



NATIONAL BANK OF CANADA

Investor Presentation

Q2 2002 Results Conference Call

May 30th, 2002

www.nbc.ca/investorrelations

Strong Financial Markets performance complements steady business line results



Cash EPS of \$0.62

**National Bank remains extremely well positioned amongst
Canadian Banks for gross and net non performing loan
ratios notwithstanding Teleglobe provision**

**At April 30, share buyback stands at 58.7% redeemed,
or 5.6M shares**

Tight Capital Management: Tier 1 at 10.7%

**Putnam Lovell acquisition, closing date expected beginning
of June 2002**



Performance review

(Millions \$)
Cash Basis

	Q2 02	Q1 02	Q2 01	Evolution	
				Y/Y	Q/Q
Revenues	\$827	\$805	\$798	4%	3%
Net income	\$122	\$146	\$145	-16%	-16%
EPS	\$0.62	\$0.73	\$0.71	-12%	-15%
ROE	13.1%	15.0%	16.6%		



Performance review

(Millions \$)
Cash Basis

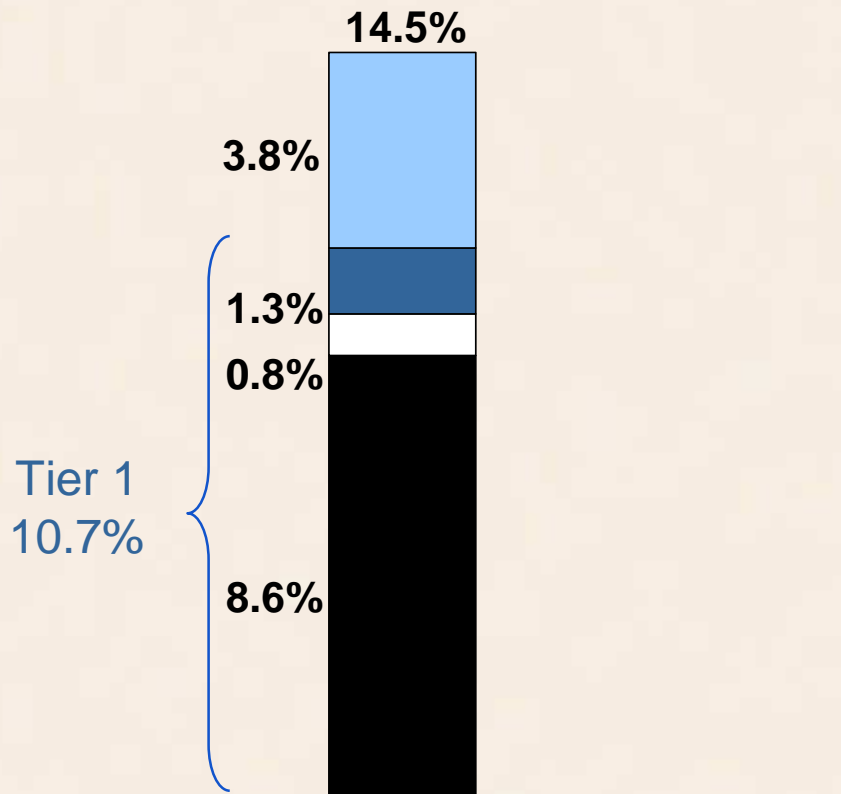
Q2 02

	Before taxes	After taxes	Per share
As reported		122	\$0.62
Teleglobe provision	100	63	\$0.33
Adjustment to general allowance	(30)	(19)	(\$0.10)
Merchant Bank	(10)	<u>(6)</u>	<u>(\$0.03)</u>
		<u>160</u>	<u>\$0.82</u>



Capital Strength

Q2 02



Share buyback status

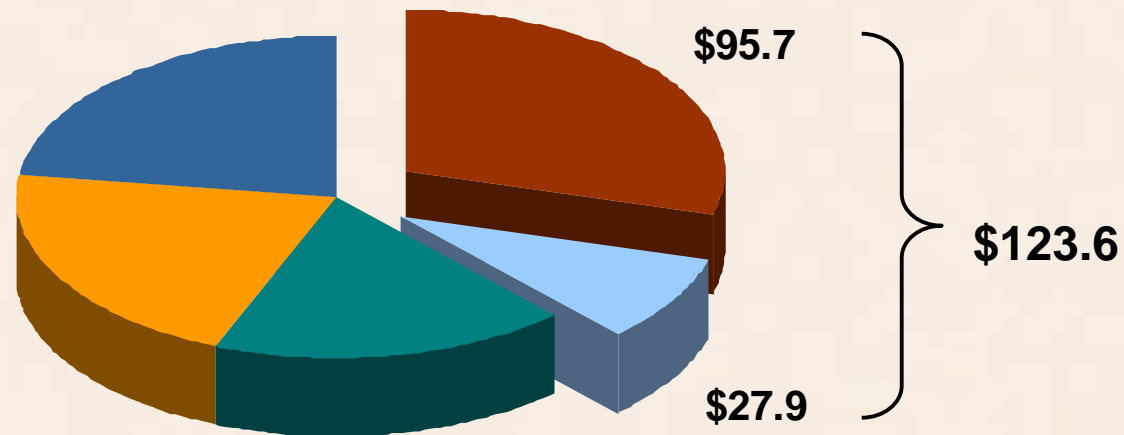


- Tangible equity
- Innovative instruments
- Non-cum. Pref. shares
- Tier 2



Earnings contribution

*For the 6 months ending April 30, 2002
in millions of dollars
Excluding Other segment*



