

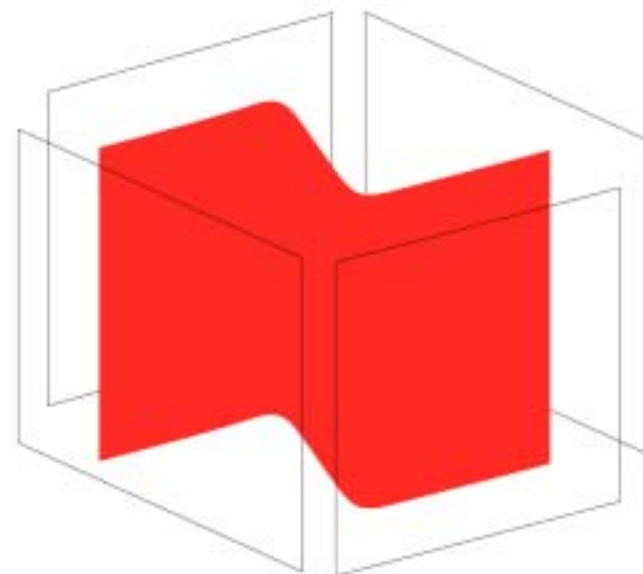


**Analyst and Investor  
Presentation**

**Q3 2004 Results  
Conference Call**

**August 26, 2004**

**[www.nbc.ca/investorrelations](http://www.nbc.ca/investorrelations)**



# Continued growth for the quarter



## Steady growth for Q3 04:

- ❖ Net income \$167 M; up 3% y/y
- ❖ EPS at \$0.95; +7% y/y
- ❖ ROE at 17.2%, was 17.3% as at Q3 03

## Net income +14% over the first 9 months of the year

- ❖ EPS at \$2.99, +20%
- ❖ ROE at 18.4%, versus 16.6% a year ago

Balanced business mix, with revenue contribution coming from all 3 sectors

Credit risk provisioning remains low at \$31 M for quarter

Impressive volume growth from various partnership agreements

# Financial objectives well on way to being matched



## Excellent positioning for year end

	2004 Objectives	Q3 04	YTD
Growth in earnings per share	5% to 10%	7%	20%
Return on common shareholders' equity	15% to 17%	17%	18%
Tier 1 capital ratio	8.75% to 9.50%	9.5%	9.5%
Dividend payout ratio <sup>(1)</sup>	35% to 45%	34%	34%

(1) Trailing 4 quarters

# Q3 04 Quarterly snapshot



in millions of dollars

	Q3 04	Q2 04	Q3 03	Change	
				Q3 04 / Q2 04	Q3 04 / Q3 03
<b>Total Revenues</b>	\$858	\$884	\$851	-3%	1%
Operating expenses	586	602	557	-3%	5%
Provision for credit losses	31	19	45	63%	-31%
<b>Net income</b>	167	180	162	-7%	3%
<b>EPS</b>	\$0.95	\$1.01	\$0.89	-6%	7%
<b>ROE</b>	17.2%	19.0%	17.3%		

# Year to date snapshot



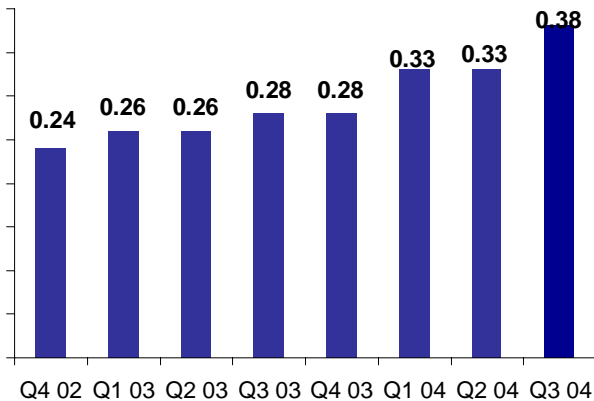
in millions of dollars

	2004	2003	<u>Change</u>
<b>Total Revenues</b>	\$2,655	\$2,459	8%
Operating expenses	1,767	1,634	8%
Provision for credit losses	94	127	-26%
<b>Net income</b>	533	466	14%
<b>EPS</b>	\$2.99	\$2.50	20%
<b>ROE</b>	18.4%	16.6%	

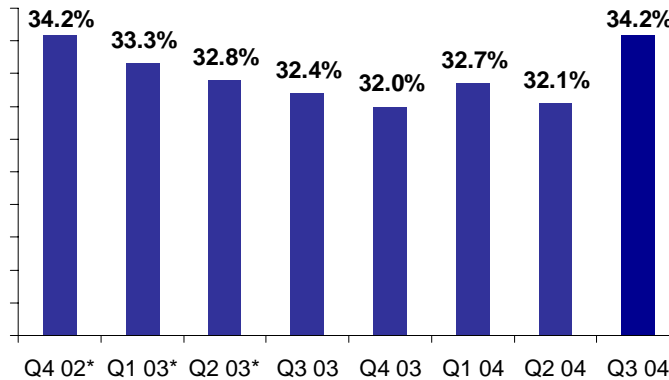
# Creating value for our shareholders



## Dividend per share

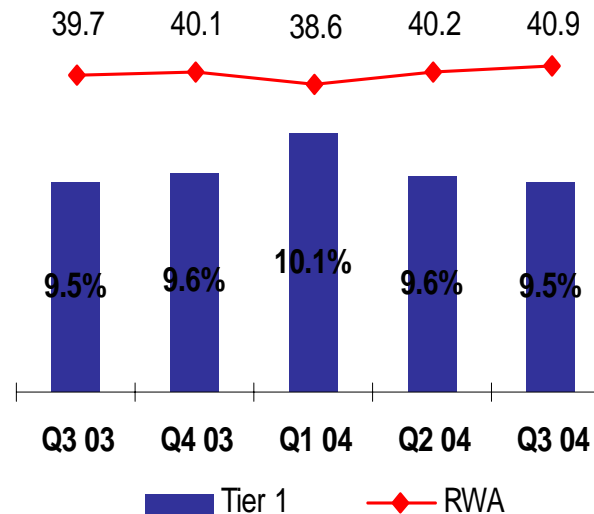
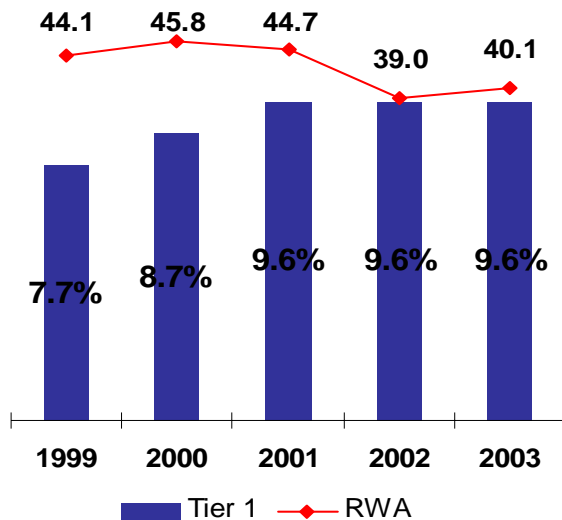


## Dividend Payout



\* Trailing 4 quarters, excluding impairment charge on investment

# Tier 1 ratio remains comfortably in target range



Buyback status as at July 31, 2004:

Repurchased 7,748,876 shares out of 8,700,000:

- Representing 89%
- For an amount of \$341 M
- Average price of \$44

# Business Line Breakdown Year to date



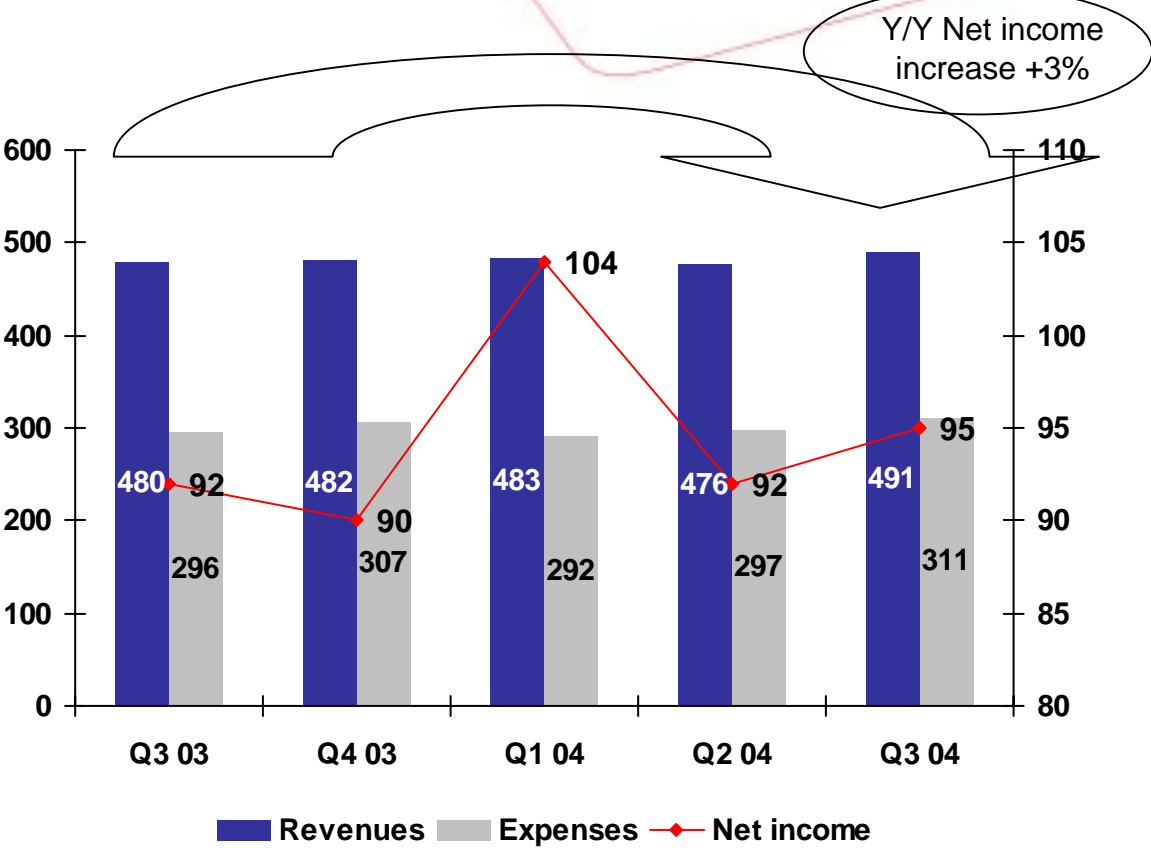
## Net Income



# Personal and Commercial Banking Quarterly



in millions of dollars

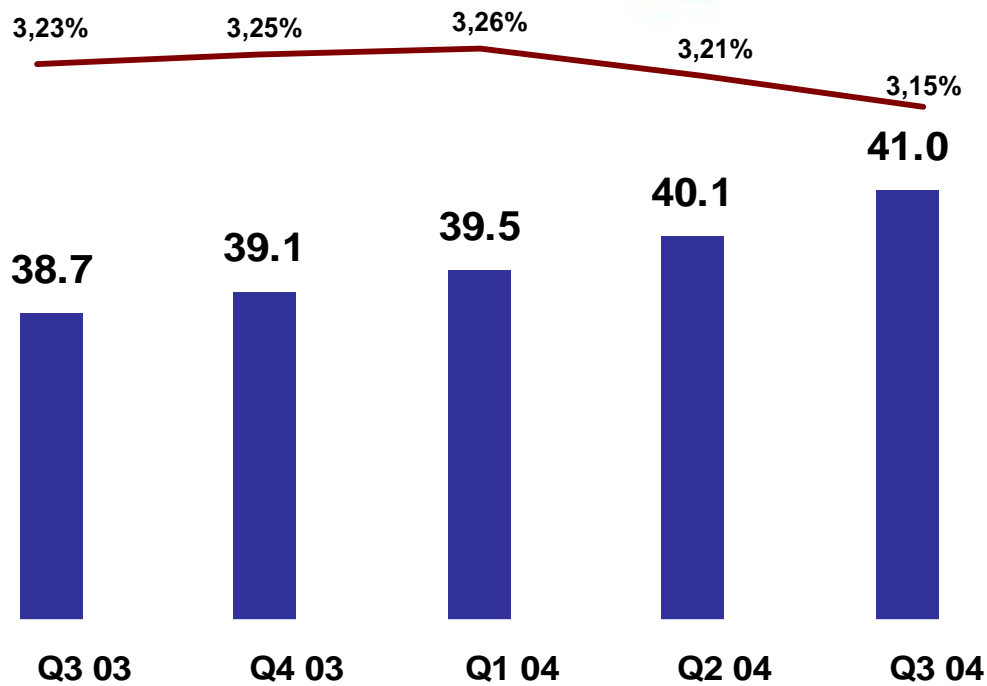


# Volume and Margin Evolution P&C Banking

in billions of dollars



■ Volume  
■ Margin



Volume continues to grow:

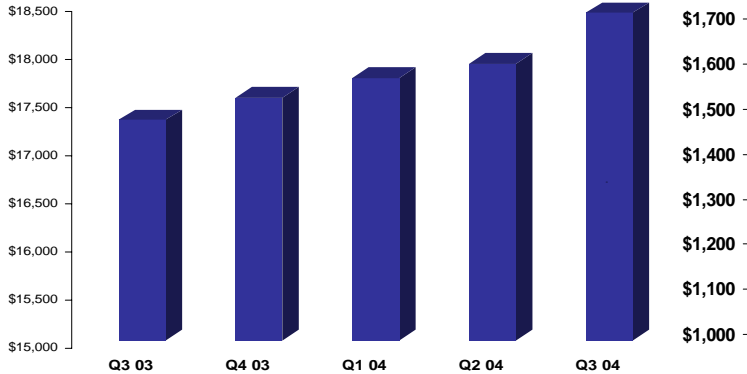
- +2.2% Q3 04/Q2 04
- +5.9% Q3 04/Q3 03

# Loans & BAs and Margin Evolution

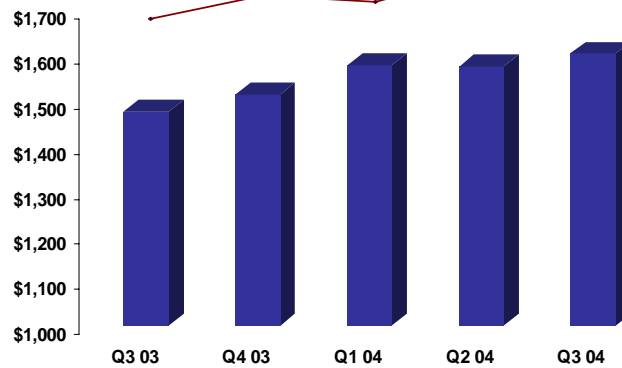
in millions of dollars



**Mortgage Loans** +7 bps vs Q3 03



**Credit Card Receivables** + 61 bps vs Q3 03



## Volumes July 04 vs July 03

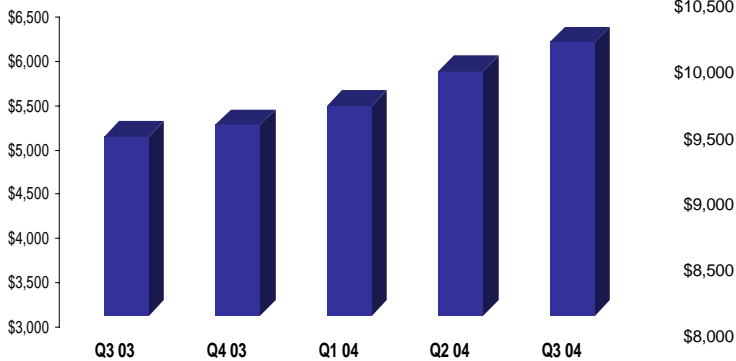
### Loans

- Mortgage loans +7%
- Credit card receivables +9%
- Consumer loans +23% (excluding indirect loans)
- Commercial loans and BAs +1%

