

Investor Community Presentation National Bank Financial: Prospering in a Low Return Environment



Louis Vachon, Chairman, NBF Group
Kym Anthony, President and CEO, NBF Group
Toronto, April 6, 2005

opportunities



Today's Agenda

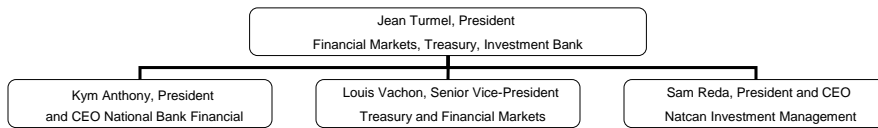


- Changes in corporate structure
- A look at our past performance
- How we manage our business
 - Risk (capital) management
 - Client management

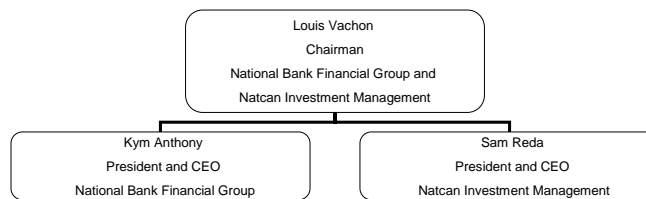
Changes in Corporate Structure of NBF Group



Before



Since January 2005

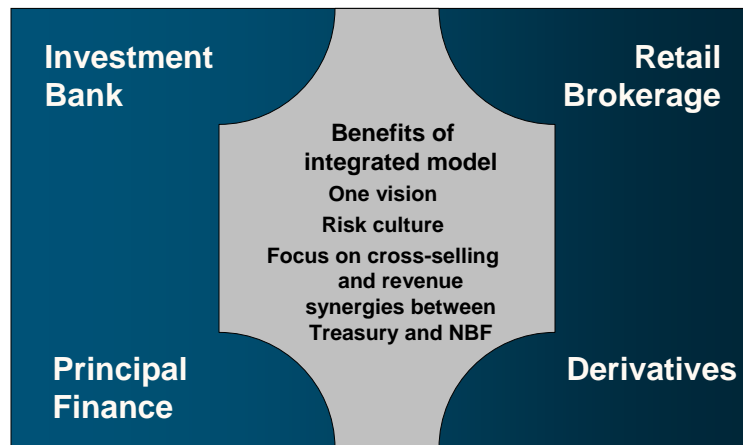


National Bank of Canada
Investor Community Presentation — April 6, 2005



3

Leveraging Our Group's Capabilities



National Bank of Canada
Investor Community Presentation — April 6, 2005



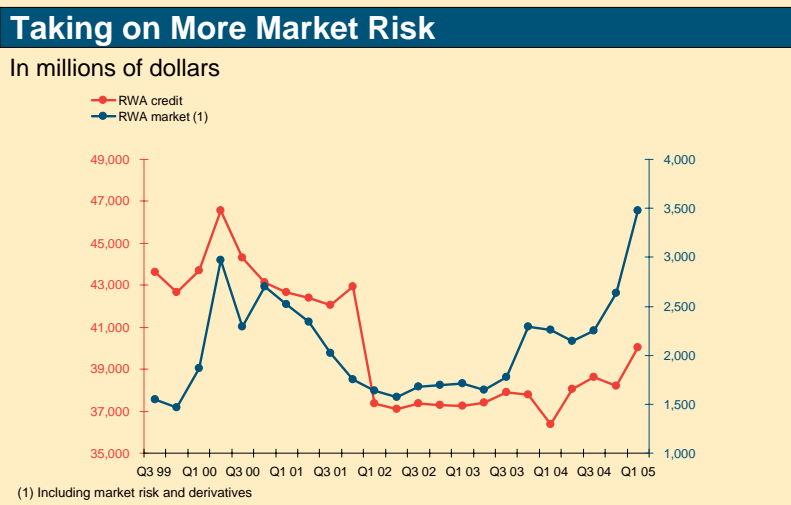
4

A Look at Our Past Performance



- During the last few years, National Bank has reduced its exposure to credit risk while taking on more market and business risk (related to capital markets and mutual funds)
- The strong performance of the period (yearly growth of 5.8% from Q1 2000 to Q1 2005) was a result of principally 2 events:
 - Superior market risk management
 - Catch-up with the rest of the industry

