



NATIONAL BANK OF CANADA

ANALYST AND INVESTOR PRESENTATION Q2-2016 CONFERENCE CALL

Wednesday, June 1, 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⁾	Q2 16	Q1 16	Q2 15	QoQ	YoY
Net Income ⁽²⁾	237	427	411	(44%)	(42%)
Diluted EPS	\$0.60	\$1.17	\$1.15	(49%)	(48%)
Provision for Credit Losses	317	63	57	403%	456%
Return on Equity	8.9%	16.6%	17.9%		
Net Income excluding sectoral provision	420	427	411	(2%)	2%
Diluted EPS excluding sectoral provision	\$1.14	\$1.17	\$1.15	(3%)	(1%)
Common Equity Tier 1 Ratio Under Basel III	9.8%	9.7%	9.5%		
Leverage ratio	3.7%	3.8%	3.7%		
Liquidity coverage ratio	135%	135%	122%		
Dividend Payout ⁽³⁾	50.1%	43.5%	41.9%		

- Sectoral provision for credit losses of \$250 million (\$183 million net of taxes)
- Net income excluding sectoral provision up 2% YoY
- Quarterly dividend increase of \$0.01 to \$0.55

- (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%
Liquidity coverage ratio	≥ 100%



FINANCIAL REVIEW

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



PERFORMANCE SNAPSHOT – Q2 2016

(millions of dollars)

ADJUSTED ⁽¹⁾	Q2 16	Q1 16	Q2 15	QoQ	YoY
Revenues ⁽²⁾	1,507	1,530	1,497	(2%)	1%
Expenses	871	896	879	(3%)	(1%)
Net Income	237	427	411	(44%)	(42%)
Diluted EPS	\$0.60	\$1.17	\$1.15	(49%)	(48%)
ROE	8.9%	16.6%	17.9%		
Net Income excluding sectoral provision	420	427	411	(2%)	2%
Diluted EPS excluding sectoral provision	\$1.14	\$1.17	\$1.15	(3%)	(1%)

- Adjusted net income of \$237 million or \$0.60 per share
- Excluding sectoral provision, adjusted net income of \$420 million or \$1.14 per share

REPORTED	Q2 16	Q1 16	Q2 15	QoQ	YoY
Specified Items	(27)	(166)	(7)		
Net Income	210	261	404	(20%)	(48%)
Diluted EPS	\$0.52	\$0.67	\$1.13	(22%)	(54%)
ROE	7.7%	9.5%	17.6%		

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

PERFORMANCE SNAPSHOT – YTD 2016

(millions of dollars)

ADJUSTED ⁽¹⁾	6M 16	6M 15	YoY
Revenues ⁽²⁾	3,037	2,956	3%
Expenses	1,767	1,736	2%
Net Income	664	821	(19%)
Diluted EPS	\$1.77	\$2.30	(23%)
ROE	12.8%	17.7%	
Net Income excluding sectoral provision	847	821	3%
Diluted EPS excluding sectoral provision	\$2.31	\$2.30	-

REPORTED	6M 16	6M 15	YoY
Specified Items	(193)	(2)	
Net Income	471	819	(42%)
Diluted EPS	\$1.19	\$2.29	(48%)
ROE	8.6%	17.7%	

- Adjusted Revenues of \$3 billion, up 3%
- Adjusted Expenses of \$1.8 billion, up 2%
- Positive operating leverage of 1%

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



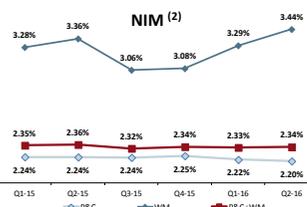
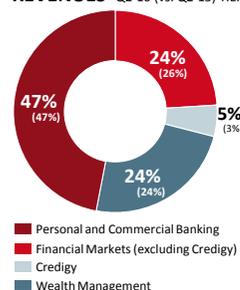
Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 7

INCOME STATEMENT OVERVIEW – Q2 2016 (Excluding specified items)

