

National Bank reports its results for the Second Quarter of 2022 and raises its quarterly dividend by 5 cents to 92 cents per share

The financial information reported in this document is based on the unaudited interim condensed consolidated financial statements for the quarter and six-month period ended April 30, 2022 and is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), unless otherwise indicated. IFRS represent Canadian generally accepted accounting principles (GAAP). All amounts are presented in Canadian dollars.

MONTREAL, May 27, 2022 – For the second quarter of 2022, National Bank is reporting net income of \$893 million compared to \$801 million in the second quarter of 2021. Second-quarter diluted earnings per share stood at \$2.55, up 13% from \$2.25 in the second quarter of 2021. This growth was driven by year-over-year increases in total revenues across all of the business segments. Income before provisions for credit losses and income taxes totalled \$1,146 million in the second quarter of 2022 compared to \$1,039 million in the second quarter of 2021, a 10% increase resulting from good performance across all of the business segments.

For the six-month period ended April 30, 2022, the Bank's net income totalled \$1,825 million compared to \$1,562 million in the same period of 2021. First-half diluted earnings per share stood at \$5.19 compared to \$4.40 in the same period of 2021. The excellent performance turned in by all of the business segments was driven by revenue growth, while lower provisions for credit losses on impaired loans contributed to increases in net income and diluted earnings per share. The Bank's first-half income before provisions for credit losses and income taxes totalled \$2,335 million, a 12% year-over-year increase driven by revenue growth across all of the business segments.

Commenting on the results for the second quarter of 2022, Mr. Laurent Ferreira, President and Chief Executive Officer of National Bank of Canada, emphasized “the contribution of each business segment to the sustained growth of the Bank.” “We are maintaining our strategic objectives of delivering a high return on equity and ensuring prudent management of risk and regulatory capital,” added Mr. Ferreira.

Highlights

(millions of Canadian dollars)	Quarter ended April 30			Six months ended April 30		
	2022	2021	% Change	2022	2021	% Change
Net income	893	801	11	1,825	1,562	17
Diluted earnings per share (<i>dollars</i>)	\$ 2.55	\$ 2.25	13	\$ 5.19	\$ 4.40	18
Income before provisions for credit losses and income taxes	1,146	1,039	10	2,335	2,083	12
Return on common shareholders' equity ⁽¹⁾	20.6 %	22.0 %		21.2 %	21.6 %	
Dividend payout ratio ⁽¹⁾	32.0 %	38.0 %		32.0 %	38.0 %	
				As at April 30, 2022	As at October 31, 2021	
CET1 capital ratio under Basel III ⁽²⁾				12.9 %	12.4 %	
Leverage ratio under Basel III ⁽²⁾				4.4 %	4.4 %	

(1) For details on the composition of these measures, see the Glossary section on pages 45 to 48 in the *Report to Shareholders – Second Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(2) For additional information on capital management measures, see the Financial Reporting Method section on pages 4 to 6 in the *Report to Shareholders – Second Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Personal and Commercial

- Net income totalled \$313 million in the second quarter of 2022 versus \$305 million in the second quarter of 2021, for an increase that was driven by growth in total revenues, tempered by higher provisions for credit losses.
- Income before provisions for credit losses and income taxes totalled \$437 million in the second quarter of 2022, up 10% from \$398 million in the second quarter of 2021.
- At \$962 million, second-quarter total revenues rose \$80 million or 9% year over year due to higher net interest income, which increased upon loan and deposit growth (tempered by a lower net interest margin) and to higher non-interest income.
- Compared to a year ago, personal lending grew 9% and commercial lending grew 18%.
- The net interest margin⁽¹⁾ stood at 2.09% in the second quarter of 2022, down from 2.14% in the second quarter of 2021.
- Second-quarter non-interest expenses stood at \$525 million, up 8% from the second quarter of 2021.
- Second-quarter provisions for credit losses were up \$28 million compared to the second quarter of 2021, as higher reversals of allowances for credit losses on non-impaired loans had been recorded in the second quarter of 2021.
- At 54.6%, the second-quarter efficiency ratio⁽¹⁾ improved from 54.9% in the second quarter of 2021.

Wealth Management

- Net income totalled \$169 million in the second quarter of 2022, a 3% increase from \$164 million in the second quarter of 2021.
- Second-quarter total revenues amounted to \$579 million compared to \$541 million in second-quarter 2021, a \$38 million or 7% increase driven mainly by growth in fee-based revenues.
- Second-quarter non-interest expenses stood at \$349 million compared to \$316 million in the second quarter of 2021, a 10% increase related to revenue growth.
- At 60.3%, the second-quarter efficiency ratio⁽¹⁾ compares to 58.4% in the second quarter of 2021.