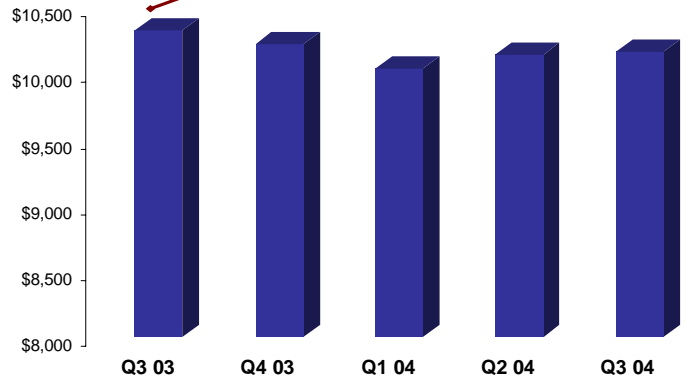
### Deposits

- Personal +1.6%
- Commercial +6.3%

**Personal Loans excl. Indirect loans** -2 bps vs Q3 03



**Commercial Loans** +5 bps vs Q3 03



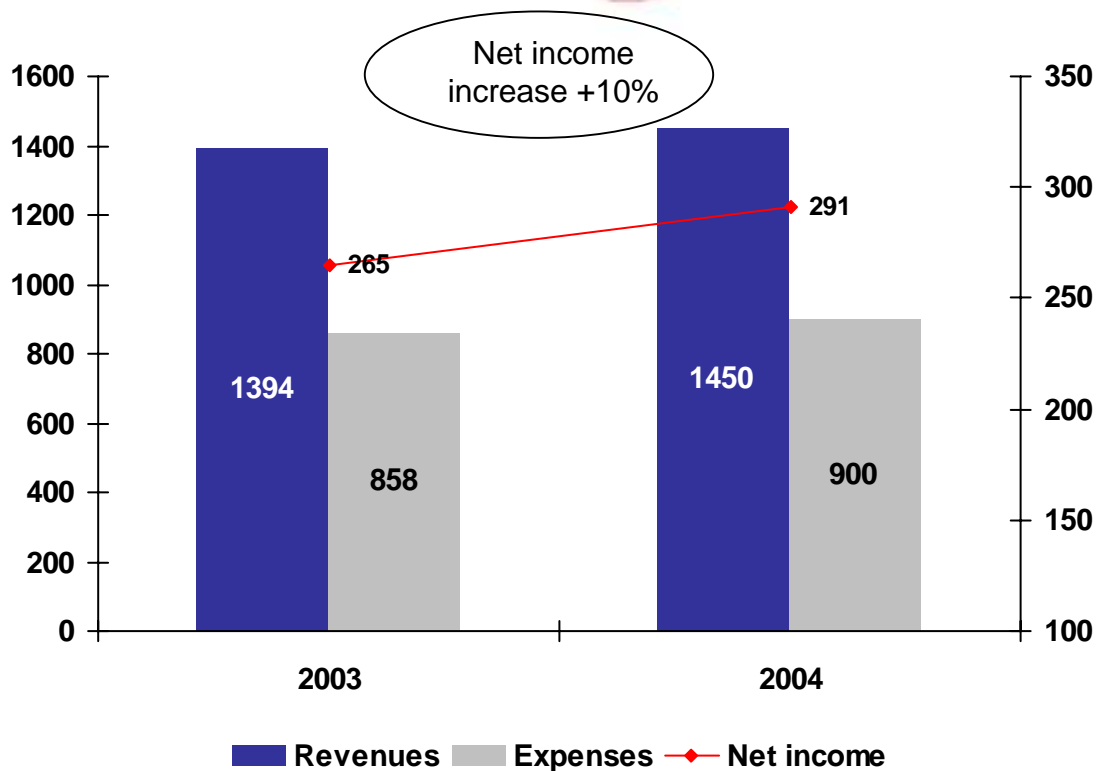
— Margins    ■ Loans and BAs



# Personal and Commercial Banking YTD



in millions of dollars



## Drivers:

Net income increase comes from all sub-sectors:

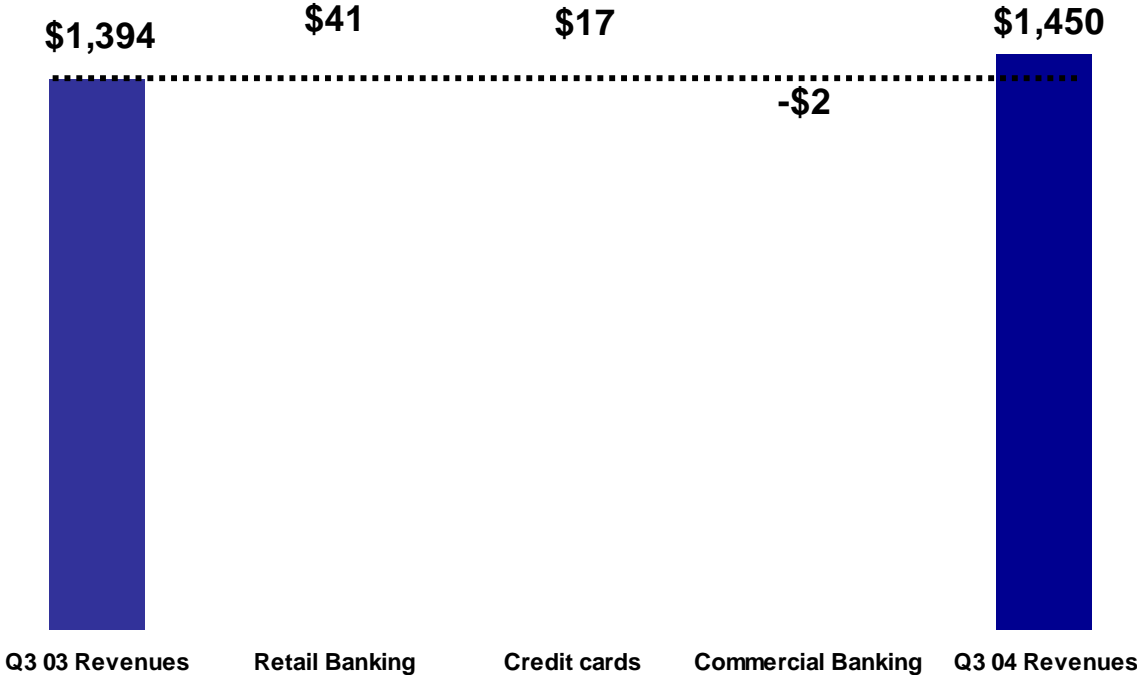
- Personal Banking +14%
- Commercial +6%



# Revenue line increase per contributor



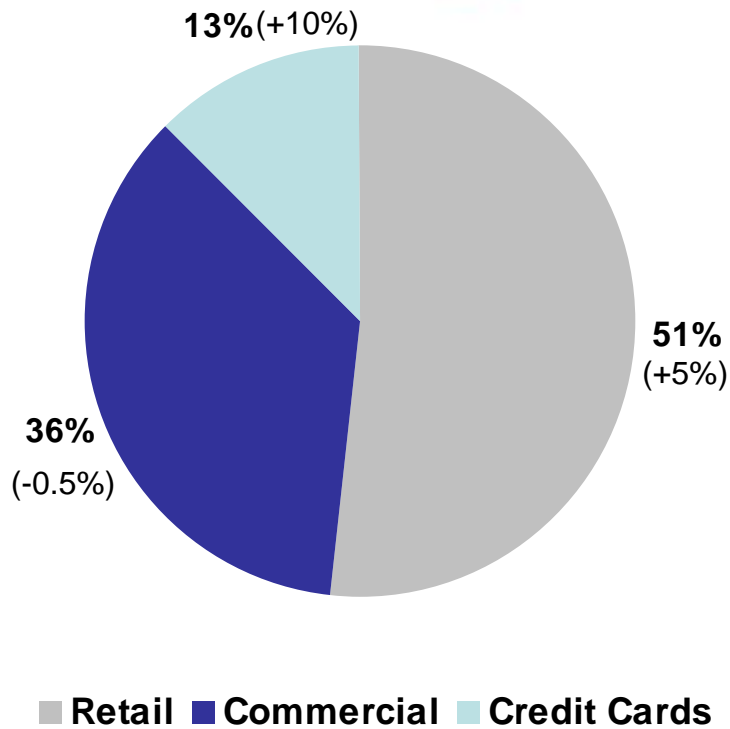
Evolution 9 months, July 03 vs July 04  
in millions of dollars



# Business Mix YTD 2004



Revenue contribution  
(y/y increase)



# An effective banking model



## An efficient distribution platform

- ✦ Two complementary networks (branches and partnerships)
- ✦ Deployment of 280 financial planners in branches selling new products (structured notes, funds of funds and private investment management services)
- ✦ Complete range of direct banking channels

## Customer product transactions

- ✦ Continued increase in usage of electronic distribution channels (Internet and telephone)
- ✦ 4.2% increase in number of products per client for first half of year

## Quality of service – Quebec market

- ✦ In the past year, the Bank's global satisfaction rating for "very satisfied" clients in the Personal banking segment nudged up 1 point, and trended up 5 points for Commercial banking