(millions of dollars)	Q2 16	Q1 16	Q2 15	QoQ	YoY
Revenues ⁽¹⁾	1,507	1,530	1,497	(2%)	1%
P&C Banking	698	724	683	(4%)	2%
Wealth Management	355	358	359	(1%)	(1%)
Financial Markets	429	451	428	(5%)	-
Other Segment	25	(3)	27		
Pre-provisions / Pre-tax	636	634	618	-	3%
P&C Banking	303	314	280	(4%)	8%
Wealth Management	117	115	114	2%	3%
Financial Markets	234	261	239	(10%)	(2%)
Other Segment	(18)	(56)	(15)		

(1) Taxable equivalent basis
 (2) NIM is on Earning Assets

REVENUES Q2-16 (vs. Q2-15) T.E.B.



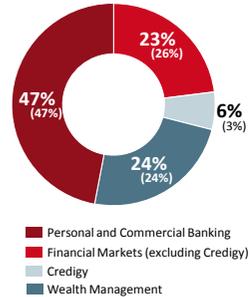
Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 8

INCOME STATEMENT OVERVIEW – YTD 2016 (Excluding specified items)

(millions of dollars)	6M 16	6M 15	YoY
Revenues ⁽¹⁾	3,037	2,956	3%
P&C Banking	1,422	1,375	3%
Wealth Management	713	705	1%
Financial Markets	880	846	4%
Other Segment	22	30	
Pre-provisions / Pre-tax	1,270	1,220	4%
P&C Banking	617	568	9%
Wealth Management	232	224	4%
Financial Markets	495	481	3%
Other Segment	(74)	(53)	

(1) Taxable equivalent basis

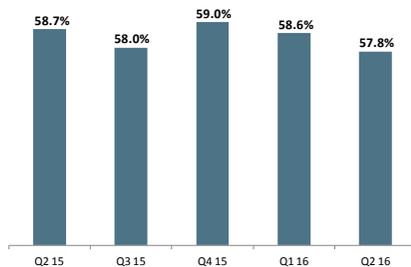
REVENUES 6M-16 (vs. 6M-15) T.E.B.



NON INTEREST EXPENSES (Excluding specified items)

(millions of dollars)	Q2 16	Q1 16	Q2 15	QoQ	YoY	6M 16	6M 15	YoY
Salaries and Staff Benefits	504	540	535	(7%)	(6%)	1,044	1,080	(3%)
Technology, Professional and Servicing Fees	199	194	175	2%	14%	393	348	13%
Other Expenses	168	162	169	4%	(1%)	330	308	7%
Non Interest Expense	871	896	879	(3%)	(1%)	1,767	1,736	2%

EFFICIENCY RATIO



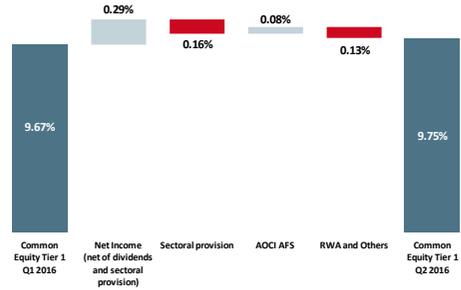
- Lower expenses in Q2-16 resulting from lower variable compensation, partly offset by higher technology investments and servicing fees related to Credigy
- YTD efficiency ratio at 58.2%
- Expecting neutral to slightly positive operating leverage in FY 2016

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 9.8% after sectoral provision for credit losses of \$183 million
- ❑ Sectoral provision impact on CET1: 16 bps
- ❑ Total capital ratio at 14.8%
- ❑ Leverage ratio at 3.7%

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 11



RISK MANAGEMENT

William Bonnell
Executive Vice-President, Risk Management



LOAN PORTFOLIO OVERVIEW

(billions of dollars)	Q2 16	% of Total
Retail mortgages & HELOC	55.5	45%
Secured by non real estate	4.8	4%
Credit cards	1.9	2%
Other retail	7.1	6%
Total Retail	69.3	57%

