

# MORGAN STANLEY U.S. FINANCIALS CONFERENCE

**Patricia Curadeau-Grou**  
Chief Financial Officer  
Executive Vice-President  
Finance, Risk and Treasury

New York City  
February 3, 2010



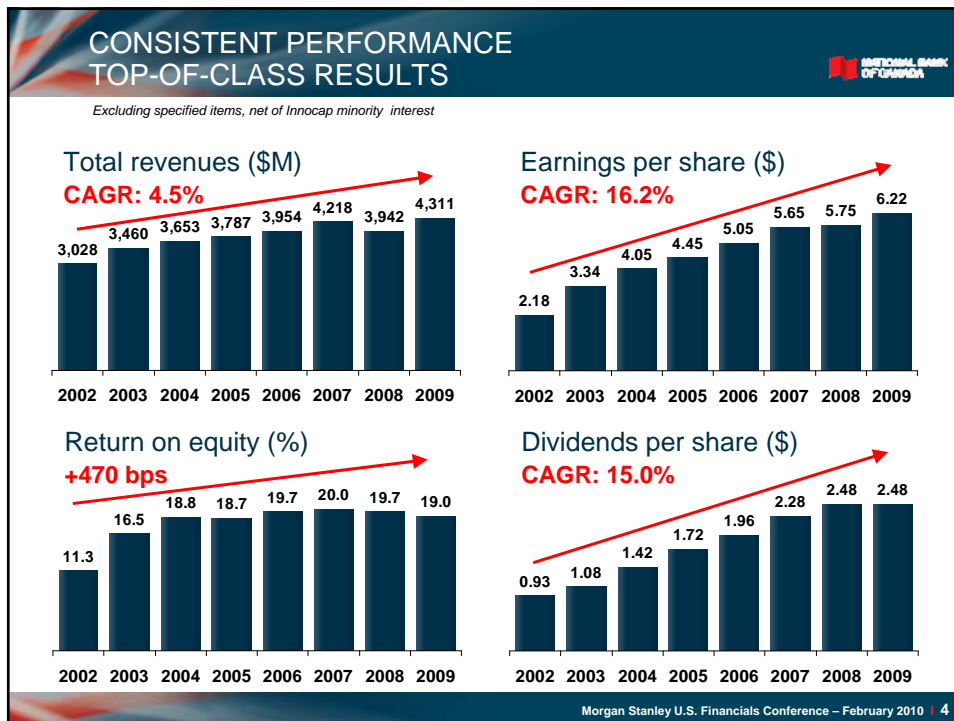
## CAUTION REGARDING FORWARD-LOOKING STATEMENTS



### Caution Regarding Forward-Looking Statements

From time to time, National Bank of Canada (the Bank) makes written and oral forward-looking statements, such as those contained in the "Major Economic Trends and Challenges" section and under the heading "Medium-term objectives" in the "Overview" section of the 2009 Annual Report, in other filings with Canadian securities regulators and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2010 and the objectives it has set for itself for that period. All such statements are made pursuant to the "safe harbour" provisions of Canadian and U.S. securities legislation. These forward-looking statements include, among others, statements with respect to the economy (particularly the Canadian and U.S. economies), market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and words and expressions of similar import. By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2009 and how that will affect the Bank's business are material factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. Given the current financial and credit crisis, fiscal 2009 is characterized by an overall slowdown in the world economy, although some signs of recovery have been observed, and this is affecting the United States, Canada's largest trading partner. The financial crisis may result in lower levels of activity on capital markets and a higher cost of funds for financial institutions. There is a strong possibility that personal and commercial bankruptcies could increase in the coming quarters. In determining its expectations for economic growth, both broadly and in the financial services sector, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Tax laws in the countries in which the Bank operates, primarily Canada and the United States, are major factors it considers when establishing its effective tax rate. 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, the management of credit, market and liquidity risks; the strength of the Canadian and U.S. economies and the economies of other countries in which the Bank conducts business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada and the U.S. Federal Reserve; the effects of competition in the markets in which the Bank operates; the impact of changes in the laws and regulations regulating financial services and enforcement thereof (including banking, insurance and securities); judicial proceedings, regulatory proceedings or claims, class actions or other recourses of various nature; the situation with respect to asset-backed commercial paper (ABCP), in particular the realizable value of underlying assets; the Bank's ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank's ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; the Bank's ability to recruit and retain key officers; operational risks, including risks related to the Bank's reliance on third parties to provide components of the Bank's business as well as other factors that may affect future results, including changes in trade policies, timely development of new products and services, changes in estimates relating to reserves, changes in tax laws, technological changes, unexpected changes in consumer spending and saving habits; natural disasters; the possible impact on the business from public health emergencies, conflicts, other international events and other developments, including those relating to the war on terrorism; and the Bank's success in anticipating and managing the foregoing risks. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition, or liquidity. The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found under "Risk Management" and "Factors That Could Affect Future Results" in the 2009 Annual Report. 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 also cautions readers not to place undue reliance on these forward-looking statements. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf. The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.

