

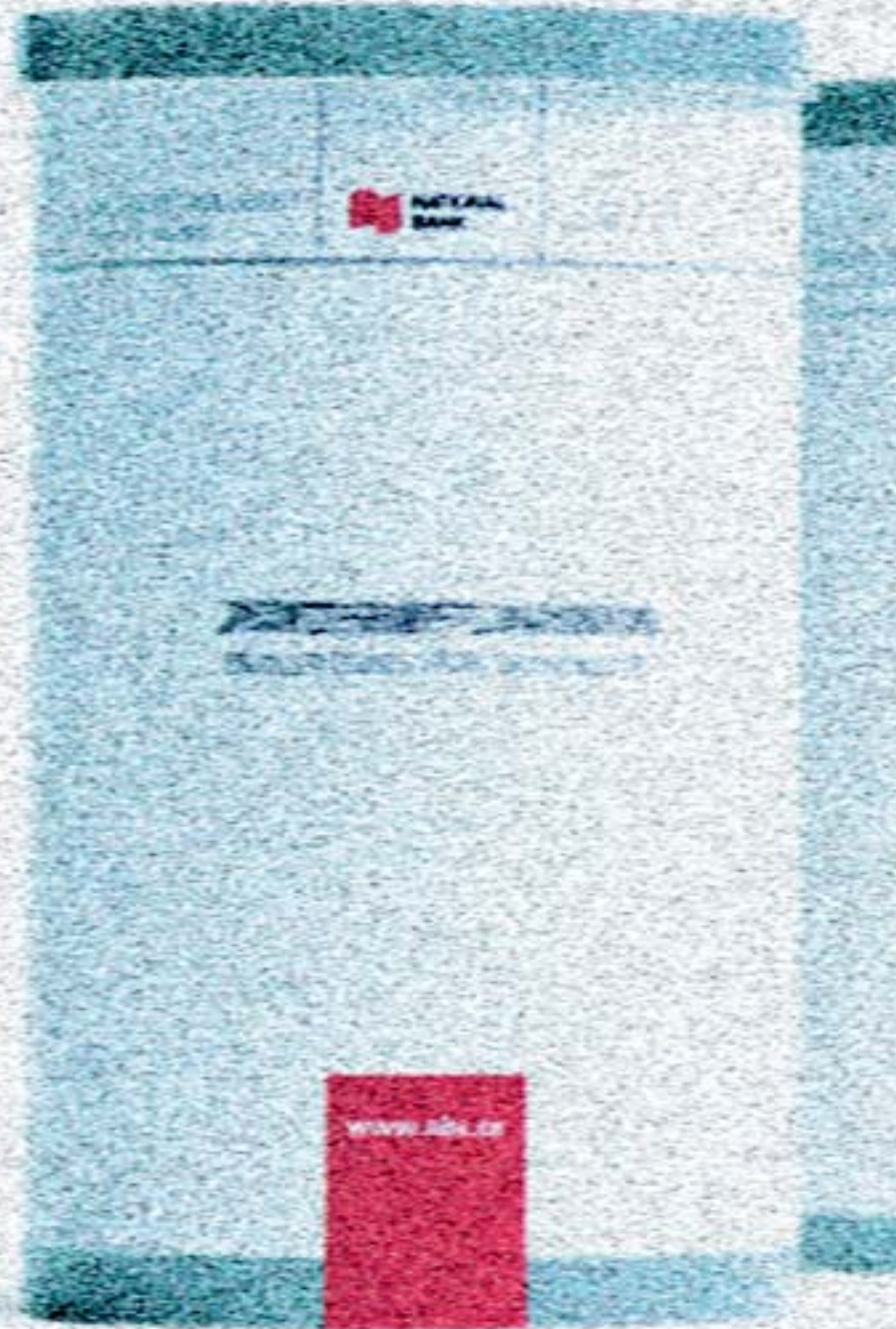


# **Analyst and Investor Presentation**

## **Q4 2003 Results Conference Call**

**December 4, 2003**

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



# Financial Highlights

## For Q4 03

- Net Income up 17% y/y
- 23% jump in EPS y/y, from \$0.71 to \$0.87
- ROE at 16.4%

## For Fiscal 2003

- Strong contribution from all 3 sectors resulting in a well balanced performance
- 15% increase in Net income
- EPS growth of 21%
- ROE at 16.5%
- Proactive Capital Management:
  - 17% dividend increase for year
  - 18% at Q1 04
  - Expected payout ratio now 37% \*
  - Launch of 3rd 5% common share buyback



Figures exclude Q3 02 impairment charge on investment

\* Based on street average estimate

## Achieved all 2003 performance objectives

With 3 out of 4 objectives surpassed

	2003 Objectives	Q4 03	2003 Results
Growth in earnings per share	5% to 10%	23%	21% <sup>(1)</sup>
Return on common shareholders' equity	14% to 16%	16.4%	16.5%
Tier 1 capital ratio	8.75% to 9.50%	9.6%	9.6%
Dividend payout ratio <sup>(2)</sup>	30% to 40%	32%	32%

(1) Figures exclude Q3 02 impairment charge on investment

(2) Trailing 4 quarters



## Q4 03 Quarterly snapshot

in millions of dollars

TEB

	Q4 03	Q3 03	Q4 02	Change	
				Q4 03 / Q3 03	Q4 03 / Q4 02
<b>Total Revenues</b>	\$934	\$867	\$815	8%	15%
Operating expenses	624	558	540	12%	16%
Provision for credit losses	50	45	53	11%	-6%
<b>Net income</b>	158	162	135	-2%	17%
<b>EPS</b>	\$0,87	\$0,89	\$0,71	-2%	23%
<b>ROE</b>	16,4%	17,3%	14,5%		



## 2003 snapshot

in millions of dollars

TEB

	2003	2002	Change
<b>Total Revenues</b>	\$3 459	\$3 251	6%
Operating expenses	2 259	2 040	11%
Provision for credit losses	177	490	-64%
Discontinued operations, after tax	-	112	
<b>Net income</b>	624	541	15%
<b>EPS</b>	\$3,37	\$2,79	21%
<b>ROE</b>	16.5%	14.3%	

Reported 2002 figures exclude reevaluation of investment



## Capital Management

**Proactive capital management throughout the year**

### During Fiscal 2003

**At Q4 02 Tier One was at 9.6%**

- *Actions taken during year:*
- Redeemed Preferred shares Series 13
- Issued Preferred shares Series 15
- Launched and completed second 5% share buyback
- Increased dividend twice in year, up +17%, from \$0.24 to \$0.28

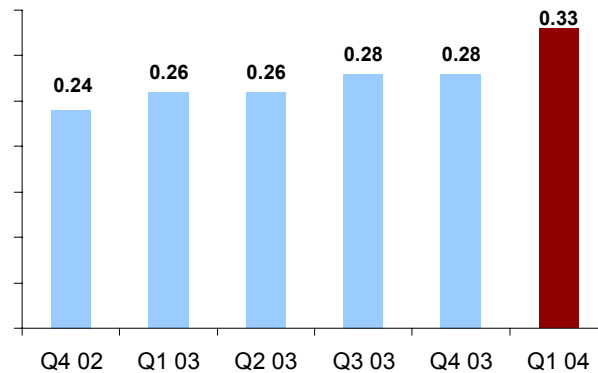
**At Q4 03 Tier One at 9.6%, still above our target range**

### For Fiscal 2004

- 18% dividend increase announced for Q1 04
- Launch of 3<sup>rd</sup> buyback program of 5%



