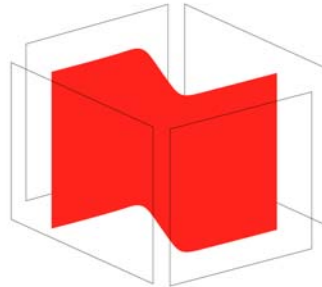


## Analyst and Investor Presentation

### Q2 2004 Results Conference Call

May 27, 2004

[www.nbc.ca/investorrelations](http://www.nbc.ca/investorrelations)



## Substantial increase in profitability



### Continued strong earnings momentum for Q2 04:

- Net income \$180 M; up 30% y/y
- EPS at \$1.01; +38% y/y
- ROE at 19%, compared to 14.8% as at Q2 03

### YTD earnings

- Net income \$366 M, up 20%
- EPS at \$2.04, +27%
- ROE at 19%, versus 16.3% for first 6 months of 2003

Increased quarterly dividend of 15%, from \$0.33 to \$0.38

Double-digit growth in all 3 sectors

12% revenue growth vs 10% expense growth ytd

Further strengthening of loan quality resulting in release of \$20 M general allowance; now stands at \$385 M, 0.96% of RWA

## Well on track to deliver on our targets



### Further strengthening of franchise

	2004 Objectives	Q2 04	YTD
Growth in earnings per share	5% to 10%	38%	27%
Return on common shareholders' equity	15% to 17%	19%	19%
Tier 1 capital ratio	8.75% to 9.50%	9.6%	9.6%
Dividend payout ratio <sup>(1)</sup>	35% to 45%	32%	32%

(1) Trailing 4 quarters



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## Q2 04 Quarterly snapshot



in millions of dollars

	Q2 04	Q1 04	Q2 03	Change	
				Q2 04 / Q1 04	Q2 04 / Q2 03
<b>Total Revenues</b>	\$884	\$913	\$773	-3%	14%
Operating expenses	602	579	529	4%	14%
Provision for credit losses	19	44	41	-57%	-54%
<b>Net income</b>	180	186	138	-3%	30%
<b>EPS</b>	\$1.01	\$1.03	\$0.73	-2%	38%
<b>ROE</b>	19.0%	19.0%	14.8%		



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## Year to date snapshot



in millions of dollars

	2004	2003	Change
<b>Total Revenues</b>	\$1 797	\$1 608	12%
Operating expenses	1 181	1 077	10%
Provision for credit losses	63	82	-23%
<b>Net income</b>	366	304	20%
<b>EPS</b>	\$2,04	\$1,61	27%
<b>ROE</b>	19,0%	16,3%	

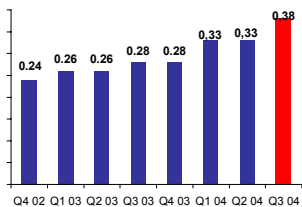


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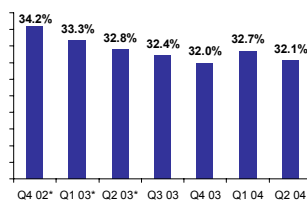
## Commitment to shareholder returns



### Dividend per share



### Dividend Payout



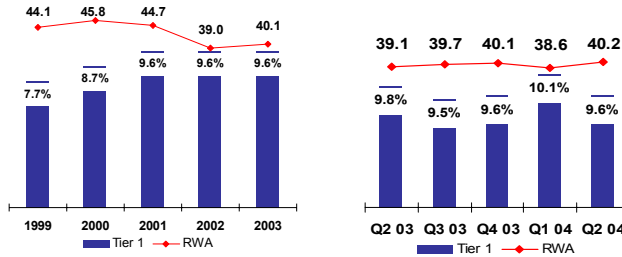
\* Trailing 4 quarters, excluding impairment charge on investment

- Dividend increase of \$0.05 per share
- Represents increase of 15%



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## Tier 1 ratio consistently strong despite continuing share buybacks



Buyback status as at April 30, 2004:

Repurchased 5,969,576 shares out of 8,700,000, representing 69%

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## Business Line Breakdown Year to date



