



# **NATIONAL BANK OF CANADA**

## **ANALYST AND INVESTOR PRESENTATION Q2-2017 CONFERENCE CALL**

**Wednesday, May 31, 2017 – 1:00 pm**



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# CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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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



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# HIGHLIGHTS

(millions of dollars)

| ADJUSTED RESULTS <sup>(1)</sup>                                    | Q2 17  | Q1 17  | Q2 16  | QoQ  | YoY   |
|--------------------------------------------------------------------|--------|--------|--------|------|-------|
| Revenues                                                           | 1,654  | 1,707  | 1,507  | (3%) | 10%   |
| Net Income <sup>(2)</sup>                                          | 492    | 502    | 237    | (2%) | 108%  |
| Diluted EPS                                                        | \$1.30 | \$1.35 | \$0.60 | (4%) | 117%  |
| Provision for Credit Losses                                        | 56     | 60     | 317    | (7%) | (82%) |
| Efficiency ratio                                                   | 56.6%  | 56.5%  | 57.8%  |      |       |
| Return on Equity                                                   | 18.2%  | 18.6%  | 8.9%   |      |       |
| Net Income<br>excl. sectoral and general provisions <sup>(3)</sup> | 492    | 502    | 420    | (2%) | 17%   |
| Diluted EPS<br>excl. sectoral and general provision <sup>(3)</sup> | \$1.30 | \$1.35 | \$1.14 | (4%) | 14%   |
| Common Equity Tier 1 Ratio Under Basel III                         | 10.8%  | 10.6%  | 9.8%   |      |       |
| Dividend Payout <sup>(4)</sup>                                     | 42.0%  | 48.0%  | 50.1%  |      |       |

(1) Excluding specified items (see Appendix 15), taxable equivalent basis

(2) Net income before non-controlling interests

(3) Excluding sectoral provision for credit losses of \$250 million (\$183 million net of taxes) in Q2 16 as well as \$40 million sectoral provision reversal and \$40 million addition to general allowance in Q2 17

(4) Trailing 4 quarters

## HIGHLIGHTS

- ❑ Adjusted diluted EPS up 117% YoY
- ❑ Adjusted diluted EPS excluding 2016 sectoral provision up 14%
- ❑ Positive operating leverage of 2.3%
- ❑ Efficiency ratio improved by 120 bps
- ❑ ROE at 18.2%
- ❑ CET1 ratio at 10.8%
- ❑ Quarterly dividend increase of \$0.02 to \$0.58 per share
- ❑ NCIB: up to 6 million shares

# SEGMENT SNAPSHOT – Q2 2017

(millions of dollars)

| ADJUSTED NET INCOME                                        | Q2 17 | Q1 17 | Q2 16 | QoQ  | YoY |
|------------------------------------------------------------|-------|-------|-------|------|-----|
| P&C Banking                                                | 233   | 213   | (13)  | 9%   | N/A |
| P&C Banking<br>excluding sectoral provision <sup>(1)</sup> | 204   | 213   | 170   | (4%) | 20% |
| Wealth Management                                          | 105   | 106   | 84    | (1%) | 25% |
| Financial Markets                                          | 175   | 183   | 149   | (4%) | 17% |
| US Specialty Finance<br>& International                    | 40    | 38    | 22    | 5%   | N/A |

(1) Sectoral provision of \$250M (\$183M after taxes) in Q2 16 and reversal of \$40M (\$29M after taxes) in Q2 17.

## HIGHLIGHTS (YoY)

### ❑ P&C BANKING

- ❑ Net income up 20% (excl. sectoral provision)
- ❑ Revenues up 5% due to increase in loans & deposits
- ❑ 3 bps margin improvement

### ❑ WEALTH MANAGEMENT

- ❑ 25% net income growth
- ❑ Revenues up 11% due to net interest income and fee-based revenues
- ❑ AUA and AUM up 15%

### ❑ FINANCIAL MARKETS

- ❑ Net income up 17%
- ❑ Revenues up 13% due to higher fixed income revenues, financial markets fees, banking services and securities gain

### ❑ US SPECIALTY FINANCE & INTERNATIONAL

- ❑ Credigy and ABA ahead of plan
- ❑ Extension of 12-month pause in significant investments in emerging markets

# FINANCIAL REVIEW

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



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# TRANSFORMATION DRIVING EFFICIENCIES

Excluding specified items  
Taxable equivalent basis  
(millions of dollars)

| Total Bank         | Q2 17 | Q1 17 | Q2 16 | YoY  |
|--------------------|-------|-------|-------|------|
| Revenues           | 1,654 | 1,707 | 1,507 | 9.8% |
| Expenses           | 936   | 965   | 871   | 7.5% |
| Operating Leverage |       |       |       | 2.3% |

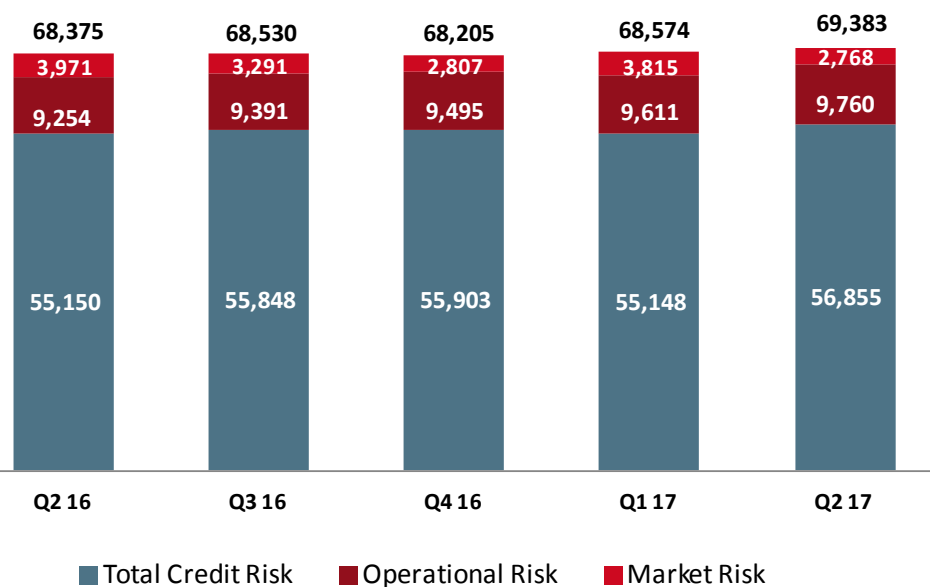
| Efficiency Ratio (YTD)               | 6M 17 | 6M 16 | YoY (bps) |
|--------------------------------------|-------|-------|-----------|
| Total Bank                           | 56.6% | 58.2% | 160       |
| Personal & Commercial                | 55.2% | 57.5% | 230       |
| Wealth Management                    | 64.0% | 67.7% | 370       |
| Financial Markets                    | 40.7% | 42.4% | 170       |
| US Specialty Finance & International | 46.3% | 48.4% | 210       |

## HIGHLIGHTS

- ❑ Positive operating leverage: +2.3%
  - ❑ Improvements across all segments
- ❑ Efficiency ratio improvement YTD: 160 bps
  - ❑ Improvements across all segments
  - ❑ Strong revenue growth and strict cost management
  - ❑ Transformation and efficiency plan producing tangible results
- ❑ P&C efficiency ratio targets well in line with guidance provided in our 2015 Investor Day
  - ❑ F2017: ≈ 54%
  - ❑ F2018: ≈ 53%

# 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 10.8%
- ❑ Total capital ratio at 14.5%
- ❑ Leverage ratio at 3.8%
- ❑ Liquidity coverage ratio at 139%

