

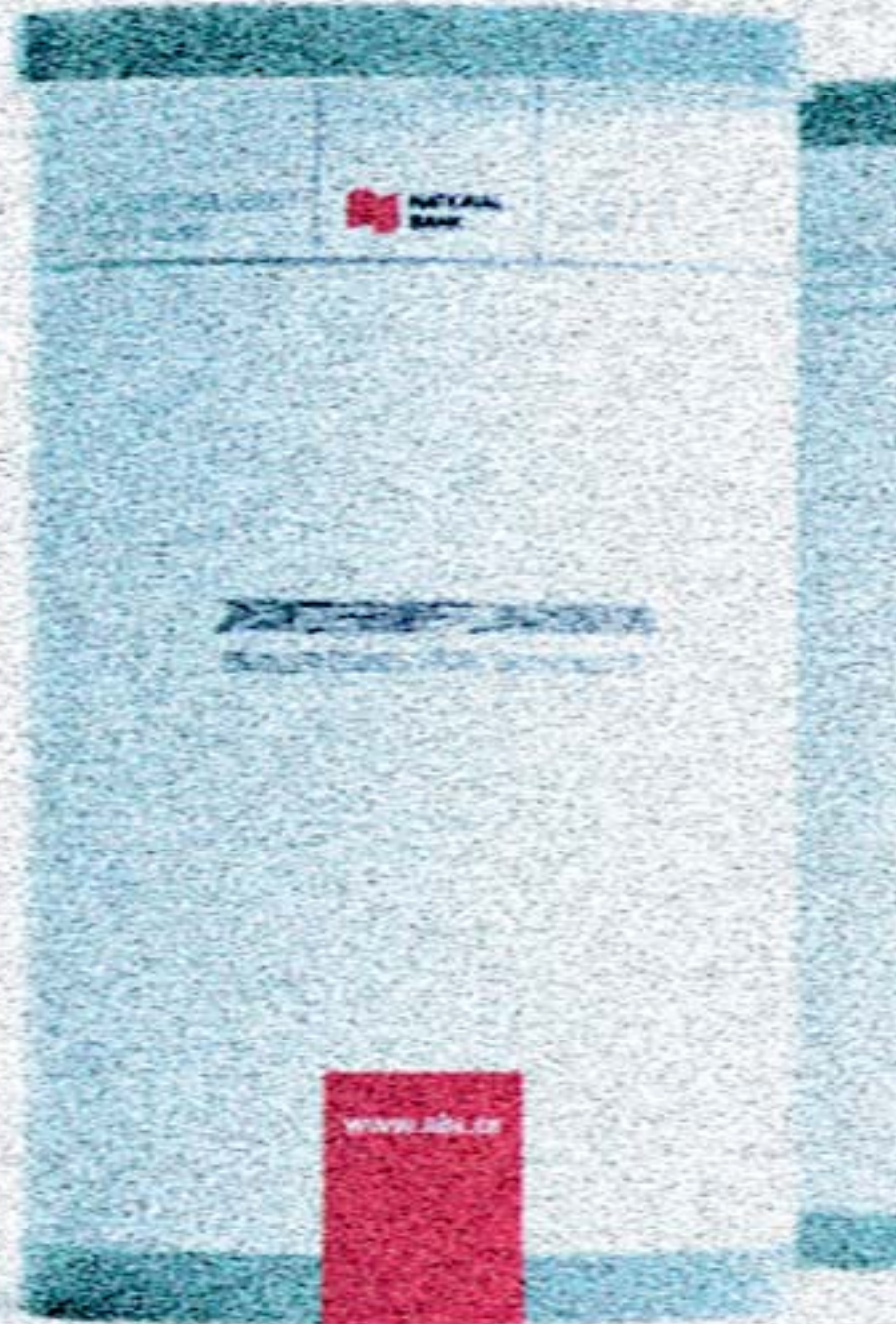


Analyst and Investor Presentation

Q2 2003 Results Conference Call

May 29, 2003

www.nbc.ca/investorrelations



Second Quarter Highlights

- **Fundamentals continue to be strong:**
 - EPS growth +18%
 - ROE at 14.8%
 - Tier One at 9.8%
 - P&C Bank turns in strong performance
 - Stable contribution from Wealth Management
- Significant dividend increase +7.7%
 - from \$0.26 to \$0.28 per share
- Strong underlying performance in a still difficult capital markets environment
- Fall in risk provisioning y/y, stable q/q, result of continued discipline in risk management
- Continued focus on improving operational efficiencies



All 2003 performance objectives met or surpassed

	2003	Q2 03	YTD
Growth in earnings per share	5% to 10%	18%	19.3%
Return on common shareholders' equity	14% to 16%	14.8%	16.3%
Tier 1 capital ratio	8.75% to 9.50%	9.8%	9.8%
Dividend payout ratio	30% to 40%	33%	33%

* Trailing 4 quarters, excluding impairment charge on investment



Quarterly snapshot

in millions of dollars

TEB

	Q2 03	Q1 03	Q2 02	Change Q2 03/Q2 02
Total Revenues	\$798	\$860	\$827	-4%
Operating expenses	529	548	491	8%
Provision for credit losses	41	41	130	-68%
Net income	138	166	122	13%
EPS	\$0.73	\$0.88	\$0.62	18%
ROE	14.8%	17.6%	13.1%	



Six month snapshot

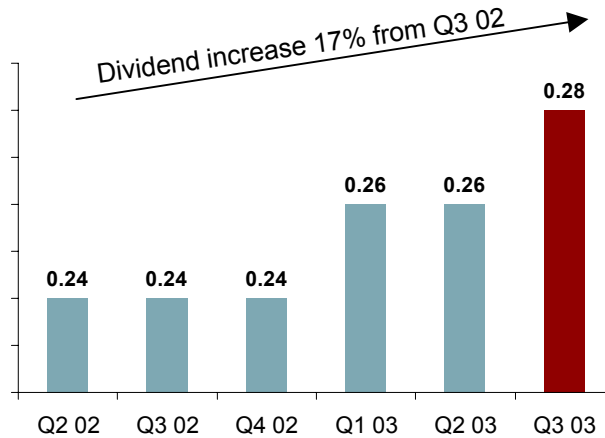
in millions of dollars

TEB

	2003	2002	Change
Total Revenues	\$1,658	\$1,633	2%
Operating expenses	1077	992	9%
Provision for credit losses	82	375	-78%
Discontinued operations, after tax	-	118	
Net income	304	268	13%
EPS	\$1.61	\$1.35	19%
ROE	16.3%	14.1%	



