



NATIONAL BANK OF CANADA

ANALYST AND INVESTOR PRESENTATION Q1-2017 CONFERENCE CALL

Wednesday, March 1, 2017 – 1:00 pm



Powering your ideas

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 2016 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 2017 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 2017 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 48 of the 2016 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 the 2016 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



Powering your ideas

HIGHLIGHTS

ADJUSTED RESULTS ⁽¹⁾	Q1 17	Q4 16	Q1 16	QoQ	YoY
Revenues	1,707	1,632	1,530	5%	12%
Net Income ⁽²⁾	502	463	427	8%	18%
Diluted EPS	\$1.35	\$1.24	\$1.17	9%	15%
Provision for Credit Losses	60	59	63	2%	(5%)
Efficiency ratio	56.5%	58.5%	58.6%		
Return on Equity	18.6%	17.4%	16.6%		
Common Equity Tier 1 Ratio Under Basel III	10.6%	10.1%	9.7%		
Dividend Payout ⁽³⁾	48.0%	49.7%	43.5%		

(1) Excluding specified items (see Appendix 1, p.22), taxable equivalent basis

(2) Net income before non-controlling interests

(3) Trailing 4 quarters

HIGHLIGHTS

- ❑ Adjusted diluted EPS up 15%
- ❑ Strong performance driven by solid revenue growth and effective cost management across all business segments
- ❑ Positive Operating Leverage at 4% and strong efficiency ratio improvement
- ❑ CET1 ratio at 10.6%

FINANCIAL REVIEW

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



Powering your ideas

PERFORMANCE SNAPSHOT – Q1 2017

(millions of dollars)

ADJUSTED ⁽¹⁾	Q1 17	Q4 16	Q1 16	QoQ	YoY
Revenues ⁽²⁾	1,707	1,632	1,530	5%	12%
Expenses	965	954	896	1%	8%
Net Income	502	463	427	8%	18%
Diluted EPS	\$1.35	\$1.24	\$1.17	9%	15%
ROE	18.6%	17.4%	16.6%		

REPORTED	Q1 17	Q4 16	Q1 16	QoQ	YoY
Specified Items	(5)	(156)	(166)		
Net Income	497	307	261	62%	90%
Diluted EPS	\$1.34	\$0.78	\$0.67	72%	100%
ROE	18.4%	11.0%	9.5%		

(1) Excluding specified items (see Appendix 1, page 22)

(2) Taxable equivalent basis

HIGHLIGHTS

- ❑ Adjusted diluted EPS of \$1.35, up 15% YoY
- ❑ Adjusted revenues, up 12% YoY
- ❑ Expenses up 8% YoY
 - Expenses up 3.2% excluding expenses from ABA acquisition (not consolidated in Q1 16) and variable compensation growth
- ❑ Adjusted net income of \$502 million, up 18% YoY
- ❑ Reported EPS at \$1.34 doubled from last year due mainly to one time loss from our long term investment in Maple Financial Group

SEGMENT SNAPSHOT – Q1 2017

	Revenues Contribution % ⁽¹⁾	Net income Contribution % ⁽¹⁾	Adjusted Net income (millions of dollars)				
			Q1 17	Q4 16	Q1 16	QoQ	YoY
P&C Banking	45%	39%	213	191	180	12%	18%
Wealth Management	23%	20%	106	92	84	15%	26%
Financial Markets	25%	34%	183	176	149	4%	23%
US Specialty Finance & International	7%	7%	38	21	40	81%	(5%)

(1) Excluding specified items. Contribution excludes Other segment

HIGHLIGHTS

- ❑ Strong results reflecting the strength of our diversified business model
- ❑ Double digit growth for our largest business segments
- ❑ New segment (USSF&I) represented 7% of revenue and net income contribution

TRANSFORMATION DRIVING EFFICIENCIES

Excluding specified items
Taxable equivalent basis

	Efficiency Ratio			QoQ (bps)	YoY (bps)
	Q1 17	Q4 16	Q1 16		
Total Bank	56.5%	58.5%	58.6%	200	210
Personal & Commercial	54.6%	57.2%	57.5%	260	290
Wealth Management	63.9%	66.7%	68.2%	280	430
Financial Markets	40.6%	39.9%	41.4%	(70)	80
US Specialty Finance & International	47.5%	64.7%	44.4%		(310)

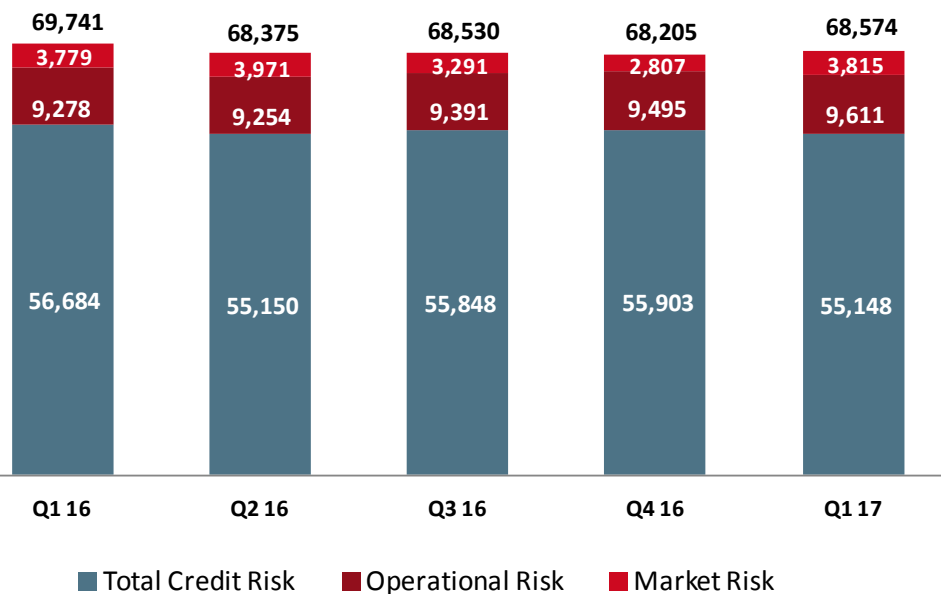
- P&C efficiency ratio targets well in line with guidance provided in our 2015 Investor Day
 - F2017: ≈ 54%
 - F2018: ≈ 53%

