

 NATIONAL BANK OF CANADA



2002  
SOCIAL RESPONSIBILITY  
REPORT

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## Subsidiaries of National Bank of Canada\*

Altamira Financial Services Inc.	NBCN Clearing Inc.
Altamira Management Ltd.	Correspondent Network Partnership
Altamira Securities	NBCN
Fivex Corporation	NBF Securities (USA) Corp.
Maple Financial Group Inc.	Opus 2 Financial Inc.
Natcan Investment Management Inc.	Opus 2 Securities Inc.
Gestion de placements Valorem inc.	National Bank Financial Planning Inc.
Le Fonds d'investissement RÉA inc.	National Bank Financial Services (Investments) Inc.
Natcan Trust Company	National Bank Life Insurance, Insurance Company
National Bank Discount Brokerage Inc.	National Bank Financial Services Inc.
National Bank Financial Inc.	National Bank Securities Inc.
First Structured Notes Corporation	National Bank Funds Corporation
National Bank Financial Ltd.	National Bank Trust Inc.
NBF Financial Services Inc.	NBC Financial Services Inc.
NBF Financial Services Ltd.	Renvest Capital Corporation
NBC International (USA) Inc.	

\*This list represents the subsidiaries of National Bank of Canada covered under the Public Accountability Statements Regulations adopted on March 21, 2002.

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# Listening to our community

The *Banque Nationale* was founded almost 150 years ago to serve the business community in Quebec City. Over the years, it has evolved and developed, expanding even beyond Canada's borders, but it has always remained true to its original purpose of meeting the needs of the communities it serves.

Support for education, health, the arts, youth, the elderly, the disadvantaged, access to credit, advisory services for individuals as well as small and medium-sized enterprises, the creation of new products and services in response to the needs of the different client groups, environmental responsibility – these are all evidence of the importance we assign to listening and being responsive to the various communities where we are present.

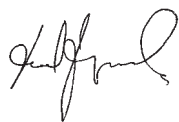
The National Bank works hard to provide quality service to individuals, whose needs are constantly changing. At a time when the population is aging, often both parents are working, single-parent families are numerous and work schedules are irregular, we have responded to these constraints by offering products that ensure financial security, constantly improving the quality of service in branches, extending our business hours and using information technologies. In our use of technology, however, we never lose sight of the fact that our customers at the other end of the line, or online, have many diverse needs and constraints, and that they expect personalized service.

As well, in order to meet the specific needs of small, medium-sized and large companies, we have developed diversified skills to help them to grow in an ever-changing financial and technological environment.

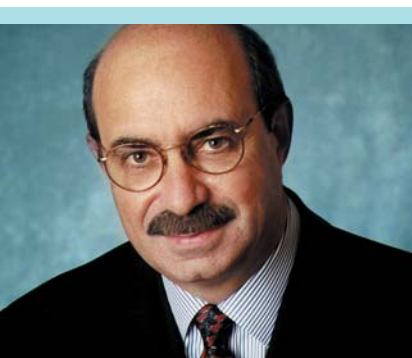
The Bank also recognizes its responsibilities to specific segments of the population, particularly persons with disabilities, not only by adapting its premises and services to accommodate their needs but also by partnering with numerous organizations, by way of donations, sponsorships and, especially, through the personal commitment of its officers and employees.

Our personnel are our most valuable asset and we care about their needs. We invest in our employees by helping them to strike a balance between their work and family responsibilities, upgrade their skills and further their knowledge, by improving their working environment, and by recognizing and rewarding their achievements. I believe this is the best way to thank our thousands of employees and, at the same time, help them to give superior service to our customers.

In addition to our commitment to our shareholders – people like you and me who have placed their trust in the National Bank to ensure their financial security – we are also committed to our customers and our communities. I am proud of the efforts our employees have made to honour these commitments. It is they who, over the years, have contributed to forming this exemplary symbiotic relationship that exists between the National Bank, its shareholders, its customers and its milieu.



Réal Raymond  
President and Chief Executive Officer



# A tradition of community involvement

We believe it is our duty to help improve the quality of life in the communities where we are present and to actively participate in their social development. That is why, each year, we support numerous non-profit organizations in areas such as health care, education, culture and community assistance. We also encourage our employees to become involved in their communities and we recognize their efforts in this regard.

Through donations, sponsorships, fundraising campaigns in the branches and events organized for the benefit of community charities, the National Bank and its subsidiaries contributed nearly \$10 million in 2002 to hundreds of organizations across Canada, thereby enhancing the quality of life of thousands of people.

Each year, we receive some 3,500 donation requests and, in 2002, we awarded \$4.7 million in donations. We also teamed up with organizations through sponsorships and invested almost \$2 million in these partnerships. The many fundraisers held in our branches enabled us to collect and redistribute over half a million dollars. In addition, events organized by our branches and subsidiaries – golf tournaments, fundraising dinners – netted \$2.5 million, which was donated to local community organizations.

A great many of our employees volunteer with community organizations or associations on their own behalf or on behalf of the Bank. In order to encourage their generosity and underscore the importance we attach to their social involvement, for the past six years, we have

awarded the title of Volunteer of the Year to employees who have particularly distinguished themselves for their work with an organization in their community.

This year, the prize was renamed the André Bérard Volunteer Award, in recognition of the outstanding community involvement that has long been the hallmark of the Chairman of the Board of the National Bank.

## Education—a priority

Supporting education is of paramount importance to us. Each year, almost 20% of all our donations go to supporting education, mainly colleges and universities.

In 2002, for example, the National Bank and its subsidiary National Bank Financial contributed \$1,750,000, payable over 10 years, to the *Université de Montréal's* World of Projects fundraising campaign aimed at giving Quebec a world-class French-speaking university complex. This contribution led to the creation of the National Bank Scholarship Fund which each year awards up to 20 scholarships of \$1,000, \$3,000 or \$5,000 to students of the *Université de Montréal*, the *École des Hautes Études Commerciales* and the *École Polytechnique de Montréal*.

This past year, the President and Chief Executive Officer of the Bank, Réal Raymond, also agreed to chair the *Université du Québec à Montréal's* fundraising campaign until 2007.

Our donations are distributed among all the communities in which we operate. In 1995, for instance, we pledged \$300,000 over 10 years to the *Université de Moncton*, in New Brunswick, for the establishment of a cooperative MBA program.

## Helping Olympic hopefuls

We also support talented young athletes and encourage them to pursue their sport with dedication, determination and hard work. In 1993, we created the National Bank Bursary Program to encourage young athletes towards their goal of competing in the Olympics. To date, a total of \$350,000 has been awarded to 260 athletes. These bursaries have helped athletes like Marc Gagnon, Caroline Brunet and Nicolas Fontaine to advance in their respective disciplines. This year, we marked the 10th anniversary of this Program by announcing a further investment of \$300,000 over three years to ensure its continuation until 2005.



Sophie Simard of Quebec City, a recipient of a National Bank Bursary, training for the Olympics.

"Thanks to the support of prominent partners like the National Bank, the *Université de Montréal*, the *École des Hautes Études Commerciales* and the *École Polytechnique* today form the leading centre for higher education and research in Quebec and the second largest in Canada. The *A World of Projects* campaign has given Quebec a tool essential for its development in the knowledge-based economy."

Robert Lacroix, Rector, *Université de Montréal*

## Job opportunities

In 1989, the Bank set up a Bursary and Summer Employment Program to help college and university level students with a physical or sensory disability finance their studies and acquire relevant work experience at the Bank. Since the Program was created, participants have received over \$60,000 in bursaries and gained more than 18,000 hours of work experience. Furthermore, many of these students have found permanent positions at the Bank following their participation in the Program.

## Promoting the arts

The importance we place on the arts is immediately apparent to visitors of the Bank's Head Office and branches since we pride ourselves on displaying our collection of more than 5,500 original works of art, which reflects the history of Quebec and its artistic life. This exceptional collection, begun over a hundred years ago, is enriched each year by some 100 new prints and paintings by Quebec artists and attests to the active role played by the Bank in preserving and promoting the arts in Canada. New acquisitions are selected by our curator who is also responsible for managing and conserving the collection.

