

SPEAKING NOTES - NATIONAL BANK OF CANADA SECOND QUARTER EARNINGS CONFERENCE CALL WEDNESDAY, MAY 27, 2026

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Marianne Ratté – Senior Vice President & Head, Investor Relations

Merci, and welcome, everyone.

We will begin the call with remarks from Laurent Ferreira, President and CEO; Marie Chantal Gingras, CFO; and Jean-Sébastien Grisé, Chief Risk Officer. 22

Our business heads are also present for the Q&A session, including:

- Julie Lévesque, Personal Banking;
- Judith Ménard, Commercial and Private Banking;
- Nancy Paquet, Wealth Management;
- Étienne Dubuc, Capital Markets; and
- Bill Bonnell, International.

Before we begin, please refer to **Slide 2** of our presentation for forward-looking statements and non-GAAP measures. Management will refer to adjusted results, unless otherwise noted. I will now pass the call to Laurent.

Laurent Ferreira, President & CEO

Merci Marianne, and thank you, everyone, for joining us.

In the second quarter, we delivered EPS of \$3.23, up 13% year over year. We generated a return on equity of 16.8%, while maintaining a strong CET1 ratio of 13.54%.

Despite macroeconomic uncertainty, clients remained active throughout the quarter and market conditions were favourable. This was reflected in strong growth in both our balance sheet and our fee-based businesses.

We also benefitted from:

- Credit performance;
- The realization of cost and funding synergies, and momentum in revenue synergies, from CWB;
- As well as share buybacks.

On the capital deployment front, we remain active on our NCIB. To date, we have repurchased 8.8 million shares under our program, which was upsized during Q2 to enable the purchase of up to 14.5 million shares.

Our strong earnings power and capital position also support an increase in our dividend, with today's announcement of an 8-cent, or 6%, increase. This brings the quarterly dividend to \$1.32 per share.

During the quarter, we completed the Syndicated Loan Transaction with Laurentian Bank. And earlier this month, we received clearance from the Competition Bureau for the Retail and SME portfolio transaction, which remains on track to close by year end, subject to remaining regulatory approvals.

We are committed to operating with strong capital levels and continue to target a CET1 ratio converging toward 13% by year end of 2027.

Turning now to our economic outlook. Uncertainty has increased significantly with the war in Iran, which has impacted the global and Canadian economies. We expect the conflict to drive inflation and higher rates as supply chains for critical goods are disrupted and reconfigured. This uncertainty could further impact business investments, which have slowed down over the past couple of years due to tariff-related uncertainty and excessive regulation.

But if we look beyond the near term, Canada is well positioned to benefit from ongoing efforts to:

- Reindustrialize our economy;
- Undertake major projects;
- Make Canada an energy superpower;
- Modernize our defence sector and create champions;
- And invest in Arctic infrastructure to support defence, energy and critical mineral development.

On this, I want to acknowledge the leadership shown by the federal and provincial governments to rebuild Canada's economic sovereignty. Structural changes are required to adjust to the evolving economic and geopolitical landscape, and National Bank will be there to support clients and our country's economic priorities.

Turning now to our business segments.

P&C Banking generated net income growth of 18% year over year driven by strong growth in lending activity and mutual funds, as well as credit performance. Operating leverage was positive in the quarter.

In **Personal Banking**, mortgage volume was up 12% year over year, supported by a resilient housing market and share gains in Quebec. Personal deposits were slightly down sequentially as strong equity markets drove increased client flows into investment solutions and generally higher portfolio levels, contributing to an 8% increase in total personal savings year over year.

In **Commercial Banking**, deposits were up 7% and commercial loans were up 5% year over year. Despite macro uncertainty, clients were active within the National Bank-originated loan portfolio, growing by 11% year over year. The CWB legacy book declined by \$400 million sequentially, primarily driven by Commercial Real Estate. Our outlook for the year on commercial lending remains positive, while acknowledging that the macro context has shifted with the conflict in the Middle East and with heightened uncertainty around the path of inflation and interest rates.

Net income in our **Wealth Management** segment increased 18% year over year to \$277 million, supported by growth across the franchise, including strong fee-based and transaction revenues. Assets under administration grew 14% over the same period to reach nearly \$940 billion, benefiting from resilient equity markets and strong net sales.