### Net Income



Sectoral net income is based on actual credit losses

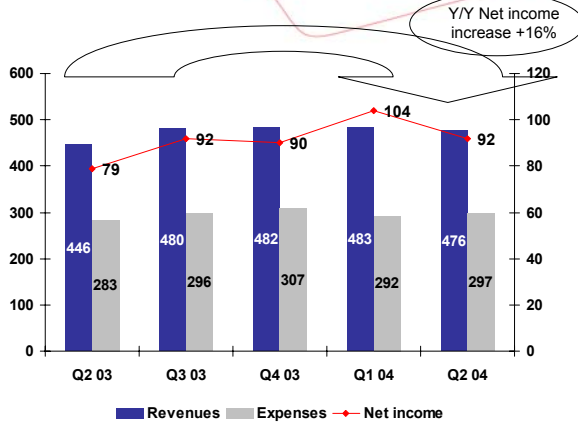
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# Personal and Commercial Banking Quarterly



in millions of dollars



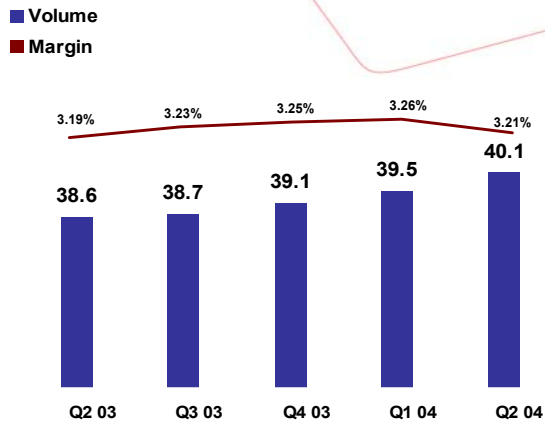
**Drivers:**

- Y/Y Net income increase comes from all sub-sectors:
- Personal Banking +24%
  - Commercial +11%



# Volume and Margin Evolution P&C Banking

in millions of dollars



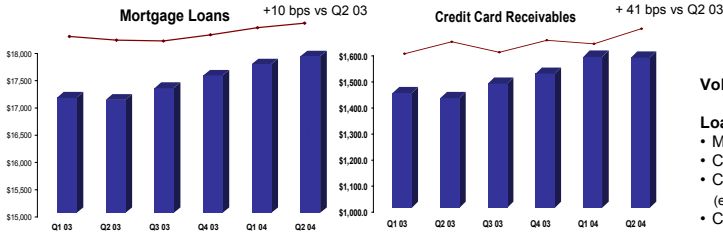
Volume continues to grow:

- +1.5% Q2 04/Q104
- +4% Q2 04/Q2 03



# Loans & BAs and Margin Evolution

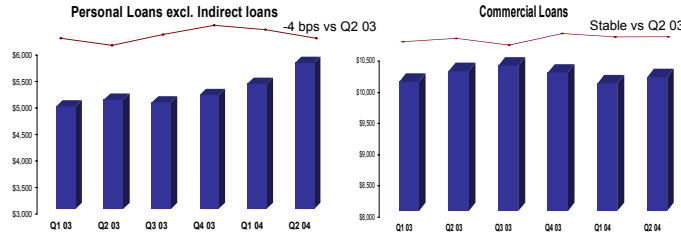
in millions of dollars



Volumes Apr. 04 vs Apr. 03

- Loans**
- Mortgage loans +5%
  - Credit card receivables +11%
  - Consumer loans +21% (excluding indirect loans)
  - Commercial loans and BAs +1%

- Deposits**
- Personal +3.5%
  - Commercial stable

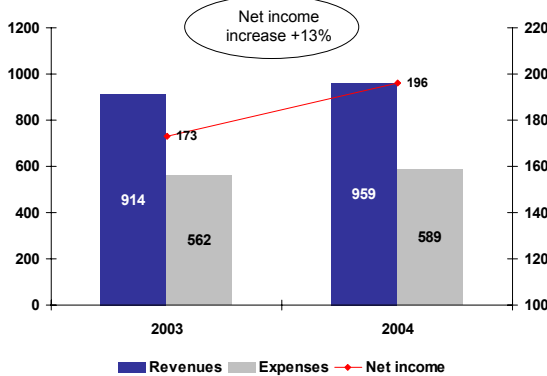


— Margins ■ Loans and BAs



# Personal and Commercial Banking YTD

in millions of dollars



Net income increase +13%

- Drivers:**
- Net income increase comes from all sub-sectors:
- Personal Banking +16%
  - Commercial +10%



