SPEAKING NOTES - NATIONAL BANK OF CANADA
FIRST QUARTER EARNINGS CONFERENCE CALL
WEDNESDAY, FEBRUARY 26, 2025

The following speakers' notes, in addition to the webcast and the accompanying presentation materials, are provided for your information only, are current only as of the date of the webcast, and may be superseded by more current information. except as required by law. National Bank of Canada does not undertake any obligation to update the information, whether as a result of new information, future events or otherwise. The entire webcast replay, which includes a question and answer session, can be accessed via the Bank's website at https://www.nbc.ca/about-us/investors/quarterly-results.html. In no way does National Bank of Canada assume any responsibility for any investment or other decisions made based upon the information provided on its website or in these speakers' notes. Users are advised to review the webcast itself and the Bank's filings with the Canadian Securities regulators before making any investment or other decisions.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements. These statements are made in accordance with applicable securities legislation in Canada and the United States. The forward-looking statements in this document may include, but are not limited to, statements in the messages from management, as well as other statements about the economy, market changes, the Bank's objectives, outlook, and priorities for fiscal 2025 and beyond, the strategies or actions that the Bank will take to achieve them, expectations for the Bank's financial condition and operations, the regulatory environment in which it operates, its environmental, social, and governance targets and commitments, the impacts and benefits of the acquisition of Canadian Western (CWB) and certain risks to which the Bank is exposed. The Bank may also make forward-looking statements in other documents and regulatory filings, as well as orally. These forward-looking statements are typically identified by verbs or words such as "outlook", "believe", "foresee", "forecast", "anticipate", "estimate", "project", "expect", "intend" and "plan", the use of future or conditional forms, notably verbs such as "will", "may", "should", "could" or "would", as well as similar terms and expressions. These forward-looking statements are intended to assist the security holders of the Bank in understanding the Bank's financial position and results of operations as at the dates indicated and for the periods then ended, as well as the Bank's vision, strategic objectives, and performance targets, and may not be appropriate for other purposes. These forward-looking statements are based on current expectations, estimates, assumptions and intentions that the Bank deems reasonable as at the date thereof and are subject to inherent uncertainty and risks, many of which are beyond the Bank's control. 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 will not be confirmed, and that its vision, strategic objectives, and performance targets will not be achieved. The Bank cautions investors that these forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from these statements due to a number of factors. Therefore, the Bank recommends that readers not place undue reliance on these forward-looking statements, as a number of factors could cause actual results to differ materially from the expectations, estimates, or intentions expressed in these forward-looking statements. Investors and others who rely on the Bank's forward-looking statements should carefully consider the factors listed below as well as other uncertainties and potential events 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. Assumptions about the performance of the Canadian and U.S. economies in 2025 and how that performance will affect the Bank's business are among the factors considered in setting the Bank's strategic priorities and objectives, including allowances for credit losses. These assumptions appear in the Economic Review and Outlook section and, for each business segment, in the Economic and Market Review sections, and may be updated in the quarterly reports to shareholders filed thereafter.