(billions of dollars)	Q2 16	% of Total
Real Estate	8.1	7%
Retail & Wholesale Trade	5.2	4%
Agriculture	4.5	4%
Manufacturing	3.8	3%
Oil & Gas	2.9	2%
Education & Health Care	2.7	2%
Other ⁽¹⁾	25.4	21%
Total Wholesale	52.6	43%
Total Gross Loans and Acceptances	121.9	100%

Oil & Gas (billions of dollars)	Q2 16	% of total
O&G Corporate	1.0	0.8%
O&G Commercial	1.8	1.5%
O&G Services	0.1	0.1%
Total	2.9	2.4%

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

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 13



REGIONAL DISTRIBUTION OF CANADIAN LOANS

As at April 29th, 2016

REGION	RETAIL			WHOLESALE			TOTAL
	RM + HELOC	Other Retail	Other Wealth Mgt	Oil & Gas Sector	Commercial	Other ⁽¹⁾	
QC / ON	38.9%	8.0%	2.4%	0.1%	22.2%	11.2%	82.8%
Oil Regions (AL/SK/NL)	3.1%	0.4%	0.3%	2.4%	0.8%	2.4%	9.4%
BC / MB	2.4%	0.3%	0.6%	0.0%	0.6%	1.2%	5.1%
Maritimes (NB/NS/PE)	1.0%	0.4%	0.2%	0.0%	0.5%	0.6%	2.7%

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

HIGHLIGHTS

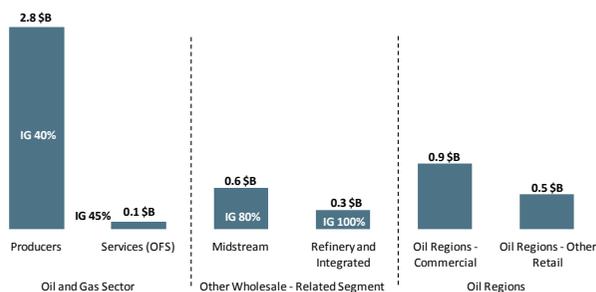
- Loan portfolio concentrated in regions with stronger job growth
- Limited small commercial or unsecured retail lending in the oil regions

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 14



OIL & GAS SECTOR & RELATED SEGMENTS

OUTSTANDING LOANS – Q2 16



HIGHLIGHTS

- 40% of loans to producers and 45% 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

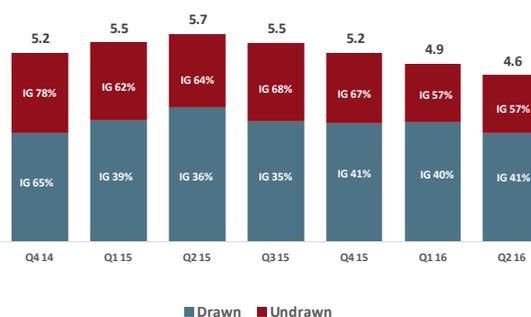
Note: IG refers to investment grade equivalent AIRB ratings

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 15



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 15% of non-investment grade drawn loans in this portfolio
- Comfortable with the overall level of provisions for this portfolio

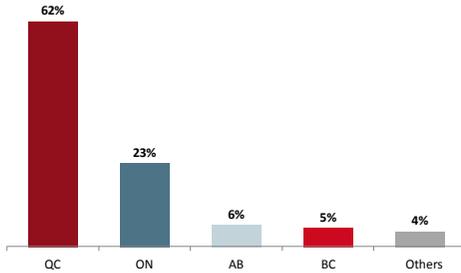
Note: Based on AIRB estimates of exposures at default

