PRESS RELEASE
SECOND QUARTER
2015

National Bank reports its results for the Second Quarter of 2015 and raises its quarterly dividend by 4% to 52 cents per share

The financial information reported herein is based on the unaudited interim condensed consolidated financial statements for the quarter and first six months ended April 30, 2015 and prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and set out in the CPA Canada Handbook. All amounts are presented in Canadian dollars.

MONTREAL, May 27, 2015 – For the second quarter of 2015, National Bank is reporting net income of $404 million, up 12% from $362 million in the same quarter of 2014, and diluted earnings per share of $1.13, up 12% from $1.01 in the same quarter of 2014.

Excluding specified items, second-quarter net income totalled $411 million, up 10% from $375 million in the second quarter of 2014, and second-quarter diluted earnings per share stood at $1.15, up 10% from $1.05 in the same quarter of 2014. The specified items are described on page 4.

For the first six months of fiscal 2015, the Bank's net income totalled $819 million versus $767 million in the same six-month period of 2014, and its first-half diluted earnings per share stood at $2.29 versus $2.16 in the same period of 2014. Excluding specified items, the Bank's 2015 first-half net income totalled $821 million, up 8% from $759 million in the same six-month period of 2014, and its first-half diluted earnings per share stood at $2.30, up 7% from $2.14 in the same six-month period of 2014.

"Our solid second quarter results once again underlined the strength of our franchise with strong volume growth in personal and commercial loans and deposits, higher Wealth Management revenues and good overall performance from our financial markets activities," said President and Chief Executive Officer Louis Vachon. "Furthermore, capital levels and credit quality remained solid. Therefore, we renewed our common share buyback program and increased our dividend, and we are continuing to invest in our long-term growth," added Mr. Vachon.

Highlights

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	**2015**	2014	% Change
Net income	**404**	362	12	**819**	767	7
Diluted earnings per share *(dollars)*	**$ 1.13**	$ 1.01	12	**$ 2.29**	$ 2.16	6
Return on common shareholders' equity	**17.6 %**	17.4 %		**17.7 %**	18.6 %	
Dividend payout ratio	**44 %**	42 %		**44 %**	42 %	
Excluding specified items[1]						
Net income	**411**	375	10	**821**	759	8
Diluted earnings per share *(dollars)*	**$ 1.15**	$ 1.05	10	**$ 2.30**	$ 2.14	7
Return on common shareholders' equity	**17.9 %**	18.1 %		**17.7 %**	18.4 %	
Dividend payout ratio	**42 %**	43 %		**42 %**	43 %	

	As at April 30, 2015	As at October 31, 2014
CET1 capital ratio under Basel III	**9.5 %**	9.2 %
Leverage ratio under Basel III[2]	**3.7 %**	

(1) See the Financial Reporting Method section on page 4.
(2) The ratio came into effect on January 1, 2015.

Personal and Commercial

- Net income totalled $166 million in the second quarter of 2015, a 6% increase from $157 million in the second quarter of 2014.
- At $680 million, second-quarter total revenues rose $35 million or 5% year over year.
- Rising 7% from a year ago, personal lending experienced sustained growth, with the most significant increases coming from consumer loans and mortgage loans, and commercial lending also grew 7% from a year ago.
- The net interest margin was 2.19% in the second quarter of 2015 versus 2.20% the preceding quarter and 2.24% in the second quarter of 2014.
- Before provisions for credit losses and income taxes, the segment's contribution was up $18 million or 7%.
- At 58.2%, the efficiency ratio improved from 58.8% in the same quarter of 2014.

Wealth Management

- Net income totalled $103 million in the second quarter of 2015 versus $69 million in the same quarter of 2014, a 49% year-over-year increase owing mainly to a gain on disposal of Fiera Capital shares.
- Excluding specified items(1), second-quarter net income totalled $84 million, up $6 million or 8% year over year.
- Excluding specified items(1), second-quarter total revenues amounted to $359 million versus $332 million in the second quarter of 2014, a $27 million or 8% year-over-year increase mainly driven by growth in fee-based revenues and net interest income, tempered by a decrease in transaction-based revenues.
- Second-quarter non-interest expenses stood at $255 million, up 8% year over year.
- Excluding specified items(1), the efficiency ratio was 68.0%, stable when compared to 68.1% in the second quarter of 2014.

Financial Markets

- Net income totalled $160 million in the second quarter of 2015, a 25% increase from $128 million in the same quarter of 2014.
- Excluding specified items(1), second-quarter net income totalled $176 million, up $48 million or 38% year over year.
- Excluding specified items(1), total revenues amounted to $428 million, a year-over-year increase of $91 million or 27% owing mainly to higher trading activity revenues.
- At $187 million, the 2015 second-quarter non-interest expenses increased by $25 million year over year, particularly because variable compensation was higher given the revenue growth.
- Excluding specified items(1), the efficiency ratio was 43.7%, an improvement from 48.1% in the second quarter of 2014.

