

# Analyst and Investor Presentation Q3 2007 Results Conference Call

Montreal, August 30, 2007



a bank  
like no  
other



## Highlights

Adjusted  
EPS up  
**18%**

### Q3 2007

- Total revenues (TEB) reached over \$1B
- Net income at \$243M, a 10% increase <sup>(1)</sup> (YoY)
- Adjusted EPS up 18% at \$1.48
- ROE at 20.6%, exceeds financial targets

### Business update

- Sound economic environment in Quebec and Canada
- Addressing Canadian ABCP market conditions
- Pursuing identified three strategic priorities to leverage growth in all three business segments

<sup>(1)</sup> Excluding the gain on MasterCard IPO in Q3 2006

# Risk Management

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



## Risk Management – Current Focus

Commercial paper liquidity lines to third party asset-backed conduits	<ul style="list-style-type: none"> <li>• None</li> </ul>
Commercial paper liquidity lines to National Bank sponsored asset-backed conduit	<ul style="list-style-type: none"> <li>• Backstop liquidity facilities – not significant</li> <li>• No exposure to U.S. subprime mortgages</li> </ul>
U.S. subprime mortgage direct exposure	<ul style="list-style-type: none"> <li>• None</li> </ul>
U.S. subprime mortgage indirect exposure	<ul style="list-style-type: none"> <li>• Minimal, held through \$2B ABCP acquired recently <sup>(1)</sup></li> </ul>
Leveraged buy out (LBO) underwriting commitments	<ul style="list-style-type: none"> <li>• None</li> </ul>
Hedge fund trading and lending exposure, including prime brokerage	<ul style="list-style-type: none"> <li>• Transactions fully collateralized</li> <li>• No credit issues with counterparties</li> </ul>

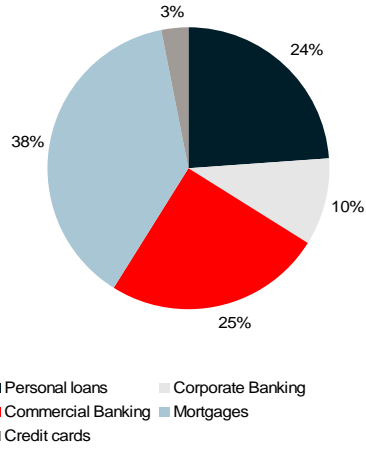
(1) As communicated in August 20 2007 press release, National Bank acquired all the ABCP held in mutual funds and pooled funds of subsidiaries of the Bank, all the ABCP currently held by all its individual retail clients as well as certain other clients.  
On August 23, 77% of holders of outstanding third party conduits of ABCP in Canada have indicated their support to the 60-day Standstill Period described in the Consortium framework agreement announced on August 16.

## Global Portfolio Composition

### Highlights:

- Retail Banking represents 65% of total portfolio

### Outstanding As at July 31, 2007

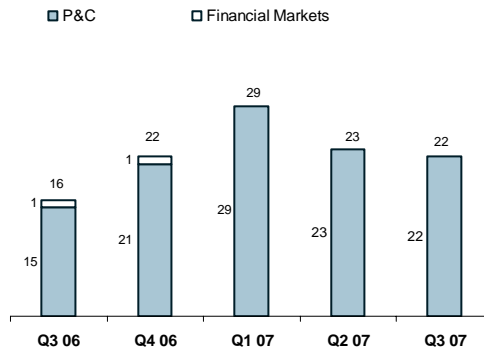


## Risk Provisioning

### Highlights – YoY:

- Stable PCL at \$22M, excluding recoveries in Q3 2006

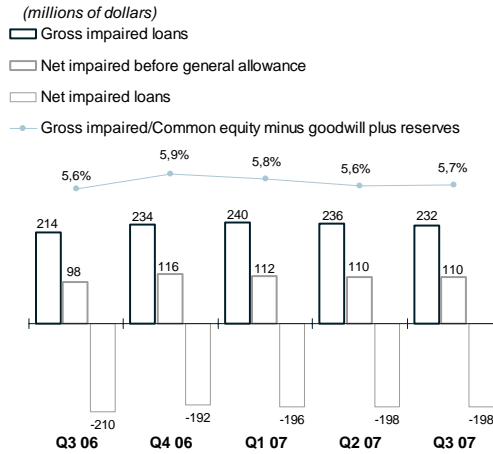
(millions of dollars)