Our commitment to the visual arts is also reflected in our support of several other institutions, including the Foundation of the Montreal Museum of Fine Arts, to which we donated \$500,000 over 10 years, and the *Musée d'art contemporain de Montréal*, which, as of this year, will receive \$125,000 over five years.

## The performing arts

Our support for the art world is not limited to the visual arts. We also provide substantial support to several major performing arts institutions.

For instance, the Bank pledged \$75,000 over three years to the *Théâtre du Nouveau Monde* on the occasion of its 50th anniversary. These funds will be used to foster new talent in the theatre world, promote Canadian culture abroad and increase the number of spectators of all ages.

Moreover, our contribution to the *Fondation Wilfrid-Pelletier* has provided bursaries for five graduate or postgraduate students enrolled in music schools affiliated with the *Conservatoire de musique et d'art dramatique du Québec* in Rimouski, Saguenay, Trois-Rivières, Gatineau and Val-d'Or.

## Supporting and promoting health care

The Bank's network of branches is regularly involved in a wide range of charitable fundraising campaigns, particularly in the area of health care, which benefit, among others, two annual Quebec-wide drives, one for the Foundation for Research into Children's Diseases, and the other in support of the *Fondation Mira*.

## Foundation for Research into Children's Diseases

For the past seven years, we have played an active part in the annual fundraising campaign of the Foundation for Research into Children's Diseases, through the sale, in our Quebec branches, of tickets for the Ovide Duck Race, a popular annual summer event in Montreal. The proceeds, which this year amounted to \$150,000, are presented to the Foundation during its annual Telethon, during which about 30 employees from our TelNat customer service centre in Montreal take pledges over the phone. To these volunteers is added another group of employees who help out at the Telethon's call centre in Laval.



For the past six years, the Bank has sponsored *Les Mécènes sur les planches*, a charitable activity for the benefit of the *Théâtre du Trident de Québec*, a theatrical group in which Marc Taillon, Vice-President – Retail Sales and Services for Quebec City and Eastern Quebec, seen here, is actively involved. This annual event presents performances featuring business people from the region, who become actors for this one night. In 2002, *Les Mécènes sur les planches* raised \$60,000 for the *Fondation du Théâtre du Trident*. Since its inception, this event has netted more than \$300,000.



Every year, many Bank employees volunteer for the annual Telethon of the Foundation for Research into Children's Diseases.

"The National Bank has been a major sponsor of the Museum for 10 years," stated Manon Blanchette, Director of Communications at the *Musée d'art contemporain de Montréal*. "Not only does the Bank earmark a substantial budget to supporting Quebec art, but over the years it has also mounted an impressive art collection featuring many museum-calibre works by such noteworthy artists as Borduas, Fernand Leduc and Yves Gaucher.

"The Bank, which in 2001 participated in the *Arctité* exhibition showcasing works from the permanent collection of the *Musée d'art contemporain* in public places, is definitely an important ally of our Museum and of Quebec art in general," Ms. Blanchette added.

## Fondation Mira

Joan O'Born, an employee of the National Bank, can attest first-hand to the importance of the Bank's donation to an organization which works to improve the quality of life of physically disabled people. A representative at the Client Contact Centre of the Bank's Electronic Payment Solutions Department, Joan uses a wheelchair and since February 2001 has benefitted from the help of Charlotte, a Labrador dog trained by *Fondation Mira*.

*Fondation Mira* trains guide and service dogs to assist visually and physically disabled people. Since 1998, our network of branches has played a key role in raising funds to help the *Fondation Mira* train its guide dogs. In 2002, our employees collected \$350,000 by selling decks of playing cards illustrated with *Mira* dogs.

## Montreal Heart Institute

Our support for health care also involves numerous donations to various organizations and foundations, such as the Montreal Heart Institute. Several years ago, having observed the quality and importance of the work being done at the Montreal Heart Institute, Tony Meti, Senior Vice-President – Commercial Banking and International at the Bank, decided to organize a fundraising campaign for the Institute's Research Fund. Hence, the first *Bal du Cœur* was held in 1999 on St. Valentine's Day. To date, this prestigious ball has raised over \$1.5 million for the Heart Institute. The proceeds were

used notably to renovate the Intensive Care Unit, to acquire an artificial heart and to create an annual bursary of \$50,000 awarded to promising cardiologists to enable them to take a residency in a specialty area abroad.

## Contributing to the well-being of our community

Our community involvement takes many forms, but none is more important than the contribution made by the Bank and its personnel to the annual Centraide of Greater Montreal campaign. In 2001, donations from employees, management and retired employees reached an all-time high of \$411,596, to which the Bank added a \$450,000 corporate donation, ranking us among Centraide's top 30 donors.

Employees across the country also responded enthusiastically to the United Way/Centraide drive in their region, which enabled us to present the organization with a total contribution of \$1,082,815 for the Bank as a whole.

In recognition of our efforts, Centraide of Greater Montreal awarded us a *Solidaire* prize in the overall support category. This award not only recognizes the results obtained, but also the commitment, enthusiasm and dedication demonstrated by employees in attaining this goal.

## Altamira

The funding of child and youth related organizations that focus on health and education is a priority for Altamira, a mutual fund manager and distributor and one of our subsidiaries. In 1995, Altamira created the Altamira Foundation which conducts fundraising activities and distributes the proceeds to charitable organizations.

Among some of the events it holds, the Altamira Foundation each year organizes the Altamira Charity Challenge golf tournament in the Toronto area. Over the years, it has raised more than \$4 million – nearly \$500,000 in 2002 alone – thanks to the participation of a host of sports celebrities. Beneficiaries of the Charity Challenge include Big Brothers/Big Sisters; Kids Help Phone, Cujo's Kids; The Toronto Star Fresh Air Fund; Nike's P.L.A.Y. (Participate in the Lives of All Youth); and Ronald McDonald Children's Charities in Canada.

For the sixth year in a row, in 2002 the Altamira Foundation staged its Altamira Summer Opera Concerts on the shores of Lake Ontario, raising \$30,000 through audience donations. All the proceeds went to Canadian Feed The Children, a non-profit agency dedicated to relieving youth hunger in Canada and around the world.



Joan O'Born, an employee of the Bank, has benefitted from the help of her dog Charlotte for two years.



Charlotte, a Labrador guide and service dog, was trained by *Fondation Mira*.



Michèle Thibodeau-DeGuire of Centraide of Greater Montreal, Jean Houde, Senior Vice-President – Corporate Affairs, National Bank, and some of the employees responsible for the fundraising campaign at the Bank.

## National Bank Financial

Our subsidiary National Bank Financial encourages its employees to become actively involved in their communities. To that end, it gives priority to donation requests received from its 101 offices across the country. In 2002, it contributed over \$1 million to organizations throughout Canada.

Numerous National Bank Financial employees give of their time, individually or as part of a group, to support causes they care about. For example, in 2002, many employees in the Quebec City region and their spouses once again got on their bikes for the 2002 MS Bike Tour to raise funds for research and services for people with multiple sclerosis.

### *Le Chaînon*

Since 1987, the National Bank and its subsidiary National Bank Financial have been supporters of the *Association d'entraide Le Chaînon*, a Montreal shelter for women who are in difficulty, homeless or elderly. Donations are used to provide shelter to over 650 women, help or refer some 2,000 others and to serve over 55,000 meals every year.



National Bank Financial employees in Quebec City participated in the MS Bike Tour to raise funds for MS research.

## *Fondation du maire de Montréal pour la jeunesse*

The *Fondation du maire de Montréal pour la jeunesse*, to which we have contributed for the past four years, helps young, low-income Montrealers carry out a business or cultural project. Since its creation six years ago, the *Fondation* has injected more than \$1.6 million in 286 business startups that have created some 740 jobs and generated over \$10 million in economic benefits.

### Christmas baskets

Our employees are actively involved in their community and organize a number of activities to help the needy. Céline Charlebois, for example, wears a very different hat during the holiday season than the one she usually wears as the receptionist at the branch in Sainte-Agathe, Quebec. During the holidays, she also becomes the branch's official Christmas basket coordinator.