Dividend per share

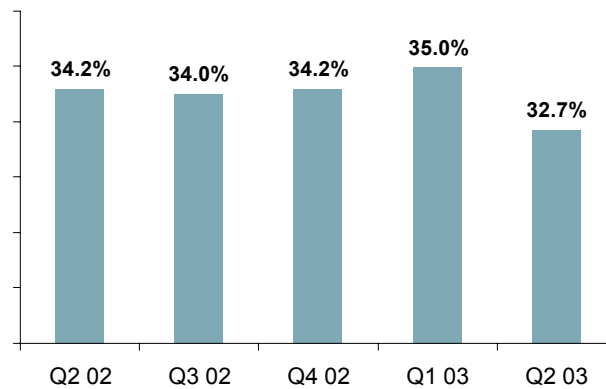


Dividend increase of 7.7%
from previous quarter

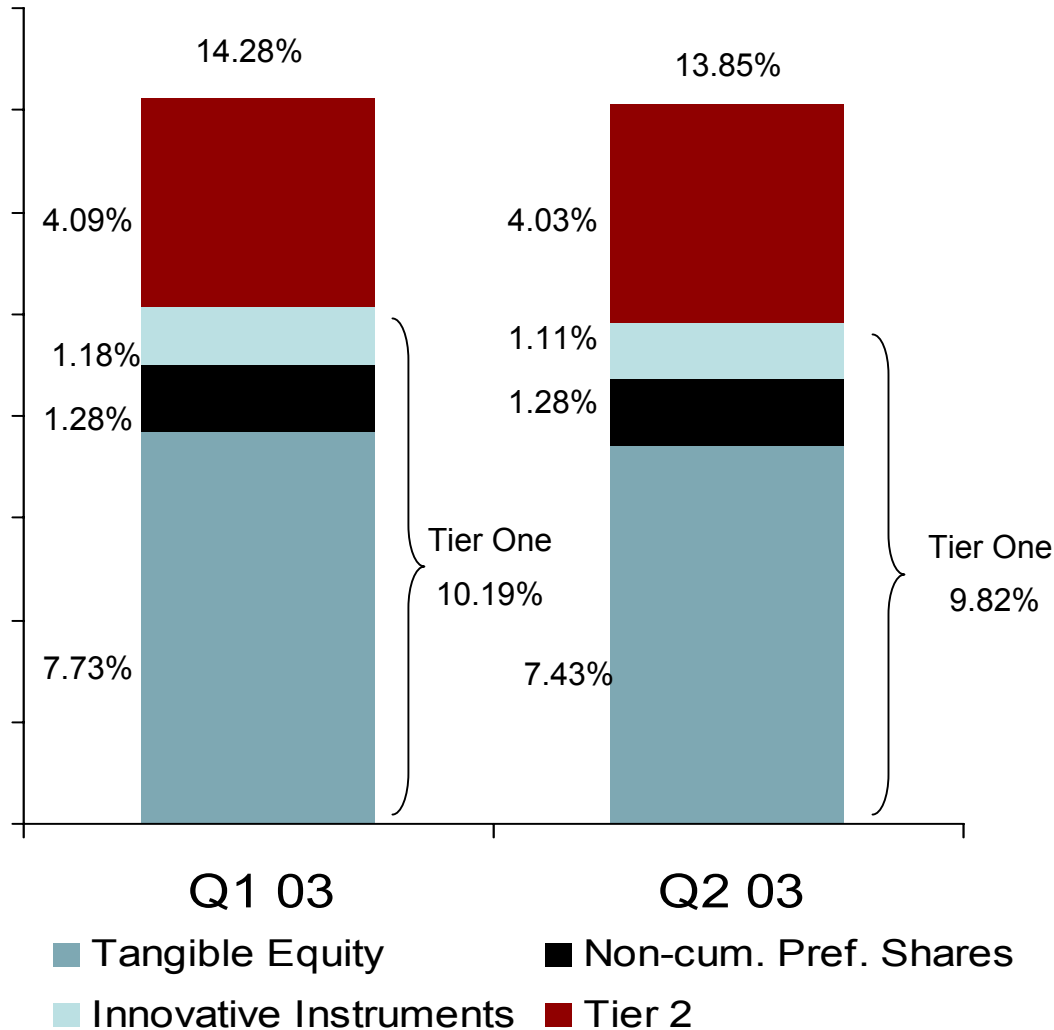
Increase of \$0.02 from
\$0.26 to \$0.28

Dividend Payout

Trailing 4 quarters, excluding impairment charge on investment



Continued strong Capital ratios



Share buyback status
at April 30:

- 7.5 M shares bought back on 9.1M program
- Equals 82.2% or \$240 M
- Continued focus on tight balance sheet management
- Q3 03 redemption of Preferred Shares Series 12 impact of approx. 30 bps



Economic and market environment Canada

Retail sales (March 2003 *) 6.2%*

* Annualized growth past 12 months

Manufacturers' inventories (March 2003 *) -1.7%*

Real Consumption (2002) 2.9%

Real Investment (2002) -3.9%

Source: National Bank Financial

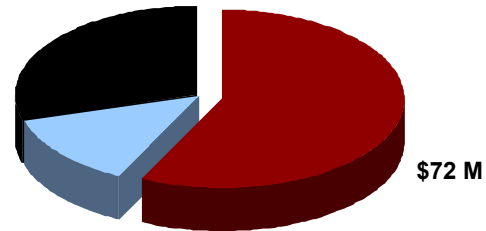


**Personal and
Commercial Banking**

Wealth Management

Financial Markets

Q2 03 Net Income



- Personal and Commercial Banking
- Wealth Management
- Financial Markets



Personal and Commercial Banking highlights

- **Continued focus to be relationship driven**

- **Marked improvements in spreads**

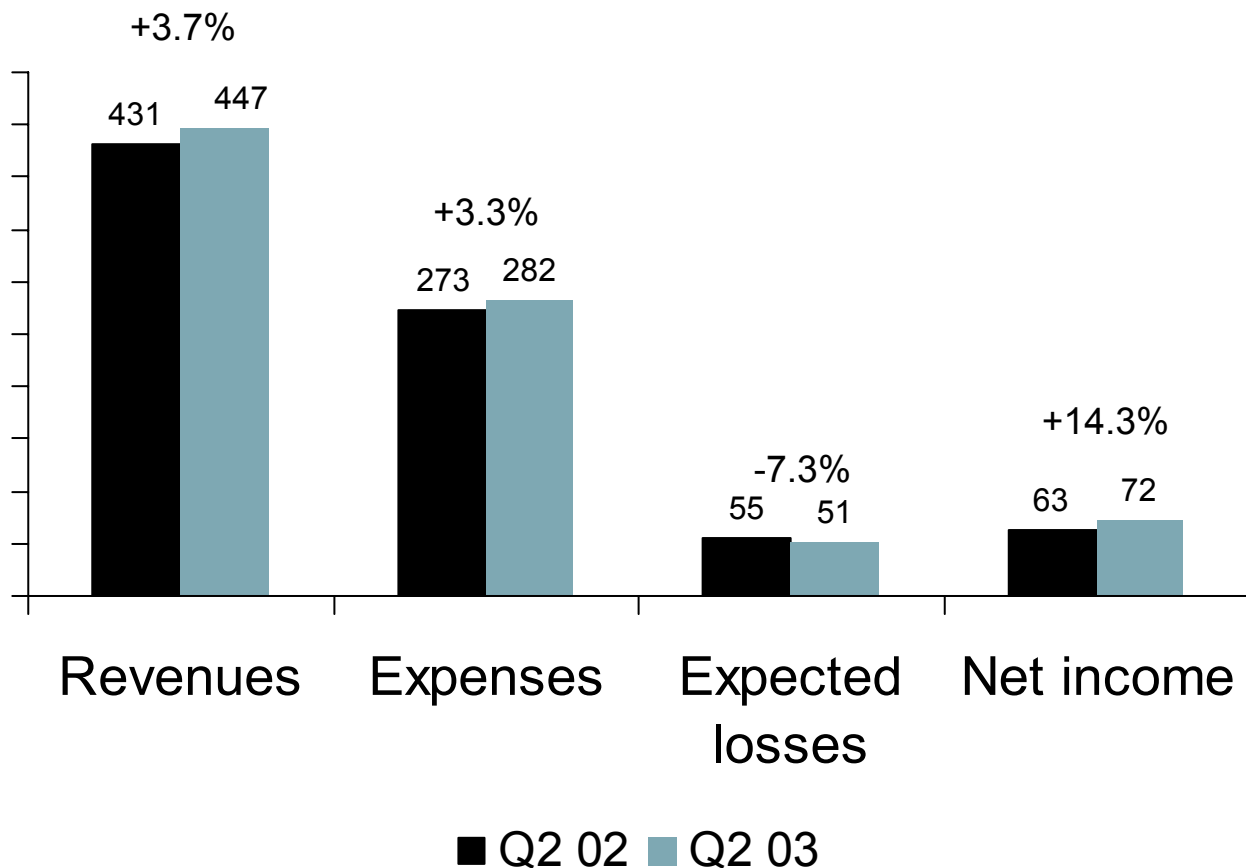
- **Innovative product launches:**
 - **Fixed-rate mortgage with cash rebate**
 - **Money-Saver Mortgage with interest rate of 0% for first 3 months of 5 year-term**
 - **Popular 10 practical mortgage tips guide**
 - **Seminar on how to build a winning portfolio in today's market**