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 16

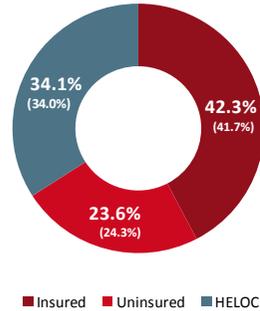


RETAIL MORTGAGE AND HELOC PORTFOLIO

DISTRIBUTION BY PROVINCE
As at April 29, 2016



MORTGAGE PORTFOLIO COMPOSITION
As at April 29, 2016
(vs. January 31, 2016)



HIGHLIGHTS

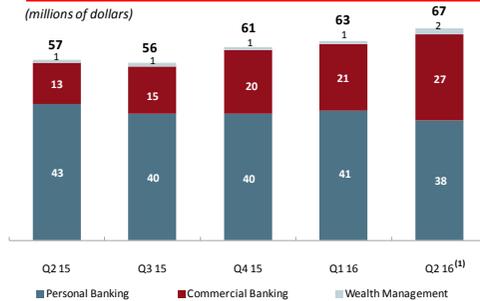
- The average Loan to Value on the HELOC and uninsured mortgage portfolio was approximately 59%
- Less than \$300 million of second lien mortgages

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 17



SPECIFIC PROVISION FOR CREDIT LOSSES

(millions of dollars)



HIGHLIGHTS

- 23 bps of specific provisions (17 bps of specific provisions, excluding Oil & Gas)
- Sectoral provision for non-impaired loans of \$250 million (\$183 million net of taxes)
- PCL target back to 20 – 30 bps for the next 2 quarters

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

PCLs (in bps)	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15
Personal Banking	26	27	27	27	31
Commercial Banking	35	28	26	21	19
Wealth Management	7	5	3	5	4
Corporate Banking	-	-	-	-	-
Total Specific Provisions	23	21	21	20	22

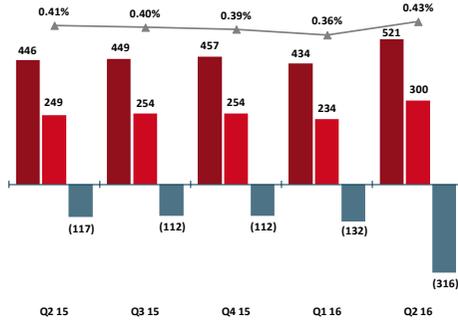
Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 18



IMPAIRED LOANS AND BA'S AND FORMATION

(millions of dollars)

IMPAIRED LOANS AND BA'S



■ Gross Impaired Loans
■ Impaired Loans before collective allowance for unimpaired loans
■ Impaired Loans, net of individual, sectoral and collective allowances
▲ Gross Impaired Loans as a % of Loans and BA's

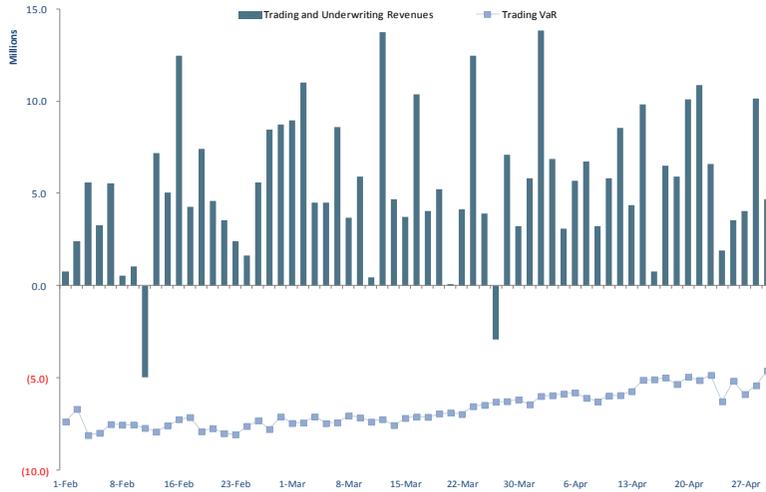
IMPAIRED LOANS AND BA'S FORMATION⁽¹⁾

(millions of dollars)	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15
Retail	21	23	23	16	28
Commercial	89	(5)	19	24	65
Corporate Banking	-	-	-	-	-
Wealth Management	3	4	1	4	1
Total	113	22	43	44	94

