

Report to Shareholders

First Quarter 2004

Record net income for the first quarter of 2004

- *Net income up 12% to \$186 million*
- *Earnings per share up 17% to \$1.03*
- *Return on common shareholders' equity of 19.0%.*

MONTREAL, February 26, 2004 – National Bank of Canada earned record net income of \$186 million in the quarter ended January 31, 2004 compared to \$166 million in the corresponding quarter of 2003. Earnings per share amounted to \$1.03 in the first quarter versus \$0.88 in the same period of 2003, for a 17% increase. Return on common shareholders' equity was 19.0% for the quarter, in comparison to 17.6% for the quarter ended January 31, 2003.

In accordance with a new accounting standard that came into effect on November 1, 2003, National Bank has discontinued amortizing fees for mortgage loan prepayments. The unamortized balance of \$25 million as at October 31, 2003 (\$16 million net of income taxes) was recorded to income, adding \$0.09 to the quarter's earnings per share.

Moreover, in the first quarter of 2004, the Bank recorded a \$31 million impairment charge (\$20 million net of income taxes) on corporate investments, which reduced earnings per share by \$0.11.

Net income was up sharply for each of the Bank's three operating segments in the first quarter of 2004.

| | For the quarter ended January 31 | | |
|--|-------------------------------------|---------------|-----|
| | 2004 | 2003 | % |
| Net income | | | |
| Personal and Commercial | 104 | 94 | +11 |
| Wealth Management | 24 | 19 | +26 |
| Financial Markets | 72 | 64 | +13 |
| Other | (14) | (11) | |
| Total | <u>186</u> | <u>166</u> | +12 |
| Earnings per share | <u>\$1.03</u> | <u>\$0.88</u> | +17 |
| Return on common shareholders' equity | 19.0% | 17.6% | |

"We achieved these results by strengthening a number of performance drivers in recent years," stated Réal Raymond, President and Chief Executive Officer. "Our strategy was deployed using a disciplined, conscientious and professional approach and this growth is proof that all the Bank's components are doing well."

The Personal and Commercial Banking segment declared net income of \$104 million for the first quarter of 2004, for an increase of \$10 million or 11% compared to the same period in 2003. This growth was attained despite the Bank's ongoing investments under partnership programs. The improvement in segmented net income was mainly due to lower credit losses.

Increase transactions by individual investors on financial markets lifted net income at Wealth Management. For the first quarter of 2004, this segment recorded net income of \$24 million, up 26% over the corresponding period of 2003. According to Mr. Raymond, "the winning formula is to serve the investor community efficiently and professionally while offering appropriate, results-oriented investment solutions."

Net income for the Financial Markets segment climbed 13% to \$72 million in the first quarter of 2004 compared to \$64 million for the same quarter of last year. Trading activities and corporate lending income helped fuel growth. "Our success in attracting highly talented people and building a diversified portfolio of activities enabled us to capitalize on market opportunities as they arose," said Mr. Raymond.

As at January 31, 2004, specific and general allowances for credit risk exceeded gross impaired loans by \$171 million versus \$154 million as at October 31, 2003. The reduction in impaired loans was concentrated mainly in the corporate lending sector.

Tier 1 and total capital ratios were 10.1% and 13.8%, respectively, as at January 31, 2004, in comparison to 9.6% and 13.4% as at October 31, 2003.

The Bank repurchased 1.6 million common shares for cancellation as at January 31, 2004 under the normal course issuer bid for the repurchase of up to 8.7 million common shares.

"We intend to stay the course during the coming quarters by focusing on the orientations that have delivered convincing results. National Bank is well on the way to achieve all the strategic objectives it had set for fiscal 2004."

| | Objectives | Results 1st Quarter 2004 |
|---------------------------------------|---------------|--------------------------------|
| Growth in earnings per share | 5% - 10% | 17% |
| Return on common shareholders' equity | 15% - 17% | 19.0% |
| Tier 1 capital ratio | 8.75% - 9.50% | 10.1% |
| Dividend payout ratio | 35% - 45% | 33% |

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Caution regarding forward-looking statements

From time to time, National Bank of Canada makes written and oral forward-looking statements, included in this quarterly report, 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 harbour" 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 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.

Management's Discussion and Analysis of Financial Condition and Operating Results

The following text presents management's analysis of the Bank's financial condition and operating results as presented in the unaudited consolidated financial statements for the first quarter of 2004.

Analysis of Results

Operating Results

National Bank posted a record net income of \$186 million for the first quarter ended January 31, 2004 compared to \$166 million for the corresponding period in 2003. Earnings per share were \$1.03 for the quarter, up 17% from \$0.88 for the same quarter a year earlier. Return on common shareholders' equity stood at 19.0% for the quarter versus 17.6% for the quarter ended January 31, 2003.

On November 1, 2003, the Bank began applying the new accounting standard that establishes standards for financial reporting in accordance with generally accepted accounting principles. The introduction of this standard eliminates certain practices that could have been used within a particular industry. The only major impact on the Bank's results was that mortgage loan prepayment fees are no longer amortized. The unamortized balance of \$25 million as at October 31, 2003 (\$16 million net of income taxes) was recorded under "Lending fees" in the Consolidated Statement of Income. This adjustment added \$0.09 to earnings per share for the quarter.

Results by Segment

Effective fiscal 2004, the Bank decided to measure the results of its operating segments in terms of actual losses rather than expected losses. Prior year figures have been restated to comply with the current year presentation.

Personal and Commercial

Quarterly net income for the Personal and Commercial segment amounted to \$104 million, up 11% from the \$94 million recorded for the same period in 2003. This improvement was primarily attributable to the 29% decrease in the provision for credit losses. In fact, credit losses for the period totalled \$29 million compared to \$41 million for the first quarter of 2003.

At \$323 million, net interest income rose \$11 million, or 3.5%, as the spread inched up from 3.23% in the first quarter of 2003 to 3.25% this quarter. Other income grew by \$4 million to \$160 million, primarily because of the higher volume of payments and foreign exchange revenue.

Operating expenses for the quarter were \$292 million as against \$279 million for the same period a year earlier. Approximately 30% of the increase was attributable to costs related to developing partnership programs, particularly IT development expenses. Excluding these costs, operating expenses would have been about 3% higher.

