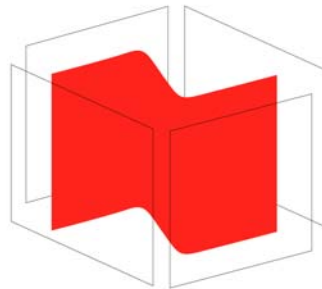


## Analyst and Investor Presentation

### Q1 2004 Results Conference Call

February 26, 2004  
[www.nbc.ca/investorrelations](http://www.nbc.ca/investorrelations)



## National Bank continues to deliver impressive results



**Q1 04 strong profit: Net Income up 12% y/y, 17% q/q**

**Record EPS, 17% increase y/y, from \$0.88 to \$1.03 and  
18% q/q, from \$0.87 to \$1.03**

**ROE at 19%**

**A balanced performance with contribution from all 3 sectors**

**Realization of good market turnaround positioning**

**Loan provisioning at lower level of guidance**

**Strong capital base:**

- Tier 1 at 10.1%
- Start of share repurchase program

## Delivery underway on attaining yearly objective and performance goals



### Strong momentum to achieving targets

	2004 Objectives	Q1 04
Growth in earnings per share	5% to 10%	17%
Return on common shareholders' equity	15% to 17%	19%
Tier 1 capital ratio	8.75% to 9.50%	10.1%
Dividend payout ratio <sup>(1)</sup>	35% to 45%	33%

<sup>(1)</sup> Trailing 4 quarters



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## Q1 04 Quarterly snapshot



in millions of dollars

	Q1 04	Q4 03	Q1 03	Change	
				Q1 04 / Q4 03	Q1 04 / Q1 03
<b>Total Revenues</b>	\$913	\$903	\$835	1%	9%
Operating expenses	579	623	548	-7%	6%
Provision for credit losses	44	50	41	-11%	7%
<b>Net income</b>	186	158	166	17%	12%
<b>EPS</b>	\$1.03	\$0.87	\$0.88	18%	17%
<b>ROE</b>	19.0%	16.4%	17.6%		

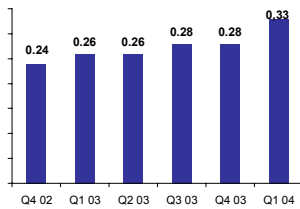


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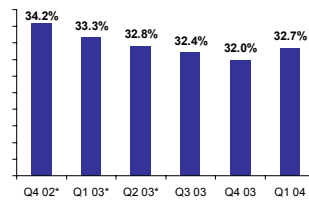
## Progressive Dividend increase



### Dividend per share



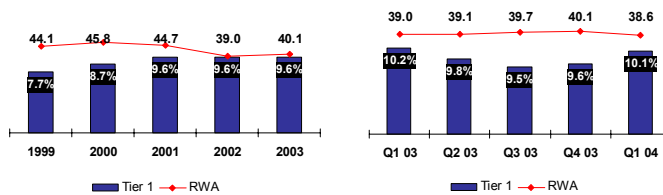
### Dividend Payout



\* Trailing 4 quarters, excluding impairment charge on investment



## Consistently strong Capital ratios



# Business Line Breakdown Q1 2004



## Net Income



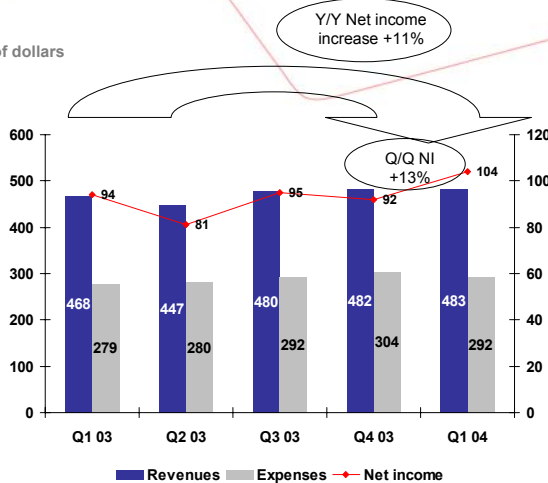
Starting at Q1 04, sectoral net income is based on actual credit losses as opposed to expected credit losses