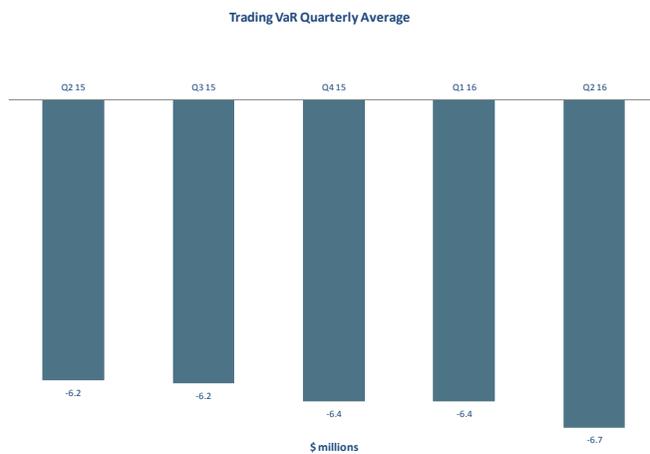
(1) Formations include new accounts, disbursements, principal repayments, and exchange rate fluctuation and exclude write-offs.

DAILY TRADING and UNDERWRITING REVENUES vs VaR

Daily Trading and Underwriting Revenues vs Trading VaR - Q2 2016
(CAD millions)



VaR TREND



Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 21



BUSINESS SEGMENT REVIEW

Jean Dagenais
Senior Vice-President, Finance



PERSONAL AND COMMERCIAL BANKING

(millions of dollars)	Q2 16	Q1 16	Q2 15	QoQ	YoY
Revenues	698	724	683	(4%)	2%
Personal Banking	330	341	316	(3%)	4%
Commercial Banking	255	265	261	(4%)	(2%)
Credit Card	88	91	82	(3%)	7%
Insurance	25	27	24	(7%)	4%
Operating Expenses	395	410	403	(4%)	(2%)
Pre-provisions / Pre-tax	303	314	280	(4%)	8%
Provisions for Credit Losses⁽¹⁾	315	62	56		
Net Income	(9)	184	164		
Net Income excluding sectoral provision	174	184	164	(5%)	6%
Key Metrics (billions of dollars)	Q2 16	Q1 16	Q2 15	QoQ	YoY
Loans & BAs (avg vol.)	90.7	90.1	85.8	1%	6%
Deposits (avg vol.)	47.4	46.4	43.7	2%	8%
Efficiency Ratio (%)	56.6%	56.6%	59.0%		

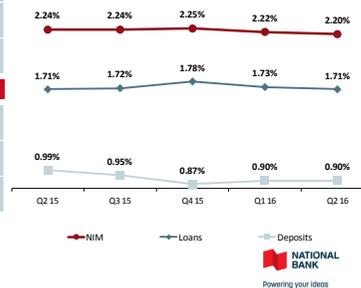
(1) Including the sectoral loss of \$250M (\$183M after taxes)
 (2) NIM is on Earning Assets

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 23

HIGHLIGHTS

- Revenues up 2% YoY due to strong volume growth from loans and deposits
- Net Interest Margin down 2 bps QoQ due to prime-BA's compression
- Operating leverage ratio at 4% YoY
- Efficiency ratio improved by 240 bps