Wealth Management

During the first quarter of 2004, individuals continued to participate on financial markets, which boosted net income of Wealth Management segment to \$24 million for the quarter from \$19 million for a 26% year-over-year increase.

Total revenues grew close to 15%, from \$162 million in the first quarter of 2003 to \$186 million this quarter. The increase stemmed primarily from brokerage activities, but also from mutual fund revenues.

Operating expenses in the first quarter of 2004 reached \$148 million, up from \$131 million for the same period in 2003. Seventy per cent of the increase was attributable to variable compensation.

Financial Markets

The Financial Markets segment posted \$72 million in net income for the first quarter of 2004, up 13% from \$64 million for the corresponding quarter in 2003.

Revenues, totalling \$268 million for the quarter, increased by \$31 million, or 13%, mainly because trading revenues were \$21 million higher and financial market fees were up \$10 million.

| Trading Revenues (millions of dollars) | Q1 2004 | Q1 2003 |
|---|------------|------------|
| <i>Financial Markets</i> | | |
| Interest rate | 46 | 22 |
| Equities | 25 | 31 |
| Commodity and currency | 13 | 10 |
| | 84 | 63 |
| <i>Other segments</i> | 2 | 3 |
| Total | 86 | 66 |
| Net interest income | (70) | 16 |
| Other income | 160 | 39 |
| Taxable equivalent | (4) | 11 |
| Total | 86 | 66 |

At \$132 million, operating expenses rose 3% from \$128 million for the same quarter in 2003.

The provision for credit losses amounted to \$24 million for the quarter compared to \$10 million for the same period last year because of specific provision for credit losses recorded in the steel industry.

Management's Discussion and Analysis of Financial Condition and Operating Results (cont.)

Other

The net loss for the "Other" heading totalled \$14 million for the first quarter of 2004 compared to a net loss of \$11 million for the same period in 2003.

Other income included an amount of \$25 million now that fees charged on mortgage prepayments are no longer being amortized. The Bank also recorded a \$31 million write-down in the value of investments.

Consolidated Results

Revenues

Total revenues in the first quarter of 2004 stood at \$913 million compared to \$835 million in the same quarter of 2003, for a \$78 million or 9% increase. Trading revenues, as shown in the table on page 3, were up \$20 million and accounted for one quarter of revenue growth. The higher volume of individual trading on financial markets together with the corporate banking transactions contributed to the 21% growth in financial market fees, which amounted to \$164 million for the quarter. At \$76 million for the quarter, lending fees rose \$26 million primarily because the unamortized balance of mortgage prepayment fees was recorded to income further to the application of a new accounting standard. Lastly, \$7 million of losses on investment account securities included the \$31 million impairment charge recorded on investments, which was largely offset by gains in the investment account at Treasury.

Operating Expenses

Operating expenses for the quarter were \$579 million compared to \$548 million in the same quarter of 2003. Of the \$31 million increase, more than 40% stemmed from higher variable compensation as a result of the growing volume of retail brokerage activities.

Excluding the increase in variable compensation, operating expenses were up 3% from the corresponding quarter of 2003. Overall, the efficiency ratio dipped from 63.7% for the first quarter of 2003 to 62.7% this quarter.

Risk Management

Credit Risk

The provision for credit losses for the quarter was \$44 million as against \$41 million for the corresponding quarter of 2003. Credit losses of Personal and Commercial segment were down \$12 million or 29% to \$29 million. However, at Financial Markets, the provision for credit losses rose from \$14 million to \$24 million in the first quarter of 2004.

As at January 31, 2004, allowances for credit losses exceeded impaired loans by \$171 million, compared to \$154 million as at October 31, 2003 and \$175 million at the end of the corresponding quarter of 2003. Corporate banking was chiefly responsible for the reduction in impaired loans since the beginning of fiscal 2004.

The ratio of gross private impaired loans to total tangible capital and allowances was excellent at 12.9% as at January 31, 2004 versus 13.0% as at October 31, 2003 and 12.7% as at January 31, 2003.

Market Risk – Trading Activities

The VaR (Value-at-Risk) method is one of the main tools used in managing trading-related market risk. The VaR measure is based on a 99% confidence level and uses two years of historical data for its computation. Market risk management is described in more detail on page 59 of the 2003 Annual Report.

The table below entitled "Trading Activities" illustrates the allocation of market risk by type of risk: interest rate, foreign exchange, commodity and equity price.

Trading Activities ⁽¹⁾

(millions of dollars)

| Global VaR by risk category | For the quarter ended January 31, 2004 | | | | For the quarter ended October 31, 2003 | | | |
|-----------------------------------|--|------------|------------|------------|--|------------|------------|------------|
| | Period end | High | Average | Low | Period end | High | Average | Low |
| Interest rate | (4) | (7) | (5) | (3) | (4) | (5) | (4) | (3) |
| Foreign exchange | (1) | (2) | (1) | - | (1) | (2) | (1) | - |
| Equities | (2) | (4) | (2) | (1) | (2) | (3) | (2) | (1) |
| Commodities | - | - | - | - | - | - | - | - |
| Correlation effect ⁽²⁾ | 3 | 7 | 3 | - | 3 | 4 | 4 | 1 |
| Global VaR | (4) | (6) | (5) | (4) | (4) | (6) | (3) | (3) |

⁽¹⁾ Amounts are presented on a pre-tax basis and represent one-day VaR.

⁽²⁾ The correlation effect is the result of the diversification of types of risk.

Management's Discussion and Analysis of Financial Condition and Operating Results (cont.)

