

SURPRISE

CASE

2024



SURPRISE CASE

Presented by



**BANQUE
NATIONALE**

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CONTEXT

In the dynamic landscape of modern finance, National Bank emerges as an institution firmly anchored in its commitment to excellence and innovation. Since its inception in 1859, they have not only weathered the storms of economic change but have thrived, evolving to meet the ever-changing needs of its clientele. Headquartered in Montreal, National Bank boasts a rich legacy of serving Canadians from all walks of life, offering a comprehensive suite of banking products and services tailored to meet the diverse needs of individuals, businesses, and communities across the nation.

National Bank's success is built on a foundation of unwavering dedication to its clients, a commitment that touches on every aspect of its operations. From personalized service to cutting-edge technology, National Bank strives to provide an exceptional banking experience that exceeds the expectations of its customers. This commitment to excellence extends to National Bank's offerings for young professionals, a dynamic demographic with unique financial needs and aspirations.

National Bank's Strategic Focus on Young Professionals

Recognizing the unique challenges and opportunities facing young professionals, National Bank has developed a range of specialized offerings designed to empower this demographic on their journey to financial success. From personalized banking solutions to investment guidance and educational resources, National Bank equips young professionals with the tools and knowledge needed to navigate the complexities of modern finance with confidence and clarity.

Banking & Education

For emerging professionals venturing into their careers, National Bank delivers tailored banking solutions precisely calibrated to meet their evolving financial demands. From fee-free checking accounts to high-yield savings options, their services offer the flexibility and convenience necessary for effective day-to-day financial management. With features like mobile banking, e-statements, and online bill paying, National Bank ensures seamless access to accounts and transactions, seamlessly integrating banking into busy lifestyles.



Moreover, National Bank provides a plethora of educational resources, workshops, and online tools aimed at enhancing financial acumen. Whether the goal is mastering budgeting, investing, or retirement planning, they empower young professionals to navigate personal finance complexities confidently.

Investment & Insurance Offerings

In addition to traditional banking services, National Bank curates a suite of investment products tailored to the unique objectives of young professionals. From down payments on a new home all the way to retirement planning, their experts craft personalized investment strategies, spanning individual retirement accounts to diversified portfolios, to realize their financial aspirations. Furthermore, understanding the unpredictability of early career life, National Bank extends flexible borrowing options like personal loans and lines of credit.

Complementing the banking and investment suite, National Bank offers a comprehensive range of insurance products addressing the specific needs of young professionals.—These products, such as life, disability, and critical illness insurance, provide peace of mind and safeguard financial well-being against unforeseen events. Their insurance experts collaborate closely with clients to tailor plans that offer the right coverage at an affordable cost, ensuring financial security for themselves and their loved ones.

The Omnichannel Experience

In the rapidly evolving landscape of modern banking and finance, the concept of omnichannel banking has emerged as a pivotal strategy for institutions like National Bank to meet the diverse needs and preferences of their clientele, particularly young professionals. Omnichannel banking refers to the seamless integration of various channels—such as online, mobile, and physical branches—into a unified and cohesive banking experience. By embracing omnichannel banking, National Bank ensures that young professionals can engage with their finances anytime, anywhere, and through their preferred channels, whether it's their accounts on a mobile app during their morning commute or visiting a branch for personalized advice after work.

Moreover, omnichannel banking is about more than just convenience - it is about delivering a consistent and personalized experience across all touchpoints. By



leveraging data analytics and customer insights, National Bank can anticipate the needs and preferences of its young professional clientele and tailor its products and services accordingly, ensuring that each interaction is meaningful, relevant, and valuable. In doing so, National Bank not only enhances customer satisfaction and loyalty, but also strengthens its position as a trusted financial partner for young professionals as they navigate their financial journey.

Competitors

The competitive landscape in the Canadian banking sector is characterized by a mix of domestic and international players vying for both market share and customer loyalty. With a strong presence across the country and a diverse portfolio of banking products and services, National Bank competes with other major Canadian banks such as Royal Bank of Canada (RBC), Toronto-Dominion Bank (TD), and Bank of Montreal (BMO), as well as international players like HSBC and Citibank.