The forward-looking statements made in this document are based on a number of assumptions and their future outcome is subject to a variety of 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 business and financial market conditions in Canada, the United States, and the other countries where the Bank operates; measures affecting commercial relations between Canada and its partners, including the imposition of tariffs and the measures taken in response, as well as the possible impacts on our customers, our operations, and more generally, on the economy; exchange rate and interest rate fluctuations; inflation; global supply chain disruptions; higher funding costs and greater market volatility; changes to fiscal, monetary, and other public policies; regulatory oversight and changes to regulations that affect the Bank's business; geopolitical and sociopolitical uncertainty; the Bank's ability to successfully integrate CWB and potential undisclosed costs or liability associated with the acquisition; climate change, including physical risks and risks related to the transition to a low-carbon economy; the Bank's ability to meet stakeholder expectations on environmental and social issues, the need for active and continued stakeholder engagement; the availability of comprehensive and high-quality information from customers and other third parties, including greenhouse gas emissions; the ability of the Bank to develop indicators to effectively monitor our progress; the development and deployment of new technologies and sustainable products; the ability of the Bank to identify climate-related opportunities as well as to assess and manage climate-related risks; significant changes in consumer behaviour; the housing situation, real estate market, and household indebtedness in Canada; the Bank's ability to achieve its key short-term priorities and long-term strategies; the timely development and launch of new products and services; the ability of the Bank to recruit and retain key personnel; technological innovation, including open banking and the use of artificial intelligence; heightened competition from established companies and from competitors offering non-traditional services; model risk; changes in the performance and creditworthiness of the Bank's clients and counterparties; the Bank's exposure to significant regulatory issues or litigation; changes made to the accounting policies used by the Bank to report its financial position, including the uncertainty related to assumptions and significant accounting estimates; changes to tax legislation in the countries where the Bank operates; changes to capital and liquidity guidelines as well as to the instructions related to the presentation and interpretation thereof; changes to the credit ratings assigned to the Bank by financial and extra-financial rating agencies; potential disruptions to key suppliers of goods and services to the Bank; third-party risk, including failure by third parties to fulfil their obligations to the Bank; the potential impacts of disruptions to the Bank's information technology systems due to cyberattacks and theft or disclosure of data, including personal information and identity theft; the risk of fraudulent activity; and possible impacts of major events on the economy, market conditions, or the Bank's outlook, including international conflicts, natural disasters, public health crises, and the measures taken in response to these events; and the ability of the Bank to anticipate and successfully manage risks arising from all of the foregoing factors. The foregoing list of risk factors is not exhaustive, and the forward-looking statements made in this document are also subject to credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk, and social and environmental risk as well as certain emerging risks or risks deemed significant. Additional information about these factors is provided in the Risk Management section of this Shareholder report for the First Quarter of 2025 and in the Risk Management section of the 2024 Annual Report and may be updated in the quarterly reports to shareholders filed thereafter.

NON-GAAP AND OTHER FINANCIAL MEASURES: The quantitative information in this document has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated, and should be read in conjunction with the Bank's 2024 Annual Report and subsequent reports to shareholders. 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, which are based on IFRS. 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. The Bank cautions readers that it uses non-GAAP and other financial measures that do not have standardized meanings under GAAP and therefore may not be comparable to similar measures used by other financial institutions. For additional information relating to the non-GAAP and other financial measures presented in this document and an explanation of their composition, refer to pages 14-20 and 130-133 of the Bank's 2024 Annual Report and to pages 4 to 9 and 47 to 50 of the Shareholder report for the First Quarter of 2025, which are available at nbc.ca/investorrelations or at sedarplus.ca. Such explanation is incorporated by reference hereto.

****

Marianne Ratté – 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. Also present for the Q&A session are:

- Lucie Blanchet, Head of Personal Banking and Client Experience;
- Michael Denham, Head of Commercial and Private Banking;
- Nancy Paquet, Head of Wealth Management;
- Étienne Dubuc, Head of Financial Markets; and
- Stéphane Achard, Head of International.

Before we begin, I would like to refer you to Slide 2 of our presentation for information on forward-looking statements and non-GAAP financial measures. The Bank uses non-GAAP measures, such as adjusted results, to assess its performance. Management will be referring to adjusted results unless otherwise noted. I will now turn the call over to Laurent.

Laurent Ferreira, President & CEO

Merci Marianne, and thank you everyone for joining us.

Let me begin the call by addressing the macroeconomic and geopolitical context, before turning to our results.

Canada's economic performance has fallen behind the U.S. and other G7 nations. There has been a considerable decline in our productivity and GDP per capita, coupled with insufficient investments in manufacturing and R&D. Canadian companies are facing excessive regulation and oversight. Added to the mix, we face a U.S. administration with a pro-business, and protectionist, agenda.

Now, we must not only rebuild our relationship, and negotiate economic and trade terms, with our largest partner – we must also get investments off the ground in our country.

