This presentation reflects the fact that the loan portfolio comprising borrowers in the "Oil and gas" and "Pipelines" sectors as well as related activities, which had previously been reported in the Personal and Commercial segment, is now reported in the Financial Markets segment. The Bank made this change to better align the monitoring of its activities with its management structure.

Non-GAAP and Other Financial Measures

The Bank uses a number of financial measures when assessing its results and measuring overall performance. Some of these financial measures are not calculated in accordance with GAAP. *Regulation 52-112 Respecting Non-GAAP and Other Financial Measures Disclosure* (Regulation 52-112) prescribes disclosure requirements that apply to the following measures used by the Bank:

- non-GAAP financial measures;
- non-GAAP ratios;
- supplementary financial measures;
- capital management measures.

Non-GAAP Financial Measures

The Bank uses non-GAAP financial measures that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. Presenting non-GAAP financial measures helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Bank's operations. In addition, like many other financial institutions, the Bank uses the taxable equivalent basis to calculate net interest income, non-interest income, and income taxes. This calculation method consists of grossing up certain tax-exempt income (particularly dividends) by the income tax that would have been otherwise payable. An equivalent amount is added to income taxes. This adjustment is necessary in order to perform a uniform comparison of the return on different assets regardless of their tax treatment.

For additional information on non-GAAP financial measures, on non-GAAP ratios, on supplementary financial measures, and on capital management measures, see the Financial Reporting Method section and the Glossary section, on pages 4 to 6 and 45 to 48, respectively, in the *Report to Shareholders – Third Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Reconciliation of Non-GAAP Financial Measures

Presentation of Results – Adjusted

(millions of Canadian dollars)

Quarter ended July 31

						2022	2021
	Personal and Commercial	Wealth Management	Financial Markets	USSF&I	Other	Total	Total
Net interest income	741	161	333	266	(82)	1,419	1,230
Taxable equivalent	–	–	59	–	1	60	46
Net interest income – Adjusted	741	161	392	266	(81)	1,479	1,276
Non-interest income	302	430	208	7	47	994	1,024
Taxable equivalent	–	–	11	–	–	11	1
Non-interest income – Adjusted	302	430	219	7	47	1,005	1,025
Total revenues – Adjusted	1,043	591	611	273	(34)	2,484	2,301
Non-interest expenses	538	344	253	86	85	1,306	1,216
Income before provisions for credit losses and income taxes – Adjusted	505	247	358	187	(119)	1,178	1,085
Provisions for credit losses	49	1	(23)	29	1	57	(43)
Income before income taxes – Adjusted	456	246	381	158	(120)	1,121	1,128
Income taxes	121	65	31	33	(26)	224	242
Taxable equivalent	–	–	70	–	1	71	47
Income taxes – Adjusted	121	65	101	33	(25)	295	289
Net income	335	181	280	125	(95)	826	839
Non-controlling interests	–	–	–	–	–	–	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	335	181	280	125	(95)	826	839

(millions of Canadian dollars)

Nine months ended July 31

						2022	2021
	Personal and Commercial	Wealth Management	Financial Markets	USSF&I	Other	Total	Total
Net interest income	2,080	407	980	813	(216)	4,064	3,593
Taxable equivalent	–	–	165	–	4	169	142
Net interest income – Adjusted	2,080	407	1,145	813	(212)	4,233	3,735
Non-interest income	883	1,355	742	30	244	3,254	3,123
Taxable equivalent	–	–	18	–	–	18	6
Non-interest income – Adjusted	883	1,355	760	30	244	3,272	3,129
Total revenues – Adjusted	2,963	1,762	1,905	843	32	7,505	6,864
Non-interest expenses	1,595	1,045	768	254	214	3,876	3,595
Income before provisions for credit losses and income taxes – Adjusted	1,368	717	1,137	589	(182)	3,629	3,269
Provisions for credit losses	55	1	(55)	56	1	58	43
Income before income taxes – Adjusted	1,313	716	1,192	533	(183)	3,571	3,226
Income taxes	348	190	133	108	(46)	733	677
Taxable equivalent	–	–	183	–	4	187	148
Income taxes – Adjusted	348	190	316	108	(42)	920	825
Net income	965	526	876	425	(141)	2,651	2,401
Non-controlling interests	–	–	–	–	(1)	(1)	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	965	526	876	425	(140)	2,652	2,401

Highlights

(millions of Canadian dollars, except per share amounts)