Capital Markets generated net income of \$490 million. This notable performance reflects the strength of our business mix and strong execution. Trading conditions were favourable in the quarter. Our performance in Global Markets was primarily driven by strong client activity, including in Equity Structured Products originations, Commodities and Rates hedging transactions, as well as higher market-making volumes more broadly. Record results in Corporate & Investment Banking reflected sustained client activity across M&A, Corporate Banking and ECM, as well as continued investments in our franchise.

Credigy generated net income of \$46 million, up 15% year over year. Average assets were up 10% over the same period and 1% sequentially, as we continue to benefit from recurring flows from established partnerships. We remain highly disciplined in pursuing new deals given the prevailing competitive market dynamics and pricing conditions.

At **ABA Bank**, net income increased 10% year over year, reflecting balance sheet growth and lower PCLs, partly offset by a higher efficiency ratio. Loans were up 12% year on year, while deposits grew 15% over the same period.

I will now pass the call to Marie Chantal.

Marie Chantal Gingras, CFO & EVP, Finance

Thank you, Laurent, and good morning, everyone.

We delivered strong results in the second quarter. Revenues increased 7% year over year, driven by solid performance across our segments and strong balance sheet growth. PTPP grew 5% and our businesses generated an all-bank efficiency ratio of 50.4%.

Expenses increased 9.5% year over year. Of note, Q2 2026 included 15 million dollars of litigation expenses and Q2 2025 reflected a 22 million dollar reversal of a property tax provision. Excluding these two items, expense growth was 7.4%, in line with revenue growth.

For the second half of the year, we anticipate expense growth to moderate toward the low single-digit range, positioning us to deliver positive operating leverage.

Moving to **Slide 8**, Net interest income, excluding trading grew 7% year over year. Sequentially, it was down about 5%, with fewer days in the quarter accounting for over two third of the decline. Additionally, balance sheet growth was offset by Credigy prepayment revenue of approximately 12 million dollars recorded in Q1, and higher Treasury NII in the prior quarter.

NIM in Q2 was 2.16%, down 8 basis points quarter over quarter. NII from Treasury was lower sequentially, representing 4 basis points, largely offset by non-interest income performance. It also reflected higher prepayment activity last quarter, as well as a one basis point decline in P&C NIM, as loan growth outpaced deposit growth.

Looking at next quarter, we expect the P&C NIM to be slightly down from Q2 levels. Deposit margin expansion is expected to be offset by commercial deposit mix. As for the All-Bank NIM, we expect it should remain relatively stable next quarter.

Turning to **Slide 9**. We continued to grow both sides of the balance sheet. Loans increased 9% year over year and 3% quarter over quarter including the addition of the Laurentian Bank Syndicated Loans of 657 million dollars.

Deposits increased by 9 billion dollars or 3% sequentially. Personal demand deposits grew 1.6 billion dollars or 2%, mainly driven by Wealth Management. Furthermore, our customers' appetite for investment solutions has been strong given the favorable market performance that continued in Q2 and resulted in solid growth. Non-retail deposits grew 7.5 billion dollars or 4% quarter over quarter, mainly driven by Commercial Banking and Corporate & Investment Banking.

Now moving to capital on **Slide 10**. We ended the quarter with a strong CET1 ratio of 13.54%, supported by capital generation of 41 basis points. RWA growth consumed 38 basis points of capital. Credit risk of 25 basis points, primarily reflected balance sheet growth, with 5 basis points from the acquisition of the Laurentian Bank syndicated loan portfolio. Market risk, mainly driven by business growth, consumed 9 basis points of capital. Share buybacks during the quarter reduced the CET1 ratio by 32 basis points. Since the launch of our current NCIB, we have repurchased 8.8 million shares, representing approximately 60% of the program.

Now turning to **Slide 11**. We are making solid progress on realizing synergies from the acquisition of CWB. So far, we have realized 215 million dollars of cost and funding synergies, and we are on track to reach 270 million dollars by the end of fiscal 2026. Moreover, we are increasing our cost and funding synergies target to \$300 million dollars on an annualized basis.

We have also realized 33 million dollars of revenue synergies since the beginning of fiscal 2026, mainly driven by fee income. As previously mentioned, revenue synergies should reach approximately

50 million dollars by the end of this fiscal year, we continue to target 200 to 250 million dollars in revenue synergies by the end of fiscal 2028.

