

Analyst and Investor Presentation Q2 2008 Results Conference Call

Montreal, May 29 2008



Caution Regarding Forward-Looking Statements

From time to time, National Bank of Canada (the "Bank") makes written and oral forward-looking statements in publications, in filings with Canadian regulators or the United States Securities and Exchange Commission, in annual reports, in press releases and in other communications. Such statements are made pursuant to Canadian securities regulations and the provisions of the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements include, among others, statements with respect to the economy (in particular, the Canadian and U.S. economies), market changes, the achievement of strategic priorities and objectives, future strategies and actions, the price of Bank shares, certain risks as well as statements with respect to our beliefs, plans, expectations, estimates and intentions. These forward-looking statements are typically identified by the words "may," "could," "should," "would," "suspect," "outlook," "believe," "anticipate," "estimate," "expect," "intend," "plan," and words and expressions of similar import.

By their very nature, such forward-looking statements require us to make assumptions and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2008 and how that will affect the Bank's business are material factors considered in setting the Bank's strategic priorities and objectives, and in determining its financial targets, including provisions for credit losses. Key assumptions include that economic growth in Canada and the United States will be modest in 2008 and that inflation will remain low in North America. The Bank has also assumed that interest rates in Canada and the United States will decline slightly in 2008, and that the Canadian dollar will likely trade at parity with the U.S. dollar at the end of the year. In determining its expectation for economic growth, both broadly and in the financial services sector, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Tax laws in the countries in which the Bank operates, primarily Canada and the United States, are material factors it considers when establishing its sustainable effective tax rate. There is significant risk that express or implied projections contained in such statements will not materialize or will not be accurate. A number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Such differences may be caused by factors, many of which are beyond the Bank's control, which include, but are not limited to, the management of credit, market and liquidity risks; the strength of the Canadian and United States economies and the economies of other countries in which the Bank conducts business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada; the effects of competition in the markets in which the Bank operates; the impact of changes in the laws and regulations regulating financial services and enforcement thereof (including banking, insurance and securities); judicial judgments and legal proceedings; developments with respect to the restructuring proposal relating to asset-backed commercial paper (ABCP) and liquidity in the ABCP market; the Bank's ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank's ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; other factors that may affect future results, including changes in trade policies; timely development of new products and services; changes in estimates relating to reserves; changes in tax laws, technological changes, unexpected changes in consumer spending and saving habits; natural disasters; the possible impact on the business from public health emergencies, conflicts, other international events and other developments, including those relating to the war on terrorism; and the Bank's success in anticipating and managing the foregoing risks.

Additional information about these factors can be found under "Risk Management" and "Factors That Could Affect Future Results" in the 2007 Annual Report.

The Bank cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves 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. The Bank also cautions readers not to place undue reliance on these forward-looking statements. Moreover, these forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.



Q2 2008 Highlights

Net Income : \$165M – EPS \$1.00 (reported)
\$229M – EPS \$1.41 (adjusted)

Good cost controls

Tier 1 Capital ratio at 9.2% (Basel II)

Maintain good credit quality



Financial Review

Patricia Curadeau-Grou
Executive Vice-President
Finance, Risk and Treasury

Performance Snapshot (reported)

(millions of dollars)	Q2 08	Q2 07	Change	6M 08	6M 07	Change
Revenues	873	998	(13%)	1,864	1,986	(6%)
Expenses	634	660	(4%)	1,266	1,316	(4%)
Net Income	165	233	(29%)	420	473	(11%)
EPS	\$1.00	\$1.40	(29%)	\$2.58	\$2.83	(9%)
ROE	14.3%	20.3%		18.6%	20.5%	

Adjusted for gains or losses attributable to third party investors using the Innocap platform

Performance Snapshot (adjusted)

(millions of dollars)	Q2 08	Q2 07	Change	6M08	6M07	Change
Revenues ¹	961	998	(4%)	1,939	1,986	(2%)
Expenses	627	660	(5%)	1,257	1,316	(4%)
Net Income	229	233	(2%)	466	473	(1%)
EPS	\$1.41	\$1.40	1%	\$2.87	\$2.83	1%
ROE	20.2%	20.3%		20.7%	20.5%	