Financial Markets

- Net income totalled \$289 million in the second quarter of 2022 versus \$248 million in the second quarter of 2021, a 17% increase that was due to higher total revenues and lower provisions for credit losses.
- Income before provisions for credit losses and income taxes on a taxable equivalent basis totalled \$377 million in the second quarter of 2022, up 5% from \$358 million in the second quarter of 2021.
- Second-quarter total revenues on a taxable equivalent basis amounted to \$632 million, a \$45 million or 8% year-over-year increase attributable to global markets revenue.
- Second-quarter non-interest expenses stood at \$255 million compared to \$229 million in second-quarter 2021, an increase that was partly attributable to compensation and employee benefits as well as to technology investment expenses.
- \$16 million in recoveries of credit losses were recorded in the second quarter of 2022, whereas \$21 million in provisions for credit losses had been recorded in the second quarter of 2021, a decrease that was due to lower provisions for credit losses on impaired loans.
- At 40.3%, the second-quarter efficiency ratio⁽¹⁾ on a taxable equivalent basis compares to 39.0% in the second quarter of 2021.

U.S. Specialty Finance and International

- Net income totalled \$152 million in the second quarter of 2022 versus \$129 million in the second quarter of 2021, an 18% increase arising from growth in total revenues, tempered by increases in non-interest expenses and in provisions for credit losses.
- Second-quarter total revenues amounted to \$285 million, a 20% year-over-year increase driven by revenue growth at both the Credigy and ABA Bank subsidiaries.
- Second-quarter non-interest expenses stood at \$88 million, a 14% year-over-year increase attributable to business growth at the ABA Bank subsidiary.
- At 30.9%, the second-quarter efficiency ratio⁽¹⁾ improved from 32.5% in the second quarter of 2021.

Other

- Net loss stood at \$30 million in the second quarter of 2022 versus a net loss of \$45 million in the second quarter of 2021, a change arising mainly from a decrease in non-interest expenses.

Capital Management

- As at April 30, 2022, the Common Equity Tier 1 (CET1) capital ratio under Basel III⁽²⁾ stood at 12.9%, up from 12.4% as at October 31, 2021.
- As at April 30, 2022, the Basel III⁽²⁾ leverage ratio was 4.4%, unchanged from October 31, 2021.

Dividends

- On May 26, 2022, the Board of Directors declared regular dividends on the various series of first preferred shares and a dividend of 92 cents per common share, up 5 cents per common share or 6%, payable on August 1, 2022 to shareholders of record on June 27, 2022.

(1) For details on the composition of these measures, see the Glossary section on pages 45 to 48 in the *Report to Shareholders – Second Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(2) For additional information on capital management measures, see the Financial Reporting Method section on pages 4 to 6 in the *Report to Shareholders – Second Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Financial Reporting Method

The Bank's consolidated financial statements are prepared in accordance with IFRS, as issued by the IASB. The financial statements also comply with section 308(4) of the Bank Act (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (Canada) (OSFI), the consolidated financial statements are to be prepared in accordance with IFRS, which represent Canadian GAAP. None of the OSFI accounting requirements are exceptions to IFRS.

The presentation of segment disclosures is consistent with the presentation adopted by the Bank for the fiscal year beginning November 1, 2021. This presentation reflects the fact that the loan portfolio of borrowers in the "Oil and gas, and pipelines" sector and related activities, which had previously been reported in the Personal and Commercial segment, are now reported in the Financial Markets segment. The Bank made this change to better align the monitoring of its activities with its management structure.

Non-GAAP and Other Financial Measures

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. *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (Regulation 52-112) prescribes disclosure requirements that apply to the following measures used by the Bank:

- non-GAAP financial measures;
- non-GAAP ratios;
- supplementary financial measures;
- capital management measures.

Non-GAAP Financial Measures

The Bank uses non-GAAP financial measures that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. 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 excludes certain specified items that are inherently unpredictable from its results. In addition, like many other financial institutions, the Bank uses the taxable equivalent basis to calculate net interest income, non-interest income, and income taxes. This calculation method consists of grossing up certain tax-exempt income (particularly dividends) by the income tax that would have been otherwise payable. An equivalent amount is added to income taxes. This adjustment is necessary in order to perform a uniform comparison of the return on different assets regardless of their tax treatment.

