

# Analyst and Investor Presentation

## Q1 2005 Results Conference Call



February 24, 2005  
[www.nbc.ca/investorrelations](http://www.nbc.ca/investorrelations)

opportunities



## Highlights

### Solid across-the-board performance



- Q1 05 Results:
  - Net income \$239 M; up 28% y/y
  - EPS at \$1.39; +35% y/y
  - ROE at 23.6%; was 19% as at Q1 04
- A persistently robust performance in consumer credit, asset management and financial market activities due to a balanced mix of business
- Risk provisioning remains historically low at \$17 M
- Capital position remains strong with Tier One maintained at 9.6%

## 2005 Objectives Strong start to the year



	2005 Objectives	Q1 05	YTD
Growth in earnings per share	5% to 10%	35%	35%
Return on common shareholders' equity	16% to 18%	24%	24%
Tier 1 capital ratio	Equal or greater than 8.5%	9.6%	9.6%
Dividend payout ratio <sup>1</sup>	35% to 45%	34%	34%

(1) Trailing 4 quarters

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## Performance Snapshot



In millions of dollars

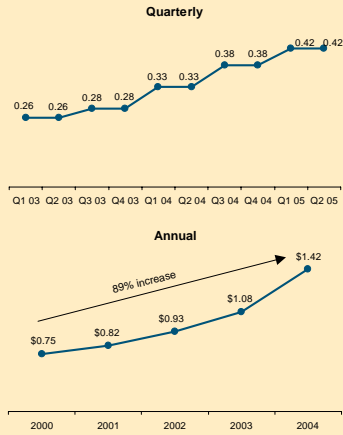
Q1 04	Q1 05	Change		3M 04	3M 05	Change
\$911	\$983	8%	Total revenues	\$911	\$983	8%
\$577	\$613	6%	Operating expenses	\$577	\$613	6%
\$334	\$370	11%	Contribution	\$334	\$370	11%
\$44	\$17	-61%	Provision for credit losses	\$44	\$17	-61%
\$290	\$353	22%	Operating income	\$290	\$353	22%
\$186	\$239	28%	Net income	\$186	\$239	28%
\$1.03	\$1.39	35%	EPS	\$1.03	\$1.39	35%
19.0%	23.6%		ROE	19.0%	23.6%	
10.1%	9.6%		Tier 1 ratio	10.1%	9.6%	
62.7%	61.4%		Efficiency ratio	62.7%	61.4%	

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## Dividend per Share



### Highlights:

- Increase in quarterly dividend 10% from Q4 04 and 27% from a year ago
- No shares repurchased in Q1 05

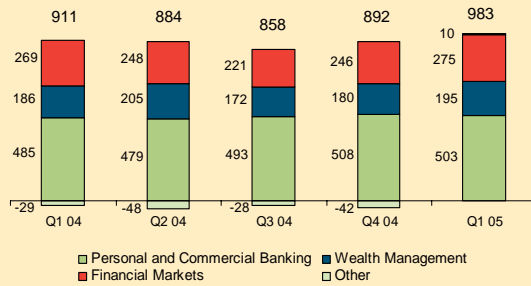
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## Revenues – Business Line Mix

In millions of dollars



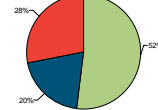
### Highlights:

All business lines contributed to growth

Revenue increase in all sectors since Q1 04:

- P&C 4%
- Wealth Management 5%
- Financial Markets 2%

### Revenue Diversification



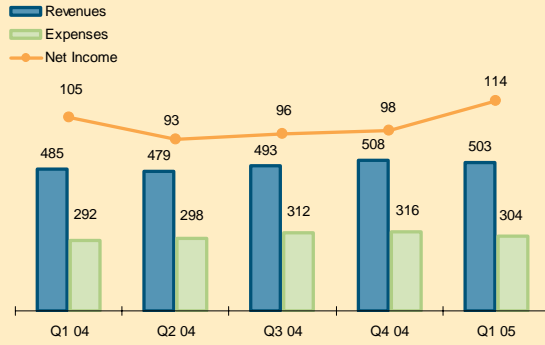
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## Personal and Commercial Banking – Quarterly