Q2 2008 – YoY

Adjusted EPS up 1%

Specified items ² :

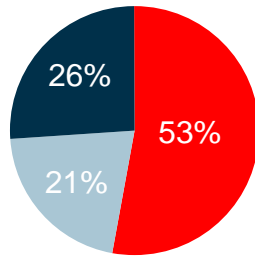
- ABCP hedge, financing cost and other expenses

¹ Adjusted for gains or losses attributable to third party investors using the Innocap platform

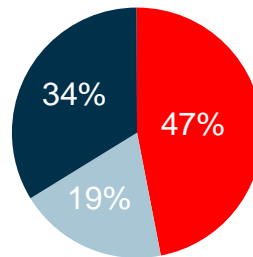
² Details on specific items in Appendix 2

Well-diversified Business Mix Q2 2008

Revenues¹



Net Income



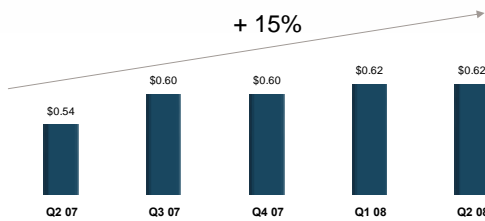
■ Personal and Commercial Banking
 ■ Wealth Management
 ■ Financial Markets

¹Adjusted for gains or losses attributable to third party investors using the Innocap platform

Capital Management Dividend

Quarterly

+ 15%



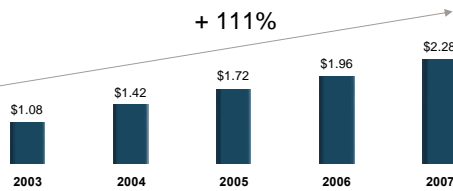
Growth for shareholders

Given current market condition:

- Dividend stand at \$0.62
- No share buyback

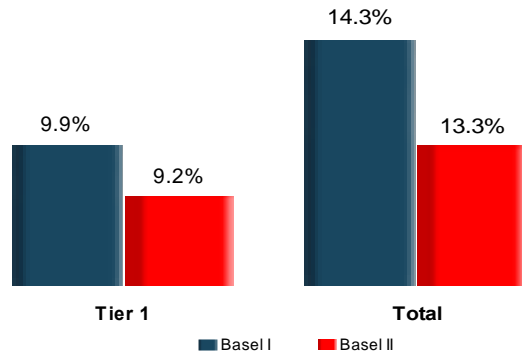
Annual

+ 111%



Capital Management Q2 2008

Capital ratio



Active capital management

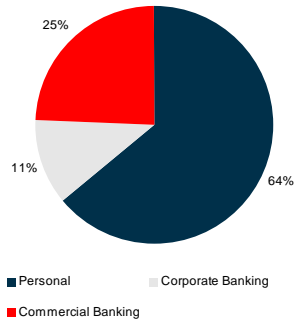
- Basel II implementation:
 - Impact of 70 bps on Tier 1 ratio
- Issuance of preferred shares: \$173M
 - Impact of 31 bps
- Issuance of debentures May 1: \$500M
- Credit card securitization: \$400M

Risk Management

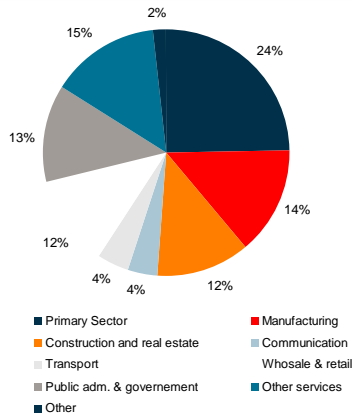
Global Portfolio Composition

As at March 31, 2008

Per business segment

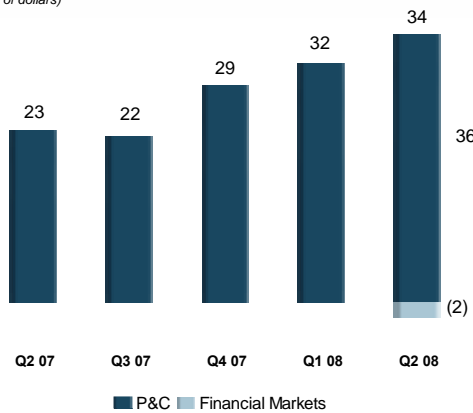


Per industry (Corporate and commercial)