P&C MARGINS EVOLUTION⁽²⁾



WEALTH MANAGEMENT⁽¹⁾

(millions of dollars)	Q2 16	Q1 16	Q2 15	QoQ	YoY
Revenues	355	358	359	(1%)	(1%)
Fee-based	192	196	191	(2%)	1%
Transaction & Others	72	73	87	(1%)	(17%)
Net Interest Income	91	89	81	2%	12%
Operating Expenses	238	243	245	(2%)	(3%)
Provision for Credit Losses	2	1	1		
Net Income	86	84	84	2%	2%
Key Metrics (billions of dollars)	Q2 16	Q1 16	Q2 15	QoQ	YoY
Loans & BAs (avg vol.)	9.4	9.3	8.6	1%	10%
Deposits (avg vol.)	27.4	26.2	24.4	4%	12%
Asset Under Administration	316	303	318	4%	(1%)
Asset Under Management	52	50	49	4%	7%
Efficiency Ratio (%)	67.0%	67.9%	68.2%		

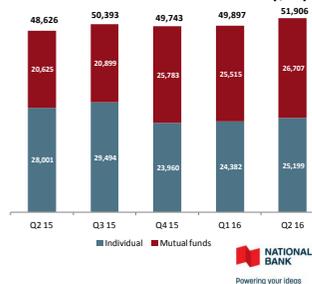
(1) Excluding specified items

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 24

YOY HIGHLIGHTS

- Net income grew 2% which is a good result considering market volatility
- Revenues are down 1% mainly because of lower transactional offset by an higher NII
- Higher NII is caused both by higher margin and higher volumes (deposits grew 12%)
- Expenses were down 3%, the results of lower variable compensation and good expense control

ASSETS UNDER MANAGEMENT (\$M)



NATIONAL BANK
Powering your ideas

FINANCIAL MARKETS⁽¹⁾

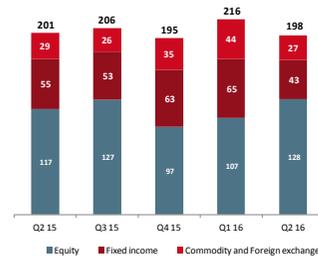
<i>(millions of dollars)</i>	Q2 16	Q1 16	Q2 15	QoQ	YoY
Revenues	429	451	428	(5%)	-
Trading	198	216	201	(8%)	(1%)
Banking Services	75	72	63	4%	19%
Financial Market Fees	71	50	81	42%	(12%)
Gains on AFS Securities	5	(1)	3		
Credigy	71	103	42	(31%)	67%
Other	9	11	38		
Operating Expenses	195	190	189	3%	3%
Net Income	169	186	174	(9%)	(3%)
<i>Other Metrics (in millions)</i>	Q2 16	Q1 16	Q2 15	QoQ	YoY
CVA / DVA	(43.2)	(6.7)	(16.4)		
Proprietary Trading	(3.2)	9.0	(4.3)		
Efficiency Ratio (%)	45.5%	42.1%	44.2%		

(1) Excluding specified items

YOY HIGHLIGHTS

- Solid trading revenues driven by Risk Management Products and Fixed Income Trading
- Trading revenues impacted by a one-time charge of \$24mm in Valuation Adjustments
- NBF ranks #1 in Government Debt underwriting in 2016
- Credigy on target for expansion plan

TRADING REVENUES (\$M)



APPENDIX

APPENDIX 1 | DETAIL OF SPECIFIED ITEMS

<i>(millions of dollars)</i>	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16
Wealth Management acquisitions	(8)	(7)	(6)	(9)	(7)
Items related to TMX	-	(2)	(1)	(18)	-
Gain on disposal of equity interest in Fiera Capital	29	-	-	-	-
Share of current tax asset write-down of an associated company	(18)	-	-	-	-
MAV and Other Notes	33	21	(2)	(2)	(3)
Write-off of Intangible Assets	(46)	-	-	-	-
Restructuring charge	-	-	(86)	-	-
Write-off of an equity interest in an associate	-	-	-	(164)	-
Income Before Income Taxes	(10)	12	(95)	(193)	(10)
Income Taxes	3	(3)	25	27	1
Impact of changes to tax measures	-	-	-	-	(18)
Net Income	(7)	9	(70)	(166)	(27)
EPS Impact	(0.02)	0.03	(0.21)	(0.50)	(0.08)