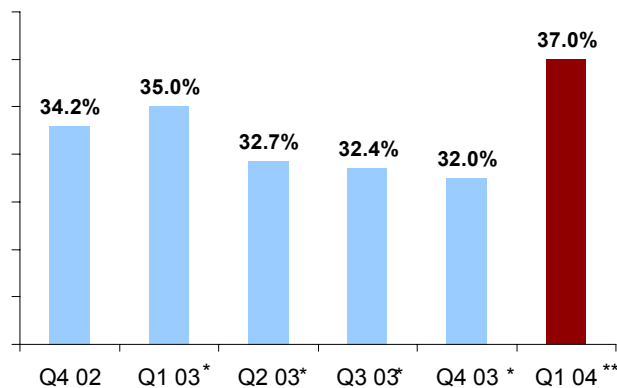
## Dividend per share



**From Q4 02 to Q4 03:**  
Dividend increase of 17%

**For Q1 04 increase of \$0.05**  
 • Increase of \$0.05, from \$0.28 to \$0.33  
 • Represents an increase of 18%

## Dividend Payout

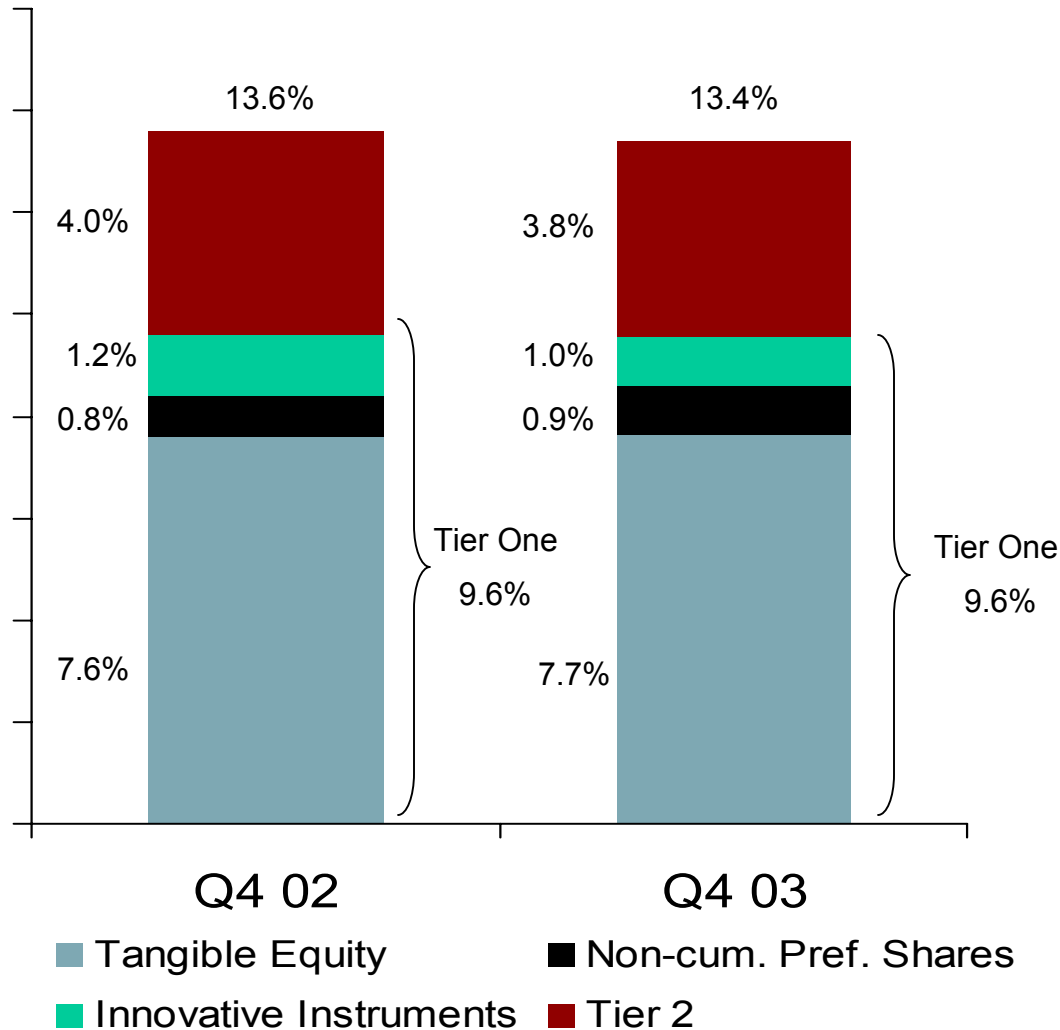


\* Trailing 4 quarters, excluding impairment charge on investment

\*\* Based on street average estimate



# Consistently strong Capital ratios



## Q4 02 Tier One at 9.6%

Actions taken in year:

- Redeemed Preferred shares Series 13
- Issued Preferred shares Series 15
- Launched and completed second 5% share buyback
- Increased dividend twice in year, from \$0.24 to \$0.28

## Q4 03 Tier One at 9.6%

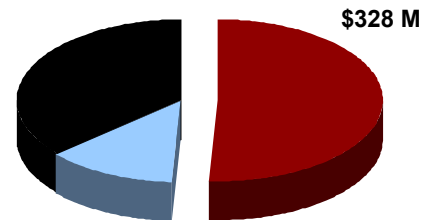


**Personal and  
Commercial Banking**

**Wealth Management**

**Financial Markets**

**2003 Net Income**

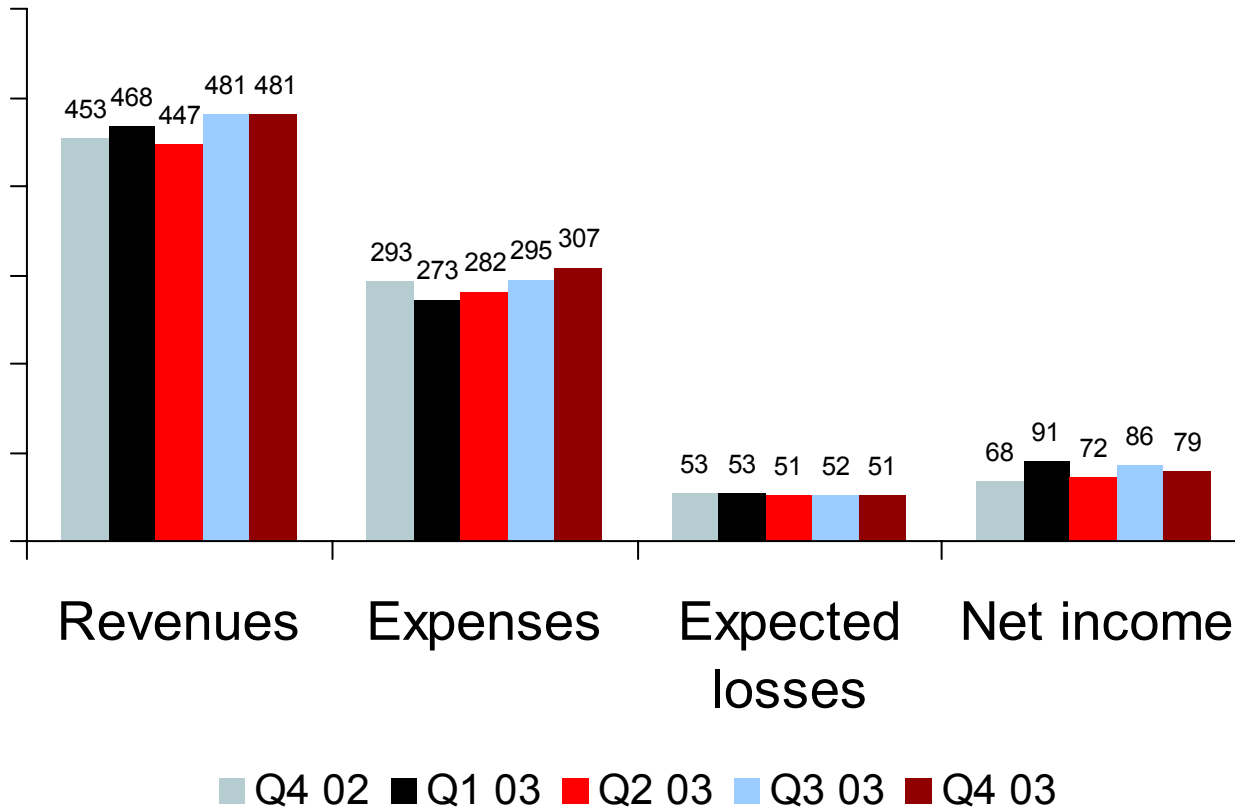


- Personal and Commercial Banking
- Wealth Management
- Financial Markets



# Personal and Commercial Banking Quarterly

in millions of dollars



Revenue increase:

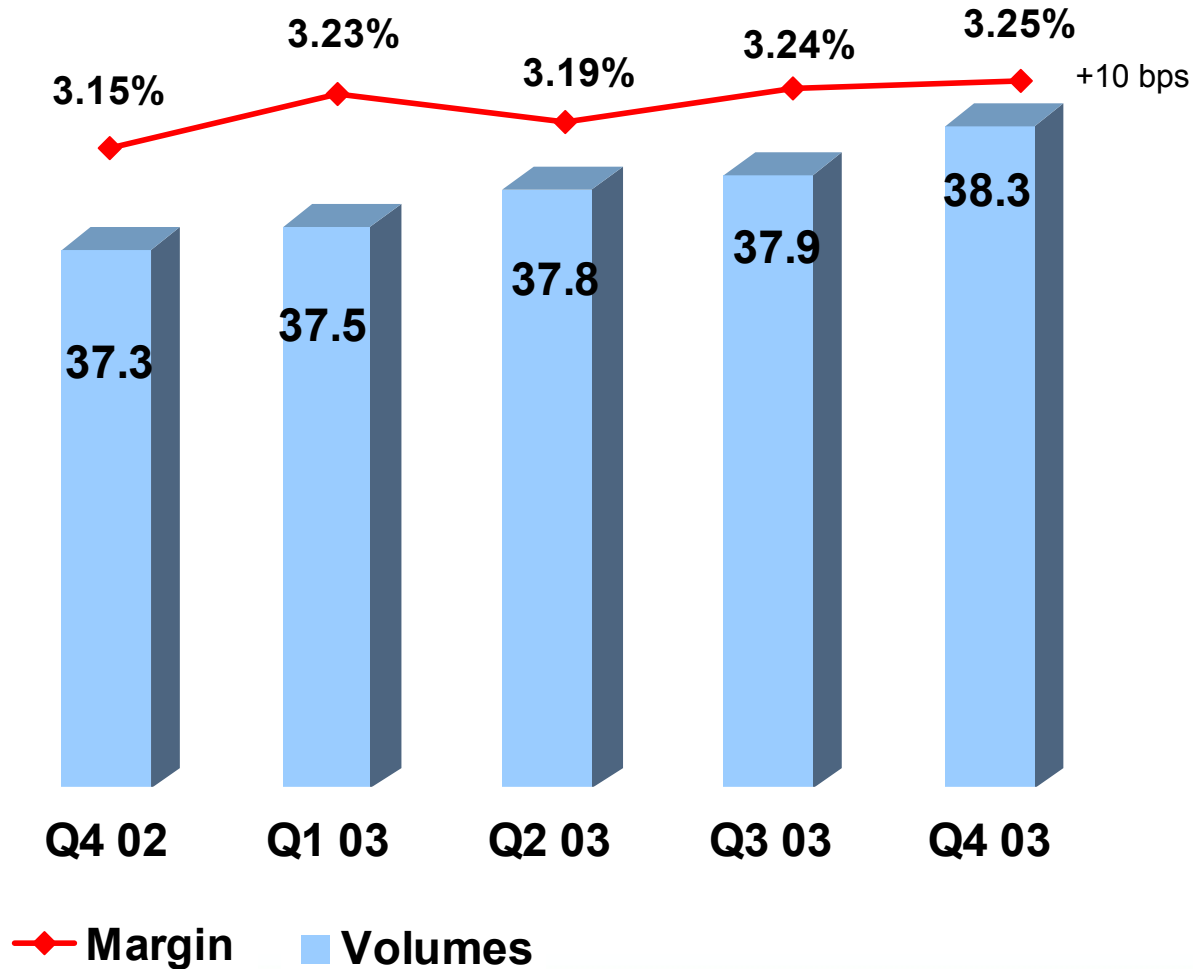
- +5% 2003 vs 2002
- +6% Q4 03 vs Q4 02



# Volume and margin evolution P&C Banking

in millions of dollars

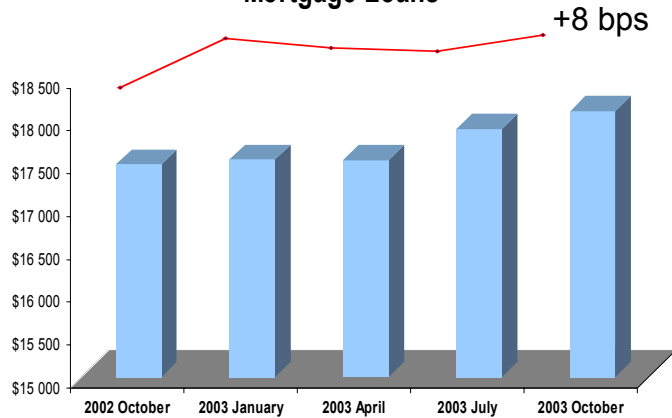
## Average loans and BAs



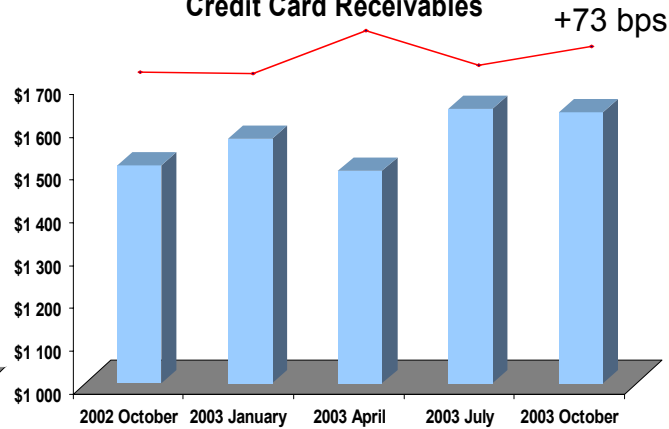
# Loans & BAs and margin evolution

in millions of dollars

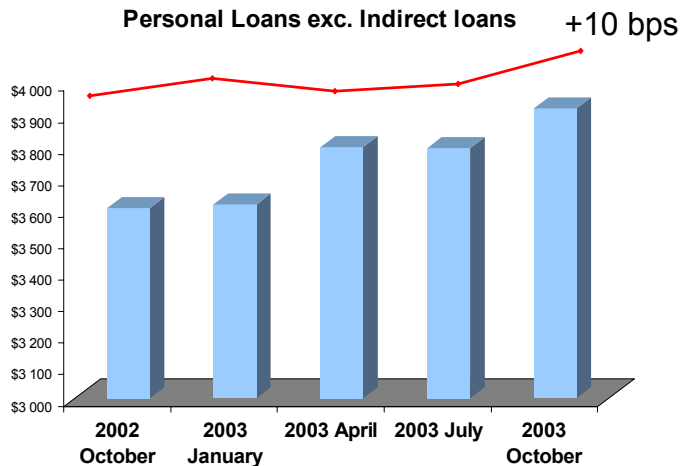
**Mortgage Loans**



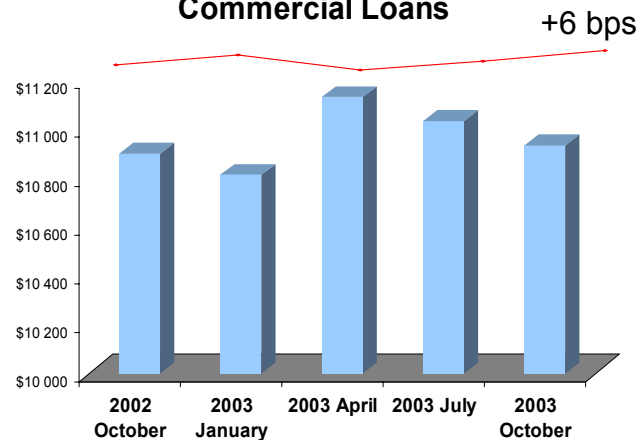
**Credit Card Receivables**



**Personal Loans exc. Indirect loans**



**Commercial Loans**



— Margins    ■ Loans and BAs

## Volumes Oct. 03 vs Oct. 02

### Loans

- Mortgage loans +4%
- Credit card receivables +10%
- Personal loans +9%  
(excluding indirect loans)
- Commercial loans and BAs flat