- **10th edition of our SME recognition program**



Personal and Commercial Banking Quarterly

in millions of dollars



Drivers:

Volumes

- Mortgage loans +2%
- Credit card receivables +12%
- Personal loans +11% (excluding indirect loans)
- Commercial loans and BAs -2% (excluding factoring)
- Deposits
 - Personal +3%
 - SMEs +15%

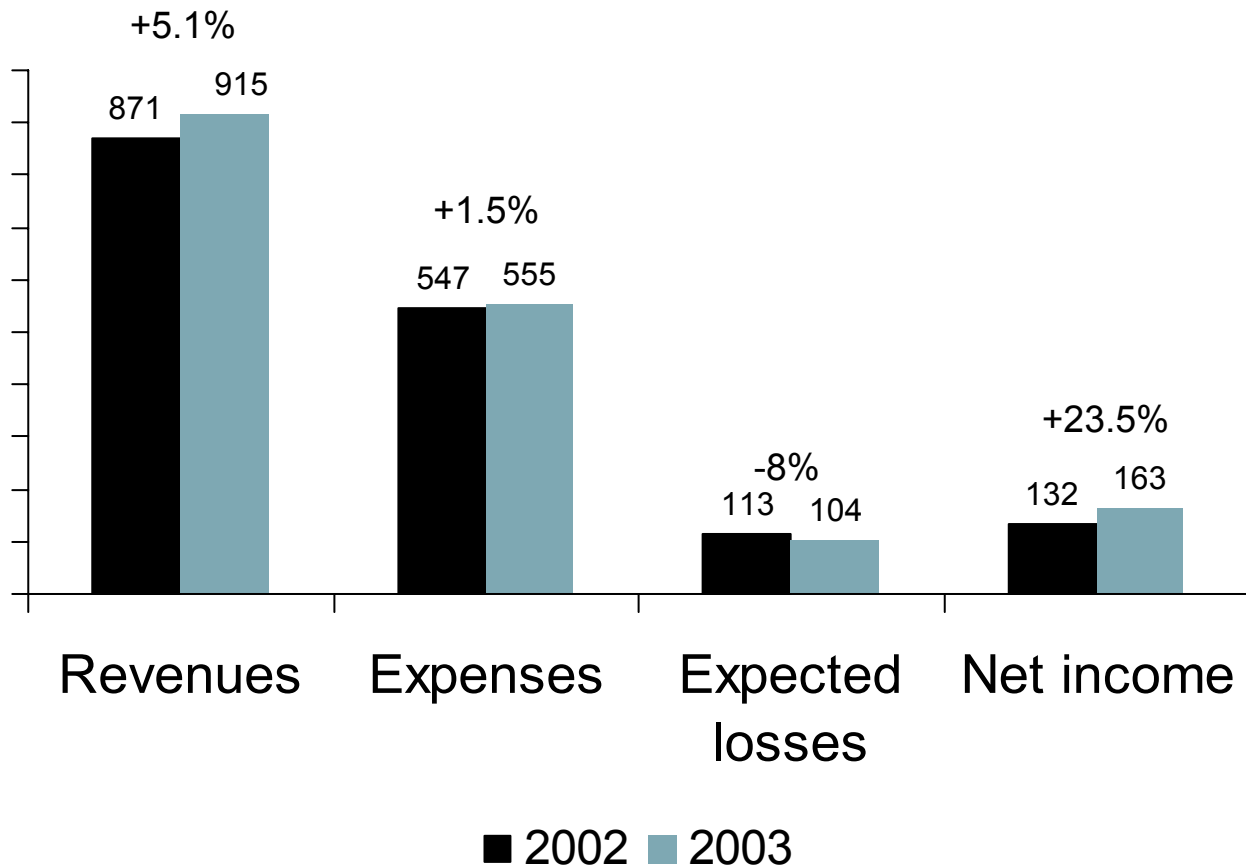
Overall margins +9bps

- Credit card receivables +66bps
- Retail Banking +8bps
 - Mortgage portfolio +6bps
- Commercial Banking -2bps



Personal and Commercial Banking 6 Months

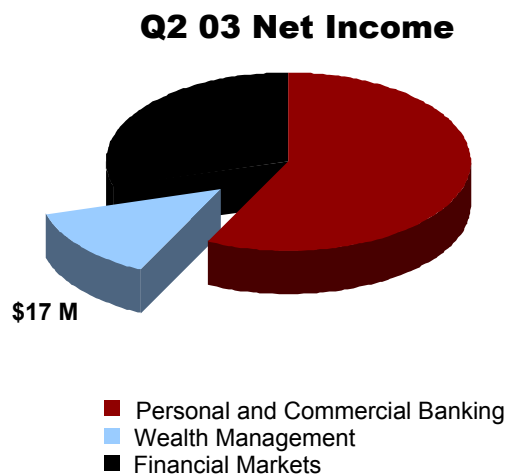
in millions of dollars



**Personal and
Commercial Banking**

Wealth Management

Financial Markets



Wealth Management highlights

- **NB Discount Brokerage and Altamira – Dalbar winners again!**

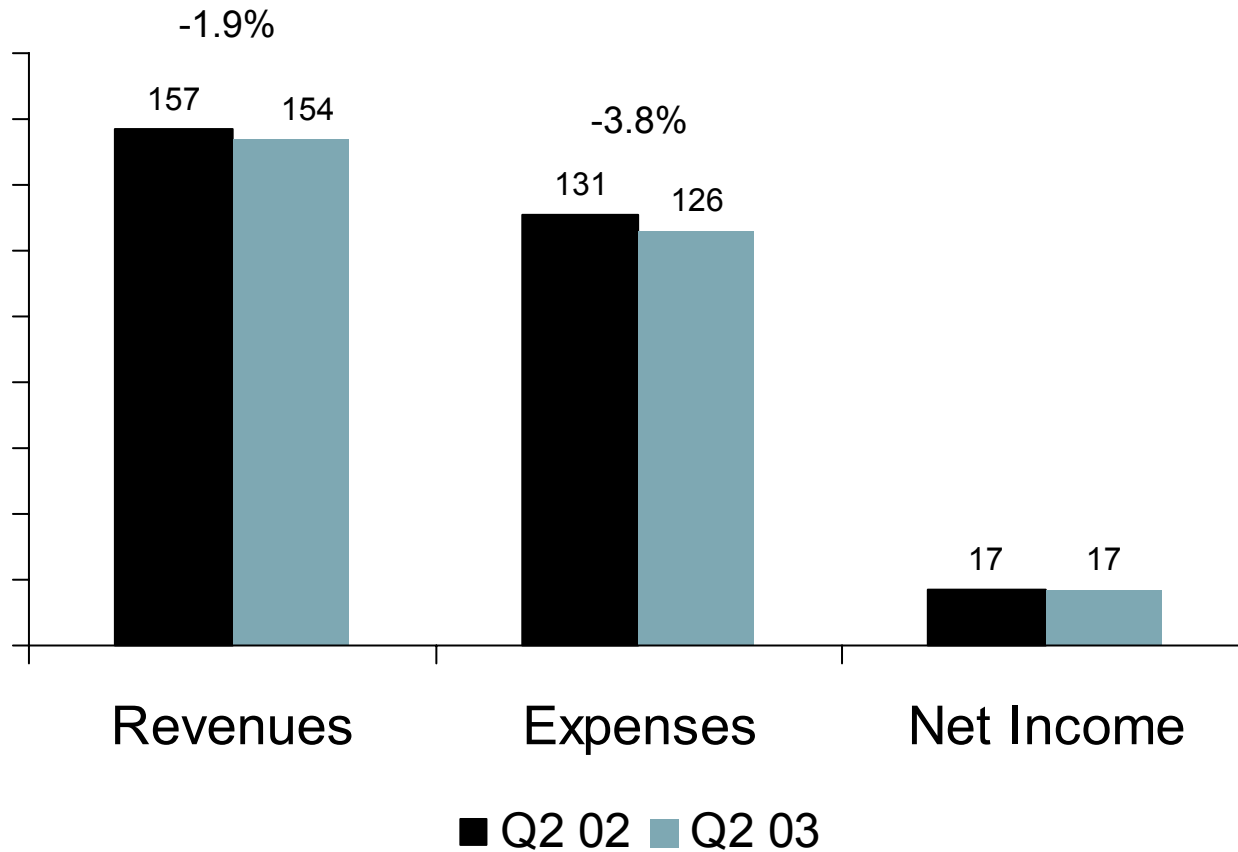
- **Delivery of Wealth Management strategic plan on track and remains priority**

