SPEAKING NOTES - NATIONAL BANK OF CANADA
FOURTH QUARTER EARNINGS CONFERENCE CALL
FRIDAY, DECEMBER 1, 2023

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. The forward-looking statements in this document may include, but are not limited to, statements about the economy, market changes, the Bank's objectives, outlook, and priorities for fiscal year 2024 and beyond, the strategies or actions that will be taken to achieve them, expectations for the Bank's financial condition, its activities, the regulatory environment in which it operates, its environmental, social, and governance targets and commitments, and certain risks to which the Bank is exposed. 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 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. 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 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 significantly from these statements due to a number of factors. Thus, 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 significantly 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 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. Assumptions about the performance of the Canadian and U.S. economies in 2024 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 provisions 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. The forward-looking statements made in this document 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 the other countries where the Bank operates; the impact of upheavals in the U.S. banking industry; exchange rate and interest rate fluctuations; inflation; global supply chain disruptions; 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; climate change, including physical risks and those related to 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 key short-term priorities and long-term strategies; the timely development and launch of new products and services; the Bank's ability to recruit and retain key personnel; technological innovation, including advances in artificial intelligence and the open banking system, 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; 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 by financial and extra-financial rating agencies; potential disruptions to key suppliers of goods and services to the Bank; the potential impacts of disruptions to the Bank's information technology systems, including cyberattacks as well as identity theft and theft of personal information; the risk of fraudulent activity; and possible impacts of major events affecting 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. 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 risk factors is provided in the Risk Management section beginning on page 60 of the 2023 Annual Report and may be updated in the quarterly shareholder's reports subsequently published.

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 2023 Annual Report. 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 14-19 and 124-127 of the Management's Discussion & Analysis in the Bank's 2023 Annual Report which is available at nbc.ca/investorrelations or at sedarplus.ca.

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Marianne Ratté – Vice President & Head, Investor Relations
Merci, and good morning everyone.

We will begin the call with remarks from:
- Laurent Ferreira, President and CEO;
- Marie Chantal Gingras, CFO; and
- Bill Bonnell, 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 as of November 1st;
- Étienne Dubuc, Head of Financial Markets, also responsible for Credigy; and
- Stéphane Achard, Head of International, responsible for ABA Bank.

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. This morning, National Bank reported earnings per share of $2.44 cents for the last quarter of 2023, and of $9.60 cents for the full year. On the back of strong execution, organic growth and tight expense management, we delivered on our pre-tax pre-provision earnings objective for 2023, with 7% growth over last year. Through sustainable dividend increases, we reached our target dividend payout ratio range of 40 to 50%. Our ratio now stands at 41%. This is excluding this morning's 4% quarterly dividend increase effective Q1 2024. We also generated a return on equity of 16.8% while growing our capital position and ended the year with a CET1 ratio of 13.5%.

Looking at the Canadian economy, which contracted 1.1% in Q3, the effects of tighter monetary policy are kicking in. This is putting pressure on our customers, with consumers and businesses having to adjust to higher borrowing costs. Domestic demand has slowed, and the labour market is softening. Housing costs are rising due to higher rates, limited supply and population growth. As a result, we are operating in an environment where the outlook for economic growth remains challenging.

In this context, our diversified business mix and our disciplined approach to credit, capital and cost management, position us well and will continue to guide our path forward. We have a solid credit profile and are building prudent reserves in line with business growth and credit normalization. Our capital deployment strategy remains unchanged, as does our target of generating ROE of 15 to 20%. Our objective is to maintain strong capital ratios; invest in business growth; deliver sustainable dividend increases; and provide flexibility. Turning now to the performance of our business segments.

Personal and Commercial Banking delivered strong results in Q4 and for the full year, with pre-tax pre-provision earnings up 16% in 2023 over last year. These results were supported by deposit-driven margin expansion from rising rates as well as solid volume growth on both sides of the balance sheet. 2023 also marked another successful year on the client acquisition and satisfaction fronts. Our commercial loan book experienced strong growth, with lending volumes up 3% sequentially. Personal loans were up 1% quarter over quarter as mortgage growth continued to moderate. As always, we remain disciplined on new originations, balancing volume growth, margins, and credit quality.

2023 was a record year for **Wealth Management**, with total revenues exceeding $2.5 billion. Pre-tax pre-provision earnings were up 8% over last year, benefiting from our strong client franchise. Our Wealth Management business delivers superior returns year after year, and is a key pillar of our growth strategy. Looking to 2024, fee-based revenues from our client franchise will remain reliant on market performance. Our focus is to continue growing our client base, as was the case in 2023.