Balance Sheet

The Bank's total assets stood at \$80.8 billion as at January 31, 2004 compared to \$82.4 billion at the end of fiscal 2003. The decline was attributable to cash and securities, which went from \$33.1 billion as at October 31, 2003 to \$31.5 billion at the end of the first quarter of 2004. The table below presents the main loan and deposit headings.

| Average monthly volumes (millions of dollars) | January 2004 | October 2003 |
|--|-----------------|-----------------|
| Loans and acceptances* | | |
| Residential mortgages | 18,308 | 18,105 |
| Consumer loans | 5,355 | 5,193 |
| Credit card receivables | 1,597 | 1,525 |
| Business loans | 17,860 | 18,143 |
| | 43,120 | 42,966 |
| Deposits | | |
| Personal (balance) | 23,853 | 23,512 |
| Off-balance sheet personal savings (balance) | 55,109 | 51,525 |
| Business | 10,359 | 10,533 |

* including securitized assets

As at January 31, 2004, residential mortgages totalled \$18.3 billion, up approximately \$200 million from October 31, 2003. Excluding indirect loans, consumer loans have risen by 4% since the beginning of the fiscal year to \$4.9 billion. Credit card receivables increased by 5% in the first quarter to \$1.6 billion as at January 31, 2004. Business loans and acceptances stood at \$17.9 billion as against \$18.1 billion at the end of fiscal 2003. The decline was primarily attributable to corporate loans.

Personal deposits increased by approximately \$300 million since October 31, 2003 to \$23.9 billion. Off-balance sheet savings administered by the Bank and its subsidiaries were up approximately \$3.6 billion since the beginning of the new fiscal year to total \$55.1 billion as at January 31, 2004. Brokerage activities accounted for more than 70% of the increase.

Capital

Tier 1 and total capital ratios, in accordance with the rules of the Bank for International Settlements, were 10.1% and 13.8%, respectively, as at January 31, 2004, compared to 9.6% and 13.4% as at October 31, 2003. The improvement in the ratios was mainly due to the decline in risk-weighted assets.

Dividends

At its meeting on February 26, 2004, the Board of Directors declared regular dividends on the various classes and series of preferred shares, as well as a dividend of 33 cents per common share, payable on May 1, 2004 to shareholders of record on March 25, 2004.

Highlights

| (unaudited) | Quarter ended January 31 | | % Change |
|--|--------------------------|------------|-------------|
| | 2004 | 2003 | |
| Operating results | | | |
| (millions of dollars) | | | |
| Total revenues | \$913 | \$835 | 9 |
| Net income | 186 | 166 | 12 |
| Return on common shareholders' equity | 19.0 % | 17.6 % | |
| Per common share | | | |
| Earnings per share – basic | \$1.03 | \$0.88 | 17 |
| Dividends paid | 0.33 | 0.26 | 27 |
| Book value | 21.81 | 20.22 | 8 |
| Stock trading range | | | |
| High | 45.00 | 33.10 | |
| Low | 40.17 | 29.95 | |
| Close | 43.85 | 31.76 | |
| Financial position | | | |
| (millions of dollars) | | | |
| | January 31 | October 31 | |
| | 2004 | 2003 | |
| Total assets | \$80,812 | \$82,423 | (2) |
| Loans and acceptances | 45,554 | 45,761 | - |
| Deposits | 51,500 | 51,463 | - |
| Subordinated debentures and shareholders' equity | 5,633 | 5,613 | - |
| Capital ratios - BIS | | | |
| Tier 1 | 10.1 % | 9.6 % | |
| Total | 13.8 % | 13.4 % | |
| Impaired loans, net of specific and general allowances | (171) | (154) | |
| as a % of loans and acceptances | (0.4)% | (0.3)% | |
| Assets under administration/management | 162,193 | 155,348 | |
| Total personal savings | 78,962 | 75,037 | |
| Interest coverage | 10.99 | 10.22 | |
| Asset coverage | 3.34 | 3.19 | |
| Other information | | | |
| Number of employees | 16,914 | 16,935 | - |
| Number of branches in Canada | 476 | 477 | - |
| Number of banking machines | 816 | 817 | - |

Consolidated Statement of Income

| (unaudited) (millions of dollars except per share amounts) | Quarter ended | | |
|--|--------------------|--------------------|--------------------|
| | January 31 2004 | October 31 2003 | January 31 2003 |
| Interest income and dividends | | | |
| Loans | 447 | 463 | 466 |
| Securities | 89 | 125 | 150 |
| Deposits with financial institutions | 33 | 31 | 37 |
| | 569 | 619 | 653 |
| Interest expense | | | |
| Deposits | 247 | 247 | 257 |
| Subordinated debentures | 25 | 26 | 27 |
| Other | 19 | 25 | 14 |
| | 291 | 298 | 298 |
| Net interest income | 278 | 321 | 355 |
| Other income | | | |
| Financial market fees | 164 | 150 | 136 |
| Deposit and payment service charges | 49 | 49 | 47 |
| Trading revenues | 160 | 136 | 39 |
| Gains (losses) on investment account securities, net | (7) | - | 12 |
| Card service revenues | 12 | 12 | 11 |
| Lending fees | 76 | 56 | 50 |
| Acceptances, letters of credit and guarantee | 16 | 12 | 19 |
| Securitization revenues | 51 | 55 | 54 |
| Foreign exchange revenues | 19 | 14 | 17 |
| Trust services and mutual funds | 57 | 53 | 54 |
| Other | 38 | 45 | 41 |
| | 635 | 582 | 480 |
| Total revenues | 913 | 903 | 835 |
| Provision for credit losses | 44 | 50 | 41 |
| | 869 | 853 | 794 |
| Operating expenses | | | |
| Salaries and staff benefits | 345 | 353 | 317 |
| Occupancy | 46 | 49 | 46 |
| Computers and equipment | 73 | 82 | 79 |
| Communications | 19 | 20 | 21 |
| Professional fees | 24 | 30 | 26 |
| Other | 72 | 89 | 59 |
| | 579 | 623 | 548 |
| Income before income taxes and non-controlling interest | 290 | 230 | 246 |
| Income taxes | 97 | 66 | 73 |
| | 193 | 164 | 173 |
| Non-controlling interest | 7 | 6 | 7 |
| Net income | 186 | 158 | 166 |
| Dividends on preferred shares | 6 | 6 | 5 |
| Net income available to common shareholders | 180 | 152 | 161 |
| Number of common shares outstanding (thousands) | | | |
| Average - basic | 174,669 | 174,585 | 182,728 |
| Average - diluted | 177,008 | 176,347 | 183,905 |
| End of period | 173,569 | 174,620 | 181,563 |
| Earnings per common share | | | |
| Basic | 1.03 | 0.87 | 0.88 |
| Diluted | 1.02 | 0.86 | 0.88 |
| Dividends per common share | 0.33 | 0.28 | 0.26 |