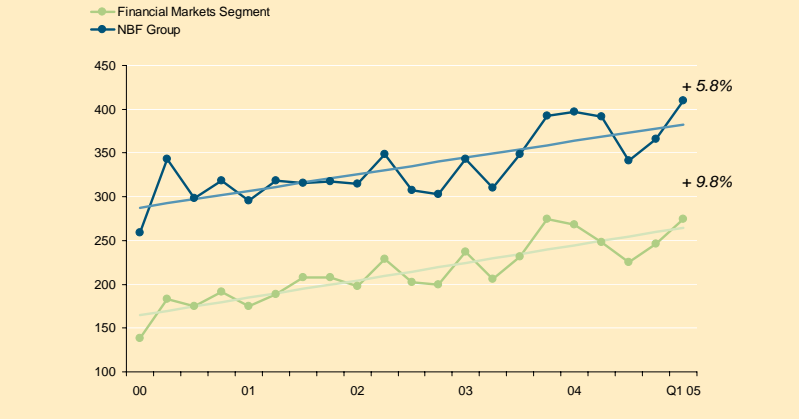
I - A Look at Our Past Performance



I - A Look at Our Past Performance

Steady Growth of Quarterly Revenues

In millions of dollars



National Bank of Canada
Investor Community Presentation — April 6, 2005

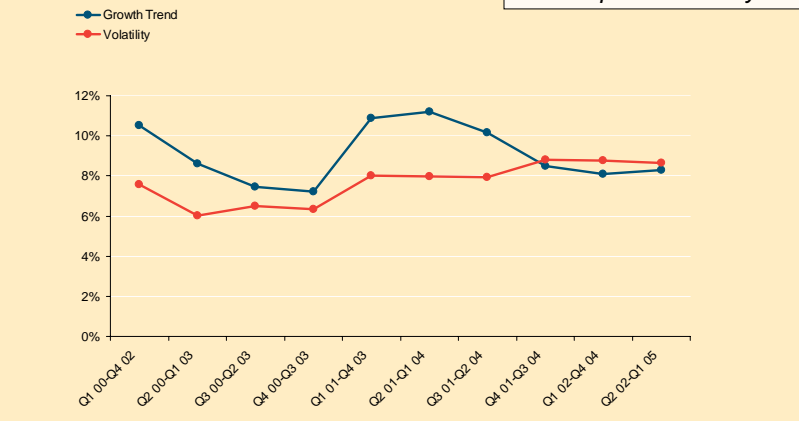


I - A Look at Our Past Performance

Financial Markets Revenue

(Rolling 12 quarters, detrended for growth)