Risk Provisioning

(millions of dollars)



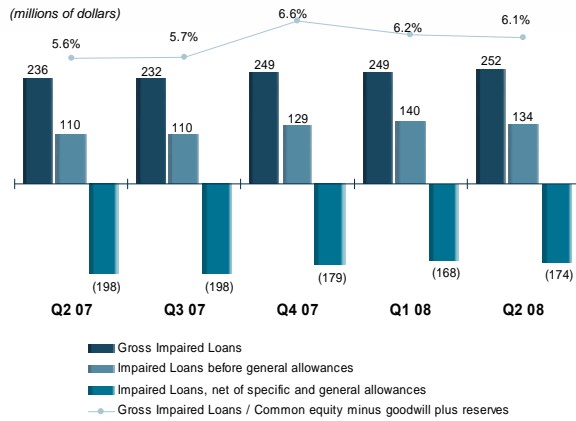
Risk provisioning Q2 2008

■ \$34M or 26 bps

2008 PCL target:

■ 25 bps to 30 bps

Impaired Loans



Sound risk management

- Stable gross impaired loans vs Q1 08

Impaired Loan Formation

(millions of dollars)

	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08
Personal & Commercial Banking	19	18	46	46	45
Corporate	(1)	0	(1)	(3)	(18)
Total	18	18	45	43	27

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

Risk Management Current Focus

Commercial paper liquidity lines to third party asset-backed conduits	<ul style="list-style-type: none">▪ None
Commercial paper liquidity lines to National Bank sponsored asset-backed conduit	<ul style="list-style-type: none">▪ Backstop liquidity facilities – not significant▪ No exposure to U.S. subprime mortgages
U.S. subprime mortgage direct exposure	<ul style="list-style-type: none">▪ None
U.S. subprime mortgage indirect exposure	<ul style="list-style-type: none">▪ Minimal, held through \$1.7 B ABCP as at April 30, 2008
Leveraged buy out (LBO) underwriting commitments	<ul style="list-style-type: none">▪ None
Hedge fund trading and lending exposure, including prime brokerage	<ul style="list-style-type: none">▪ Transactions fully collateralized▪ No credit issues with counterparties

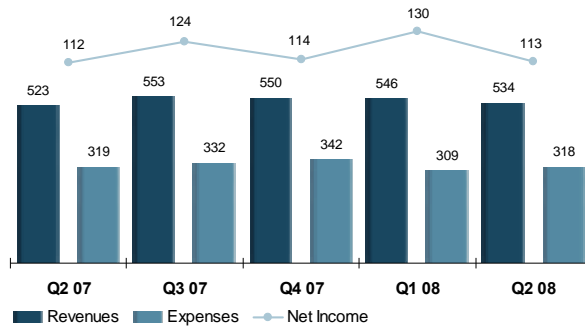
Business Segment Review

Jean Dagenais
Senior Vice-President and Chief Financial Officer

Personal and Commercial Banking Quarterly Results

TEB

(millions of dollars)



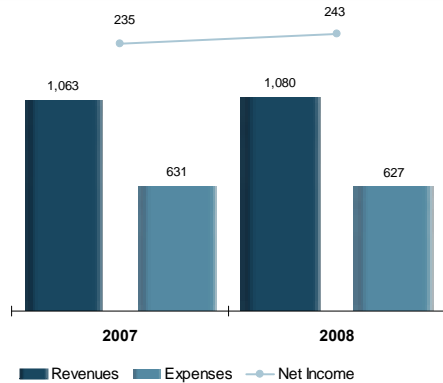
Q2 2008 – YoY

- Net income up 1%
- Good volume growth in personal loans and deposits increased revenues by 2%
- Maintain cost control
- Efficiency ratio improved by 140 bps to 59.6%

Personal and Commercial Banking YTD

TEB

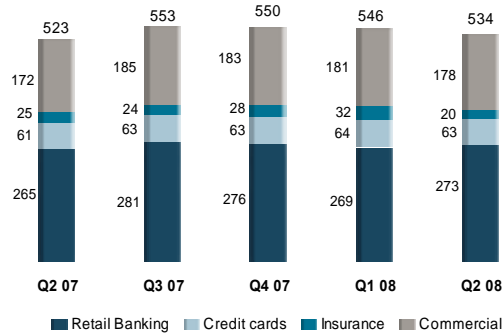
(millions of dollars)