# CONSISTENT PERFORMER



## BANNER YEAR IN 2009



### Record earnings in difficult environment

- Adjusted net earnings up 12%, EPS up 8%
- ROE 19%

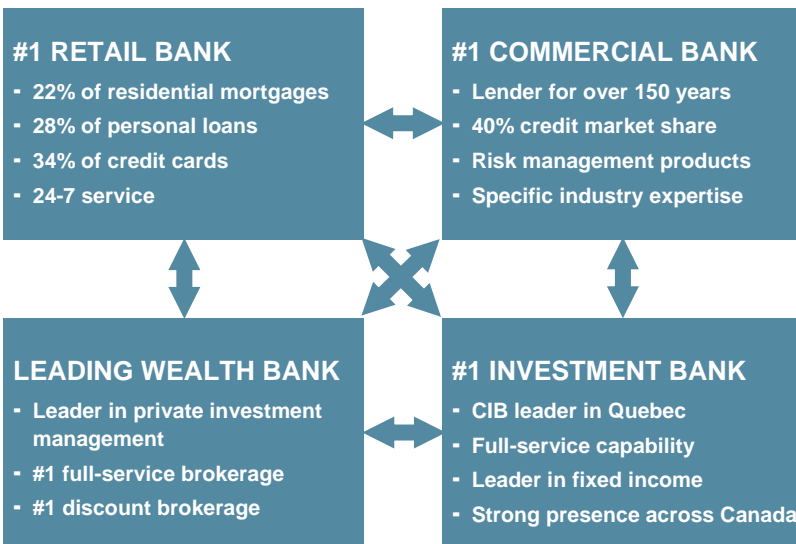
### Disciplined capital and risk management

- Favourable loan loss experience relative to Canadian peers
- Strong capital position, dividend maintained

### Resilient business model

- Significant investment in people and infrastructure
- Implementation of transformation plan on track

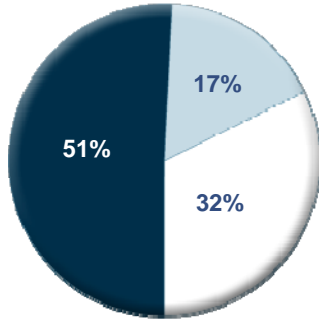
## LEADING POSITIONS IN QUEBEC



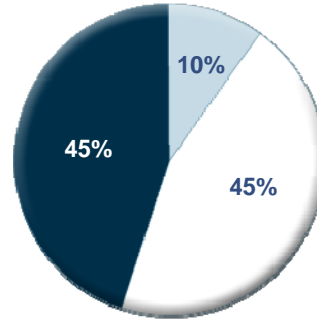
## DIVERSIFIED BUSINESS MIX (2009)



REVENUES<sup>(1)(2)</sup>  
(TEB)