# RISK MANAGEMENT

William Bonnell

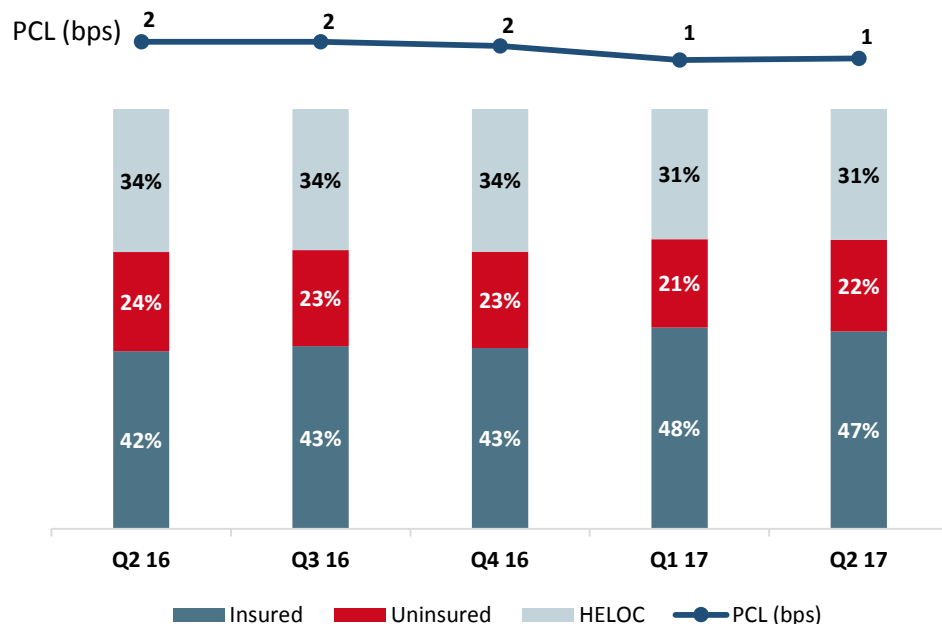
Executive Vice-President, Risk Management



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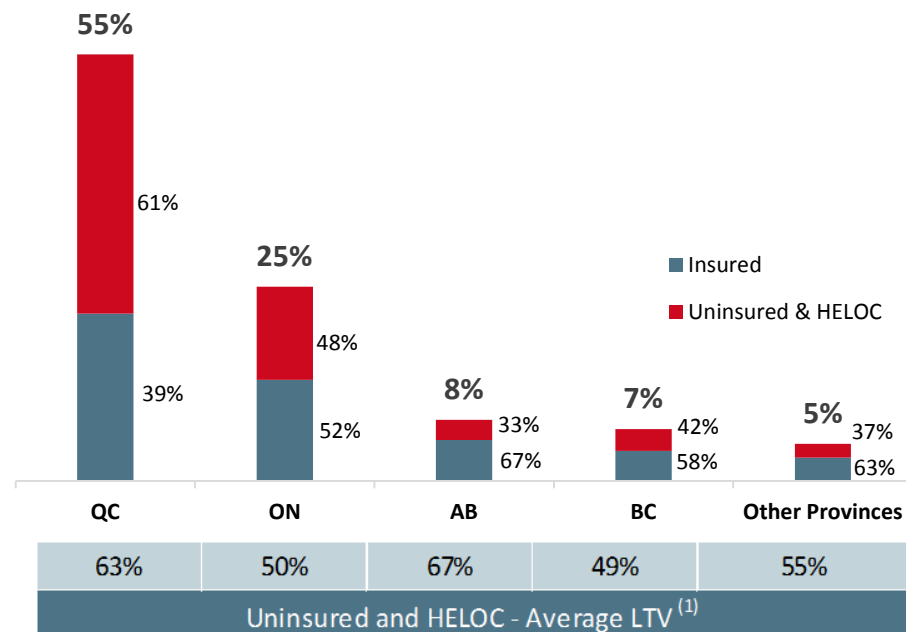
# RETAIL MORTGAGE AND HELOC PORTFOLIO

## CANADIAN RETAIL MORTGAGE PORTFOLIO DISTRIBUTION



## DISTRIBUTION BY CANADIAN PROVINCE

As at April 30, 2017



<sup>(1)</sup> Average LTV are updated using Teranet-National Bank sub-indices by area and property type.

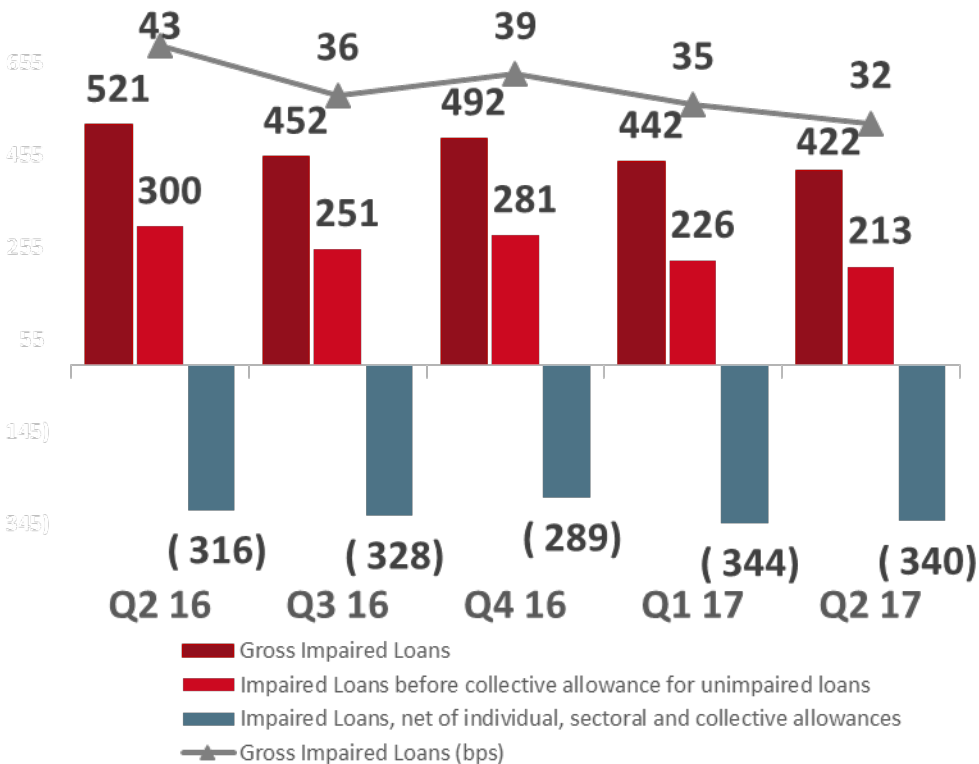
## HIGHLIGHTS

- ❑ Insured mortgages represent 47% of the total portfolio, and greater than 60% of the portfolio outside Central Canada
- ❑ The average LTV<sup>(1)</sup> on the uninsured mortgages and HELOC portfolio was approximately 59%
- ❑ Uninsured mortgages and HELOC in GTA and GVA represent 7% and 2% of the total portfolio and have an average LTV<sup>(1)</sup> of 46%

# IMPAIRED LOANS AND BA'S AND FORMATION

(millions of dollars)

## IMPAIRED LOANS AND BA'S



## IMPAIRED LOANS AND BA'S FORMATION <sup>(1)</sup>

| (millions of dollars)      | Q2 17     | Q1 17       | Q4 16     | Q3 16     | Q2 16      |
|----------------------------|-----------|-------------|-----------|-----------|------------|
| Personal                   | 18        | 23          | 17        | 11        | 21         |
| Commercial (excluding O&G) | 22        | (11)        | 24        | (23)      | 3          |
| Oil & Gas                  | (8)       | (32)        | 36        | 29        | 86         |
| Corporate Banking          | -         | -           | -         | -         | -          |
| Wealth Management          | 1         | -           | 2         | (1)       | 3          |
| Credigy                    | -         | -           | -         | -         | -          |
| ABA Bank                   | 2         | 1           | 1         | 1         | -          |
| <b>Total</b>               | <b>35</b> | <b>(19)</b> | <b>80</b> | <b>17</b> | <b>113</b> |

