

## National Bank: Operating results up, affected by specified items

The financial information in this press release is based on the unaudited interim consolidated financial statements for the first quarter ended January 31 2009. Additional information about National Bank of Canada, including the Annual Information Form, can be obtained from the SEDAR website at [www.sedar.com](http://www.sedar.com) and the Bank's website at [www.nbc.ca](http://www.nbc.ca).

### HIGHLIGHTS FOR THE FIRST QUARTER OF 2009:

- Net income of \$69 million in the first quarter of 2009, compared to net income of \$255 million in the first quarter of 2008
- Diluted earnings per share of \$0.36 in the first quarter, as against diluted earnings per share of \$1.58 in the corresponding quarter of 2008
- Asset-backed commercial paper (ABCP) restructuring plan completed on January 21, 2009
- An after-tax charge related to holding ABCP of \$98 million
- An after-tax charge related to commitments to extend credit to clients holding ABCP of \$86 million
- Tier 1 capital ratio of 10.0% as at January 31, 2009, compared to 9.4% as at October 31, 2008

### HIGHLIGHTS EXCLUDING SPECIFIED ITEMS FOR THE FIRST QUARTER OF 2009<sup>(1)</sup>:

- Net income of \$253 million in the first quarter of 2009, up 7% from the same period of 2008
- Diluted earnings per share of \$1.51 in the first quarter of 2009, up 3% from \$1.46 in the corresponding quarter of 2008
- Return on equity of 19.3%

(1) The financial reporting method is explained in detail on page 4.

**MONTREAL, February 26, 2009** – National Bank today announced net income of \$69 million for the first quarter of fiscal 2009, compared to net income of \$255 million in the first quarter of 2008. Diluted earnings per share stood at \$0.36, as against diluted earnings per share of \$1.58 for the corresponding quarter of 2008. Operating results were higher than in the first quarter of 2008, but charges attributable to the impact of ABCP affected net income. These charges comprise the after-tax cost of holding ABCP of \$98 million and the after-tax loss related to commitments to extend credit to clients holding ABCP of \$86 million. In the first quarter of 2008, the Bank had recorded an after-tax charge related to holding ABCP of \$14 million and a gain of \$32 million on the sale of its subsidiary in Nassau. Excluding specified items, net income for the first quarter was \$253 million, up 7% from \$237 million in the first quarter of 2008, while diluted earnings per share were \$1.51, up 3% from the \$1.46 in the corresponding quarter of 2008.

“The operating results for the first quarter of 2009 were up from the corresponding quarter of 2008, primarily due to the good performance of the Personal and Commercial and Financial Markets segments. The relatively good performance of the Wealth Management segment is also worth noting, given the current economic environment. In addition, the efforts with regard to the ABCP restructuring have finally paid off, with the issuance of new notes. This success is one of the few positive restructuring events in the context of a global financial crisis,” stated Louis Vachon, President and Chief Executive Officer.

## Results by Segment

### Personal and Commercial

Personal and Commercial contributed \$250 million in the first quarter of 2009, an increase of 4% compared to the corresponding quarter of 2008. Net income for the quarter grew 5% to \$140 million. The segment's total revenues advanced \$16 million, or 3%, to \$571 million. Loan volumes at Personal and Commercial increased 8% from the first quarter of 2008 to the first quarter of 2009. This growth was tempered by the narrowing of the net interest margin, which was mainly due to the decrease in the spread on deposits.

Total revenues at Personal Banking rose \$5 million to \$382 million. Loan and deposit volumes posted strong growth owing to the \$2.7 billion increase in average assets stemming from the rise in consumer loans. The narrower net interest margin on deposits was partially offset by the wider net interest margin on credit products, especially credit cards. At Commercial Banking, total revenues rose by \$11 million, as growth in business loan and deposit volumes was partially offset by the narrower net interest margin. The increase in foreign exchange revenues also contributed to the increase in total revenues.

Operating expenses for Personal and Commercial were \$321 million in the first quarter of 2009, up \$7 million from the corresponding quarter of 2008. This slight increase, combined with growth in total revenues, translated into an improved efficiency ratio of 56% for the quarter, versus 57% for the year-earlier period. The segment's provision for credit losses was up \$1 million to \$45 million, due mainly to higher credit losses for credit card receivables, tempered by lower losses on credit granted to businesses.

### Wealth Management

Net income for Wealth Management totalled \$32 million in the first quarter of 2009, compared to \$39 million for the corresponding quarter of 2008, a decrease of \$7 million. The segment's total revenues were \$195 million, as against \$214 million in the year-earlier period. The decrease was primarily attributable to unrelenting poor financial market conditions, which resulted in a slowdown in brokerage activities and a decline in value of assets under management and administration. Operating expenses were down \$7 million to \$146 million in the first quarter of 2009, primarily owing to a decrease in variable compensation. The efficiency ratio was 75% in the first quarter of 2009, versus 71% in the first quarter of 2008.