# Business Line Breakdown Year to date



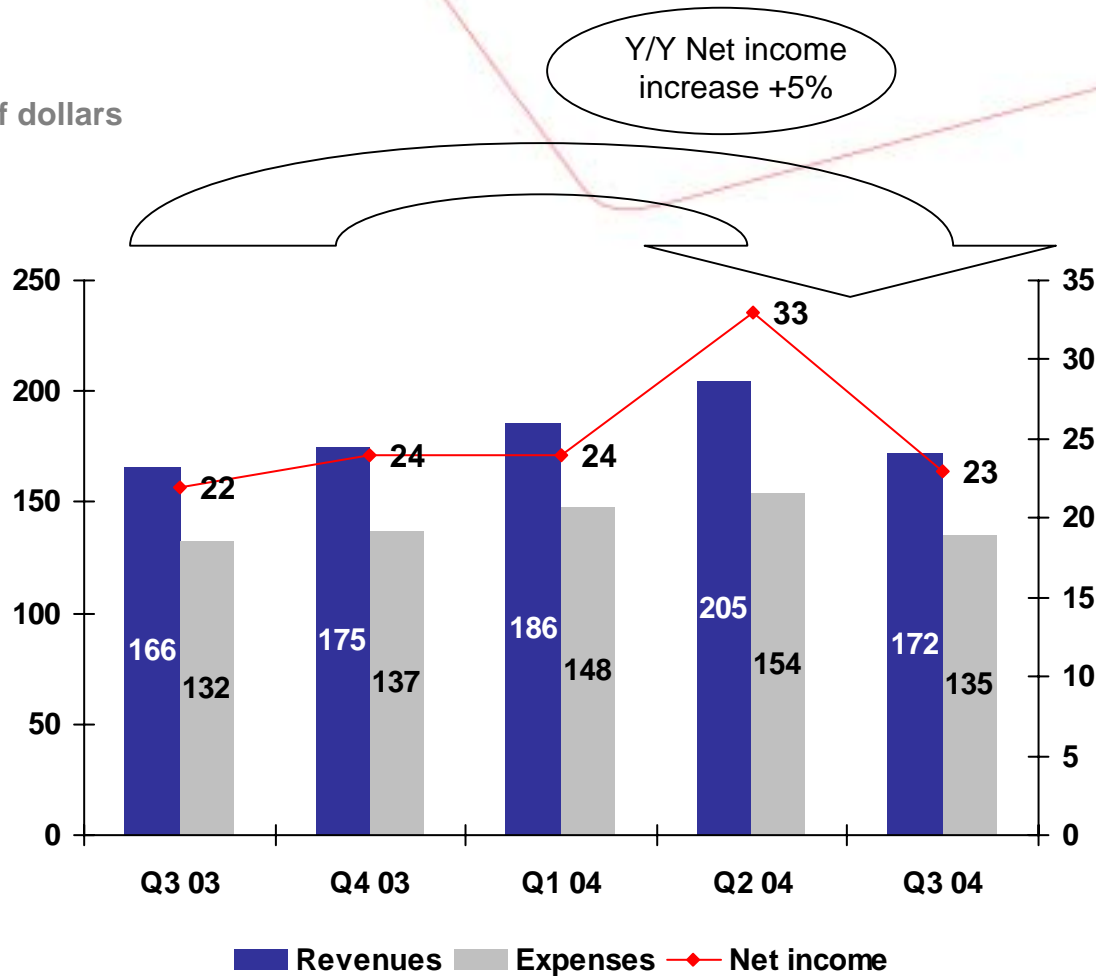
## Net Income



# Wealth Management Quarterly



in millions of dollars



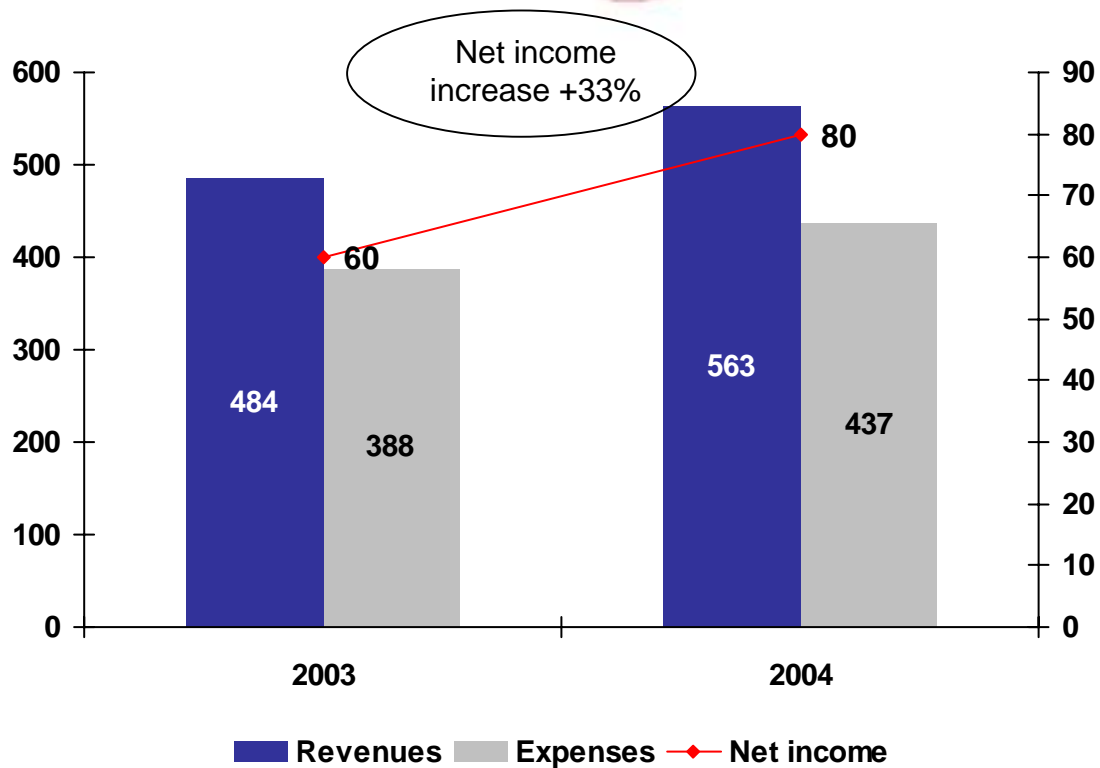
Revenue increase:

- +4% Q3 04 vs Q3 03
- -16% Q3 04 vs Q2 04

# Wealth Management YTD



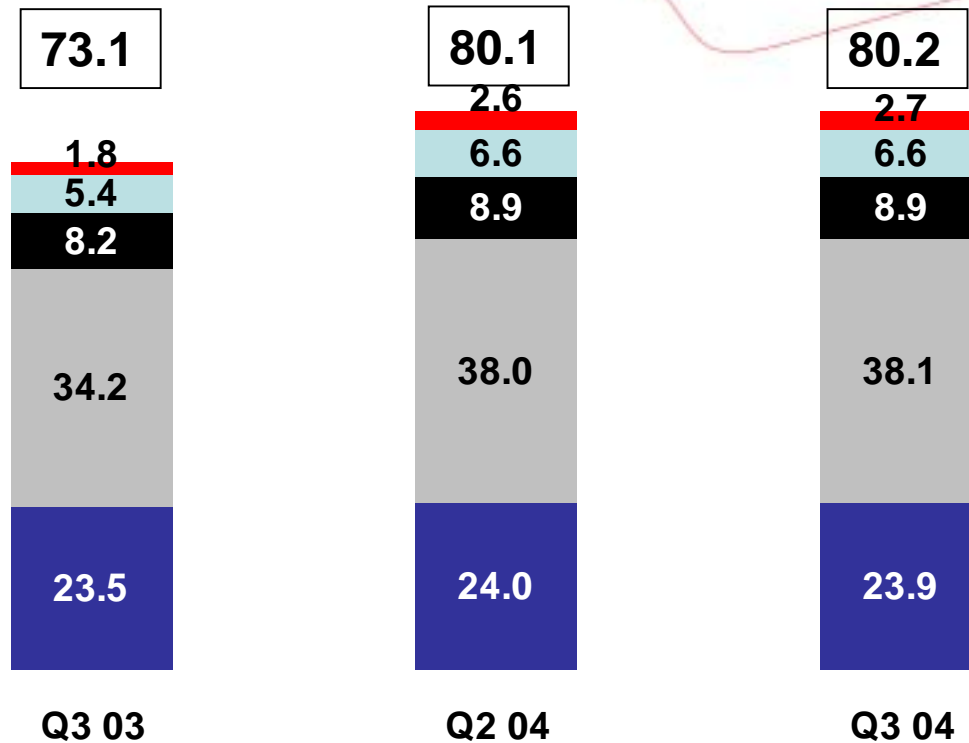
in millions of dollars



# Retail Assets under Management composition



in billions of dollars



Year/year increases:

**Total growth rate Y/Y +10%**

Deposits +2%

Retail Brokerage +11%

Mutual Funds +9%

Discount Brokerage +22%

Trust Services +50%

■ Deposits     
 ■ Retail brokerage     
 ■ Mutual funds  
■ Discount brokerage     
 ■ Trust Services



# Continued effective and coherent Wealth Management strategy



## Asset Management:

- Realignment of our mutual fund offering (product packaging and distribution channel) to better suit clients' profiles