- Personal Banking
- Commercial
- Treasury
- Wealth Management
- Capital Markets



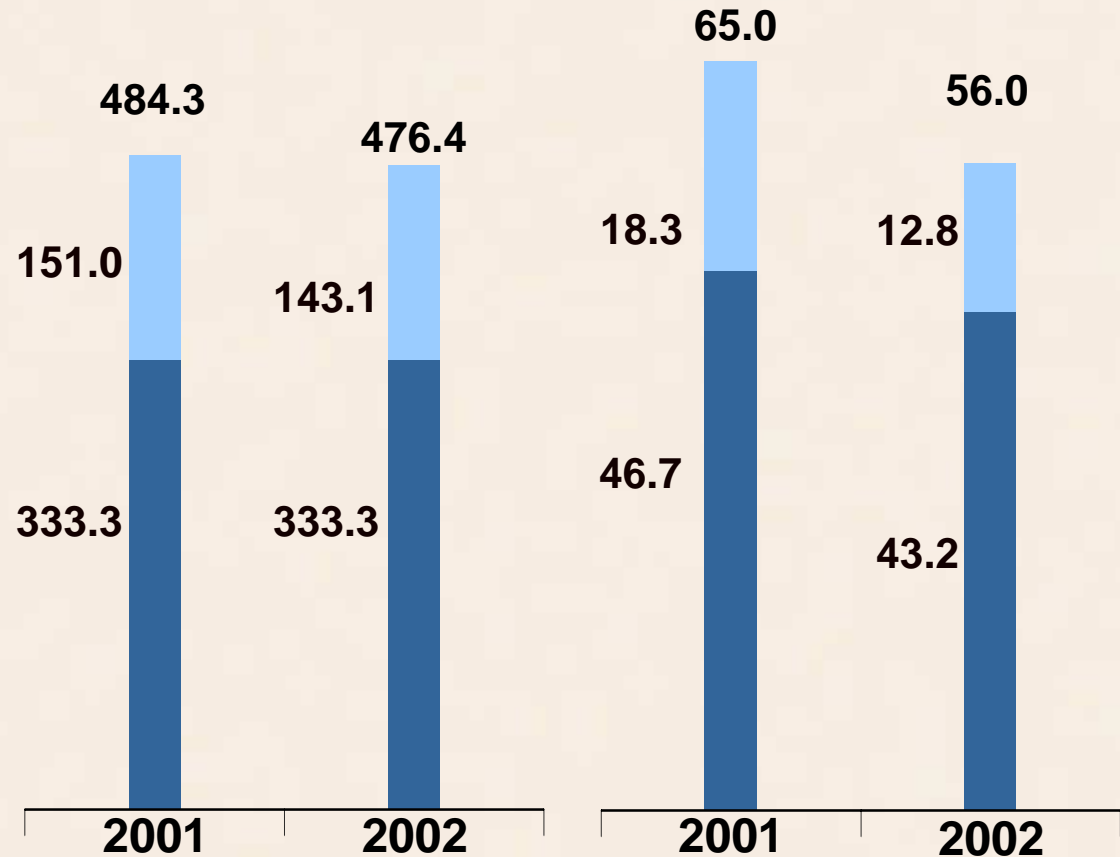
Financial Performance

For the Quarter ending April 30
in millions of dollars

Wealth Management
Personal Banking

Total Revenues

Net Income



Volume increase (Q2 02 vs Q2 01):
+ 2.9% for mortgages
+ 6.0% for credit card services

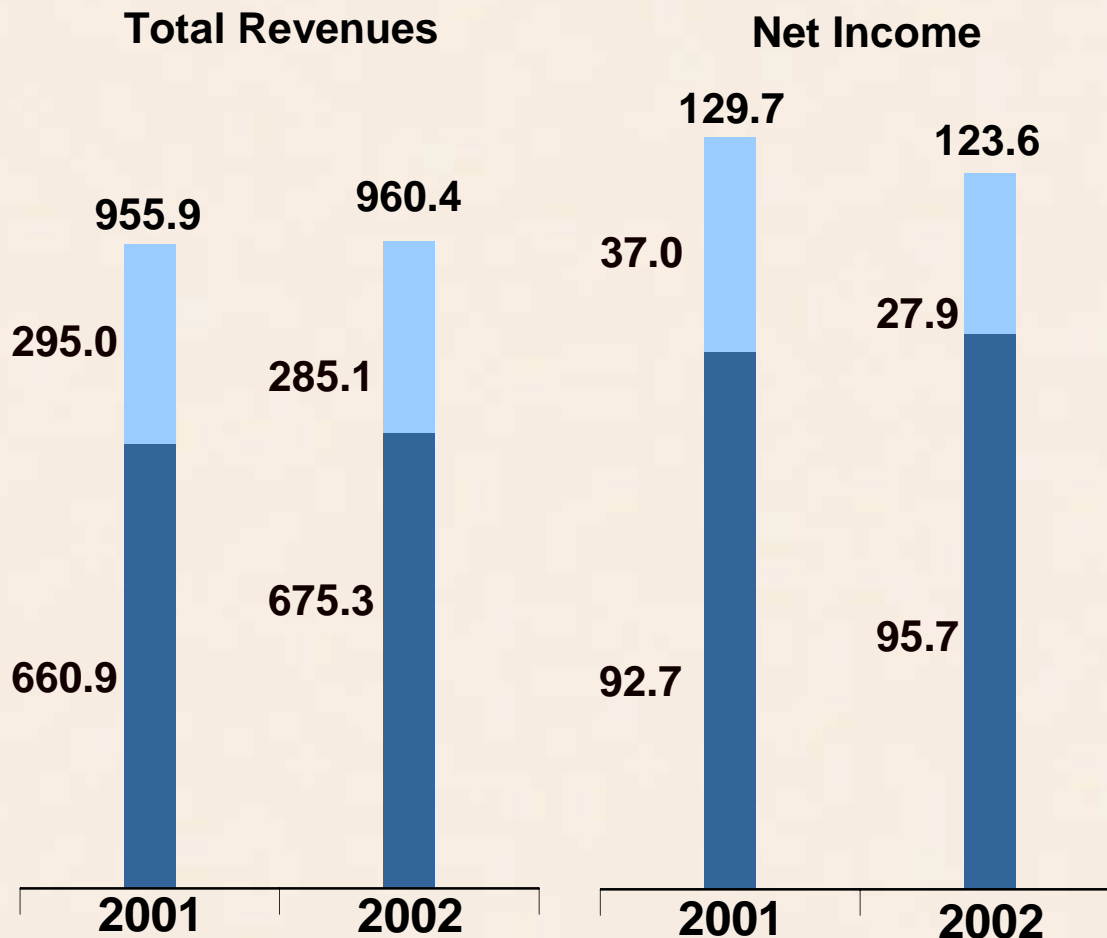
Margin compression on transactional deposits offset by higher margins on credit card loans