Personal and Commercial Banking Revenues Breakdown

TEB

(millions of dollars)



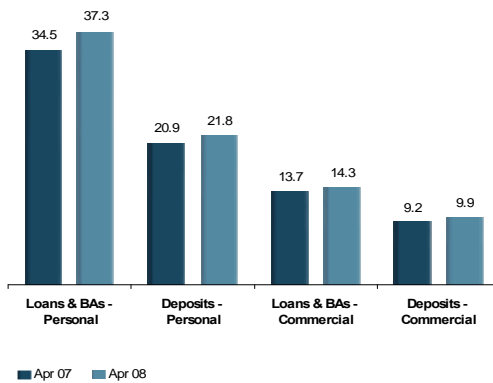
Q2 2008 – YoY

- Overall almost all sectors contributed to revenue increase
- Good volume growth in both Retail and Commercial Banking showing an increase of 3% and 4%, respectively

Personal and Commercial Banking Volume Evolution

Average volume

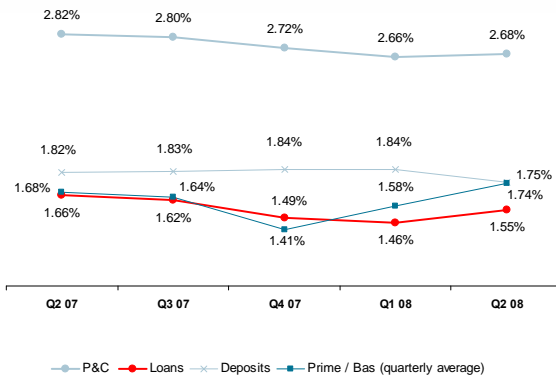
(billions of dollars)



Strong volume growth

- Good performance in Personal Banking with loans and deposits up 8% and 4%, respectively
- Commercial Banking: deposits were up 8% and loans grew by 4%

Personal and Commercial Banking Margin Evolution



Q2 2008 vs Q1 2008

- Slight increase in margin on most credit products
- Prime / BAs back to more normal level

Personal and Commercial Banking Summary

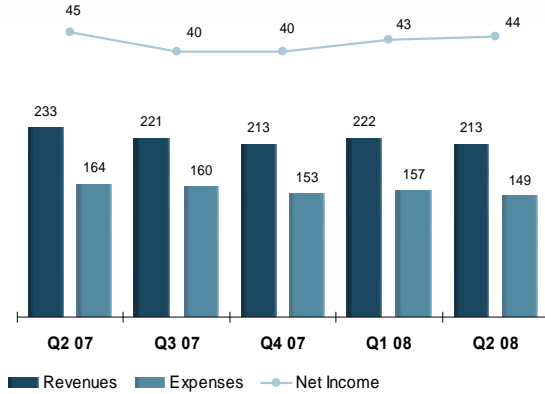
Sustained personal loans and deposits volume growth with slight spread improvement

Efficiency ratio improvement

Wealth Management Quarterly Results¹

TEB

(millions of dollars)



Q2 2008 – YoY

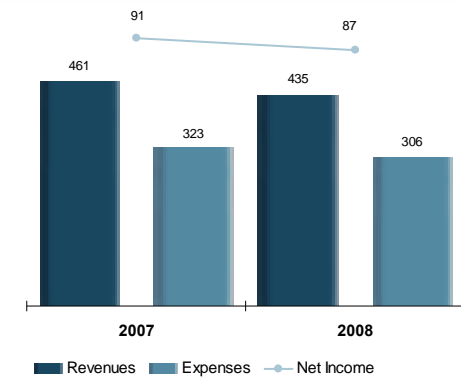
- Net income down 2%
- Revenues decreased by 9%, mainly due to weaker financial markets activities
- Efficiency ratio improved by 40 bps to 70.0%