Each year since 1997, Céline Charlebois has raised about \$2,000 from customers of the Bank and the local business community, which she distributes to underprivileged families in the region in the form of redeemable coupons.

## OLO Foundation

Since 1993, the National Bank and its subsidiary National Bank Financial have sponsored a benefit concert for the OLO Foundation (One egg, a Litre of milk, and One orange a day). The proceeds this year were \$85,000, and helped 320 babies to be born at a healthy weight.

Working with Quebec's CLSCs, the OLO Foundation actively contributes to the healthy birth of babies by each year providing 16,000 disadvantaged expectant mothers with 2,240,000 litres of milk, 2,240,000 oranges (or small orange juices), 190,000 dozen eggs and 19,000 bottles of vitamins.

## *Solidaire Grand Prize*

"In 2001, we awarded Centraide's Solidaire Grand Prize for overall support to the Bank, which distinguished itself in all categories: corporate donations, the number of leaders (gifts of \$1,000 and over) and employee donations. This particular distinction is awarded to one company per year, out of a total of 1,500, for outstanding support," indicated Michèle Thibodeau-DeGuire, President and Executive Director of Centraide of Greater Montreal, who does not hide her admiration and gratitude for the participation of the National Bank and its employees in the success of United Way/Centraide campaigns.

Over and above the monies raised by the National Bank, Ms. Thibodeau-DeGuire stressed the extraordinary number of Bank employees who participate in the campaign. "In the Greater Montreal area, 300 Bank employees plus another 57 from National Bank Financial canvas on behalf of Centraide, not to mention 278 other employees in the rest of Quebec. Their generosity is exemplary and deserves to be mentioned."

## Pan-Canadian commitment

From coast to coast, our employees are actively involved in their communities. In Edmonton, for example, Bank employees participated in this year's Easter Seals 24-Hour Relay to raise funds for medical equipment to help young people with physical disabilities. The Bank's team was named Top Corporate Citizen by the event's organizers for its dedication to this cause. Many other branches across Canada host or take part in similar events.

In summer, all our regions take advantage of the popularity of golf to organize tournaments for various worthy causes. In Ontario, for instance, our employees launched a golf tournament last year in Nobleton to raise money for the Parkinson Society of Canada. The funds are used to raise people's awareness of the importance of finding a cure for this disease.

For the past nine years, in Sherbrooke, Quebec, our employees have been partners of the Light of Hope drive for the *Centre hospitalier de l'Université de Sherbrooke* (CHUS). Over the holiday season, Bank branches in the region sell coloured lightbulbs, at \$2 each, used to illuminate two huge Christmas trees on the roof of two CHUS buildings, *Hôtel-Dieu* and *Hôpital Fleurimont*.

## André Bérard Volunteer Award

In 2002, Diane Lavoie, Manager, Financial Services at the TelNat Customer Service Centre, received the André Bérard Volunteer Award for her exceptional contribution to the Foundation for Research into Children's Diseases, to which she has volunteered her services for the past 12 years. In addition to managing the Laval telephone centre during the Foundation's annual telethon, she also organizes many other fundraising activities such as promotional item sales, big bike events, and information booths in shopping malls. These activities raised \$116,000 last year.

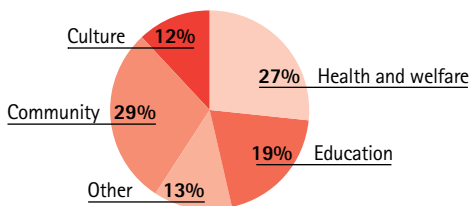
An honourable mention also went to Richard Desrochers, Agribusiness Account Manager in Saint-Anselme, in the Chaudière-Appalaches region of Quebec, for his contribution to the *Maison de la famille de Lotbinière*, an organization that offers assistance to families.

## Seminars for young people and SMEs

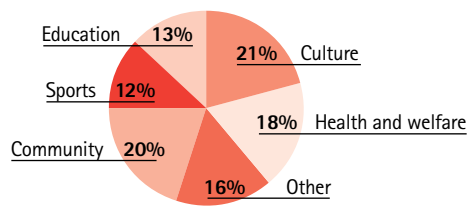
In 2002, 25 employees of the Bank spent a total of 414 hours giving 69 "There's Something About Money" seminars sponsored by the Canadian Bankers Association (CBA), thereby delivering fundamental money management lessons to 2,036 young people. Moreover, 40 of our employees gave 160 hours of their time to promote the CBA's Minding Your E-Business seminar, designed to help SMEs protect themselves when doing business electronically.

## 2002 Highlights

- 29 new pledges for a total of \$2,884,500, spread over two to five years
- Presentation of the first André Bérard Volunteer Award



Donations by sector of activity as a percentage of total donations



Donations and sponsorships by sector of activity as a percentage of total donations and sponsorships

# Meeting all clients' needs

The National Bank has made quality of service its number one priority. Whether through regular customer surveys, advisory committees that give our customers an opportunity to tell us what their expectations are or through the participation of our personnel in the life of the community, we are constantly attuned to our clients' needs and work hard to enhance the quality and accessibility of the services we provide in our branches, by telephone or via the Internet, to meet changing individual needs.

## At the branch or from home, a service tailored to clients' needs

Making our branches accessible to people with disabilities is a major concern for the Bank and we therefore ensure that they comply with all existing building codes. The vast majority of our 530 branches are now adapted for mobility-impaired customers.

We are equally concerned with meeting the needs of customers who prefer to manage their accounts from their home or office. With TelNat telephone banking, clients can carry out transactions in 22 languages, 7 days a week, 365 days a year, from 6 a.m. to 12 midnight.

This year, we also improved our telephone system and automated some transactions, such as credit card activation, which speeds up the processing of applications and reduces response times.

More and more customers are using the Internet to do their banking. Today, some 325,000 customers carry out their banking transactions via our website, an increase of 65% compared to 2001. We are constantly improving this service in response to needs and technological advances. This year we completely revamped our website ([www.nbc.ca](http://www.nbc.ca)) and added several new features to make navigation more user friendly and highly secure. In addition, our customers can now carry out an unprecedented range of transactions from a single site, be it banking or brokerage transactions or applications for products. A number of tools, guides and practical tips are available on the site to help customers make informed financial decisions.

In fact, the quality of our new website earned us the first prize in the Portal category, awarded at the *Gala des affaires électroniques* by the Quebec *Ministère de la Culture et des Communications*.

This year, we used web technology to offer our customers a physical presence where they want it by installing our first interactive terminal outside a branch, at the J.-A. De Séve building at the *Université de Montréal*, near the student residences. Students can use the terminal to access our electronic banking services and pay their tuition fees. It is well suited to young university students, who are comfortable with information technology. Interactive terminals have also been installed in three branches in Montreal and Quebec City.



With TelNat telephone banking, clients can manage their accounts from their home or office, 365 days a year, from 6 a.m. to 12 midnight.

### Distribution of transactions (%)

Branch	Banking machines	Telephone	Cheques	Internet	Interac™ direct payment	Electronic funds transfer
6%	23%	2%	9%	3%	36%	21%

## We are there for you, at every stage of your life

People's banking needs change over the years. That's why we have developed programs for different age groups, based on habits and financial needs at every stage of life.

For instance, parents, who would like to introduce the concept of saving to their children aged 6 or younger, can open a no-fee *First Step Account* in their name. For young people aged 7 to 17 who are learning to manage a budget, we designed the *Coolcash* and *i.d. Accounts*, both without user fees and which give them access to *Interac*™ Direct Payment. In order to meet the needs of students 18 to 24 years of age, who have limited financial resources, we created the *ClickStudent Package*, which gives them access to all our electronic banking services for a minimal fee.

The *Accessible Package*, available at a flat monthly fee of \$3.50, is very economical and allows low-income individuals to carry out 12 debits per month (bill payment, withdrawals, etc.), including two at the branch counter and 10 electronically. The services offered with this package include *Interac*™ Direct Payment, cheques, bill payments via ABM and through our Electronic Banking Solutions (via Internet, wireless and telephone).