Consolidated Balance Sheet

(unaudited)
(millions of dollars)

| | January 31 2004 | October 31 2003 | January 31 2003 |
|--|--------------------|--------------------|--------------------|
| ASSETS | | | |
| Cash resources | | | |
| Cash and deposits with Bank of Canada | 193 | 313 | 302 |
| Deposits with financial institutions | 7,837 | 6,643 | 6,130 |
| | 8,030 | 6,956 | 6,432 |
| Securities | | | |
| Investment account | 5,770 | 6,998 | 7,469 |
| Trading account | 17,701 | 19,151 | 11,669 |
| Loan substitutes | 20 | 30 | 64 |
| | 23,491 | 26,179 | 19,202 |
| Loans | | | |
| Residential mortgage | 14,014 | 13,976 | 12,962 |
| Personal and credit card | 6,260 | 6,101 | 5,744 |
| Business and government | 18,352 | 19,025 | 19,374 |
| Securities purchased under reverse repurchase agreements | 4,411 | 3,955 | 3,426 |
| Allowance for credit losses | (643) | (630) | (635) |
| | 42,394 | 42,427 | 40,871 |
| Other | | | |
| Customers' liability under acceptances | 3,160 | 3,334 | 3,134 |
| Assets held for disposal | - | - | 281 |
| Premises and equipment | 264 | 263 | 246 |
| Goodwill | 662 | 660 | 660 |
| Intangible assets | 182 | 183 | 184 |
| Other assets | 2,629 | 2,421 | 2,135 |
| | 6,897 | 6,861 | 6,640 |
| | 80,812 | 82,423 | 73,145 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Deposits | | | |
| Personal | 23,853 | 23,512 | 23,000 |
| Business and government | 21,637 | 22,700 | 21,399 |
| Deposit-taking institutions | 6,010 | 5,251 | 5,589 |
| | 51,500 | 51,463 | 49,988 |
| Other | | | |
| Acceptances | 3,160 | 3,334 | 3,134 |
| Obligations related to securities sold short | 8,644 | 8,457 | 6,085 |
| Obligations related to securities sold under repurchase agreements | 6,643 | 8,674 | 3,293 |
| Other liabilities | 4,832 | 4,484 | 4,435 |
| | 23,279 | 24,949 | 16,947 |
| Subordinated debentures | | | |
| | 1,473 | 1,516 | 1,581 |
| Non-controlling interest | | | |
| | 400 | 398 | 458 |
| Shareholders' equity | | | |
| Preferred shares | 375 | 375 | 500 |
| Common shares | 1,583 | 1,583 | 1,633 |
| Contributed surplus | 3 | 2 | - |
| Unrealized foreign currency translation adjustment | 1 | 6 | 17 |
| Retained earnings | 2,198 | 2,131 | 2,021 |
| | 4,160 | 4,097 | 4,171 |
| | 80,812 | 82,423 | 73,145 |

Consolidated Statement of Cash Flows

(unaudited)
(millions of dollars)

| | Quarter ended January 31 | |
|--|--------------------------|----------------|
| | 2004 | 2003 |
| Cash flows from operating activities | | |
| Net income | 186 | 166 |
| Adjustments for: | | |
| Provision for credit losses | 44 | 41 |
| Amortization of premises and equipment | 12 | 11 |
| Future income taxes | (3) | 6 |
| Translation adjustment on foreign currency subordinated debentures | 2 | (11) |
| Losses (gains) on sales of investment account securities, net | 7 | (12) |
| Gains on asset securitization | (17) | (19) |
| Stock option expense | 1 | - |
| Change in interest payable | 22 | (1) |
| Change in interest receivable | 193 | 13 |
| Change in income taxes payable | (119) | 6 |
| Change in unrealized losses (gains) and net amounts payable on derivative contracts | (246) | 228 |
| Change in trading account securities | 1,450 | 1,510 |
| Excess of contributions over expense for employee pension plans | (15) | (78) |
| Change in other items | 326 | 307 |
| | 1,843 | 2,167 |
| Cash flows from financing activities | | |
| Change in deposits | 37 | (1,702) |
| Maturity of subordinated debentures | (45) | - |
| Issuance of common shares | 14 | 7 |
| Issuance of preferred shares | - | 200 |
| Repurchase of common shares for cancellation | (69) | (46) |
| Dividends paid on common shares | (58) | (91) |
| Dividends paid on preferred shares | (6) | (5) |
| Change in obligations related to securities sold short | 187 | 543 |
| Change in obligations related to securities sold under repurchase agreements | (2,031) | (1,123) |
| Change in other items | (5) | (4) |
| | (1,976) | (2,221) |
| Cash flows from investing activities | | |
| Change in loans | (25) | 996 |
| Proceeds from securitization of assets | 470 | 276 |
| Purchases of investment account securities | (2,595) | (5,765) |
| Sales of investment account securities | 3,826 | 5,177 |
| Change in securities purchased under reverse repurchase agreements | (456) | (1,060) |
| Net acquisition of premises and equipment | (13) | (2) |
| | 1,207 | (378) |
| Increase (decrease) in cash and cash equivalents | 1,074 | (432) |
| Cash and cash equivalents at beginning | 6,956 | 6,864 |
| Cash and cash equivalents at end | 8,030 | 6,432 |
| Cash and cash equivalents | | |
| Cash and deposits with Bank of Canada | 193 | 302 |
| Deposits with financial institutions | 7,837 | 6,130 |
| Total | 8,030 | 6,432 |
| Interest and dividends paid | 333 | 396 |
| Income taxes paid | 217 | 70 |