For additional information on non-GAAP financial measures, on non-GAAP ratios, on supplementary financial measures, and on capital management measures, see the Financial Reporting Method section and the Glossary section, on pages 4 to 6 and 45 to 48, respectively, in the *Report to Shareholders – Second Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

Reconciliation of Non-GAAP Financial Measures

Presentation of Results – Adjusted

(millions of Canadian dollars)

Quarter ended April 30

						2022	2021
	Personal and Commercial	Wealth Management	Financial Markets	USSF&I	Other	Total	Total
Net interest income	670	127	308	277	(69)	1,313	1,156
Taxable equivalent	–	–	47	–	2	49	42
Net interest income – Adjusted	670	127	355	277	(67)	1,362	1,198
Non-interest income	292	452	274	8	100	1,126	1,082
Taxable equivalent	–	–	3	–	–	3	2
Non-interest income – Adjusted	292	452	277	8	100	1,129	1,084
Total revenues – Adjusted	962	579	632	285	33	2,491	2,282
Non-interest expenses	525	349	255	88	76	1,293	1,199
Income before provisions for credit losses and income taxes – Adjusted	437	230	377	197	(43)	1,198	1,083
Provisions for credit losses	11	–	(16)	9	(1)	3	5
Income before income taxes – Adjusted	426	230	393	188	(42)	1,195	1,078
Income taxes	113	61	54	36	(14)	250	233
Taxable equivalent	–	–	50	–	2	52	44
Income taxes – Adjusted	113	61	104	36	(12)	302	277
Net income	313	169	289	152	(30)	893	801
Non-controlling interests	–	–	–	–	(1)	(1)	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	313	169	289	152	(29)	894	801

(millions of Canadian dollars)

Six months ended April 30

						2022	2021
	Personal and Commercial	Wealth Management	Financial Markets	USSF&I	Other	Total	Total
Net interest income	1,339	246	647	547	(134)	2,645	2,363
Taxable equivalent	–	–	106	–	3	109	96
Net interest income – Adjusted	1,339	246	753	547	(131)	2,754	2,459
Non-interest income	581	925	534	23	197	2,260	2,099
Taxable equivalent	–	–	7	–	–	7	5
Non-interest income – Adjusted	581	925	541	23	197	2,267	2,104
Total revenues – Adjusted	1,920	1,171	1,294	570	66	5,021	4,563
Non-interest expenses	1,057	701	515	168	129	2,570	2,379
Income before provisions for credit losses and income taxes – Adjusted	863	470	779	402	(63)	2,451	2,184
Provisions for credit losses	6	–	(32)	27	–	1	86
Income before income taxes – Adjusted	857	470	811	375	(63)	2,450	2,098
Income taxes	227	125	102	75	(20)	509	435
Taxable equivalent	–	–	113	–	3	116	101
Income taxes – Adjusted	227	125	215	75	(17)	625	536
Net income	630	345	596	300	(46)	1,825	1,562
Non-controlling interests	–	–	–	–	(1)	(1)	–
Net income attributable to the Bank's shareholders and holders of other equity instruments	630	345	596	300	(45)	1,826	1,562

Highlights

(millions of Canadian dollars, except per share amounts)

	Quarter ended April 30			Six months ended April 30		
	2022	2021	% Change	2022	2021	% Change
Operating results						
Total revenues	2,439	2,238	9	4,905	4,462	10
Income before provisions for credit losses and income taxes	1,146	1,039	10	2,335	2,083	12
Net income	893	801	11	1,825	1,562	17
Net income attributable to the Bank's shareholders and holders of other equity instruments	894	801	12	1,826	1,562	17
Return on common shareholders' equity ⁽¹⁾	20.6 %	22.0 %		21.2 %	21.6 %	
Earnings per share						
Basic	\$ 2.58	\$ 2.28	13	\$ 5.26	\$ 4.44	18
Diluted	2.55	2.25	13	5.19	4.40	18
Operating results – Adjusted⁽²⁾						
Total revenues – Adjusted ⁽²⁾	2,491	2,282	9	5,021	4,563	10
Income before provisions for credit losses and income taxes – Adjusted ⁽²⁾	1,198	1,083	11	2,451	2,184	12
Net income – Adjusted ⁽²⁾	893	801	11	1,825	1,562	17
Return on common shareholders' equity – Adjusted ⁽³⁾	20.6 %	22.0 %		21.2 %	21.6 %	
Operating leverage – Adjusted ⁽³⁾	1.4 %	1.0 %		2.0 %	2.5 %	
Efficiency ratio – Adjusted ⁽³⁾	51.9 %	52.5 %		51.2 %	52.1 %	
Earnings per share – Adjusted⁽²⁾						
Basic	\$ 2.58	\$ 2.28	13	\$ 5.26	\$ 4.44	18
Diluted	2.55	2.25	13	5.19	4.40	18
Common share information						
Dividends declared	\$ 0.87	\$ 0.71		\$ 1.74	\$ 1.42	
Book value ⁽¹⁾	52.81	43.59		52.81	43.59	
Share price						
High	104.59	89.42		105.44	89.42	
Low	89.33	72.30		89.33	65.54	
Close	89.72	89.36		89.72	89.36	
Number of common shares (thousands)	336,513	337,372		336,513	337,372	
Market capitalization	30,192	30,148		30,192	30,148	