- **Currently executing strategy to lower breakeven point at NBF Full-fledged brokerage:**
 - **addressing cost structure to better weather market slowdown**



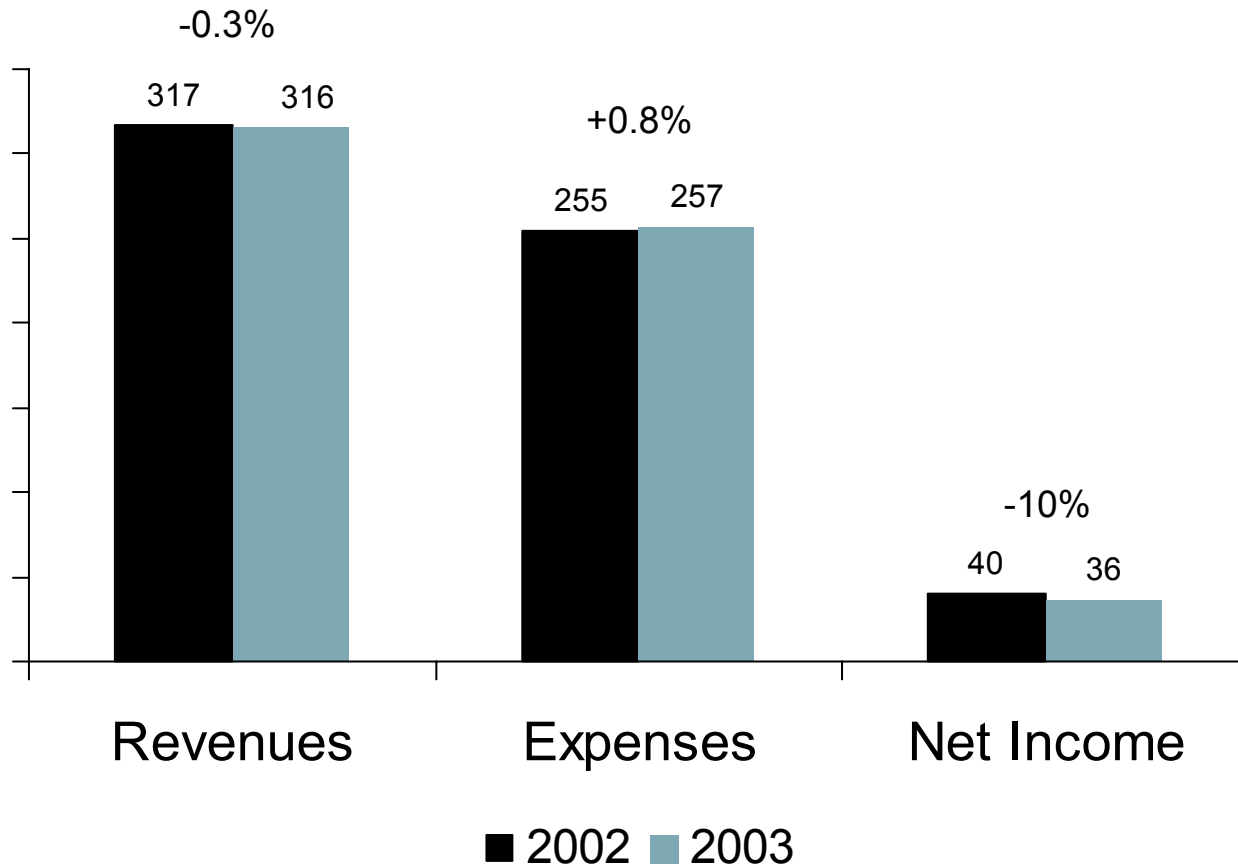
Wealth Management Quarterly

in millions of dollars



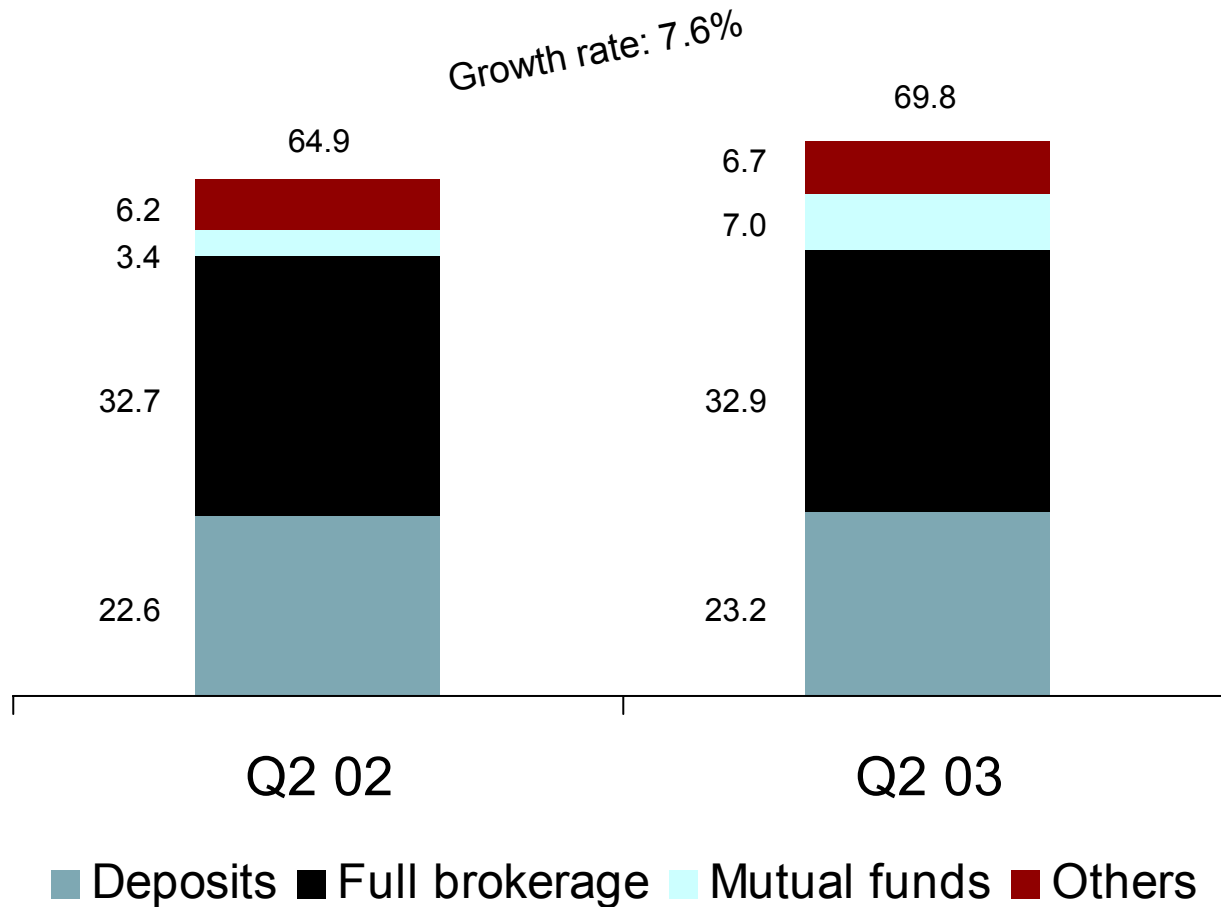
Wealth Management 6 Months

in millions of dollars



Assets under Management growth

In billions of dollars
As at April 30



Others include Altamira, Discount Brokerage and Trust Services



Asset Management trends

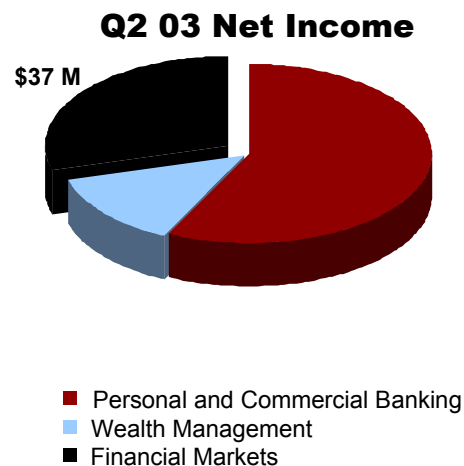
- High capacity to weather unfavourable environment
-
- When markets turnaround, Altamira's direct link to clients is a great model to be in:
 - Not just a Mutual Fund company
 - Multi-product offer
 - Integration on track:
 - Fund management review on target for completion
 - Important annualized savings