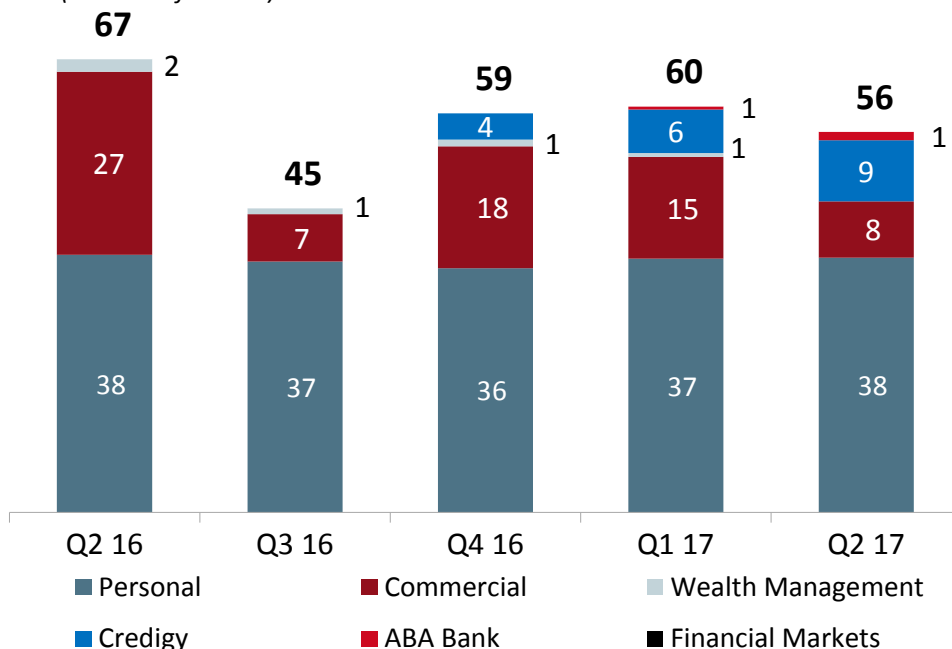
(1) Formations include new accounts, disbursements, principal repayments, and exchange rate fluctuation and exclude write-offs.

## HIGHLIGHTS

- GIL ratio declined to 32 bps
- O&G sectors benefited from repayments

# PROVISION FOR CREDIT LOSSES

(millions of dollars)



## HIGHLIGHTS

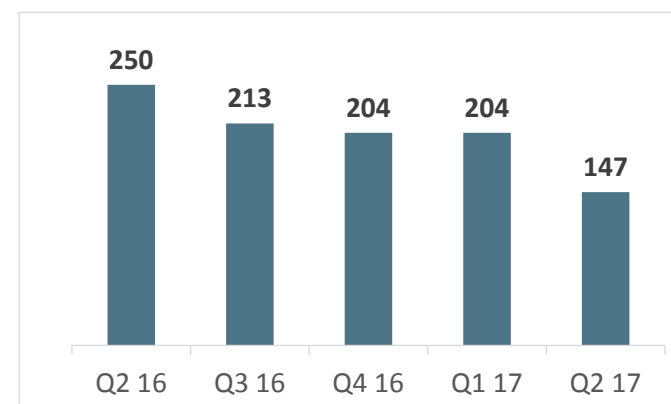
- Specific provisions for credit losses decreased to 18 bps
- O&G sectoral allowance decreased by \$57 million (\$40 million reversal and \$17 million transfer)
- Collective allowance for non-impaired loans increased by \$40 million due to loan portfolio growth
- PCL target lowered to 15-25 bps for the next 2 quarters

Note: Excluding changes in the sectoral provision and the increase of the collective allowance.

| PCLs (in bps)                    | Q2 17     | Q1 17     | Q4 16     | Q3 16     | Q2 16     |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Personal                         | 24        | 23        | 23        | 24        | 26        |
| Commercial                       | 11        | 20        | 23        | 10        | 35        |
| Wealth Management                | -         | 2         | 4         | 3         | 7         |
| Credigy                          | 80        | 69        | 38        | -         | -         |
| ABA Bank                         | 49        | 23        | 18        | -         | -         |
| Financial Markets                | -         | -         | -         | -         | -         |
| <b>Total Specific Provisions</b> | <b>18</b> | <b>19</b> | <b>19</b> | <b>15</b> | <b>23</b> |

## OIL AND GAS SECTORAL ALLOWANCE

(millions of dollars)



# APPENDIX



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# APPENDIX 1 | PERFORMANCE SNAPSHOT – Q2 2017

(millions of dollars)

| ADJUSTED <sup>(1)</sup>                           | Q2 17  | Q1 17  | Q2 16  | QoQ  | YoY  |
|---------------------------------------------------|--------|--------|--------|------|------|
| Revenues <sup>(2)</sup>                           | 1,654  | 1,707  | 1,507  | (3%) | 10%  |
| Expenses                                          | 936    | 965    | 871    | (3%) | 7%   |
| Net Income                                        | 492    | 502    | 237    | (2%) | 108% |
| Diluted EPS                                       | \$1.30 | \$1.35 | \$0.60 | (4%) | 117% |
| ROE                                               | 18.2%  | 18.6%  | 8.9%   |      |      |
| Net Income excl. sectoral and general provisions  | 492    | 502    | 420    | (2%) | 17%  |
| Diluted EPS excl. sectoral and general provisions | \$1.30 | \$1.35 | \$1.14 | (4%) | 14%  |

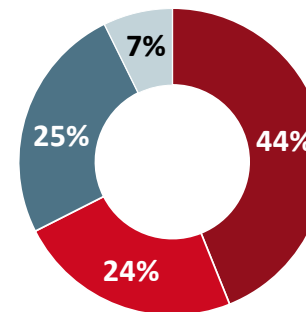
| REPORTED        | Q2 17  | Q1 17  | Q2 16  | QoQ  | YoY  |
|-----------------|--------|--------|--------|------|------|
| Specified Items | (8)    | (5)    | (27)   |      |      |
| Net Income      | 484    | 497    | 210    | (3%) | 130% |
| Diluted EPS     | \$1.28 | \$1.34 | \$0.52 | (4%) | 146% |
| ROE             | 17.9%  | 18.4%  | 7.7%   |      |      |

- (1) Excluding specified items (see Appendix 15)  
 (2) Taxable equivalent basis  
 (3) Excluding specified items. Taxable equivalent basis.  
 Contribution excludes Other segment.

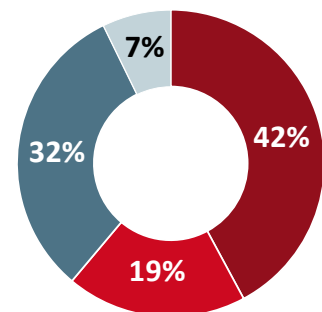
## HIGHLIGHTS

- Adjusted diluted EPS of \$1.30, up 14% YoY excluding 2016 sectoral provision
- Adjusted revenues up 10% YoY
- Expenses up 7%
- Adjusted net income of \$492 million, up 17% YoY excluding 2016 sectoral provision

### REVENUES <sup>(3)</sup>



### NET INCOME <sup>(3)</sup>



- P&C Banking
- Wealth Management
- Financial Markets
- US Specialty Finance & International

# APPENDIX 2 | PERFORMANCE SNAPSHOT – YTD 2017

(millions of dollars)

| <b>ADJUSTED <sup>(1)</sup></b>                       | <b>6M 17</b> | <b>6M 16</b> | <b>YoY</b> |
|------------------------------------------------------|--------------|--------------|------------|
| Revenues <sup>(2)</sup>                              | 3,361        | 3,037        | 11%        |
| Expenses                                             | 1,901        | 1,767        | 8%         |
| Net Income                                           | 994          | 664          | 50%        |
| Diluted EPS                                          | \$2.65       | \$1.77       | 50%        |
| ROE                                                  | 18.4%        | 12.8%        |            |
| Net Income<br>excl. sectoral and general provisions  | 994          | 847          | 17%        |
| Diluted EPS<br>excl. sectoral and general provisions | \$2.65       | \$2.31       | 15%        |

| <b>REPORTED</b> | <b>6M 17</b> | <b>6M 16</b> | <b>YoY</b> |
|-----------------|--------------|--------------|------------|
| Specified Items | (13)         | (193)        |            |
| Net Income      | 981          | 471          | 108%       |
| Diluted EPS     | \$2.62       | \$1.19       | 120%       |
| ROE             | 18.1%        | 8.6%         |            |