## Impaired Loans

### Sound risk management continues to provide stable results

- Ratio at 5.7%
- Net impaired loans unchanged since last quarter



## Impaired Loan Formation

(millions of dollars)

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
Personal & Commercial	(1)	41	22	19	18
Corporate	3	(1)	-	(1)	-
<b>Total</b>	2	40	22	18	18

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

## Financial Review

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

## 2007 - Performance Snapshot

Q3 2007 – YoY:

Adjusted  
EPS up  
**18%**

<i>(millions of dollars)</i>	Q3 07	Q3 06	Change	9M 07	9M 06	Change
Net income	243	220	10%	716	651	10%
Adjusted EPS <sup>(1)</sup>	\$1.48	\$1.25	18%	\$4.31	\$3.75	15%
ROE	20.6%	20.2%		20.6%	20.2%	

(1) Excluding the gain on the sale of National Bank Trust share ownership management business in Q2 2006 and the gain on MasterCard IPO in Q3 2006.

**2007 - Performance Revenues**
**TEB**

<i>(millions of dollars)</i>	<b>Q3 07</b>	<b>Q3 06</b>	<b>Change</b>	<b>9M 07</b>	<b>9M 06</b>	<b>Change</b>
<b>Total revenues</b>	<b>1,010</b>	<b>921</b>	<b>10%</b>	<b>3,021</b>	<b>2,833</b>	<b>7%</b>
Tax equivalent adjustment	43	48		150	96	
Gain on Mastercard IPO		(13)			(13)	
Gain on sale of business					(8)	
<b>Adjusted revenues (teb)</b>	<b>1,053</b>	<b>957</b>	<b>10%</b>	<b>3,171</b>	<b>2,908</b>	<b>9%</b>

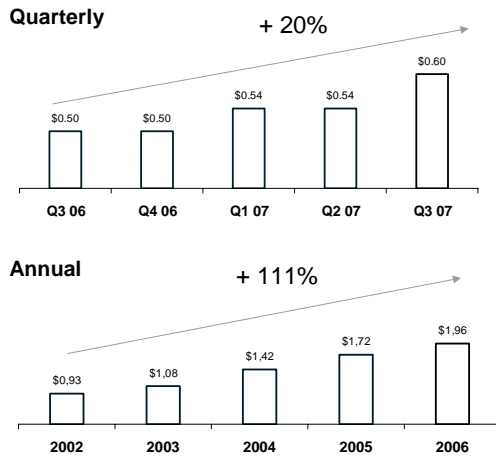
**2007 - Performance Non-interest expenses**

<i>(millions of dollars)</i>	<b>Q3 07</b>	<b>Q3 06</b>	<b>Change</b>	<b>9M 07</b>	<b>9M 06</b>	<b>Change</b>
<b>Non-interest expenses</b>	<b>675</b>	<b>622</b>	<b>8%</b>	<b>1,992</b>	<b>1,873</b>	<b>6%</b>
Variable commissions	(104)	(88)		(317)	(296)	
Provision for litigation	(8)			(8)		
<b>Adjusted non-interest expenses</b>	<b>563</b>	<b>534</b>	<b>5%</b>	<b>1,667</b>	<b>1,577</b>	<b>6%</b>

## Dividend per Common Share

### Growth for shareholders

- 4.7M common shares bought back YTD, including 1.8M in Q3 2007



## Business Segment Review

Jean Dagenais  
Senior Vice President and Chief Financial Officer



**Q3 2007 Highlights:**

- Sustained personal loan and deposit volume growth tempered by spread compression
- Positive operating leverage
- Insurance revenues affected by provision release in 2006
- Higher provision for credit losses due to recoveries in Commercial Banking in 2006