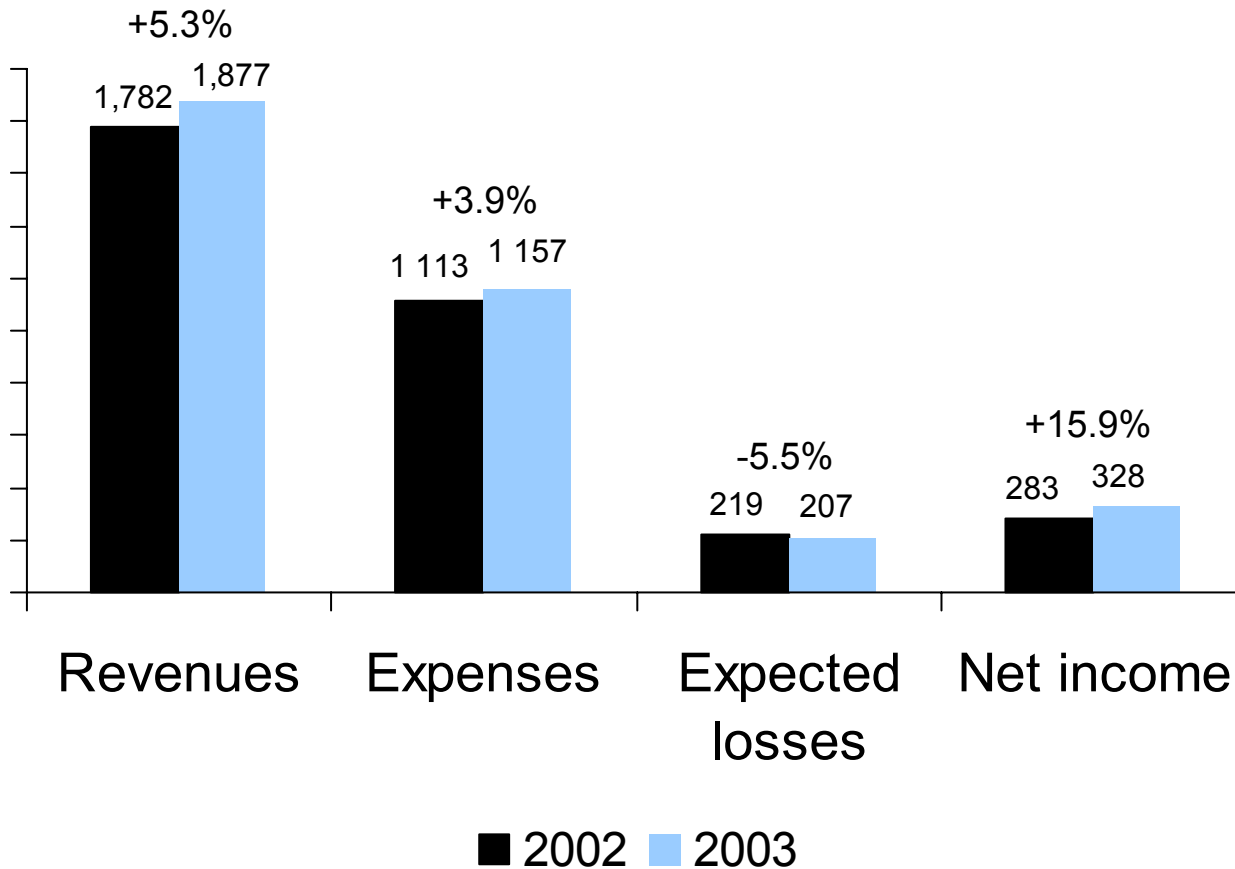
### Deposits

- Deposits
  - Personal +4%
  - Commercial +9%



# Personal and Commercial Banking 12 Months

in millions of dollars



## A quality performance:

Solid volume increase in Personal banking

Margin increase

Revenues outpacing expense growth

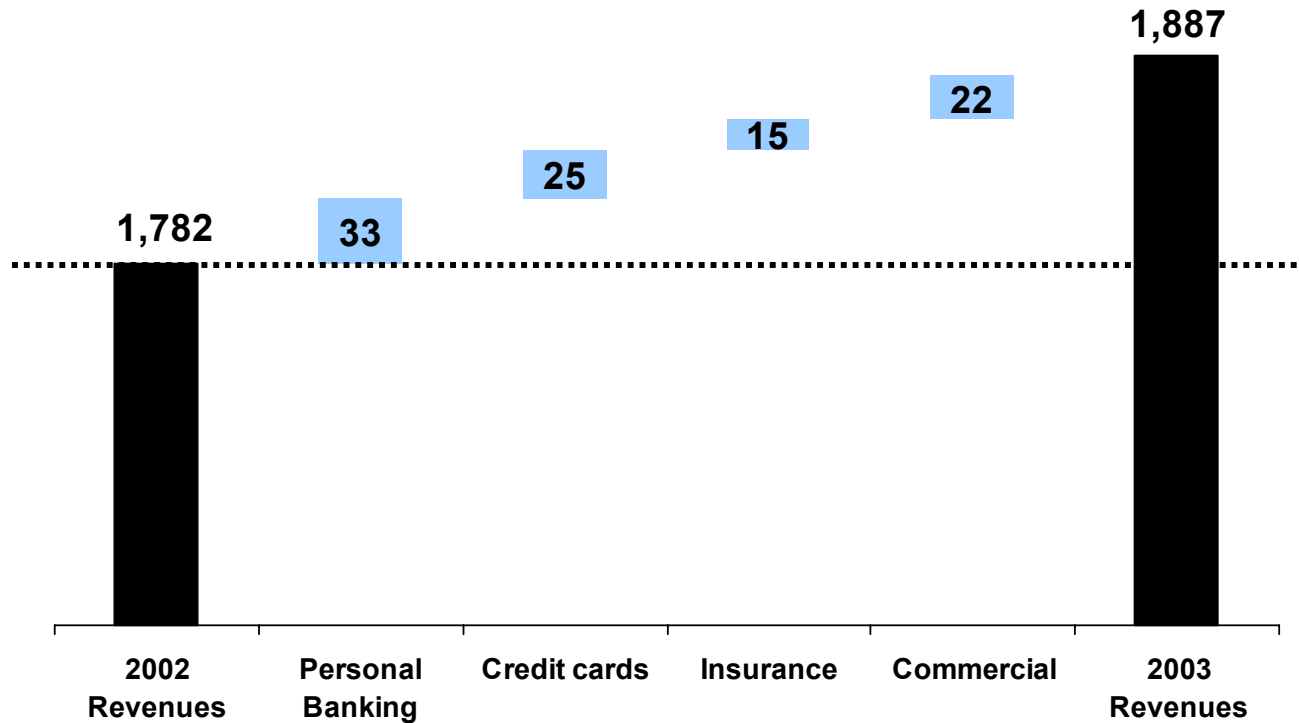


# Revenue line increase per contributor

## 2002 vs 2003 Evolution

in millions of dollars

Yearly



Retail & Credit cards  
performance driven by  
net interest income

Commercial & Insurance  
driven by other income

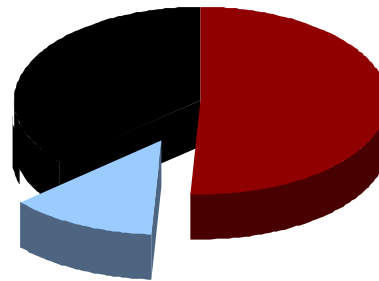


**Personal and  
Commercial Banking**

**Wealth Management**

**Financial Markets**

2003 Net Income



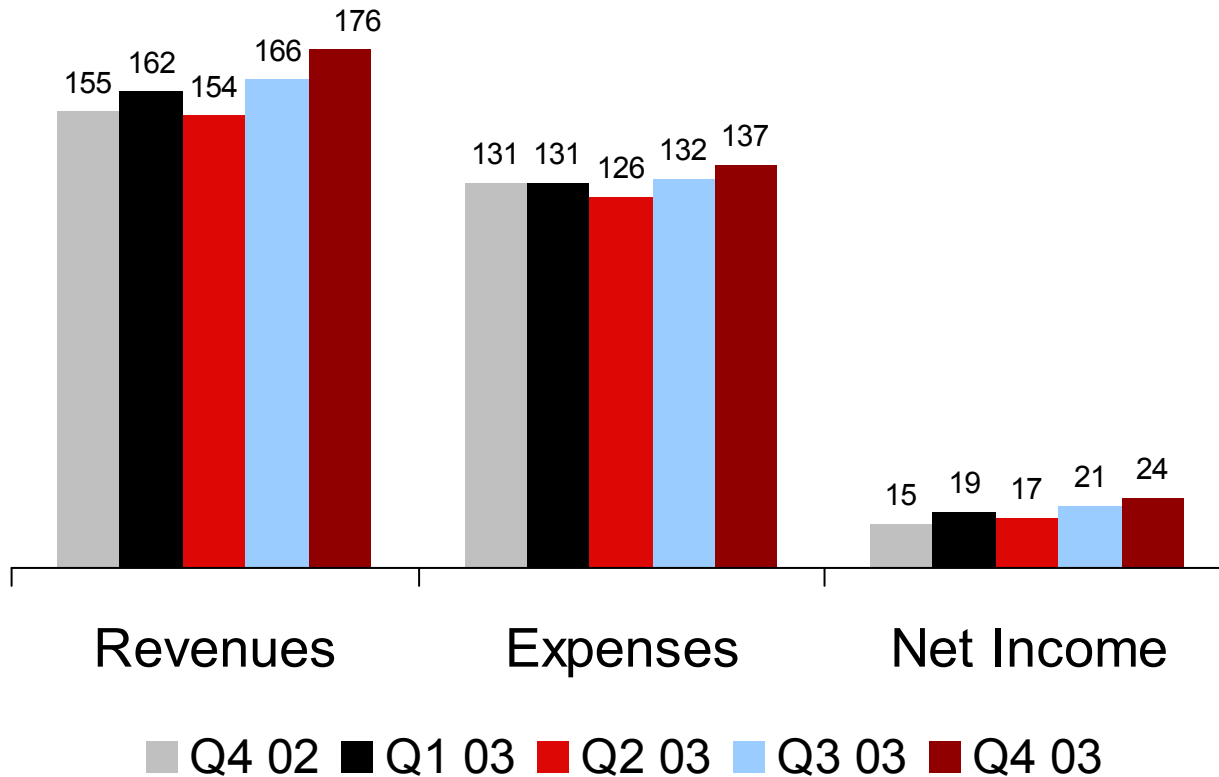
\$81 M

- Personal and Commercial Banking
- Wealth Management
- Financial Markets



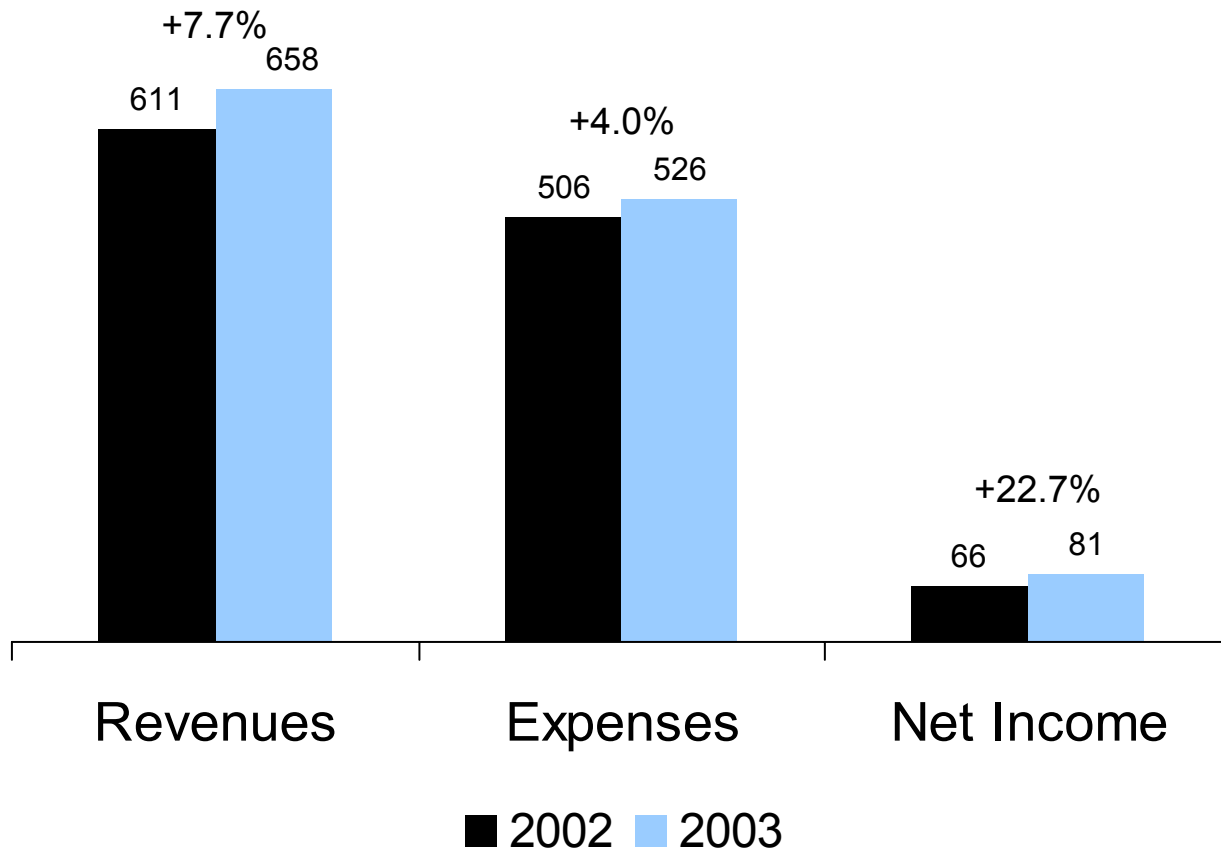
# Wealth Management Quarterly

in millions of dollars