(1) Excluding specified items (see Appendix 15)

(2) Taxable equivalent basis

## HIGHLIGHTS

- ❑ Adjusted diluted EPS of \$2.65, up 15% YoY excluding 2016 sectoral provision
- ❑ Adjusted revenues up 11% YoY
- ❑ Expenses up 8%
- ❑ Adjusted net income of \$994 million, up 17% YoY excluding 2016 sectoral provision

# APPENDIX 3 | PERSONAL AND COMMERCIAL BANKING

| (millions of dollars)                                          | Q2 17        | Q1 17        | Q2 16        | QoQ          | YoY          |
|----------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenues</b>                                                | <b>734</b>   | <b>755</b>   | <b>698</b>   | <b>(3%)</b>  | <b>5%</b>    |
| Personal Banking                                               | 339          | 349          | 330          | (3%)         | 3%           |
| Commercial excl. Oil & Gas sector                              | 258          | 252          | 236          | 2%           | 9%           |
| Oil & Gas sector                                               | 14           | 14           | 19           | -            | (26%)        |
| Credit Card                                                    | 91           | 97           | 88           | (6%)         | 3%           |
| Insurance                                                      | 32           | 43           | 25           | (26%)        | 28%          |
| <b>Operating Expenses</b>                                      | <b>410</b>   | <b>412</b>   | <b>401</b>   | <b>-</b>     | <b>2%</b>    |
| <b>Pre-provisions / Pre-tax</b>                                | <b>324</b>   | <b>343</b>   | <b>297</b>   | <b>(6%)</b>  | <b>9%</b>    |
| <b>Provisions for Credit Losses</b>                            | <b>6</b>     | <b>52</b>    | <b>315</b>   | <b>(88%)</b> | <b>(98%)</b> |
| <b>Net Income</b>                                              | <b>233</b>   | <b>213</b>   | <b>(13)</b>  | <b>9%</b>    |              |
| Net Income excluding sectoral provision <sup>(1)</sup>         | 204          | 213          | 170          | (4%)         | 20%          |
| <b>Key Metrics (billions of dollars)</b>                       | <b>Q2 17</b> | <b>Q1 17</b> | <b>Q2 16</b> | <b>QoQ</b>   | <b>YoY</b>   |
| Loans & BAs - Personal (avg vol.)                              | 64.1         | 64.0         | 60.9         | 0%           | 5%           |
| Loans & BAs - Commercial excluding Oil & Gas sector (avg vol.) | 30.3         | 29.4         | 28.6         | 3%           | 6%           |
| Loans & BAs - Oil & Gas sector (avg vol.)                      | 1.0          | 1.1          | 2.1          | (9%)         | (51%)        |
| <b>Loans &amp; BAs - Total (avg vol.)</b>                      | <b>95.4</b>  | <b>94.5</b>  | <b>91.5</b>  | <b>1%</b>    | <b>4%</b>    |
| <b>Deposits (avg vol.)</b>                                     | <b>53.6</b>  | <b>51.7</b>  | <b>47.4</b>  | <b>4%</b>    | <b>13%</b>   |
| <b>Efficiency Ratio (%)</b>                                    | <b>55.9%</b> | <b>54.6%</b> | <b>57.4%</b> |              |              |

(1) Including the sectoral loss of 250M (183M after taxes) in Q2 16 and the reversal of 40M (29M after taxes) in Q2 17

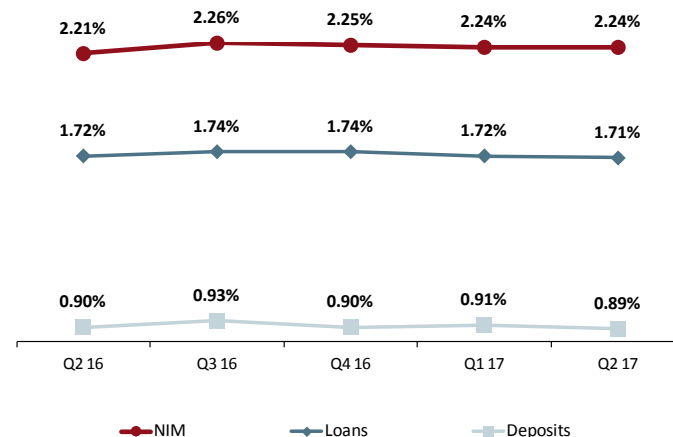
(2) NIM is on Earning Assets

## HIGHLIGHTS YoY

- Net income up 20% YoY due to strong revenue growth, good cost control and decrease in PCL
- Revenues up 5% YoY due to:
  - Strong loan and deposit volume growth
  - Insurance revenue up 28% YoY due to reserve variation and gain on disposal of investment
- Operating leverage at 3%
- Efficiency ratio improved by 150 bps

- PCL down 29% YoY (excl. sectoral provision)

## P&C MARGINS EVOLUTION <sup>(2)</sup>



# APPENDIX 4 | WEALTH MANAGEMENT (1)

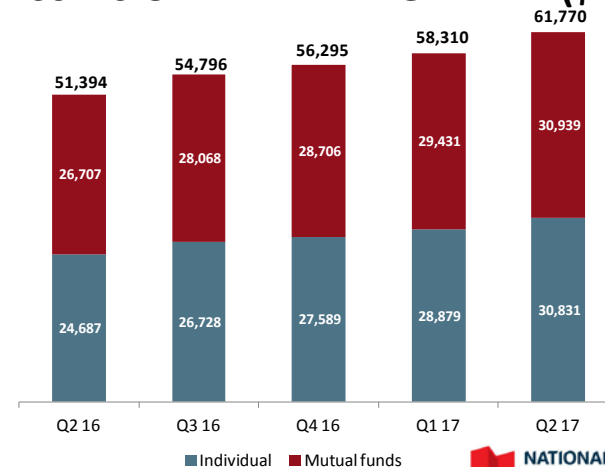
| (millions of dollars)                    | Q2 17        | Q1 17        | Q2 16        | QoQ         | YoY        |
|------------------------------------------|--------------|--------------|--------------|-------------|------------|
| <b>Revenues</b>                          | <b>395</b>   | <b>399</b>   | <b>355</b>   | <b>(1%)</b> | <b>11%</b> |
| Fee-based                                | 222          | 219          | 192          | 1%          | 16%        |
| Transaction & Others                     | 71           | 76           | 72           | (7%)        | (1%)       |
| Net Interest Income                      | 102          | 104          | 91           | (2%)        | 12%        |
| <b>Operating Expenses</b>                | <b>253</b>   | <b>255</b>   | <b>239</b>   | <b>(1%)</b> | <b>6%</b>  |
| <b>Provision for Credit Losses</b>       | <b>-</b>     | <b>1</b>     | <b>2</b>     | <b>-</b>    | <b>-</b>   |
| <b>Net Income</b>                        | <b>105</b>   | <b>106</b>   | <b>84</b>    | <b>(1%)</b> | <b>25%</b> |
| <b>Key Metrics (billions of dollars)</b> | <b>Q2 17</b> | <b>Q1 17</b> | <b>Q2 16</b> | <b>QoQ</b>  | <b>YoY</b> |
| Loans & BAs (avg vol.)                   | 9.7          | 9.6          | 9.4          | 1%          | 3%         |
| Deposits (avg vol.)                      | 32.0         | 31.7         | 27.9         | 1%          | 15%        |
| Asset Under Administration               | 364          | 353          | 316          | 3%          | 15%        |
| Asset Under Management                   | 62           | 58           | 51           | 6%          | 20%        |
| Efficiency Ratio (%)                     | 64.1%        | 63.9%        | 67.3%        |             |            |

(1) Excluding specified items

## HIGHLIGHTS YoY

- ❑ Revenues up 11% mainly due to:
  - ❑ NII growth of 12% driven by strong deposits growth of 15%
  - ❑ Fee-based revenues grew by 16% due to favorable market conditions and good organic volume growth
- ❑ Expenses up 6% mainly due to variable expenses growth compensated by efficiencies
- ❑ Assets under Administration and Assets under Management grew by 15% and 20% respectively