Consolidated Statement of Changes in Shareholders' Equity

(unaudited)
(millions of dollars)

| | Quarter ended January 31 | |
|--|--------------------------|--------------|
| | 2004 | 2003 |
| Preferred shares at beginning | 375 | 300 |
| Issuance of preferred shares, Series 15 | – | 200 |
| Preferred shares at end | 375 | 500 |
| Common shares at beginning | 1,583 | 1,639 |
| Issuance of common shares | 14 | 7 |
| Repurchase of common shares for cancellation (Note 6) | (14) | (13) |
| Common shares at end | 1,583 | 1,633 |
| Contributed surplus at beginning | 2 | – |
| Stock option expense | 1 | – |
| Contributed surplus at end | 3 | – |
| Unrealized foreign currency translation adjustment at beginning | 6 | 17 |
| Foreign exchange gains (losses) on activities where the functional currency is other than the Canadian dollar | (7) | 9 |
| Income taxes related to foreign exchange gains and losses | 2 | (9) |
| Unrealized foreign currency translation adjustment at end | 1 | 17 |
| Retained earnings at beginning | 2,131 | 1,945 |
| Net income | 186 | 166 |
| Dividends | | |
| Preferred shares | (6) | (5) |
| Common shares | (58) | (48) |
| Premium paid on common shares repurchased for cancellation (Note 6) | (55) | (33) |
| Share issuance expenses, net of income taxes | – | (4) |
| Retained earnings at end | 2,198 | 2,021 |
| Shareholders' equity | 4,160 | 4,171 |

Notes to the Consolidated Financial Statements

(unaudited) (millions of dollars)

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2003. Certain comparative figures have been reclassified to comply with the presentation adopted in fiscal 2004.

1. Significant Accounting Policies

These unaudited interim consolidated financial statements of the Bank have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and the accounting policies described in the Bank's most recent Annual Report for the year ended October 31, 2003, except for the new standards described in Note 2.

2. Recent Standards Adopted

Generally Accepted Accounting Principles

On November 1, 2003, the Bank adopted the requirements of Section 1100 of the Canadian Institute of Chartered Accountants (CICA) Handbook, "Generally Accepted Accounting Principles". This Section establishes standards for financial reporting in accordance with generally accepted accounting principles (GAAP) and identifies other sources to be consulted in selecting accounting policies and disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. The application of this standard eliminates certain practices that could have been used within a particular industry. The only material impact on the results of the Bank is that mortgage loan prepayment fees will no longer be amortized. Since November 1, 2003, these

fees have been recognized in the Consolidated Statement of Income under "Lending fees" when earned. Prior to November 1, 2003, mortgage loan prepayment fees were recorded and amortized to interest income over the term of the loan. In accordance with the guidance in Section 1100, the unamortized balance of mortgage loan prepayment fees, which amounted to \$25 million as at October 31, 2003 (\$16 million net of income taxes), was recorded in the first quarter of 2004 in the Consolidated Statement of Income under "Lending fees". In addition, following the adoption of Section 1100, the current basis of presentation using the net balance of certain amounts receivable and payable on outstanding transactions, including cheques and other items in transit, could be replaced by a presentation based on gross balance.

Notes to the Consolidated Financial Statements (cont.) (unaudited) (millions of dollars)

Hedging relationships

On November 1, 2003, the Bank adopted CICA Accounting Guideline No.13, "Hedging Relationships" (AcG-13). This Guideline identifies the circumstances in which hedge accounting is appropriate and discusses the identification, designation, documentation and effectiveness of hedging relationships and the discontinuance of hedge accounting, but does not cover hedge accounting techniques. Monetary or derivative financial instruments used in risk management qualifying for hedge accounting are recorded using the hedge accounting methodology described in Note 1 of the 2003 Annual Report.

When a hedging relationship ceases to be effective, hedge accounting will be discontinued prospectively and the financial instrument will be carried at fair value on the Consolidated Balance Sheet as of the date hedge accounting was discontinued. Any subsequent changes in fair value will be recognized in "Other income", in conformity with EIC-128, "Accounting for Trading Speculative or Non-Hedging Derivative Financial Instruments." Should the financial instrument once again qualify as a hedging relationship, then hedge accounting will take effect again on the new date of designation.

Financial instruments that do not qualify for hedge accounting under AcG-13 are carried at fair value on the Consolidated Balance Sheet as at November 1, 2003. The resulting \$16 million transitional gain is deferred and recognized in income over the remaining term of the financial instruments.

Impairment of long-lived assets

Effective November 1, 2003, the Bank adopted the recommendations of CICA standard "Impairment of Long-Lived Assets", which establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets. This standard stipulates that an impairment loss should be recognized when the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is to be measured as the excess of the carrying value of the asset over its fair value. The adoption of this standard had no impact on the consolidated financial statements for the first quarter of 2004.

Equity-linked deposit contracts

On November 1, 2003, the Bank adopted CICA Accounting Guideline No. 17, "Equity-Linked Deposit Contracts" (AcG-17). Under this Guideline, the Bank may record at fair value certain deposit obligations for which the obligation varies according to the return on equities or an equity index and which entitle the investors, after a specified period of time, to receive the higher of a stated percentage of their principal investment and a variable amount based on the return on equities or an equity index. Any subsequent changes in fair value are recognized in the Consolidated Statement of Income as they arise. The adoption of this Guideline did not have a material impact on the consolidated financial statements for the first quarter of 2004.

3. Recent Accounting Standards Pending Adoption

Variable interest entities

In June 2003, the CICA issued Accounting Guideline No.15, "Consolidation of Variable Interest Entities". This Guideline is harmonized with the corresponding U.S. standard and includes guidance on determining the primary beneficiary of variable interest entities and the beneficiary that will therefore have to consolidate them.

The Guideline will apply to all periods beginning on or after November 1, 2004. The Bank is currently evaluating the impact of this new Accounting Guideline.