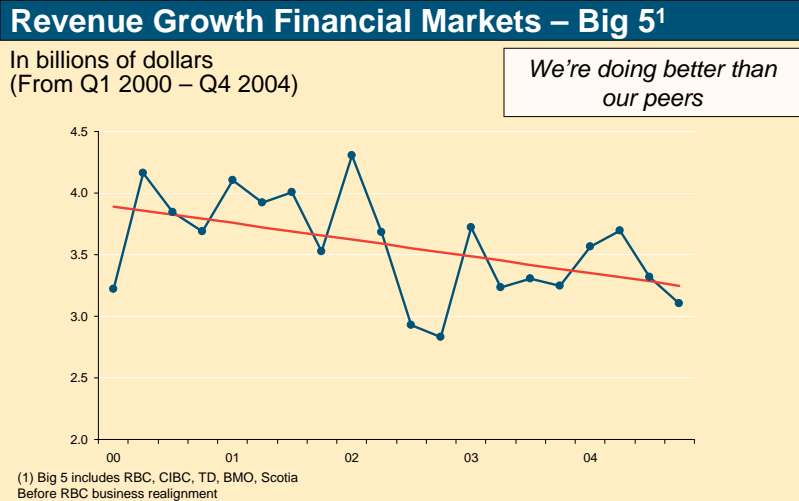
Acceptable volatility



National Bank of Canada
Investor Community Presentation — April 6, 2005



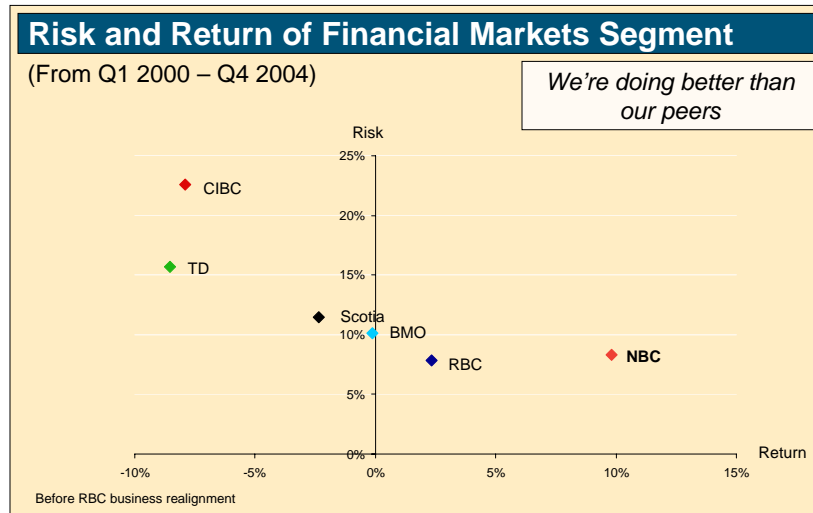
I - A Look at Our Past Performance



National Bank of Canada
Investor Community Presentation — April 6, 2005



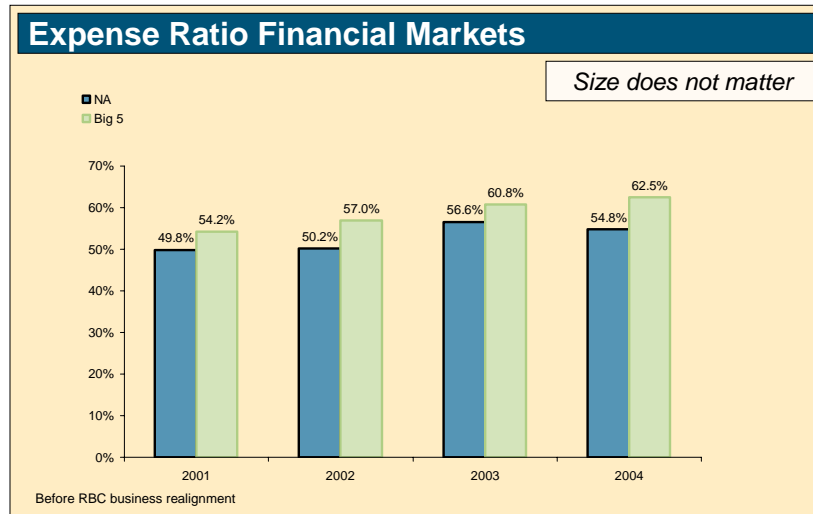
I - A Look at Our Past Performance



National Bank of Canada
Investor Community Presentation — April 6, 2005



I - A Look at Our Past Performance



How We Manage Our Business: Two Separate Components

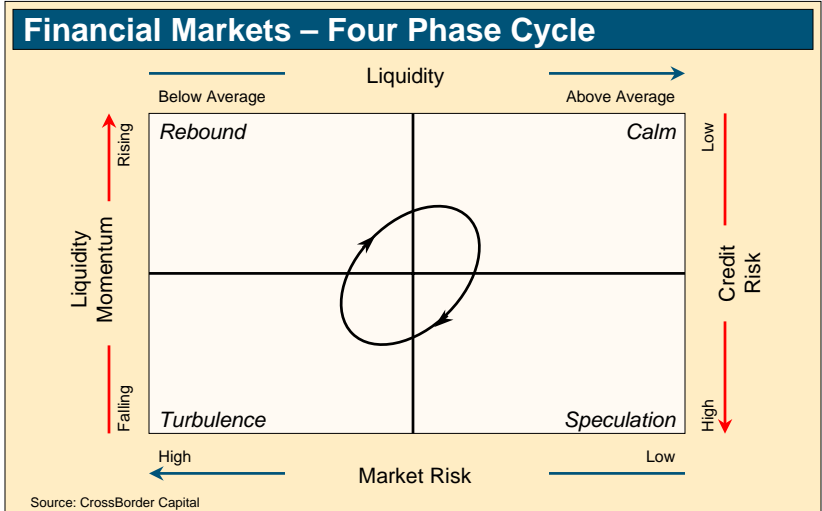


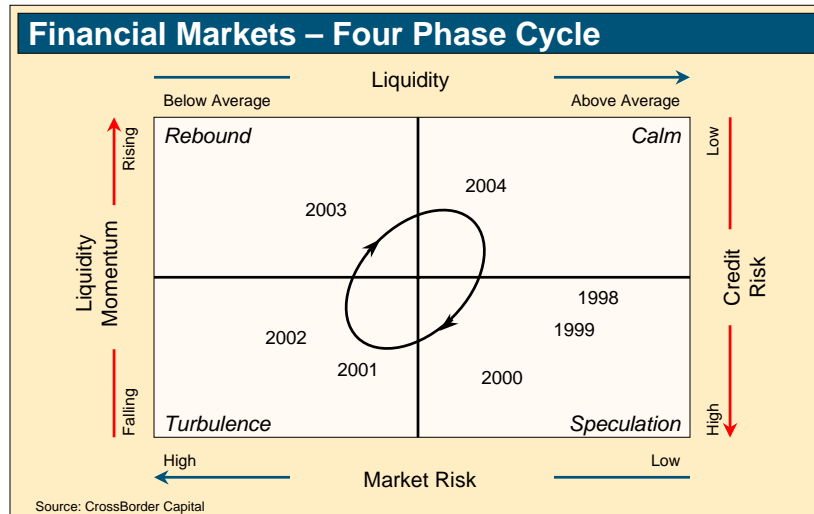
- Risk (capital) management:
 - Risk is defined as the volatility of earnings with a bias to avoid negative events
 - Risk management is a core competency at National Bank
 - We manage risk by:
 - Diversification
 - Being a niche player
 - Being opportunistic
- Client management:
 - Wealth Management
 - Financial Markets
 - Derivatives



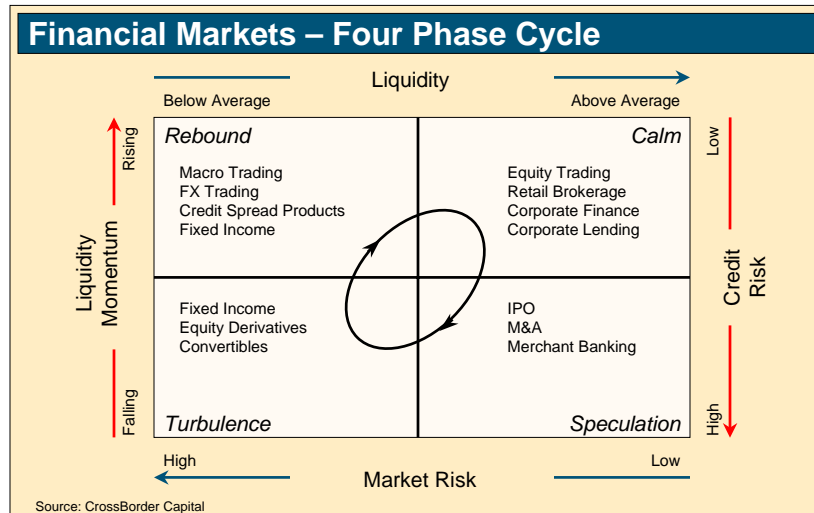
Risk Management

II – Risk Management





Comment: Level of liquidity influences duration and market risk. Change/momentum of liquidity determines credit risk



Comment: Level of liquidity influences duration and market risk. Change/momentum of liquidity determines credit risk

Three Different Types of Diversification



- Clientele base diversification:
 - Fixed income
 - Corporate lending & Finance
 - Retail brokerage
 - Equity Derivatives
 - Commodities
 - FX trading
 - Alpha product (Hedge Fund)
 - Client vs. proprietary
- Time diversification:
 - Short term vs. long term investing
 - Value investing
 - Growth investing
- Geographical diversification:
 - Nationwide strong presence: Quebec, Toronto complemented by at par contribution from Calgary and Vancouver
 - Global (Merchant banking, hedge funds, external traders)