Financial Performance

For the 6 months ending April 30
in millions of dollars

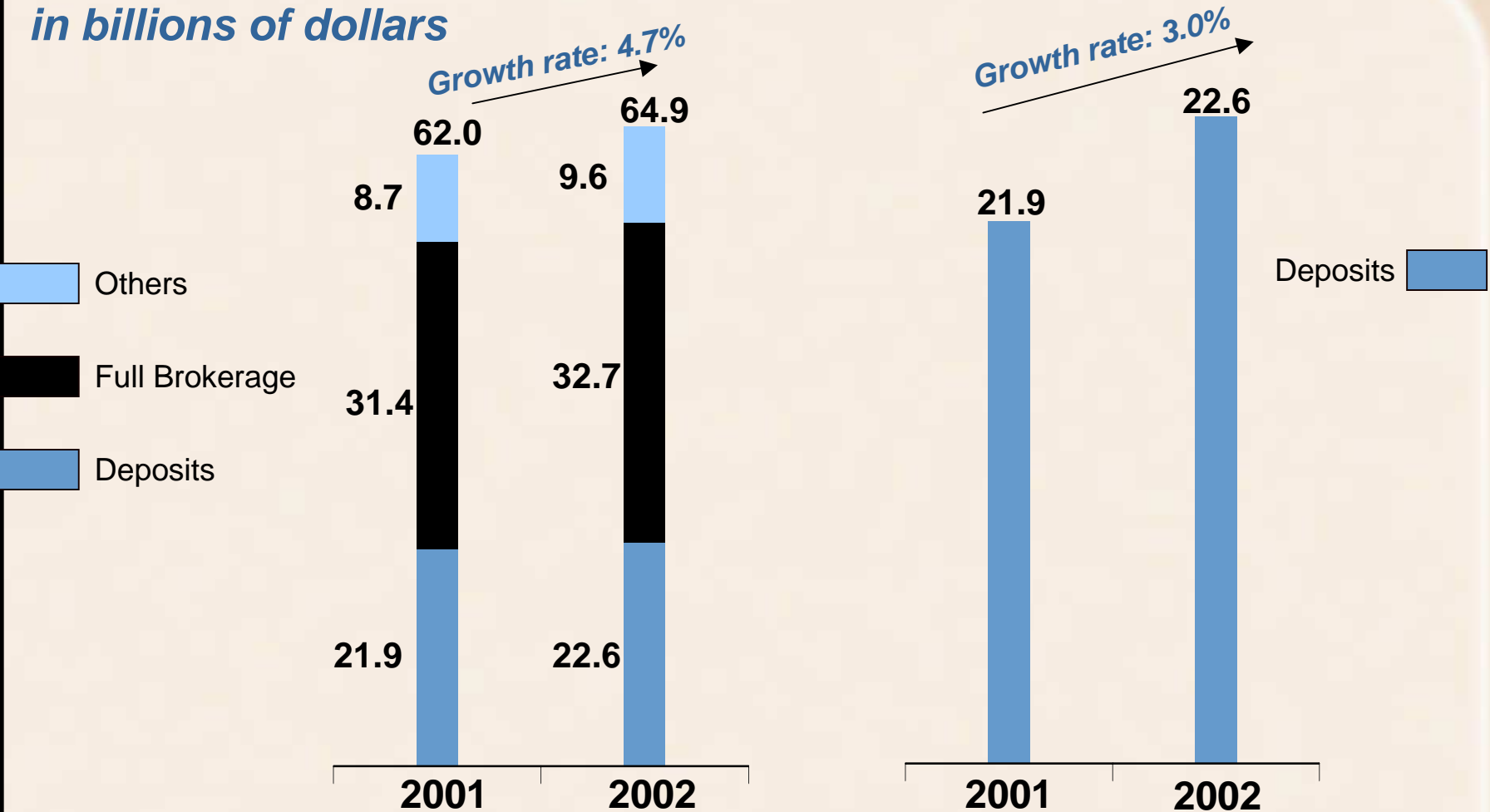
Wealth Management
Personal Banking



Assets under management growth



As at April 30
in billions of dollars



Others include Mutual Funds, Discount Brokerage and Trust Services



Importance of Client Focus

h⁺ Longer hours in 60 of our branches

1st phase

Start date: April 2nd
Number of branches: 60
Minimum # of hours: 35 h / week
Impact: nearly 530,000 clients will benefit from a 25% to 40% increase in service hours

2nd phase

Start date: 2002-2003
Impact: 40 additional branches added to
+ 60 of phase 1
100 branches = 50% of clients



Importance of Client Focus

Specialized Sales Force implementation

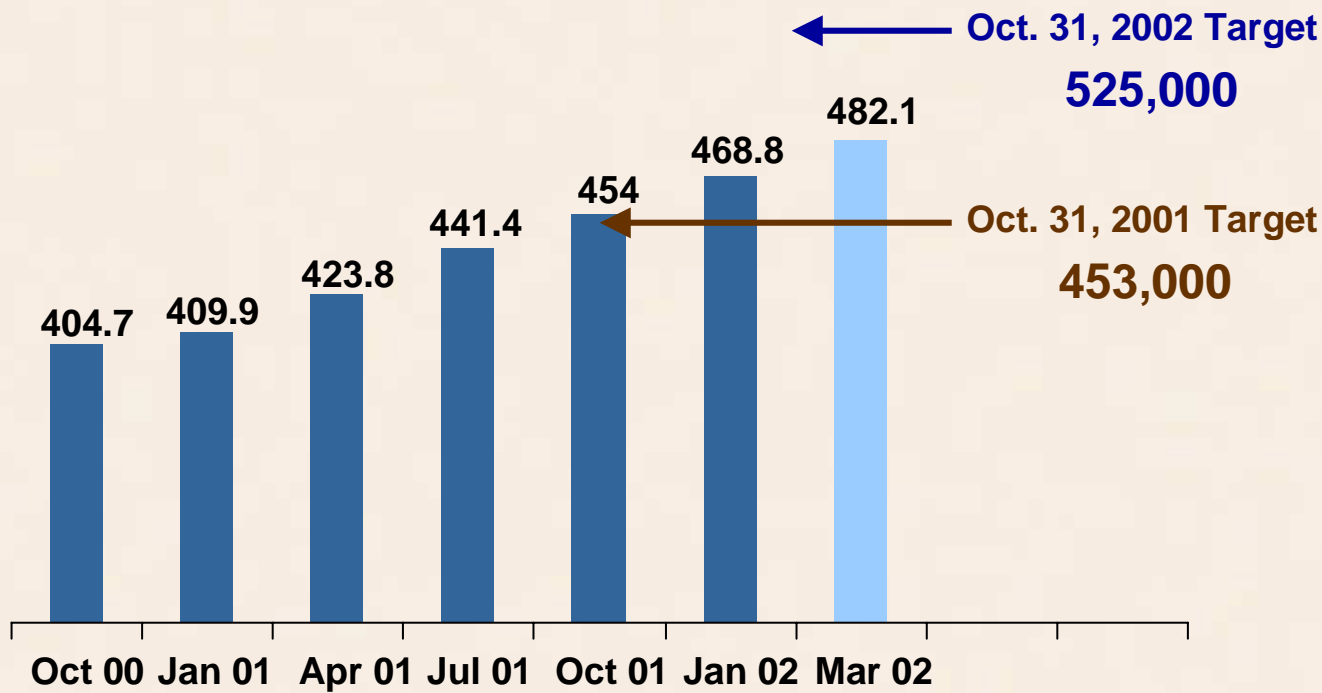
Initial Target	Rollout
110,000 clients (7% of global NBC clientele)	113,300 clients already reattributed to different Advisors
250 to 300 Financial Planners and Personal Bankers	169 Financial Planners and Personal Bankers
25 Sales Directors	12 Sales Directors
	47 points of service being opened

When implementation is completed in May 2003, 80% of targeted volume and 75% of targeted clientele will be serviced through the Specialized Sales Force