For our core banking operations in P&C and Wealth, we expect the increase in net interest income from higher rates to moderate.

Our **Financial Markets** business delivered net income in excess of $1 billion once again in 2023, demonstrating resilience in all market conditions. Corporate and Investment Banking delivered 16% revenue growth in Q4, capping off a record year with revenues of $1.2 billion. This highlights investments we have made in talent over the last several years. Global Markets also delivered a strong quarter. We expanded our activities in Securities Finance through the year. Structured Products also benefitted from a pick-up in volumes and normalizing equity volatility in Q4 compared to the prior quarter. We continue to grow and diversify our Financial Markets business and build upon our expertise in select areas, while maintaining disciplined risk management. Looking at next year, the segment will be subject to the proposed Canadian dividend tax measure. Despite this change, we expect to deliver year-over-year net income growth for Financial Markets in 2024.

Credigy also delivered a solid overall performance in 2023. Revenues in Q4 increased 13% sequentially, reflecting the performance of our portfolios and prepayment revenue. In an uncertain macro environment, the franchise selectively deployed capital throughout the year with success, growing average assets by 13%, consistent with our 2023 objective. Credigy continues to demonstrate its ability to execute in various economic environments. It has invested over 2.5 billion U.S. dollars in 2023 and has reached, for the first time, the 10 billion Canadian dollar mark in average assets in the fourth quarter. Looking at next year, we are seeing positive momentum in deal flow and foresee double-digit asset growth for 2024.

ABA Bank delivered a solid performance in 2023 with continued momentum in client acquisition. It was again recognized as the Best Bank in Cambodia by Euromoney and Global Finance. In Q4, ABA generated double-digit growth in loans and deposits, although revenues reflect continued margin pressure from the deposit mix. From a macro standpoint, the Cambodian economy continues to adjust to softer external demand and a slower recovery in tourism. In this context, we will remain focused on delivering balanced growth. Longer term, the outlook continues to be very attractive. Cambodia remains a high-growth economy with favourable demographics, presenting substantial growth opportunity for ABA.

As we enter 2024, we are committed to our prudent and disciplined approach to capital, credit and cost management across our businesses. Our defensive positioning and the earnings power of our diversified business mix, provides us with resilience and flexibility in a less constructive environment. This will enable us to continue to generate sustainable, long-term value for our shareholders.

Marie Chantal, over to you.

Marie Chantal Gingras, CFO & EVP, Finance
Thank you, Laurent, and good morning, everyone.

My comments will begin on **Slide 8.** In Fiscal 2023, the Bank achieved record revenues of more than 10 billion dollars, underscoring our diversified and resilient business model. Through strong execution, we generated solid growth and maintained an efficiency ratio below 53%.

Turning to our quarterly results on **Slide 9**. The Bank delivered a strong finish to the year despite a macro environment that remained challenging. In Q4, revenues increased by 14% year-over-year and, when combined with continued cost discipline, PTPP grew by almost 19%. Reported expenses in Q4 increased by 19% year-over-year and included the following specified items: impairment losses of 86 million dollars; litigation expenses of 35 million dollars; and provisions for contracts of 15 million dollars. Excluding specified items, expenses rose by 9% year-over-year. Compensation was up. This was primarily driven by variable compensation, which was in line with strong performance, as well as salaries, which mainly reflected the annual salary increase. We continue to prudently manage headcount. To this end, FTE count in Canada has declined by 1.6% since Q1. Technology costs were higher. This was mainly due to a shift in investment portfolio mix, business growth and amortization of prior year projects. Investments in technology allow us to improve the client experience and our efficiency by accelerating automation and simplifying our operations. Costs were also higher year-over-year for occupancy, marketing and travel. As anticipated and mentioned on our last call, operating leverage was positive in Q4, at 4.3%.While positive operating leverage remains our objective, the slower revenue growth environment may make it difficult to achieve especially in the first half of 2024. Similarly, we expect PTPP growth to be in the mid-single digit range, and skewed towards the second half of the year. In the current macro environment, we continue to be strategic in prioritizing and managing expenses. We remain focused on controlling costs, as well as on balancing business growth and investments. As such, while expense growth may vary from quarter to quarter, we expect the trend to continue slowing down in 2024.