Successful Diversification Strategies

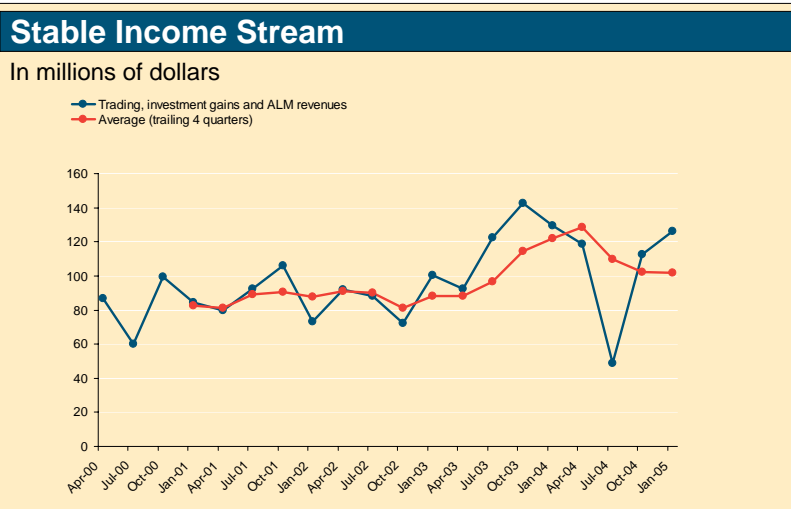


- Being a niche player
 - Local dominance (Quebec)
 - Global excellence
 - Focus on high margin businesses
- Opportunism
 - Early mover
 - Innovations:
 - Alternative asset management (Hedge Fund)
 - External traders
 - Pulp & Paper
 - Absolute return investing
- Product differentiation
 - Retail products
 - Structured products



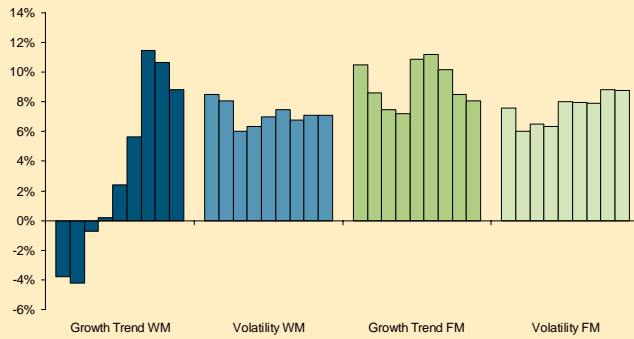
Risk Management Results

		Q4 04	Q1 05
ALM	Treasury	\$11	13
Trading	Treasury	45	54
	Institutional	19	24
Total		\$64	\$78
Investment gains			
	Treasury	\$11	\$5
	Institutional	\$26	\$29
Total		\$38	\$35



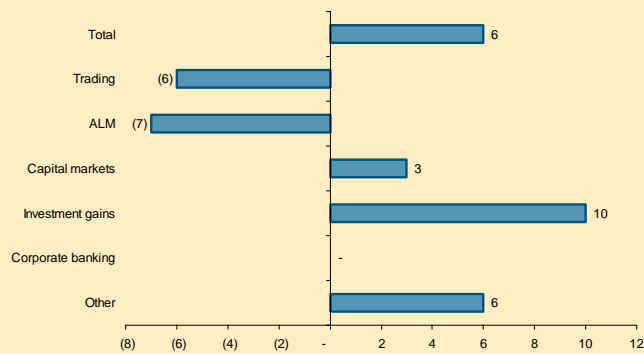
Beneficial Effect of Diversification

Rolling 4 quarters, detrended for growth
(From Q1 2000 – Q4 2004)



Variation of Revenues, Q1 2005 vs Q1 2004

In millions of dollars





Client Management

III – Client Management



Principal Business Units

- **Wealth Management**
 - Retail Brokerage
 - Correspondent Network
 - Natcan
- **Financial Markets**
 - Fixed Income
 - Institutional Equities
 - Investment Banking
 - Corporate Banking
 - Manufacturing
 - Derivatives
- **Principal Finance**
 - Merchant Banking
 - Convertible Arbitrage
 - Private Capital
 - Corporate Portfolio
 - International structured finance



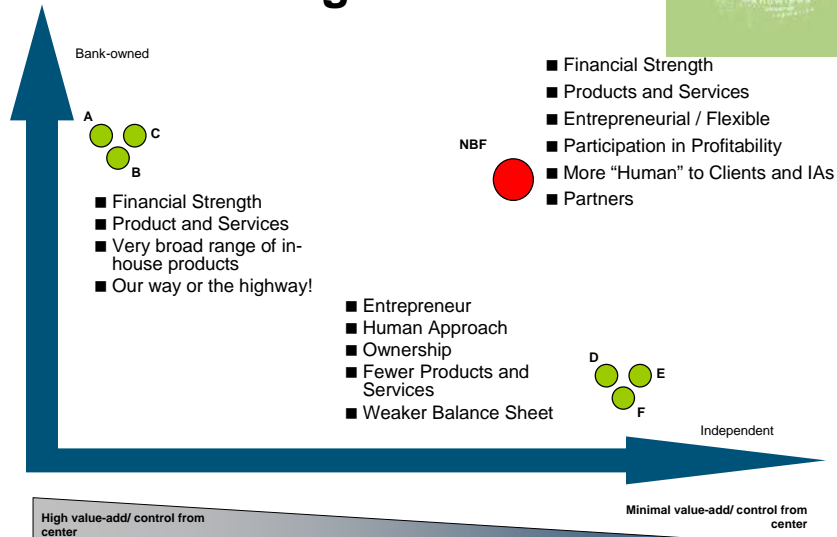
Retail Brokerage

- Where we came from?
 - Strong Quebec franchise inherited from Lévesque Beaubien
 - **Entrepreneurial culture**
 - Large number of small accounts
 - First Marathon allowed us to set foot in Ontario and Western Canada
 - Unique positioning in the industry

- Where are we going?
 - Geographical diversification
 - Shift to fee-based assets
 - Better positioning with the Bank:
 - Referral of small clients to Financial Planners
 - Referral of client with brokerage profile to NBF
 - Focus on larger accounts
 - Better pricing
 - Leveraging the relationships the Bank has with SME owners
 - All these elements will lead to significant improvement in profitability