On target for TelNat customers



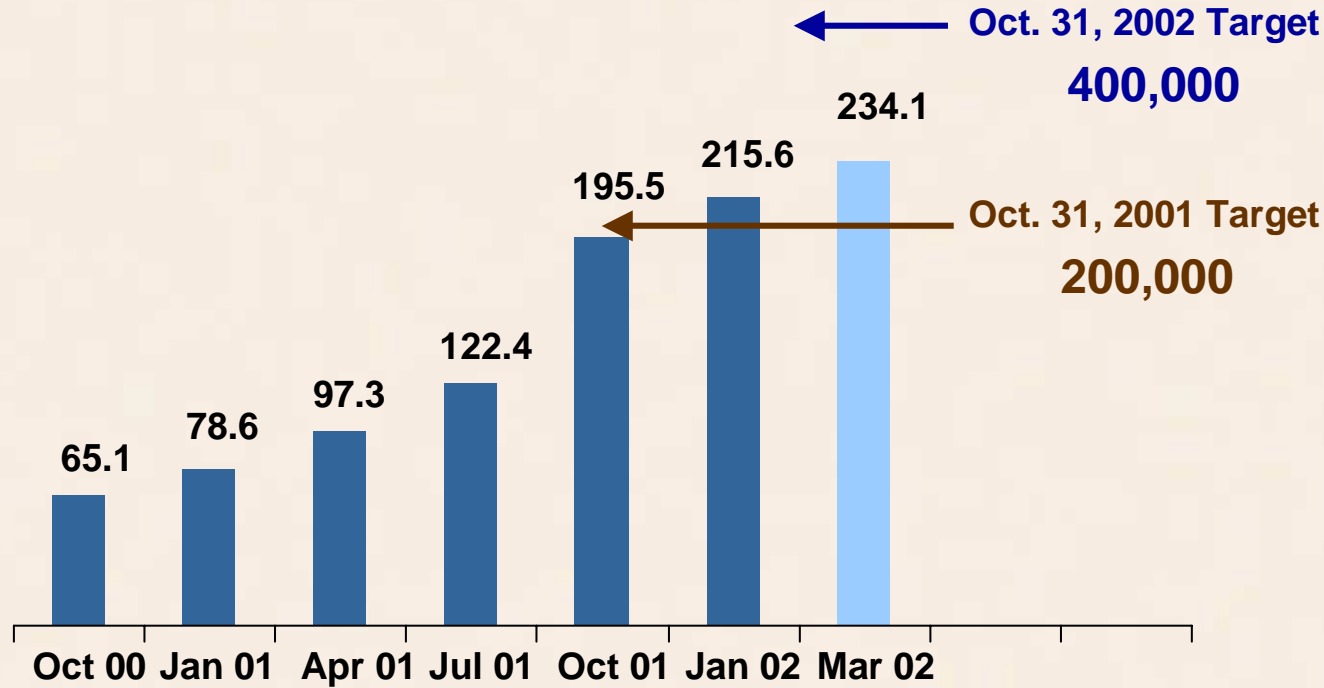
*Telnat subscribers
In thousands*



Internet customer migration is progressing



*Internet subscribers - Retail
In thousands*





Correspondent Network activity

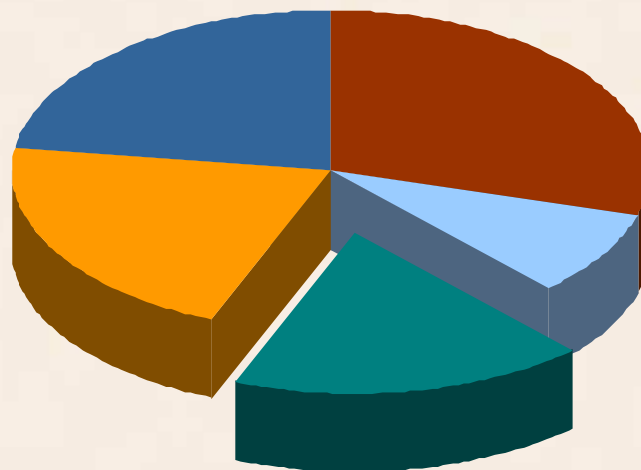
- ▶ Revenue maintained despite market conditions
- ▶ Continued growth in core boutique business segment
- ▶ More than 70 associated organizations
- ▶ Over 2,000 financial consultants
- ▶ Over \$26 billion AUA





Earnings contribution

*For the 6 months ending April 30, 2002
in millions of dollars
Excluding Other segment*