¹ Excluding specified items

Wealth Management YTD

TEB

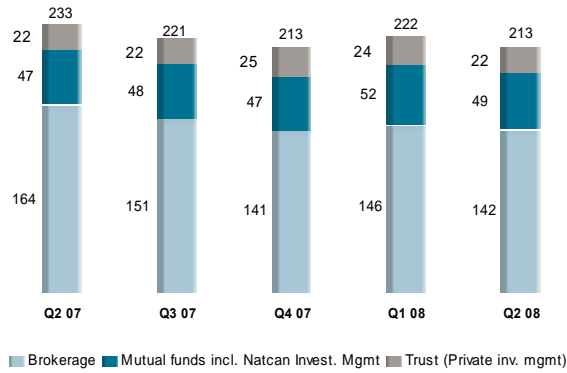
(millions of dollars)



Wealth Management Revenues Breakdown

TEB

(millions of dollars)



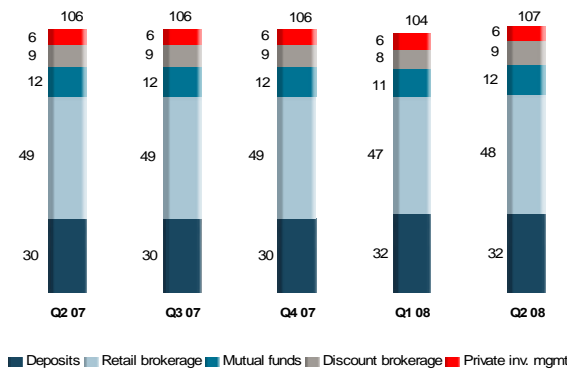
Q2 2008 – YoY

- Growth of 4 % in mutual funds
- Decrease in brokerage of 13% related to weaker financial markets activities

Wealth Management Retail Assets Under Management

TEB

(billions of dollars)



Q2 2008 – YoY

- AUM up 1% mostly due to 7 % growth in deposits
- Aquilon Capital Corp and Groupe financier Everest acquisitions adding approximately \$1B in AUM

Wealth Management Summary

Slight growth in overall AUM

Weaker financial markets activities affecting revenues

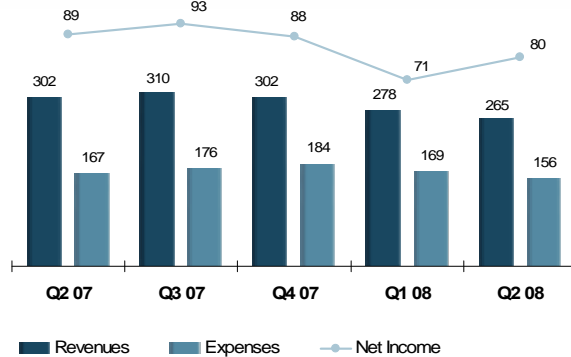
Aquilon Capital Corp and Groupe financier Everest acquisitions closed

Agreement to acquire Bieber Securities Inc. with \$550M AUM

Financial Markets Quarterly Results¹

TEB

(millions of dollars)



Q2 2008 – YoY

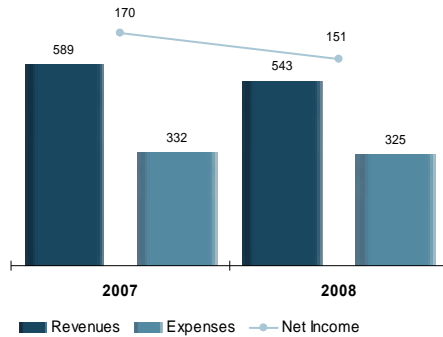
- 10% decrease in Net Income
- 12% decrease in revenues
- \$36M decrease in trading revenues
- Expenses affected by payout mix

¹Excluding specified items and adjusted for gains or losses attributable to third party investors using the Innocap platform

Financial Markets YTD¹

TEB

(millions of dollars)



¹Excluding specified items and adjusted for gains or losses attributable to third parties using the Innocap platform