## Correspondent Network:

- AUM's \$37 B as of July 04

## Full-fledged Brokerage:

- 749 brokers across Canada
- Since 2001, AUM's coming from outside Quebec have risen to 31% of Canadian total

## Discount Brokerage:

- Number of accounts up 8% y/y as at June 04

# Business Line Breakdown Year to date



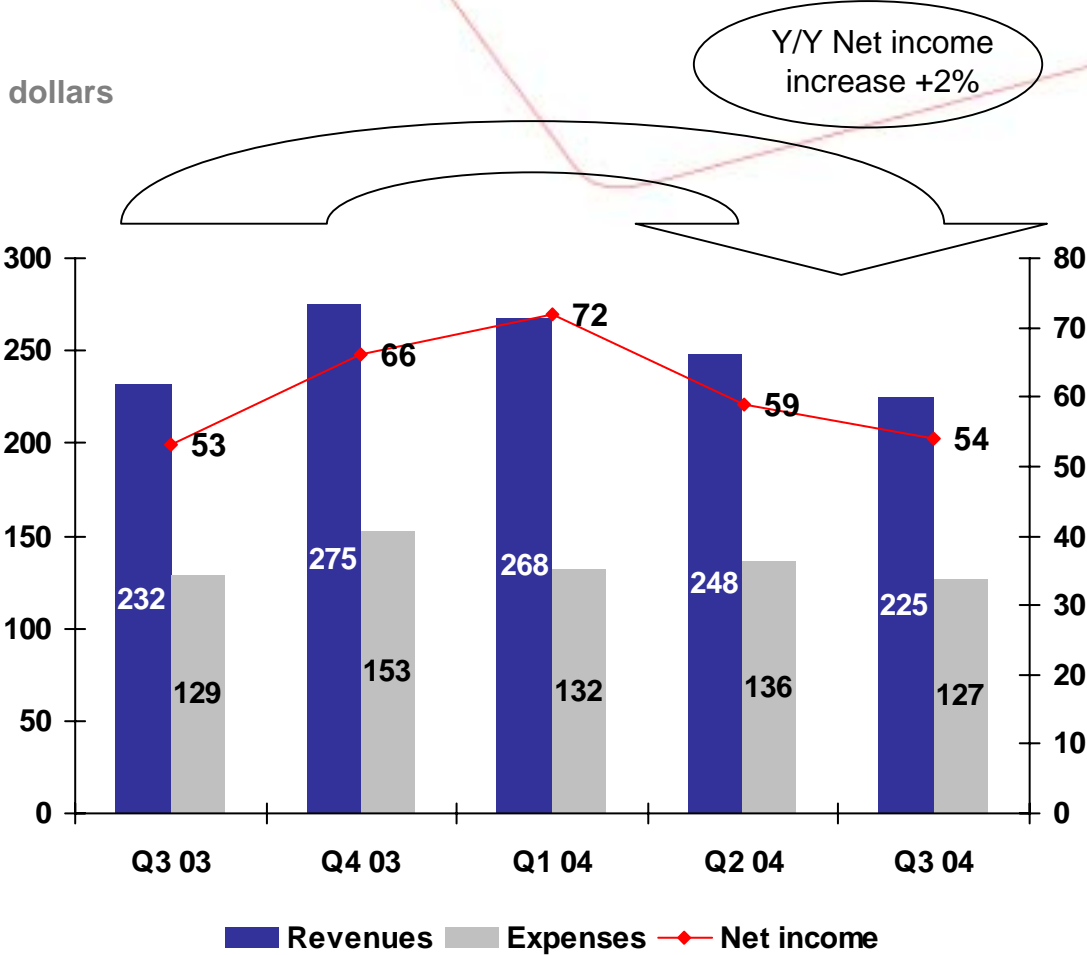
## Net Income



# Financial Markets Quarterly



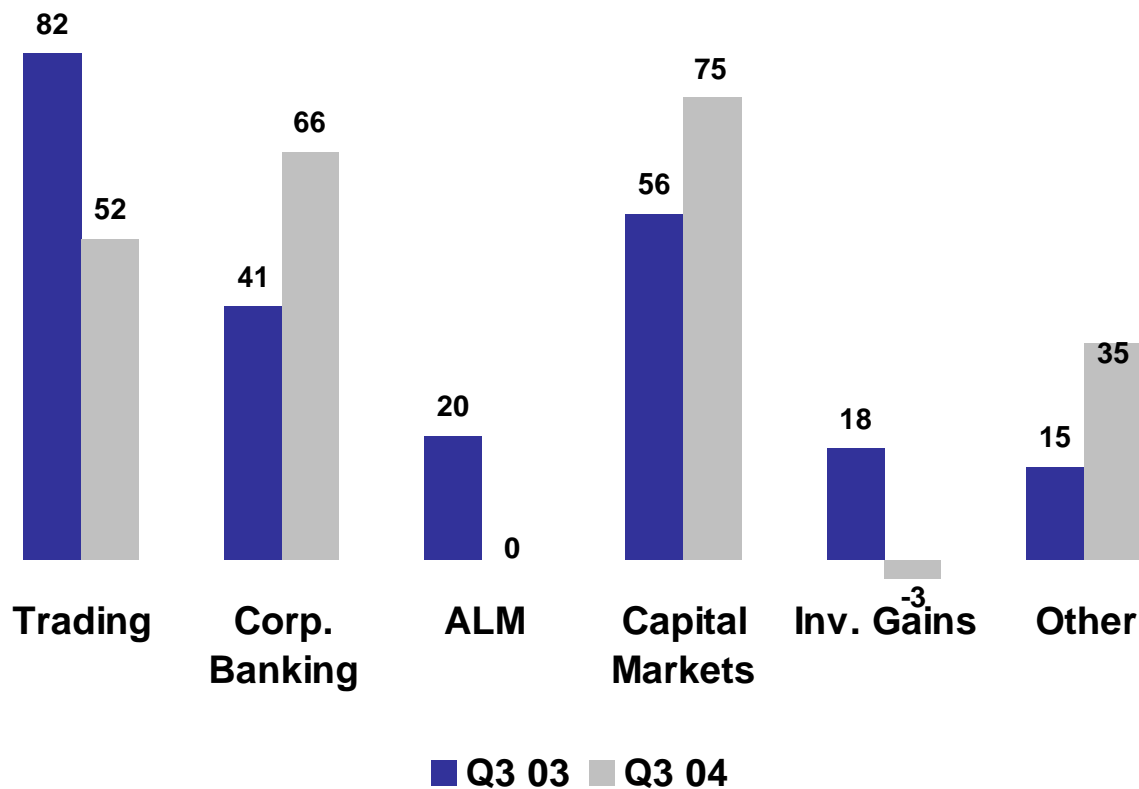
in millions of dollars



# Treasury and Capital Market Activity

## Revenue composition Y/Y

in millions of dollars



- Securities – excess of market value over book:

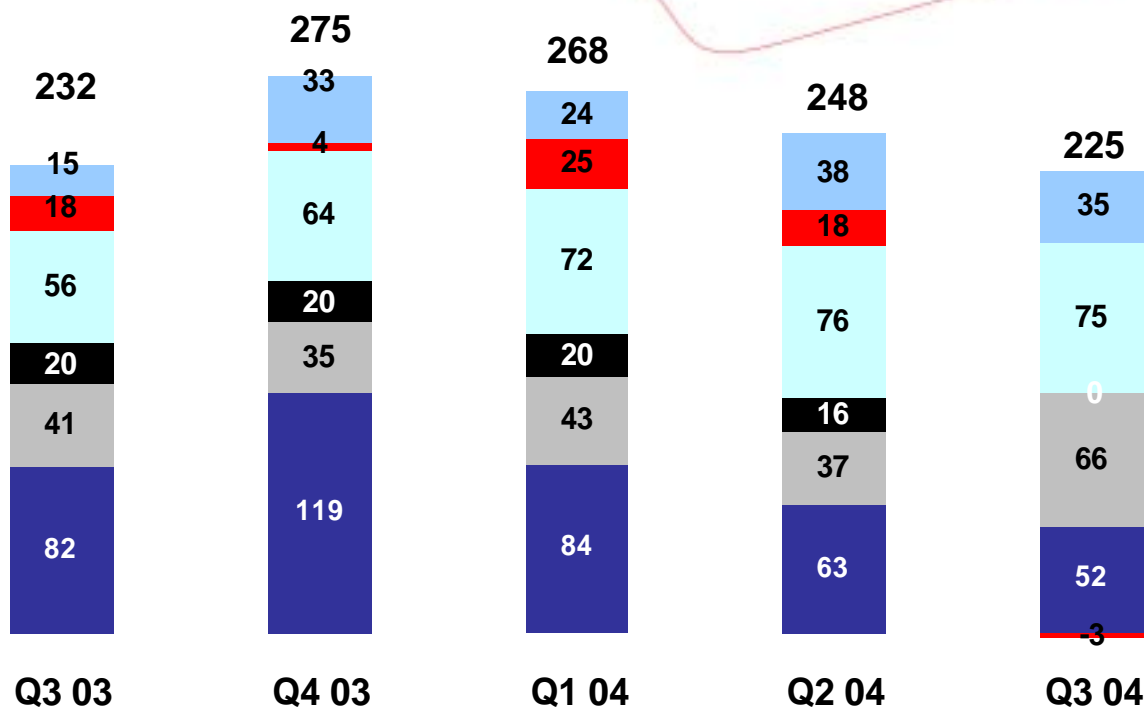
Q3 03 \$78 M  
Q3 04 \$60 M

Trading revenues include interest on repo's and reverse repos



# Treasury and Capital Market Activity Revenue composition evolution

in millions of dollars



■ Trading ■ Corp. Banking ■ ALM ■ Capital Markets ■ Inv.Gains ■ Other

Trading revenues include interest on repo's and reverse repos

Corporate Banking revenues includes CDS impact

# Trading breakdown

in millions of dollars

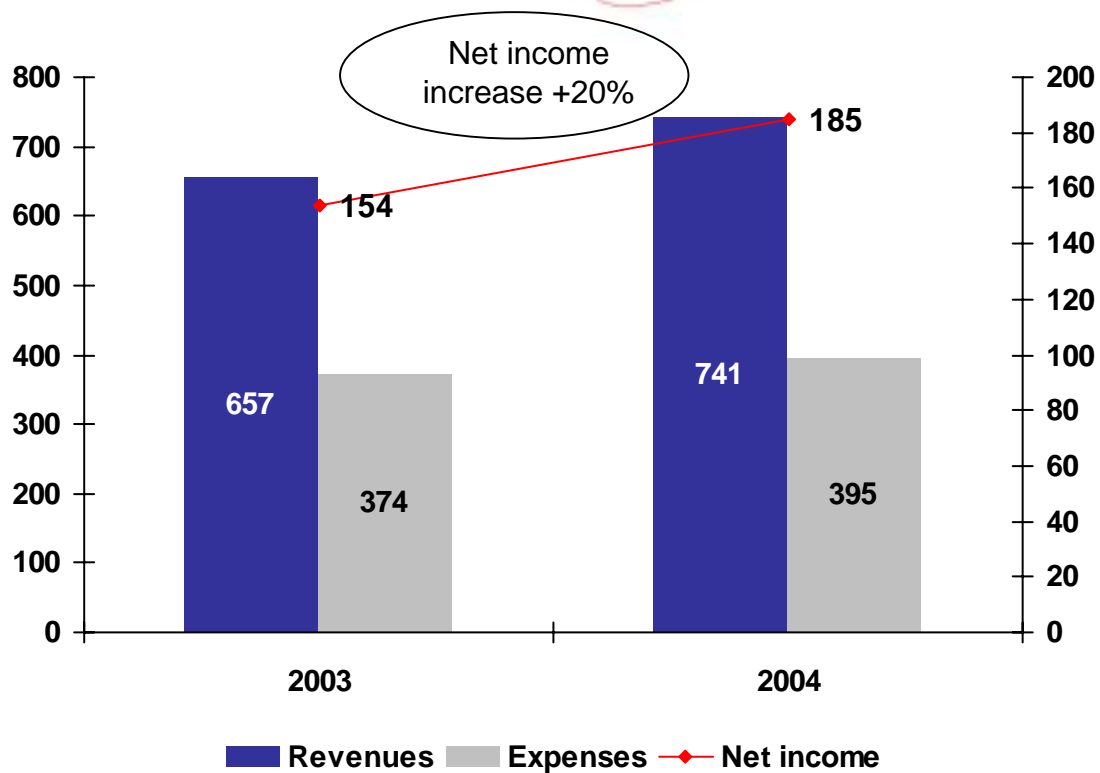


	Q3 04	Q2 04	Q3 03
<b>Equity</b>	<b>\$31</b>	<b>\$53</b>	<b>\$51</b>
<b>Fixed income and money markets</b>	<b>12</b>	<b>10</b>	<b>15</b>
<b>Commodities and precious metals &amp; Foreign exchange contracts</b>	<b><u>9</u></b>	<b><u>-</u></b>	<b><u>16</u></b>
<b>Total</b>	<b>\$52</b>	<b>\$63</b>	<b>\$82</b>

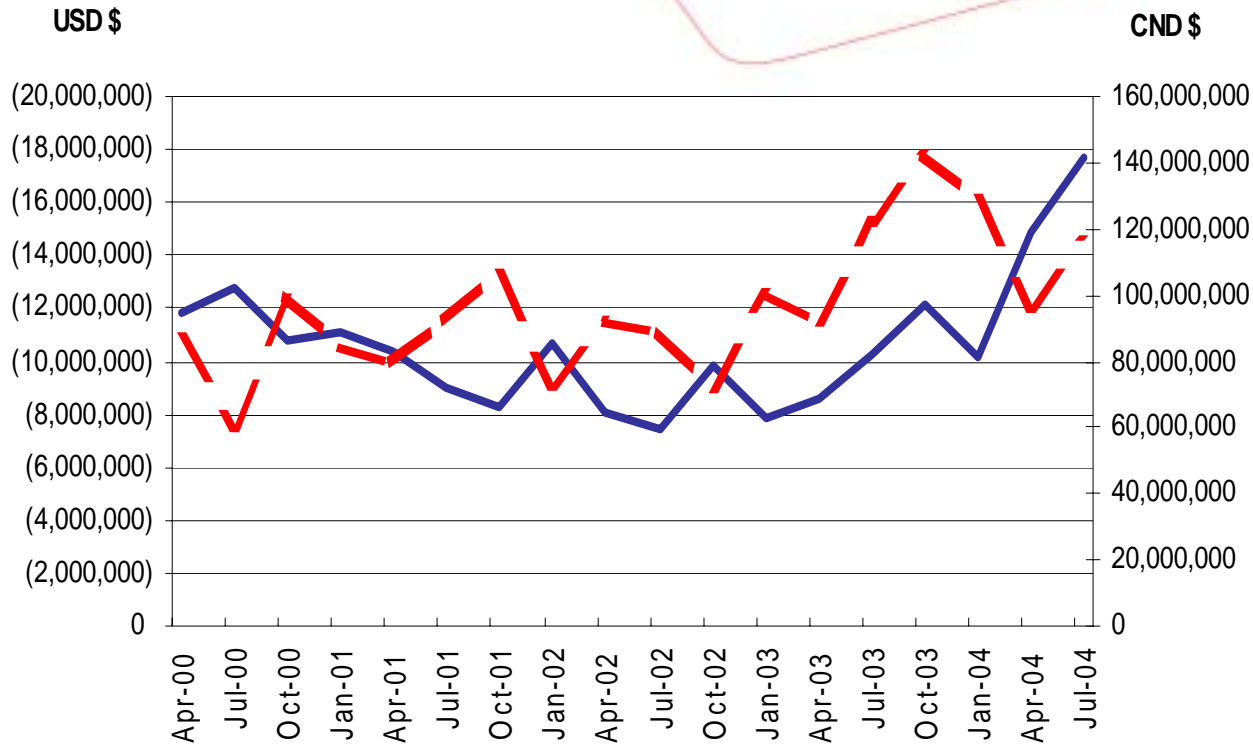
# Financial Markets YTD



in millions of dollars



# NBC Trading/Securities Gains/ALM Revenues



— NBC Total VaR — Trading, G/L on investments and ALM revenues

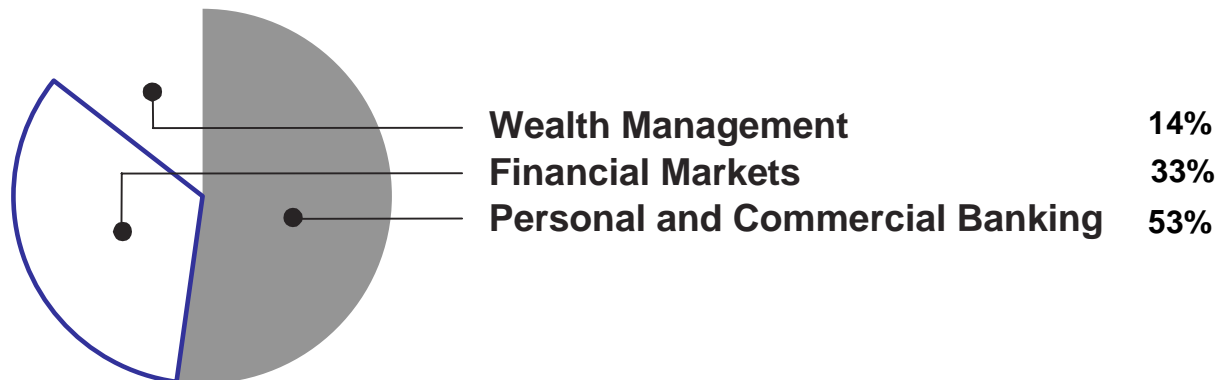
# Diversification of Earnings Year to date