Each of these competitors brings its own strengths and strategies to the table, creating a dynamic and fiercely competitive landscape. RBC, for example, boasts the largest market capitalization of any Canadian bank and a robust global presence, making it a formidable competitor in both domestic and international markets. TD, on the other hand, has built a reputation for its innovative digital banking platform and strong customer service, appealing to tech-savvy consumers and young professionals.

In addition to traditional banks, National Bank also faces competition from non-bank financial institutions and fintech companies that are disrupting the industry with innovative products and services. From digital-only banks like Tangerine and EQ Bank to peer-to-peer lending platforms like Wealthsimple and Borrowell, these new entrants are challenging traditional banks to adapt and innovate to stay competitive.

Industry Factors

Regulations and economic factors heavily impact the Canadian banking industry. Examples such as updates to banking and financial services legislation around Open Banking can impact the competitive dynamics of the industry and influence the strategies of individual players. Similarly, economic factors such as interest rates, inflation, and unemployment rates can affect consumer confidence and spending habits, impacting the demand for banking products and services.

Furthermore, Millennials and Gen Z consumers are more digitally savvy and value convenience, transparency, and personalized experiences in their banking interactions.

YOUR MANDATE

In the fiercely competitive landscape of the banking sector, the ability to cross-sell products and services has become increasingly essential for institutions like National Bank to maintain a competitive edge and drive sustained growth. Cross-selling, a strategic approach to offering existing customers additional products or services that complement their current banking relationship, has emerged as a cornerstone of customer-centric banking strategies. For example, a customer who has a savings account with the bank may also benefit from a credit card with attractive rewards or a mortgage for their dream home. By understanding the unique financial goals and preferences of individual customers, National Bank can tailor its cross-selling efforts to provide personalized solutions that add value and meet specific needs, enhancing the overall customer experience and driving loyalty.

National Bank wants to develop and implement omnichannel cross-selling initiatives to find a way to get their retail banking customers, specifically young professionals, interested in their other products as well. Consequently, they've enlisted your expertise and that of your team to identify key changes to the positioning of existing products and to refine their sales strategies. Your goal is to improve the performance of the overall product portfolio through cross-selling and gain a long-term competitive edge in the young professional segment.

It's your time to shine!



APPENDIX 1 – NATIONAL BANK IN NUMBERS



Investor Fact Sheet



Q1 2024

WHO WE ARE

National Bank (NA: TSX), founded in 1859 and headquartered in Montreal, is one of six systemically important banks in Canada with a leading presence in Quebec.

We operate through three business segments in Canada—Personal and Commercial Banking, Wealth Management and Financial Markets.

A fourth segment—U.S. Specialty Finance and International—complements the growth of our domestic operations.

2023 Total Revenues (Adjusted) by Business Segment⁽¹⁾



2023 Total Revenues (Adjusted) by Geographic Distribution⁽¹⁾



OUR PILLARS



Our Culture

- › Entrepreneurial
- › Agile
- › Collaborative
- › Diverse and inclusive



Our Strategic Positioning

- › Canadian bank with leading franchise in Quebec
- › Differentiated positioning in Financial Markets and Wealth Management
- › Focused strategy outside Canada



Our Discipline

- › Strong risk management culture
- › Disciplined cost management
- › Solid capital levels

STRONG TRACK RECORD OF SHAREHOLDER VALUE CREATION

Superior ROE⁽²⁾

16.3%
Reported
16.6%⁽⁴⁾
Adjusted
2023 ROE⁽³⁾

Strong Earnings Power

(2.6%)
Reported
5.3%⁽⁴⁾
Adjusted
PTPP⁽⁵⁾ Growth (2023/2022)