## ASSETS UNDER MANAGEMENT (\$M)



# APPENDIX 5 | FINANCIAL MARKETS

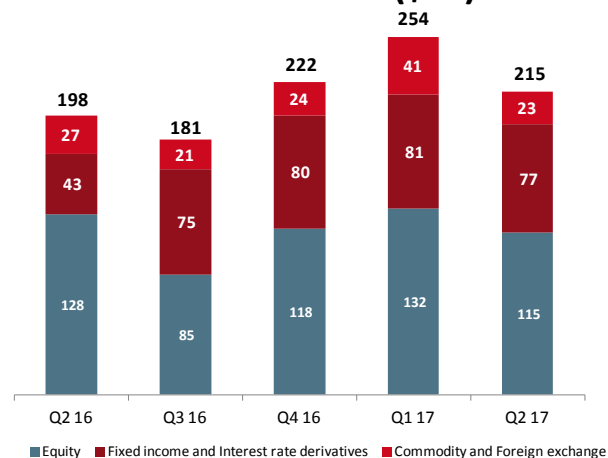
| <i>(millions of dollars)</i>       | Q2 17      | Q1 17      | Q2 16      | QoQ         | YoY        |
|------------------------------------|------------|------------|------------|-------------|------------|
| <b>Revenues</b>                    | <b>404</b> | <b>419</b> | <b>358</b> | <b>(4%)</b> | <b>13%</b> |
| Trading                            | 215        | 254        | 198        | (15%)       | 9%         |
| Banking Services                   | 81         | 81         | 75         | -           | 8%         |
| Financial Market Fees              | 78         | 72         | 71         | 8%          | 10%        |
| Gains on AFS Securities            | 25         | 9          | 5          | 178%        | 400%       |
| Other                              | 5          | 3          | 9          | 67%         | (44%)      |
| <b>Operating Expenses</b>          | <b>165</b> | <b>170</b> | <b>155</b> | <b>(3%)</b> | <b>6%</b>  |
| <b>Provision for Credit Losses</b> | <b>-</b>   | <b>-</b>   | <b>-</b>   |             |            |
| <b>Net Income</b>                  | <b>175</b> | <b>183</b> | <b>149</b> | <b>(4%)</b> | <b>17%</b> |

| <i>Other Metrics (millions of dollars)</i>  | Q2 17  | Q1 17  | Q2 16  | QoQ  | YoY |
|---------------------------------------------|--------|--------|--------|------|-----|
| Proprietary Trading                         | -      | (1.0)  | (3.0)  |      |     |
| Loans & BAs (avg vol.)<br>Corporate banking | 12,546 | 12,739 | 11,863 | (2%) | 6%  |
| Efficiency Ratio (%)                        | 40.8%  | 40.6%  | 43.3%  |      |     |

## HIGHLIGHTS YoY

- Higher financial market fees driven by a very strong performance from Fixed Income particularly in corporate debt capital markets
- Higher trading revenues due to fixed income and interest rate derivatives
- Lower equity derivatives trading revenues due to lower volatility
- Favorable market conditions resulted in gains from several realizations in the AFS securities portfolio

## TRADING REVENUES (\$M)



# APPENDIX 6 | US SPECIALTY FINANCE & INTERNATIONAL

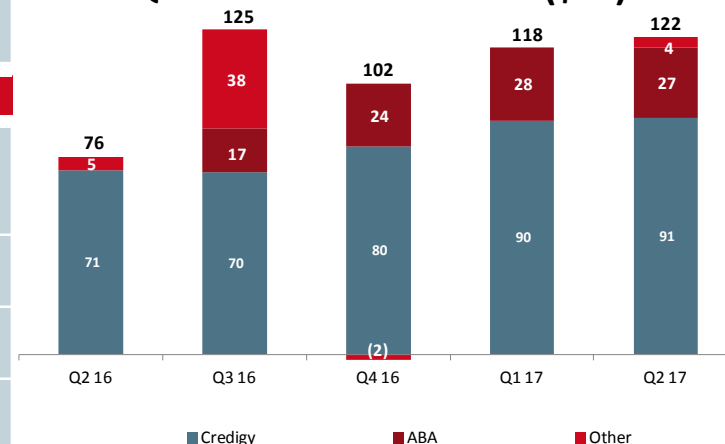
| (millions of dollars)              | Q2 17      | Q1 17      | Q2 16     | QoQ         | YoY        |
|------------------------------------|------------|------------|-----------|-------------|------------|
| <b>Revenues</b>                    | <b>122</b> | <b>118</b> | <b>76</b> | <b>3%</b>   | <b>61%</b> |
| Credigy                            | 91         | 90         | 71        | 1%          | 28%        |
| ABA                                | 27         | 28         | -         | -           | -          |
| Other                              | 4          | -          | 5         | -           | -          |
| <b>Operating Expenses</b>          | <b>55</b>  | <b>56</b>  | <b>41</b> | <b>(2%)</b> | <b>34%</b> |
| Credigy                            | 39         | 43         | 40        | (9%)        | (3%)       |
| ABA                                | 14         | 13         | -         | 8%          | -          |
| Other                              | 2          | -          | 1         | -           | -          |
| <b>Provision for Credit Losses</b> | <b>10</b>  | <b>7</b>   | <b>-</b>  | -           | -          |
| <b>Net Income</b>                  | <b>40</b>  | <b>38</b>  | <b>22</b> | <b>5%</b>   | <b>82%</b> |

| Other Metrics (millions of dollars)                       | Q2 17 | Q1 17 | Q2 16 | QoQ | YoY |
|-----------------------------------------------------------|-------|-------|-------|-----|-----|
| Loans & Receivables and revenue bearing assets (avg vol.) | 4,689 | 4,498 | 4,565 | 4%  | 3%  |
| Credigy                                                   |       |       |       |     |     |
| Loans (avg vol.)                                          | 1,131 | 1,010 | -     | 12% | -   |
| ABA                                                       |       |       |       |     |     |
| Deposits (avg vol.)                                       | 1,225 | 1,122 | -     | 9%  | -   |
| ABA                                                       |       |       |       |     |     |
| Efficiency Ratio (%)                                      | 45.1% | 47.5% | 53.9% | -   | -   |

## HIGHLIGHTS

- ❑ Solid quarter for Credigy driven by a good performance in the mortgage portfolio and investments made during fiscal year
- ❑ 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)



# APPENDIX 7 | LOAN PORTFOLIO OVERVIEW

| <i>(billions of dollars)</i>             | Q2 17        | % of Total  |
|------------------------------------------|--------------|-------------|
| Secured - Mortgage & HELOC               | 64.8         | 50%         |
| Secured - Other                          | 4.8          | 4%          |
| Unsecured                                | 8.8          | 6%          |
| Credit Cards                             | 2.0          | 2%          |
| <b>Total Retail</b>                      | <b>80.4</b>  | <b>62%</b>  |
|                                          |              |             |
| <i>(billions of dollars)</i>             | Q2 17        | % of Total  |
| Real Estate                              | 8.7          | 7%          |
| Retail & Wholesale Trade                 | 5.0          | 4%          |
| Agriculture                              | 4.7          | 4%          |
| Finance and Insurance                    | 4.2          | 3%          |
| Manufacturing                            | 4.1          | 3%          |
| Oil & Gas                                | 1.8          | 1%          |
| Other <sup>(1)</sup>                     | 21.6         | 16%         |
| <b>Total Wholesale</b>                   | <b>50.1</b>  | <b>38%</b>  |
|                                          |              |             |
| <b>Total Gross Loans and Acceptances</b> | <b>130.5</b> | <b>100%</b> |

## HIGHLIGHTS

- ❑ Modest exposure to unsecured retail lending
- ❑ Secured retail loans accounts for almost 54% of total loans
- ❑ Wholesale portfolio is well-diversified across industries
- ❑ O&G Producers/Services account for 1.4% of total loans