Retail Brokerage





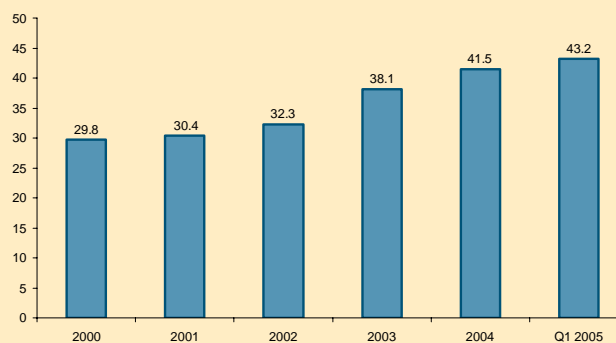
Retail Brokerage

- Where we came from?
 - Strong Quebec franchise inherited from Lévesque Beaubien
 - Entrepreneurial culture
 - Large number of small accounts
 - First Marathon allowed us to set foot in Ontario and Western Canada
 - Unique positioning in the industry
- Where are we going?
 - Geographical diversification
 - Shift to fee-based assets
 - Better positioning with the Bank:
 - Referral of small clients to Financial Planners
 - Referral of client with brokerage profile to NBF
 - Focus on larger accounts
 - Better pricing
 - Leveraging the relationships the Bank has with SME owners
 - All these elements will lead to significant improvement in profitability

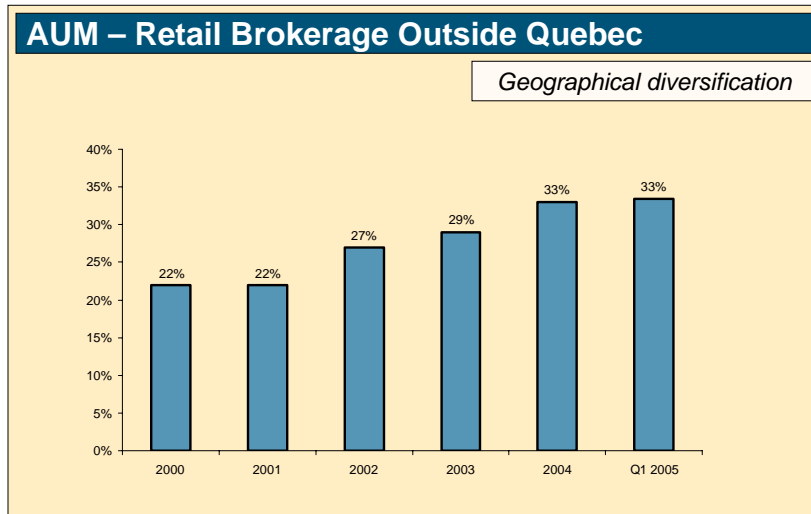
AUM – Retail Brokerage

In billions of dollars

Growing the business



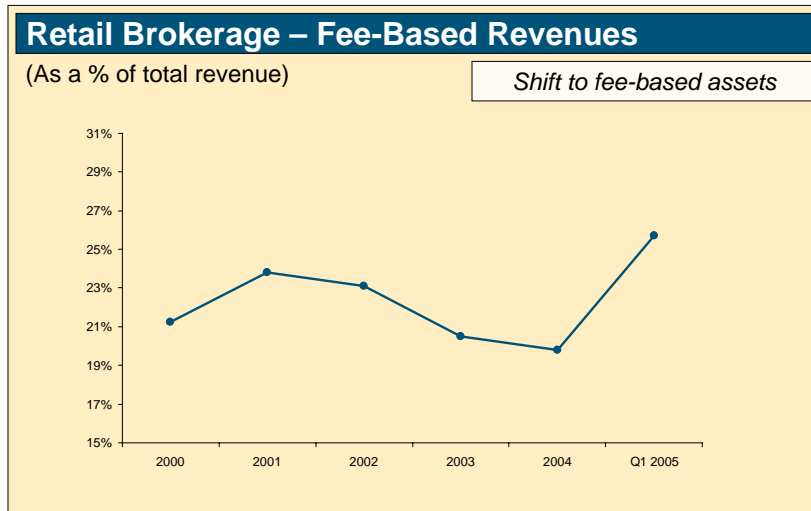
III – Client Management: Retail Brokerage



National Bank of Canada
Investor Community Presentation — April 6, 2005



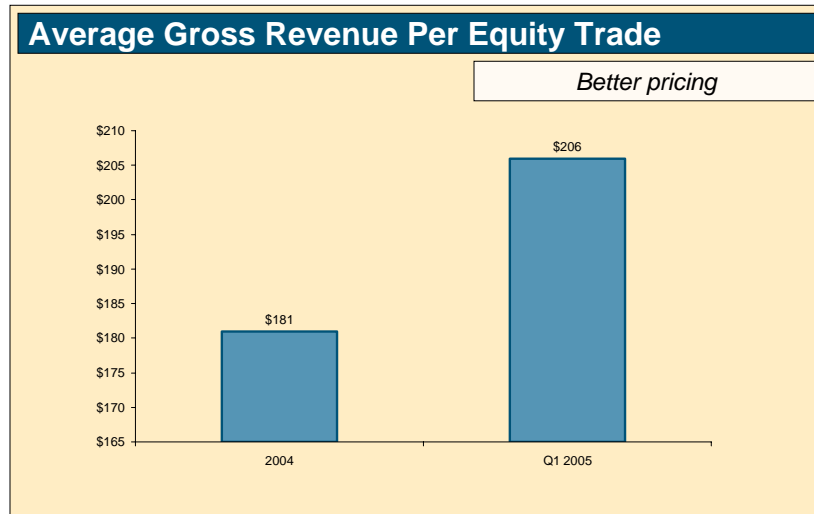
III – Client Management: Retail Brokerage