HIGHLIGHTS

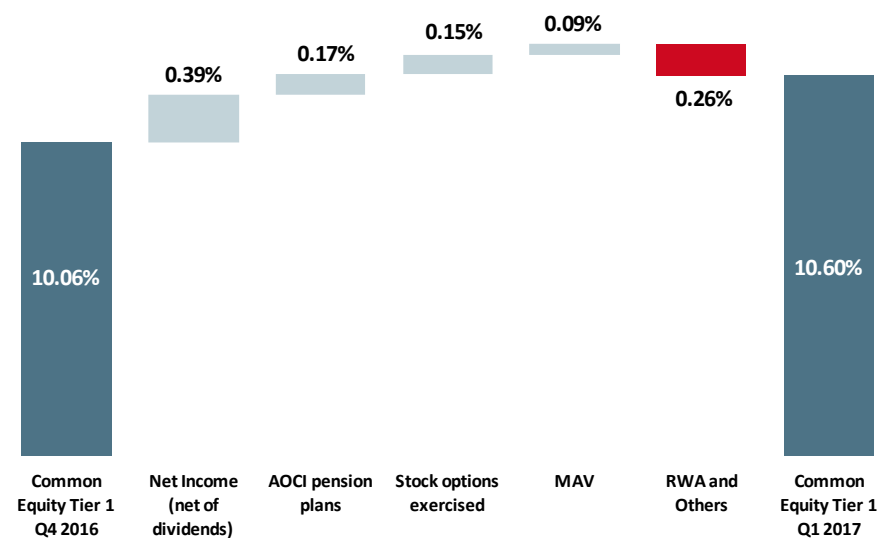
- Strong efficiency ratio improvement in Q1-2017 reflects:
 - Strong revenue growth
 - Efficiency initiatives
- On track to deliver expected savings of \$135 million in F2017
 - Approximately \$100 million and \$35 million from the changes recorded in F2016 and F2015 respectively
- Acceleration of our Transformation Plan:
 - Cost management (structure, products, and branch network)
 - Cost transformation powered by simplification, automation, and digitization of processes

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 10.6%
- ❑ Total capital ratio at 14.1%
- ❑ Leverage ratio at 3.8%
- ❑ Liquidity coverage ratio at 139%

BUSINESS SEGMENT REVIEW

Jean Dagenais
Senior Vice-President, Finance



Powering your ideas

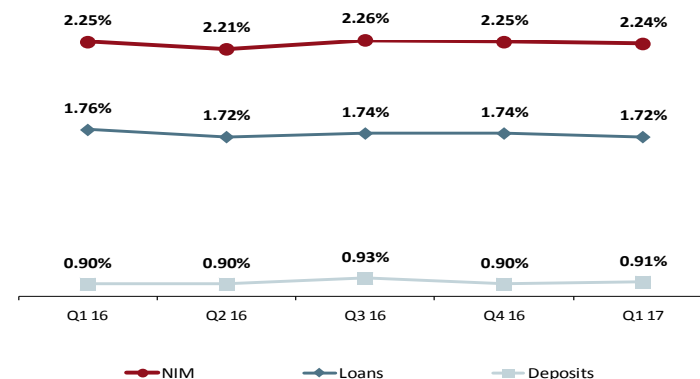
PERSONAL AND COMMERCIAL BANKING

(millions of dollars)	Q1 17	Q4 16	Q1 16	QoQ	YoY
Revenues	755	739	724	2%	4%
Personal Banking	349	348	342	-	2%
Commercial excl. Oil & Gas sector	252	256	245	(2%)	3%
Oil & Gas sector	14	13	19	8%	(26%)
Credit Card	97	93	91	4%	7%
Insurance	43	29	27	48%	59%
Operating Expenses	412	423	416	(3%)	(1%)
Pre-provisions / Pre-tax	343	316	308	9%	11%
Provisions for Credit Losses	52	54	62	(4%)	(16%)
Net Income	213	191	180	12%	18%
Key Metrics (billions of dollars)	Q1 17	Q4 16	Q1 16	QoQ	YoY
Loans & BAs - Personal (avg vol.)	64.0	62.9	60.4	2%	6%
Loans & BAs - Commercial excluding Oil & Gas sector (avg vol.)	29.4	29.2	28.0	1%	5%
Loans & BAs - Oil & Gas sector (avg vol.)	1.1	1.2	2.3	(8%)	(53%)
Loans & BAs - Total (avg vol.)	94.5	93.3	90.8	1%	4%
Deposits (avg vol.)	51.7	50.6	46.4	2%	11%
Efficiency Ratio (%)	54.6%	57.2%	57.5%		

HIGHLIGHTS

- Net income up 18% YoY due to strong revenue growth, good efficiency and cost control and decrease in PCL
- Revenues up 4% YoY due to:
 - Strong loan and deposit volume growth
 - Higher insurance revenues
 - Credit card revenues up 7% YoY
- Operating leverage at 5%
- Efficiency ratio improved by 290 bps
- PCL down 16% YoY

P&C MARGINS EVOLUTION (1)



(1) NIM is on Earning Assets

WEALTH MANAGEMENT (1)

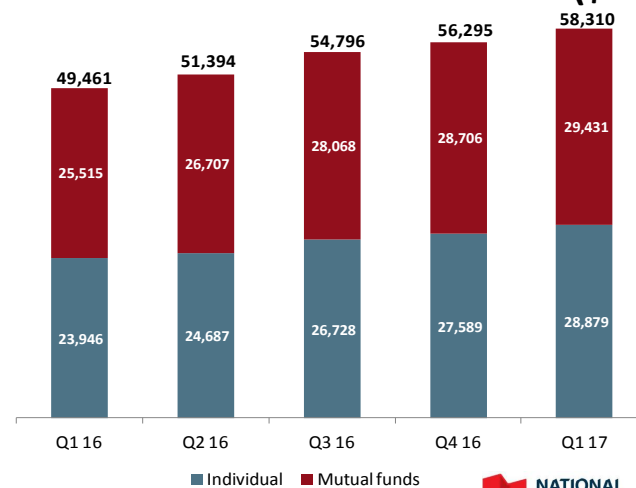
(millions of dollars)	Q1 17	Q4 16	Q1 16	QoQ	YoY
Revenues	399	375	358	6%	11%
Fee-based	219	212	196	3%	12%
Transaction & Others	76	65	73	17%	4%
Net Interest Income	104	98	89	6%	17%
Operating Expenses	255	250	244	2%	5%
Provision for Credit Losses	1	1	1	-	-
Net Income	106	92	84	15%	26%
Key Metrics (billions of dollars)	Q1 17	Q4 16	Q1 16	QoQ	YoY
Loans & BAs (avg vol.)	9.6	9.4	9.3	1%	3%
Deposits (avg vol.)	31.7	30.1	26.7	5%	19%
Asset Under Administration	353	341	303	3%	17%
Asset Under Management	58	56	49	4%	18%
Efficiency Ratio (%)	63.9%	66.7%	68.2%		