**Q3 2007 – YoY:**

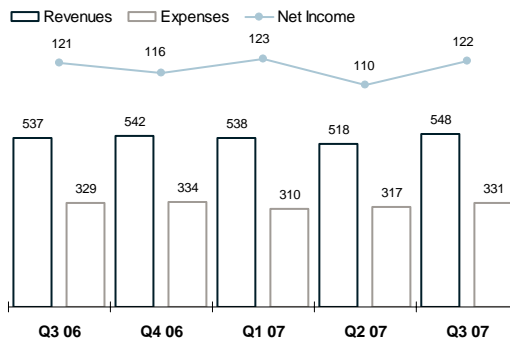
- Stable net income

**Driven by :**

- 2% increase in revenues attributed to higher volume in P&C Banking
- Expense grew only by 1%
- Improved efficiency ratio at 60.4% from 61.3%
- Loan losses increase due to recoveries in Q3 2006

**TEB**

(millions of dollars)



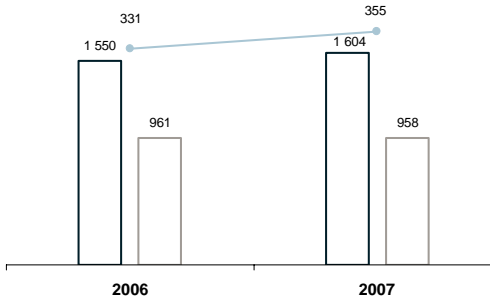
**Net Income up 7%**

- Revenues grew by 3.5% (\$54M) while expenses went down \$3M

**TEB**

(millions of dollars)

Revenues Expenses Net Income



**Q3 2007 - YoY:**

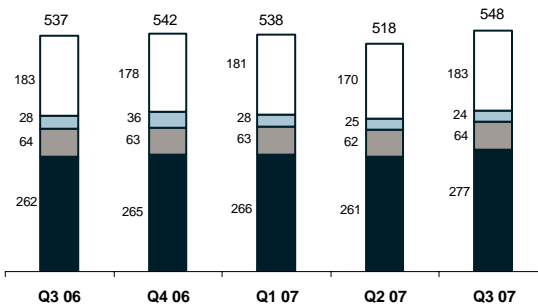
Sub-segments contributing to growth:

- Retail Banking: 6%
- Commercial Banking: stable

**TEB**

(millions of dollars)

Retail Banking Credit cards Insurance Commercial



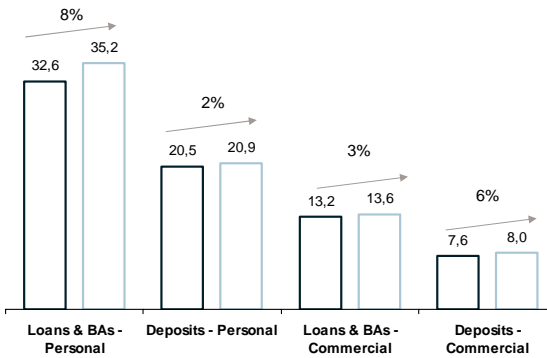
## P&C Volume Evolution

### Quarterly average volume (billions of dollars)

Q3 06 Q3 07

#### Strong volume growth

- 8% increase in personal loans
- 6% increase in commercial deposits

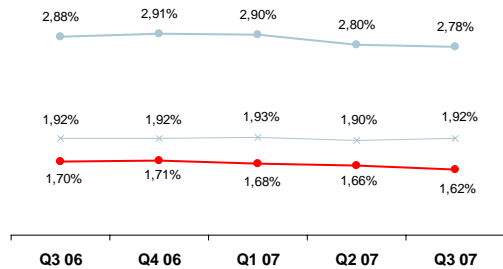


## P&C Margin Evolution

#### Highlights: Q3-07 vs Q2-07

- Slightly narrower mortgage spread
- Lower spread in credit cards
- Narrower spread on commercial deposits

P&C Loans Deposits



**Q3 2007 Highlights:**

- Overall AUM gross of 10%
- Retail brokerage volume rising steadily
- Each unit contributing to the revenue growth