4. Loans and Impaired Loans

| | Gross amount | Impaired loans | | | Net |
|--|--------------|---------------------------|------------------------|----|-------|
| | | Specific Gross allowances | Country risk allowance | | |
| January 31, 2004 | | | | | |
| Residential mortgage | 14,014 | 6 | 3 | - | 3 |
| Personal and credit card | 6,260 | 31 | 17 | - | 14 |
| Business and government | 18,352 | 435 | 210 | 8 | 217 |
| Securities purchased under reverse repurchase agreements | 4,411 | - | - | - | - |
| | 43,037 | 472 | 230 | 8 | 234 |
| General allowance ⁽¹⁾ | | | | | (405) |
| Impaired loans, net of specific and general allowances | | | | | (171) |
| October 31, 2003 | | | | | |
| Residential mortgage | 13,976 | 7 | 3 | - | 4 |
| Personal and credit card | 6,101 | 33 | 17 | - | 16 |
| Business and government | 19,025 | 436 | 186 | 19 | 231 |
| Securities purchased under reverse repurchase agreements | 3,955 | - | - | - | - |
| | 43,057 | 476 | 206 | 19 | 251 |
| General allowance ⁽¹⁾ | | | | | (405) |
| Impaired loans, net of specific and general allowances | | | | | (154) |

As at January 31, 2004, foreclosed assets held for sale amounted to \$1 million net (\$6 million as at October 31, 2003) and foreclosed assets held for use, \$2 million (\$4 million as at October 31, 2003).

(1) The general allowance for credit risk was created taking into account the Bank's credit in its entirety.

Notes to the Consolidated Financial Statements (cont.) (unaudited) (millions of dollars)

5. Allowances for Credit Losses

| | Specific allowances | Allocated general allowance | Unallocated general allowance | Country risk allowance | Quarter ended January 31 | |
|-----------------------------|------------------------|-----------------------------------|-------------------------------------|---------------------------|-----------------------------|------|
| | | | | | 2004 | 2003 |
| Allowances at beginning | 206 | 300 | 105 | 19 | 630 | 662 |
| Provision for credit losses | 44 | (17) | 17 | - | 44 | 41 |
| Write-offs | (33) | - | - | (11) | (44) | (80) |
| Recoveries | 13 | - | - | - | 13 | 12 |
| Allowances at end | 230 | 283 | 122 | 8 | 643 | 635 |

6. Capital Stock

| Issued and fully paid as at January 31, 2004 | |
|--|-------|
| First preferred shares | |
| 7,000,000 shares, Series 13 | 175 |
| 8,000,000 shares, Series 15 | 200 |
| | 375 |
| 173,568,701 common shares | 1,583 |
| | 1,958 |
| 7,010,755 stock options outstanding | N/A |

Repurchase of common shares

On December 8, 2003, the Bank started a normal course issuer bid for the repurchase of up to 8,700,000 common shares over a 12-month period ending no later than December 7, 2004. Repurchases were made on the open market at market prices through the facilities of the Toronto Stock Exchange. Premiums paid above the average book value of the common shares were charged to retained earnings. As at January 31, 2004, the Bank has completed the repurchase of 1,600,000 common shares at a cost of \$69 million, which reduced common equity capital by \$14 million and retained earnings by \$55 million.

7. Securitization

CMHC-guaranteed mortgage loans

During the first quarter of 2004, the Bank securitized residential mortgage loans guaranteed by the CMHC totalling \$470 million through the creation of mortgage-backed securities. The Bank sold all these securities. The Bank received cash proceeds totalling \$468 million and retained the rights to future excess interest in the amount of \$12 million. The Bank also recorded a servicing liability of \$3 million. A pre-tax gain of \$7 million, net of transaction fees of \$2 million, was recognized in the Consolidated Statement of Income under "Securitization revenues".

8. Guarantees, commitments and contingent liabilities

As at January 31, 2004, there were no significant changes with respect to the guarantees issued by the Bank as defined in Accounting Guideline AcG-14 "Disclosure of Guarantees" and presented in Note 18 to the Consolidated Financial Statements for the year ended October 31, 2003, except for the addition of the following guarantee:

Backstop liquidity facilities – multiseller conduit

The Bank administers a multiseller conduit that buys various financial assets from clients and finances these purchases by issuing asset-backed commercial paper. The Bank provides backstop liquidity facilities for commercial paper to the multiseller conduit. These backstop liquidity facilities may only be drawn upon if, after a market disruption, the conduit was unable to access the commercial paper market. These guarantees have a duration of less than one year and are renewable periodically. The terms of the backstop liquidity facilities do not require the Bank to advance money to the conduit in the event of a bankruptcy or to fund non-performing or defaulted assets. None of the backstop liquidity facilities provided by the Bank have been drawn upon to date. As at January 31, 2004, the maximum potential future payments that the Bank may be required to make under these backstop liquidity facilities was \$367 million. No amount has been accrued in the Consolidated Balance Sheet with respect to these liquidity facilities.

Notes to the Consolidated Financial Statements (cont.) (unaudited) (millions of dollars)

9. Segment Disclosures

Quarter ended January 31

| | Personal and Commercial | | Wealth Management | | Financial Markets | | Other | | Total | |
|--|----------------------------|--------|----------------------|------|----------------------|--------|---------|---------|--------|--------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Net interest income ⁽¹⁾ | 323 | 312 | 22 | 23 | (6) | 71 | (61) | (51) | 278 | 355 |
| Other income ⁽¹⁾ | 160 | 156 | 164 | 139 | 274 | 166 | 37 | 19 | 635 | 480 |
| Total revenues | 483 | 468 | 186 | 162 | 268 | 237 | (24) | (32) | 913 | 835 |
| Operating expenses | 292 | 279 | 148 | 131 | 132 | 128 | 7 | 10 | 579 | 548 |
| Contribution | 191 | 189 | 38 | 31 | 136 | 109 | (31) | (42) | 334 | 287 |
| Provision for credit losses ⁽¹⁾ | 29 | 41 | – | – | 24 | 10 | (9) | (10) | 44 | 41 |
| Income before income taxes and non-controlling interest | 162 | 148 | 38 | 31 | 112 | 99 | (22) | (32) | 290 | 246 |
| Income taxes ⁽¹⁾ | 58 | 54 | 13 | 11 | 40 | 35 | (14) | (27) | 97 | 73 |
| Non-controlling interest | – | – | 1 | 1 | – | – | 6 | 6 | 7 | 7 |
| Net income | 104 | 94 | 24 | 19 | 72 | 64 | (14) | (11) | 186 | 166 |
| Average assets | 39,476 | 38,342 | 654 | 672 | 42,678 | 37,222 | (5,478) | (5,916) | 77,330 | 70,320 |

Personal and Commercial

This segment comprises the branch network, intermediary services, credit cards, insurance, commercial banking services and real estate.

