# SPEAKING NOTES - NATIONAL BANK OF CANADA
# SECOND QUARTER EARNINGS CONFERENCE CALL
# WEDNESDAY, MAY 28, 2025

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### Marianne Ratté – Vice President & Head, Investor Relations

Merci, and welcome, everyone.

We will begin the call with remarks from Laurent Ferreira, President and CEO; Marie Chantal Gingras, CFO; and Jean-Sébastien Grisé, Chief Risk Officer.

Also present for the Q&A session are:

- Lucie Blanchet, EVP, Personal Banking;
- Judith Ménard, EVP, Commercial and Private Banking;
- Michael Denham, EVP and Vice Chair, Responsible for the integration of CWB;
- Nancy Paquet, EVP, Wealth Management;
- Étienne Dubuc, EVP, Financial Markets; and
- Bill Bonnell, EVP International, Responsible for ABA Bank.

Before we begin, please refer to Slide 2 of our presentation for information on forward-looking statements. 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.

*[Summary results]*
This morning, we reported second quarter results which include CWB. We generated earnings per share of $2.85, up 12% year over year, and a return on equity of 15.6%. Our performance reflects:

- Organic growth in our business segments, including an excellent performance from Financial Markets, driven by strong client activity and volatile markets;
- And, as well, early momentum in cost and funding synergies from the CWB acquisition.

We ended the quarter with a CET1 ratio of 13.4%, in line with expectations.

Our capital position is strong, allowing us to support business growth.

And, we also raised our quarterly dividend by 4 cents, effective next quarter.

*[Macroeconomic context]*
Turning to the macroeconomic context.

The uncertainty related to global trade tensions and ongoing negotiations continues to be an overhang on the economy.

Increasing geopolitical and geoeconomic instability, and projected fiscal deficits in major economies, are making the path of growth and inflation difficult to forecast. This, in turn, is bringing instability to capital markets and is keeping long-term interest rates high.

That being said, the latest developments regarding global trade negotiations seem to be progressing in the right direction.

The effective tariff rate being absorbed by Canada is lower than initially anticipated. Canadian businesses have been quick to initiate USMCA compliance and as a result, the share of covered products has increased significantly.

Despite the uncertainty, Canadian consumers and businesses are demonstrating resilience.

As always, we will continue to support our clients, providing advice in these challenging times. And we will support investments in domestic projects across the country.

*[CWB]*
Before turning to our results, I would like to say a few words on our acquisition of CWB.

We are off to a strong start, and we are excited about the opportunities ahead. I am very pleased with the integration momentum as well as the positive reception from clients. Employees have all been onboarded and our teams across the country are working towards a smooth integration for our clients.

Funding and cost synergies are progressing ahead of schedule. And with the first wave of client migrations starting this summer, this sets the table for revenue synergies, starting towards the end of this year.

*[Segment review]*
Looking now at our business segment performance.

P&C Banking generated net income of $316 million, including $45 million from the CWB transaction.

Excluding CWB, P&C delivered 4% revenue growth year over year as we continue to grow our balance sheet.

Our commercial book grew 14%, with sustained opportunities in insured residential real estate and broad-based growth across our industries and geographies.

Personal mortgages grew 4% year over year with strong origination levels, and pointing to similar growth levels in the second half of 2025.

Wealth Management grew net income by 15% year over year on the back of strong organic growth.

Net sales in our channels, combined with market levels, generated double-digit fee-based revenue growth, while our strong deposit base supported solid growth in net interest income.

This quarter, operating leverage was negative for this segment because of the integration of CWB's Wealth business. However, cost synergies will support our attractive efficiency ratio, which came in under 60% again this quarter.

Financial Markets generated net income of more than $500 million this quarter, with net income growth in the first half of the year, well ahead of the expectations we had coming into 2025.

Global Markets benefitted from volatility and higher than usual volumes in our trading businesses in the second quarter. Client activity remained robust despite macro uncertainty.

Corporate and Investment Banking delivered resilient performance, with revenues up 2% year over year. Clients remain active – but prudent – in the current context.

Turning to the U.S., Credigy delivered net income of $40 million this quarter.

Credigy grew net interest income 4% year over year, with underlying growth of 2% in average assets.

We expect the market to remain competitive for the rest of the year. As always, Credigy will continue to be opportunistic as conditions evolve, while maintaining discipline on new investments.

At ABA Bank, we had a great quarter. Our client and deposit base grew by 33% and 21% respectively, and loan growth came in at 7% year over year.

I will now pass the call to 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. -- The bank delivered strong performance in the second quarter. Solid results in our business segments were complemented by the CWB addition. On an all-bank basis, revenue increased by 33% and PTPP rose by 45% year over year.