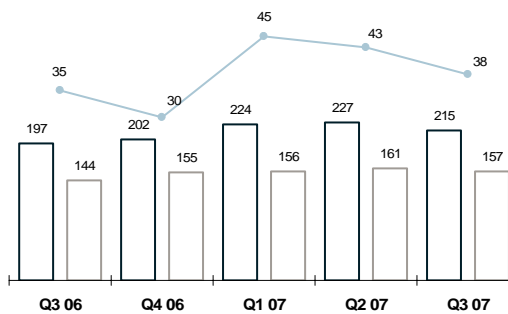
**Q3 2007 – YoY:**

- Net income up 9%
- Revenues increased by 9% with 2/3 contribution coming from brokerage activities
- All units contributing to the revenue increase
- Expenses increased by 9%

**TEB**

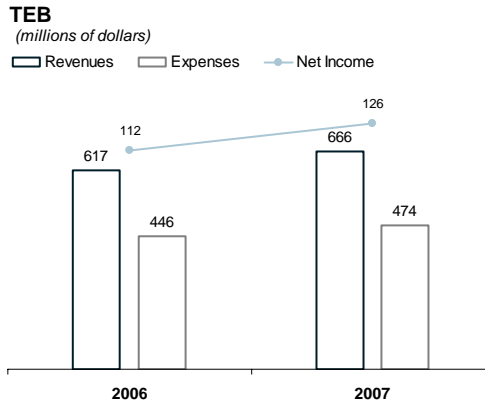
(million of dollars)

Revenues Expenses Net Income



## Wealth Management – YTD

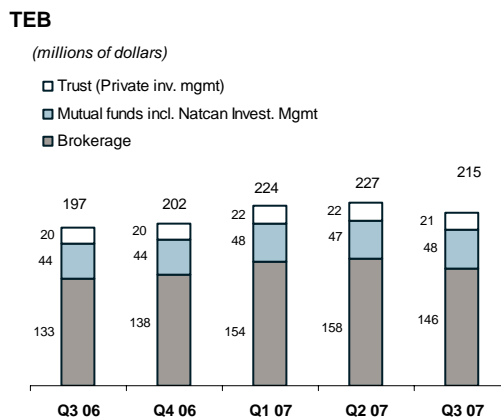
Net Income up **13%**



## Wealth Management Revenue Composition

**Q3 2007 – YoY:**

- 11% growth in mutual funds
- 5% growth in private investment management
- 10% growth in retail brokerage

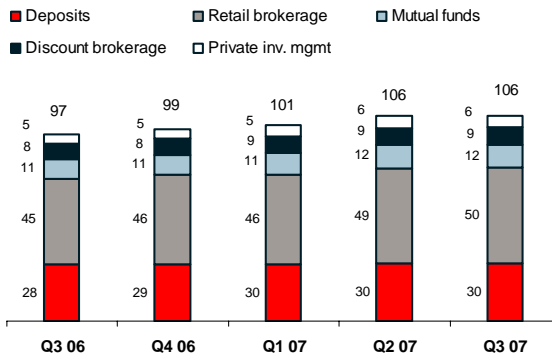


**TEB**

(billions of dollars)

**Q3 2007 – YoY:**

- Overall up 10%
- Growth in all sub-sectors:
- Deposits: 2%
- Retail brokerage: 12%
- Private investment management: 18%
- Mutual funds: 17%
- Disc. brokerage: 9%



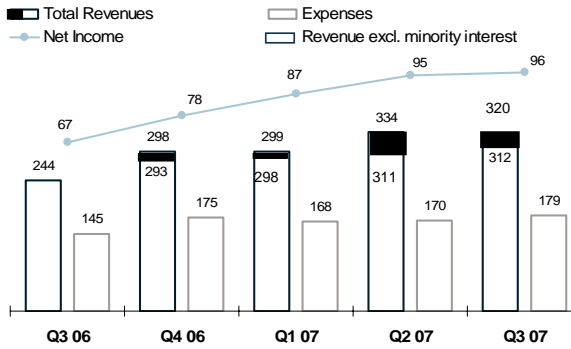
**Q3 2007 Highlights:**

- Strong revenues from capital market activities
- Higher contribution from Credigy

