



**NATIONAL
BANK**

FINANCIAL GROUP

ADDRESS BY

LOUIS VACHON

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Themes


- ▶ 150th anniversary
- ▶ Financial and economic context
- ▶ Strategic development

National Bank: an essential driver of economic development

- ▶ National Bank is one of the top drivers of economic development in Quebec
 - ▶ Today, one of the province's three financial pillars
- ▶ The Bank is also a key player in many regions and chosen markets

150 years of leadership

The key events that shaped National Bank Financial Group

- 1859**  Banque Nationale founded in Quebec City
- 1925**  Merger with Banque d'Hochelaga
- 1979**  Merger with The Provincial Bank of Canada

150 years of leadership

A diversified financial group that focuses on the accessibility of financial solutions

- ▶ 17,000 employees
- ▶ More than 2.4 million clients
- ▶ 448 bank branches
- ▶ 103 securities brokerage offices
- ▶ Balance sheet assets of \$137.0 billion

150 years of leadership

A key driver of economic and social development in all regions where we are present

Highlights of fiscal 2008:

- ▶ \$39 billion in loans granted to 40,000 businesses
- ▶ \$408 million paid in income and other taxes
- ▶ \$1.5 billion paid in salaries and staff benefits
- ▶ Major donations and sponsorships

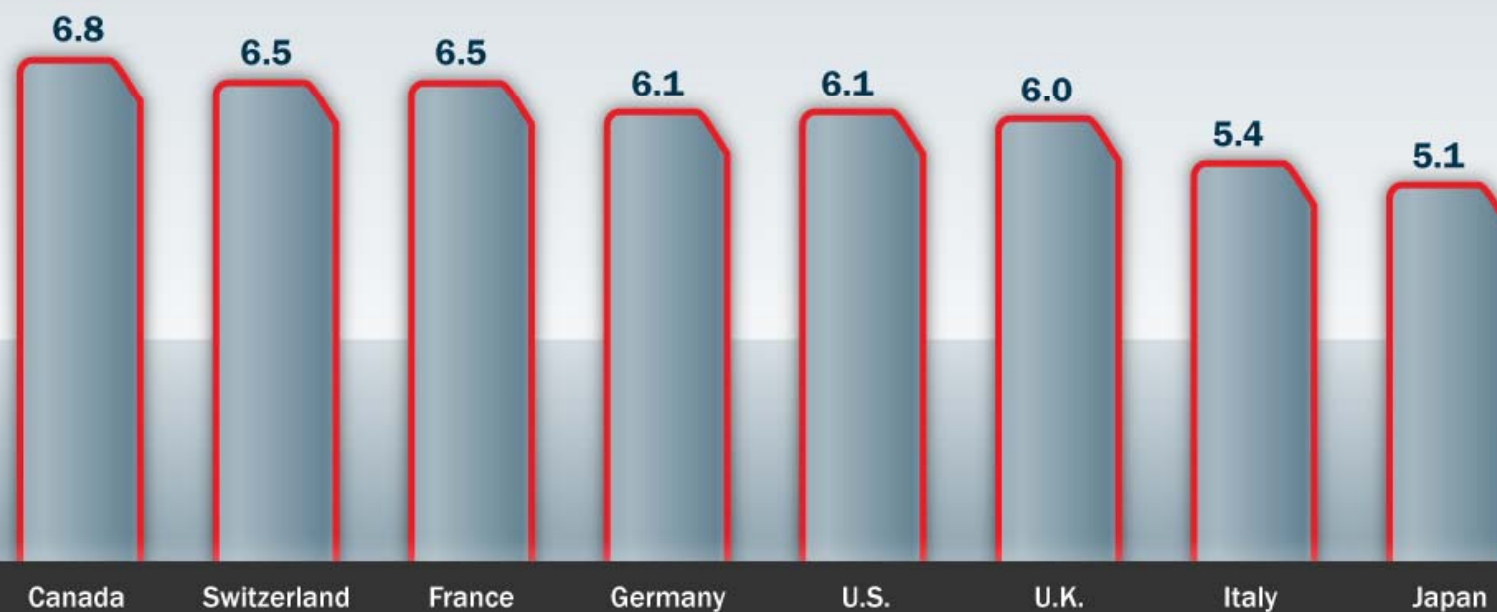
Source and impact of the financial crisis