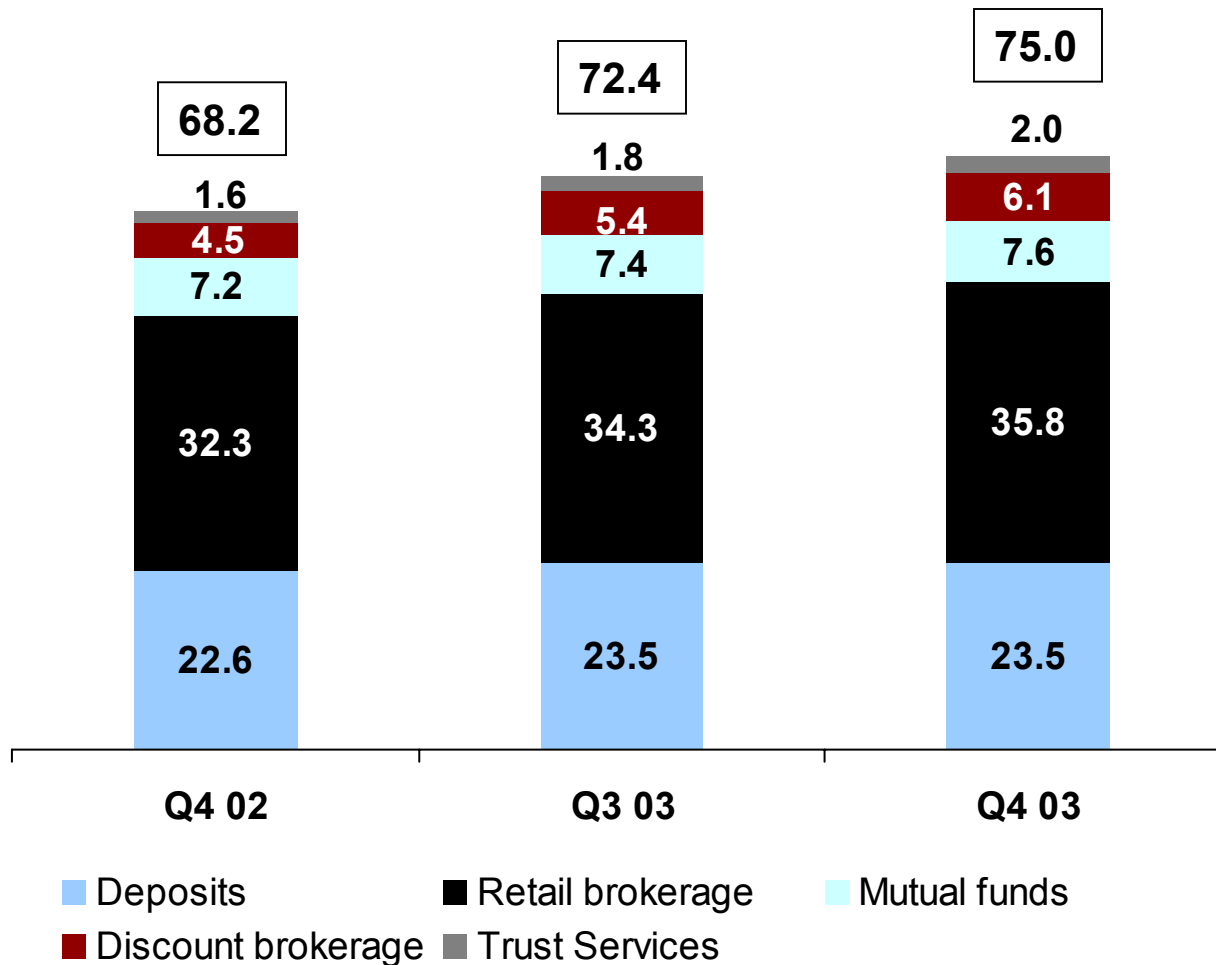
# Wealth Management 12 Months

in millions of dollars



# Assets under Management composition

in billions of dollars  
as at October 31



**Year/year increases:**

**Total growth rate Y/Y +10%**

Deposits +4%

Retail Brokerage +11%

Mutual Funds +6%

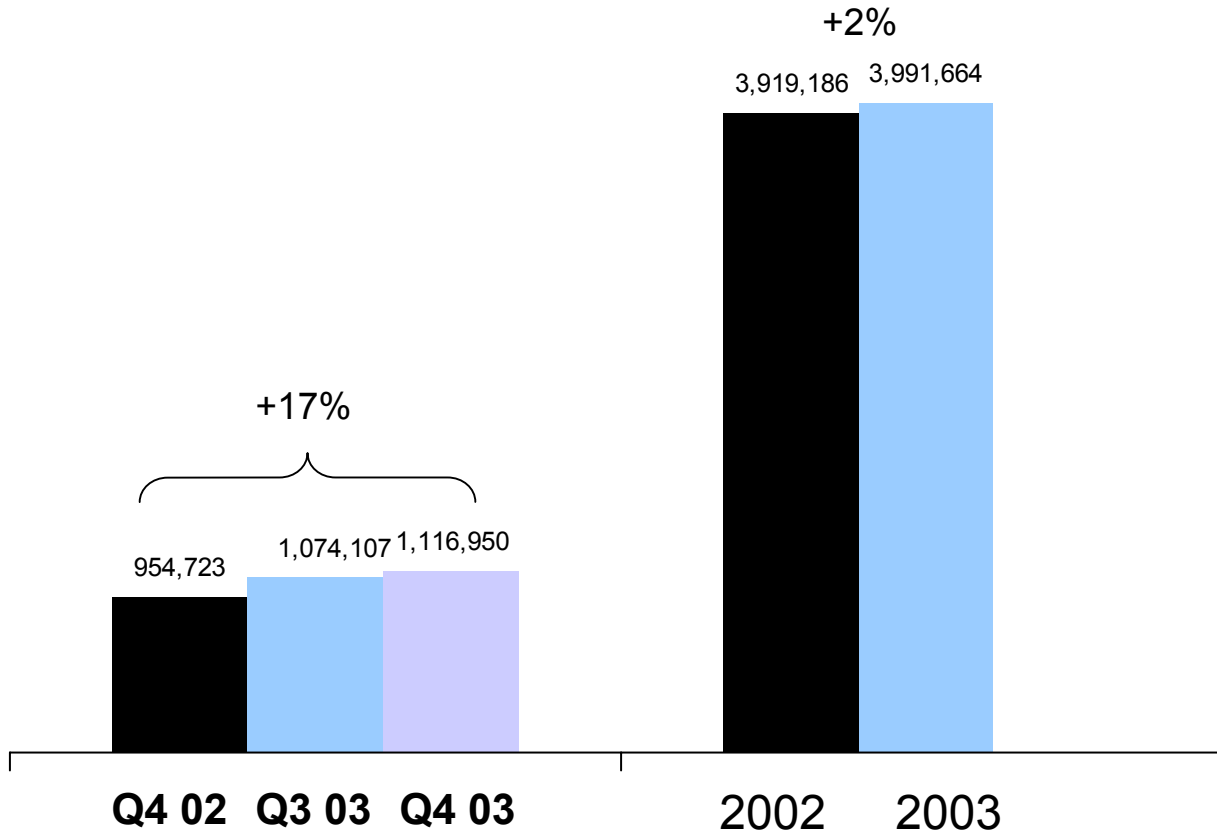
Discount Brokerage +35%

Trust Services +25%



# Transactional volumes on the rise

Discount Brokerage, Correspondent Network, Retail Brokerage

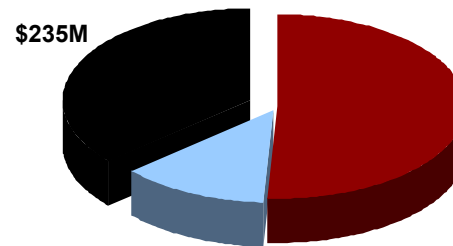


**Personal and  
Commercial Banking**

**Wealth Management**

**Financial Markets**

**2003 Net Income**

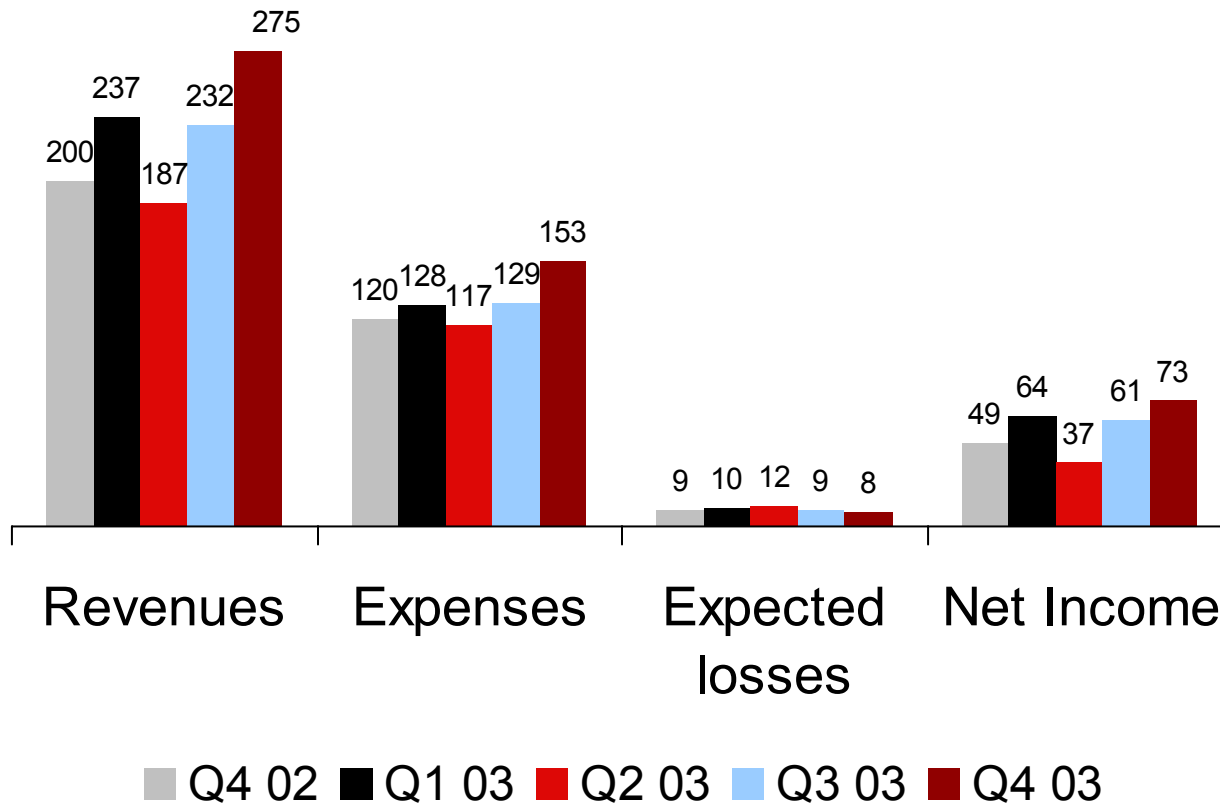


- Personal and Commercial Banking
- Wealth Management
- Financial Markets



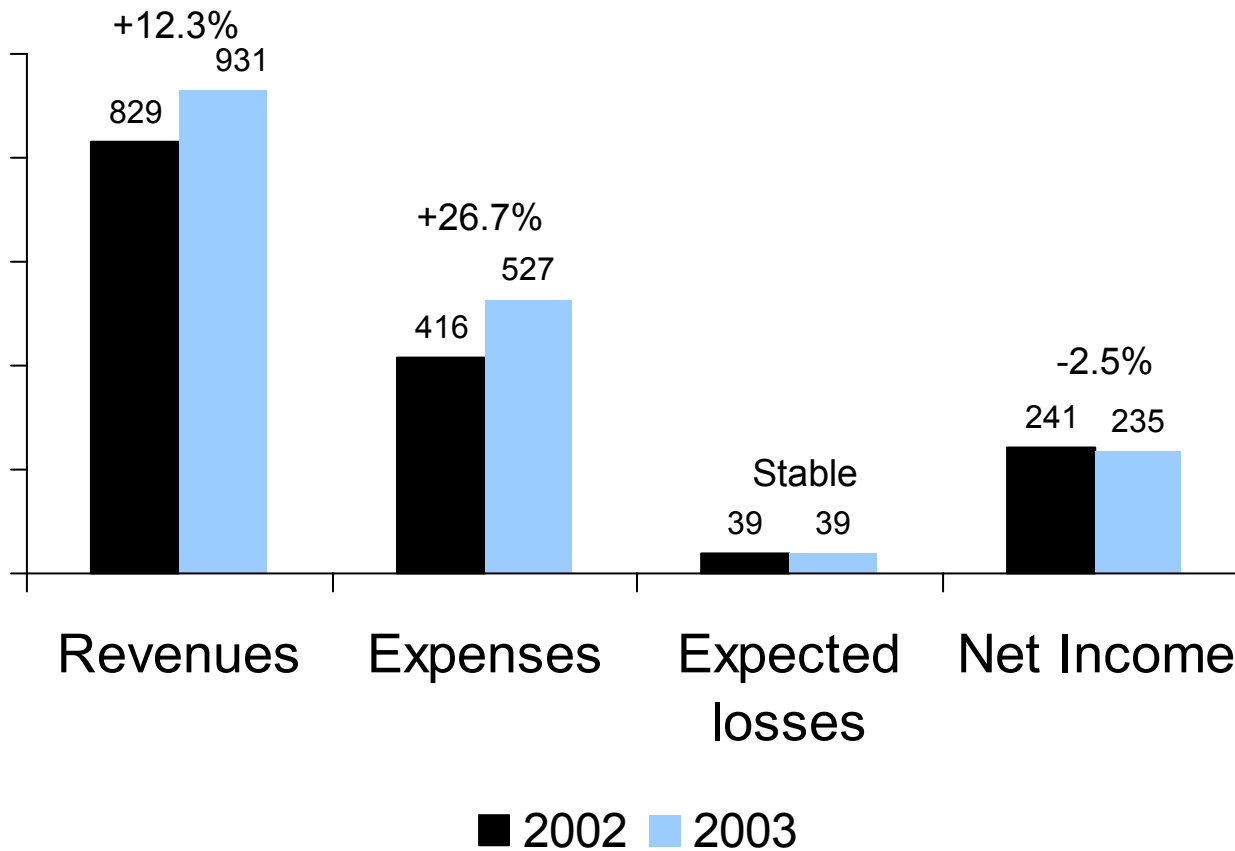
# Financial Markets Quarterly

in millions of dollars



# Financial Markets 12 Months

in millions of dollars