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

# APPENDIX 8 | REGIONAL DISTRIBUTION OF CANADIAN LOANS

As at April 30, 2017

| REGION                               | RETAIL                    |                |                           | WHOLESALE        |            |                                            | TOTAL |
|--------------------------------------|---------------------------|----------------|---------------------------|------------------|------------|--------------------------------------------|-------|
|                                      | Secured Mortgages & HELOC | Secured Others | Unsecured and Credit Card | Oil & Gas Sector | Commercial | Corporate Banking and Other <sup>(1)</sup> |       |
| Quebec                               | 28.3%                     | 2.0%           | 5.4%                      | 0.0%             | 18.4%      | 5.4%                                       | 59.5% |
| Ontario                              | 12.9%                     | 0.9%           | 1.1%                      | 0.1%             | 3.2%       | 4.3%                                       | 22.5% |
| Oil Regions (AL/SK/NL)               | 4.9%                      | 0.3%           | 0.4%                      | 1.3%             | 0.9%       | 1.5%                                       | 9.3%  |
| BC / MB                              | 3.8%                      | 0.5%           | 0.3%                      | 0.0%             | 0.7%       | 0.6%                                       | 5.9%  |
| Maritimes (NB/NS/PE) and Territories | 1.1%                      | 0.1%           | 0.5%                      | 0.0%             | 0.6%       | 0.5%                                       | 2.8%  |

<sup>(1)</sup> Includes Corporate, Other FM and Government portfolios

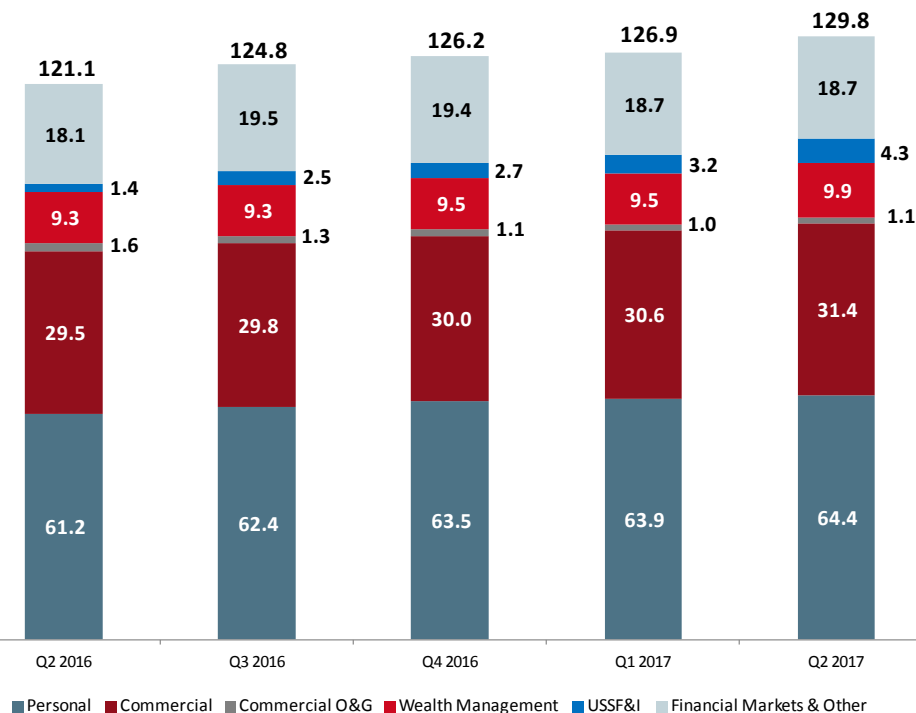
## HIGHLIGHTS

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

# APPENDIX 9 | BALANCE SHEET OVERVIEW (Banking Book & Other)

(billions of dollars)

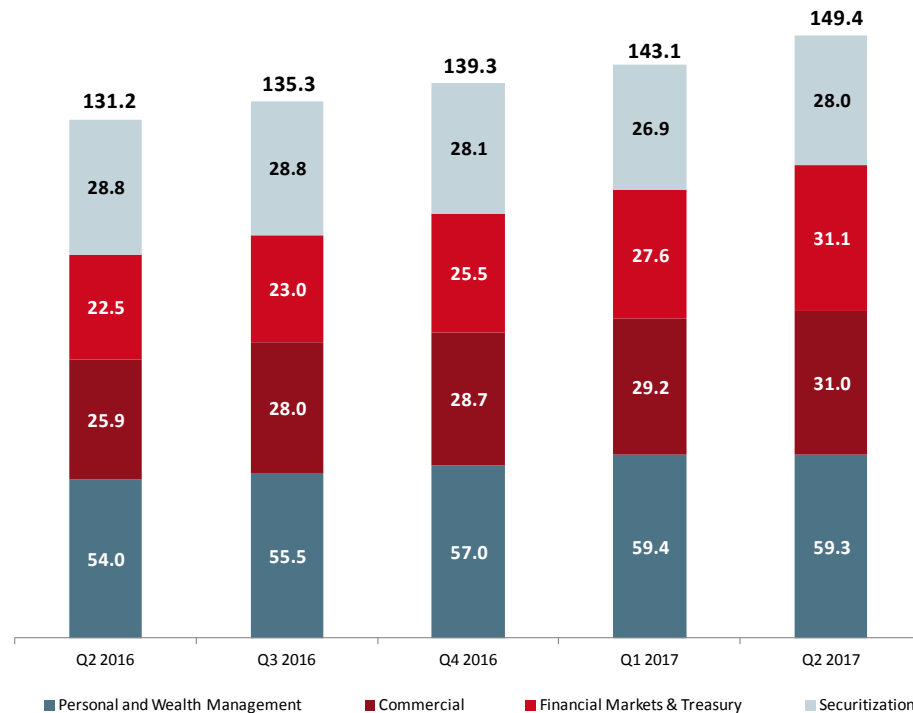
## LENDING – LOANS AND BAS (MONTH END BALANCE)



### YoY growth:

|                                       |      |
|---------------------------------------|------|
| Personal and Wealth Management        | 5%   |
| Commercial, Financial Markets & Other | 5%   |
| Commercial O&G                        | -33% |
| USF&I                                 | 216% |

## FUNDING – DEPOSITS AND BAS (MONTH END BALANCE)

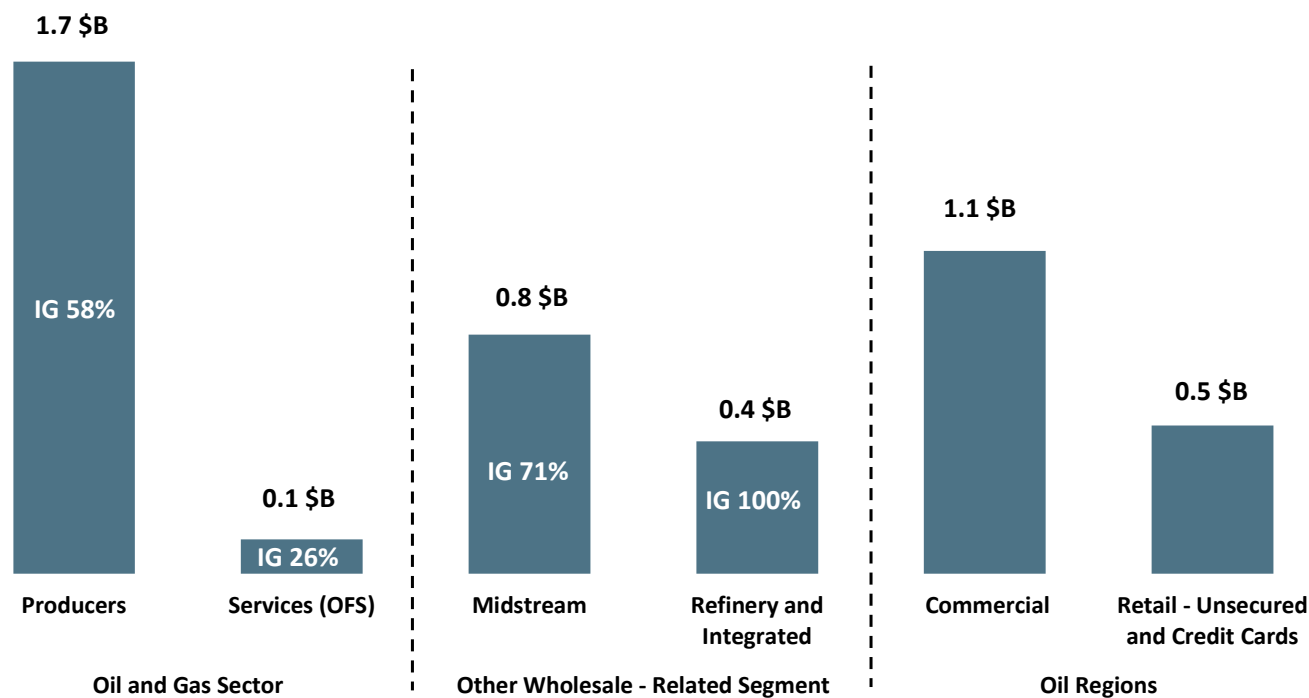


### YoY growth:

|                                          |     |
|------------------------------------------|-----|
| Personal and Wealth Management           | 10% |
| Commercial, Financial Markets & Treasury | 28% |
| Securitization                           | -3% |