- ▶ Two bubbles burst at once
- ▶ Solvency and liquidity issues
- ▶ Not a depression, but a worldwide recession
- ▶ The cure is known, but recovery time will be long

The healthiest banking system in the world

Scale of 1 to 7

Banking sector solvency index – G7 and Switzerland



Sources: World Economic Forum, Bank of Canada, NBSG

The “Canadian Model”

- ▶ The soundness and strong performance of Canadian banks serve as an example
- ▶ The G20 working group on reforming the international banking system is co-chaired by a Canadian

Why does the Canadian banking system work better?

- ▶ A different business model
 - ▶ Close relationships with clients
 - ▶ Trust is established between clients and advisors who prove their worth, rather than using a uniform approach for all clients
- ▶ A tax regime that encourages saving above all
- ▶ Regulation on leverage and capital adequacy requirements

Growth in business credit financed by banks in Canada

% (3-month change, annualized)

Largest increase since 1981!



Source: Bank of Canada

What is needed to restart the economy

- ▶ Sustained action by governments
- ▶ Spending on physical and technological infrastructures
- ▶ Sufficient access to capital and credit (QSSP/SME Growth Stock Plan)
- ▶ Employee training for a mature workforce

Long-term impact of the crisis on the Canadian banking system

ECONOMY

- ▶ A difficult environment that results in slower revenue growth

REGULATION

- ▶ Emphasis on harmonizing with certain new international standards

COMPETITION

- ▶ No Canadian banking competitor has been radically weakened by the crisis

Long-term impact of the crisis on the Canadian banking system

CONSEQUENCE

- ▶▶ Competition will remain fierce, but to varying degrees
 - ▶ Personal Banking and Wealth Management: fight for market share
 - ▶ Commercial Banking: fierce despite the withdrawal of certain foreign institutions
 - ▶ Financial Markets: withdrawal of foreign competitors

- ▶▶ National Bank Financial Group will become even closer to its clients

ONE CLIENT, ONE BANK

OUR STRENGTHS

- ▶ Presence and understanding of the Quebec market
- ▶ More agile than our competitors

OUR ORIENTATIONS

- ▶ Leadership in Quebec: in all client segments and all businesses
- ▶ Growth outside of Quebec in promising sectors
- ▶ A balanced, well-managed group of businesses

ONE CLIENT, ONE BANK

OUR OBJECTIVE

- ▶ Remain one of the best super-regional banks in the world

OUR BUSINESS MODEL: RELATIONSHIP BANKING

- ▶ Client satisfaction and retention are achieved primarily by increasing the average number of financial solutions held

ONE CLIENT, ONE BANK

To do this, we have to:

- ▶ Continue to promote a culture of cooperation
- ▶ Obtain a complete picture of our clients' business by progressively improving IT platforms
- ▶ Simplify our structures and operations

A financial group well positioned for the future

- ▶ High level of liquidity
- ▶ Very well capitalized, with a Tier 1 capital ratio of 10.0%
- ▶ A successful restructuring of the asset-backed commercial paper (ABCP) market
- ▶ A solid loan portfolio

We invest in our development

INFRASTRUCTURE

- ▶ From 2009 to 2011, 165 major projects in the branch network
 - ▶ 96 renovations
 - ▶ 55 relocations
 - ▶ 14 openings

TECHNOLOGY

- ▶ Major investments are planned

We invest in our development

HUMAN RESOURCES

- ▶ Some positions were cut to improve efficiency
- ▶ Hundreds of positions being created, particularly ones in direct contact with clients
- ▶ Neutral impact on the number of jobs
- ▶ Today, 700 positions to fill

Conclusion

- ➡ President of National Bank Financial Group:
a responsibility, an honour and a privilege
- ➡ To mark our 150th anniversary, let's take the time
to celebrate our successes



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