## Revenue line increase per contributor



Evolution 6 months, Apr. 03 vs Apr. 04  
in millions of dollars



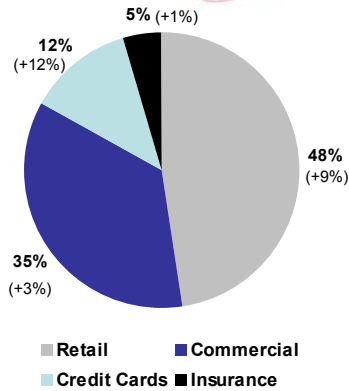
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## Business Mix YTD 2004



Revenue contribution  
(y/y increase)



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# Business Line Breakdown Year to date



## Net Income



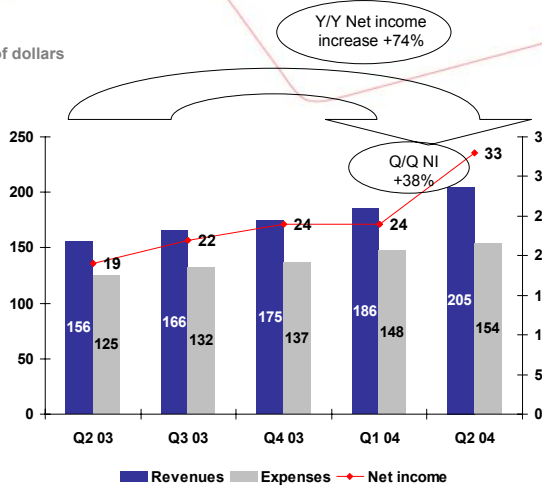
Sectoral net income is based on actual credit losses



# Wealth Management Quarterly



in millions of dollars



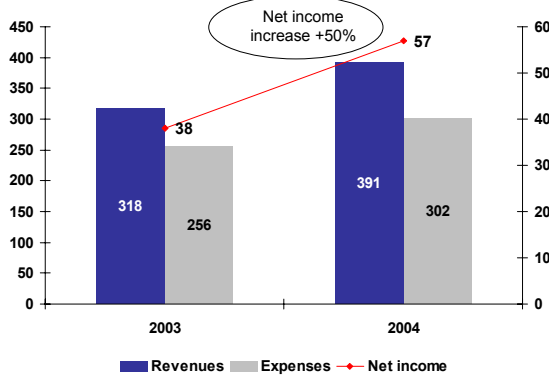
Revenue increase:  
 • +31% Q2 04 vs Q2 03  
 • +10% Q2 04 vs Q1 04



# Wealth Management YTD



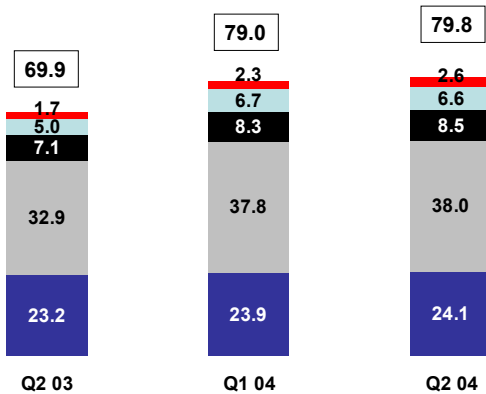
in millions of dollars



# Retail Assets under Management composition



in billions of dollars



Year/year increases:

- Total growth rate Y/Y +14%
- Deposits +4%
- Retail Brokerage +15%
- Mutual Funds +20%
- Discount Brokerage +32%
- Trust Services +53%

■ Deposits    ■ Retail brokerage    ■ Mutual funds  
■ Discount brokerage    ■ Trust Services