	Quarter ended July 31			Nine months ended July 31		
	2022	2021	% Change	2022	2021	% Change
Operating results						
Total revenues	2,413	2,254	7	7,318	6,716	9
Income before provisions for credit losses and income taxes	1,107	1,038	7	3,442	3,121	10
Net income	826	839	(2)	2,651	2,401	10
Net income attributable to the Bank's shareholders and holders of other equity instruments	826	839	(2)	2,652	2,401	10
Return on common shareholders' equity ⁽¹⁾	17.7 %	21.3 %		20.0 %	21.5 %	
Earnings per share						
Basic	\$ 2.38	\$ 2.39	-	\$ 7.63	\$ 6.84	12
Diluted	2.35	2.36	-	7.55	6.77	12
Operating results – Adjusted⁽²⁾						
Total revenues – Adjusted ⁽²⁾	2,484	2,301	8	7,505	6,864	9
Income before provisions for credit losses and income taxes – Adjusted ⁽²⁾	1,178	1,085	9	3,629	3,269	11
Net income – Adjusted ⁽²⁾	826	839	(2)	2,651	2,401	10
Return on common shareholders' equity – Adjusted ⁽³⁾	17.7 %	21.3 %		20.0 %	21.5 %	
Operating leverage – Adjusted ⁽³⁾	0.6 %	0.7 %		1.5 %	1.9 %	
Efficiency ratio – Adjusted ⁽³⁾	52.6 %	52.8 %		51.6 %	52.4 %	
Earnings per share – Adjusted⁽²⁾						
Basic	\$ 2.38	\$ 2.39	-	\$ 7.63	\$ 6.84	12
Diluted	2.35	2.36	-	7.55	6.77	12
Common share information						
Dividends declared	\$ 0.92	\$ 0.71		\$ 2.66	\$ 2.13	
Book value ⁽¹⁾	54.82	46.00		54.82	46.00	
Share price						
High	97.87	96.97		105.44	96.97	
Low	83.33	89.47		83.33	65.54	
Close	89.85	95.49		89.85	95.49	
Number of common shares (thousands)	336,456	337,587		336,456	337,587	
Market capitalization	30,231	32,236		30,231	32,236	

(millions of Canadian dollars)	As at		% Change
	July 31, 2022	October 31, 2021	
Balance sheet and off-balance-sheet			
Total assets	387,051	355,795	9
Loans and acceptances, net of allowances	200,924	182,689	10
Deposits	257,190	240,938	7
Equity attributable to common shareholders	18,445	16,203	14
Assets under administration ⁽¹⁾	621,126	651,530	(5)
Assets under management ⁽¹⁾	113,904	117,186	(3)
Regulatory ratios under Basel III⁽⁴⁾			
Capital ratios			
Common Equity Tier 1 (CET1)	12.8 %	12.4 %	
Tier 1	15.2 %	15.0 %	
Total	16.8 %	15.9 %	
Leverage ratio			
TLAC ratio ⁽⁴⁾	28.3 %	26.3 %	
TLAC leverage ratio ⁽⁴⁾	8.2 %	7.8 %	
Liquidity coverage ratio (LCR) ⁽⁴⁾	148 %	154 %	
Net stable funding ratio (NSFR) ⁽⁴⁾	119 %	117 %	
Other information			
Number of employees – Worldwide	28,903	26,920	7
Number of branches in Canada	384	384	-
Number of banking machines in Canada	934	927	1

(1) For details on the composition of these measures, see the Glossary section on pages 45 to 48 in the *Report to Shareholders – Third Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(2) See the Financial Reporting Method section on pages 3 and 4 for additional information on non-GAAP financial measures.

(3) For additional information on non-GAAP ratios, see the Financial Reporting Method section on pages 4 to 6 and see the Glossary section on pages 45 to 48 in the *Report to Shareholders – Third Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(4) For additional information on capital management measures, see the Financial Reporting Method section on pages 4 to 6 in the *Report to Shareholders – Third Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Caution Regarding Forward-Looking Statements

Certain statements in this document are forward-looking statements. All such statements are made in accordance with applicable securities legislation in Canada and the United States. Forward-looking statements in this document may include, but are not limited to, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, the Bank's objectives, outlook and priorities for fiscal year 2022 and beyond, the strategies or actions that will be taken to achieve them, expectations about the Bank's financial condition, the regulatory environment in which it operates, the impacts of—and the Bank's response to—the COVID-19 pandemic, and certain risks it faces. These forward-looking statements are typically identified by verbs or words such as “outlook”, “believe”, “foresee”, “forecast”, “anticipate”, “estimate”, “project”, “expect”, “intend” and “plan”, in their future or conditional forms, notably verbs such as “will”, “may”, “should”, “could” or “would” as well as similar terms and expressions. Such forward-looking statements are made for the purpose of assisting the holders of the Bank's securities in understanding the Bank's financial position and results of operations as at and for the periods ended on the dates presented, as well as the Bank's vision, strategic objectives, and financial performance targets, and may not be appropriate for other purposes. These forward-looking statements are based on current expectations, estimates, assumptions and intentions and are subject to uncertainty and inherent risks, many of which are beyond the Bank's control.