 - Minimal customer disruption
-



**Personal and
Commercial Banking**

Wealth Management

Financial Markets



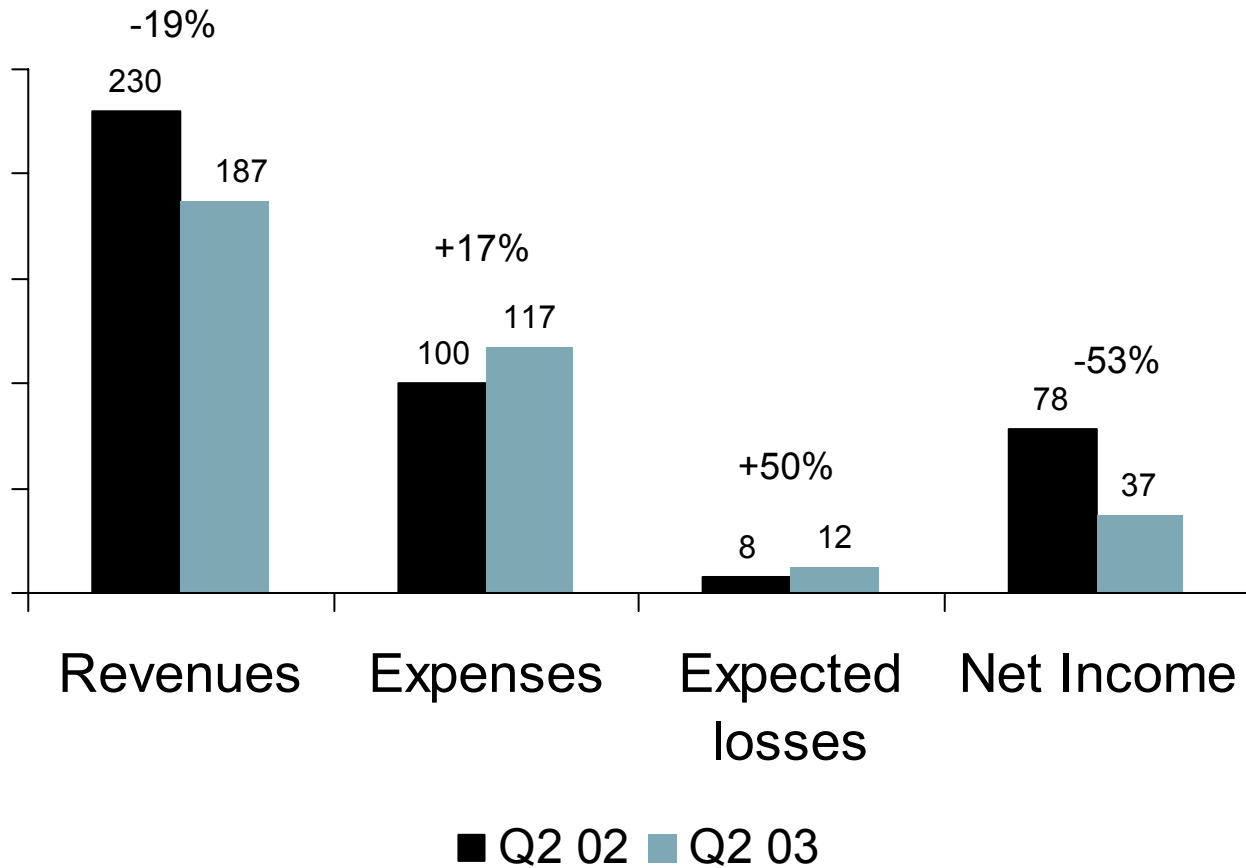
Financial Markets highlights

- **NBF and NBF/Putnam Lovell Research rewarded**
 - NBF Analyst ranked #1 overall in Starmine survey
 - Wall Street Journal names Putnam Lovell NBF Analyst among "Best on the Street"
-
- **The upgrade of the National Bank Financial website continues with the launch of a new version of Online Services**
 - **What's new?**
 - Additional information about your portfolio
 - Detailed market information
 - A considerable number of documents published by our Economics and Strategy Group
 - Efficient, customized tools: virtual portfolios, message center, quick quotes, watchlists, alerts, etc.
 - More and more functions to be added over the coming months