NET INCOME<sup>(2)</sup>



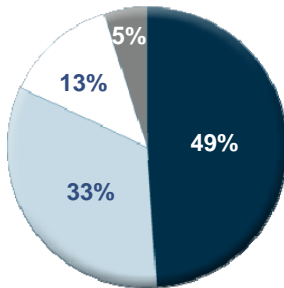
Personal and Commercial Banking
  Wealth Management
  Financial Markets

1. Adjusted for gains or losses attributable to third parties
2. Excluding specified items

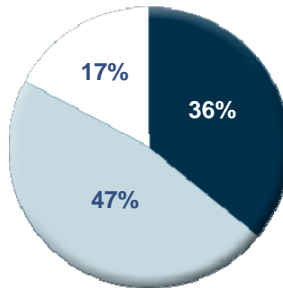
## SOUND BUSINESS SEGMENT DIVERSIFICATION (2009)



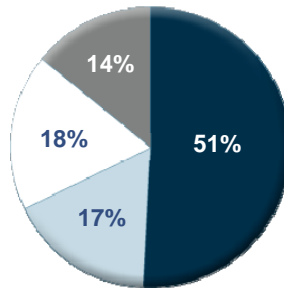
PERSONAL AND COMMERCIAL



WEALTH MANAGEMENT



FINANCIAL MARKETS



Retail banking  
 Commercial banking  
 Credit cards  
 Insurance

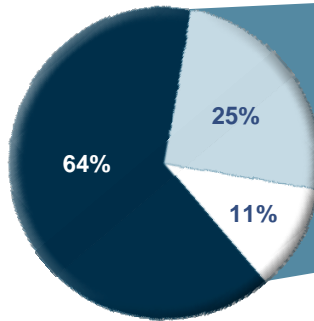
Transactions and other  
 Fees  
 Net interest income

Trading  
 Financial markets fees  
 Banking services  
 Structured products and other

## GEOGRAPHIC REVENUE DISTRIBUTION (2009)



### REVENUES<sup>(1)(2)</sup> (TEB)



■ Québec   ■ Rest of Canada  
□ International and unallocated

#### Growth potential across Canada

- Wealth management
- Retail branch expansion
- Specific industry sectors

#### Low risk international activities

- Growing with our clients
- Canadian debt and equities
- Structured products
- Correspondent banking

1. Adjusted for gains or losses attributable to third parties  
2. Excluding specified items

## SUPRA-REGIONAL BANK ATTRACTIVE MARKET





QUEBEC ECONOMY:  
WEATHERING THE STORM

	2008	2009F	2010F
<b>Real GDP (yearly average)</b>			
<b>United States</b>	0.4	-2.5	3.4
<b>Canada</b>	0.4	-2.4	2.9
<b>Ontario</b>	-0.5	-3.3	3.1
<b>Québec</b>	1.0	-1.5	2.4

**Quebec well-positioned**

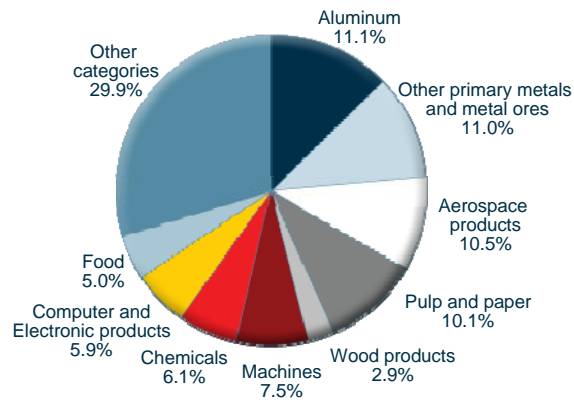
- 7.8 million population
- 8.9% unemployment rate end of 2009
- \$39,800 nominal GDP per capita
- Diversified industry base
- Highest R&D spending relative to GDP in Canada since 1995
- Low cost Hydro-electric power accounts for 98% energy needs