Concretely, Canada must consider:

- Appointing a non-partisan head of deregulation to identify and recommend removal of unproductive red tape.
- Accelerating depreciation on capital investments for businesses.
- Reducing taxes on capital gains for business owners.
- Allowing the deferral of tax payable on a transfer to future generations or on a sale to employees to preserve Canadian ownership of businesses.
- Focusing on permits, not subsidies.
- Adopting a Buy Canada Act to promote and give priority to local businesses, notably to increase defence spending with Canadian procurement in the aerospace industry, manufacturing sectors and critical infrastructure.
- Finally, R&D or AI should focus on growing our industries and our economy.

I also urge decision makers to remove all inter-provincial trade regulations hindering Canadian productivity.

Canada is a resource-rich country. It is our responsibility to ensure that our people benefit from the full economic potential of our energy, natural resources, agricultural and manufacturing sectors – today and in the future.

Now, the heightened uncertainty brought by potential tariffs may pressure our economic growth and could prolong the credit cycle.

As a Canadian-centric bank with strong capital levels and an expanded national footprint, we have a pivotal role to play in shaping our economy. At National Bank, we are determined to support our clients through this turbulent time, and to help finance much needed investments in our productivity and economic growth.

Turning now to our financial results. This morning, the Bank reported earnings per share of $2.93 for the first quarter of 2025, up 13% year over year, and a return on equity of 17.6%. This performance reflects strong execution across business segments and our diversified earnings power.

We ended the quarter with a CET1 ratio of 13.6%. Our acquisition of Canadian Western Bank, which closed subsequent to quarter end on February 3rd, will have a minimal impact. This leaves ample room for business growth.

Our dividend payout of 40.6% in Q1 reflects last quarter's dividend increase and robust earnings growth. We will review our dividend next quarter, consistent with usual practice.

Our acquisition of CWB marks a pivotal moment for National Bank. Our combined organizations will allow us to deliver more banking products and services for all Canadians and Canadian businesses.

Over the last few weeks, our teams have been working hard on the integration. Together with our new colleagues, I look forward to leveraging our culture and values. We will not only accelerate National Bank's domestic growth but extend our banking capabilities to the benefit of all our clients.

Turning now to the performance of our segments.

P&C Banking generated net income of $290 million in Q1 with underlying growth more than offset by the credit cycle impact.

Momentum in our loan portfolio was in line with expectations. Personal mortgages grew 3% year over year, supported by a solid pace in our client channels. Commercial loans were up 13% over the same period, with strength in insured residential real estate and broad-based growth across industries and geographies.

Wealth Management had a strong start to the year, with Q1 net earnings up 23% year over year. Revenues were up in all categories, with strong growth in assets and demand deposits. This was driven by market appreciation, strong net entries in all distribution channels and high activity level. The franchise also generated positive operating leverage.

Financial Markets exceeded our expectations in Q1 with year over year net income growth of 35%. Global Markets generated a record top line, with elevated activity across most businesses. We benefited from particularly strong issuance volumes in Structured Products and significant opportunities in Securities Finance. On the Corporate and Investment Banking side, revenues were up 3%.

Credigy's net income was up 8% year over year. Average assets grew 7% over the same period and were relatively stable sequentially. The U.S. market remains competitive, and we are maintaining our usual discipline, only pursuing opportunities with risk-reward profiles that meet our criteria. We continue to be successful in financing and acquiring mortgage portfolios, while risk-adjusted returns on unsecured assets are generally less compelling right now.

Finally, **ABA Bank**. Consistent with past quarters, the local economy continues to operate below potential, with lower tourism spend directly impacting our customers. As a result, ABA grew its loan book by 9% year over year in the first quarter. Against this backdrop, ABA is leveraging its strengths, including its digital payment and cash management capabilities. It also continues to increase its client base, which was up 31% year over year in Q1, translating into deposit growth of 19%.

Before turning it over to Marie-Chantal, I would like to say a few words on the executive appointments announced last December and effective March 1.

Michael Denham, who successfully led the integration of our private and commercial banking activities, will lead CWB's integration as EVP and Vice-Chair, a role he is exceptionally qualified for.