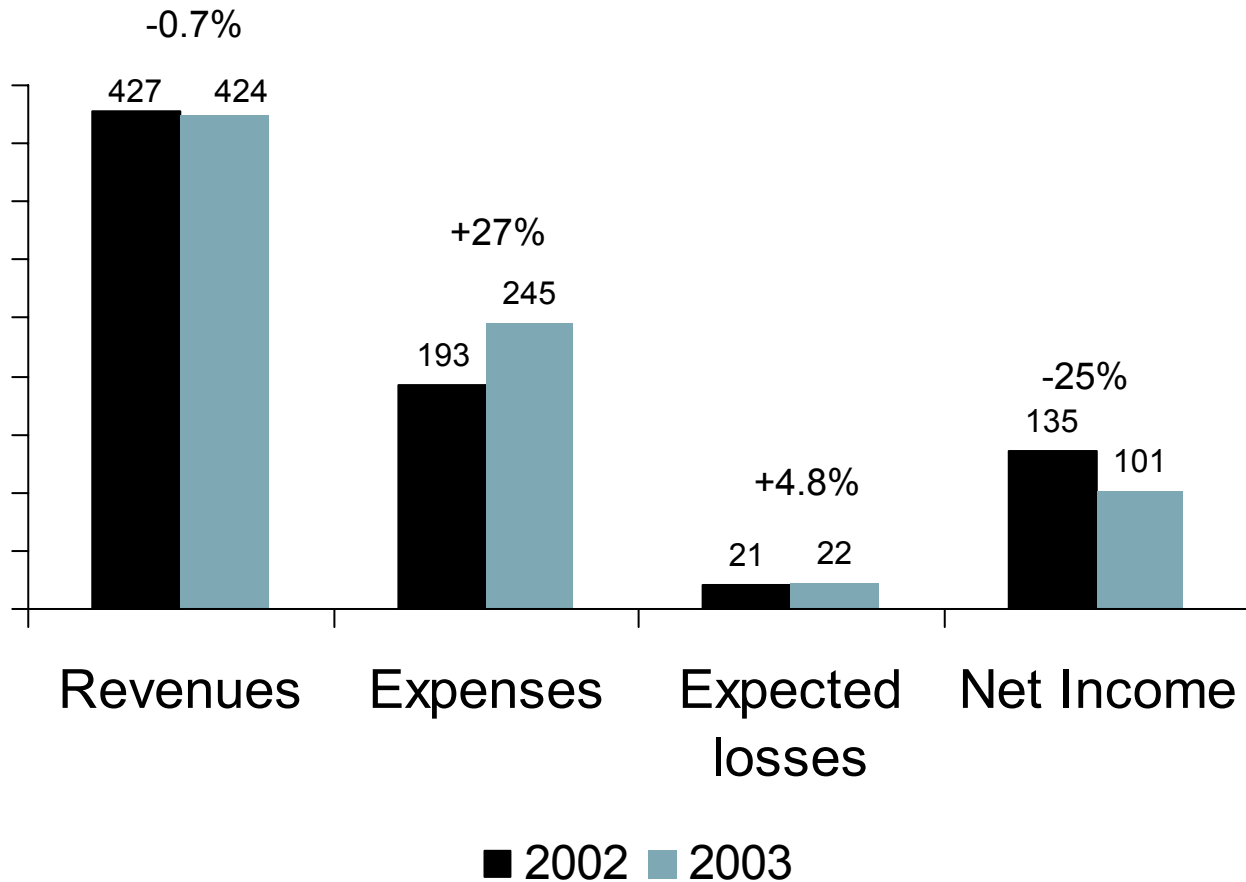
Financial Markets Quarterly

in millions of dollars



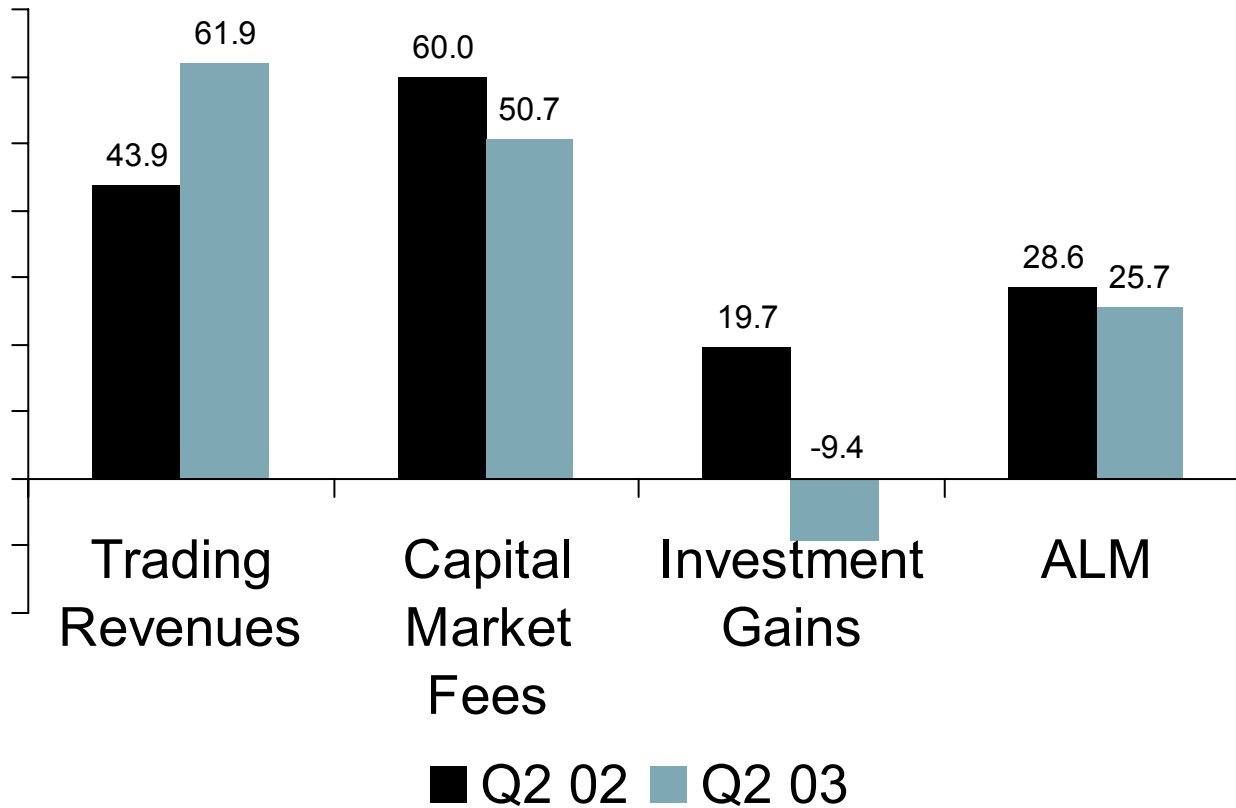
Financial Markets 6 Months

in millions of dollars



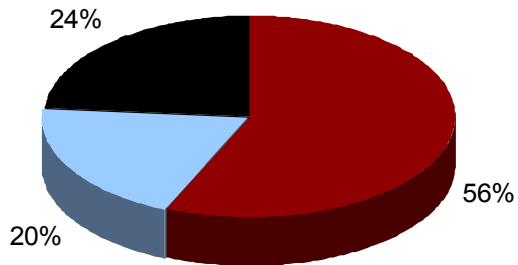
Treasury and Capital Market Activity

in millions of dollars



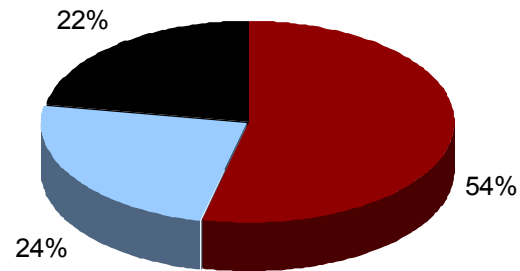
Business Line Breakdown

Revenues



- Personal and Commercial Banking
- Wealth Management
- Financial Markets

Earnings

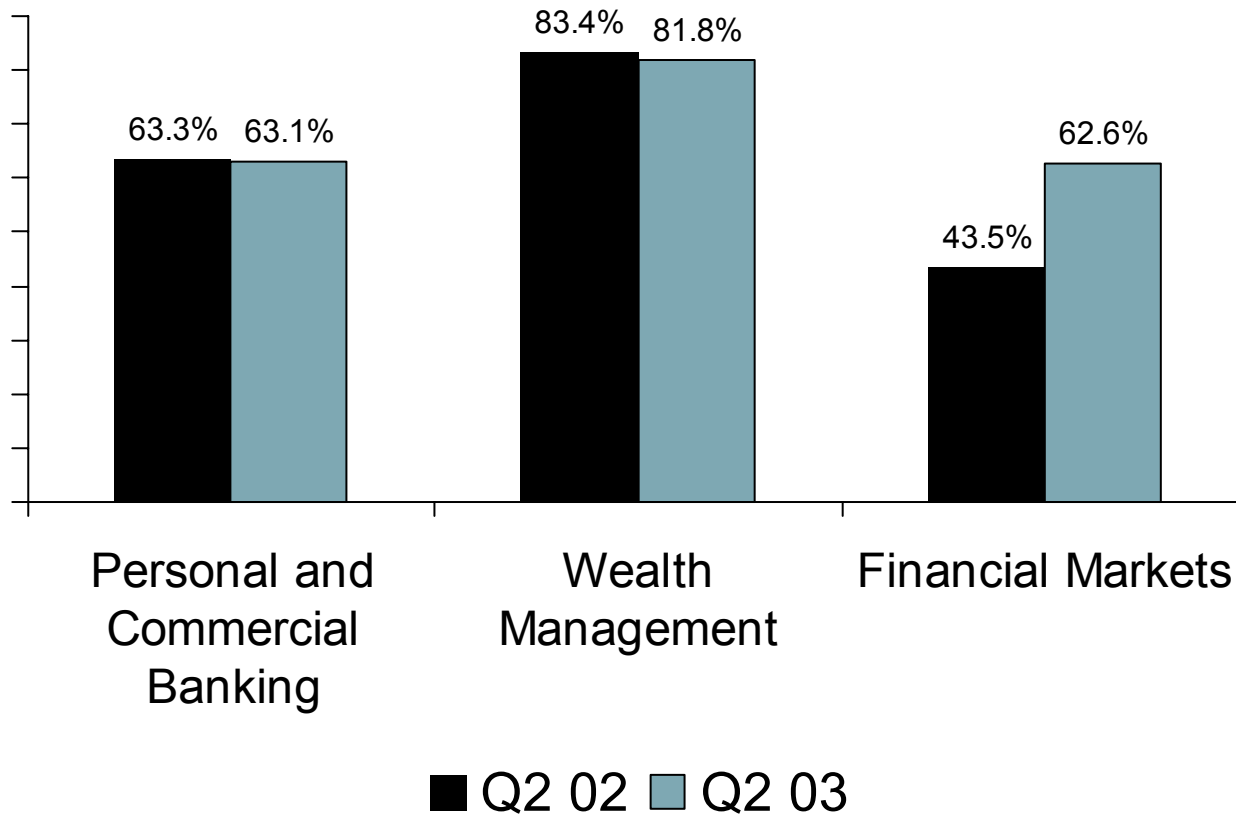


- Personal and Commercial Banking
- Wealth Management
- Financial Markets

Mix reflects market conditions



Business Line Expense Ratio



Risk Management

- **Another high quality quarter**

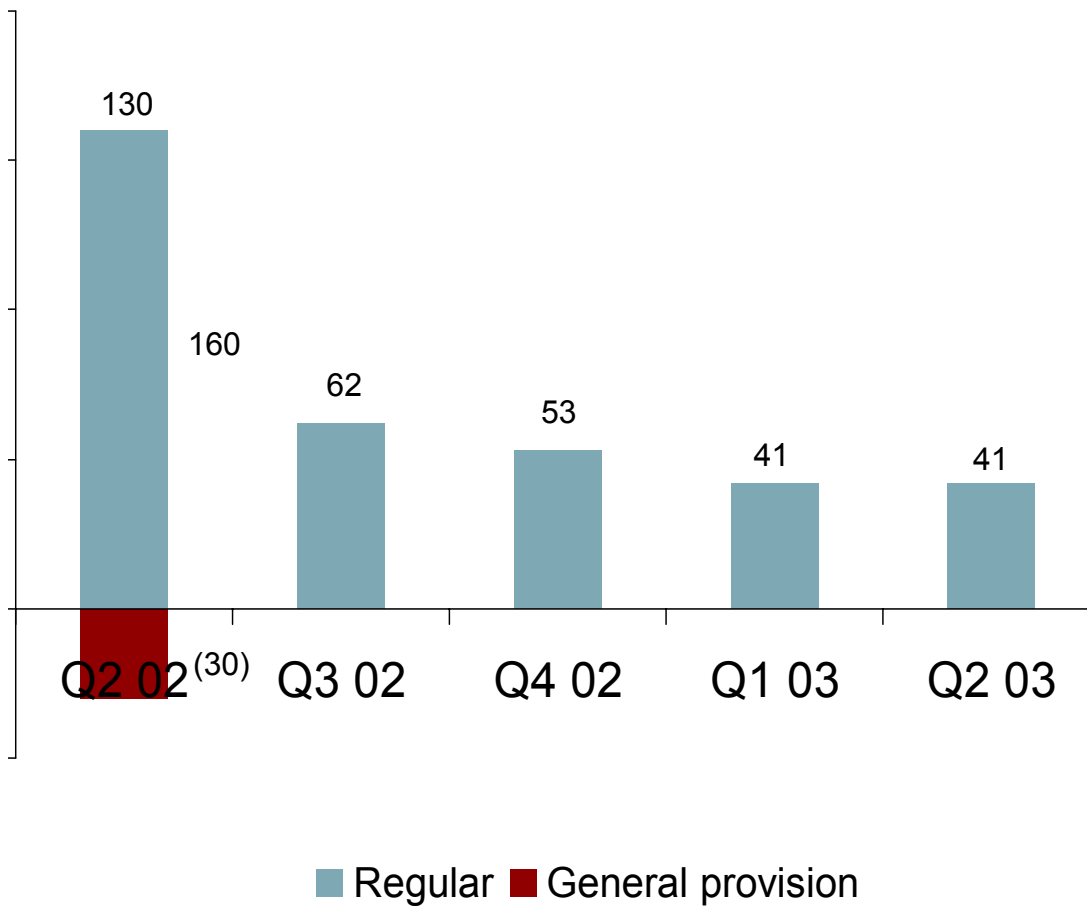
 - **Provisioning levels remain stable**