F: Forecast by National Bank Financial Group Economic Research  
Source: Economic and Financial Outlook, National Bank Financial – December 2009

## QUEBEC ECONOMY: DIVERSIFIED EXPORT BASE



International merchandise exports, excluding re-exports



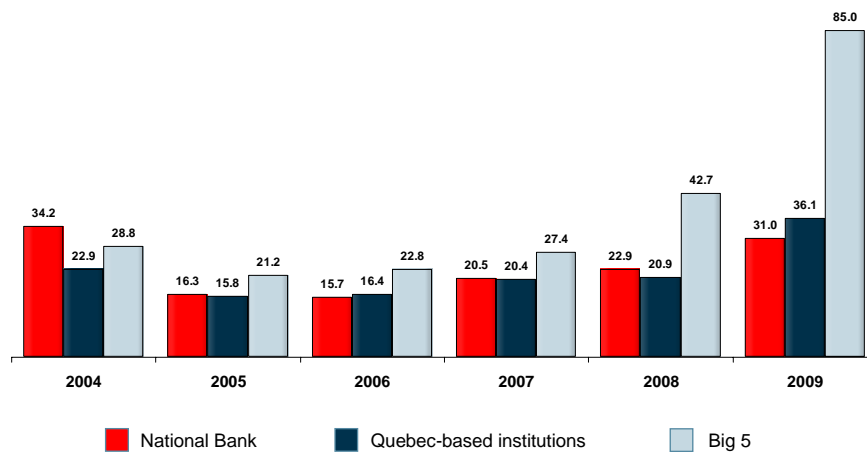
### Quebec well-diversified

- Merchandise exports of \$69.3 billion in 2008
- Merchandise exports account for 23% of nominal GDP
- Largest category accounts for 11.1% of total exports

## QUEBEC ECONOMY: SPECIFIC PROVISIONS FOR CREDIT LOSSES



As a % of loans and BAs (bps)



## OBJECTIVES



### Financial performance

### Mid-term

Growth in diluted earnings per share (EPS)	5% — 10%
Return on common shareholders' equity (ROE)	15% — 20%
Dividend payout ratio	40% — 50%

### Regulatory capital ratio

### Target

Tier 1 capital ratio — Standardized approach	
Tier 1 capital ratio — Advanced approach	More than 8.5%

## PERFORMANCE DRIVERS



Brand strength and recognition in Quebec 

Penetration across Canada 

Acquisitions and Partnerships 

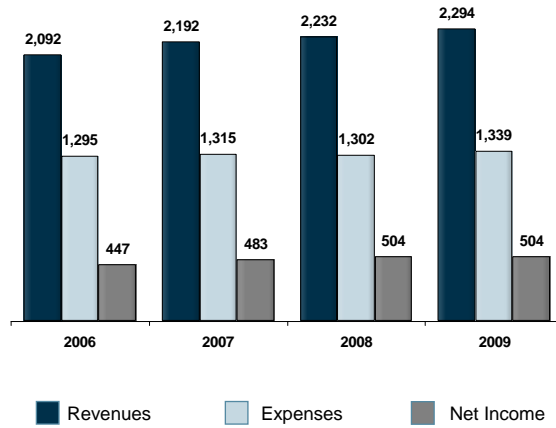
Continuous productivity improvements 

Disciplined risk and capital management 

## PERSONAL AND COMMERCIAL BANKING



(millions of dollars)  
TEB



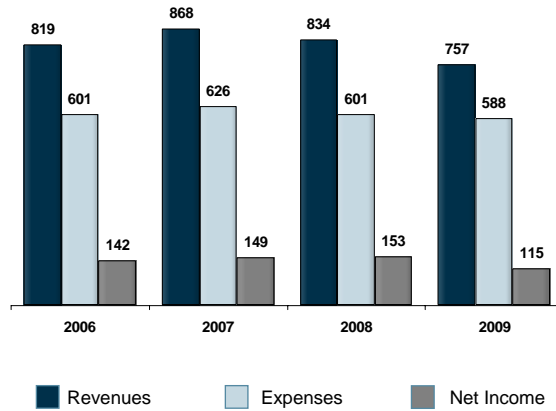
### Growth Strategy

- One client, one bank
- Cross-selling
- More client-facing positions in branches
- Emphasis on advice and integrated solutions
- Consistent brand experience for clients
- Training, new tools and processes