With this transition, Judith Ménard is being promoted to EVP and Head of Commercial and Private Banking. This is a natural next step given her trajectory with the Bank since 1998 and her previous success expanding our commercial and private banking model beyond Québec.

In addition, Dominic Paradis, who has played a pivotal role in overseeing the Bank's legal team and corporate governance, was promoted to EVP and General Counsel.

With their appointments, Judith and Dominic will also join the Senior Leadership Team.

This being Stéphane Achard's last call prior to his retirement at the end of April, I'd like to take a moment to recognize him. Stéphane has made a lasting impact at the Bank and business community with his leadership and dedication to clients. I extend my gratitude for his many contributions, and on behalf of all of us, I wish him the very best in his well-deserved retirement.

Finally, I'd also like to thank Bill Bonnell for stepping in to oversee our international investments, delaying his own retirement plans and once again demonstrating his dedication to the Bank.

Marie Chantal, over to you.

Marie Chantal Gingras, CFO & EVP, Finance

Thank you, Laurent, and good morning, everyone.

My comments will begin on **Slide 7 -** First quarter results were strong as revenues and PTPP delivered double digit growth year over year. Revenues increased by 19% with particular strength in Financial Markets and Wealth Management, supported by favorable market conditions. PTPP grew by 28% with positive operating leverage of 7%, as we continue to prioritize disciplined cost management. Our efficiency ratio stood at 50%. Our business segments generated solid organic business growth.

Expenses were up 12% year over year. This was primarily driven by variable compensation, in line with the strong performance in Financial Markets and Wealth Management. Excluding variable compensation, expenses rose by 8%, in part driven by higher salaries, benefits and pension plan expense. In addition, technology costs increased 8% year over year, reflecting ongoing strategic investments, mainly related to our digital transformation and the evolution of our technological environment. We continue to invest for growth, while staying disciplined across the bank.

For the quarter ended January 31, 2025, the application of the Pillar 2 rules increased the Bank's effective tax rate by less than 2%. In Q1, the effective tax rate was 22.6%. This rate for any particular period may be impacted by other factors, including changes in our business mix.

Now turning to **Slide 8 -** Non-trading NII in Q1 was up 3% sequentially. This increase was mainly driven by balance sheet growth, as well as annual dividends received from an unconsolidated international investment.

The all-bank NIM, excluding trading, was stable quarter over quarter at 2.26%. The P&C NIM was down 2 basis points over the same period at 2.28%. This primarily reflected the balance sheet mix, as loan growth exceeded deposit growth.

Turning to **Slide 9** which highlights the continued broad-based growth on both sides of our balance sheet. Loans were up 7% year over year and 1% quarter over quarter.

Deposits, excluding wholesale funding, grew 12% year over year and 4% quarter over quarter.

Personal demand deposits across our retail businesses increased by almost 4 billion dollars or 8% sequentially. Furthermore, our customers' appetite for investment solutions has been strong given the favorable market performance that continued in Q1 and resulted in solid growth.

Non-retail deposits grew 3% quarter over quarter.

Now turning to capital on **Slide 10 -** We ended the quarter with a robust CET1 ratio at 13.6%. First quarter earnings, net of dividends, contributed 43 basis points to our ratio, again underscoring our internal capital generation capacity. Excluding FX, growth in risk-weighted-assets accounted for 53 basis points of CET1 driven by Credit Risk and, to a lesser extent, Market Risk.

Furthermore, our capital position remains very strong after closing the CWB acquisition. We estimate the transaction reduced our CET1 ratio by approximately 15 basis points at close. This takes into consideration the fair value of acquired assets, which includes an estimated credit mark on impaired loans of 378 million dollars, as well as an initial provision on performing loans of 230 million dollars before tax.

Of note, this is before factoring in any benefit from utilizing the AIRB methodology. Recall that CWB currently uses the standardized approach. As we onboard CWB's clients, we will keep working with our regulator to migrate most of their portfolios to AIRB in 2026.

At year end, we will share an updated capital plan presenting our priorities for capital deployment. In the meantime, we are very pleased with our strong CET1 ratio.

I will now provide additional commentary on the acquisition of CWB and what we are expecting in Q2 and going forward.