(1) Excluding specified items

HIGHLIGHTS

- Revenues up 11% mainly due to:
 - NII growth of 17% driven by strong deposits growth of 19%
 - Fee-based revenues up 12% due to good market conditions and organic growth
- Expenses up 5% mainly due to variable expenses offset by cost reduction program
- Efficiency ratio of 63.9% down 430 bps
- Asset under Administration and Asset under Management up 17% and 18% respectively

ASSETS UNDER MANAGEMENT (\$M)



FINANCIAL MARKETS (1)

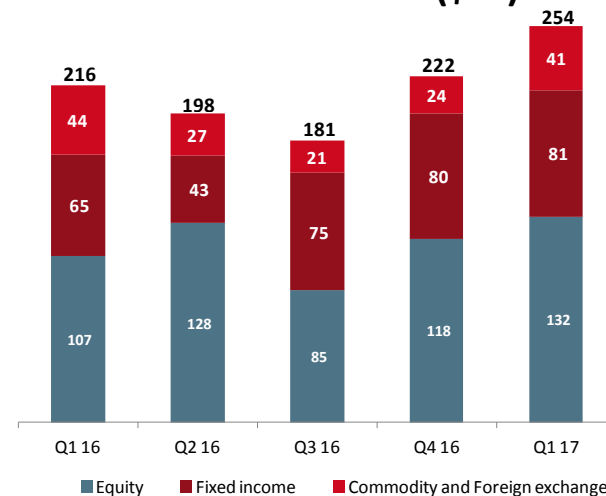
(millions of dollars)	Q1 17	Q4 16	Q1 16	QoQ	YoY
Revenues	419	401	348	4%	20%
Trading	254	222	216	14%	18%
Banking Services	81	91	72	(11%)	13%
Financial Market Fees	72	74	50	(3%)	44%
Gains on AFS Securities	9	5	(1)		
Other	3	9	11		
Operating Expenses	170	160	144	6%	18%
Provision for Credit Losses	-	-	-		
Net Income	183	176	149	4%	23%
Other Metrics (millions of dollars)	Q1 17	Q4 16	Q1 16	QoQ	YoY
Proprietary Trading	(1.0)	(3.0)	9.0		
Loans & BAs (avg vol.)					
Corporate banking	12,739	13,364	11,732	(5%)	9%
Efficiency Ratio (%)	40.6%	39.9%	41.4%		

(1) Excluding specified items

HIGHLIGHTS

- Record trading revenues driven by solid clients activities and equity and foreign exchange trading
- YoY Financial Market Fees 44% higher, due to healthy market conditions in debt and equity markets
- YoY Corporate banking loans up 9%
- Transaction pipeline remains good

TRADING REVENUES (\$M)



US SPECIALTY FINANCE & INTERNATIONAL

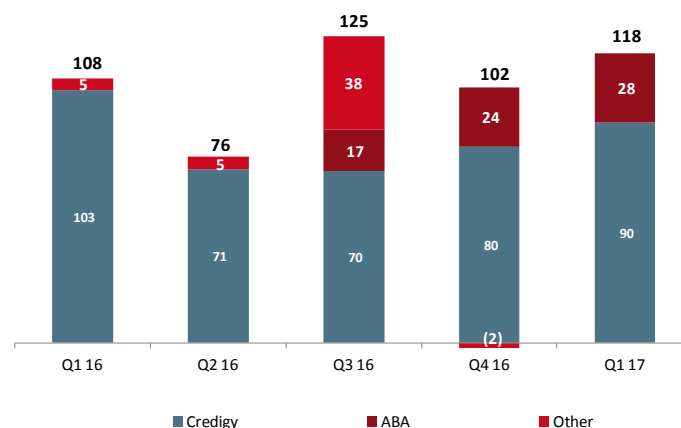
(millions of dollars)	Q1 17	Q4 16	Q1 16	QoQ	YoY
Revenues	118	102	108	16%	9%
Credigy	90	80	103	13%	(13%)
ABA	28	24		17%	
Other	-	(2)	5		
Operating Expenses	56	66	48	(15%)	17%
Credigy	43	53	47	(19%)	(9%)
ABA	13	10		30%	
Other	-	3	1		
Provision for Credit Losses	7	4	-		
Net Income	38	21	40	81%	(5%)

Other Metrics (millions of dollars)	Q1 17	Q4 16	Q1 16	QoQ	YoY
Loans & Receivables and revenue bearing assets (avg vol.)	4,498	4,337	3,935	4%	14%
Credigy					
Loans (avg vol.)	1,010	924		9%	
ABA					
Deposits (avg vol.)	1,122	1,095		2%	
ABA					
Efficiency Ratio (%)	47.5%	64.7%	44.4%		

HIGHLIGHTS

- Credigy's performance in line with guidance from Investor Day:
 - NIBT after minority interest of ~ CA\$125 million in 2017
 - Minimum ROA of 2.5%
- ABA's performance in line with guidance from Investor Day:
 - Net income of ~ US\$32 million in 2017

QUARTERLY REVENUES (\$M)



RISK MANAGEMENT

William Bonnell

Executive Vice-President, Risk Management



Powering your ideas

LOAN PORTFOLIO OVERVIEW

<i>(billions of dollars)</i>	Q1 17	% of Total
Secured - Mortgage & HELOC	64.4	50%
Secured - Other	4.9	4%
Unsecured	8.1	6%
Credit Cards	2.0	2%
Total Retail	79.4	62%
<i>(billions of dollars)</i>	Q1 17	% of Total
Real Estate	8.4	7%
Retail & Wholesale Trade	4.9	4%
Agriculture	4.7	4%
Finance and Insurance	4.0	3%
Manufacturing	3.8	2%
Oil & Gas	2.0	2%
Other ⁽¹⁾	20.5	16%
Total Wholesale	48.3	38%
Total Gross Loans and Acceptances	127.7	100%

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

HIGHLIGHTS

- ❑ Modest exposure to unsecured retail lending
- ❑ Secured retail loans accounts for more than 54% of total loans
- ❑ Wholesale portfolio is well-diversified across industries
- ❑ O&G Producers/Services account for 1.6% of total loans