Now turning to **Slide 10**. Non-trading net interest income in Q4 declined by 16 million dollars or 1% sequentially. In P&C Banking, NII increased by 20 million dollars, benefitting from growth in both loans and deposits. For Financial Markets, non-trading NII was down 11 million dollars, reflecting a payment recovery in Corporate Banking last quarter. NII was up 14 million dollars at Credigy, benefitting from pre-payment revenue and positive portfolio performance. At ABA, NII was up 5 million on balance sheet growth, partly offset by lower deposit margin. Lastly, in the Other segment, NII excluding trading declined by 39 million dollars. This reflected, in part, strong performance from Treasury in the prior quarter, as well as lower NII from asset and liability management activities. As anticipated, the all-Bank non-trading NIM declined by 4 basis points sequentially. Strong performance in our business segments, including 2 basis points expansion from P&C Banking, was offset by lower NII in the Other segment. Looking ahead, we expect the Other segment total revenues for 2024 to be relatively stable from 2023. We are pleased with our NIM expansion since the beginning of the rising rate cycle. Going forward, there may be some quarterly fluctuations of a few basis points up or down, but overall, we expect the all Bank non-trading NIM to be relatively stable, assuming no change in the Bank of Canada target rate.

Slide 11 highlights our balance sheet. Loans were up 9% year-over-year and 3% quarter-over-quarter. Growth was broad-based. Commercial loans grew 4% quarter-over-quarter, in part driven by opportunities in the residential insured segment. Sequentially, personal loans grew by 1%. Deposits, excluding wholesale funding, grew by 6% year-over-year and were relatively stable quarter-over-quarter. Sequentially, personal deposits rose by 1.5% with continued growth in term deposits across our retail businesses. Non-retail deposits declined by 1% sequentially.

As you can see on **Slide 12,** we are starting 2024 from a robust liquidity position. Our Liquidity Coverage Ratio was 155% and our Net Stable Funding Ratio was 118% at year-end, as we prudently and consistently operate at levels that are well above regulatory minimum requirements. As ruled by OSFI recently, cash ETF's will be reclassified as wholesale deposits with a liquidity requirement of 100%. This will be effective January 31, 2024. At year-end, we held $13.6 billion dollars of cash ETF's, classified as non-retail deposits within Financial Markets. Taking a step back, it's worth noting that this product serves the needs of our retail investors, and also complement our open architecture model. As such, we will continue to support the product. While there will be an impact on our liquidity metrics, we are starting off with peer-leading ratios and have been preparing for this potential outcome. Based on current assumptions, we expect LCR at the end of Q1 to be around 140%. We are well positioned to absorb the new regulatory liquidity treatment for cash ETF's and will continue to be, heading into the new year. As such, we do not expect changes to our term funding plan in 2024. Our core banking activities are well-funded through diversified and resilient sources, while we remain disciplined around funding costs. As always, our objective is to grow the franchise and we remain disciplined in managing our balance sheet; balancing growth, margin and credit quality.

Now turning to capital on **Slide 13**. Our CET1 ratio stands at 13.5%, unchanged from the previous quarter. Fourth quarter earnings net of dividends contributed 40 basis points to our ratio, underscoring our strong internal capital generation capacity. RWA growth represented 35 basis points of capital, primarily driven by solid growth in our Commercial and Corporate Banking books, as well as rating migration from retail and non-retail portfolios.

On November 1, 2023, the Basel III reforms related to the Fundamental Review of the Trading Book and a revised Credit Valuation Adjustment framework were adopted. This combined impact of these measures on the CET1 ratio, as of November 1st, falls within our previously announced range of 35 to 40 basis points. On a related note, we do not expect to hit the capital output floors in 2024. Our capital position is strong, and will remain strong upon the reform implementation in Q1 2024. It provides us with flexibility to deploy capital across our businesses. It also allows us to return capital to shareholders through sustainable dividend increases.

In conclusion, the Bank delivered a solid performance in Q4 and in 2023. Strong execution is supported by a consistent and prudent approach across the Bank. As we enter 2024 with lingering macro uncertainty, our diversified business mix, continued cost discipline and strong capital and liquidity levels position us well to achieve our financial objectives.

I will now turn the call over to Bill.

William (Bill) Bonnell, Executive Vice-President, Risk Management
Merci Marie-Chantal and good morning everyone.

I'll start on slide 15, looking back at our credit performance over the full year. Throughout 2023, the negative effects of higher interest rates, elevated inflation, and geopolitical events impacted the Canadian economy and slowed growth. Unemployment rates rose but remained close to historically low levels, and demographic trends provided support to housing demand. Against this macro context, the performance of our credit portfolios was strong, benefiting from our defensive positioning and disciplined risk management.