Slide **11** highlights the various Purchase Accounting and IFRS items that will impact our results in the upcoming quarters. Of note, the amortization of the net fair value mark will impact adjusted results, while the amortization of newly recognized intangibles and the initial provision on performing loans will be excluded. For additional information, Appendix 16 presents our preliminary estimate for CWB's opening balance sheet.

Moving to Slide **12** to review the synergy potential and timeline. The execution of our integration plan is well under way. CWB employees are being onboarded. Client migration from CWB's platform to National's will be done in waves, starting in the summer of 2025 and continuing through the beginning of calendar 2026. This sequenced approach will provide the focus needed to ensure a smooth and seamless experience for clients and employees.

When we announced the CWB acquisition, we identified meaningful synergies of $270 million pre-tax. We expect to realize approximately $175 million from cost savings, and approximately $95 million from funding.

We also expect to achieve over 135 million dollars of these synergies in the first year post closing, or by the end of Q1 2026, with around two-thirds generated from funding synergies. The funding synergies will be realized through this period and the cost synergies towards the latter part of year 1, as clients are onboarded.

By the end of Fiscal 2027, we are confident that we will achieve the $270 million of synergies previously announced. We will continue to provide quarterly updates as our integration progresses.

We also anticipate revenue upside in both NII and fee income. At this point in time, it is too early for us to quantify the upside from these incremental revenue opportunities, but they will be significant. Our strategy is well defined, and our plan is laid out already.

In particular, higher NII will be generated by expanding our balance sheet through existing and new relationships, as well as by rolling out our cash management solutions, and our retail and wealth capabilities to CWB's clients. We will also be providing National Bank's clients with opportunities in equipment financing, an area where CWB has expertise.

Higher fee income will be mostly generated by providing CWB clients with Risk Management Solutions, and also Capital Markets capabilities, where National Bank excels.

We already have a single management structure in place and are working as one team to combine servicing and in-market activities.

Ultimately, we will deliver a full suite of Commercial, Retail, Wealth and Capital Markets offerings to CWB clients. We expect revenue opportunities to accelerate in 2026 once client migration is complete, with full benefits to be realized in 2027 and beyond.

Moving to Slide **13**. On our last quarterly call, we had provided a financial outlook for National Bank on a stand-alone basis. We expected mid-single-digit EPS growth in 2025 and positive operating leverage. Since then, we closed the CWB acquisition, and are now providing our preliminary outlook inclusive of CWB.

Bear in mind that the amortization of the net fair value mark will impact adjusted results starting in Q2.

Regarding EPS, on an adjusted basis, growth will be impacted by the amortization of the mark and the issuance of common shares in the context of the acquisition. However, excluding the impact of the mark, and given the strong start to the year, we are confident in delivering our prior expectation of mid-single digit EPS growth. This should translate into adjusted ROE of approximately 15% for the year, also excluding the amortization of the mark.

Regarding operating leverage, we maintain our target of positive operating leverage for 2025. We expect the contribution from CWB and the realization of cost and funding synergies will offset the impact from the amortization of the mark. As usual, there could be some variability from quarter to quarter.

To conclude, we remain excited about the opportunities that lie ahead as we expand our Canadian presence.

Our financial outlook is strong following the transaction and we look forward to providing our progress on cost, funding and revenue synergies, as well as our capital plan, as the year unfolds.

I will now turn the call over to Jean-Sébastien.

Jean-Sébastien Grisé, CRO & EVP, Risk Management

Merci Marie-Chantal and good morning everyone.

I'll start on **Slide 15**. Since our last call, the Canadian economy has continued to show signs of weakness, including slow economic growth and a soft labour market. Inflation has remained largely under control, allowing the Bank of Canada to continue to ease borrowing costs. However, the threat of US tariffs creates increased uncertainty.

Against this backdrop, our credit portfolios remained resilient, benefiting from our defensive positioning and disciplined risk management. We also remain prudently provisioned.

Now turning to the first quarter results. TOTAL PCLs were $254 million, or 41 basis points, an increase of 14 basis points compared to last quarter.