Excluding CWB, revenue grew by 22% year over year. All segments contributed to this growth, with particular strength in Financial Markets. PTPP increased by 34% year over year; and operating leverage was positive at 10%. Also excluding CWB, expenses increased by 12% year over year, mainly driven by variable compensation, in line with the strong Financial Markets performance. This was partly offset by a 22 million dollar reversal of a property tax provision. Apart from these two items, expense growth was 9%. Additionally, technology costs reflect the continued evolution of our infrastructure and increased support for business growth.

Turning to the impact of the CWB transaction. It contributed 298 million dollars to revenues and added 155 million dollars to expenses.

As we completed our first quarter together, our focus remains on executing effectively and with impact as we pursue our integration plan. We are pleased with the cost and funding synergies that are materializing already, as we continue to build the foundations to fully realize the targeted synergies.

To this end, CWB employees are actively learning our products, processes and systems, and we opened a Customer Contact Center in Edmonton. We are engaging with our clients, providing information on the full suite of National Bank offerings and updates on the migration timeline.

Moving to Slide 9 -- Non-trading net interest income in Q2 increased by 11% sequentially on an all-bank basis. The CWB transaction significantly contributed to NII, adding 251 million dollars.

Excluding CWB, NII was relatively stable sequentially, after adjusting for the fewer number of days in the quarter and the 11 million dollar annual dividend recorded in USSF&I in Q1.

The all-bank NIM, excluding trading, was 2.23%. CWB was accretive to NIM, adding 4 basis points. Excluding CWB, NIM was 2.19%, down 7 basis points sequentially, reflecting a lower P&C NIM, lower commission fees in Corporate Banking and the Q1 USSF&I dividend.

The P&C NIM was impacted by the balance sheet mix as loan growth exceeded deposit growth. We expect this trend to continue in Q3.

Turning to Slide 10 -- We continue to see solid expansion across the balance sheet. Total loans reached 286 billion dollars, up 22% year over year, including approximately 37 billion from the acquisition. Excluding CWB, loans grew 6% compared to last year. The commercial loan book was most impacted by the addition of the CWB portfolio. Excluding CWB, commercial loan growth was a solid 14% year over year.

Deposits, excluding wholesale funding, grew to reach 294 billion dollars, up 23% compared to last year.

Excluding CWB, deposits increased by 10% year over year and were stable sequentially. Personal deposits rose by 9%, driven by continued growth in demand deposits and non-retail deposits were up 11%.

While deposit pricing continues to be competitive, the Bank's funding strategy remains disciplined and client-centric, prioritizing stable relationship-based deposits, over rate-sensitive flows. The acquisition of CWB meaningfully diversifies our deposit base, adding scale and expanding our reach across client segments.

Now turning to capital on Slide 11 -- We ended the quarter, after closing the CWB transaction, with a robust CET1 ratio at 13.4%. The Day 1 impact of the transaction on capital was 9 basis points. Internal capital generation was strong, adding 41 basis points to CET1.

Excluding the Day 1 impact, Credit Risk RWA utilized 23 basis points of CET1, consistent with solid balance sheet growth, while Market Risk RWA accounted for 9 basis points, primarily driven by business growth and underlying market volatility.

During the quarter, we migrated one small CWB portfolio to AIRB, contributing 3 basis points to CET1. The majority of the capital benefit is still expected to be realized in 2026 as we migrate the client portfolios to our platform. In the meantime, we are very pleased with the strength of our CET1 ratio.

Slide 12 shows that we are tracking ahead of our plan to deliver approximately 270 million dollars pre-tax of cost and funding synergies by the end of fiscal 2027. We expect over 135 million dollars by the end of Q1 2026. In the second quarter, we realized 14 million in funding synergies, with 9 million through NII and 5 million through lower preferred share dividends and equity instrument distributions. This was accomplished by leveraging our rating profile and optimizing the capital structure. We have also realized 13 million in cost synergies, mostly through the reduction of the IT infrastructure costs and consolidation of centralized functions.

The realized cost and funding synergies of 27 million dollars in Q2 represents 115 million dollars on an annualized basis, which equates to approximately 43% of our 3 year target.

Cost synergies will continue to materialize and accelerate as CWB clients are onboarded. Recall that the platform migration will be done in waves, beginning this summer and continuing into early calendar 2026.

In Q1, we highlighted areas where we see significant opportunities for revenue upside, both in NII and fee income. We are executing our strategies to achieve our targeted revenue synergies. We continue to expect revenue opportunities to accelerate in 2026 following the completion of client migration, with the full benefits to materialize in 2027 and beyond.