National Bank of Canada
Investor Community Presentation — April 6, 2005



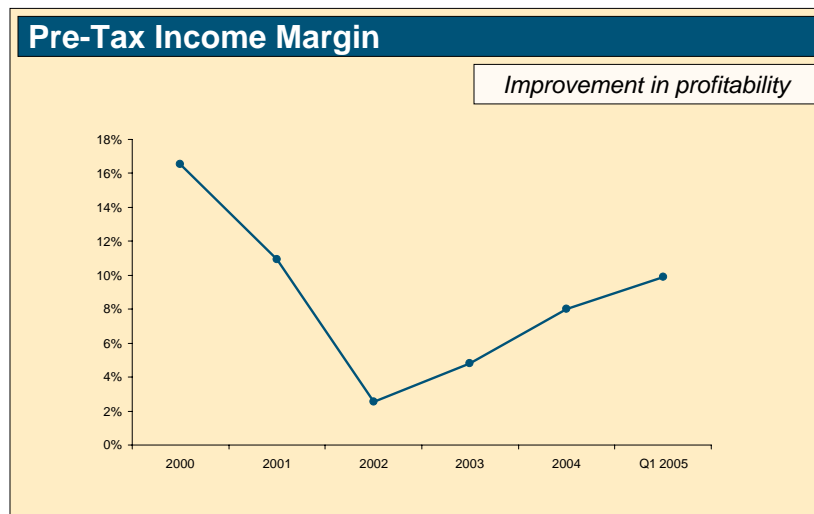
III – Client Management: Retail Brokerage



National Bank of Canada
Investor Community Presentation — April 6, 2005



III – Client Management: Retail Brokerage



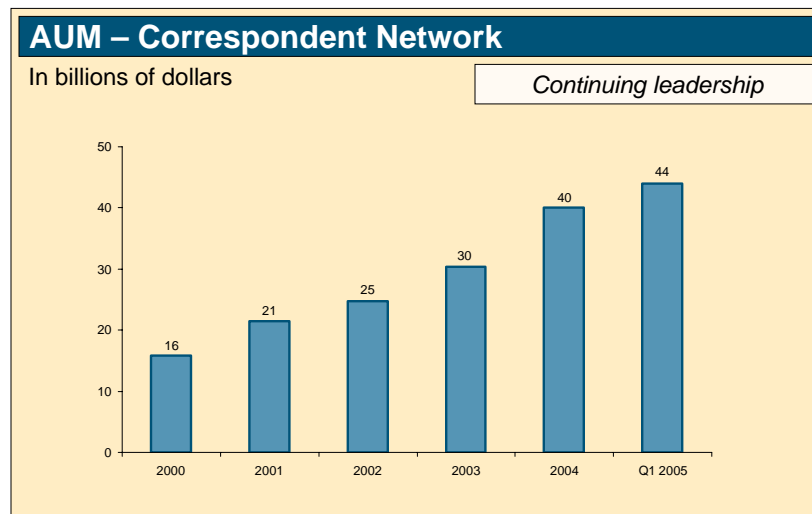
National Bank of Canada
Investor Community Presentation — April 6, 2005



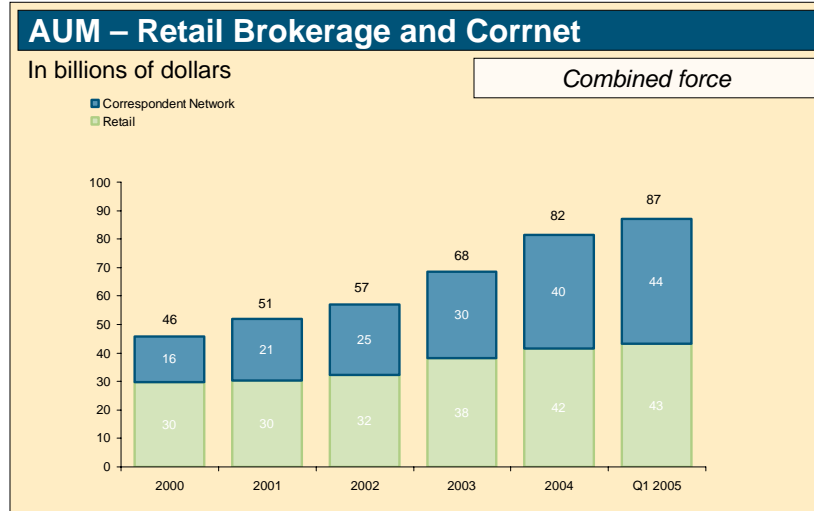


Correspondent Network

- Where we came from?
 - Inherited from the First Marathon merger
 - AUM was \$16 billion in 2000, now \$44 billion in 2004
 - Market leader in third-party clearing
- Where are we going?
 - Continue to be the leader in this market: clearing for 1/3 of IDA
 - Clearing for 725 investment advisors and back office of over 1,700 investment advisors
 - Leveraging the distribution capacities of Cornet
 - Cornet does business with 50% of the independent investment advisors
 - Development of new products, larger amount of institutions we deal with
 - Increase participation in new issues
 - Leveraging of technological investments
 - Lowers costs
 - Improves efficiency



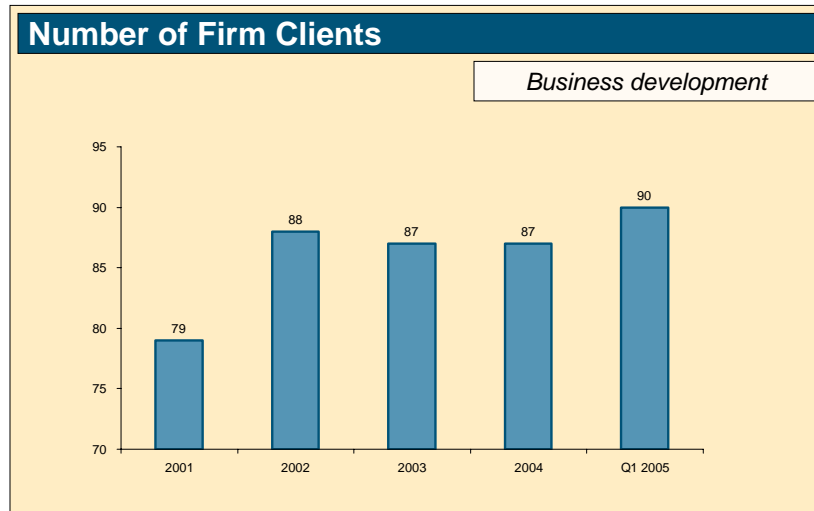
III – Client Management: Correspondent Network, where are we going