## WEALTH MANAGEMENT



(millions of dollars)  
TEB



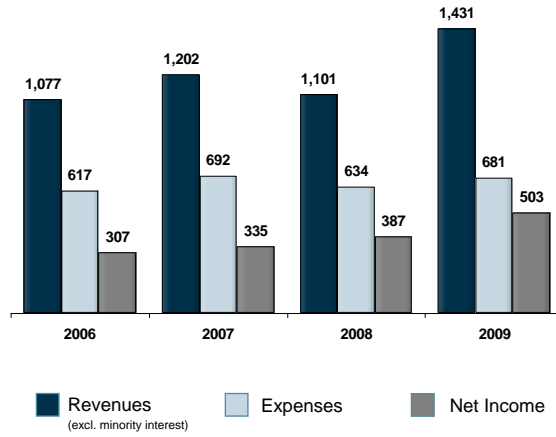
### Growth Strategy

- Increase Quebec market share
- Grow across Canada
- Match each client with right level of service
- Provide top-tier solutions and products
- Consistent brand experience for clients

## FINANCIAL MARKETS



(millions of dollars)  
TEB



### Growth Strategy

- Focus on Canadian mid-market companies
- Deploy risk management solutions
- Lead in structured products
- Expand government financing (provincials and municipals)

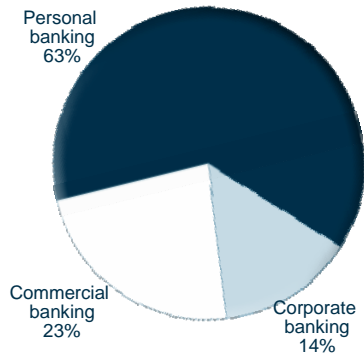
## DISCIPLINED RISK AND CAPITAL MANAGEMENT



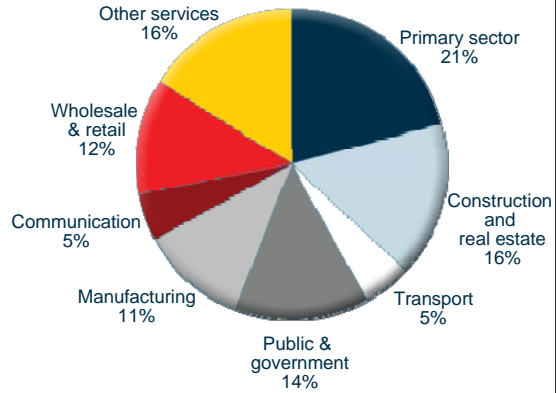
## GLOBAL PORTFOLIO COMPOSITION



### BY BUSINESS SEGMENT



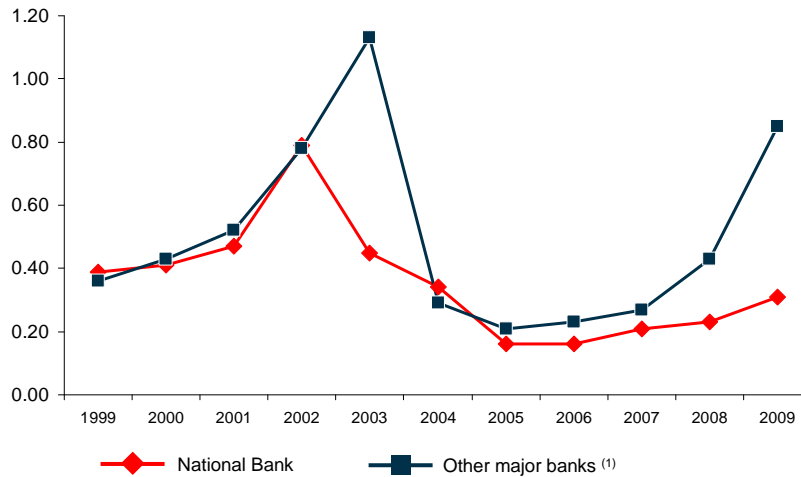
### BY INDUSTRY (Corporate & Commercial)