# Personal and Commercial Banking Quarterly



in millions of dollars

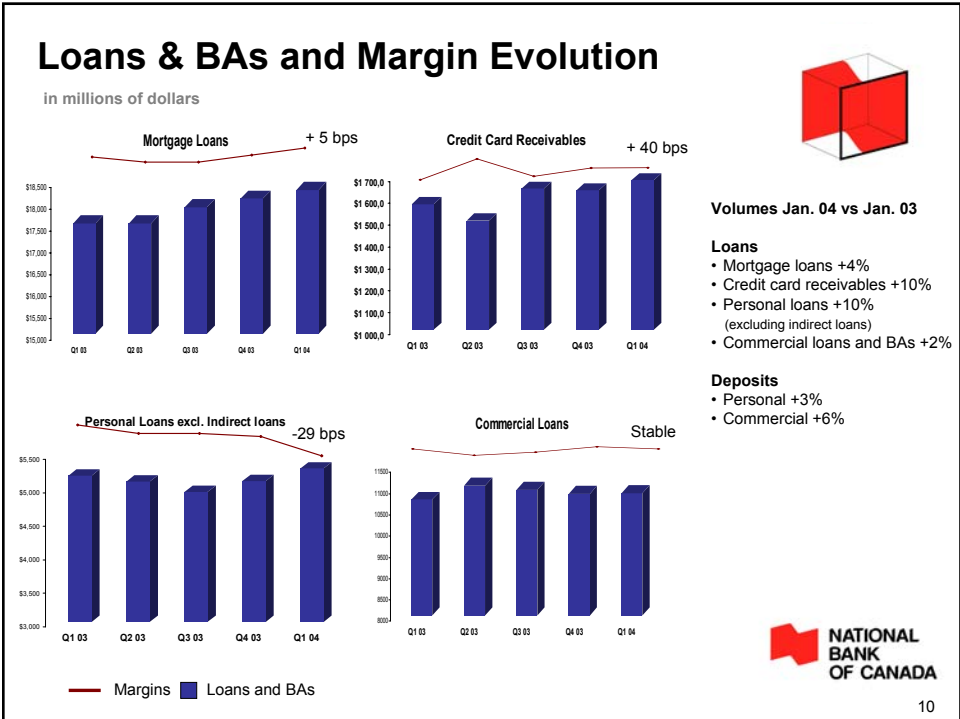
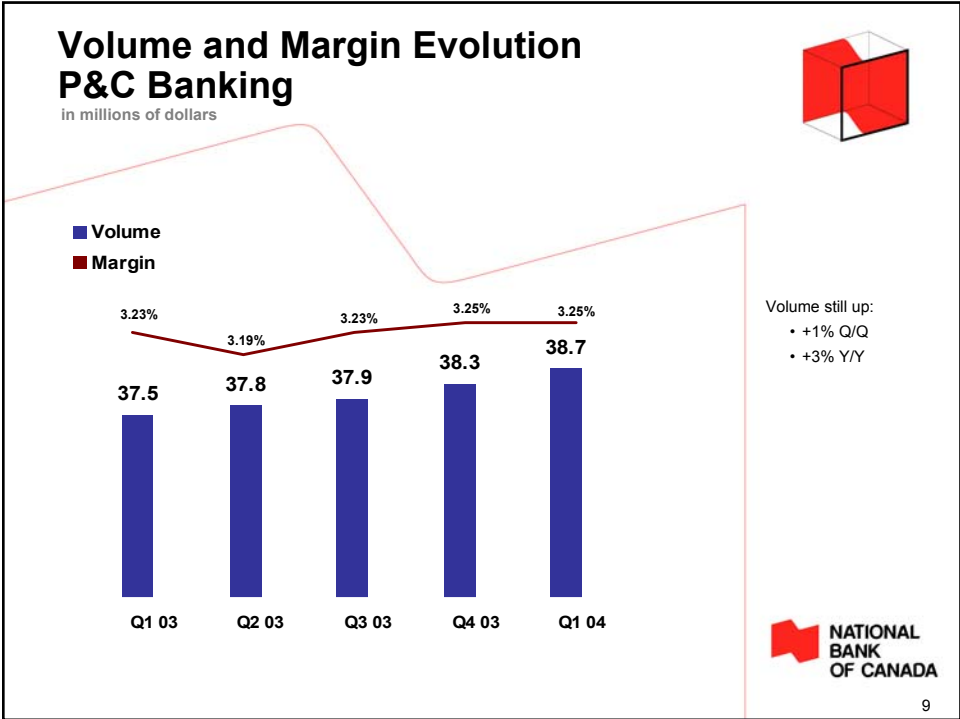