 - **Lower net impairment levels for :**
 - **Individuals and small businesses**
 - **Commercial**
-



Provision for credit losses

in millions of dollars



2003 Guidance remains at:
45 to 55 bps of loans and BAs



Impaired loans

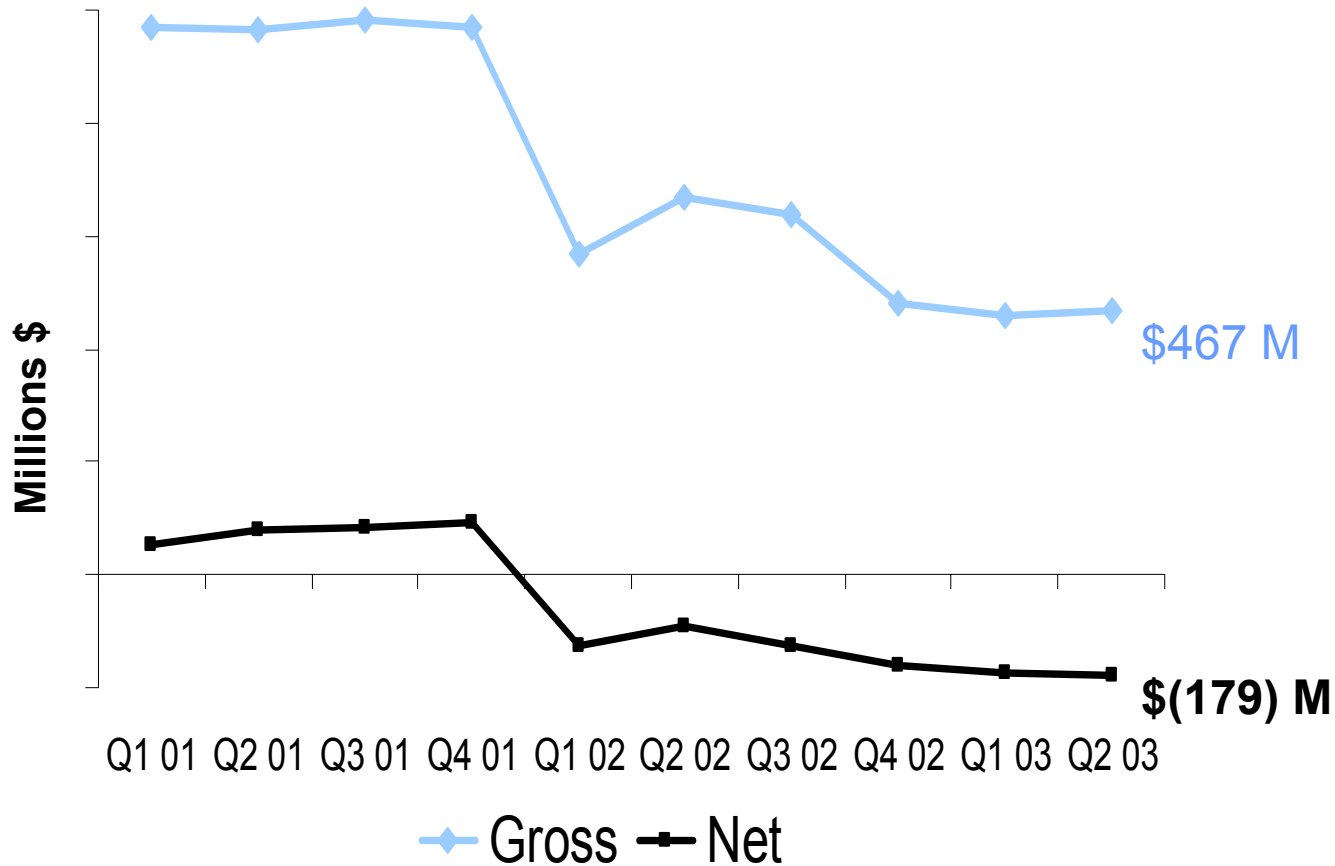
In millions of dollars

	Q2 03	Q1 03
Gross impaired loans	\$467	\$461
Gross impaired loans as a % of tangible capital & reserves	13.3%	12.7%
Net impaired loans		
Individuals and small businesses	40	42
Commercial Canada	116	119
Corporate	33	19
Real Estate	36	45
Treasury	0	3
Other	<u>1</u>	<u>2</u>
Sub-total	226	230
General allowance for credit risk	<u>(405)</u>	<u>(405)</u>
Total - Net impaired loans	(179)	(175)
Net impaired loans as a % of loans and BAs	(0.4%)	(0.4%)