REGIONAL DISTRIBUTION OF CANADIAN LOANS

As at January 31, 2017

REGION	RETAIL			WHOLESALE			TOTAL
	Secured Mortgages & HELOC	Secured Others	Unsecured and Credit Card	Oil & Gas Sector	Commercial	Corporate Banking and Other ⁽¹⁾	
QC / ON	41.8%	2.9%	6.4%	0.1%	21.2%	9.1%	81.5%
Oil Regions (AL/SK/NL)	5.0%	0.4%	0.4%	1.5%	0.8%	1.6%	9.7%
BC / MB	3.8%	0.5%	0.3%	0.0%	0.7%	0.6%	5.9%
Maritimes (NB/NS/PE) and Territories	1.2%	0.1%	0.4%	0.0%	0.6%	0.6%	2.9%

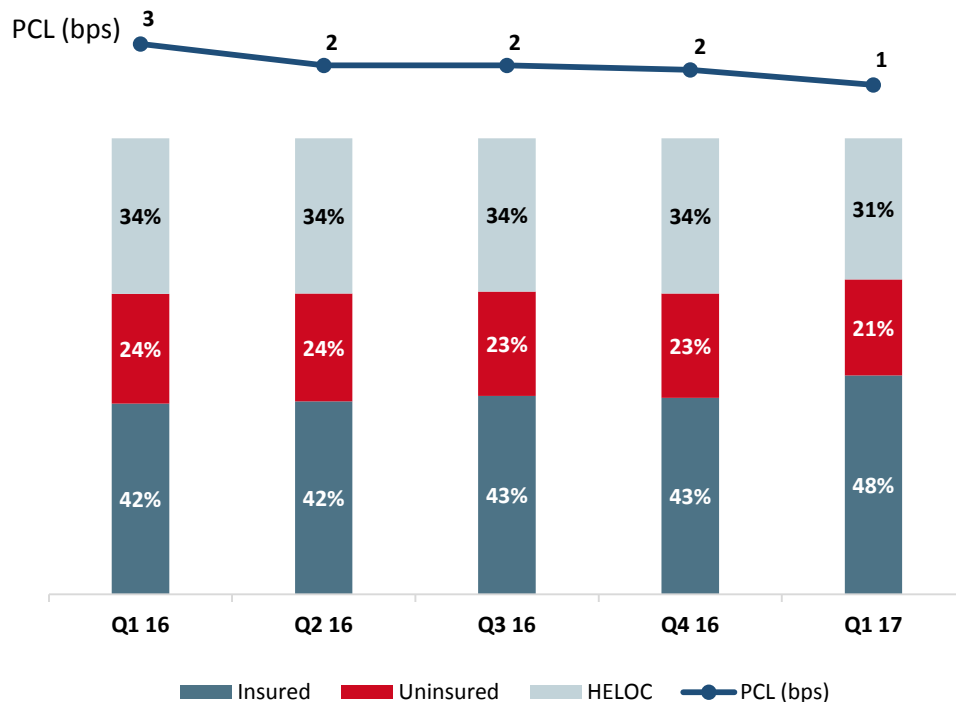
(1) Includes Corporate, Other FM and Government portfolios