### Financial Markets

Financial Markets posted net income of \$73 million in the first quarter of 2009, up \$1 million from the corresponding quarter of 2008. Total revenues for the segment were \$259 million, as against \$216 million in the first quarter of 2008. Taking into account non-controlling interest, revenues for the quarter were \$269 million, compared to \$278 million for the same quarter of 2008. Trading revenues reached \$134 million in the first quarter of 2009, an increase of \$10 million from the first quarter of 2008, primarily due to the increase in revenues from equity securities, partly offset by the decrease in revenues from fixed-income securities and commodity and foreign exchange transactions. Financial market fees and gains on available for sale securities were down \$31 million from the first quarter of 2008. These declines were attributable to a slowdown in activities due to more difficult market conditions. Operating expenses for the quarter were \$167 million, down \$2 million from the year-earlier period, due to a decrease in technology expenses. A \$4 million credit loss was recorded in the first quarter of 2009 at Corporate Banking.

### Other

The *Other* heading of segment results posted a net loss of \$176 million in the first quarter of 2009, compared to net income of \$11 million in the corresponding quarter of 2008. The results for the quarter take into account charges related to the impact of ABCP. These charges comprised the after-tax cost of holding ABCP of \$98 million, which consisted of a net loss on available for sale securities related to ABCP of \$129 million, financing costs, professional fees and the cost of economic hedge transactions totalling \$10 million and interest income on ABCP further to the restructuring of \$41 million. In addition, an after-tax loss related to commitments to extend credit to clients holding ABCP of \$86 million was recorded in the first quarter of 2009. In the first quarter of 2008, the Bank had recorded a \$32 million gain on the sale of its subsidiary in Nassau, Bahamas. In addition, the Bank had recorded a \$14 million after-tax charge related to the cost of financing ABCP held. Excluding specified items, total revenues for the *Other* heading of segment results for the first quarter of 2009 increased \$63 million compared to the first quarter of 2008. This increase was mainly attributable to securitization revenues of \$98 million for the quarter ended January 31, 2009, compared to \$46 million for the corresponding quarter of 2008.

## Capital

Tier 1 and total capital ratios, according to the rules of the Bank for International Settlements (BIS) – Basel II, stood at 10.0% and 14.0%, respectively, as at January 31, 2009, compared to 9.4% and 13.2% as at October 31, 2008. The increase in Tier 1 and total capital ratios is attributable to the issuance of two series of First Preferred Shares during the quarter for total proceeds of \$315 million. If these ratios had been calculated using the old BIS rules – Basel I, they would have been 10.8% and 14.8%, respectively, as at January 31, 2009.

As at January 31, 2009, risk-weighted assets calculated under the rules of Basel II were \$57.3 billion, compared to \$58.1 billion as at October 31, 2008, down slightly by 1%. Risk-weighted assets calculated under Basel I would have been \$54.4 billion as at January 31, 2009.

### Financial Indicators

	Results Q1 2009	Results excluding specified items <sup>(1)</sup>
Growth in diluted earnings per share	(77)%	3%
Return on common shareholders' equity	4.6%	19.3%
Tier 1 capital ratio	10.0%	10.0%
Dividend payout ratio		43%

(1) See "Financial Reporting Method" on page 4.

# HIGHLIGHTS

(unaudited) (millions of dollars)

Quarter ended	January 31, 2009	January 31, 2008	% Change
<b>Operating results</b>			
Total revenues	\$ 876	\$ 929	(6)
Total revenues adjusted for non-controlling interest <sup>(1)</sup>	886	991	(11)
Net income	69	255	(73)
Return on common shareholders' equity	4.6 %	22.9 %	
<b>Per common share (dollars)</b>			
Earnings – basic	\$ 0.36	\$ 1.58	
Earnings – diluted	0.36	1.58	
<b>EXCLUDING SPECIFIED ITEMS<sup>(2)</sup></b>			
<b>Operating results</b>			
Total revenues	\$ 1,019	\$ 916	11
Total revenues adjusted for non-controlling interest <sup>(1)</sup>	1,029	978	5
Net income	253	237	7
Return on common shareholders' equity	19.3 %	21.3 %	
<b>Per common share (dollars)</b>			
Earnings – basic	\$ 1.51	\$ 1.47	
Earnings – diluted	1.51	1.46	
<b>Per common share (dollars)</b>			
Dividends declared	\$ 0.62	\$ 0.62	
Book value	30.52	28.13	
Stock trading range			
High	45.95	54.25	
Low	25.62	45.15	
Close	34.22	50.53	
	January 31, 2009	October 31, 2008	% Change
<b>Financial position</b>			
Total assets	\$ 136,989	\$ 129,332	6
Loans and acceptances	56,223	56,015	–
Deposits	79,575	76,022	5
Subordinated debentures and shareholders' equity	8,313	7,764	7
Capital ratios – BIS under Basel II			
Tier 1	10.0 %	9.4 %	
Total	14.0 %	13.2 %	
Capital ratios – BIS under Basel I			
Tier 1	10.8 %	10.1 %	
Total	14.8 %	14.1 %	
Impaired loans, net of specific and general allowances	(153)	(162)	
as a % of loans and acceptances	(0.3)%	(0.3)%	
Assets under administration/management	189,082	204,998	
Total personal savings	98,238	95,893	
Interest coverage	4.09	5.21	
Asset coverage	3.65	3.89	
<b>Other information</b>			
Number of employees	17,199	17,146	–
Number of branches in Canada	448	446	–
Number of banking machines	857	857	–

(1) Adjusted for gains or losses mainly attributable to third parties using the Innocap platform

(2) See "Financial Reporting Method" on page 4.