National Bank of Canada
Investor Community Presentation — April 6, 2005



III – Client Management: Correspondent Network, where are we going



National Bank of Canada
Investor Community Presentation — April 6, 2005





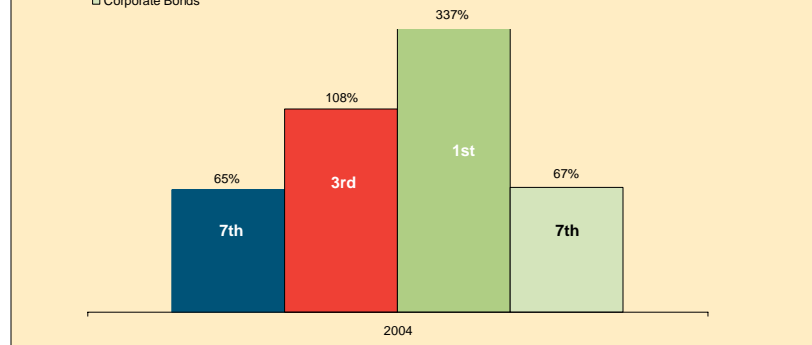
Fixed Income

- Where we came from?
 - Fixed income has always been an important component of National Bank
 - Leading position in municipal and provincial bonds
 - One of the largest and diversified inventories of bonds
 - Large distribution network
- Where are we going?
 - Bank's credit upgrade is having positive impact
 - Increasing market share in provinces and corporate bonds
 - Increase our presence as leads and co-leads
 - Development of:
 - Fixed income derivatives
 - Structured products
 - Securitization (both in-house and for 3rd parties)
 - Execution of the strategies

NBF Market Share

How close are we to the objective of being in top 4?

- Federal Bonds
- Provincial Bonds
- Municipal Bonds
- Corporate Bonds



Institutional Equity and Research

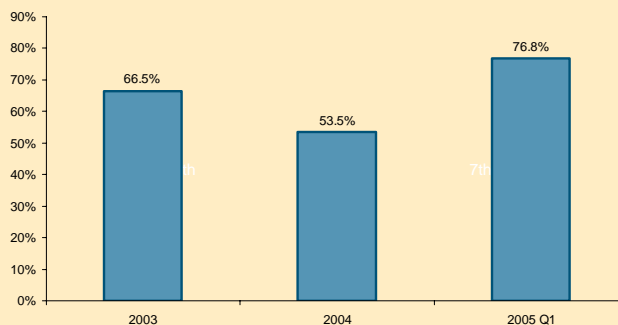


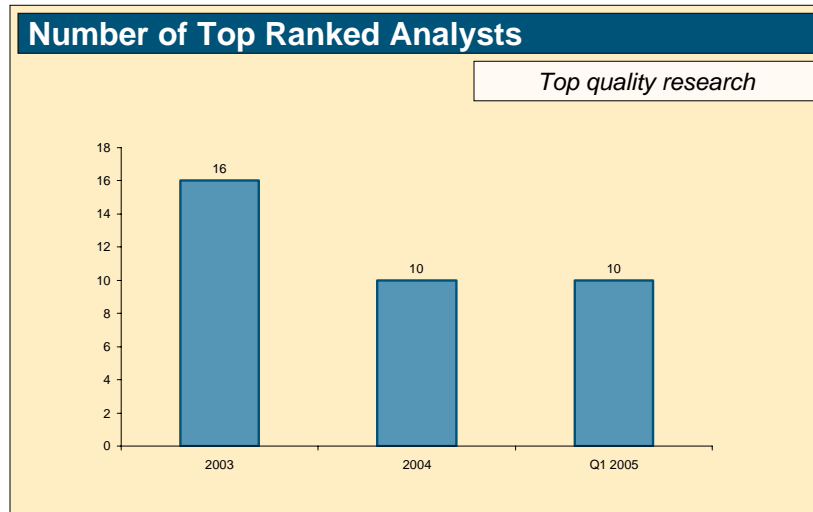
- Where we came from?
 - The merger has put us in a much better position: Market share is now constantly in the top 6
 - Quality of research a strength
- Where are we going?
 - Continue to have a strong presence in the market
 - Continue to have top quality research in selected field where we think we can be a player
 - Continue expansion and diversification of number of institutional clients we do business with

Block Trading Market Share

How close are we to the objective of being in top 4?

Strong presence in the market





Investment Banking

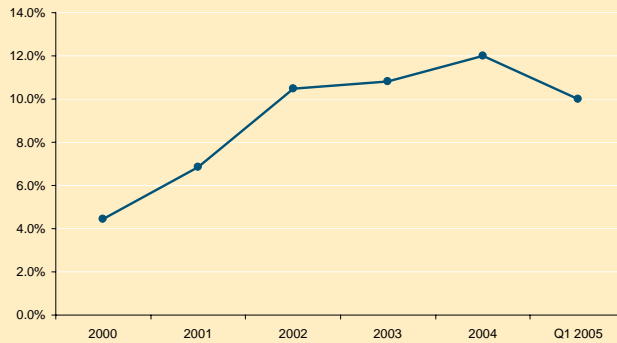


- National Bank Financial has made important strides in being recognized as a top investment firm in the market. In 2004, two major deals (Jean Coutu and Couche-Tard) have demonstrated that.
- **Where we came from?**
 - Regional player
 - Mostly seen as a 2nd tier player by the majors
 - Not enough expertise to undertake large deals
 - Trend has been reversed
 - Hiring of top quality people
- **Where are we going?**
 - Alternative to the Big 5
 - Foreign firms have left Canada
 - Independent firms don't have the distribution network
 - Continue to expand outside of Quebec
 - Continue to leverage the Bank's relation with "Quebec Inc."
 - Leverage our unique distribution network
 - Continue to be a major player in the Income Trust industry
 - Continue to pursue larger deals
 - Expanding our scope in M&A