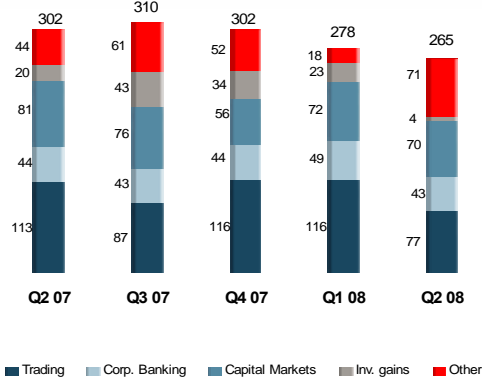


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Financial Markets Revenues Breakdown¹

TEB

(millions of dollars)



Q2 2008 – YoY

- \$36M decrease in Trading revenues
- Lower gains available for sales securities
- Other revenues rose \$27M owing to ALM and strong contribution from Maple Financial Group

¹Excluding specified items and adjusted for gains or losses attributable to third party investors using the Innocap platform

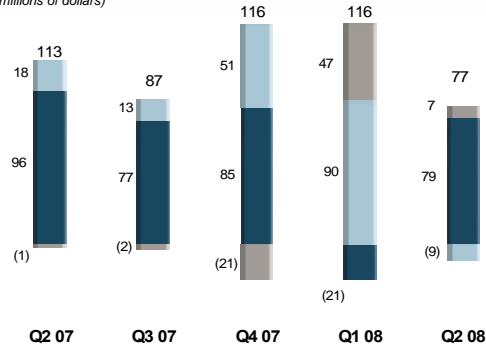


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Financial Markets Trading Revenues Breakdown¹

TEB

(millions of dollars)



Q2 2008 – YoY

- Good equity trading performance

■ Equity ■ Fixed income ■ Commodity and foreign exchange

¹Excluding specified items and adjusted for gains or losses attributable to third party investors using the Innocap platform

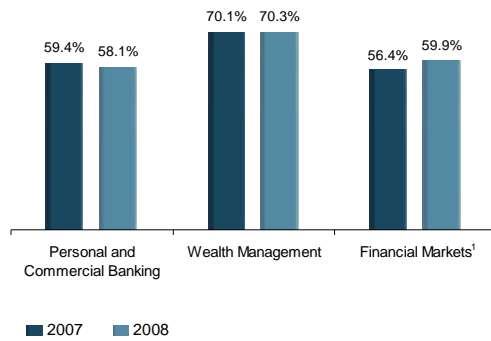
Financial Markets Summary

Good performance in a challenging environment

Fairly good capital market revenues

Trading revenues in the range of the last 8 quarter average

Business Line Efficiency Ratio YTD



¹Adjusted for gains or losses attributable to third parties using the Innocap platform

2008 Objectives

	2008 Objectives	6M08		
		Reported	excluding ABCP	Adjusted
Growth in diluted earnings per share	3% to 8%	(9%)	8%	1%
Return on common shareholders' equity	16% to 21%	18.6%	22.1%	20.7%
Tier 1 capital ratio	More than 8.0%	9.2%	9.2%	9.2%
Dividend payout ratio	40% to 50%			42.7%

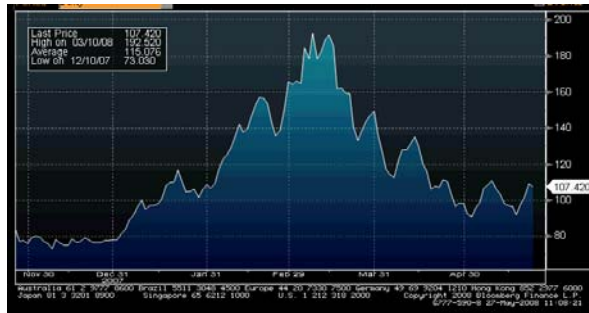
Subsequent Events

Montreal Exchange/TSX Group Gain

ABCP restructuring

Appendix 1 | Challenging environment in Q2 2008

CDX IG9 Evolution



- CDX IG9 Index peaked in March and is back to January level

Appendix 2 | Detail of specified items

<i>(millions of dollars)</i>	Q1 08	Q2 08	6M 08
Gain related to the sale of the Bank's operations in Nassau	32	-	32
ABCP financing costs	(19)	(15)	(34)
ABCP hedging	-	(73)	(73)
Revenues	13	(88)	(75)
ABCP other expenses	2	7	9
Income before income taxes	11	(95)	(84)
Income taxes	(7)	(31)	(38)
Net Income	18	(64)	(46)