HIGHLIGHTS

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

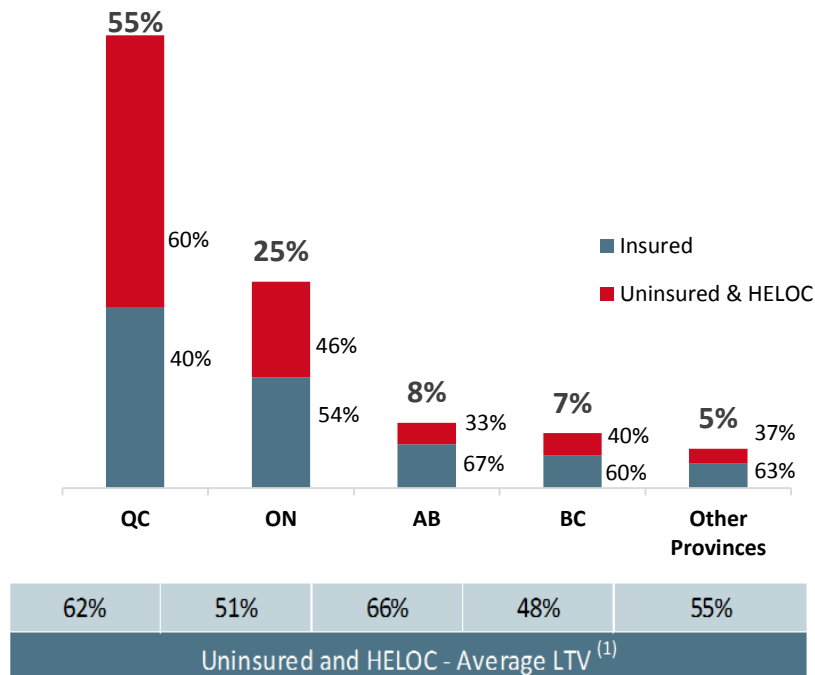
RETAIL MORTGAGE AND HELOC PORTFOLIO

CANADIAN RETAIL MORTGAGE PORTFOLIO DISTRIBUTION



DISTRIBUTION BY CANADIAN PROVINCE

As at January 31, 2017



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

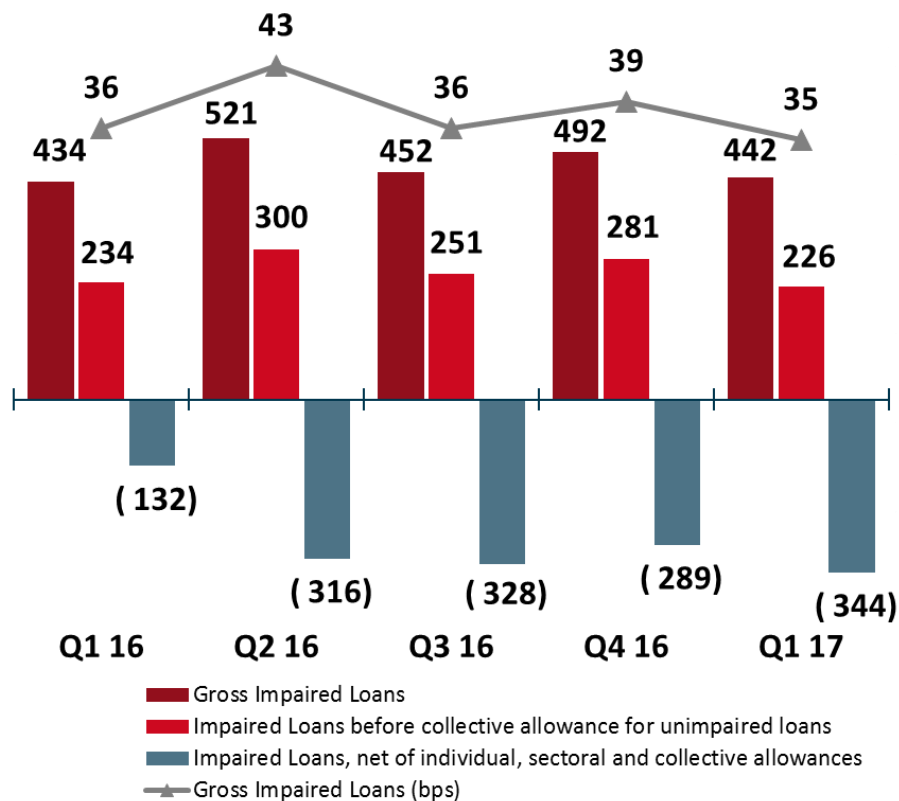
HIGHLIGHTS

- ❑ The average Loan to Value on the uninsured mortgages and HELOC portfolio was approximately 59%
- ❑ Insured mortgages represent 48% of the total portfolio, and greater than 60% of the portfolio outside Central Canada

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)	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
Personal	23	17	11	21	23
Commercial (excluding O&G)	(11)	24	(23)	3	(35)
Oil & Gas	(32)	36	29	86	30
Corporate Banking	-	-	-	-	-
Wealth Management	-	2	(1)	3	4
Credigy	-	-	-	-	-
ABA Bank	1	1	1	-	-
Total	(19)	80	17	113	22

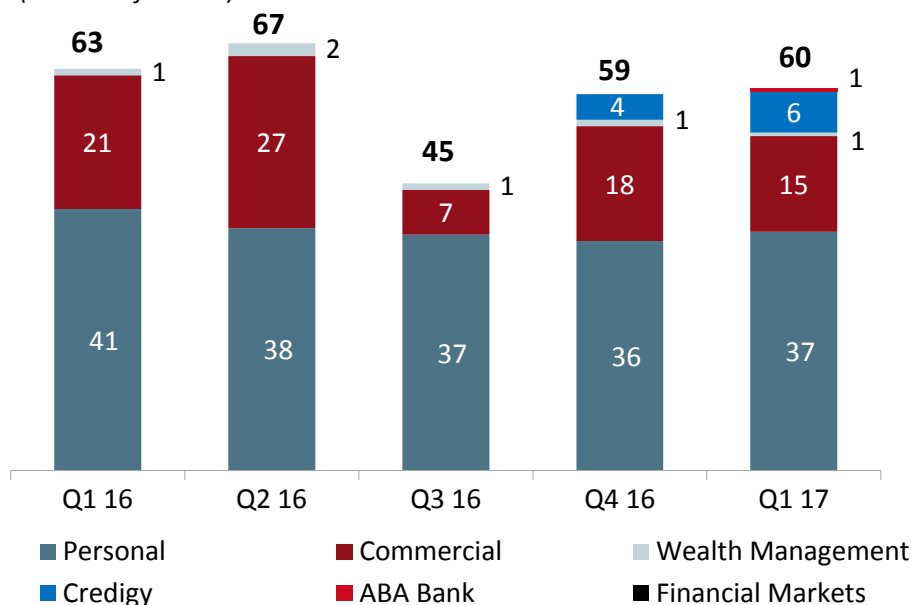
(1) Formations include new accounts, disbursements, principal repayments, and exchange rate fluctuation and exclude write-offs.

HIGHLIGHTS

- GIL ratio declined to 35 bps
- Commercial and O&G sectors benefited from repayments

PROVISION FOR CREDIT LOSSES

(millions of dollars)



HIGHLIGHTS

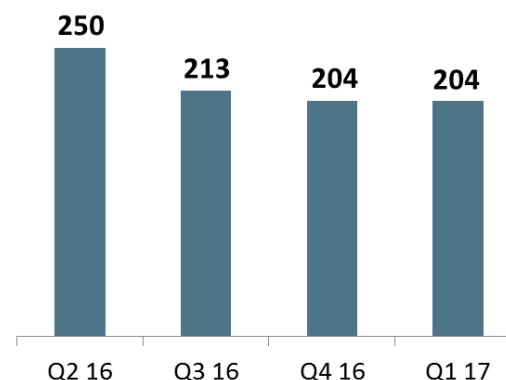
- ❑ Specific provisions for credit losses were stable QoQ at 19 bps
- ❑ Specific provisions from the new US Specialty Finance and International sector of \$7M
- ❑ Maintain PCLs target of 20-30bps for the next 2 quarters

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

PCLs (in bps)	Q1 17	Q4 16	Q3 16	Q2 16	Q1 16
Personal	23	23	24	26	27
Commercial	20	23	10	35	28
Wealth Management	2	4	3	7	5
Credigy	69	38	-	-	-
ABA Bank	23	18	-	-	-
Financial Markets	-	-	-	-	-
Total Specific Provisions	19	19	15	23	21

OIL AND GAS SECTORAL ALLOWANCE

(millions of dollars)