Other

- For the second quarter of 2015, there was a net loss of $25 million compared to net income of $8 million in the same quarter of 2014. This decrease in net income came essentially from an increase in non-interest expenses, particularly due to impairment losses on intangible assets.

Capital Management

- As at April 30, 2015, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 9.5% compared to 9.2% as at October 31, 2014 due to an increase in internally generated capital, partly offset by an increase in risk-weighted assets.
- The leverage ratio under Basel III was 3.7% as at April 30, 2015.

(1) See the Financial Reporting Method section on page 4.

HIGHLIGHTS

(millions of Canadian dollars, except per share amounts)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	2015	2014	% Change
Operating results						
Total revenues	**1,421**	1,276	11	**2,831**	2,640	7
Net income	**404**	362	12	**819**	767	7
Net income attributable to the Bank's shareholders	**388**	345	12	**785**	734	7
Return on common shareholders' equity	**17.6 %**	17.4 %		**17.7 %**	18.6 %	
Earnings per share						
Basic	**$ 1.14**	$ 1.02	12	**$ 2.32**	$ 2.19	6
Diluted	**1.13**	1.01	12	**2.29**	2.16	6
Excluding specified items(1)						
Operating results						
(taxable equivalent basis) (2)						
Total revenues	**1,497**	1,344	11	**2,956**	2,714	9
Net income	**411**	375	10	**821**	759	8
Net income attributable to the Bank's shareholders	**395**	358	10	**787**	726	8
Return on common shareholders' equity	**17.9 %**	18.1 %		**17.7 %**	18.4 %	
Efficiency ratio	**58.7 %**	58.7 %		**58.7 %**	58.8 %	
Earnings per share						
Basic	**$ 1.16**	$ 1.06	9	**$ 2.32**	$ 2.16	7
Diluted	**1.15**	1.05	10	**2.30**	2.14	7
Common share information						
Dividends declared	**$ 0.50**	$ 0.46		**$ 1.00**	$ 0.92	
Book value				**27.01**	24.41	
Share price						
High	**49.15**	45.73		**55.06**	46.86	
Low	**45.02**	41.60		**44.21**	41.60	
Close	**48.75**	45.49		**48.75**	45.49	
Number of common shares *(thousands)*	**330,141**	327,606		**330,141**	327,606	
Market capitalization	**16,094**	14,903		**16,094**	14,903	

(millions of Canadian dollars)	As at April 30, 2015	As at October 31, 2014	% Change
Balance sheet and off-balance-sheet			
Total assets	**207,123**	205,429	1
Loans and acceptances	**108,822**	106,169	2
Impaired loans, net of total allowances	**(117)**	(118)	
As a % of average loans and acceptances	**(0.1) %**	(0.1) %	
Deposits	**122,046**	119,883	2
Equity attributable to common shareholders	**8,917**	8,484	5
Assets under administration and under management	**366,645**	345,332	6
Earnings coverage	**10.37**	8.98	
Asset coverage	**6.33**	5.24	
Regulatory ratios under Basel III			
Capital ratios(3)			
Common Equity Tier 1 (CET1)	**9.5 %**	9.2 %	
Tier 1(4)	**12.4 %**	12.3 %	
Total(4)	**14.6 %**	15.1 %	
Leverage ratio(3)(5)	**3.7 %**		
Liquidity coverage ratio(5)	**121.8 %**		
Other information			
Number of employees	**20,125**	19,955	1
Number of branches in Canada	**452**	452	–
Number of banking machines	**933**	935	–

(1) See the Financial Reporting Method section on page 4.
(2) See the Consolidated Results section on page 6 of the Report to Shareholders for the quarter ended April 30, 2015.
(3) The ratios are calculated using the "all-in" methodology.
(4) The ratios as at October 31, 2014 include the redemption of the Series 16 preferred shares on November 15, 2014.
(5) The ratio came into effect on January 1, 2015.

FINANCIAL REPORTING METHOD

The Bank's unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB and set out in the CPA Canada Handbook. The Bank also uses non-IFRS financial measures when assessing its results and measuring Bank-wide performance. Presenting such information 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 to not be reflective of ordinary operations. Securities regulators require companies to caution readers that net income and other measures adjusted using non-IFRS criteria are not standard under IFRS and cannot be easily compared with similar measures used by other companies.