**Q3 2007 – YoY:**

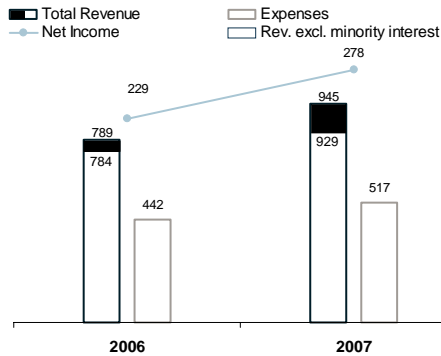
- Revenues up 28% (31% adjusted for Innocap minority interest) while expenses increased by 23%
- Net income up 43%

**TEB**  
(million of dollars)



**Net Income up 21%**

**TEB**  
(millions of dollars)



## Financial Markets Revenue Composition <sup>1</sup>

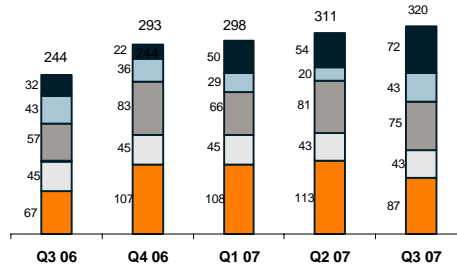
### Q3 2007 – YoY:

- Capital markets up 32% (yoy)
- Good Credigy contribution in Other

### TEB

(millions of dollars)

■ Trading ■ Corp. Banking ■ Capital Markets ■ Inv. gains ■ Other



<sup>1</sup> Excluding Innocap minority interest

## Trading Revenue Breakdown

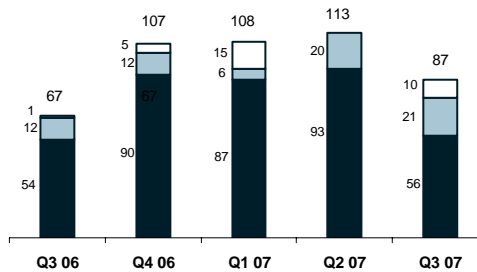
### Q3 2007 :

- Commodities and F/X contribution pick-up in Q3
- Stable Fixed income and money markets (QoQ)
- Unchanged level of equity trading (yoy)

### TEB

(millions of dollars)

■ Commodities and precious metals & Foreign exchange contracts  
 ■ Fixed income and money markets  
 ■ Equity

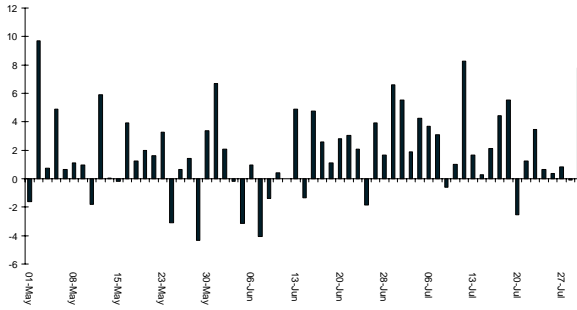


**Daily Trading P/L – Q3 2007**

**Highlights:**

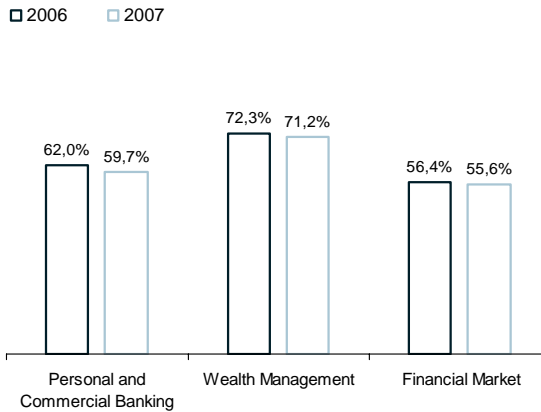
- Stable daily P/L trading and global VaR

(millions of dollars)  
Excludes underwriting



**Business Line Efficiency Ratio - YTD**

**Continuous improvement of the efficiency ratio**



	2007 Objectives	Q3 07	YTD
Growth in earnings per share	5% to 10%	18%	15%
Return on common shareholders' equity	16% to 20%	20,6%	20,6%
Tier 1 capital ratio	More than 8.5%	9,4%	9,4%
Dividend payout ratio <sup>(1)</sup>	40% to 50%	38%	38%

(1) *Trailing 4 quarters*

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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 the 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.

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