APPENDIX



Powering your ideas

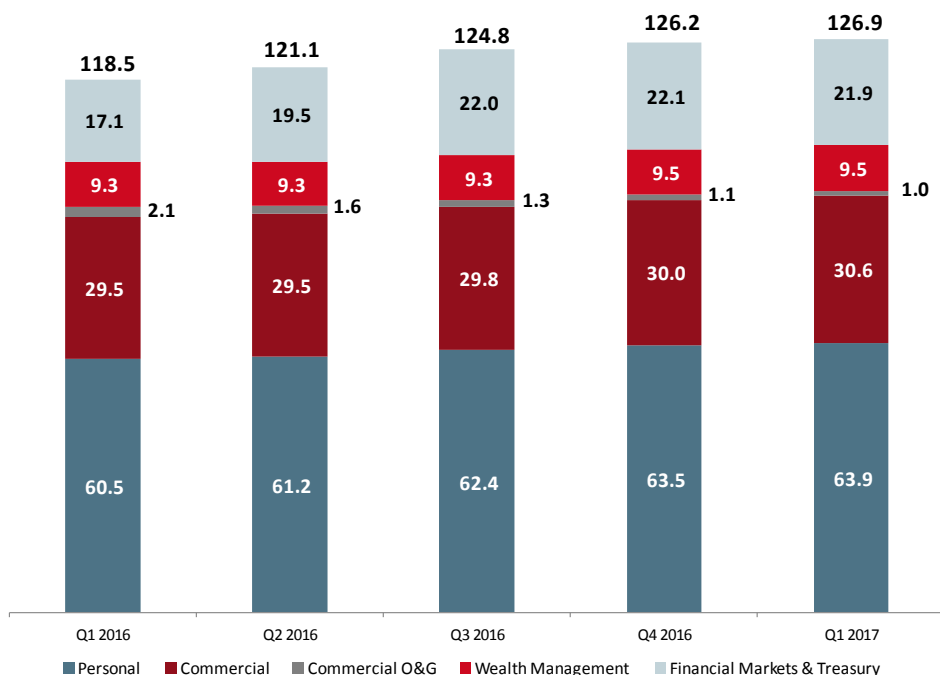
APPENDIX 1 | DETAIL OF SPECIFIED ITEMS

<i>(millions of dollars)</i>	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Wealth Management acquisitions	(9)	(7)	(7)	(9)	(6)
Items related to TMX	(18)	-	(1)	(2)	-
MAV and Other Notes	(2)	(3)	(2)	(2)	-
Litigation provisions	-	-	-	(25)	-
Write-off of Intangible Assets	-	-	-	(44)	-
Restructuring charge	-	-	-	(131)	-
Write-off of an equity interest in an associate	(164)	-	-	-	-
Income Before Income Taxes	(193)	(10)	(10)	(213)	(6)
Income Taxes	27	1	2	57	1
Impact of changes to tax measures	-	(18)	-	-	-
Net Income	(166)	(27)	(8)	(156)	(5)
EPS Impact	(0.50)	(0.08)	(0.02)	(0.46)	(0.01)

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

(billions of dollars)

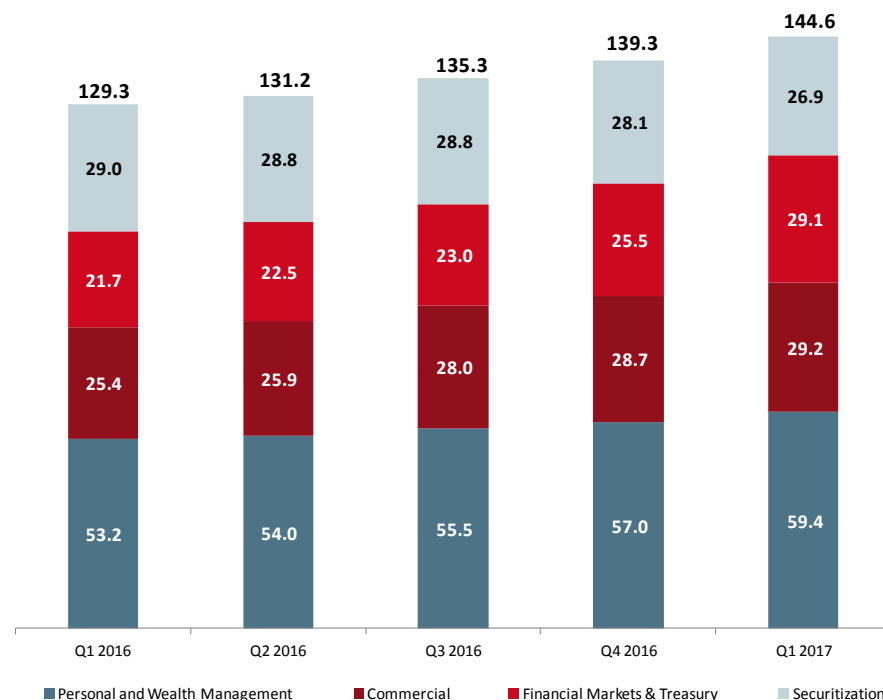
LENDING – LOANS AND BAS (MONTH END BALANCE)



YoY growth:

Personal and Wealth Management	5%
Commercial, Financial Markets & Treasury	13%
Commercial O&G	-55%

FUNDING – DEPOSITS AND BAS (MONTH END BALANCE)