### Drivers:

YY Net income increase comes from all sub-sectors:

- Personal Banking +14%
- Commercial +7%

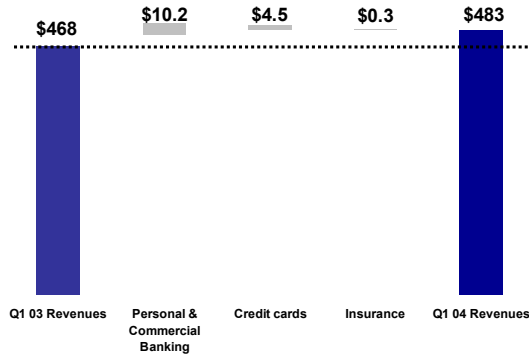




## Revenue line increase per contributor



Evolution Jan. 03 vs Jan. 04  
in millions of dollars



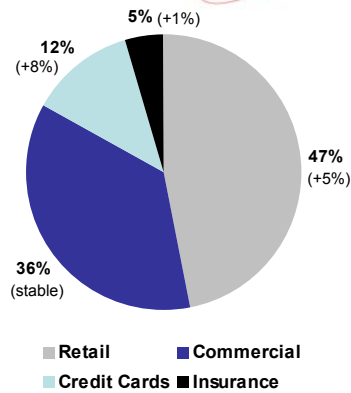
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## Business Mix Q1 04



Revenue contribution  
(y/y increase)



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# Business Line Breakdown Q1 2004



## Net Income



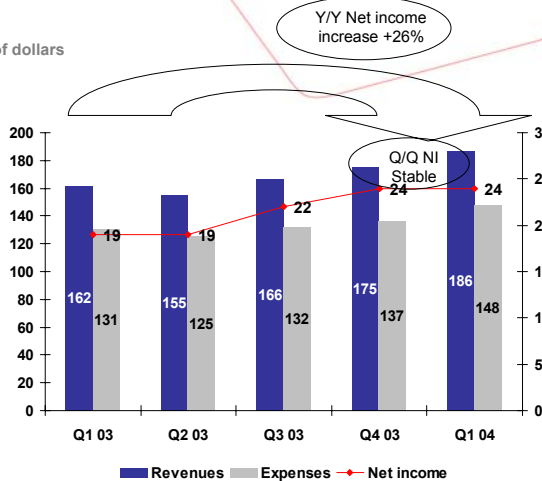
Starting at Q1 04, sectoral net income is based on actual credit losses as opposed to expected credit losses



# Wealth Management Quarterly



in millions of dollars



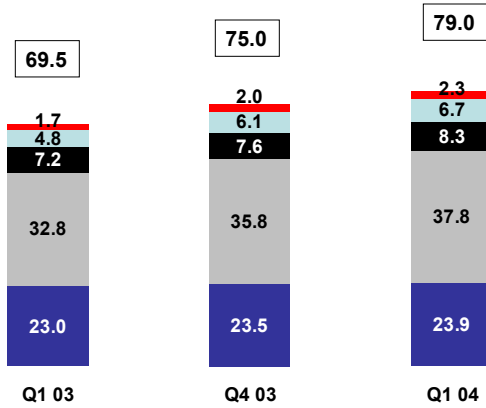
Revenue increase:  
 • +15% Q1 04 vs Q1 03  
 • +6% Q1 04 vs Q4 03

2.7x increase in y/y brokerage activities net income



# Assets under Management composition

in billions of dollars



Year/year increases:

Total growth rate Y/Y +14%  
 Deposits +4%  
 Retail Brokerage +15%  
 Mutual Funds +15%  
 Discount Brokerage +40%  
 Trust Services +35%

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



# Business Line Breakdown Q1 04



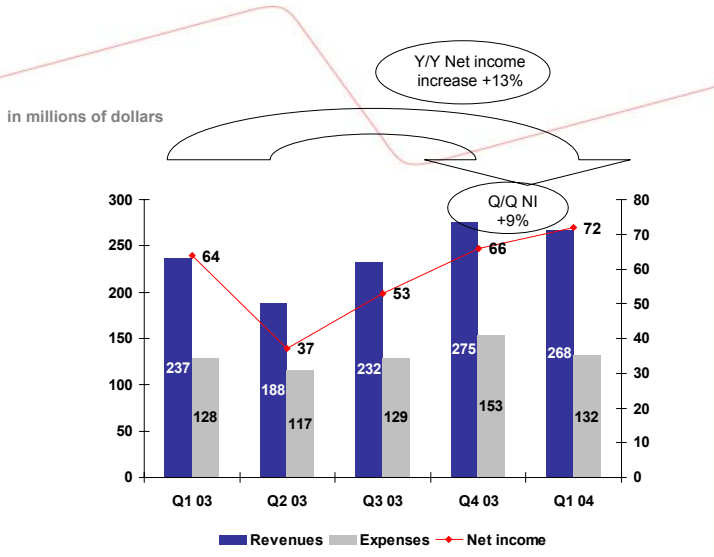
## Net Income



Starting at Q1 04, sectoral net income is based on actual credit losses as opposed to expected credit losses



# Financial Markets Quarterly



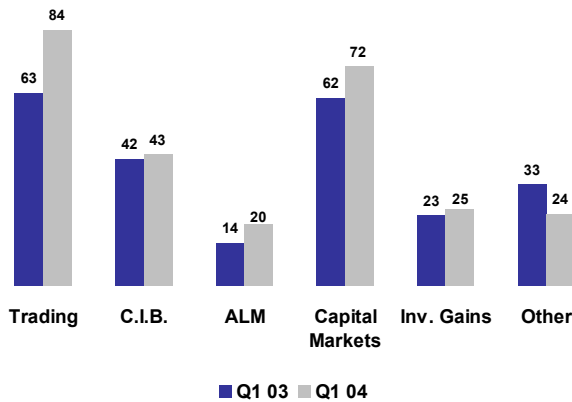
Revenue increase:  
• +13% Q1 04 vs Q1 03



# Treasury and Capital Market Activity Revenue composition Q/Q



in millions of dollars



- Trading trends for quarter remain robust
- Securities – excess of market value over book:

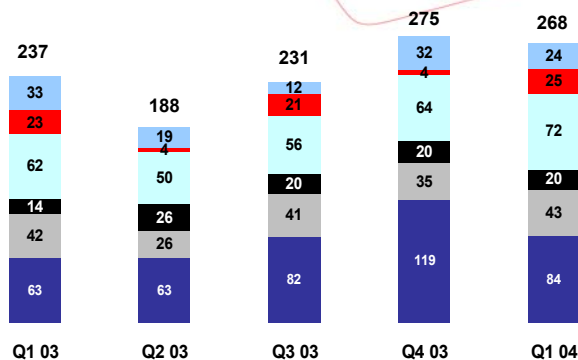
Q1 03 \$9 M  
Q1 04 \$204 M



Trading revenues include interest on repo's and reverse repos

## Treasury and Capital Market Activity Revenue composition evolution

in millions of dollars



■ Trading ■ CIB ■ ALM ■ Capital Markets ■ Inv. Gains ■ Other

Trading revenues include interest on repo's and reverse repos  
CIB revenues includes CDS impact