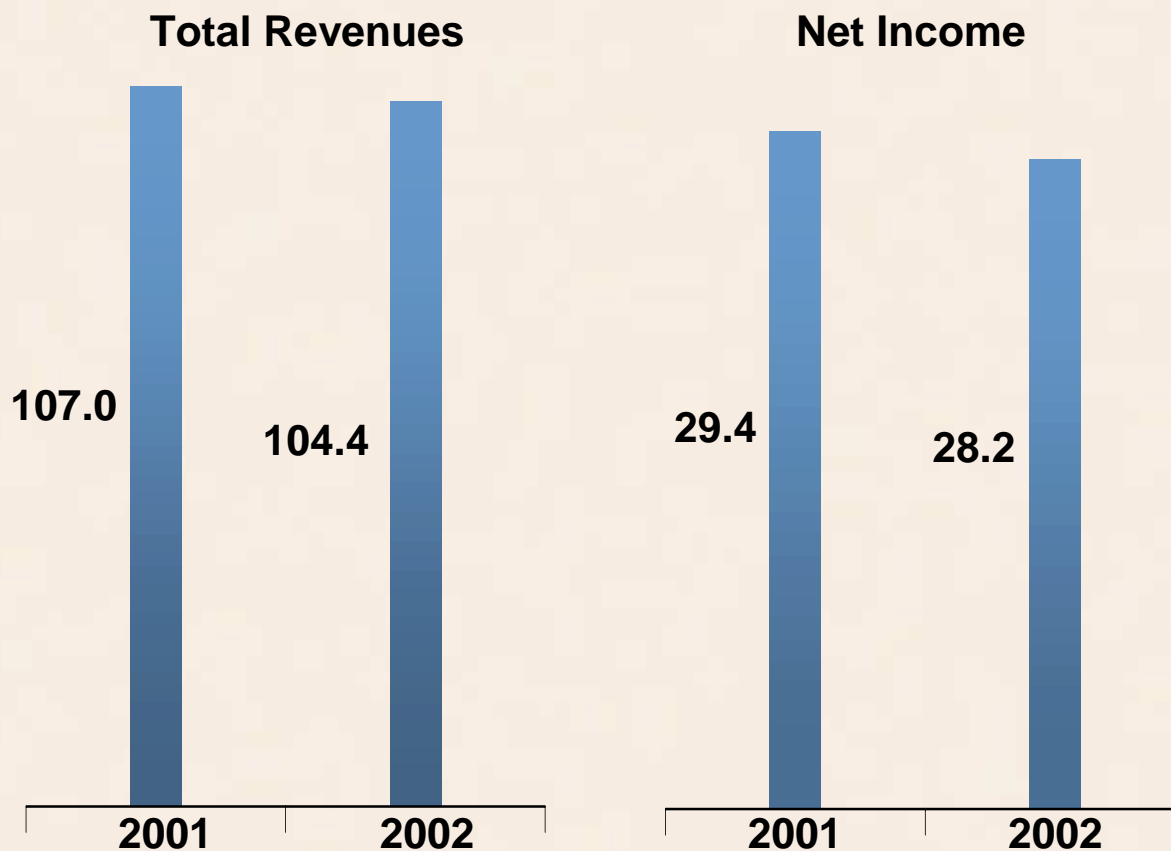
\$59.0

- Personal Banking
- Commercial
- Treasury
- Wealth Management
- Capital Markets



Financial Performance

*For the Quarter ending April 30
in millions of dollars*



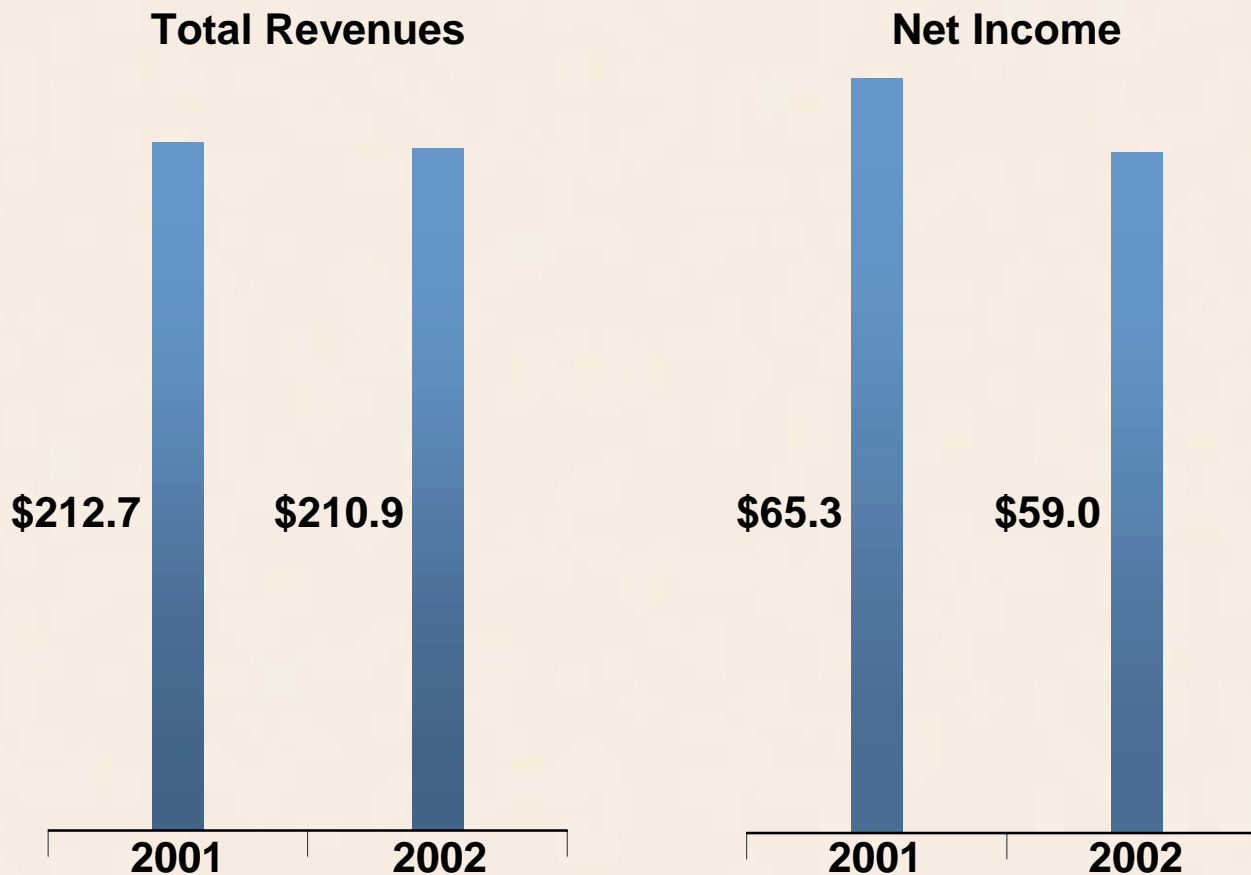
Q2 02 vs Q2 01

Volume decrease of \$300 M
Margin stable at 2.54%



Financial Performance

*For the 6 months ending April 30
in millions of dollars*





Quebec Economic Indicators

Growth rates unless otherwise indicated

Domestic Demand	Ref. period
Retail sales	Mar 02
Manufacturers' shipments	Mar 02
Housing starts (000)	Apr 02
Income and Prices	
Consumer price index	Apr 02
Wages and salaries	Jan 02
Average weekly earnings	Feb 02
Price of new housing (Mtl)	Mar 02

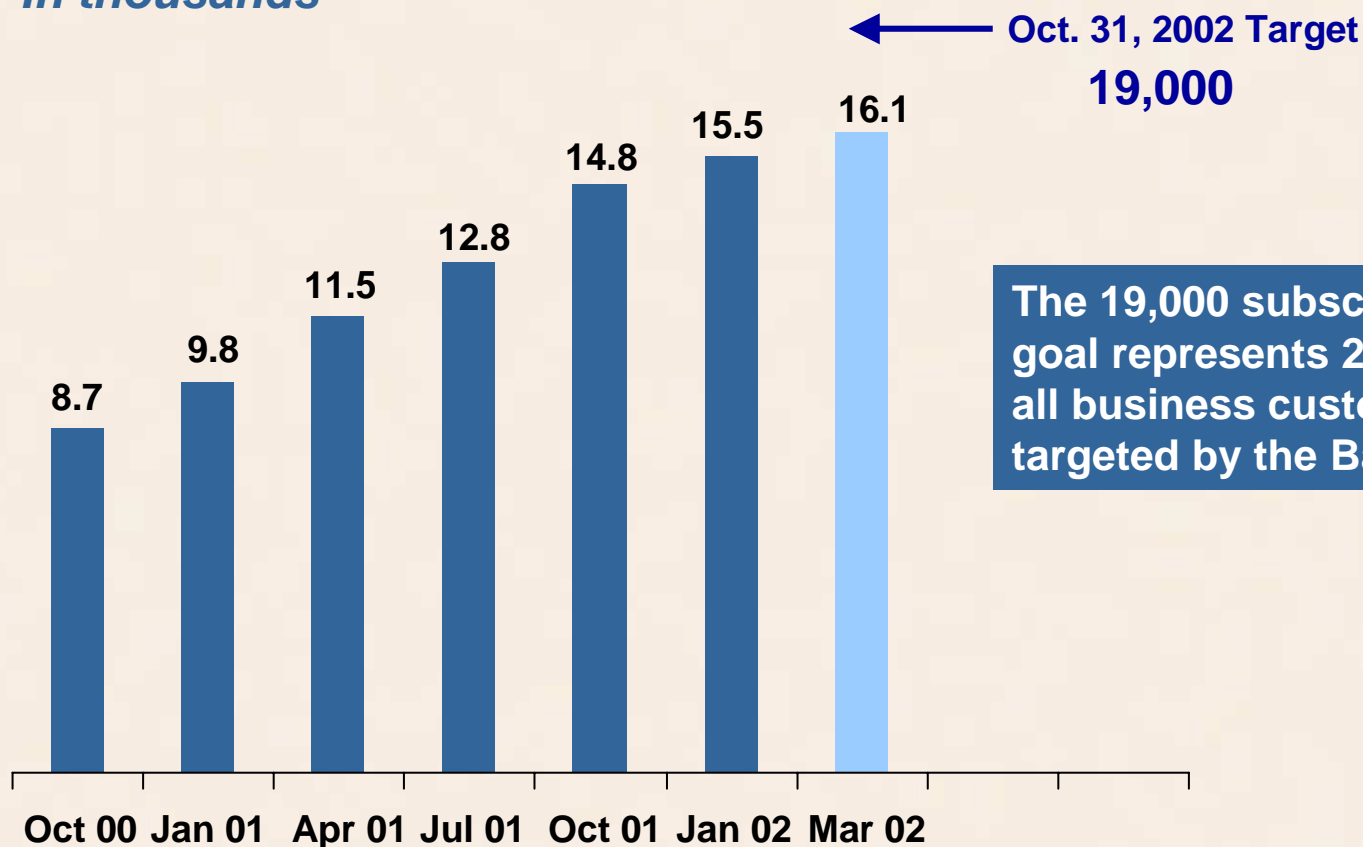
Annualized growth (%)

Past 3 months	Past 6 months
10.7	5.1
9.6	-5.4
30.0	29.6
4.9	0.1
4.0	1.7
3.2	3.5
4.1	3.5

Migration of Commercial and Small independent business towards electronic services progressing