To meet the needs of customers aged 59 and over, who often have to manage their money very carefully, we created the *NATPLUS Package* which offers many advantages at reduced rates. Our TelNat telephone banking also allows seniors who have difficulty getting around to manage their financial affairs from home. In addition, our subsidiary, National Bank Trust, regularly holds information sessions on estate planning during which seniors can learn about subjects such as incapacity mandates or the tax implications of transferring assets after death.

Our network of branches also includes some 200 financial planners who advise customers on possible strategies to ensure good, long-term returns on their investments, thus helping them to plan properly for their retirement.

## Flexible credit, in sync with the economy

Credit card holders can save on interest charges by signing up for the new Syncro MasterCard, launched by the National Bank this year. This card offers a very competitive interest rate that varies in line with market fluctuations.



## Longer business hours

Surveys of our individual and business clients revealed that they wanted more time to go to their branch. This year, about 60 of our Quebec branches extended their hours to 35 hours a week or longer, staying open until 8 p.m. on Thursdays, a peak banking day. More than 530,000 clients now benefit from a nearly 40% increase in service hours.

The "hoursplus" branches were carefully selected based on their volume of business and customer habits. Branches catering primarily to young households and others located just outside cities, near main arteries, have extended their hours to accommodate customers on their way home after work.

## A progressive network

In order to fully understand market needs, in the late '90s we formed focus groups to research, validate and improve branch concepts with a view to tailoring services to the needs of different client groups.

This research resulted, among other things, in the introduction of a number of new services, including extended business hours and the installation of interactive terminals. Branches were also redesigned and new reception areas were created so that the person at the reception desk can direct customers more rapidly to the appropriate service.

Once again this year, nearly \$10 million was invested in enhancing our branches. Fifteen branches underwent major renovations and many others were refurbished on a smaller scale. Since the Bank's policy is to hire local contractors, a renovation of half a million dollars has a substantial impact on smaller communities outside large urban centres.

Accounting for over 6 million transactions a month, banking machines are clearly the transaction method of choice for our customers, who appreciate their convenience and efficiency.

In 2002, the Bank added 23 new machines to its network, bringing the number of service outlets across Canada to 823. Since 2001, our customers have also had access to some 500 Exchange Network banking machines, primarily located in Western Canada, Ontario and the Maritimes.

In 2002, 14 branches were closed and their clients and personnel transferred to larger branches that are better equipped to meet all clients' needs.

## Respecting traditions

Respectful of the traditions of its Asian clients, the National Bank offers them a branch which meets their expectations in terms of services and location. The Asian Private Banking Centre, situated in Montreal's Chinatown, provides a unique range of services to its customers including the option of being served in eight different languages, having documents available in Chinese, and access to a referral service to find professionals such as notaries or lawyers, as is the custom in banks in Hong Kong.

The Centre's Manager, Winston Chin, is actively involved in Montreal's Chinese community and serves on the boards of directors of numerous organizations, including the Chinese Hospital Foundation.



Winston Chin, Manager of the Asian Private Banking Centre and President of the *Société du Jardin de Chine de Montréal*, during a charity evening for the *Fondation du maire de Montréal pour la jeunesse* and the *Société du Jardin de Chine de Montréal*, in the company of dignitaries attending the event.

## New automated banking machines

### Province of Quebec

101 - 1<sup>ère</sup> Avenue, Amos  
50 Montcalm Nord, Candiac  
200 Fusey, Cap-de-la-Madeleine  
550 Curé-Labelle, Laval  
1748 Chambly, Longueuil  
2877 Chambly, Longueuil  
1049 Roland-Therrien, Longueuil  
927 Saint-Jean-Baptiste, Mercier  
795 Décarie, Montreal  
2555 des Nations, Montreal  
4910 St. Laurent, Montreal  
1665 St. Catherine West, Montreal  
2000 René-Lévesque, Nuns' Island  
1 Vincent-d'Indy, Outremont  
450 Richelieu, Richelieu  
415 Jessop, Rimouski  
350 Lesage, Rosemère  
527 Principale, Saint-Amable  
11485 - 1<sup>ère</sup> Avenue Est, Saint-Georges  
933 Armand-Frappier, Sainte-Julie  
564 Victoria, Saint-Lambert  
185 Côte-Vertu, Saint-Laurent  
123 Notre-Dame Est, Victoriaville

## Branches closed

### Province of Quebec

1346 Chambly, Longueuil  
869 Saint-Jean-Baptiste, Mercier  
4250 Beaubien East, Montreal  
310 Henri-Bourassa West, Montreal  
1250 René-Lévesque West, IBM Marathon Building, Montreal  
8670 Sherbrooke East, Montreal  
198 Saint-Vallier Ouest, Quebec City  
521 Richelieu, Place Richelieu, Richelieu  
527 Principale, Saint-Amable  
128 Principale, Saint-Édouard  
3120 Principale, Saint-Jean-Baptiste-de-Rouville  
1000 Séminaire Nord, Galeries Richelieu, Saint-Jean-sur-Richelieu  
13 Sainte-Catherine, Saint-Polycarpe  
3050 Portland, Carrefour de l'Estrie, Sherbrooke

As at October 31, 2002

## Serving all cultures

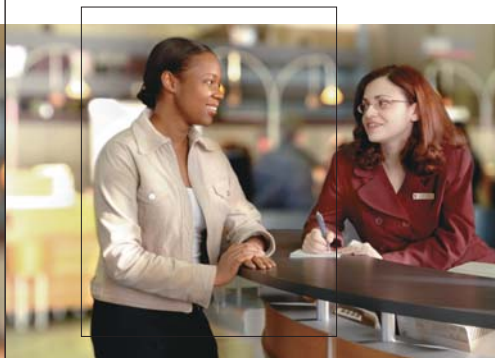
In Montreal, the Côte-des-Neiges area is a gateway for many newcomers to Canada. It is home to a cultural diversity unparalleled in the province of Quebec. This rich diversity is also reflected in the clients of our branch there, where one in four customers speaks a language other than English or French.

To offer these customers personalized service, we recruited personnel from 10 different cultural backgrounds who between them speak 16 languages, including Arabic, Spanish, Greek, Hebrew, Vietnamese and Russian.

Moreover, this year we began offering free seminars explaining the Canadian banking system and the best ways to use basic banking services, such as cheques, banking machines, etc. These seminars are held every two months, at the *Centre Saint-Pascal-Baylon*, a centre where new immigrants come to learn French.

## 2002 Highlights

- Some 60 of the Bank's branches extended their hours to 35 or more a week
- Installation of our first interactive terminal outside a branch at the J.-A. De Sève building at the *Université de Montréal*
- Complete revamping of the Bank's website to make navigation more user friendly and highly secure
- Approximately 325,000 customers now do their banking via the Bank's website
- Launch of the new Syncro MasterCard credit card which allows cardholders to save on interest charges
- Close to \$10 million was invested in enhancing the Bank's network of branches – 15 branches underwent major renovation and 23 new banking machines were installed



Employees of the branch in the Côte-des-Neiges district in Montreal offer their customers quality services in 16 languages.

## Welcome to Canada!

Nara Kavkas has been serving customers at the Côte-des-Neiges branch since August 2002. Of Armenian origin, she also speaks Russian, French and English. She adds, almost shyly, that she still needs to work on her Spanish.

"Our branch serves many ethnic communities, especially new arrivals who often speak only Russian," she explained. "Most of them are very worried when they first come to the Bank. It is so rewarding to see their faces light up when they realize that I can answer their questions in their own language. I know several customers who deal with our branch just because of me! I really have the feeling that I'm playing a role in society by taking care of these people who are living the same immigration experience I did."

# Equal opportunity for everyone

We want to offer our employees optimum working conditions so that they can develop their skills in a harmonious work environment that takes diversity into account.

We regularly survey our employees in order to implement programs that will meet their expectations. In a recent survey, employees said that their satisfaction at work depended directly on their ability to satisfy their customers. This reinforces our resolve to fulfil our role as a leader in human resources by providing our some 17,000 employees with the technological resources and training they need to offer customers the best possible service.