# Business Line Breakdown Year to date



## Net Income



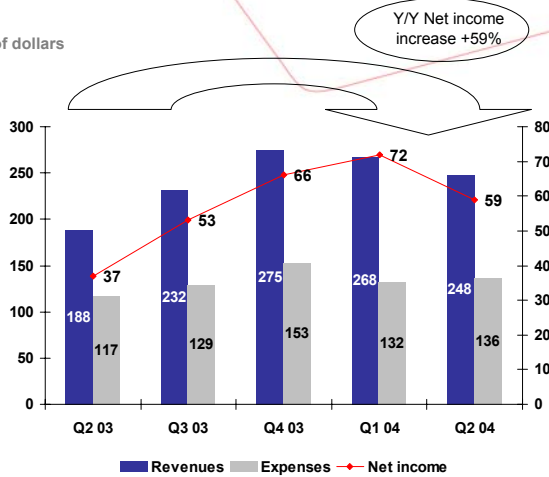
Sectoral net income is based on actual credit losses



# Financial Markets Quarterly



in millions of dollars



Y/Y Net income increase +59%

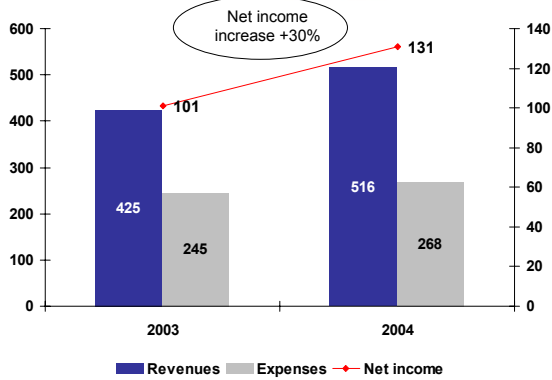
Revenue increase:  
• +32% Q2 04 vs Q2 03



# Financial Markets YTD



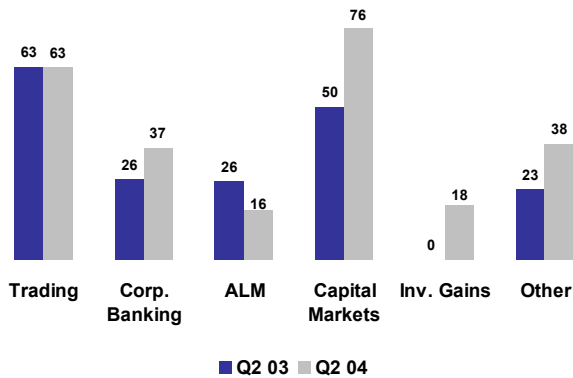
in millions of dollars



# Treasury and Capital Market Activity Revenue composition Y/Y



in millions of dollars



• Securities – excess of market value over book:

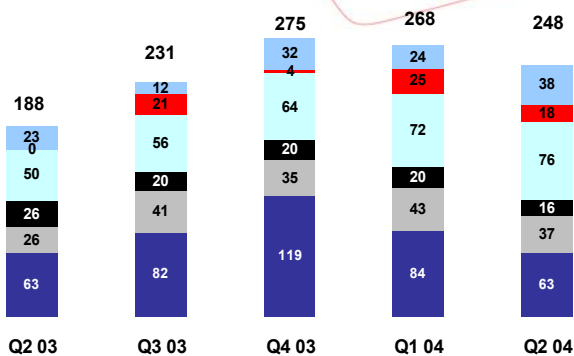
Q2 03 \$23 M  
Q2 04 \$133 M



Trading revenues include interest on repo's and reverse repos

## Treasury and Capital Market Activity Revenue composition evolution

in millions of dollars



■ Trading ■ Corp. Banking ■ ALM ■ Capital Markets ■ Inv. Gains ■ Other

Trading revenues include interest on repo's and reverse repos  
CIB revenues includes CDS impact