Wealth Management

This segment comprises full-service retail brokerage, discount brokerage, mutual funds, trust services and portfolio management.

Financial Markets

This segment consists of corporate financing and lending, treasury operations, which include asset and liability management, and corporate brokerage.

Other

This heading comprises securitization operations, gains on the sale of operations, certain non-recurring items, discontinued operations and the unallocated portion of centralized service units.

(1) Taxable equivalent

The accounting policies are the same as those described in the Note on accounting policies (Note 1 in the 2003 Annual Report), with the exception of net interest income, other income and income taxes of the operating segments, which

are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists in grossing up the tax-exempt income by the amount of income tax that otherwise would have been payable. For all of the operating segments, net interest income was grossed up by \$13 million

(\$13 million in 2003) and other income was decreased by \$2 million (grossed up by \$12 million in 2003). An equal amount was added to income taxes. The impact of these adjustments is reversed under the "Other" heading.

Economic Commentary

Global recovery confirmed

The stage is set, with global economic growth projected to be 4.5% in 2004. The U.S. economy should expand at the same rate, while in Canada, the strengthening of the dollar means that our growth will be a relatively modest 3.0%.

Growth prospects have improved throughout the developed world, but the anticipated pace of expansion will vary greatly from one region to another.

In the second half of 2002, geopolitical uncertainty undermined U.S. business confidence, causing many companies to put off investment and hiring decisions and raid their inventories rather than boost production. Fortunately, their financial situation has not deteriorated. Productivity gains have buoyed their strong profit margins and low interest rates enabled them to contain their debt load, while the government sweetened the tax incentives introduced after 9/11.

Around mid-2003, confidence returned. Over the last three quarters of the year 2003, business investments were one of the primary drivers of economic growth. In the last quarter, companies also began to replenish their inventories. Labour market indicators generally suggest that we will see a long-awaited recovery.

The American engine is no longer alone. China is now an important hub of economic growth. Not only is it benefiting from the relocation of production to countries with low workforce costs, but it is also urbanizing at breakneck speed. As a result, its demand for raw materials and industrial goods that are lacking domestically is having a major impact on global markets, opening doors around the world, especially in Latin America.

For 2004, the anticipated upturn in the global economy will not benefit Canada as much as in the past. The skyrocketing of the Canadian dollar against the greenback has clearly taken its toll. In late 2003,

producer prices in Canada had dropped by 3.4% from a year ago, which is extremely rare. This was caused by the decline in prices charged in U.S. dollars, once converted to Canadian currency. Had the Canadian dollar not climbed so dramatically, industrial prices would in fact have risen by 1.6%. Given the use of hedging techniques to protect against exchange rate fluctuations, part of the price drop will have a latent effect on revenues; the full impact on financial results has not yet been felt.

Like producer prices, export volumes also fell. Until some improvements occurred at the end of the year, Canadian exports of goods, other than energy, were down over the previous year. By the end of the year, 82,000 manufacturing jobs had been lost since the peak in November 2002. To offset this weakness in the foreign trade sector, the Bank of Canada trimmed its trendsetting rate at the beginning of 2004.

Although the problems in the manufacturing sector have had repercussions on employment, the ripple effect on the rest of the economy has nonetheless been limited. Household confidence, as evidenced by the labour force participation rate, has not waned. Moreover, the high-flying loonie will at least encourage business to invest in order to ramp up productivity. The timing is right, since the currency lift means shrinking prices of imported equipment, and most businesses have the necessary funds available to start an investment program.

Because of an expected increase in capital spending, we predict a 3.8% rise in domestic demand, the same rate as in 2003. However, economic growth should come in around 3.0%. In fact, the trade surplus will narrow, though to a much lesser degree than in 2003, when economic growth was apparently only 1.6%.

Quebec and Ontario, Canada's manufacturing powerhouses, will have to settle for economic growth rates shy of the Canadian average, about 2.6% and 2.7% respectively.

For a more detailed analysis and up-to-date information on the state of the global and local economy, we invite you to consult the following National Bank economic publications:

Economic and Financial Outlook: A complete survey of the economic outlook in North America and abroad, the provincial economies, and financial markets and sectors. Published twice a year.

Monthly Economic Monitor: An overview of recent economic developments in Canada, the United States and around the world, with an update of our economic forecast.

Economic Weekly: A weekly analysis of current economic issues along with the latest figures for selected indicators of foreign, North American and provincial economies, and commodity prices.

These publications are available on the Bank's website at www.nbcc.ca in the menu on the right-hand side of the screen under Economic Analysis.

Bank News

Réal Raymond spoke at the Canadian Financial Services Conference hosted by RBC Capital Markets: In his speech on January 21 to North American and European institutional investors, Réal Raymond demonstrated just how different the National Bank is from other financial institutions. To illustrate his point, Mr. Raymond first presented the National Bank's business model: a super-regional bank that is determined to remain Quebec's leading bank. He went on to explain the Bank's main characteristics—its performance, its diversification, its discipline and its competitive edge.

Three National Bank senior managers among the 100 most powerful women in Canada: In its 2003 contest, the Toronto-based Women's Executive Network named Patricia Curadeau-Grou and Gisèle Desrochers, both Members of the Executive Committee of the National Bank, and E.A. (Dee) Parkinson-Marcoux, a Member of the Bank's Board of Directors, among Canada's "Top 100 Most Powerful Women".

Réal Raymond, *Personnalité financière de l'année 2003*: Quebec business magazine *Finance et Investissement*, which draws up a list of the 25 most influential people in Quebec financial circles, has named Réal Raymond, President and Chief Executive Officer, *Personnalité financière de l'année 2003*. This prestigious list also includes Jean Turmel, President – Financial Markets, Treasury and Investment Bank, and Patricia Curadeau-Grou, Senior Vice-President – Risk Management.

NBDB is tops in customer service: National Bank Discount Brokerage (NBDB) has once taken top honours for the quality of its customer service according to a Dalbar survey of Canadian discount brokerage firms. Between November 30, 2003 and January 30, 2004, Dalbar surveyed the seven main brokerage houses in Canada to evaluate their representatives in terms of professional attitude, speed of response to customers, pro-activity in providing information, overall knowledge, and ability to provide quality information. The other areas in which NBDB distinguished itself were telephone access and e-mails.