# APPENDIX 10 | OIL & GAS SECTOR & RELATED SEGMENTS

## OUTSTANDING LOANS – Q2 17



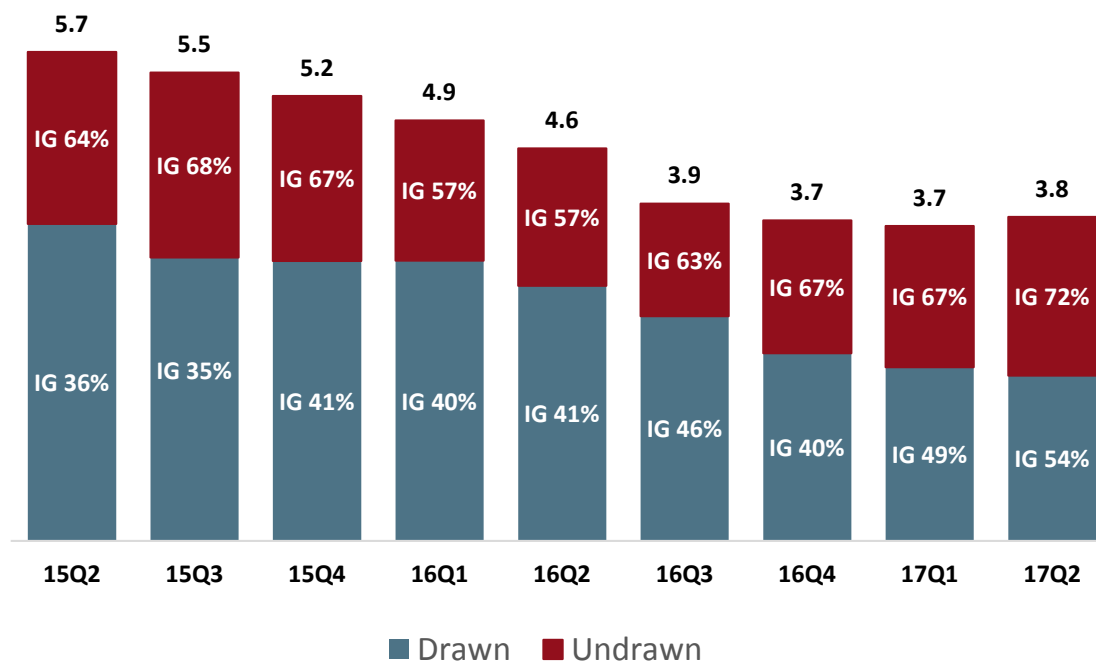
## HIGHLIGHTS

- ❑ 58% of loans to producers and 26% to servicers rated investment grade
- ❑ Majority of loans in the other wholesale related segments have investment grade rating
- ❑ Modest unsecured retail exposure in the region

Note: IG refers to investment grade equivalent AIRB ratings

# APPENDIX 11 | PRODUCERS & SERVICES

## HISTORICAL TREND IN EXPOSURES AT DEFAULT (\$B)

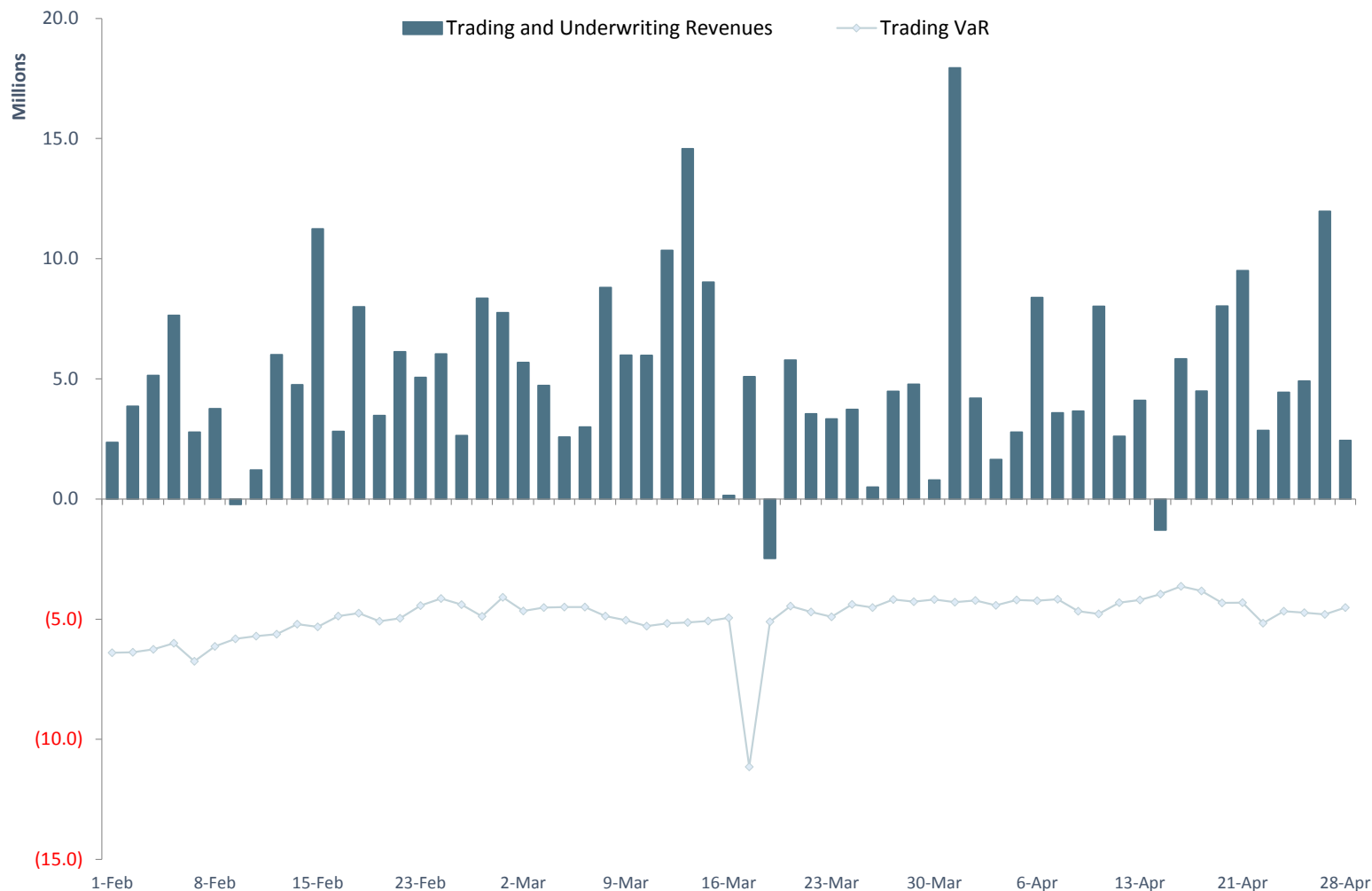


## HIGHLIGHTS

- Stable trend in Exposure at Default in the sector
- Sectoral provision for non-impaired loans represents 8% of total drawn loans and 17% of non-investment grade drawn loans in this portfolio
- Comfortable with the overall level of provisions for this portfolio