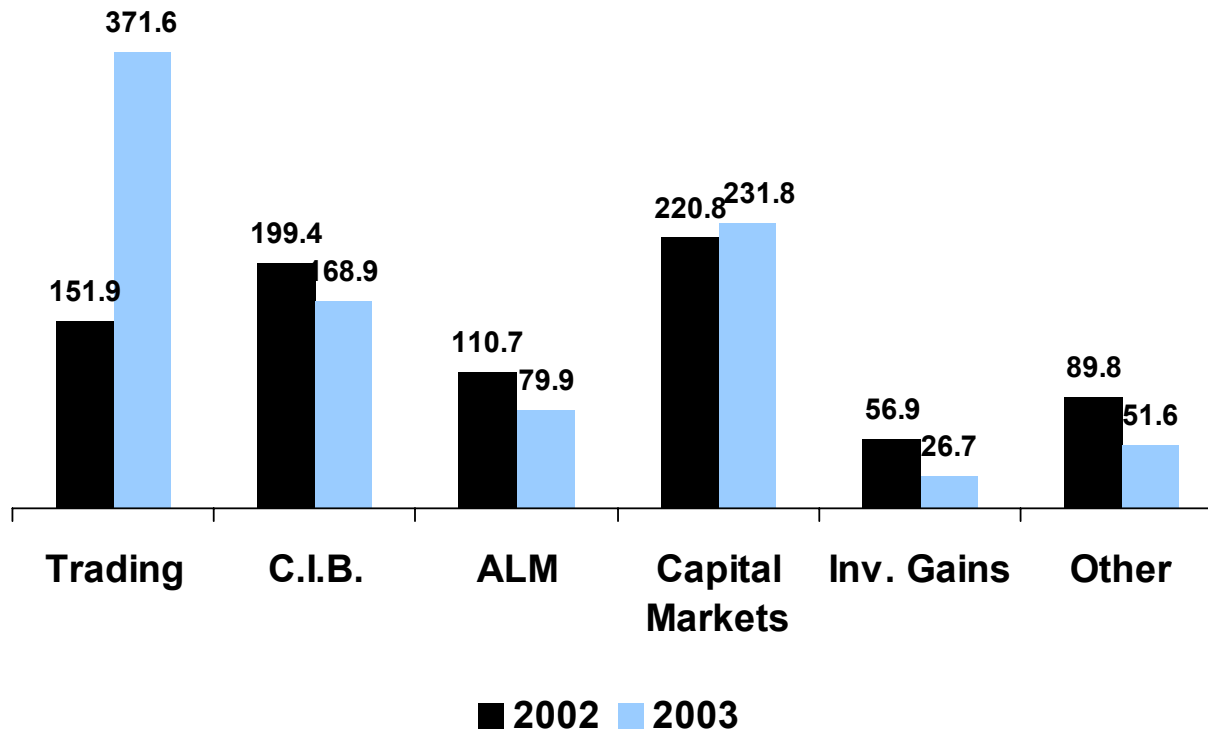
Positive operating leverage derived from diversification of activities, being a niche and opportunistic player



# Treasury and Capital Market Activity

## Revenue composition

in millions of dollars



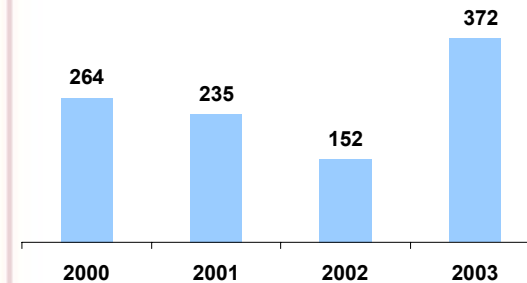
Trading trends for quarter remain robust

Securities – excess of market value over book:

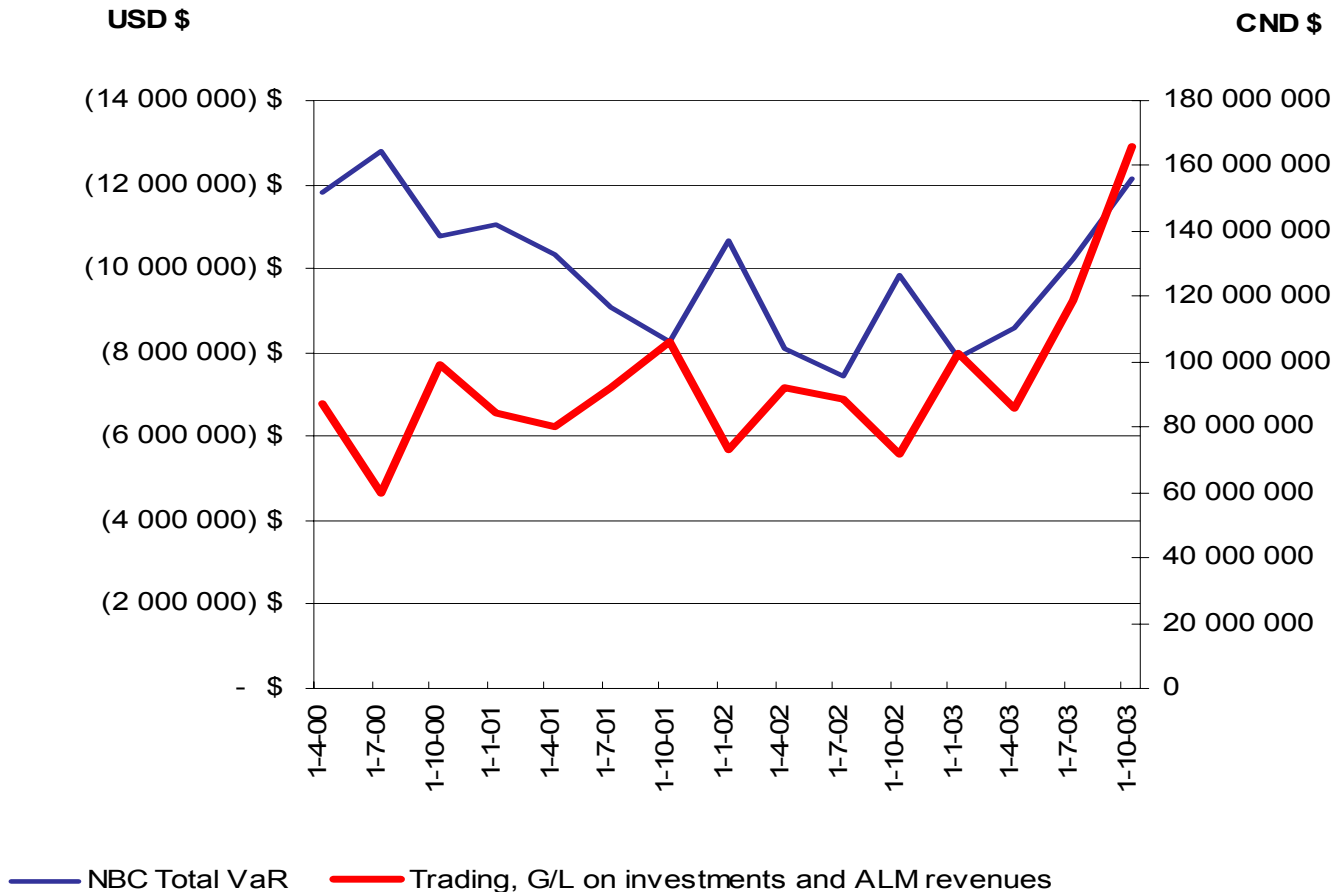
Q4 02 \$(10)  
Q4 03 \$128

### Trading revenue historicals

In millions of dollars



## NBC Trading/Securities Gains/ALM Revenues



## Trading breakdown

in millions of dollars

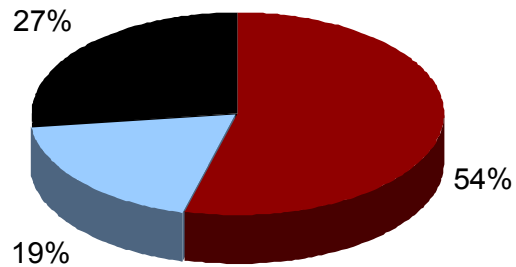
	<u>FY 2003</u>	<u>FY 2002</u>
<b>Equity</b>	<b>\$145</b>	<b>\$63</b>
<b>Fixed income and money markets</b>	<b>131</b>	<b>64</b>
<b>Commodities and precious metals &amp; Foreign exchange contracts</b>	<b>96</b>	<b>25</b>
<b>Total</b>	<b>372</b>	<b>152</b>