In millions of dollars



### Highlights:

Year/Year:

- Top line growth of 4%
- Net income increase of 9%

• Revenues driven by volume growth and steady margins

• Expense level in line with revenue increase since Q1 04

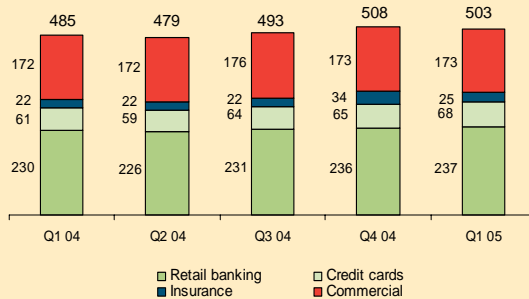
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## P&C Revenue Composition

In millions of dollars



### Highlights:

Contributor increases:

All sectors contributing to the growth, split equally between NII and other revenues

Retail banking 3%  
Credit cards 11%  
Insurance 18%  
Commercial stable

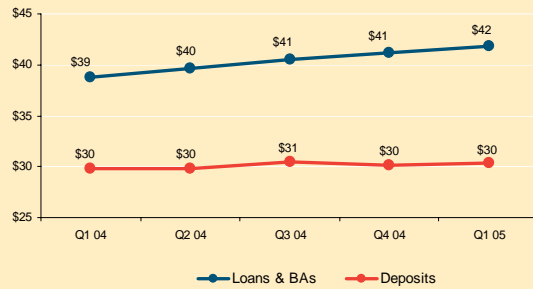
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## P&C Volume Evolution

In billions of dollars  
Quarterly average volumes



### Growth :

8% in Loans & BAs, extremely strong increase in a challenging, highly competitive market, reaffirms NA's leverage

Steady pace stemming from branch network and alternate channels

2% in Deposits

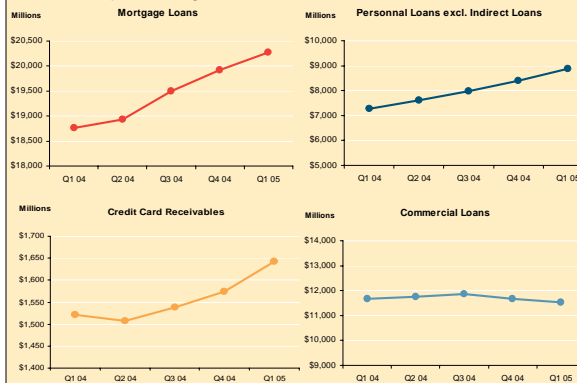
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## P&C Loan Evolution

Quarterly average volumes



### Loan growth :

Mortgage 8%  
Personal 24%  
Credit cards 7%  
Commercial stable

Mortgage portfolio benefiting from improved retention, client assignment and appropriate product offering

Personal portfolio driven by secured line of credit product and partnerships

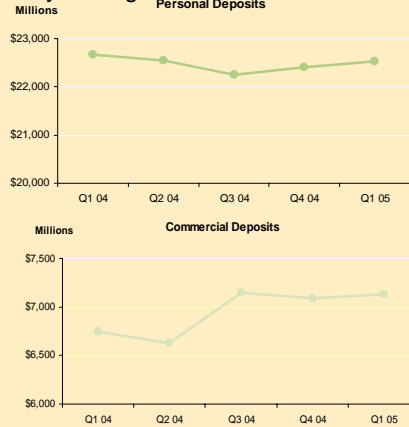
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## P&C Deposit Volume Evolution