As expected, impaired PCLs rose from their 2022 trough to reach 11 basis points. This was at the low end of our target range and remained well below pre-pandemic levels. We took 8 basis points of performing provisions as we prudently built additional allowances. Including POCI impacts, our Total PCLs for the full year were 18 basis points. Looking now at the 4th quarter, total provisions of $115 million or 21 basis points were 1 basis point higher than last quarter. For the 6th consecutive quarter, we prudently build our performing allowances taking 9 basis points of performing PCLs. The primary drivers of performing provisions this quarter were portfolio growth, migration and model calibration. Provisions on impaired loans of $88 million or 16 basis points were also 1 basis point higher QoQ and reflected the same trends we discussed on previous calls. In our domestic retail portfolios, normalization continued towards pre-pandemic levels, led by credit cards. In our non-retail portfolios, impaired provisions were taken on a few files, primarily in the Wholesale Trade and Healthcare sectors.

In the USSF&I segment, performance continued to meet our expectations. At Credigy, normal seasoning of acquired portfolios generated an increase in stage 3 provisions. At ABA, stage 3 provisions declined slightly QoQ, but remained elevated as we expected. Given the macro context in the Cambodian economy that Laurent mentioned, with softer external demand and a slower recovery in tourism, we expect ABA's impaired provisions to remain elevated for several quarters. I should note here that ABA's loans remain well collateralized with low LTVs, and that net charge off rates remain low and below our prudent level of impaired provisioning.

Now, looking ahead at next year - in 2024, we expect the impacts of higher borrowing costs to continue to work their way through the economy leading to lower GDP growth and higher levels of unemployment. In our domestic portfolios, this should bring a return to pre-pandemic levels of credit provisions with unsecured portfolios in retail banking and consumer discretionary sectors in wholesale banking normalizing more quickly. At Credigy, we expect provisions to be primarily driven by portfolio growth and mix. At ABA, we expect provisions to remain elevated and net-charge-off rates to remain low. At the total bank level, our outlook for Impaired PCLs in fiscal 2024 is a range between 15-25 basis points. If current trends continue, we should end up around the middle part of that range.

Turning now to slide 16, with the additional build in the 4th quarter, our Total Allowances grew to almost $1.4 billion representing 8.7 times coverage of our LTM net charge-offs. Our Performing Allowance grew 6% QoQ to reach almost $1.1 billion. The performing ACL now exceeds the peak pandemic level and represents 4.4 times 2023 impaired PCLs. In the appendix on slide 32, we provide additional metrics about our allowances and we remain very comfortable with the prudent level we've built.

Turning to slide 17, our gross impaired loan ratio rose 4 basis points sequentially and 6 basis points from the end of last year, driven largely by the USSF&I segment. Currency fluctuations accounted for almost a third of the sequential increase. In our domestic segments, Gross Impaired Loans were relatively stable at 31 basis points, rising only 1 basis point from last year. Net formations increased to $172 million last quarter. In retail portfolios, the normalization trend continued, and our non-retail portfolios saw a few small formations primarily in Agriculture and Wholesale trades. Formations at Credigy were stable QoQ and reflected the normal seasoning of acquired portfolios. At ABA, formations remained elevated at $65 million, up 14 million C$. On a constant currency basis, ABA's formations decreased by 6 million US$ QoQ.

On slide 18, we present highlights from our Canadian RESL portfolio. The geographic and product mix remained stable with Quebec accounting for 55% and insured mortgages accounting for 29% of Total RESL. Average LTVs for our HELOCs and uninsured mortgages remained in the low to mid 50s, and high-risk uninsured borrowers represented less than 50 basis points of Total RESL.

Additional details on our Canadian mortgage portfolio are presented on slide 19. About half of our mortgage portfolio has already been repriced to the higher interest rates we've seen over the past 12 months, and clients have continued to demonstrate their resilience. In both Variable Rate and Fixed Rate uninsured mortgages, early stage delinquency rates are normalizing, but remain below pre-pandemic levels and 90-day delinquency rates remain less than half of pre-pandemic levels. As we discussed last quarter, early stage delinquencies on Insured Variable Rate Mortgages have increased at the fastest rate in the RESL portfolio and we're seeing regional differences continue to emerge. We've provided the maturity profile of our Fixed Rate Mortgages over the next three years. We take comfort in the high percentage of insured, the overweight in Quebec and the low LTVs. In the appendices you'll find further information on our loan portfolio and market risks.

In conclusion, we are pleased with the credit performance again this year and remain very comfortable with our defensive positioning, our resilient mix, and our prudent level of allowances. With that I will turn it back to the operator for the Q&A.