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## Trading breakdown

in millions of dollars

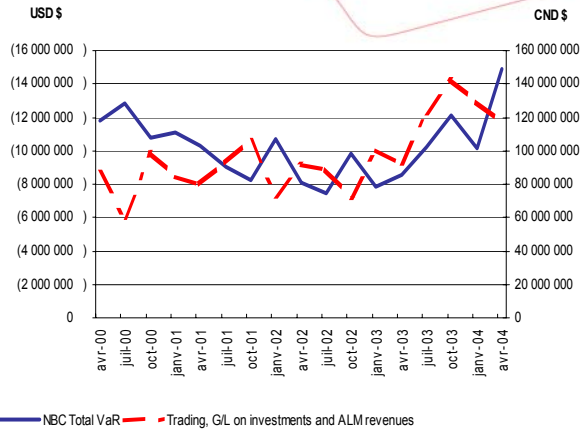


	Q2 04	Q1 04	Q2 03
Equity	\$53	\$47	\$29
Fixed income and money markets	10	24	22
Commodities and precious metals & Foreign exchange contracts	<u>0</u>	<u>13</u>	<u>12</u>
<b>Total</b>	<b>\$63</b>	<b>\$84</b>	<b>\$63</b>

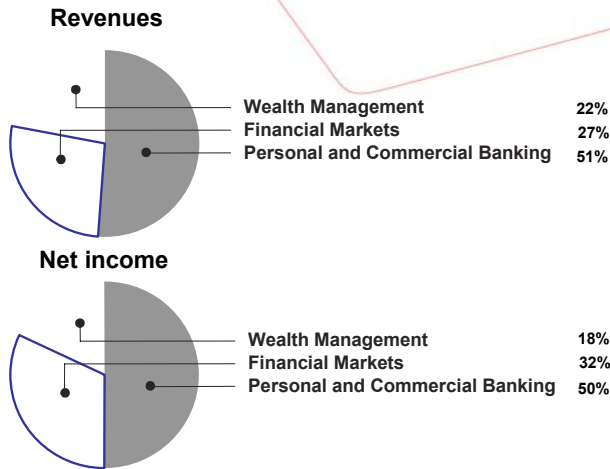


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## NBC Trading/Securities Gains/ALM Revenues



## Diversification of Earnings Year to date

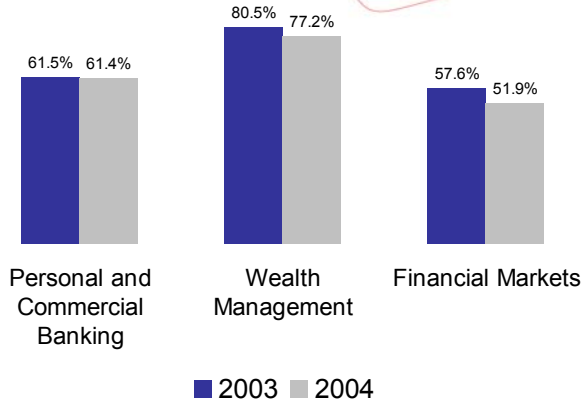


Excluding Other segment



# Operating Leverage Business Line Expense Ratio

Year to date

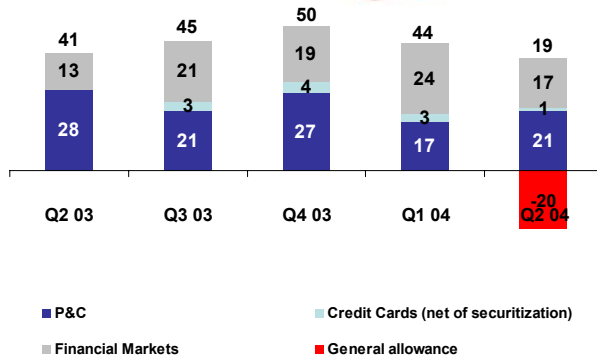


# Risk Management



# Provision for credit losses

Actual credit losses per sector  
in millions of dollars



**2004 Guidance**  
40 to 50 bps of loans &BAs

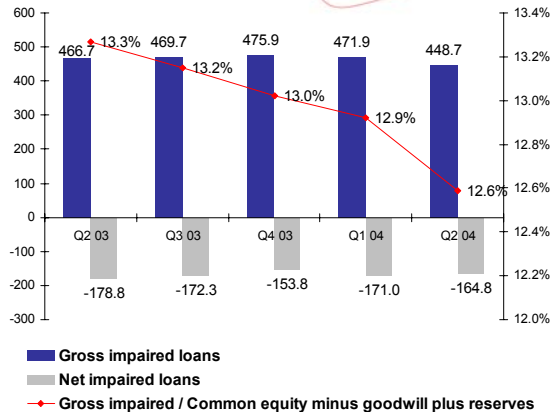
As at Q2 04: 42 bps,  
excluding the reversal of  
general allowance