We continued to prudently build allowances, as we have done for the past 11 quarters. We added 9 basis points of performing provisions, driven by model calibration, portfolio growth, and migration. Furthermore, in assessing our provisions this quarter, we considered the uncertainties around US tariffs and global trade.

PCLs on IMPAIRED loans were $196 million or 32 basis points, which was 8 basis points higher quarter over quarter.

Personal Banking IMPAIRED PCLs increased sequentially and stood at $63 million. Recall that last quarter, we mentioned that non-retail impaired PCLs were expected to be lumpy in 2025, and this is what we saw in Q1. Specifically, impaired PCLs in Commercial Banking reached $73 million, mainly reflecting a few files, including one in the technology sector. In Financial Markets, an $18 million provision was taken for an impaired account in the manufacturing sector.

At Credigy, we continued to see a normal seasoning of portfolios.

And, at ABA, impaired provisions remained elevated as we've seen now for several quarters.

Turning to **Slide 16**. Our total allowances for credit losses reached $1.7 billion, representing 4.3 times coverage of our last twelve months' net charge-offs.

Our performing allowances grew 6% quarter over quarter to reach over $1.2 billion, representing 2.1 times our last 12 months' IMPAIRED PCLs. Additional metrics on our allowances are provided in **Appendix 10**. We continue to be comfortable with our prudent level of allowances.

Turning to **Slide 17**. Our gross impaired loan ratio increased to 79 basis points, up 11 basis points sequentially. Of note, GILs excluding USSF&I were 49 basis points.

The main driver of higher GILs over the past quarter and year has been ABA, reflecting elevated formations and a longer resolution process. However, this quarter, formations were down to US$79 million from US$89 million last quarter.

The underlying credit fundamentals of the portfolio have remained stable over the past several quarters, with low average LTVs, loan size, and prudent impaired allowances.

On **Slide 18** we present highlights from our Canadian RESL portfolio. The geographic and product mix remained stable with Quebec accounting for 54% and insured mortgages accounting for 29% of Total RESL. Average LTVs for our HELOCs and uninsured mortgages remained in the 50s, and higher risk uninsured borrowers still represent around 50 basis points of the Total RESL portfolio.

On **Slide 19** we provide additional details on our Canadian mortgage portfolio. Of note, around 70% of our mortgage portfolio has now been repriced at higher interest rates.

As shown in **Appendix 9**, 90-day delinquencies for mortgages have remained stable, and remain below the pre-pandemic levels.

Turning to the acquisition of CWB, I would like to discuss our expectations for Q2 on the initial provision on performing loans, and on the credit mark on the impaired loans.

First, as mentioned on **Slide 10 and 11**, we expect to take an initial provision of $230 million on the performing loan portfolio.

Second, as shown on **Slide 10**, we expect to take a credit mark of $378 million on the impaired portfolio.

Our approach regarding the acquired portfolios ensures that credit provisioning for both performing and impaired loans is aligned with our prudent internal methhodologies, and reflective of an evolving credit environment.

Looking forward, elevated uncertainties remain in the forward path of economic growth, interest rates and unemployment. We continue to anticipate further increases in delinquencies and impaired PCLs in our retail portfolios, and lumpiness in our wholesale portfolio. At Credigy, we expect provisions to be primarily driven by portfolio growth and mix, and at ABA, we expect impaired PCLs to remain elevated.

While it is too early to determine the impact of potential tariffs, these evolving events add another layer of uncertainty. The range of potential outcomes has widened. As such, we now expect IMPAIRED PCLs, including CWB, to be in the range of 25 to 35 basis points for the full year.

In conclusion, while volatility and uncertainty persist, we remain well positioned given our defensive attributes, resilient mix, and prudent level of allowances.

With that, I will turn the call back to the operator for the Q&A.

*** Closing remarks ***

Laurent Ferreira, President & CEO
Thank you, operator.

2025 is an important year for us. CWB and National Bank will generate significant opportunities for our employees, our clients and continued value creation for our shareholders. Thank you again for joining us.