## Revenues



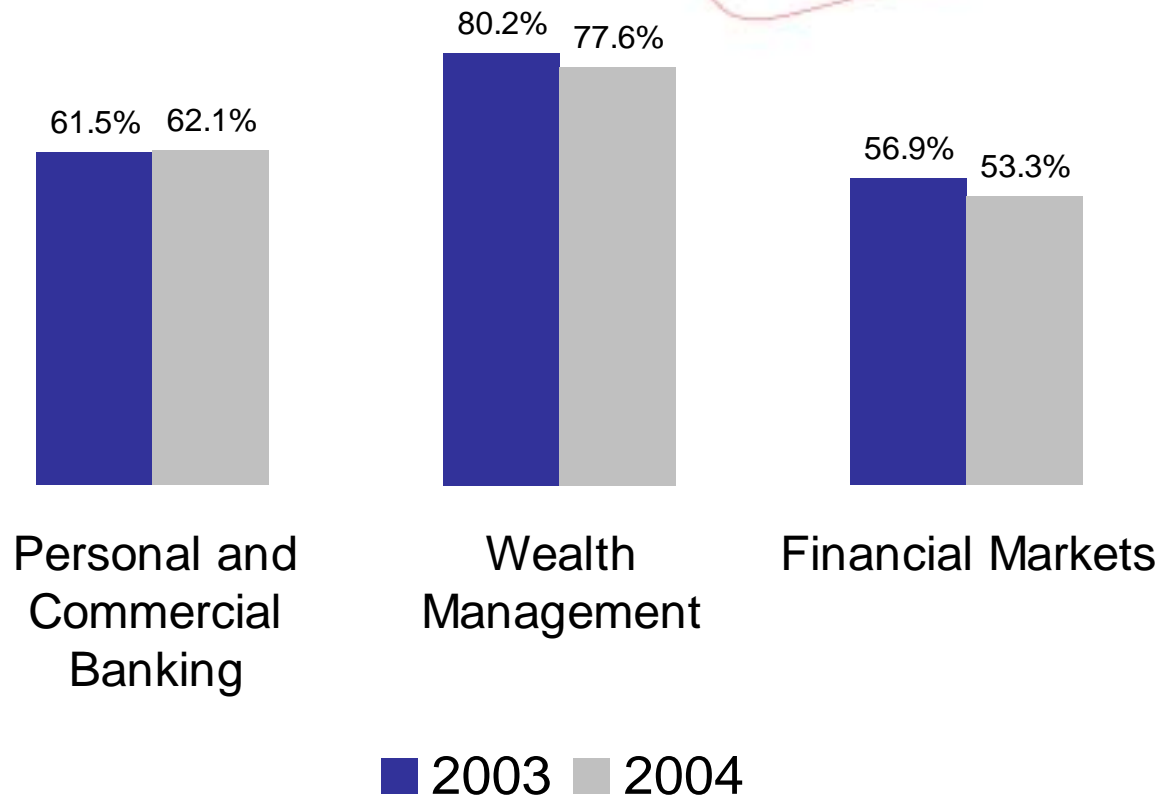
## Net income



Excluding Other segment

# Operating Leverage Business Line Expense Ratio

Year to date

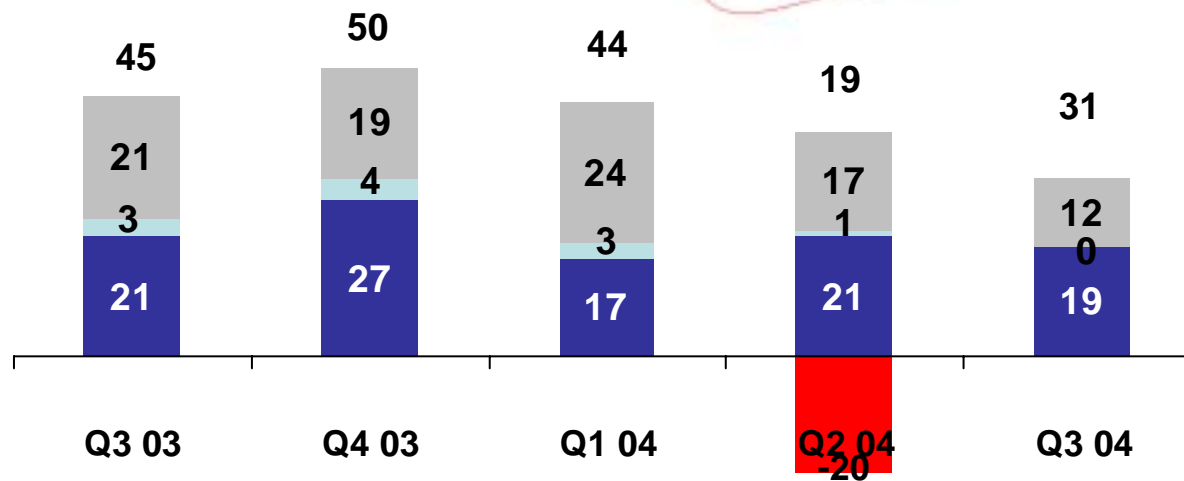




# Risk Management

# Very low risk provisioning

Actual credit losses per sector  
in millions of dollars



■ P&C

■ Credit Cards (net of securitization)

■ Financial Markets

■ General allowance

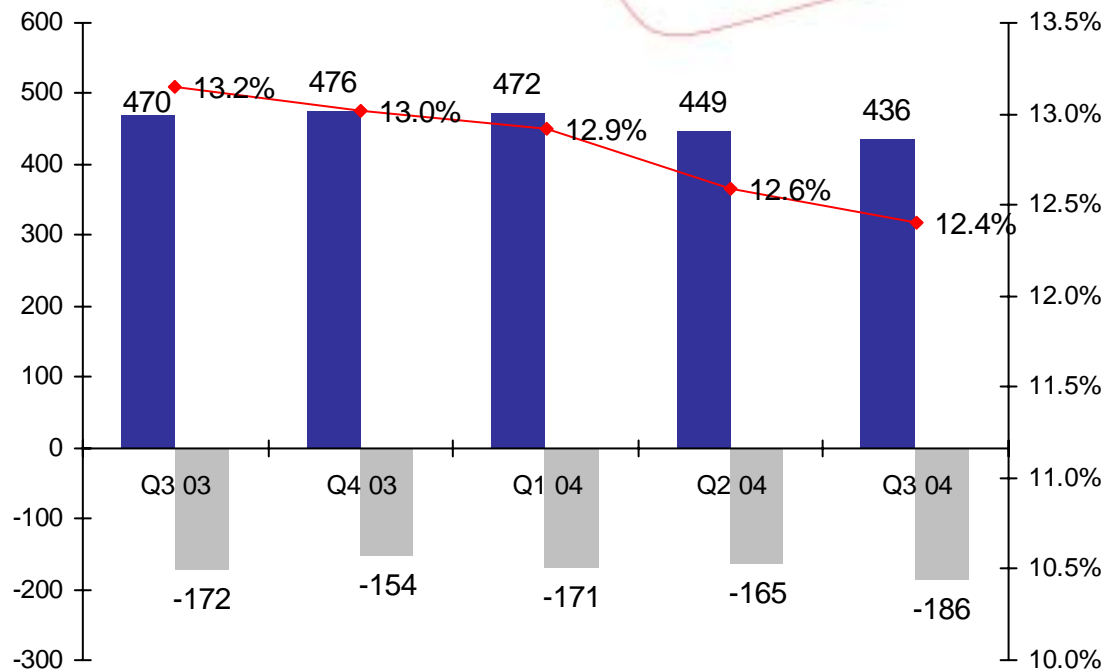
**2004 Beginning of year guidance was**  
40 to 50 bps of loans & BAs