For many, work provides the means to start a family and take responsibility for it. We have worked hard to help our employees balance their family and professional obligations. Our efforts first led to the introduction of daycare centres in the workplace in 1980, then to the development of a family leave policy which was added to the legal parental leave. Employees can thus be off work while maintaining their position for a period of up to one year. This program not only benefits parents of young children, but also employees who need to care for a parent or take leave for personal reasons.

In order to ensure employment equity for employees with a physical or sensory disability, we began adapting our buildings in 1990. To date, most of our buildings have been adapted to facilitate the access and accommodate the needs of these employees.

## The *Voûte enchantée*

In 1980, the National Bank innovated by establishing the first workplace daycare centre in Quebec. Today, with 175 places, the *Voûte enchantée* is one of the largest workplace *Centres de la petite enfance* (CPE) in the province. The centre also offers summer programs for school age children.

Thanks to grants from the Bank, the daycare centre offers a wide range of excellent services. In fact, in 2002, the quality of its educational programs earned two honourable mentions from the Canadian Child Care Federation.

For parents who prefer a home setting for their children, this year the Centre is offering 20 additional home daycare places. The *Voûte enchantée* oversees and trains the educators and ensures that the premises meet government standards, particularly as regards safety.



Geneviève Limoges, her spouse Simon Lussier and their children, Thomas, Véronique and Caroline at the Bank's daycare centre.

"The National Bank's daycare is irreplaceable," enthused Geneviève Limoges, Compensation Advisor at the National Bank and mother of three adopted children.

"The daycare is divided into three sections, one per floor, so each child has an environment suited to his age," said Geneviève, who admitted, "At times I can barely tear them away because they want to finish something they're doing. What also impresses me is the availability and kindness of the educators: if I'm kept late at work, all I have to do is notify them and they'll give the children an extra snack at 4:30 p.m. At work, I have peace of mind because I know they will call me if there is a problem. I am convinced that the quality of this daycare is a positive contribution to the development of my children, and it also enables me to work better."

## Made-to-measure university training

To date, close to 800 National Bank employees have earned certificates, undergraduate or graduate degrees through the National Bank University Program. This Program, the only one of its kind in the industry, was introduced in 1996 in partnership with the *Université du Québec à Montréal* and other constituents of *Université du Québec*, the *Télé-Université*, and the Institute of Canadian Bankers. The Program is tailored to meet our needs and those of our customers as well as the requirements of the financial milieu. In recent years, the Bank expanded the Program, signing agreements with other universities elsewhere in Canada.

This recognized university training enables our employees to increase their value on the labour market. In addition to the employees who have obtained a certificate or degree, several thousands of others have taken refresher courses. In all, more than 4,000 employees have registered for undergraduate-level studies and over 500 have pursued graduate studies since the Program was introduced in 1996.

The Program, which to date represents an investment of more than \$10 million, is periodically updated to ensure that our employees receive quality training adapted to the changing needs of our environment.

## Bursaries

Every year we award three bursaries to candidates or groups of candidates who have distinguished themselves academically. We recognize their efforts through the Pierre Paquette Prize for undergraduate and graduate students enrolled in the National Bank University Program and studying at the *Université du Québec à Montréal*. These prizes are worth \$10,000 and \$15,000 respectively. The Michel Bélanger Bursary, worth \$15,000, is awarded to Bank employees enrolled in a Master's program in a discipline related to their function at the Bank.

These bursaries allow recipients to take unpaid leave or work part-time for a year in order to pursue their studies. The Bank maintains their employee benefits for the duration of the study period, and guarantees them the same position or an equivalent position when they return to work after completing their studies.

To date, \$195,000 has been awarded to employees under the Michel Bélanger Bursary Program and, under the Pierre Paquette Prize, \$60,000 has been given to undergraduate students and another \$60,000 to employees studying for their Master's degree. A total of \$315,000 has been awarded under these bursary programs.

Natasha Rocheleau, recipient of the 2002 Michel Bélanger Bursary (in the centre), with Réal Raymond, President and Chief Executive Officer, Patrícia Curadeau-Grou, Senior Vice-President – Risk Management, Pierre Desroches, Ombudsman, and Gisèle Desrochers, Senior Vice-President – Human Resources and Operations.

## Employee support programs

In order to help our employees resolve problems they encounter in their personal or professional lives, we offer them various support programs, including the Let's Talk Program. This professional and confidential consultation service was established over 20 years ago.

We have also developed various other programs to help us maintain a harmonious work environment. For example, this year we launched a structured program favouring the amicable settlement of disputes in our three assistance centres in Quebec. These centres handle requests from the branches about deposits, discounting and checking.

The Amicable Dispute Resolution program provides employees in these centres with a flexible, effective way to settle conflicts swiftly and to everyone's satisfaction. Employees who use this program are assured of confidentiality and that there will be no reprisals.



## Pierre Paquette Prize

As part of his National Bank University Program graduate studies, Patrick Nasser, together with his colleagues Georgia Tragoulias, Clément Caillé, Angelo Marinos and Paul Katra, received the 2002 Pierre Paquette Prize – Graduate Studies worth \$15,000. For seven months, the team worked on developing a human resources action plan on how to retain employees aged 30 to 35 so as to ensure succession.

"For us, the experience was a unique opportunity to further our theoretical knowledge and translate it into a plan that could be easily applied and useful to the Bank. The help of Professor Harvey at UQAM and our Human Resources Department throughout our research was extremely stimulating," Patrick Nasser said.

"We discovered major human resources challenges and proved that we were able to come up with realistic and effective solutions."

## Recognition programs

We firmly believe it is important to regularly acknowledge and reward the dedication and contribution of our employees. To accomplish this, we have set up a number of programs and activities, a few examples of which are given below.

### Employees' Week

For the past 14 years, each year we organize an Employees' Week – the only activity of its kind in the industry – aimed at strengthening interpersonal relations within and among our teams. In 2002, numerous activities, games, contests and shows were organized on the theme *What a program!*, making reference to the 50 years of the Canadian Broadcasting Corporation and the contribution of television to society.

### Executive Luncheons

Senior management of the Bank has always liked to keep in close touch with its employees who work on the front lines. In 2002, about 100 employees who distinguished themselves through their initiatives or achievements were invited to meet with members of Senior Management at Executive Luncheons, which have been held each month over the past 10 years.

The luncheons are an opportunity for employees to ask questions in order to gain a better understanding of developments at the National Bank and for their hosts to get feedback from employees and listen to their suggestions in a casual, friendly setting.

## Leadership development

At the Bank, the development of our management force has a dual objective. It aims to engage high-achievers by offering them career advancement in line with their professional goals while enabling the Bank to achieve its business objectives through the contribution of motivated personnel.

Through the Leaders Institute, established in 1999, some 450 of the Bank's senior managers have attended forums aimed at clarifying the Bank's vision, management culture and business strategies. As well as obtaining a better understanding of these concepts so that they in turn can pass them on to their teams, the managers view their participation in these events as recognition and appreciation of their role. In view of the success of these forums, the Institute decided in 2001 to make its programs available to middle management. More than 280 of our leaders of tomorrow have already benefitted from these opportunities.

For the third year in a row, more than 250 of our managers also took part in the annual Leadership Day, another Leaders Institute initiative. In 2002, the day's focus was on Customer Satisfaction at the Core of the Organization.

During this day of training, managers have a chance to talk to senior officers of the Bank and to hear well-known speakers present their views on issues of key importance for the Bank. This year, the presentations dealt with the importance of the role of managers in implementing a culture of quality service as well as their impact on employee engagement and customer and shareholder satisfaction.

## 2002 Highlights

- Creation of 20 home daycare places
- Establishment of a structured Amicable Dispute Resolution program for three units at the Bank
- Improvements to the employee benefits program
- Continuation of the corporate space compliance program
- Upgrading of the employment system that defines and classifies functions at the Bank in order to make it easier to explain and understand



Johanne Brouillard, recipient of the first Pierre Paquette Prize, awarded in 1998.