Quarterly average volumes



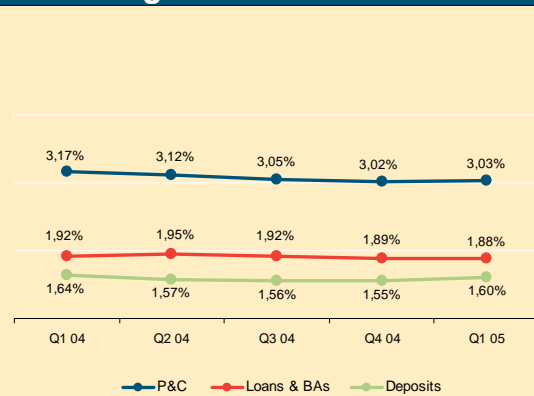
**Growth :**

Personal stable  
Commercial 7%

Two important products launched:

- Global Blue Chip Note
- Multi-Managed GIC

## P&C Margin Evolution

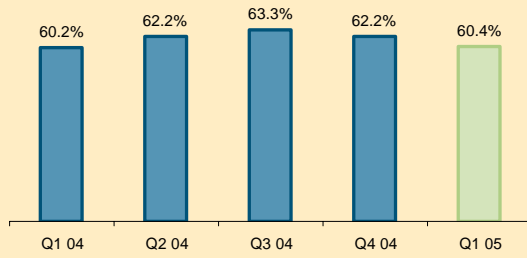


**Evolution :**

Previously reported important volume increases Q/Q supported by stable margins

A slight P&C margin increase since Q4 04 attributable to increase in the deposit margin

## P&C Expense Ratio



### Highlights :

Priority remains balance between continuous business development investments and cost control

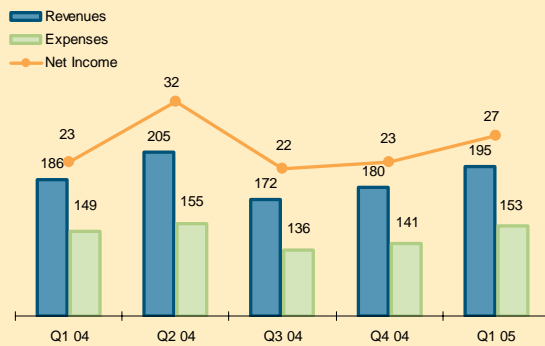
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## Wealth Management – Quarterly

In millions of dollars



### Highlights:

Revenue growth driven by transaction based businesses as well as activity in segregated funds

Y/Y Net income increase 17%

Revenue growth outpacing expense growth

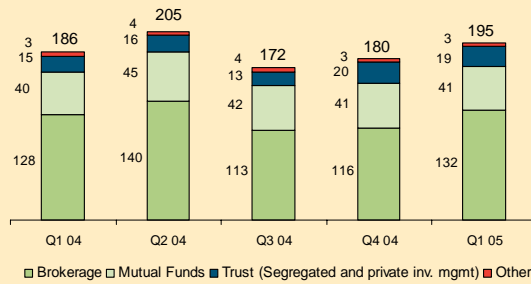
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## Wealth Management Revenue Composition

In millions of dollars



### Revenue growth:

5% since Q1 04

From all major units

Increase in transaction based revenues and Private investment management

Brokerage 4%  
Mutual funds 3%  
Trust 26%

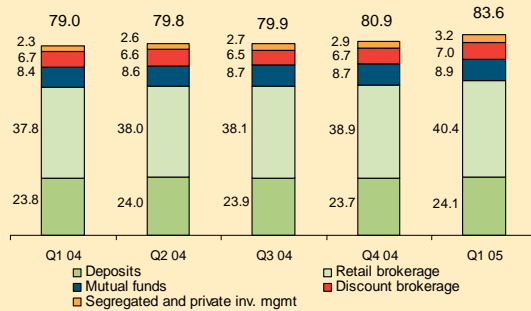
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## Retail Assets Under Management Composition

In billions of dollars



### Highlights:

Contributor increases

Q1 05 vs Q1 04:

Deposits 1%

Retail brokerage 7%

Mutual funds 6%

Discount brokerage 6%

Segregated and private inv. mgmt 41%

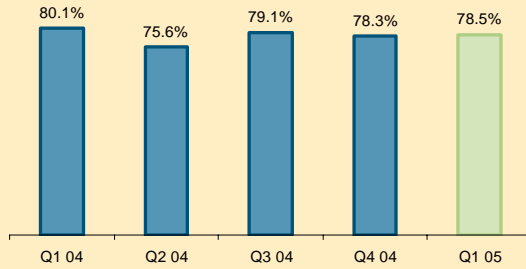
Result of refining product offering to high net worth clientele, more proactive management

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## Wealth Management Expense Ratio



### Highlights :

Majority of contributors saw a productivity improvement

Reflecting the leverage in model since Q1 04

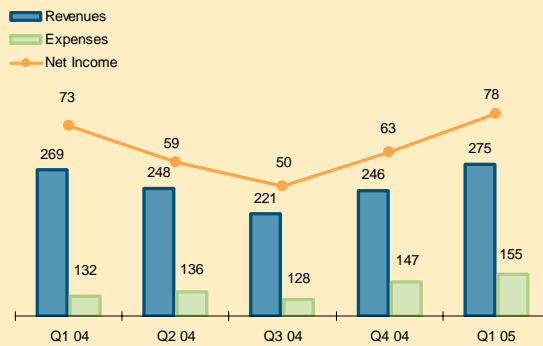
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## Financial Markets – Quarterly

In millions of dollars



### Highlights:

Revenue driven by wide scope of activities

Y/Y Net income growth of 7%; also aided by significant loan loss reduction

Expense level impacted by discretionary charges

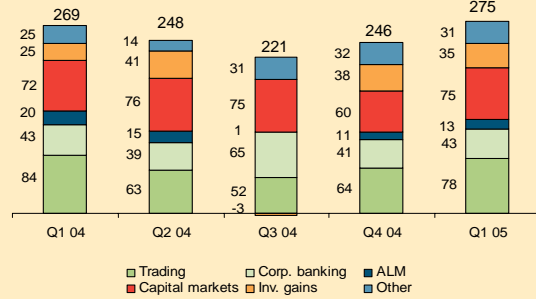
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## Financial Markets Revenue Composition

In millions of dollars



### Highlights :

Q1 05 revenue growth continues to support diversified business mix strategy

Maintaining the excess of market value over book of \$158 M, of which \$68M is in equity portfolio (was \$55M at Q4 04)

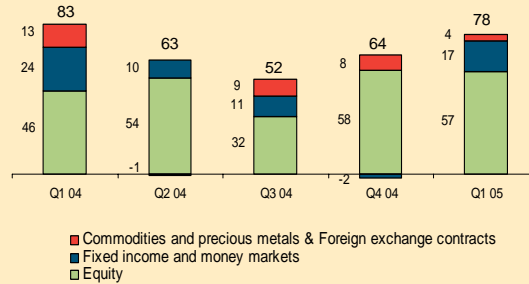
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## Trading Revenue Breakdown