Financial Information

(millions of Canadian dollars, except per share amounts)	Quarter ended April 30			Six months ended April 30		
	2015	2014	% Change	**2015**	2014	% Change
Excluding specified items						
Personal and Commercial	**166**	157	6	**341**	323	6
Wealth Management	**84**	78	8	**167**	154	8
Financial Markets	**176**	128	38	**354**	273	30
Other	**(15)**	12		**(41)**	9	
Net income excluding specified items	**411**	375	10	**821**	759	8
Items related to holding restructured notes(1)	**23**	(3)		**36**	27	
Acquisition-related items(2)	**(6)**	(10)		**(14)**	(19)	
Gain on disposal of Fiera Capital shares(3)	**25**	–		**25**	–	
Share of current tax asset write-down of an associate(4)	**(16)**	–		**(16)**	–	
Impairment losses on intangible assets(5)	**(33)**	–		**(33)**	–	
Net income	**404**	362	12	**819**	767	7
Diluted earnings per share excluding specified items	**$ 1.15**	$ 1.05	10	**$ 2.30**	$ 2.14	7
Items related to holding restructured notes(1)	**0.07**	(0.01)		**0.11**	0.08	
Acquisition-related items(2)	**(0.02)**	(0.03)		**(0.05)**	(0.06)	
Gain on disposal of Fiera Capital shares(3)	**0.08**	–		**0.08**	–	
Share of current tax asset write-down of an associate(4)	**(0.05)**	–		**(0.05)**	–	
Impairment losses on intangible assets(5)	**(0.10)**	–		**(0.10)**	–	
Diluted earnings per share	**$ 1.13**	$ 1.01	12	**$ 2.29**	$ 2.16	6
Return on common shareholders' equity						
Including specified items	**17.6 %**	17.4 %		**17.7 %**	18.6 %	
Excluding specified items	**17.9 %**	18.1 %		**17.7 %**	18.4 %	

(1) During the quarter ended April 30, 2015, the Bank recorded $4 million in financing costs ($4 million net of income taxes) related to holding restructured notes (2014: $4 million, $3 million net of income taxes). In addition, a gain of $37 million ($27 million net of income taxes) was recorded upon the disposal of restructured notes of the MAV III conduits. During the six months ended April 30, 2015, the Bank recorded $9 million in financing costs ($8 million net of incomes taxes) related to holding restructured notes (2014: $9 million, $6 million net of income taxes), $23 million in revenues ($17 million net of income taxes) to reflect a rise in the fair value of these notes (2014: $45 million, $33 million net of income taxes) and a gain of $37 million ($27 million net of income taxes) upon the disposal of the restructured notes of the MAV III conduits.

(2) During the quarter ended April 30, 2015, the Bank recorded $8 million in charges ($6 million net of income taxes) related to the Wealth Management acquisitions (2014: $13 million, $10 million net of income taxes). These charges consisted mostly of retention bonuses and also included the Bank's share in the integration costs incurred by Fiera Capital Corporation (Fiera Capital) as well as the Bank's share in the integration costs related to its interest in TMX. For the six months ended April 30, 2015, these charges amounted to $18 million ($14 million net of income taxes) compared to $24 million ($19 million net of income taxes) for the same six-month period of 2014.

(3) During the quarter ended April 30, 2015, a gain, net of underwriting fees, of $29 million ($25 million net of income taxes) was recorded upon a disposal of shares held in Fiera Capital through one of the Bank's subsidiaries. After the transaction, the Bank's ownership percentage in Fiera Capital stood at 22%.

(4) During the quarter ended April 30, 2015, a loss of $18 million ($16 million net of income taxes) was recorded following a write-down of an associate's current tax asset.

(5) During the quarter ended April 30, 2015, the Bank recorded $46 million ($33 million net of income taxes) in intangible asset impairment losses on technological developments.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the Major Economic Trends and the Outlook for National Bank sections of the *2014 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 2015 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 2015 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 strategic risk, credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputation risk, and environmental risk (all of which are described in more detail in the Risk Management section beginning on page 61 of the *2014 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; the situation with respect to the restructured notes of the master asset vehicle (MAV) conduits, in particular the realizable value of underlying assets; 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 and Other Risk Factors sections of the *2014 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.

DISCLOSURE OF SECOND QUARTER 2015 RESULTS

Conference Call

- A conference call for analysts and institutional investors will be held on Wednesday, May 27, 2015 at 11:00 a.m. EDT.
- Access by telephone in listen-only mode: 1-866-862-3930 or 416-340-2217. The access code is 1937377#.
- A recording of the conference call can be heard until June 24, 2015 by dialing 1-800-408-3053 or 905-694-9451. The access code is 4796186#.

Webcast

- The conference call will be webcast live at nbc.ca/investorrelations.
- A recording of the webcast will also be available on National Bank's website after the call.

Financial Documents

- The *Report to Shareholders* (which includes the quarterly consolidated financial statements) is available at all times on National Bank's website at nbc.ca/investorrelations.
- The *Report to Shareholders*, the *Supplementary Financial Information*, the *Supplementary Regulatory Capital Disclosure*, and a slide presentation will be available on the Investor Relations page of National Bank's website shortly before the start of the conference call.

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