Solid Credit Performance

11 bps
2023 PCL
on Impaired Loans
(excl. POCI) Ratio⁽³⁾⁽⁶⁾

Robust Capital Position

13.1%
CET1 ratio⁽⁴⁾
as at January 31, 2024

Sound Liquidity Profile

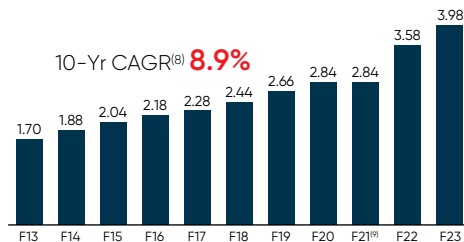
145%
Liquidity coverage ratio⁽⁴⁾
as at January 31, 2024

Sustainable Dividend Growth

(\$ per share)

10-Yr average dividend payout⁽⁴⁾⁽⁷⁾ of **42%**

Medium-term target payout ratio of **40% to 50%⁽⁴⁾⁽⁷⁾**



Leading Total Shareholder Returns⁽³⁾

CAGR⁽⁸⁾ for the periods ended October 31, 2023

	Ranking ⁽¹⁰⁾	National Bank	Canadian Peers ⁽¹⁰⁾	TSX
3 years	#1	15%	10%	10%
5 years	#1	12%	4%	8%
10 years	#1	11%	7%	7%

Source: Nasdaq IR Insight via Factset

(1) Excluding the Other segment. See the Financial Reporting Method section of the latest Annual Report for additional information on non-GAAP financial measures.

(2) Based on Return on common shareholders' equity (ROE) as reported by Canadian peers, including Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Bank of Nova Scotia and Toronto-Dominion Bank (together, the Canadian peers).

(3) See the Glossary of the latest Annual Report for details on the composition of these measures.

(4) See the Financial Reporting Method section of the latest Annual Report for additional information on non-GAAP financial measures, non-GAAP ratios and capital management measures.

(5) Adjusted Pre-Tax Pre-Provision earnings (PTPP) refers to adjusted income before provisions for credit losses and income taxes.

(6) Provisions for credit losses on impaired loans excluding purchased or originated credit impaired (POCI) loans as a percentage of average loans and acceptances.

(7) Dividends on common shares expressed as a percentage of adjusted basic earnings per share.

(8) Compound annual growth rate.

(9) Interruption of dividend increases, as prescribed by OSFI between March 13, 2020 and November 4, 2021.

(10) Among Canadian peers as defined above.

BUSINESS SEGMENTS OVERVIEW

Personal and Commercial Banking

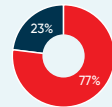
Partner of choice in Quebec and across Canada

- Leading franchise in core Quebec market
- Recognized expertise across Canada in specialized industries⁽¹⁾
- Consistent approach toward balancing volume growth, margins and credit quality
- Defensive credit position; overweight in secured lending and in the Quebec region
- Serving ~2.7 million individuals and over 146,000 businesses

2023

Revenue
\$4,404M

9% YoY growth
By Geographic
Distribution



PTPP⁽²⁾
Reported
\$1,942M / 8% YoY growth
Adjusted
\$2,010M / 12% YoY growth

Wealth Management

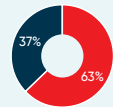
Strong and differentiated franchise

- Leader in Quebec and firmly established across Canada in full-service brokerage services
- NBI: largest manager of managers in Canada, leveraging its open architecture model
- Leadership position in Canada in services for independent wealth management firms
- Strong synergies with P&C Banking and Financial Markets segments

2023

Revenue
\$2,521M

6% YoY growth
By Geographic
Distribution



PTPP⁽²⁾
Reported
\$987M / 3% YoY growth
Adjusted
\$1,030M / 8% YoY growth

Financial Markets

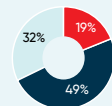
Pan-Canadian franchise with established leadership in selected niche businesses

- Diversified revenue mix from our Global Markets and C & IB divisions
- Established leadership in government debt underwriting, ETF market-making, securities finance and structured products
- Flexible approach to capital allocation
- Track record of strong and consistent performance
- Sound risk management
- Entrepreneurial culture