## HISTORICAL LOAN LOSSES

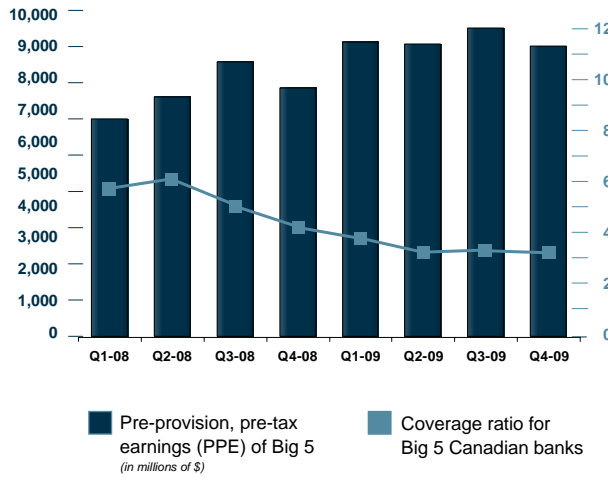


As a % of loans and BAs



(1) Canadian peers: Royal Bank, Bank of Montreal, TD Bank, Scotia Bank and CIBC.

## STRONG COVERAGE RATIO (PPE/PCL)



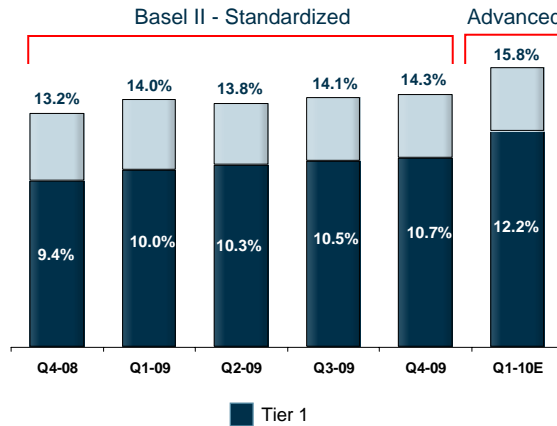
### National Bank outperforms Canadian peers

- Best coverage ratio
- Best-in-class asset quality
- National Bank coverage ratio for 2009 is 9.70x
- Average PPE/PCL for Canadian peers for 2009 is 3.65x

## STRONG CAPITAL MANAGEMENT



### CAPITAL RATIO – Tier 1



### 2009

- Tier 1 ratio increased by 101 bps YoY
- Tier 1 ratio increased by 20 bps from Q3 to Q4

### 2010

- Advanced approach approved by OSFI on December 21, 2009
- Advanced approach adds 125-150 bps
- Canadian banks well-positioned for regulatory changes

E: Estimate

## KEY TAKEAWAYS



Strong franchise with room for growth

Consistent performer

Disciplined risk management

Ample capital to fund growth and sustain returns

### Investor Relations

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

600 De La Gauchetière Street West, 7<sup>th</sup> Floor  
Montreal, Quebec H3B 4L2  
Toll-free: 1-866-517-5455  
Fax: 514-394-6196  
E-mail: [investorrelations@nbc.ca](mailto:investorrelations@nbc.ca)  
Website: [www.nbc.ca/investorrelations](http://www.nbc.ca/investorrelations)