In 2002, the theme of the 14th edition of Employees' Week was television, marking the 50th anniversary of television in Canada.

# A partner for SMEs

In an increasingly competitive world, where the economic and technological environment is constantly changing, small and medium-sized enterprises need to be able to count on a solid partner to help them grow and fully succeed in business. SMEs can find such a partner in the National Bank.

Since our founding, we have firmly established ourselves as the leading SME bank in Quebec, where over 40% of SMEs have placed their trust in us.

In addition to providing companies with integrated solutions that meet their specific requirements and the distinctive aspects of their region, we have implemented several measures that allow us to continue to be attuned to SMEs' needs. For example, in 2002, we formed advisory committees made up of SME clients from every region of Quebec. These committees enable us to keep abreast of the interests, views and expectations of our customers.

The surveys we have regularly conducted over the past three years show a steady increase in SME satisfaction rates and attest to our commitment to being a financial partner in their growth – from startup to exports – by providing them with practical and innovative solutions.



## Focused on SMEs and their regions

Many small and medium-sized businesses are located outside major urban centres. To better serve these SMEs, we have created a network of commercial banking centres across Canada that brings together professionals who understand the needs of small businesses. Moreover, the teams in each region of Quebec and Ontario have a cash management specialist on hand who can offer business owners sound solutions for managing their cash resources, as well as an international trade specialist who has up-to-date expertise in the field and who can be an invaluable advisor for SMEs facing the challenges of globalization.

We have also established a team of professionals that can propose financing, investment or administration tools adapted to franchising. Franchising is an advantageous business solution for small entrepreneurs who can thus capitalize on an established brand and an existing business network.

## At the core of a dynamic network

A region's SMEs form a dynamic network, which drives its economy. We have therefore implemented activities to help SME owners meet, network and support each other.

During the past six years, an annual *Rendez-vous PME* is held in Montreal and, more recently, in Quebec City. These gatherings, which this year drew close to 1,000 entrepreneurs, give participants an opportunity to exchange with their peers, while obtaining valuable information not only of a financial nature, but also in the area of management and on other topics of interest such as buying and selling over the Internet and succession planning.

Furthermore, each year we also invite experts to share their knowledge with SME owners at *Conférences Inc.* seminars, held in several regions of Quebec.

## Recognition of the best SMEs

For almost 10 years now, the Bank has paid tribute to the exceptional performance of Quebec SME leaders through its annual "The SMEs of the National Bank" recognition program. Thousands of companies have been honoured under this program.

The program has two levels – regional and provincial – and enterprises can apply in the following four categories: SME, Small Business, Exporting SME and Agricultural SME.

In addition to receiving generous prizes, the provincial winners in each category benefit from extensive visibility in the Quebec media and are also profiled in a TV special *Distinction PME* televised on the French TVA network.

Danielle and Robert Boies, respectively Vice-President and President of Tressage Boréal with Tony Meti, Senior Vice-President – Commercial Banking and International, and Réal Raymond, President and Chief Executive Officer.

"When I founded Tressage Boréal, which produces connectors used in electrical equipment to conduct electricity, it was the National Bank's reputation for good service to SMEs that made me choose it as our bank. After eight years of steady growth, I have no doubt that I made the right decision. Not only was the Bank able to provide us with the capital and credit we needed to expand, but all their specialized services allow us to save both time and money."

– Robert Boies, President of Tressage Boréal and winner of the 2002 edition of "The SMEs of the National Bank" program, Small Business category. By continually refining its processes, the company has managed to set the standard for quality in its industry.

## Agribusiness bankers

The Quebec agricultural sector is characterized by large numbers of family SMEs that have specific financial management and administration needs, and that face unique risks.

To meet these needs, over the past seven years we have increased the number of our agribusiness advisors from 15 to over 100. Since these business advisors all hold a diploma in agriculture, they are able to understand their clients and give them sound advice. In 2002, we also added agri-food and aquaculture specialists to our team to meet the needs of certain regions. We also established a unit specialized in farm equipment financing, which accelerates the processing of applications.

In order to further facilitate access to financing for our agribusiness clients, we work in partnership with various organizations such as *La Financière agricole*, a government agency whose mission is to support and promote the growth of Quebec's agricultural and agri-food industry. Our agreement with *La Financière agricole*, which guarantees the loans we grant these clients, allows us to offer them attractive interest rates and credit terms.

## Information for sound decision-making

In order to help farmers make more informed decisions, this year our advisors organized about 20 meetings so they could discuss issues of common interest and meet with agronomists, tax experts and other specialists who gave them a wide range of information of an economic nature.

The transfer of farms from one generation to the next is a delicate and emotional issue that can have financial and strategic consequences. Last year, we therefore developed a seminar on the subject to ensure the survival of family farms.

We recognize the importance of ensuring succession and participate in the funding of scholarships for agricultural students at the *Université Laval* as well as the Philippe Parizeau Chair at *UQAM* for students who are taking a Master's in Agri-food.



Céline Parent-Grenier and Gaétan Grenier, owners of La Ferme du Barrage inc., winners in the 2002 "The SMEs of the National Bank" program, Agricultural SME category.

## Tribute to women farmers

Women play an essential role in agriculture. In Quebec, 25,000 women are involved in agriculture – 12,000 participate in the management of the enterprise in which they are shareholders and 1,500 are sole owners of their enterprise. In all, 34% of Quebec agribusiness companies are managed by women.

To mark their contribution, in 1999 we launched, in partnership with the *Maison Saint-Gabriel*, the Catherine Crolo Award honouring the first intendant of *Ferme Pointe-Saint-Charles*.

Each year, this award is presented to a Quebec woman entrepreneur in the area of agriculture or agri-food who has stood out for her courage, her innovation and her enterprising spirit.

Since 1995, we have also been associated with the *Soirée Saturne*, an event organized by the *Fédération des agricultrices du Québec* which honours women for their contribution and their dynamism by awarding them three prizes – Farmer of the year, Entrepreneur farmer and Young farmer.



Jeanne-d'Arc Poisson Nault, owner of La Ferme Nault 2001 inc., winner of the 2002 Catherine Crolo Award, in the company of Marie-Claire Lafrenière, Chair of the Bank's Agribusiness Development Committee and Sister Madeleine Juneau, Executive Director of *Maison Saint-Gabriel*.

"The Quebec dairy industry has changed a great deal in the past 25 years. As the owner of a dairy farm with nearly 170 head of cattle, I've had to make more than one important decision. Whether it was to erect a new building, buy more quota or open our new cheese factory, the National Bank has always been there to support the growth of our family business."

- Gaétan Grenier, owner of La Ferme du Barrage inc. of Saint-Gérard, specializing in dairy and cheese production and winner of the 2002 edition of "The SMEs of the National Bank" program, Agricultural SME category. The farm has built a loyal client base by providing fresh, superior quality products which are distributed through more than a hundred grocery and convenience stores in its region.

## Electronic solutions for SMEs

Small businesses often lack the financial resources to invest in specialized software and the human resources to keep them up to date. In December 2002, we made it easier for our SME customers to manage their enterprises by giving them access, via the Internet, to business applications such as electronic mail, shared calendars and document management. Developed in conjunction with a Quebec SME, this service will result in substantial productivity gains for small companies who do not have to pay for the software or the server.

We also developed electronic solutions to simplify SMEs' everyday business management. With our effective electronic solutions, SMEs can optimize their cash management (bill payment, funds transfer, etc.), apply for a loan online and, beginning this year, reserve a foreign exchange rate online.

Buying and selling products online is an effective and inexpensive way to do business. We facilitate SMEs' Internet access by offering to help them create their own website at an affordable cost. Moreover, our Web solutions give them visibility on the Internet and allow them to sell their products and services using the shopping cart technique.