*Subscribers
In thousands*

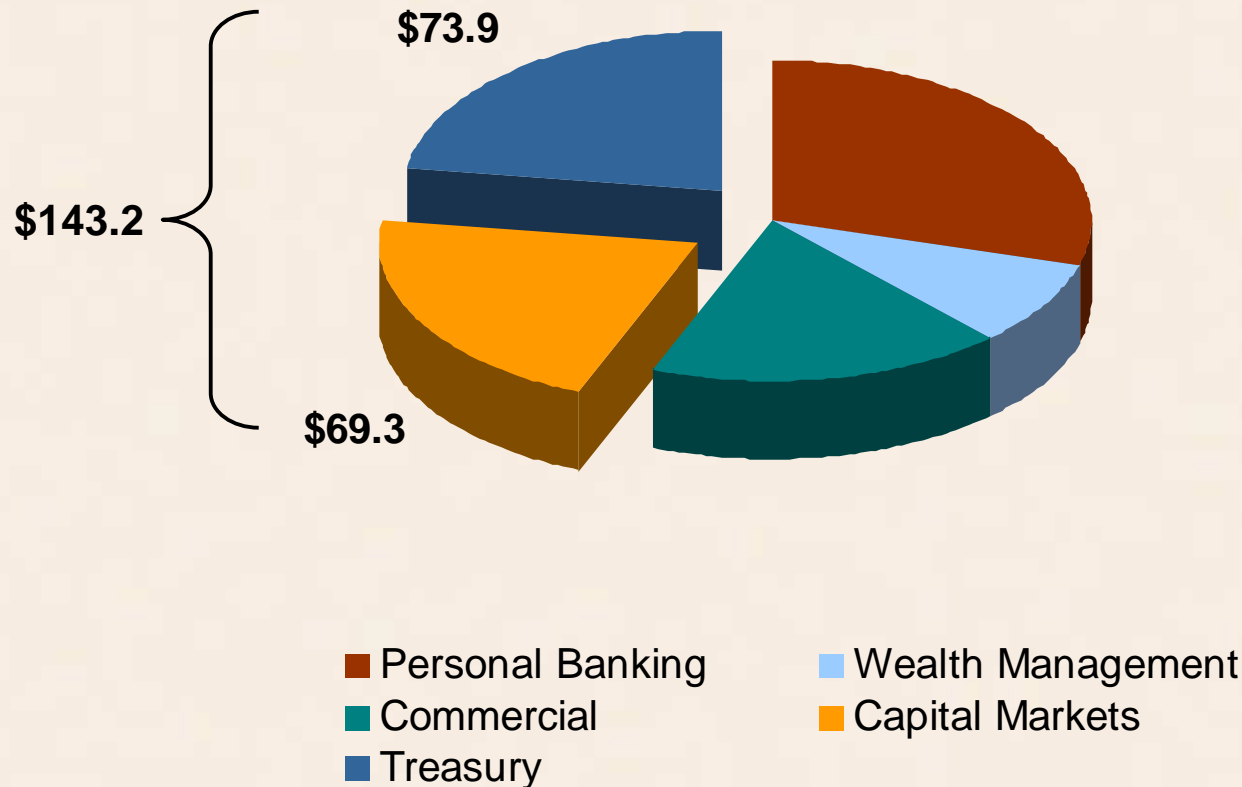


The 19,000 subscriber goal represents 20% of all business customers targeted by the Bank



Earnings contribution

*For 6 months ending April 30, 2002
in millions of dollars
Excluding Other segment*





Financial Performance

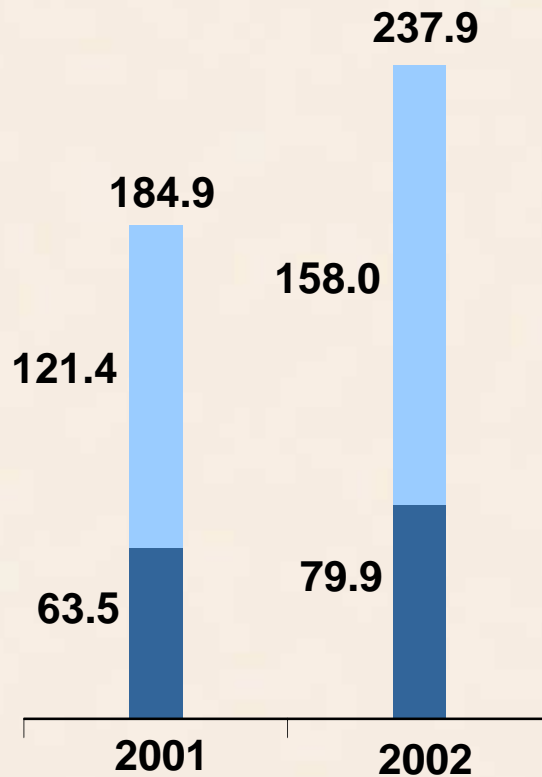
For the Quarter ending April 30
in millions of dollars