**Revised 2004 guidance now**  
35 to 40 bps of loans & BAs



# Impaired loans

In millions of dollars



■ Gross impaired loans

■ Net impaired loans

◆ Gross impaired / Common equity minus goodwill plus reserves

# Impaired loan formation

In millions of dollars



	Q3 03	Q4 03	Q1 04	Q2 04	Q3 04
<b>Personal &amp; Commercial *</b>	<b>13.3</b>	<b>(10.6)</b>	<b>14.6</b>	<b>24.5</b>	<b>20.2</b>
<b>Corporate</b>	<b>25.1</b>	<b>80.5</b>	<b>11.0</b>	<b>3.0</b>	<b>(6.0)</b>
<b>Treasury</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>0</b>	<b>0.1</b>	<b>(0.1)</b>
<b>Other</b>	<b><u>1.8</u></b>	<b><u>(4.5)</u></b>	<b><u>(8.8)</u></b>	<b><u>0.8</u></b>	<b><u>(1.7)</u></b>
<b>TOTAL</b>	<b>40.1</b>	<b>65.1</b>	<b>16.8</b>	<b>28.4</b>	<b>12.4</b>

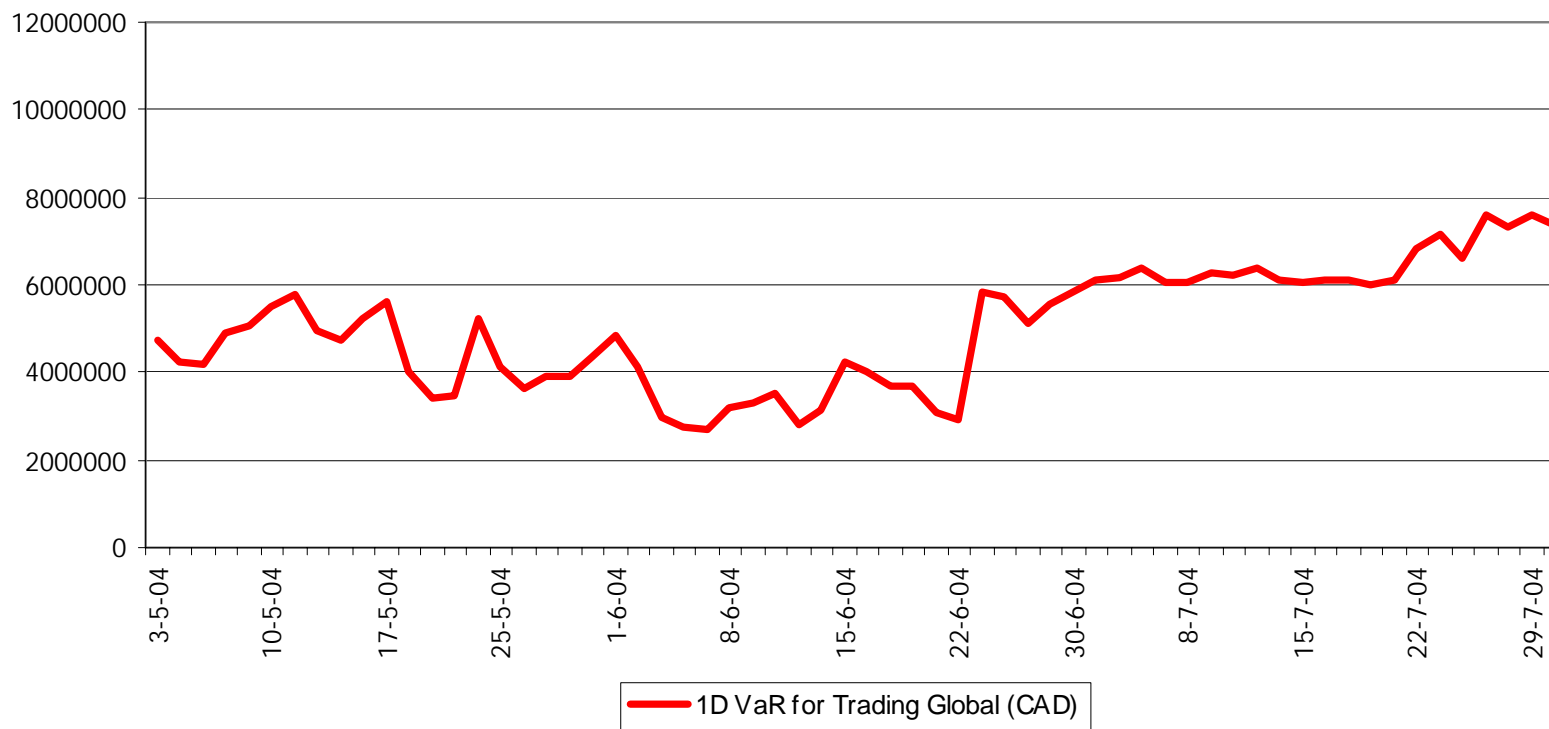
Formations include new accounts, disbursements, principal repayments and exchange rate fluctuation

\* Includes Real Estate

# VaR – Global Trading



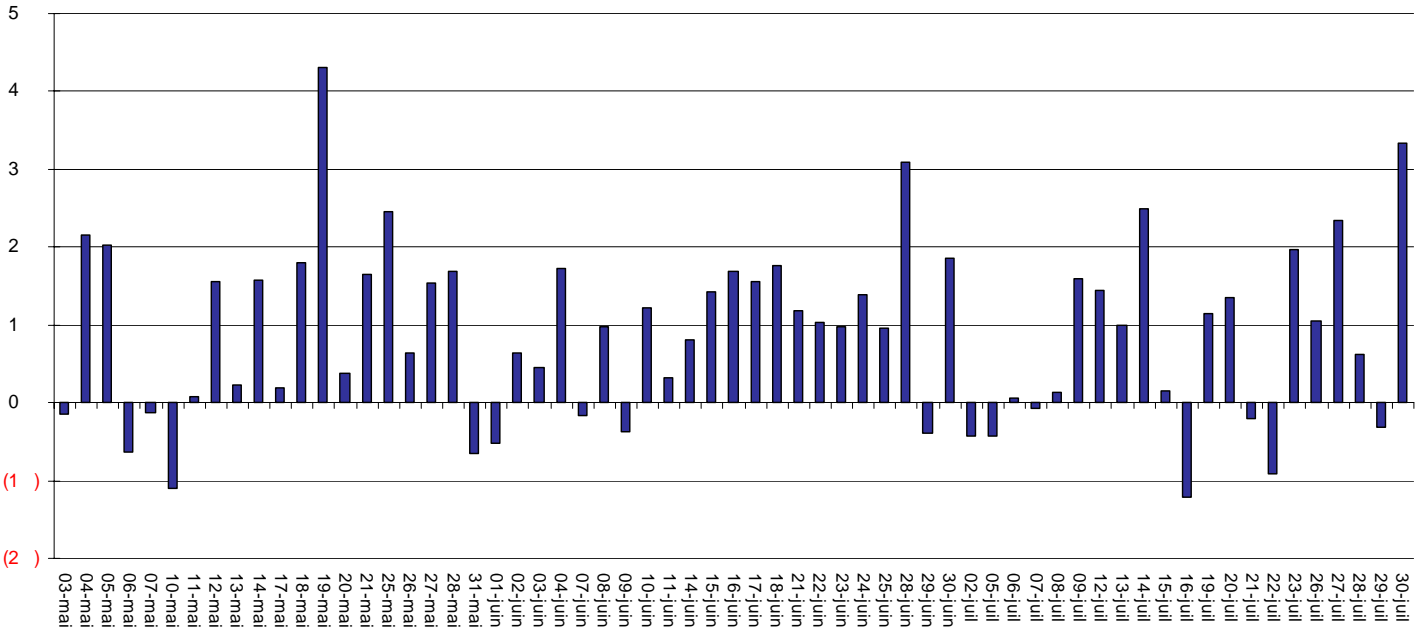
## 1D VaR for Trading Global (CAD)



# Daily Trading P/L

## Q3 04

Excludes underwriting  
In millions of USD



# Strong Q3 04 in challenging environment



## An effective banking model:

- ▣ Robust Personal volume growth stemming from partnerships and strong deposit increase in Commercial
- ▣ Wealth Management segment is showing impressive AUM growth y/y
- ▣ Financial Markets performance reflects diversification of businesses

## Cost, capital and risk discipline maintained:

- ▣ Cost control in all sectors
- ▣ Balanced use of Tier one resources
- ▣ Further reduction in our provision for credit losses



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By their very nature, such forward-looking statements require us to make assumptions and involve inherent risks and uncertainties, both general and specific. 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 Bank’s control, which include, but are not limited to, changes in Canadian and/or global economic and financial conditions (particularly fluctuations in interest rates, currencies and other financial instruments), liquidity, market trends, regulatory developments and competition in geographic areas where the Bank operates, technological changes, consolidation in the Canadian financial services sector, the possible impact on our businesses of international conflicts and other developments including those relating to the war on terrorism and the Bank’s anticipation of and success in managing the risks implied by the foregoing. 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 therefore cautions readers not to place undue reliance on these forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Bank.