Direct•N@t SME, the Bank's virtual branch for SMEs, was designed to make business management even easier and to enable businesses to obtain the expert advice of an account manager online. On this site, SMEs have access, in real time, to electronic payments and balances for transactions in Canadian or U.S. dollars. They can also keep track of transactions on their MasterCard

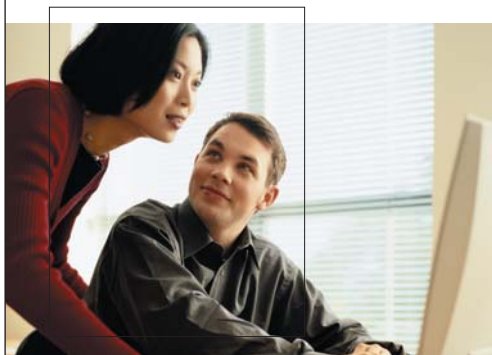
accounts, access the foreign exchange market, carry out payment operations and check the details of a transaction.

TelNat Enterprises is another important service for SMEs because it allows them to contact a Bank representative, Monday to Friday, from 7 a.m. to 7 p.m. and Saturday, from 8 a.m. to 4 p.m., for information and basic services. Moreover, the automated telephone service offers callers all the basic transactions, 7 days a week, from 6 a.m. to midnight.

## Micro credit at your fingertips

Small enterprises need quick, flexible credit. To that end, we have created simple, innovative and effective micro-credit tools.

With a one-page application, the Business Latitude Line of Credit will provide a credit line of up to \$50,000. The Business Latitude Line of Credit, which is currently held by more than 11,000 clients, offers many benefits, including access to an information line for the exclusive use of SMEs and to the Direct•N@t SME virtual branch, competitive pricing based on the business prime rate, flexible payment terms, a MasterCard credit card and a detailed statement of account. Since 2002, application forms can be completed online on the Bank's website, which makes access to financing even easier.



Our electronic solutions help our SME customers manage their businesses.

## Solidarity Fund

In 1996, we contributed to the creation of 16 new venture capital funds of the Solidarity Fund of the Quebec Federation of Labour by investing \$9.6 million, representing 10% of the initial capital required. The objective of these funds is to stimulate regional economic development in Quebec and they are used to fund new businesses and restructure companies. To date, the Bank has invested a total of \$14.4 million in these funds.

## Succession planning

The economy of all regions needs young people willing to breathe new life into its businesses. To train these future entrepreneurs, we support *Jeunes entreprises du Québec*, the Quebec chapter of Junior Achievement Canada. Every year, guided by volunteer advisors, groups of high school and CEGEP students set up a micro-business and learn the basics of business management. A number of our employees serve as business consultants to assist the students.

## 2002 Highlights

- Appointment of agri-food and aquaculture specialists
- Reservation of foreign exchange rates online
- Access to shared software
- Business Latitude Line of Credit: online micro-credit offering
- 90-day online transaction history
- Creation of an advisory committee for SMEs

# Improving and protecting the environment

At the National Bank we believe we have an important role to play in improving and protecting the environment. That is why we have implemented energy-saving and recycling programs and integrated environmental evaluation criteria into our credit policies. We also provide financial assistance to environmental organizations.

Our concern for energy conservation has led us to serve on the management board of the *Association québécoise pour la maîtrise de l'énergie*, an organization that brings together more than 500 representatives of large corporations concerned with this issue.

Over the past few years, we have adopted a series of measures aimed at reducing our energy consumption and limiting the waste generated by our operations.

- A construction and renovation environmental handbook has been drafted and put into practice. This handbook has helped to reduce the environmental impact of our projects through more efficient use of space and the recycling or reusing of materials.
- The quality of the air in the National Bank Tower in Montreal has been improved by doubling the amount of fresh air circulating through the building, without noticeably increasing energy consumption.
- Energy efficiency was increased by reducing electric lighting levels, maximizing natural lighting and installing solar screens to reduce air conditioning needs.

## Mission: Zero Waste



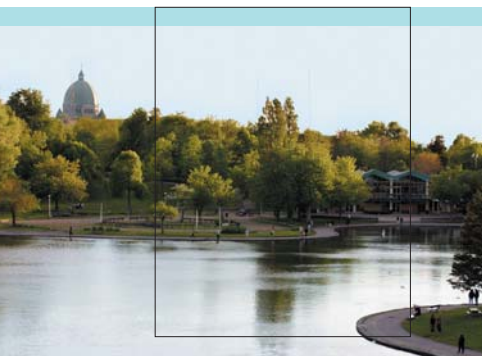
Under the Zero Waste program, 365 metric tonnes of paper were recycled in 2002.

Established in 1994, the Zero Waste program seeks to reduce waste produced in the National Bank Tower based on the principle of the 3Rs: reduce, reuse, recycle. Our employees and the other tenants in the building are encouraged to recycle all recyclables – paper, plastic and glass – and to donate any old but useable furniture to non-profit organizations. In 2002, 365 metric tonnes of paper and over 8,000 kilos (17,637 lbs) of cardboard, glass and plastic were recycled.

## Environmental risk evaluation

We work in co-operation with enterprises that assume their environmental responsibilities. In this regard, we have incorporated environmental evaluation criteria in our credit policies. For example, when we receive an application for financing from a company that operates in a risk sector, we require an assessment of the potential existence and scope of environmental risks associated with this type of business and advise the client about the risks they may incur in financing their project. For several years now, we have also been co-operating with government authorities on developing new environmental standards.

## Les Amis de la montagne



Les Amis de la montagne works to preserve and enhance Mount Royal in Montreal.

Photo: A. Dobrowskyj, Les Amis de la montagne

In 1999, we made a five-year commitment to contribute to *Les Amis de la montagne*, a non-profit organization dedicated to the preservation and enhancement of Mount Royal, one of the gems of Montreal's natural heritage. *Les Amis de la montagne* has a number of notable achievements to its credit, such as the expansion of Mount Royal's green spaces through reforestation of the site formerly occupied by the Clifton Apartments and the cleanup operation following the ice storm of 1998.

# Business conduct

We believe that it is in the best interest of our shareholders, our customers and our employees to adopt and apply sound policies and practices with respect to the way we conduct our business. That is why we develop and implement mechanisms to ensure that legislation and regulations governing our operations are respected. For instance, in 2002, we created the position of Vice-President – Compliance to offer our managers the support they need in this area.

In 2002, we paid particular attention to the new *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. We revised all of our procedures and set up a rigorous training program for all our employees and those of our subsidiaries.

Almost 20 years ago, we adopted a Code of Professional Conduct which sets out standards of professional ethics, confidentiality and conflict resolution. When they join the Bank and annually thereafter, employees, members of management and directors of the Bank all undertake in writing to respect the rules set out in the Code. To ensure that it continues to respond to the realities of our industry, the Code is also reviewed from time to time.

## Mediation: finding solutions

Customer satisfaction is an ongoing priority. We have therefore implemented procedures to ensure that when customers have a dispute with us it is resolved satisfactorily. A customer who does not obtain satisfaction from his branch manager is referred to our Mediation Department that will guide him through the process at the various Bank levels and, if the dispute still cannot be resolved, will refer him to the Bank's Ombudsman. As a last resort, the customer can turn to the Canadian Banking Ombudsman.

The Ombudsman of the National Bank is an impartial and independent resource and, as such, is able to assure customers that they will be treated fairly and equitably. When applicable, he also recommends changes to management in order to meet customer needs. According to what customers have told us, while complaints are not always settled as they expected, the Ombudsman's ability to listen, understand and empathize with a situation is greatly appreciated and customers are generally satisfied with the outcome of their complaint.

With a view to further improving efficiency of service and customer satisfaction, we introduced major changes to our mediation services in 2002, notably by creating the position of Deputy Ombudsman.

## Peace of Mind Guarantee

In June, the National Bank received an Octas award from the *Fédération de l'informatique du Québec* in the security and protection of information category. This award serves as tangible recognition of the importance we attach to the protection of personal information and the integrity of transactions carried out via our website. The security solution enables us to offer our Peace of Mind Guarantee, which is our commitment to users of our Internet Banking Solutions that we will reimburse them for any losses caused by fraud while using our sites, provided they have taken the necessary measures to safeguard their access number, password and computer equipment.