**General allowance:**  
Jan. 31: \$405 M  
April 30: \$385 M, 0.96% of  
RWA



# Impaired loans

In millions of dollars



# Impaired loan formation

In millions of dollars



	Q2 03	Q3 03	Q4 03	Q1 04	Q2 04
<b>Personal &amp; Commercial *</b>	<b>3.1</b>	<b>13.3</b>	<b>(10.6)</b>	<b>14.6</b>	<b>24.5</b>
<b>Corporate</b>	<b>31.8</b>	<b>25.1</b>	<b>80.5</b>	<b>11.0</b>	<b>3.0</b>
<b>Treasury</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>0</b>	<b>0.1</b>
<b>Other</b>	<b><u>1.4</u></b>	<b><u>1.8</u></b>	<b><u>(4.5)</u></b>	<b><u>(8.8)</u></b>	<b><u>0.8</u></b>
<b>TOTAL</b>	<b>37.0</b>	<b>40.1</b>	<b>65.1</b>	<b>16.8</b>	<b>28.4</b>

Formations include new accounts, disbursements, principal repayments and exchange rate fluctuation

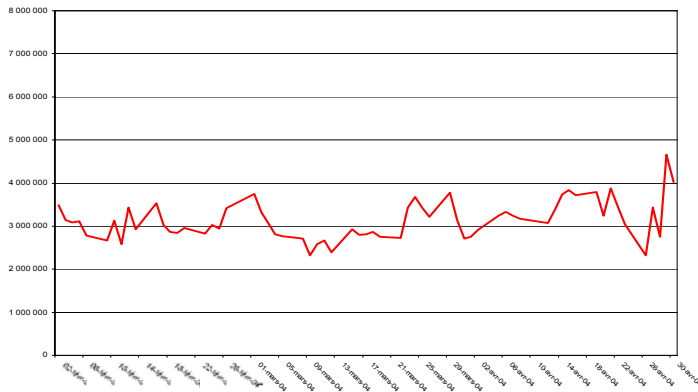
\* Includes Real Estate



# VaR – Global Trading

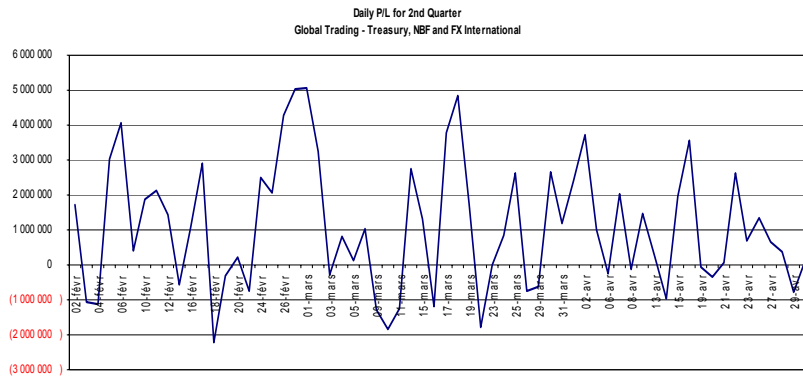


VaR - Global Trading - Q1 2004 to Q2 2004  
(Maximum 1-day loss at 99%)



## Daily Trading P/L Q2 04

Excludes underwriting



Days of loss less than \$500,000: 6



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## Q2 04 Summary: Superior returns



Strong business momentum:

- Double digit growth in all 3 sectors
- Executing on key strategic initiatives (ex. Partnerships)
- Continued deposit and loan volume increase paired with stable margins
- Focus on operational efficiency; investing in growth

Stable corporate and consumer credit quality

Capital discipline; dividend increase and share buybacks

On track to deliver on our targets



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investorrelations@nbc.ca



**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

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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 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.