## Trading breakdown

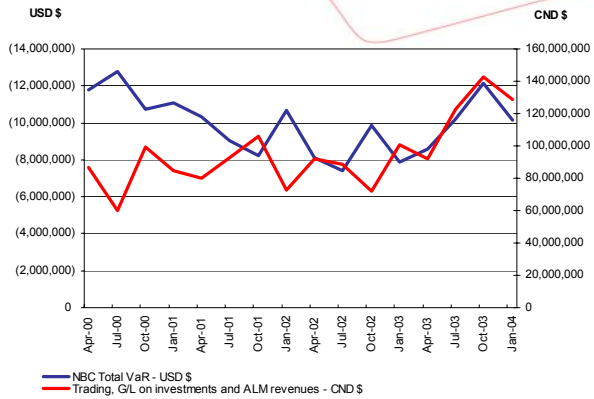
in millions of dollars



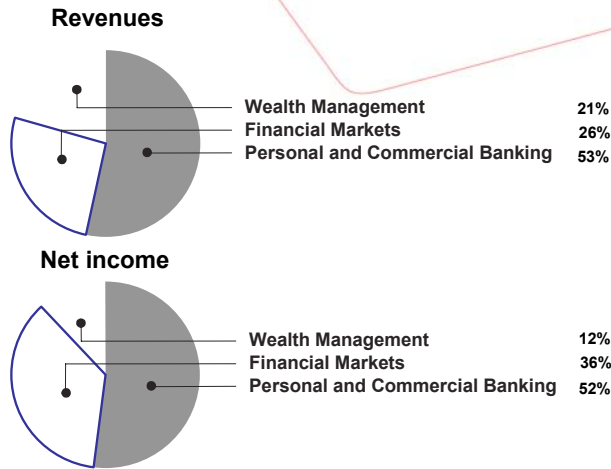
	Q1 2004	Q4 2003	Q1 2003
Equity	\$46	\$42	\$22
Fixed income and money markets	25	20	31
Commodities and precious metals & Foreign exchange contracts	<u>13</u>	<u>57</u>	<u>10</u>
<b>Total</b>	<b>\$84</b>	<b>\$119</b>	<b>\$63</b>