# Business Line Breakdown

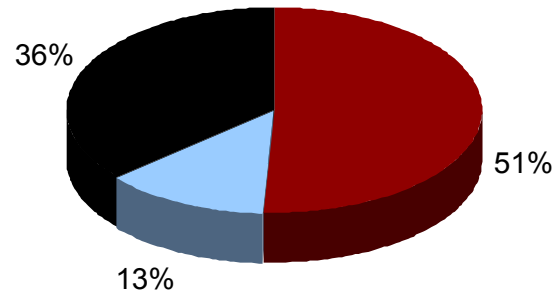
Year to date

## Revenues



- Personal and Commercial Banking
- Wealth Management
- Financial Markets

## Earnings

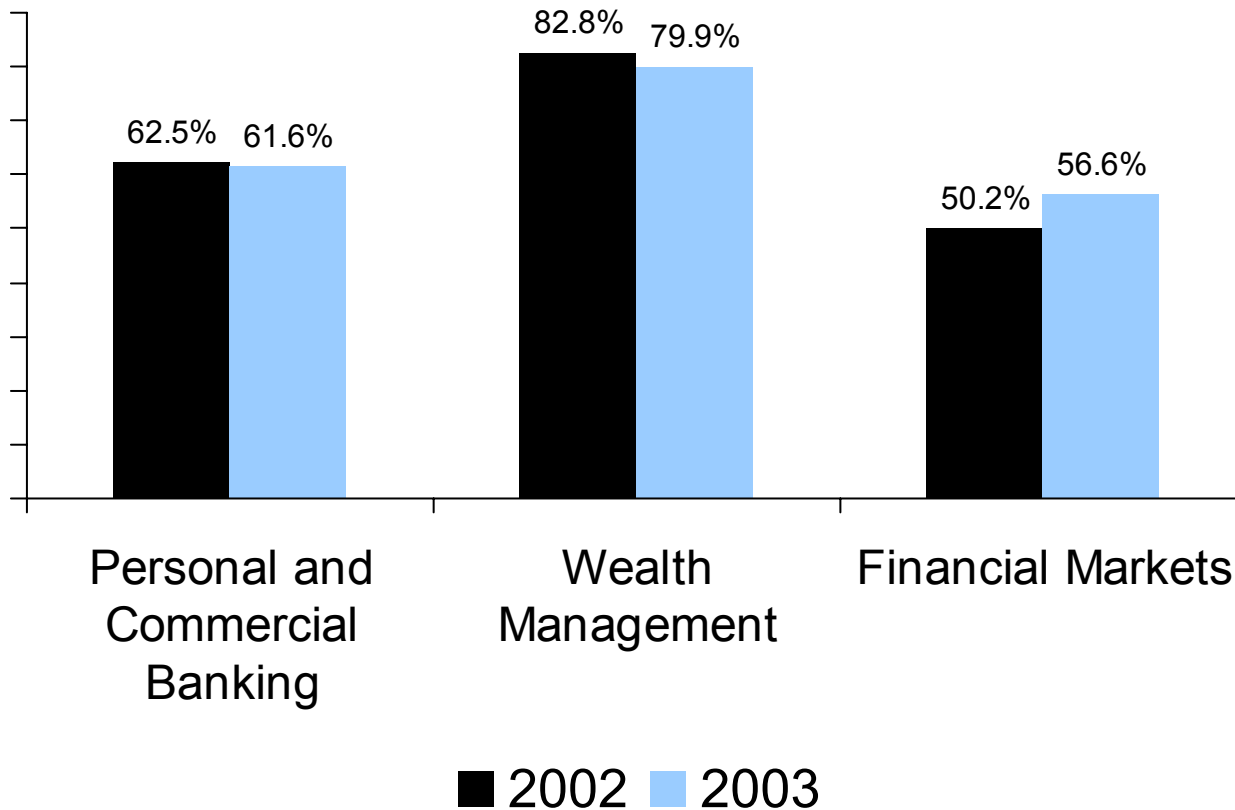


- Personal and Commercial Banking
- Wealth Management
- Financial Markets



# Business Line Expense Ratio

Year to date



Strict cost management  
continued for 2004

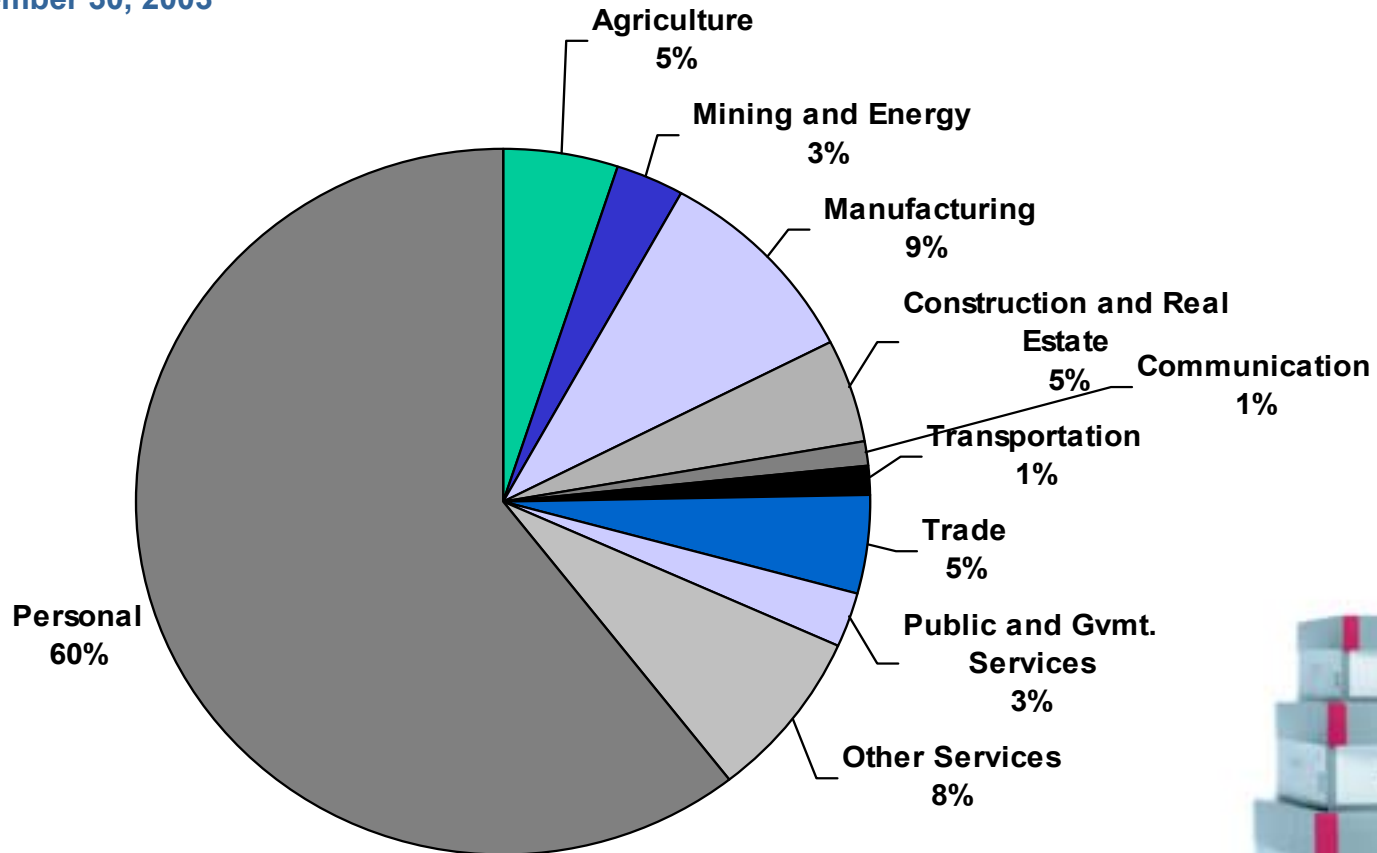


# Risk Management



## Loan portfolio mix

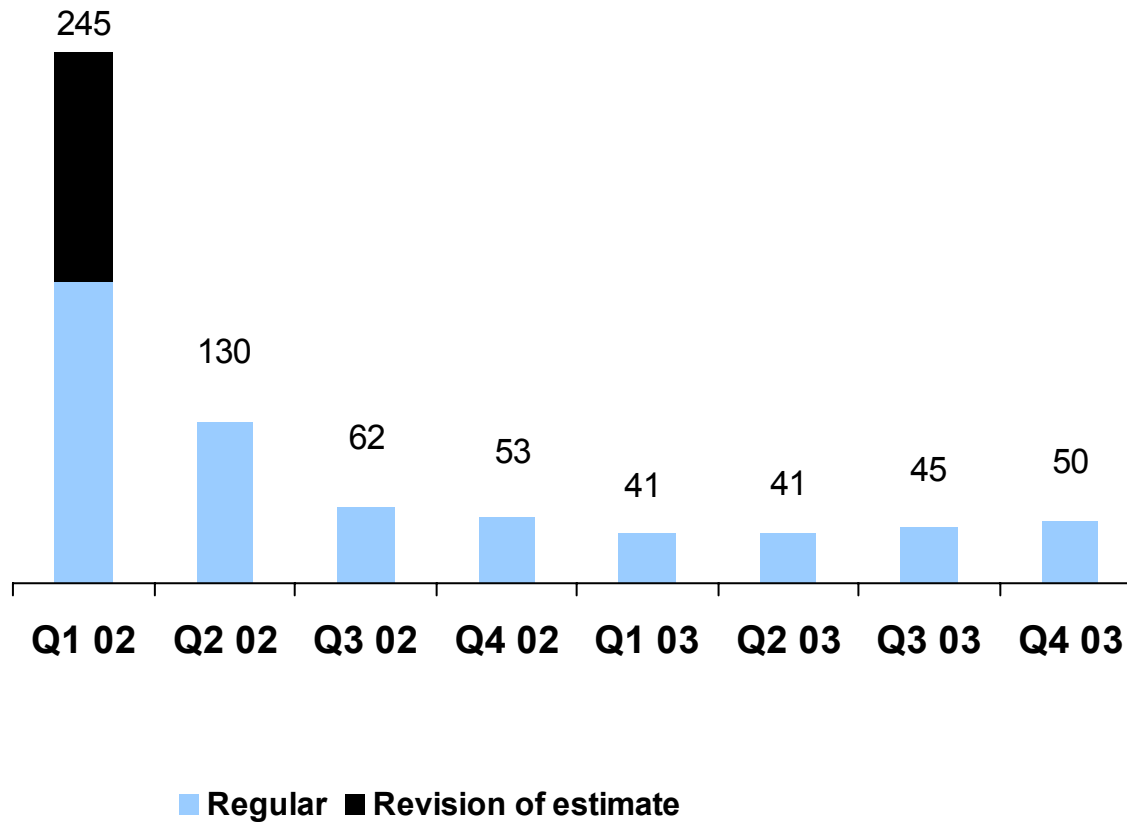
As at September 30, 2003\*



\*Excluding reverse repo's

# Provision for credit losses

in millions of dollars



**2003 Guidance:** 45 to 55 bps

**Result:** 45 bps

**2004 Guidance**

40 to 50 bps of loans and BAs



# Impaired loans

In millions of dollars

	Q4 03	Q4 02
<b>Gross impaired loans</b>	<b>\$476</b>	<b>\$503</b>
<b>Gross impaired loans as a % of tangible capital &amp; reserves</b>	<b>13.0%</b>	<b>14.1%</b>
<b>Net impaired loans</b>		
Personal & Commercial (incl. Real Estate)	139	202
Corporate	108	36
Other	<u>4</u>	<u>8</u>
Sub-total	251	246
<b>General allowance for credit risk</b>	<b><u>(405)</u></b>	<b><u>(405)</u></b>
Total - Net impaired loans	(154)	(159)
Net impaired loans as a % of loans and BAs	(0.3%)	(0.4%)



# Impaired loan formation

In millions of dollars

	Q4 02	Q1 03	Q2 03	Q3 03	Q4 03
Personal & Commercial *	(0.9)	33.5	4.3	13.2	(10.6)
Corporate	18.7	(6.3)	31.3	25.1	80.5
Treasury	0	(0.1)	(0.3)	(0.1)	(0.3)
Other	<u>(0.5)</u>	<u>1.8</u>	<u>1.4</u>	<u>1.8</u>	<u>(4.5)</u>
<b>TOTAL</b>	<b>17.3</b>	<b>28.9</b>	<b>36.7</b>	<b>40.0</b>	<b>65.1</b>

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

\* Includes Real Estate

**Evolution of Consumer loans  
PCLs, as a % of average  
loans <sup>(1)</sup> :**

Q2 02: 0.30%

Q4 03: 0.15%

<sup>(1)</sup> Includes residential mortgage, personal loan and credit card portfolios, net of securitization



## Telecom Exposure

As at September 30, 2003

in millions of dollars

Outstanding

Loans and BAs	Invest. grade	Non-Invest. grade	Total	% of loans and BAs
Telecommunications				
Wireless	\$4	\$25	\$29	0.07
Wireline	12	34	46	0.11
Total	16	59	75	0.18
Cable	47	74	121	0.29
<b>TOTAL</b>	<b>63</b>	<b>133</b>	<b>196</b>	<b>0.47</b>
Versus Q4 02	78	200	278	0.68

No impaired loans



## Electric Power and Power Generation Exposure

As at September 30, 2003  
in millions of dollars  
Outstanding

Loans and BAs	Invest. grade	Non-Invest. grade	Loans and BAs	% of loans and BAs