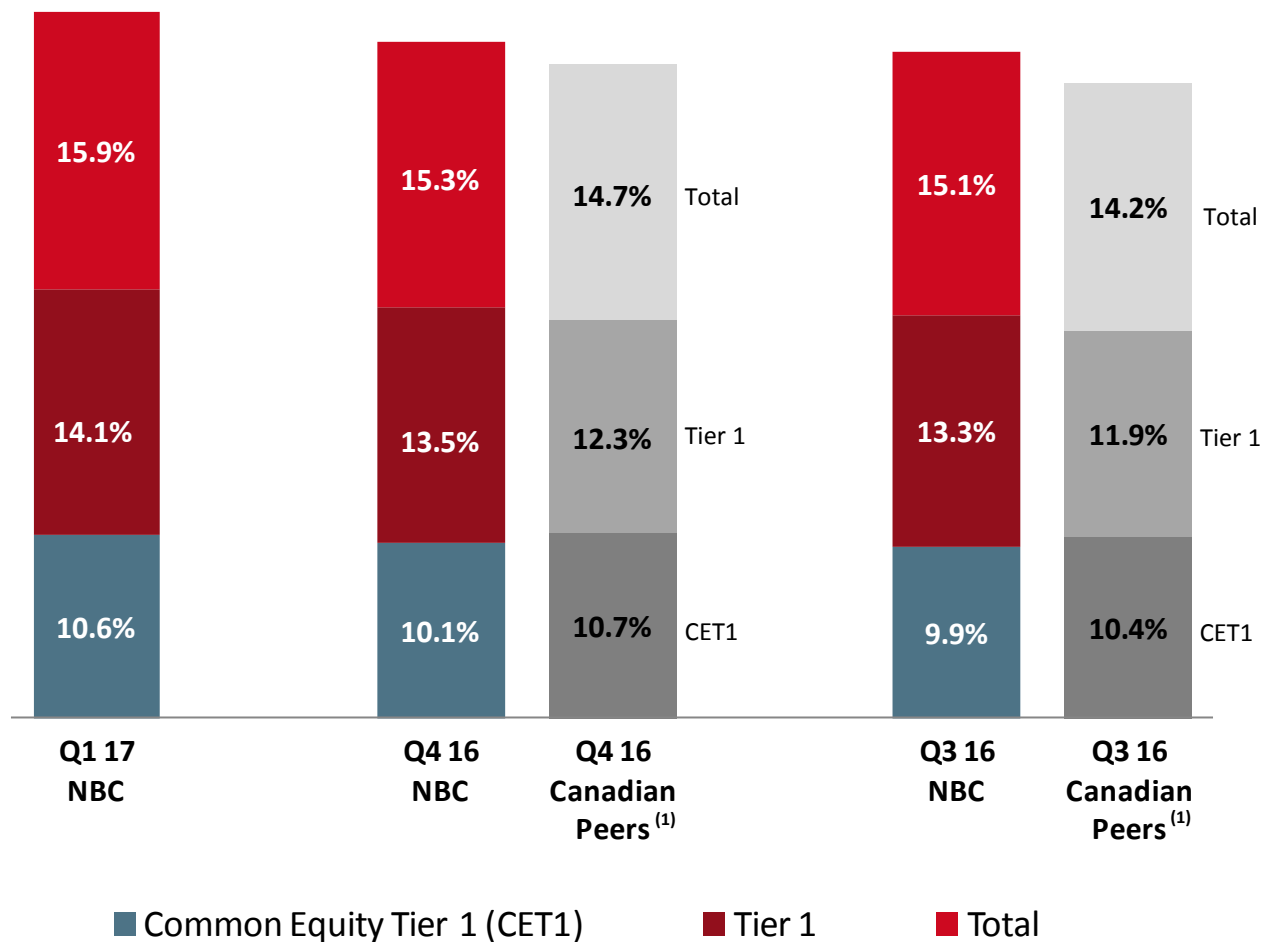


YoY growth:

Personal and Wealth Management	12%
Commercial, Financial Markets & Treasury	24%
Securitization	-7%

APPENDIX 3 | COMPARATIVE PERFORMANCE – Capital Ratios

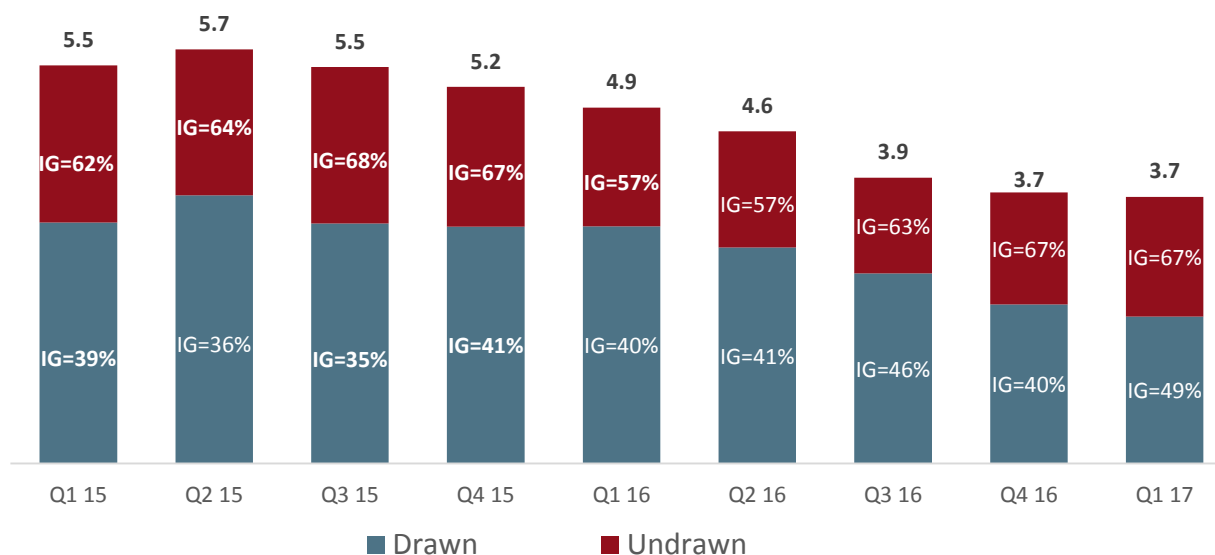
CAPITAL RATIOS UNDER BASEL III



(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

APPENDIX 4 | PRODUCERS & SERVICES

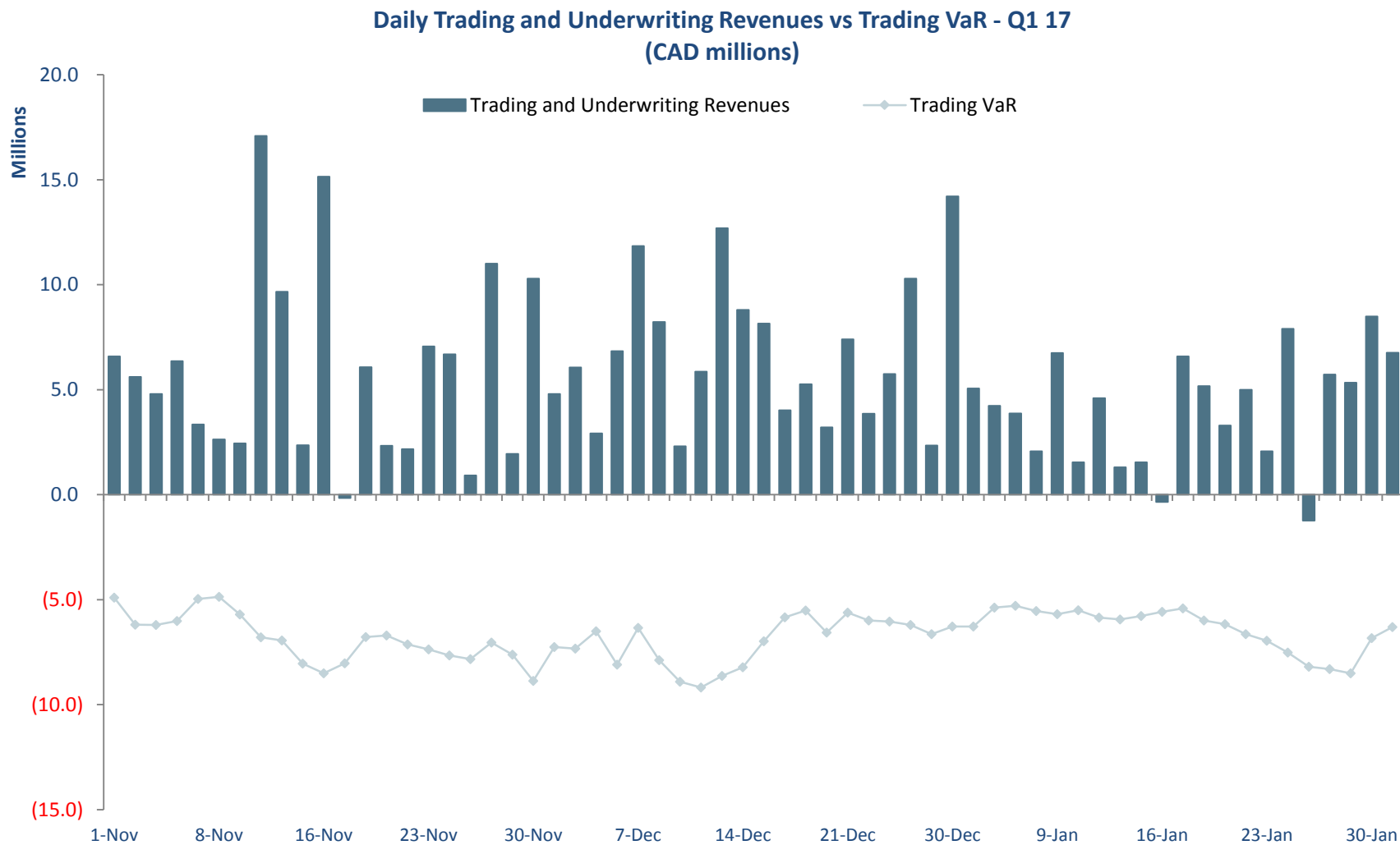
HISTORICAL TREND IN EXPOSURES AT DEFAULT (\$B)