New portfolio-linked note: National Bank has introduced the Mutual Fund Portfolio-Linked Note. Investors can now enjoy sound diversification when they buy a note whose return is based on seven mutual funds made up of Canadian equities, international equities and fixed-income securities. The Note is sold in multiples of \$100 and the minimum initial investment is \$500.

2003 Social Responsibility Report: The Bank's Social Responsibility Report will be available at the beginning of March 2004 in all its branches, on its web-site at www.nbc.ca or by calling TelNat at 1-888-4-TELNAT or (514) 394-5555. This document covers the various aspects of the Bank's social commitment and provides specific information on its corporate donations, its philanthropic activities and the volunteer activities of its employees, its support to SMEs and its contribution to the economy. The Social Responsibility Report is available on request to Bank customers and the general public.

United Way/Centraide campaign: Each year the Bank and its employees, both active and retired, strengthen their commitment to the community. The \$1,491,038 donated to the 2003 United Way/Centraide campaign was a 6% increase over last year's contribution. Employees, managers and retired employees across Canada lent a helping hand: contributions from employees in the Greater Montreal area amounted to \$512,915, to which the Bank added a corporate donation of \$470,000. National Bank Financial and its employees raised \$271,000, while employees outside Greater Montreal who participated in the United Way/Centraide campaign in their respective regions donated \$237,123. Some 260 retired employees also gave generously, contributing \$22,832.

Mira Foundation: The Mira Foundation, which trains guide dogs for persons who are visually-impaired or physically challenged, also benefitted from the generosity of the Bank and its customers. The fundraising campaign conducted in the branches, under the responsibility of Michel Tremblay, Senior Vice-President – Personal Banking and Wealth Management, collected over \$322,450 through the sale of key rings with the Mira logo.

2003 Annual Report: Bank's Annual Report has been available in print for a few weeks and can be obtained by calling TelNat at 1-888-4-TELNAT or (514) 394-5555. It is also available online at www.nbc.ca/investorrelations.

New corporate governance rules: National Bank's Board of Directors announced the addition of two new guidelines to its corporate governance rules for senior officers. These new guidelines, which go beyond regulatory requirements, are intended to bring the interests of management more in line with the Bank's results. Under the new rules, the President and Chief Executive Officer as well as officers on the Bank's Executive Committee will now be required to publicly disclose their intention to exercise options at least five business days in advance. As with any other transaction involving Bank securities, options can only be exercised during the trading periods prescribed by the Bank. Moreover, the Bank requires its officers to maintain minimum holdings of Bank common shares (including deferred stock units for officers, stock appreciation rights and vested stock options), in proportion to their compensation and function. In 2003, the value of the minimum common share holdings was a multiple of the previous three years' average base salary received by a given officer, as set out below:

- 5.0 for the President and Chief Executive Officer
 - 2.0 for members of the Executive Committee
 - 1.5 for senior vice-presidents
 - 1.0 for vice-presidents
-

Annual Meeting of Shareholders: The Annual Meeting of Shareholders of the Bank will take place on Wednesday, March 10, 2004 at 9:30 a.m. at the Fairmont The Queen Elizabeth Hotel, 900 René-Lévesque West, Montreal.



Head Office

600 de La Gauchetière West
Montreal, Quebec, Canada
H3B 4L2

www.nbc.ca

National Bank of Canada Information for Shareholders and Investors

Investor Relations

Financial analysts and investors who want to obtain financial information on the Bank are asked to contact the Investor Relations Department.

600 de La Gauchetière West, 7th Floor

Montreal, Quebec H3B 4L2

Telephone: (514) 394-0296

Fax: (514) 394-6196

E-mail: investorrelations@nbc.ca

Website: www.nbc.ca/investorrelations

Public Relations

600 de La Gauchetière West, 8th Floor

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Quarterly report publication dates for fiscal 2003-2004

First quarter February 26, 2004

Second quarter May 27, 2004

Third quarter August 26, 2004

Fourth quarter December 2, 2004

Disclosure of 1st quarter 2004 results

Conference call:

- A conference call for analysts and institutional investors will be held on February 26, 2004 at 1:00 p.m. EST.
- Access by telephone: **1-800-387-6216** or **(416) 405-9328**
- A recording of the conference call can be heard until March 4, 2004 by calling **1-800-408-3053** or **(416) 695-5800**. The access code is **1528674**.

Webcast:

- The conference call will be webcast live at www.nbc.ca/investorrelations
- A recording of the webcast will also be available on the Internet after the call.

Financial documents:

- The quarterly financial statements are available at all times on the National Bank's website at www.nbc.ca/investorrelations.
- The Report to Shareholders, supplementary financial information and a slide presentation will be available on the Investor Relations page of the National Bank's website shortly before the start of the conference call.

Transfer agent and registrar

For information about stock transfers, address changes, dividends, lost stock certificates, tax forms and estate transfers, shareholders are requested to contact the Transfer Agent, National Bank Trust Inc., at the address and telephone numbers below.

National Bank Trust Inc.

Share Ownership Management

1100 University, 9th Floor

Montreal, Quebec H3B 2G7

Telephone: (514) 871-7171

1-800-341-1419

Fax: (514) 871-7442

Email: clientele@tbn.bnc.ca

Direct deposit service for dividends

Shareholders may have their dividend payments deposited directly via electronic funds transfer to an account at any financial institution that is a member of the Canadian Payments Association. To do so, simply contact the transfer agent, National Bank Trust Inc., in writing.

Dividend Reinvestment and Share Purchase Plan

The National Bank offers holders of its common or preferred shares a Dividend Reinvestment and Share Purchase Plan through which they can invest in shares without paying any commissions or administration fees. Participants may reinvest all cash dividends paid on their shares held or make optional cash payments of at least \$500 per payment, to a maximum of \$5,000 per quarter to purchase shares. For more information, please contact the Registrar, National Bank Trust Inc., at 1-800-341-1419 or (514) 871-7171.

www.nbc.ca/investorrelations