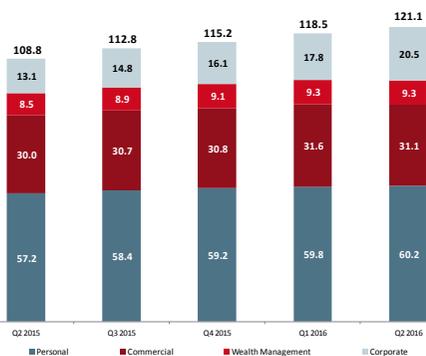
Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 27



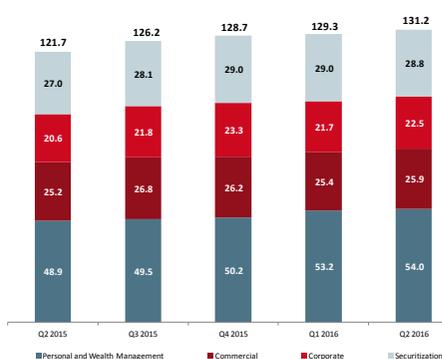
APPENDIX 2 | BALANCE SHEET OVERVIEW (Banking Book & Other)

(billions of dollars)

LENDING – LOANS AND BAS (MONTH END BALANCE)



FUNDING – DEPOSITS AND BAS (MONTH END BALANCE)



□ **YoY growth:**
 Personal and Wealth Management 6%
 Commercial and Corporate 20%

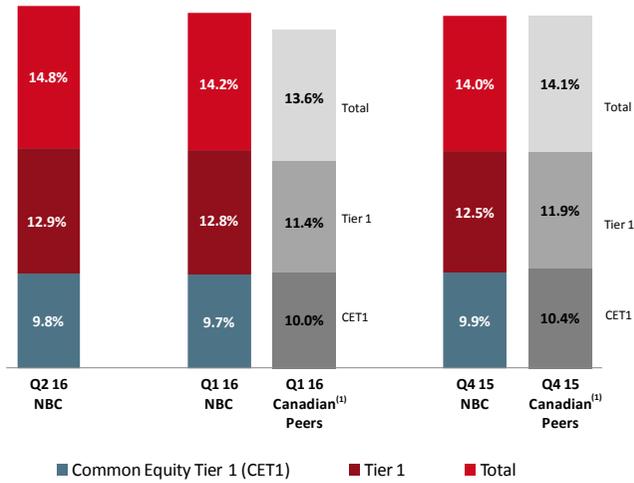
□ **YoY growth:**
 Personal and Wealth Management 10%
 Commercial and Corporate 6%
 Securitization 7%

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 28



APPENDIX 3 | COMPARATIVE PERFORMANCE – Capital Ratios

CAPITAL RATIOS UNDER BASEL III

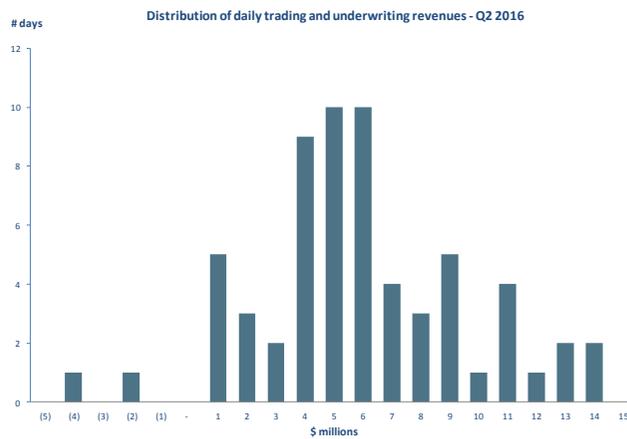


(1) Weighted average ratios of Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal and Canadian Imperial Bank of Commerce

Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 29



APPENDIX 4 | TRADING P&L RESULTS



Q2 2016 RESULTS CONFERENCE CALL – June 1, 2016 | 30





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



Powering your ideas