Moving to Slide 13. Our outlook, including CWB, remains unchanged from last quarter. Adjusted EPS growth will continue to be impacted by the amortization of the fair value and a larger share count. However, excluding this amortization, and supported by our strong first half performance, we remain confident in delivering mid-single digit EPS growth and adjusted ROE of approximately 15% for the year. We also maintain our target for positive operating leverage in 2025.

To conclude, we remain focused on driving sustained and profitable growth going forward. CWB will serve as a tailwind for our businesses for many years to come. While it is still early days, I am pleased with our progress and excited about the opportunities that lie ahead.

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

**Jean-Sébastien Grisé, CRO & EVP, Risk Management**

Merci Marie-Chantal and good morning everyone.

I'll start with Slide 15. Since our last call, the Canadian economy has faced heightened uncertainty, largely driven by tariffs and global trade tensions. These challenges add complexity to an economy already showing signs of softening. While recent progress on several trade discussions with the US is encouraging, the environment continues to be fluid. As such, we are maintaining our cautious approach and remain prudently provisioned.

In this context, our credit portfolios continue to perform in line with our expectations, supported by our defensive positioning, resilient mix, and disciplined risk management.

Now turning to the second quarter results.

Total PCLs were $545 million or 79 basis points, which reflected the initial provision on performing loans of $230 million, related to the CWB transaction.

Adjusted total PCLs were $315 million or 45 basis points, which was 4 basis points higher quarter over quarter.

We added 12 basis points of adjusted performing provisions in Q2, driven by model calibration, macroeconomic outlook and tariff uncertainties. This is in addition to the 9 basis points we took last quarter.

PCL on IMPAIRED loans were $219 million or 32 basis points, which was stable quarter over quarter. Excluding CWB, impaired provisions declined slightly to $192 million from $196 million last quarter.

Looking at impaired PCL by segment:

Personal Banking provisions decreased sequentially to $53 million, mostly driven by uninsured mortgages. Commercial Banking provisions were $71 million, reflecting a few files. Additionally, the CWB portfolio is performing in line with our expectations.

In Financial Markets, the impaired PCL of $55 million, or 8 basis points, were related to a single file in the manufacturing sector.

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

And, at ABA, impaired provisions decreased to $14 million US.

Turning to Slide 16. Our total allowances for credit losses reached $2.2 billion, representing 5.7 times coverage of our net charge-offs.

Our performing allowances reached $1.5 billion, representing a strong performing ACL coverage ratio of 2 times. We have been building allowances for the past 12 quarters, and remain comfortable with our prudent provisioning levels.

Additional metrics on our allowances are provided in Appendix 10.

Turning to Slide 17. Our gross impaired loan ratio increased to 98 basis points, mainly driven by the CWB transaction, and in line with our expectations.

Excluding CWB and USSF&I, the ratio was 54 basis points, 5 basis points higher than last quarter.

Formations this quarter reflect the CWB transaction. Removing this impact, total formations would have been down quarter-over-quarter.

At ABA, net formations declined for the second consecutive quarter, and remained below the peak observed at the end of 2024.

On Slides 18 and 19, we highlight our Canadian RESL portfolio. Quebec now accounts for 51% of the portfolio, and insured mortgages account for 27% of Total RESL. Average LTVs for our HELOCs and uninsured mortgages remained in the 50s, and higher risk uninsured borrowers represent less than 1% of the Total RESL portfolio.

Furthermore, approximately 75% of the portfolio has now been repriced at higher interest rates. 90-day mortgage delinquencies remained below the pre-pandemic levels, with our clients continuing to demonstrate resilience in managing higher refinancing costs.

Appendix 8 provides an overview of our portfolio following the CWB transaction, along with an update on tariff sensitive sectors. Our exposure to these sectors remains limited, with the most sensitive borrowers accounting for less than 1% of the bank's total loans.

Looking forward, uncertainty remains around the outlook for economic growth and unemployment.

The impact of tariffs is still difficult to quantify and the range of potential outcomes remains wide. That said, we continue to expect impaired PCL to be within the 25 to 35 basis point range for the full year.

In conclusion, we are well positioned to navigate the ongoing volatility and uncertainty given our defensive attributes, resilient mix, and prudent level of allowances.

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

## *** Closing remarks ***

**Laurent Ferreira, President & CEO**
Thank you, operator.

I want to recognize all employees, including employees newly joined from CWB. Thank you for your dedication, hard work on to the integration and the support you are bringing to our clients. The path we're on gives me great confidence at this point and time.

Finally, I would also like to thank our shareholders for their continued support.

Have a great summer!