(millions of Canadian dollars)	As at		% Change
	April 30, 2022	October 31, 2021	
Balance sheet and off-balance-sheet			
Total assets	369,785	355,795	4
Loans and acceptances, net of allowances	194,029	182,689	6
Deposits	246,684	240,938	2
Equity attributable to common shareholders	17,772	16,203	10
Assets under administration ⁽¹⁾	627,739	651,530	(4)
Assets under management ⁽¹⁾	114,932	117,186	(2)
Regulatory ratios under Basel III⁽⁴⁾			
Capital ratios			
Common Equity Tier 1 (CET1)	12.9 %	12.4 %	
Tier 1	15.3 %	15.0 %	
Total	16.2 %	15.9 %	
Leverage ratio			
TLAC ratio ⁽⁴⁾	27.8 %	26.3 %	
TLAC leverage ratio ⁽⁴⁾	8.0 %	7.8 %	
Liquidity coverage ratio (LCR) ⁽⁴⁾	145 %	154 %	
Net stable funding ratio (NSFR) ⁽⁴⁾	114 %	117 %	
Other information			
Number of employees – Worldwide	28,189	26,920	5
Number of branches in Canada	385	384	–
Number of banking machines in Canada	937	927	1

(1) For details on the composition of these measures, see the Glossary section on pages 45 to 48 in the *Report to Shareholders – Second Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(2) See the Financial Reporting Method section on pages 3 and 4 for additional information on non-GAAP financial measures.

(3) For additional information on non-GAAP ratios, see the Financial Reporting Method section on pages 4 to 6 and see the Glossary section on pages 45 to 48 in the *Report to Shareholders – Second Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

(4) For additional information on capital management measures, see the Financial Reporting Method section on pages 4 to 6 in the *Report to Shareholders – Second Quarter 2022*, which is available on the Bank's website at nbc.ca or the SEDAR website at sedar.com.

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. Forward-looking statements in this document may include, but are not limited to, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, the Bank's objectives, outlook and priorities for fiscal year 2022 and beyond, the strategies or actions that will be taken to achieve them, expectations about the Bank's financial condition, the regulatory environment in which it operates, the impacts of—and the Bank's response to—the COVID-19 pandemic, and certain risks it faces. 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 financial 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.

Assumptions about the performance of the Canadian and U.S. economies in 2022, including in the context of the COVID-19 pandemic, and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives including provisions for credit losses. In determining its expectations for economic conditions, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the governments of Canada, the United States, and certain other countries in which the Bank conducts business, as well as their agencies.

Statements about the economy, market changes, and the Bank's objectives, outlook and priorities for fiscal 2022 and thereafter 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 other countries where the Bank operates; exchange rate and interest rate fluctuations; inflation; 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; 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 long-term strategies and key short-term priorities; the timely development and launch of new products and services; the Bank's ability to recruit and retain key personnel; technological innovation 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, i.e., primarily Canada and the United States; 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; potential disruption to key suppliers of goods and services to the Bank; potential disruptions to the Bank's information technology systems, including evolving cyberattack risk as well as identity theft and theft of personal information; and possible impacts of major events affecting the local and global economies, including international conflicts, natural disasters, and public health crises such as the COVID-19 pandemic.

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 financial performance targets will not be achieved. The Bank recommends that readers not place undue reliance on forward-looking statements, as a number of factors, including the impacts of the COVID-19 pandemic, could cause actual results to differ significantly from the expectations, estimates or intentions expressed in these forward-looking statements. These risk factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk, environmental and social risk, and certain emerging risks or risks deemed significant, all of which are described in greater detail in the Risk Management section beginning on page 69 of the *2021 Annual Report*.

The foregoing list of risk factors is not exhaustive. Additional information about these risk factors is provided in the Risk Management section and in the COVID-19 Pandemic section of the *2021 Annual Report* and in the Risk Management section of the Report to Shareholders for the Second Quarter of 2022. 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 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.

Disclosure of the Second Quarter 2022 Results

Conference Call

- A conference call for analysts and institutional investors will be held on Friday, May 27, 2022 at 11:00 a.m. EDT.
- Access by telephone in listen-only mode: 1-800-806-5484 or 416-340-2217. The access code is 7162964#.
- A recording of the conference call can be heard until June 27, 2022 by dialing 1-800-408-3053 or 905-694-9451. The access code is 7227448#.

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 and Pillar 3 Disclosure*, and a slide presentation will be available on the Investor Relations page of National Bank's website on the morning of the day of the conference call.

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