Assumptions about the performance of the Canadian and U.S. economies in 2022, including in the context of the COVID-19 pandemic, and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives, including allowances for credit losses. In determining its expectations for economic conditions, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the governments of Canada, the United States, and certain other countries in which the Bank conducts business, as well as their agencies.

Statements about the economy, market changes, and the Bank's objectives, outlook and priorities for fiscal 2022 and thereafter are based on a number of assumptions and are subject to risk factors, many of which are beyond the Bank's control and the impacts of which are difficult to predict. These risk factors include, among others, the general economic environment and financial market conditions in Canada, the United States, and other countries where the Bank operates; exchange rate and interest rate fluctuations; inflation; higher funding costs and greater market volatility; changes made to fiscal, monetary, and other public policies; changes made to regulations that affect the Bank's business; geopolitical and sociopolitical uncertainty; the transition to a low-carbon economy and the Bank's ability to satisfy stakeholder expectations on environmental and social issues; significant changes in consumer behaviour; the housing situation, real estate market, and household indebtedness in Canada; the Bank's ability to achieve its long-term strategies and key short-term priorities; the timely development and launch of new products and services; the Bank's ability to recruit and retain key personnel; technological innovation and heightened competition from established companies and from competitors offering non-traditional services; changes in the performance and creditworthiness of the Bank's clients and counterparties; the Bank's exposure to significant regulatory matters or litigation; changes made to the accounting policies used by the Bank to report financial information, including the uncertainty inherent to assumptions and critical accounting estimates; changes to tax legislation in the countries where the Bank operates, i.e., primarily Canada and the United States; changes made to capital and liquidity guidelines as well as to the presentation and interpretation thereof; changes to the credit ratings assigned to the Bank; potential disruptions to key suppliers of goods and services to the Bank; potential disruptions to the Bank's information technology systems, including evolving cyberattack risk as well as identity theft and theft of personal information; the risk of fraudulent activity; and possible impacts of major events affecting the local and global economies, including international conflicts, natural disasters, and public health crises such as the COVID-19 pandemic.

There is a strong possibility that the Bank's express or implied predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that its assumptions may not be confirmed, and that its vision, strategic objectives and financial performance targets will not be achieved. The Bank recommends that readers not place undue reliance on forward-looking statements, as a number of factors, including the impacts of the COVID-19 pandemic, could cause actual results to differ significantly from the expectations, estimates or intentions expressed in these forward-looking statements. These risk factors include credit risk, market risk, liquidity and funding risks, operational risk, regulatory compliance risk, reputation risk, strategic risk, environmental and social risks, and certain emerging risks or risks deemed significant, all of which are described in greater detail in the Risk Management section beginning on page 69 of the *2021 Annual Report*.

The foregoing list of risk factors is not exhaustive. Additional information about these risk factors is provided in the Risk Management section and in the COVID-19 Pandemic section of the *2021 Annual Report* and in the Risk Management section of the *Report to Shareholders for the Third Quarter of 2022*. 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 Bank cautions investors that these forward-looking statements are not guarantees of future performance and that actual events or results may differ significantly from these statements due to a number of factors.

Disclosure of the Third Quarter 2022 results

Conference Call

- A conference call for analysts and institutional investors will be held on Wednesday, August 24, 2022 at 1:00 p.m. EDT.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 4004812#.
- A recording of the conference call can be heard until September 24, 2022 by dialing 1-800-408-3053 or 905-694-9451. The access code is 5744394#.

Webcast

- The conference call will be webcast live at nbc.ca/investorrelations.
- A recording of the webcast will also be available on National Bank's website after the call.

Financial Documents

- The *Report to Shareholders* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Report to Shareholders*, the *Supplementary Financial Information*, the *Supplementary Regulatory Capital and Pillar 3 Disclosure*, and a slide presentation will be available on the Investor Relations page of National Bank's website on the morning of the day of the conference call.

For more information:

Marie Chantal Gingras
Chief Financial Officer and
Executive Vice-President –
Finance
514-412-2634

Jean Dagenais
Senior Vice-President –
Finance
514-394-6233

Linda Boulanger
Senior Vice-President –
Investor Relations
514-394-0296

Debby Cordeiro
Senior Vice-President –
Communications
and Corporate
Social Responsibility
514-412-0538