We delivered strong results across both quarters of the first half, supported by solid underlying performance across our businesses, ongoing cost discipline and realization of CWB synergies, with credit remaining within expectations.

In addition, we continued to return capital to our shareholders through dividend increases and ongoing share repurchase activity. We grew our EPS by 12% year to date. While the macroeconomic landscape continues to be uncertain, our outlook for the remainder of the year remains positive.

For the second half of 2026, we expect EPS growth to be in line with our performance year to date. We also anticipate expense growth trending towards the low single digit range, contributing to a positive operating leverage for the remainder of the year. Having generated an ROE of 16.7% year to date, alongside strong Capital Markets performance, we remain on track to achieve our ROE target of approximately 16% in fiscal 2026.

With that, I will turn the call over to Jean-Sébastien.

Jean-Sébastien Grisé, CRO

Merci Marie-Chantal and good morning everyone.

Since our last call, the Canadian economy has grown modestly while the labor market continued to weaken. The conflict in the Middle East is adding another layer of uncertainty by putting pressure on energy prices, inflation and interest rates. That said, strategic trade diversification and accelerated nation-building projects in energy, natural resources and infrastructure should help to support future economic activity. In this complex environment, our resilient portfolio mix, disciplined risk management, and prudent provisioning underpinned our strong credit performance.

Now turning to the second quarter results on **Slide 13**. Total PCLs were \$233 million, including the initial provision on performing loans of \$6 million or 1 basis point, related to the Laurentian Bank Syndicated Loan Portfolio. Adjusted total PCL were \$227 million or 30 basis points, down two basis points quarter-over-quarter.

We added 4 basis points of adjusted performing provisions in Q2, mainly reflecting portfolio growth and unfavorable macroeconomic scenarios, which included a higher unemployment rate and more pessimistic outlooks for both equity markets and housing prices. PCL on IMPAIRED loans were \$192 million or 26 basis points, down 2 basis points quarter-over-quarter, and within our guidance of 25 to 35 basis points for the full year.

Personal Banking provisions were \$2 million higher sequentially, mainly driven by consumer credit. Commercial Banking provisions rose \$12 million quarter over quarter, mainly driven by the real estate and construction sectors. Capital Markets reported a \$1 million recovery related to one file. At Credigy, provisions decreased by \$3 million US, resulting from the normal seasoning of residential mortgages and consumer loans. At ABA, impaired provisions were down by \$4 million US sequentially to \$13 million US, reflecting lower formations.

Turning to **Slide 14**. Our total allowances for credit losses were \$2.6 billion, representing 5.1 times coverage of our net charge-offs. Our performing allowances were \$1.7 billion, demonstrating a strong performing ACL coverage ratio of 2.2 times. We have been building allowances for the past 16 quarters and continue to be comfortable with our prudent and defensive provisioning levels.

Turning to **Slide 15**. Our gross impaired loan ratio was 114 basis points, up 3 basis points quarter over quarter. Laurentian Bank syndicated loans accounted for \$40 million or 1 basis point. GILs excluding USSF&I were 84 basis points, up 3 basis points sequentially. Net formations were 13 basis points this quarter. Excluding the Laurentian Bank portfolio, net formations were 12 basis points, up 5 basis points compared to last quarter. In Commercial Banking, net formations were 28 basis points and included one file in CRE residential insured.

On **Slide 26** we provide additional information on a few sectors of focus. Of note, we have limited exposures to US Non-Bank Financial, NAV lending and Software. In conclusion, we are pleased with the credit performance in the second quarter and first half of the year and continue to expect impaired provisions to be within the 25 to 35 basis point range for fiscal 2026.

In the current context of heightened uncertainty and softer labour market conditions, we expect further gradual increases in [retail] PCL, while our wholesale book remains subject to periodic lumpiness. However, our defensive qualities, resilient business mix and prudent allowances position us well for the remainder of the year

And with that, I will now turn the call back to the operator for the Q&A.

***** CLOSING REMARKS *****

Laurent Ferreira, President & CEO

Thank you, operator.

Second quarter was strong and on that I'd like to thank our teams across the country for all their efforts and excellent execution.

While the macroeconomic context remains uncertain, we are really well positioned to support our clients and continue delivering strong earnings growth and ROE.

Thank you, and I wish everyone a great summer.