## NBC Trading/Securities Gains/ALM Revenues



## Diversification of Earnings Year to date

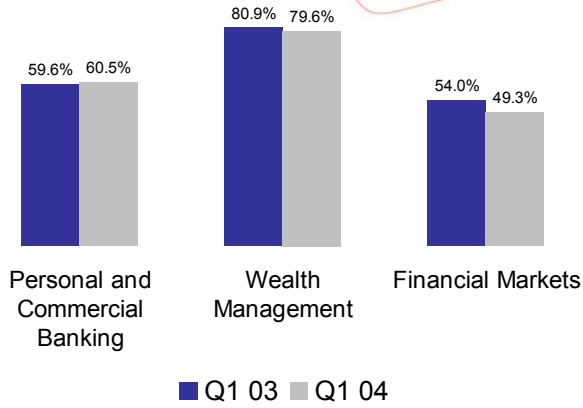


Excluding Other segment



# Operating Leverage Business Line Expense Ratio

Year to date

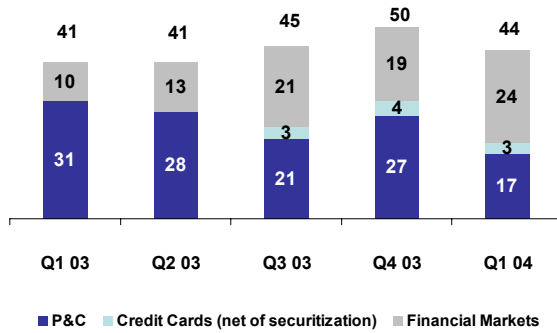


# Risk Management



## Provision for credit losses

Actual credit losses per sector  
in millions of dollars



**2004 Guidance**  
40 to 50 bps of loans  
and BAs

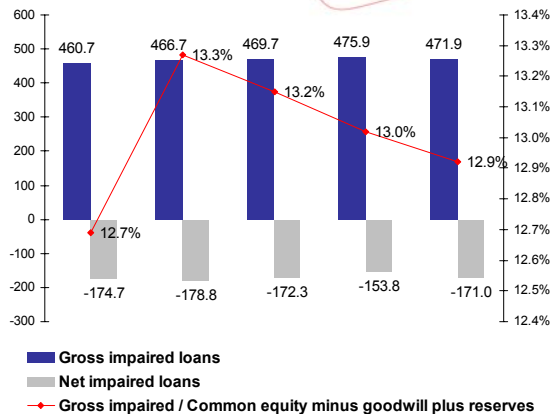
As at Q1 04: 43 bps

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## Impaired loans

In millions of dollars



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# Impaired loan formation

In millions of dollars



	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04
<b>Personal &amp; Commercial *</b>	<b>34.7</b>	<b>3.1</b>	<b>13.3</b>	<b>(10.6)</b>	<b>14.6</b>
<b>Corporate</b>	<b>(6.8)</b>	<b>31.8</b>	<b>25.1</b>	<b>80.5</b>	<b>11.0</b>
<b>Treasury</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>0</b>
<b>Other</b>	<b><u>1.8</u></b>	<b><u>1.4</u></b>	<b><u>1.8</u></b>	<b><u>(4.5)</u></b>	<b><u>(8.8)</u></b>
<b>TOTAL</b>	<b>29.6</b>	<b>36.0</b>	<b>40.1</b>	<b>65.1</b>	<b>16.8</b>

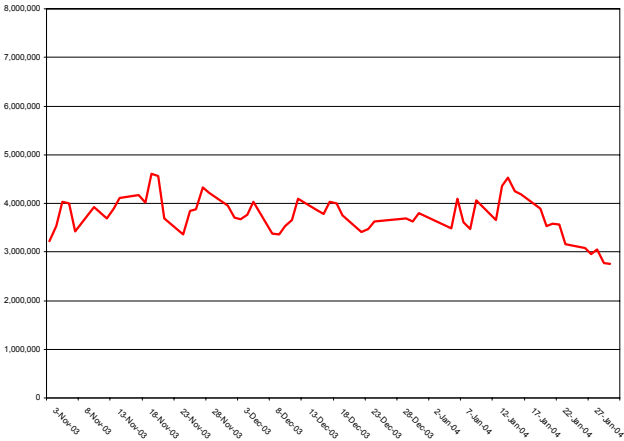
Formations include new accounts, disbursements, principal repayments and exchange rate fluctuation

\* Includes Real Estate



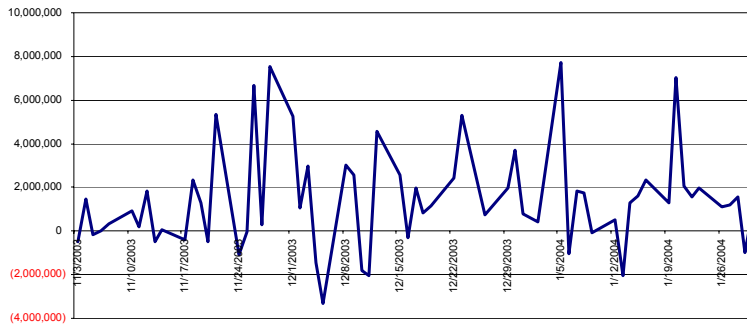
# VaR – Global Trading

VaR - Global Trading - Q4 2003 to Q1 2004  
(Maximum 1-day loss at 99%)



## Daily Trading P/L Q1 04

Excludes underwriting



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## Focus for 2004



### National Bank franchise:

- ✓ Quebec market leader, targeted priorities rest of Canada
- ✓ Balanced contribution from all 3 sectors
- ✓ P&C positive volume and margin behaviour
- ✓ Diversified product mix
- ✓ Leading brand
- ✓ Dedicated initiatives to capture significant revenue potential
- ✓ Leveraging on solid 2003 capital markets positioning

### Perform for Shareholders:

- ✓ Robust earnings growth
- ✓ Continued strong ROE
- ✓ Commitment to pursue progress on cost control
- ✓ Return of excess capital
- ✓ Share price up 38% Jan. 30 04 vs Jan. 30 03

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investorrelations@nbc.ca



**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

From time to time, National Bank of Canada makes written and oral forward-looking statements, included in this analyst and investor presentation, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders, in press releases and in other communications. All such statements are made pursuant to the "safe harbor" 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, market changes, the achievement of strategic objectives, certain risks as well as statements with respect to our beliefs, plans, expectations, anticipations, 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. 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.