# FINANCIAL REPORTING METHOD

The Bank uses certain measurements that do not comply with generally accepted accounting principles (GAAP) to assess results. Securities regulators require companies to caution readers that net earnings and any other measurements adjusted using non-GAAP criteria are not standard under GAAP and cannot be easily compared with similar measurements used by other companies.

## Financial Information

(unaudited) (millions of dollars)

	Notes	Quarter ended		
		January 31, 2009	January 31, 2008	%
Personal and Commercial		140	133	5
Wealth Management		32	39	(18)
Financial Markets		73	72	1
Other		(176)	11	
<b>Net income</b>		<b>69</b>	<b>255</b>	<b>(73)</b>
Plus: Charges related to holding ABCP	1	98	14	
Plus: Charge related to commitments to extend credit to clients holding ABCP	2	86	–	
<b>Net income excluding the impact of ABCP</b>		<b>253</b>	<b>269</b>	<b>(6)</b>
Less: Gain on the sale of the Bank's subsidiary in Nassau	3	–	(32)	
<b>Net income excluding specified items</b>		<b>253</b>	<b>237</b>	<b>7</b>
<b>Diluted earnings per common share</b>		<b>\$ 0.36</b>	<b>\$ 1.58</b>	<b>(77)</b>
Plus: Charges related to holding ABCP	1	0.61	0.08	
Plus: Charge related to commitments to extend credit to clients holding ABCP	2	0.54	–	
<b>Diluted earnings per common share excluding the impact of ABCP</b>		<b>\$ 1.51</b>	<b>\$ 1.66</b>	<b>(9)</b>
Less: Gain on the sale of the Bank's subsidiary in Nassau	3	–	(0.20)	
<b>Diluted earnings per common share excluding specified items</b>		<b>\$ 1.51</b>	<b>\$ 1.46</b>	<b>3</b>
<b>Return on common shareholders' equity</b>				
<b>Including specified items</b>		<b>4.6%</b>	<b>22.9%</b>	
<b>Excluding specified items</b>		<b>19.3%</b>	<b>21.3%</b>	

(1) During the quarter ended January 31, 2009, the following items, net of income taxes, were recognized related to ABCP: a loss on available for sale securities related to ABCP of \$129 million (2008: nil), a loss on economic hedge transactions of \$1 million (2008: nil), interest received or receivable on ABCP held of \$41 million (2008: nil), ABCP financing costs of \$7 million (2008: \$13 million) and professional fees related to the ABCP file of \$2 million (2008: \$1 million).

(2) During the quarter ended January 31, 2009, an after-tax provision for credit losses related to commitments to extend credit to clients holding ABCP of \$86 million was recorded (2008: nil).

(3) During the quarter ended January 31, 2008, the Bank recorded a net gain of \$32 million on the sale of its subsidiary in Nassau, Bahamas.

## 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 2008 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 2009 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 American 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 us to make assumptions 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. With the financial and credit crisis currently underway, fiscal 2009 could be characterized by an overall slowdown in the world economy, which could affect the United States, Canada’s largest trading partner. The financial crisis may result in lower levels of activity on financial markets and a higher cost of funds for financial institutions. There is a strong possibility that personal and commercial bankruptcies could increase in 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 material factors it considers when establishing its sustainable 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 United States economies and the economies of the 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 or regulatory judgments and legal proceedings; developments with respect to asset-backed commercial paper (ABCP) and liquidity in the ABCP market; 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 infrastructure 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 2008 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.*

## Disclosure of First Quarter 2009 Results

### Conference Call

- A conference call for analysts and institutional investors will be held on February 26, 2009 at 1:30 p.m. ET.
- Access by telephone in listen-only mode: 1-866-862-3908 or 416-641-6130.
- A recording of the conference call can be heard until March 5, 2009 by calling 1-800-408-3053 or 416-695-5800. The access code is 3282848#.

### Webcast

- The conference call will be webcast live at [www.nbc.ca/investorrelations](http://www.nbc.ca/investorrelations).
- A recording of the webcast will also be available on the Internet after the call.

## Financial Documents

- The quarterly financial statements are available at all times on National Bank's website at [www.nbc.ca/investorrelations](http://www.nbc.ca/investorrelations).
- The Report to Shareholders, Supplementary Financial Information and a slide presentation will be available on the Investor Relations page of National Bank's website shortly before the start of the conference call.

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