- Capital Markets
- Treasury

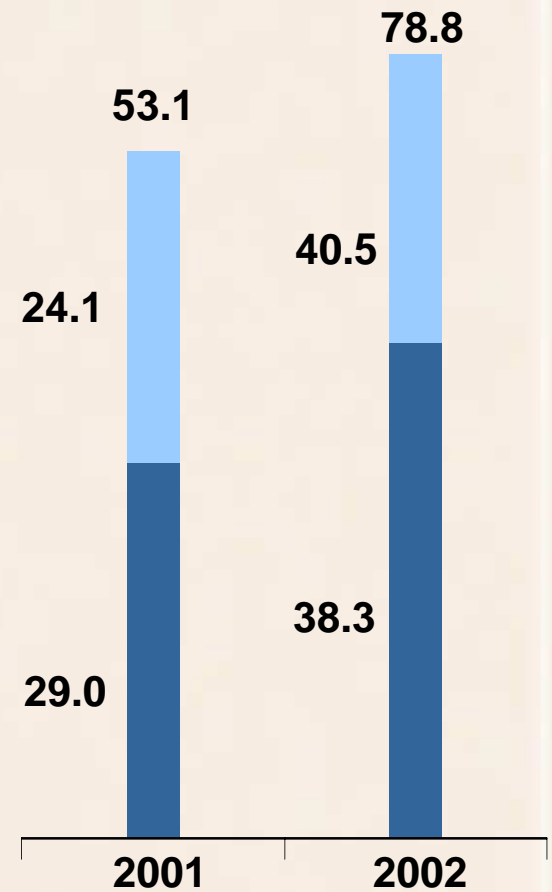
Q2 02 vs Q2 01

Corporate volume decrease
of \$1 B

Total Revenues



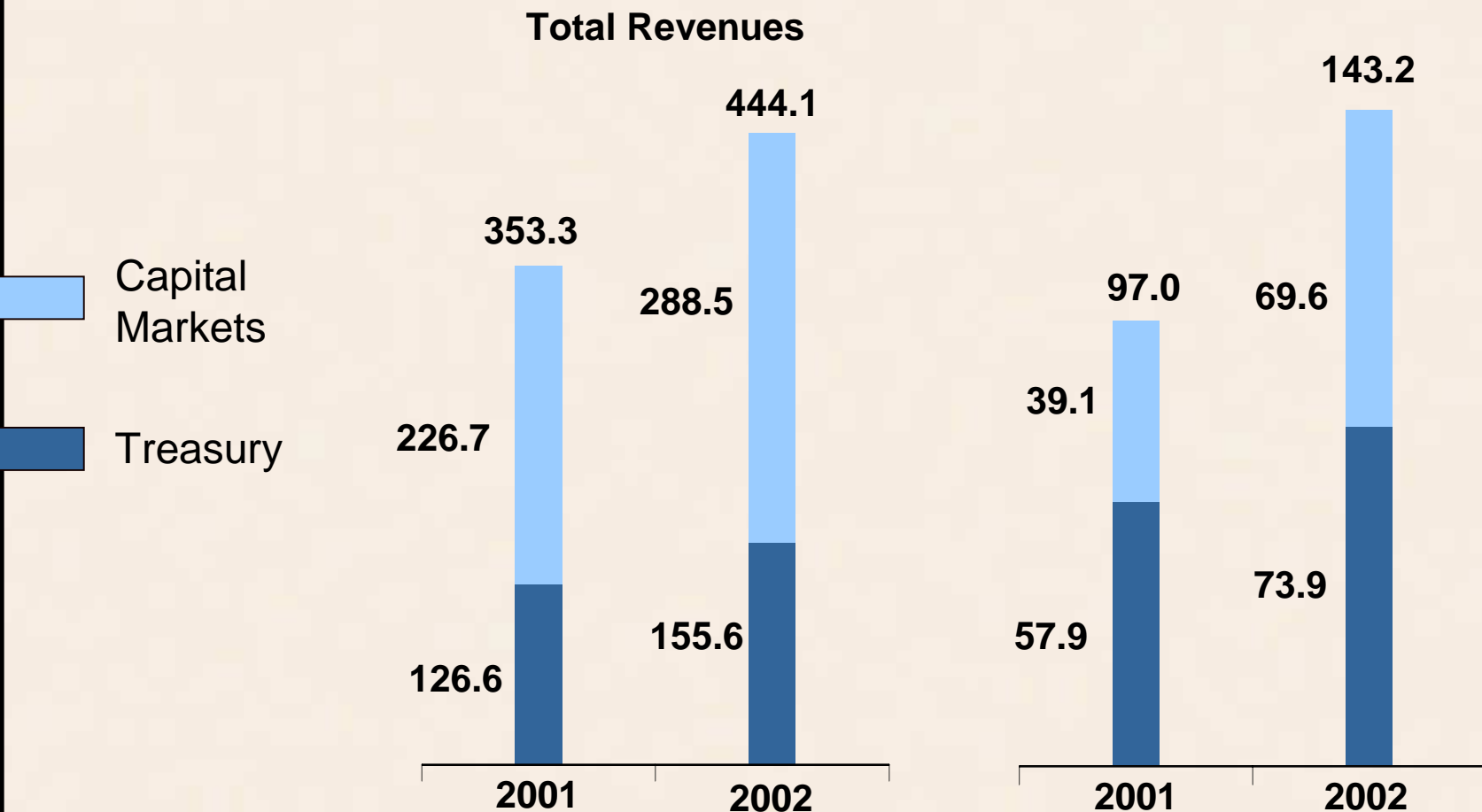
Net Income





Financial Performance

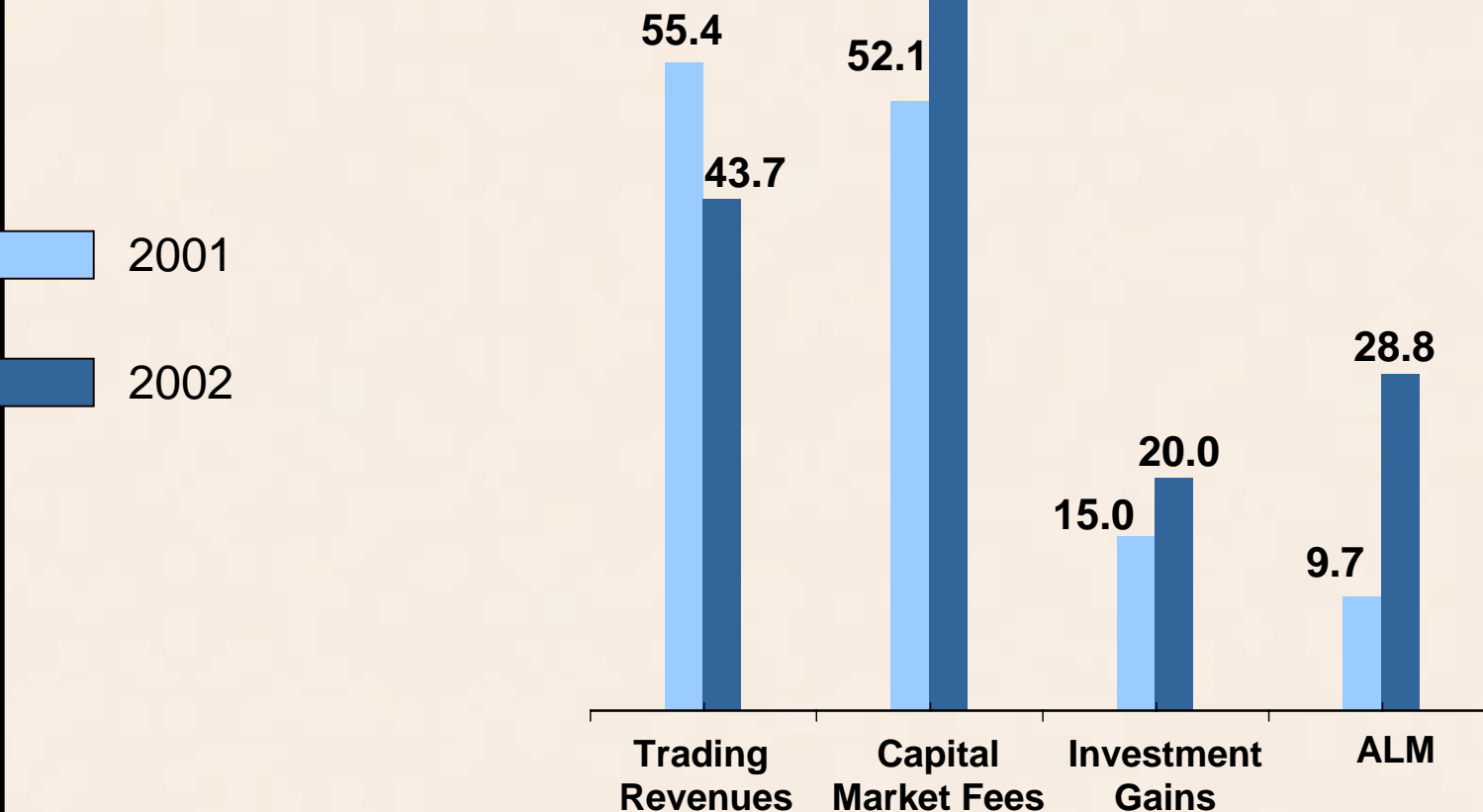
*For the 6 months ending April 30
in millions of dollars*





Solid revenues due to strong Treasury and Capital Market activities

For the Quarter ending April 30 74.8
in millions of dollars





Acquisition of Putnam Lovell

- ▶ **Announcement of acquisition of US-based advisory and research franchise Putnam Lovell
April 15 2002**
- ▶ **Expected closing date: Beginning of June**
- ▶ **Putnam Lovell brings:**
 - ▶ **Low risk, low cost entry in the U.S. market**
 - ▶ **Significant revenue synergies**
 - ▶ **High end franchise value**
 - ▶ **80-100 deep customer relationships**