Regulated Utilities	\$24	\$0	\$24	0.06
Generation Proj. with PPAs *	14	92	106	0.25
Other Generation Projects	10	1	11	0.03
<b>TOTAL</b>	<b>48</b>	<b>93</b>	<b>141</b>	<b>0.34</b>
<b>Versus Q4 02</b>	<b>79</b>	<b>130</b>	<b>209</b>	<b>0.51</b>

- No impaired loans
- Portfolio 100 % Canadian
- Almost all projects significantly covered by long term purchase power agreements
- PPAs : Purchase Power Agreements



## Aerospace Exposure

As at September 30, 2003  
in millions of dollars  
Outstanding

	% Invest. grade	% Non-Invest. grade	Loans and BAs	% of loans and BAs
Aircraft manufacturing	55	45	144	0.34
Air Transportation	-	100	58	0.14
Services	24	76	82	0.20
<b>TOTAL Aerospace</b>	<b>35</b>	<b>65</b>	<b>284</b>	<b>0.68</b>
<b>Versus Q4 02</b>	<b>58</b>	<b>42</b>	<b>317</b>	<b>0.78</b>



- No impaired loans
- Exposure reduction of \$33M vs Q4 02

## Forest Products

As at September 30, 2003  
in millions of dollars  
Outstanding

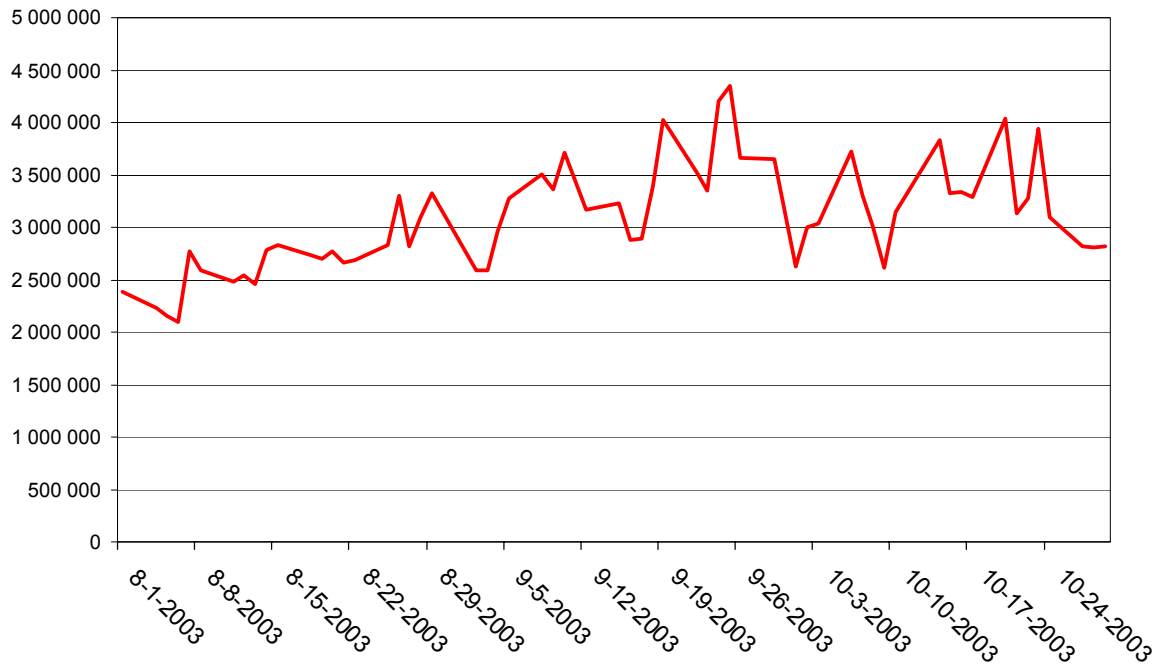
Loans and BAs	Invest. grade	Non-Invest. grade	Loans and BAs	% of loans and BAs	Net Impaired loans
Pulp & Paper	\$56	\$243	\$299	0.72	-
Wood	-	303	303	0.73	2.8
Panel	-	107	107	0.26	-
<b>TOTAL</b>	<b>56</b>	<b>653</b>	<b>709</b>	<b>1.71</b>	<b>2.8</b>
<b>Versus Q4 02</b>	<b>84</b>	<b>688</b>	<b>772</b>	<b>1.85</b>	<b>7.0</b>

■ Portfolio 100 % Canadian



# VaR – Global Trading

**VaR - Global Trading - Q3 2003 to Q4 2003**  
(Maximum 1-day loss at 99%)



## **2004 Performance objectives**

<b>Growth in earnings per share</b>	5% to 10%
<b>Return on common shareholders' equity</b>	15% to 17%
<b>Tier 1 capital ratio</b>	8.75% to 9.50%
<b>Dividend payout ratio</b>	35% to 45%

### **2004 Guidance for provision for credit losses**

40 to 50 bps of loans and BAs



# 2004 Strategic priorities

- ✓ **Capital efficiency:** Balance between dividends and share buybacks
- ✓ **Maintain solid risk profile:** Continue development of risk management culture, valuation, improving tools throughout Bank
- ✓ **Personal Banking:** Develop current distribution agreements with external partners
- ✓ **Commercial Banking:** Maintain leadership position for Quebec banking clients
- ✓ **Wealth Management:** Develop by concentrating primarily on existing customers
- ✓ **Leverage to Capital Markets:** Capitalize on renewed activity, our diversification, focusing on niches and continue being opportunistic are key



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

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