## 2002 Highlights

- Major changes to the Mediation Department and creation of the position of Deputy Ombudsman
- Creation of the position of Vice-President – Compliance
- Implementation of an employee training program following the coming into force of the new *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*



The Octas award recognizes the importance the Bank attaches to the security and the protection of banking transactions via the Internet.

# From local bank to integrated financial group

The history of National Bank of Canada is that of an institution created to serve the specific needs of a business community, and which steadily grew to become an important integrated financial group offering comprehensive financial services in every region of Canada and even outside the country.

Founded in 1859, the National Bank opened its first branch the following year on rue Saint-Jean in Quebec City. A merger with Banque Hochelaga in Montreal in 1924 gave rise to the Banque Canadienne Nationale which, some years later, adopted the English name of Bank Canadian National. It continued to operate under this name until 1979, when it amalgamated with the Provincial Bank to become National Bank of Canada. The merger, representing the largest consolidation of financial assets to have ever taken place in North America at that time, catapulted the Bank into the major league of Canadian chartered banks and enabled it to offer a full array of banking services to its individual and business clients.

Another key development in the National Bank's expansion occurred in 1988 with the acquisition of the brokerage firm of Lévesque Beaubien, which the Bank merged the following year with Geoffrion Leclerc to create Lévesque Beaubien Geoffrion.

As a result, the Bank possessed all the services required to become an integrated financial group, as well as all the tools for meeting the needs of its clients and thus creating value for its thousands of shareholders.

The expansion continued in 1993, when the Bank acquired the assets of General Trust of Canada, a company specialized in trust activities.

In 1999, the National Bank purchased First Marathon, a Toronto-based investment bank and securities brokerage firm, which it integrated with its subsidiary Lévesque Beaubien Geoffrion Inc. to form National Bank Financial, a new Canadian investment services company.

That same year, it also created a new subsidiary, AssurNat, Assurances générales Banque Nationale, to offer general insurance products directly to customers in Quebec.

The Bank's operations extended outside of Canada in 1994 when, through its American subsidiary Natbank, it opened its first U.S. branch in Pompano Beach, Florida.

In June 2002, the Bank concluded another major transaction with its acquisition of the mutual fund manager and distributor Altamira. Not only did this acquisition

significantly expand the Bank's presence outside Quebec in the area of wealth management, but it also doubled its mutual funds under management.

Active on the Canadian social and economic scene for close to 150 years, National Bank of Canada, whose head office is in Montreal, is now a super-regional bank that focuses on specific niche markets to strengthen its presence throughout Canada. The Bank is the sixth largest Canadian chartered bank, with assets of close to \$75 billion. Its securities are listed on The Toronto Stock Exchange under the symbol NA:TSX. It has more than 17,000 employees, and its Canadian network comprises 530 branches, including 395 in Quebec, which makes it a leader in this market and one of the largest employers in the province.



A National Bank branch in Quebec City, circa 1940.



The main branch at the National Bank Tower in Montreal, in 2002.

Photo: François Bastien

# Contribution to the economy

The National Bank operates in all regions of Canada. As an employer, taxpayer and purchaser of goods and services, the Bank plays an important role in the economic life of every part of the country. The tables on these two pages present statistics on our contribution to the Canadian economy.

- \$1,147,000,000 in salaries and employee benefits
- \$11,032,000 in training
- \$567,827,000 in procurement of goods and services throughout Canada
- \$59,261,000 in investments in our facilities

## Employees in Canada – full-time and part-time\*

In 2002, more than 17,000 National Bank employees helped provide our customers across Canada and abroad with superior quality service.

	Full-time employees	Part-time employees	Total
Newfoundland and Labrador	0	0	0
Prince Edward Island	10	7	17
Nova Scotia	26	0	26
New Brunswick	211	138	349
Quebec	9,721	4,070	13,791
Ontario	1,709	407	2,116
Manitoba	49	2	51
Saskatchewan	23	4	27
Alberta	208	7	215
British Columbia	237	6	243
<b>Total Canada</b>	<b>12,194</b>	<b>4,641</b>	<b>16,835</b>
<b>Outside Canada</b>	<b>352</b>	<b>98</b>	<b>450</b>
<b>Total Bank</b>	<b>12,546</b>	<b>4,739</b>	<b>17,285</b>

\* As at October 31, 2002



## Income tax and other taxes paid in 2002 in Canada

Income tax and taxes paid or payable in 2002 in Canada as at October 31, 2002  
(in thousands of dollars)

	Income tax (1)	Tax on capital	Other taxes* (2)
Federal	126,713	-	54,955
<b>Provincial</b>			
Newfoundland and Labrador	1	1	-
Prince Edward Island	50	121	99
Nova Scotia	16	33	71
New Brunswick	118	1,283	2,000
Quebec	20,006	33,299	110,194
Ontario	5,929	4,815	11,750
Manitoba	499	207	469
Saskatchewan	81	207	97
Alberta	275	-	466
British Columbia	346	378	770
Yukon, Northwest Territories and Nunavut	64	-	-
<b>Total of provinces</b>	<b>27,385</b>	<b>40,344</b>	<b>125,916</b>
<b>Total federal and provincial</b>	<b>154,098</b>	<b>40,344</b>	<b>180,871</b>

(1) Income tax and tax on capital: Estimated amount

(2) Other taxes: Amount including employee benefits (employer's contribution including amounts paid into CPP, EI and provincial health insurance plans), business tax, property tax, sales taxes (including federal GST, HST and estimated provincial sales tax) and deposit insurance premiums

## Debt financing granted to companies in Canada

A partner of small and medium-sized enterprises, in 2002, the National Bank authorized more than \$27 billion in debt financing for 39,599 SMEs in Canada.

	0 to \$24,999		\$25,000 to \$99,999		\$100,000 to \$249,999		\$250,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 to \$4,999,999		\$5,000,000 and more	
	Total authorized	SME	Total authorized	SME	Total authorized	SME	Total authorized	SME	Total authorized	SME	Total authorized	SME	Total authorized	SME
Newfoundland and Labrador	31,695	2	46,200	1	256,175	2	428,261	1	-	0	-	0	78,089,325	3
Prince Edward Island	336,974	36	1,818,131	35	3,220,240	20	1,925,850	6	3,711,413	5	14,892,087	5	85,576,865	4
Nova Scotia	160,079	16	797,046	14	3,059,044	18	4,270,057	12	2,882,198	4	4,168,863	3	165,632,545	8
New Brunswick	3,776,507	430	24,558,348	475	35,621,658	228	44,000,518	129	52,374,732	78	120,876,368	62	217,578,382	14
Quebec	83,994,401	9,652	474,221,735	9,025	904,339,255	5,897	1,159,174,566	3,314	1,621,065,792	2,375	4,094,281,687	2,127	11,235,273,706	546
Ontario	10,078,610	1,310	55,352,593	1,066	115,938,862	758	138,576,705	396	182,647,538	265	496,114,652	259	3,001,641,425	139
Manitoba	283,459	30	1,896,811	36	3,759,269	25	7,457,826	21	11,946,410	17	58,540,386	29	122,410,478	8
Saskatchewan	52,009	5	908,456	17	4,265,351	25	4,468,653	13	14,053,190	22	72,246,571	30	154,468,824	12
Alberta	370,324	46	4,420,126	80	12,055,598	81	14,207,323	42	22,299,028	34	174,702,600	80	1,598,650,961	63
British Columbia	71,948	21	867,224	16	4,151,686	29	6,510,930	18	9,328,668	14	57,293,933	28	515,746,631	17
<b>Total</b>	<b>\$99,156,006</b>	<b>11,548</b>	<b>\$564,886,670</b>	<b>10,765</b>	<b>\$1,086,667,140</b>	<b>7,083</b>	<b>\$1,381,020,687</b>	<b>3,952</b>	<b>\$1,920,308,970</b>	<b>2,814</b>	<b>\$5,093,117,148</b>	<b>2,623</b>	<b>\$17,175,069,142</b>	<b>814</b>

Grand total: \$27,320,225,762    39,599 enterprises