III – Client Management: Investment Banking

% of Deals as Lead or Co-Lead

Improved credibility and leveraging our capabilities

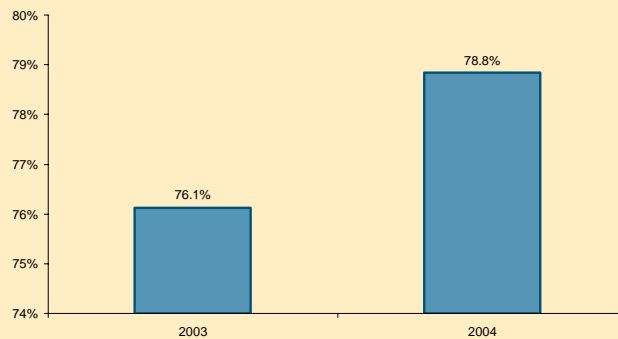


III – Client Management: Investment Banking

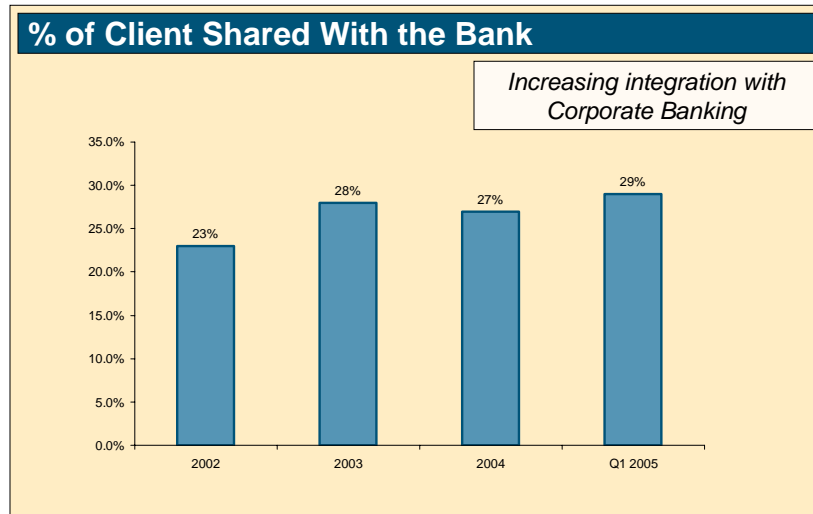
Investment Banking Market Share

How close are we to the objective of being in top 4?

Increasing market share



III – Client Management: Investment Banking



III – Client Management: Corporate Banking

Corporate Banking



- Where we came from?
 - Merger with investment banking group had a major impact
 - We have been more selective in managing our risks (volumes have gone down from \$5.9 billion to \$2.8 billion)
 - Improved capacity of syndication in Canada and the US
- Where are we going?
 - Look for growth in selected fields
 - Continue to aggressively manage our portfolio
 - Acquisition finance important and growing



Derivatives

- The role of NBF Group is to design and provide innovative products that are well suited to respond to the needs of our retail clients, both our own and 3rd parties
- Where are we going?
 - Canada's population is growing older and that's even more true in Quebec
 - Older people tend to be more risk averse
 - Transposition of corporate risk management culture to retail clients
 - Offer to clients that combine the three following elements: Relative return, Absolute return and Derivatives
 - NBF Group has a unique position in the market with:
 - Strong manufacturing capabilities
 - Absolute return
 - Relative return
 - Derivatives
 - Large distribution network
 - Expertise in developing such products (Multimanaged GIC, Blue Chips GIC, etc.)



Derivatives

- **Value Chain:** The Bank is well positioned to profit in all steps of the value chain



Creation



Structuring



Manufacturing

- Absolute return
- Relative return



Distribution

- Retail banking
- Retail NBF
- Correspondent Network
- Institutional clients
- 3rd party Retail

....So What About Those «Unusual Items»?



- We look at total revenues, not by type nor individual business line results
- Principal finance is integral part of diversification
 - Helps us develop partnerships
 - Gives us more reach
 - Better understanding of trends
 - No overexposure to one specific type of activity
- In search of inverted correlated activities with asymmetrical payoffs
- Important to have all components in constructing portfolio

Key Takeaways



- NBF has made major strides to be recognized as a top-tier investment firm
- Portfolio of businesses geared to deliver results in most but not all economic environments
- Better coordination with the Bank will improve cross-selling
- Major strategic initiatives will improve Retail division profitability
- NBF Group is and will continue to be a core business to National Bank



Q&A

Louis Vachon, Chairman, NBF Group
Kym Anthony, President and CEO, NBF Group
Toronto, April 6, 2005



Investor Relations: 514-394-0296
www.nbc.ca/investorrelations
investorrelations@nbc.ca

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, National Bank of Canada makes written and oral forward-looking statements, included in this Investor Presentation, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission, in reports to shareholders, in press releases and in other communications. All such statements are made pursuant to the "safe harbor" provisions of the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements include, among others, statements with respect to the economy, market changes, the achievement of strategic objectives, certain risks as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. These forward-looking statements are typically identified by the words "may," "could," "should," "would," "suspect," "outlook," "believe," "anticipate," "estimate," "expect," "intend," "plan," and words and expressions of similar import.

By their very nature, such forward-looking statements require us to make assumptions and involve inherent risks and uncertainties, both general and specific. There is significant risk that express or implied projections contained in such statements will not materialize or will not be accurate. A number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Such differences may be caused by factors, many of which are beyond 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.