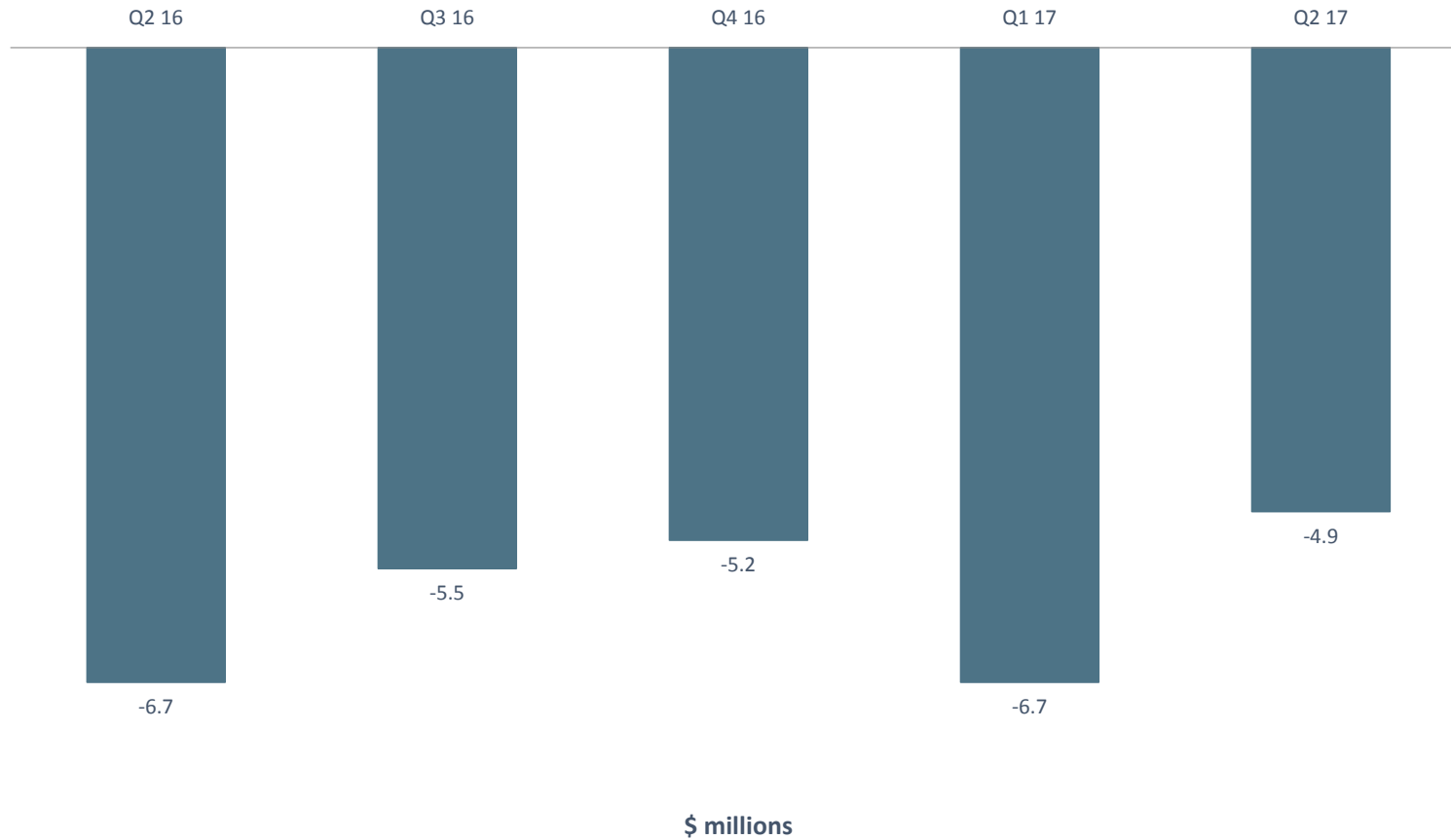
# APPENDIX 12 | DAILY TRADING and UNDERWRITING REVENUES vs VAR

Daily Trading and Underwriting Revenues vs Trading VaR - Q2 2017  
(CAD millions)



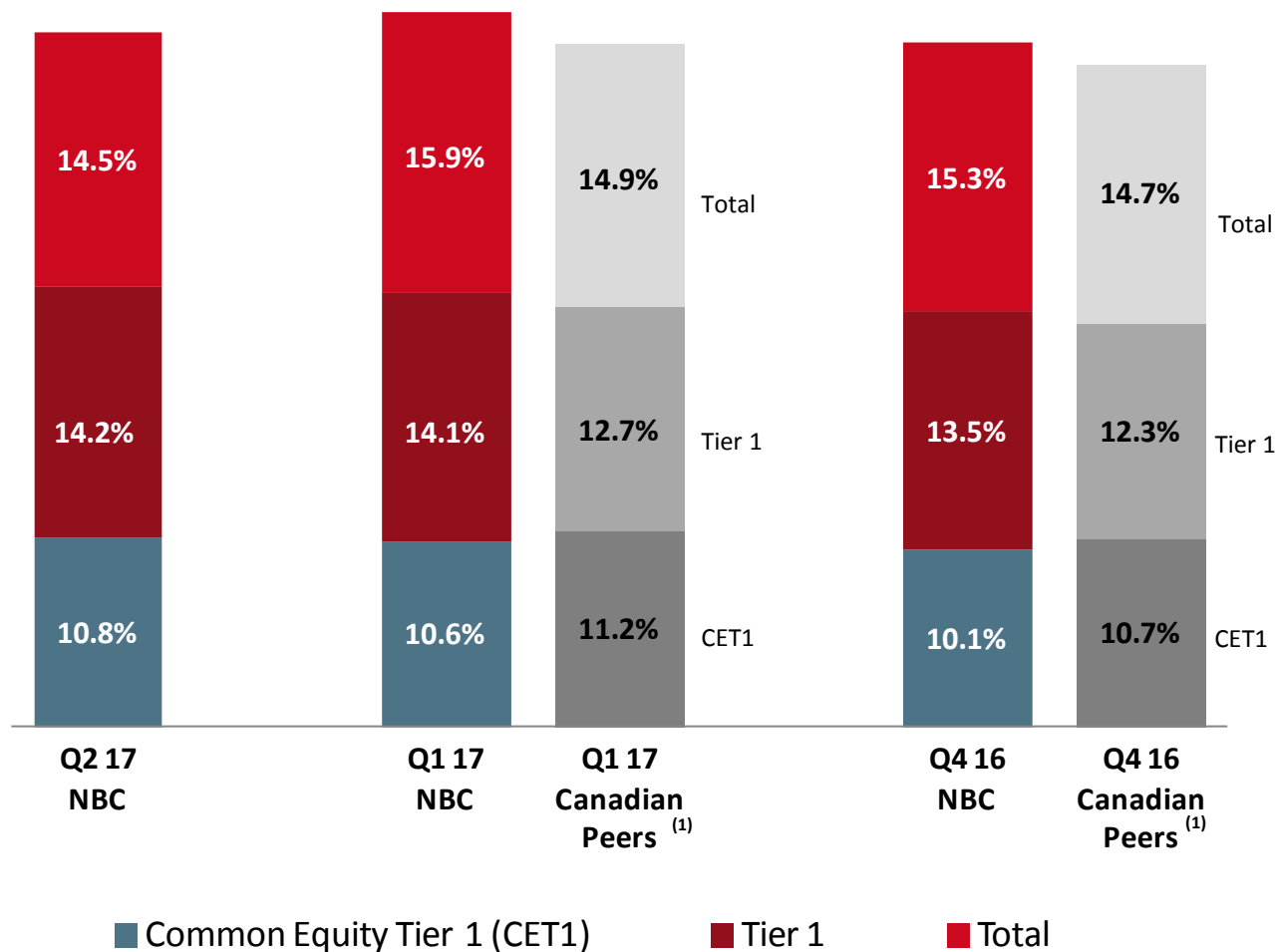
# APPENDIX 13 | Var TREND

## Trading VaR Quarterly Average



# APPENDIX 14 | 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 15 | DETAIL OF SPECIFIED ITEMS

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



# INVESTOR RELATIONS

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

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