2023

Revenue⁽³⁾
\$2,656M

8% YoY growth
By Geographic
Distribution



PTPP⁽²⁾⁽³⁾
Reported
\$1,495M / 4% YoY growth
Adjusted
\$1,502M / 4% YoY growth

U.S. Specialty Finance and International

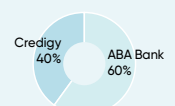
Disciplined international strategy delivering high returns

- Focused on two growth pillars: Credigy and ABA Bank
- Credigy is a US specialty finance company primarily active in financing and acquiring a diverse range of performing assets
- ABA Bank is the largest bank in the fast growing Cambodian market

2023

Revenue
\$1,209M

9% YoY growth
Distribution



PTPP⁽²⁾
\$807M
5% YoY growth

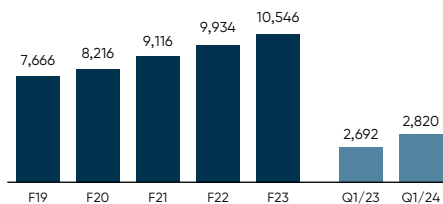
- Province of Quebec
- Other Canadian provinces
- Outside of Canada

SELECTED FINANCIAL INFORMATION

Revenue Growth

(in \$M)⁽⁴⁾

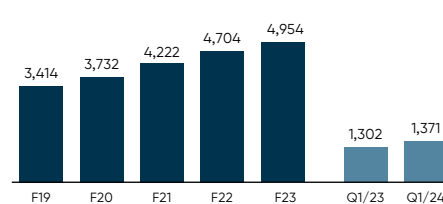
5-Yr CAGR: **7.3%**



Adjusted PTPP Growth

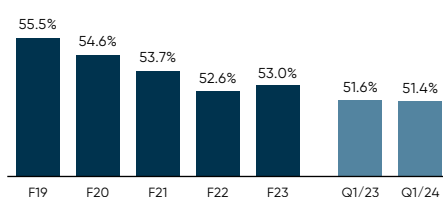
(in \$M)⁽²⁾⁽⁴⁾

5-Yr CAGR: **8.4%**



Efficiency Ratio - Adjusted⁽⁴⁾

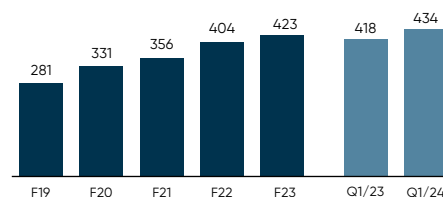
5-Yr improvement: **(230 bps)**



Total Asset Growth

(in \$B)

5-Yr CAGR: **10.0%**



SHAREHOLDER INFORMATION

As at January 31, 2024

Market Cap (TSX: NA)	\$35B
Number of Shares Outstanding	339.2M

Common Dividend Information

Dividend per share	Record	Payment
Q1: \$1.06	Dec 25, 2023	Feb. 1, 2024
Q2: \$1.06	Mar. 25, 2024	May 1, 2024
Q3:	Jun. 24, 2024	Aug. 1, 2024
Q4:	Sept. 30, 2024	Nov. 1, 2024

Credit Ratings

Moody's: Aa3
S&P: A
DBRS: AA
Fitch: AA-

Quarterly Earnings Release 2024 Calendar

Q1:	February 28
Q2:	May 29
Q3:	August 28
Q4:	December 4

Investor Relations

investorrelations@nbc.ca

www.nbc.ca

(1) Health, agriculture and agri-food, technology, creative industries, real estate, and transportation.

(2) Pre-Tax Pre-Provision earnings (PTPP) refers to Income before provisions for credit losses and income taxes.

(3) On a taxable equivalent basis (TEB), which is a non-GAAP financial measure.

(4) Presented on a taxable equivalent basis and excluding specified items, if any. This is either a non-GAAP financial measure or a non-GAAP ratio.