HIGHLIGHTS

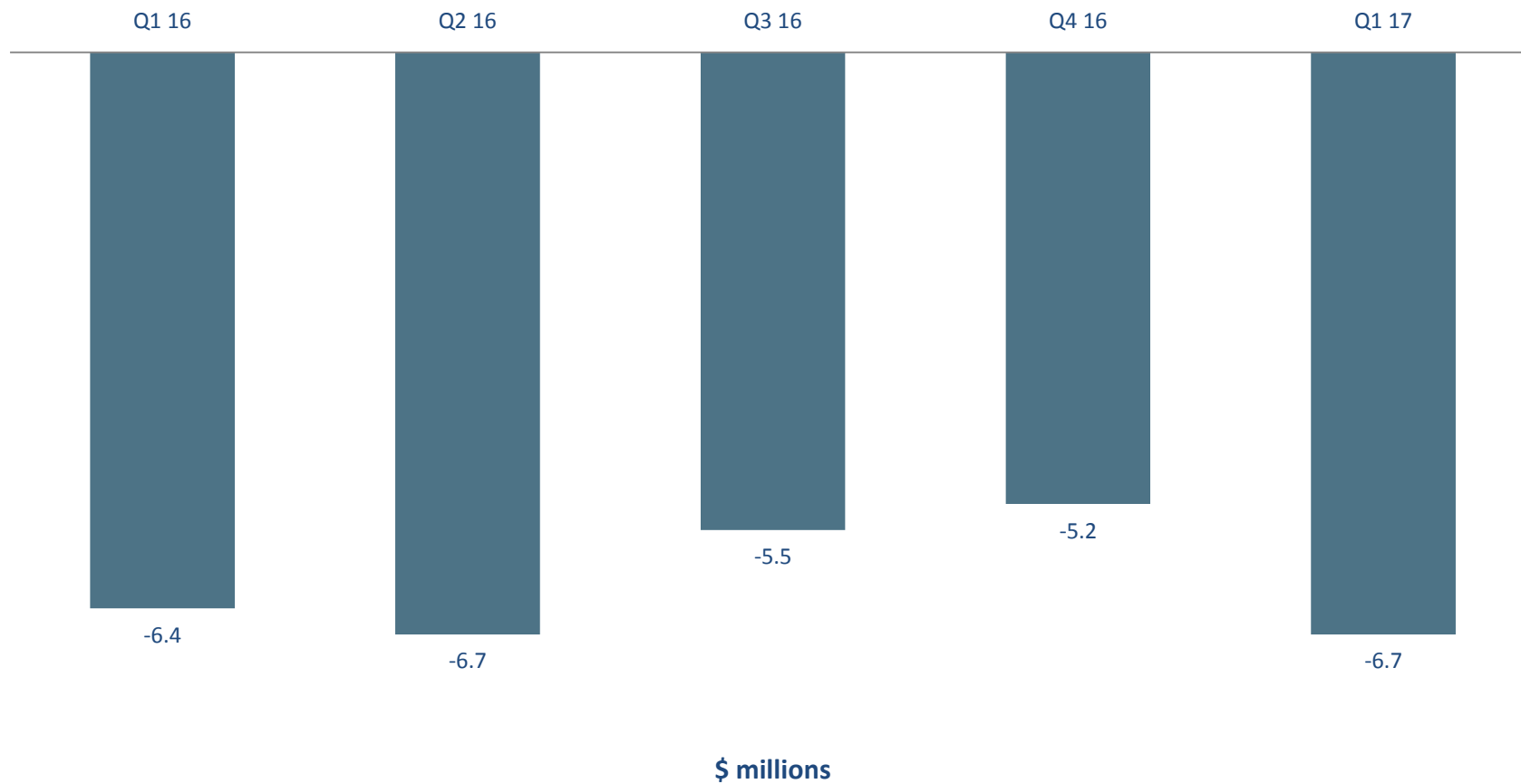
- Stable trend in Exposure at Default in the sector
- Sectoral provision for non-impaired loans represents 10% of total drawn loans and 20% of non-investment grade drawn loans in this portfolio
- Comfortable with the overall level of provisions for this portfolio

APPENDIX 5 | DAILY TRADING and UNDERWRITING REVENUES vs VAR



APPENDIX 6 | Var TREND

Trading VaR Quarterly Average





INVESTOR RELATIONS

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

600 De La Gauchetière Street West, 7th Floor, Montreal, Quebec H3B 4L2

Toll-free: 1-866-517-5455

Fax: 514-394-6196

E-mail: investorrelations@nbc.ca

Website: www.nbc.ca/investorrelations