Momentum

- 1 Lowered costs substantially during 2001**
- 2 Continued aggressive hiring of senior managers across the firm**
- 3 Almost doubled NBF equity underwriting market share from 4% in 2000 to 7.4% in 2001 with another significant leap in 2002 YTD to 10% (calendar year basis)**
- 4 Ranked #1 in quality of research for the first time (Brendan Wood Survey)**
- 5 Acquisition of Putnam Lovell**



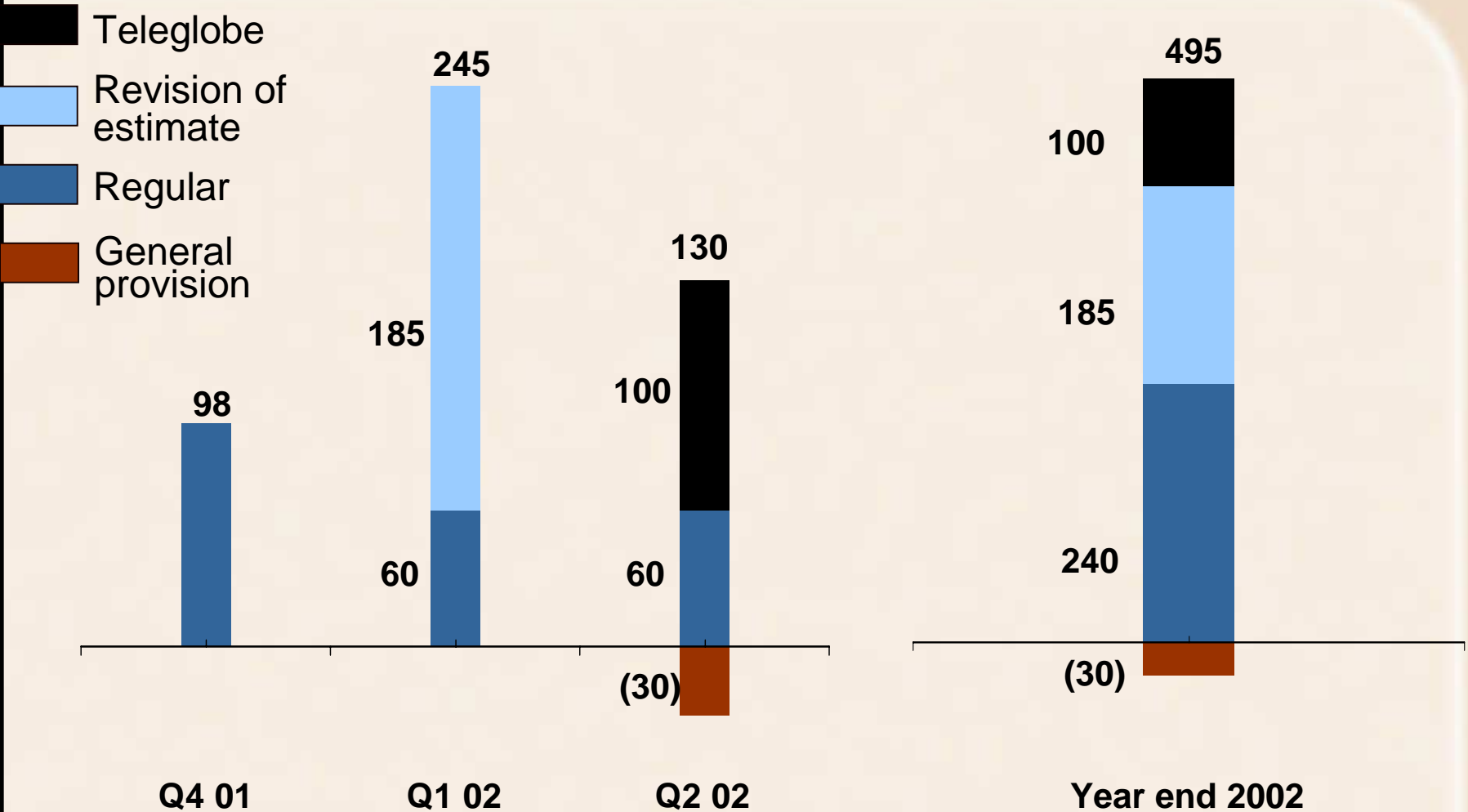
Impaired loans

Millions \$

	Q2 02	Q1 02
Gross impaired loans	\$670	\$568
Gross impaired loans as a % of tangible capital & reserves	15.9%	13.6%
<u>Net impaired loans</u>		
Individuals and small businesses	82	96
Commercial Canada	129	144
Corporate	53	20
Real Estate	40	39
Treasury	3	3
Other	<u>4</u>	<u>5</u>
Sub-total	311	307
General allowance for credit risk	<u>(405)</u>	<u>(435)</u>
Total - Net impaired loans	(94)	(128)
Net impaired loans as a % Loans and BA's	(0.24)%	(0.30)%



Provisions for credit losses





Telecom Sector exposure

*As at April 30, 2002
in millions of dollars
Outstanding*

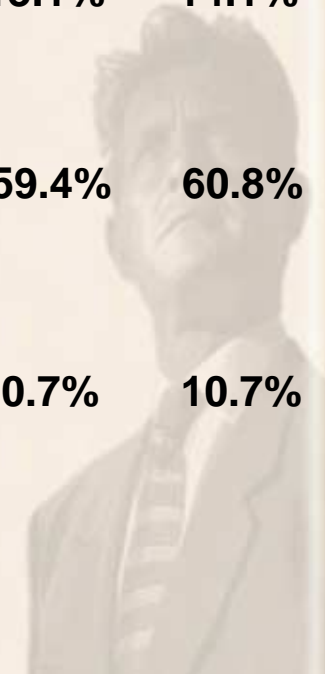
		% Invest. grade	% Non-Invest. grade	% of loans and BA's
Telecommunications				
Cable	\$118.9	30.9	69.1	0.27
Wireless and Wireline	\$242.8	36.4	63.6	0.54
TOTAL	\$361.7	34.6	65.4	0.81

- Net impaired loans in Telecom sector represent \$27 M
- Exposure to sector decreased 24% from Q1 02



Yearly objectives

	2002 Objectives	Q1 02	Q2 02	YTD 02
Growth in earnings per share	4% - 6 %	3%	-13%	-5%
Return on common shareholders' equity	15% - 17%	15%	13.1%	14.1%
Expense ratio (2003 target)	61%	62.6%	59.4%	60.8%
Tier 1 capital ratio	7.75% - 8.75%	11.1%	10.7%	10.7%



Conclusion

Solid performance despite higher than expected provisions



- **Solid operating profits**
- **Quebec poised for economic recovery**
- **Well capitalized**
- **Additional \$15 M expense reduction program to take place as of Q3 02**
- **Should be on track to meet financial objectives**

This presentation may contain certain forward looking statements about the operations, objectives and strategies of the National Bank of Canada. Such statements are subject to risk and uncertainties. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change and economic conditions in Canada, North America or internationally. These and other factors should be considered carefully and readers should not place undue reliance on National Bank of Canada 's forward-looking statements.

Question and Answer Session

Please address any inquiries to:

Investor Relations: 514.394.6061

Public Relations: 514.394.6991