Credit Portfolio

Private Risk



Telecom Exposure

As at March 31, 2003
in millions of dollars
Outstanding

Loans and BAs	Invest. grade	Non-Invest. grade	Total	% of loans and BAs
Telecommunications				
Wireless	\$25	\$30	\$55	0.12
Wireline	7	42	49	0.11
Total	32	72	104	0.23
Cable	56	80	136	0.30
TOTAL	88	152	240	0.53
Versus Q4 02	78	200	278	0.67

- No impaired loans
- Exposure reduction of \$38 M vs Q4 02



Electric Power and Power Generation Exposure

As at March 31, 2003
in millions of dollars
Outstanding

Loans and BAs	Invest. grade	Non-Invest. grade	Loans and BAs	% of loans and BAs
Regulated Utilities	\$11	\$0	\$11	0.02
Generation Proj. with PPAs *	54	83	137	0.30
Other Generation Projects	16	18	34	0.07
TOTAL	81	101	182	0.40
Versus Q4 02	79	130	209	0.50

- No impaired loans
- Portfolio 100 % Canadian
- Almost all projects significantly covered by long term purchase power agreements
- PPAs : Purchase Power Agreements
- Exposure reduction of \$27M vs Q4 02



Aerospace Exposure

As at April 30, 2003
in millions of dollars
Outstanding

	Net loans and BAs	% Invest. grade	% Non-Invest. grade	% of loans and BAs	Net Impaired loans and BAs
Aircraft manufacturing	\$118	47	53	0.30	-
Air Transportation	70	-	100	0.18	8.5
Services	38	46	54	0.10	-
TOTAL Aerospace	226	32	68	0.58	8.5
Versus Q4 02	317	58	42	1.09	

▪ Important exposure reduction of \$91M vs Q4 02



Automotive Exposure

As at March 31, 2003
in millions of dollars
Outstanding

	Loans and BAs	% Invest. grade	% Non-Invest. grade	% of loans and BAs	Net Impaired loans and BAs
Automotive motor vehicle	-	-	-	-	-
Automotive parts	\$117		100	0.30	2
Versus Q4 02	151	-	100	0.31	



Impaired loan formation

In millions of dollars

	Q2 02	Q3 02	Q4 02	Q1 03	Q2 03
Personal and Commercial *	22.7	26.6	(0.9)	33.5	5.1
Corporate	146.8	1.6	18.7	(6.3)	31.3
Other	<u>12.5</u>	<u>5.3</u>	<u>(0.5)</u>	<u>1.7</u>	<u>0.5</u>
	182	33.5	17.3	28.9	36.9

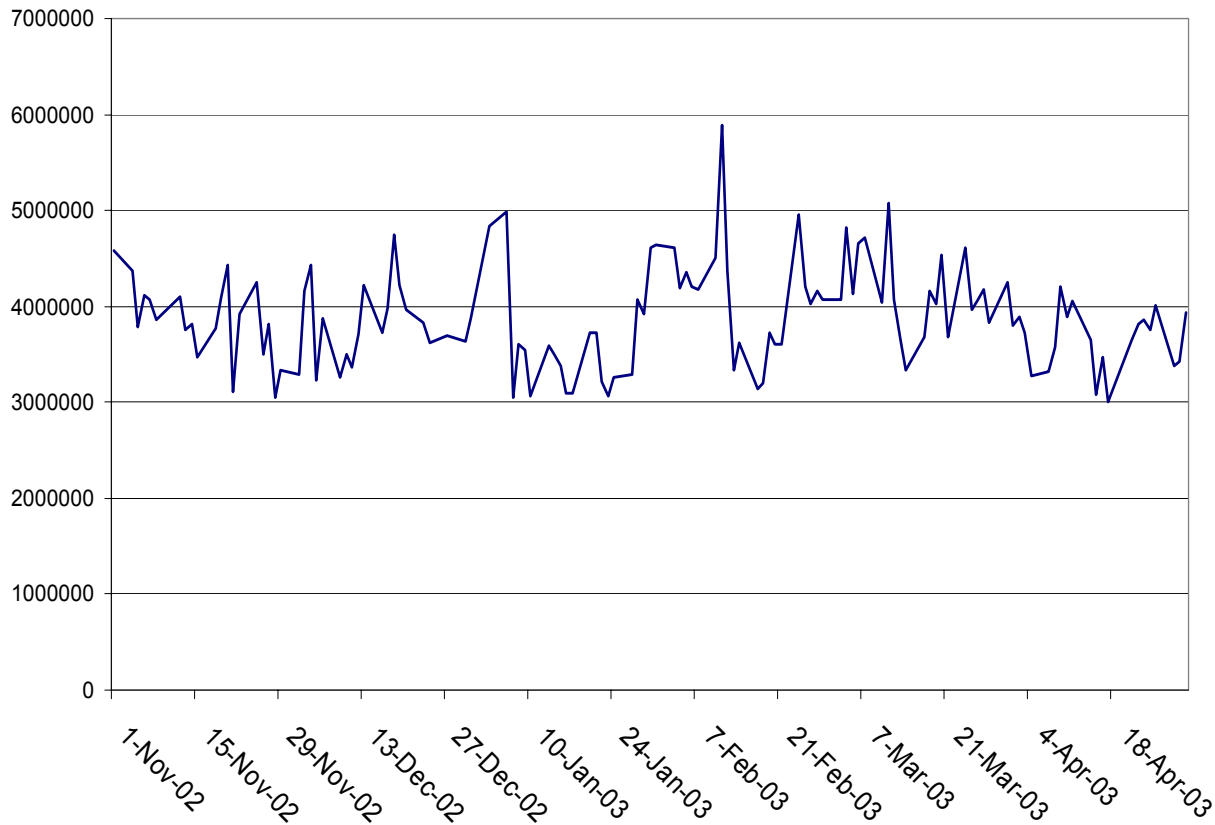
* Includes Real Estate

Formations include new accounts, disbursements, principal repayments and exchange rate fluctuation



Risk Management

VaR - Global Trading - Q1 2003 to Q2 2003 (Maximum 1-day loss at 99%)



Strategic guidelines intact:

- Continued focus on generating maximum shareholder value
- Outlook cautious due to uncertain economic activity
- Recent events have near term negative impacts on Canadian economy
 - some sectors will be impacted by a relatively stronger Canadian dollar
 - SARS repercussions still to be understood
- All in all, we like our positioning:
 - All performance objectives matched at 6 months
 - Good business mix
 - Pursuing cost structure efforts
- Significant dividend increase proof of our commitment to shareholder returns



This presentation may contain certain forward looking statements about the operations, objectives and strategies of the National Bank of Canada. Such statements are subject to risk and uncertainties. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change and economic conditions in Canada, North America or internationally. These and other factors should be considered carefully and readers should not place undue reliance on National Bank of Canada’s forward-looking statements.

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