In millions of dollars

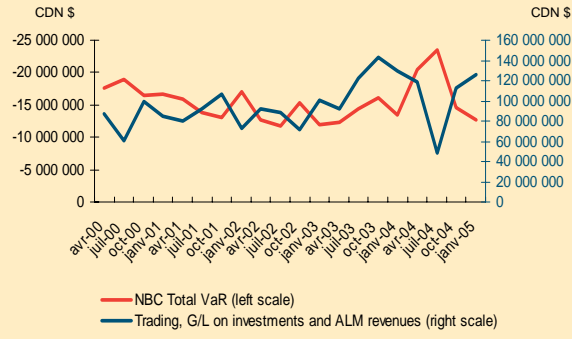


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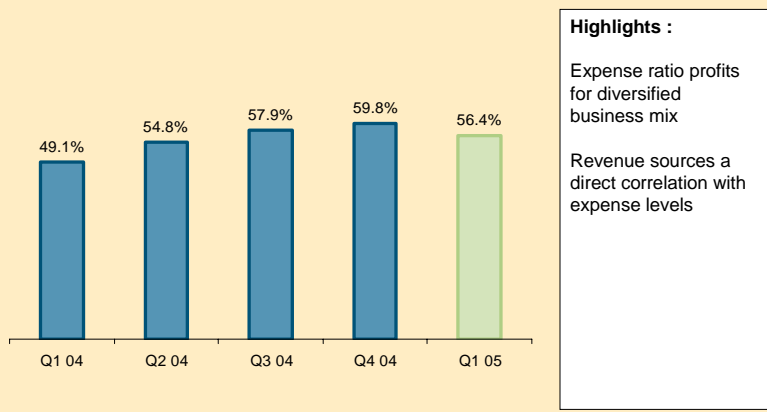
## Trading/Securities Gains/ALM Revenues



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## Financial Markets Expense Ratio



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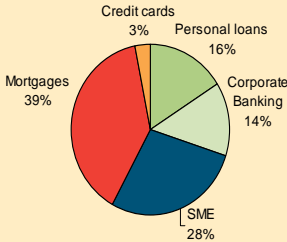




# Risk Management

## Global Portfolio Composition

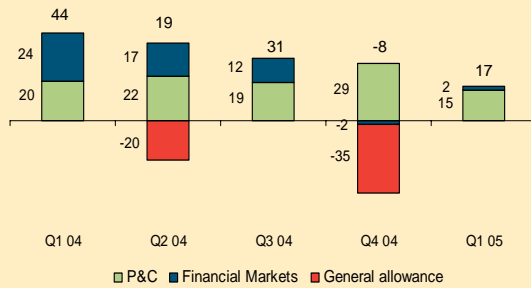
As at January 31, 2005  
Outstanding



Adjusted for securitization

## Risk Provisioning

In millions of dollars



### Highlights :

As at Q1 05, provisioning stands at 17 bps of loans & BAs

Low level reflection of superb portfolio quality

## Allowance for Credit Losses



In millions of dollars	Specific allowances	Allocated general allowances	Unallocated general allowances	3M 05
Allowances at beginning	228	272	78	578
Provision for credit losses	17	-	-	17
Write-offs	(86)	-	-	(86)
Recoveries	11	-	-	11
<b>Allowances at end</b>	<b>170</b>	<b>272</b>	<b>78</b>	<b>520</b>
As % of gross impaired loans	56%			171%

# Impaired Loan Formation



In millions of dollars	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05
Personal & Commercial *	14.6	24.5	20.2	7.3	2.4
Corporate	11.0	3.0	(6.0)	(19.7)	(14.4)
Treasury	0.0	0.1	(0.1)	(0.3)	0.0
Other	(8.8)	0.8	(1.7)	0.0	0.0
<b>Total</b>	<b>16.8</b>	<b>28.4</b>	<b>12.4</b>	<b>(12.7)</b>	<b>(12.0)</b>

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

\* Includes Real Estate

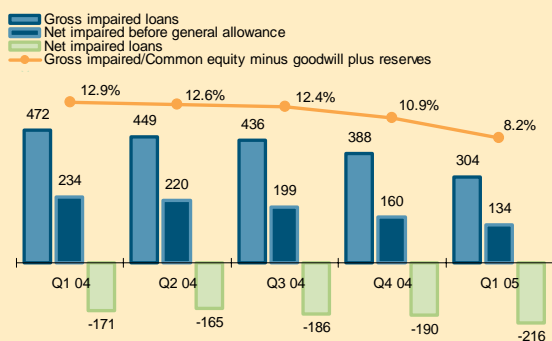
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## Impaired Loans

In millions of dollars



**Continued strong asset quality**

35% decrease of gross impaired loans

8.2% best historical ratio

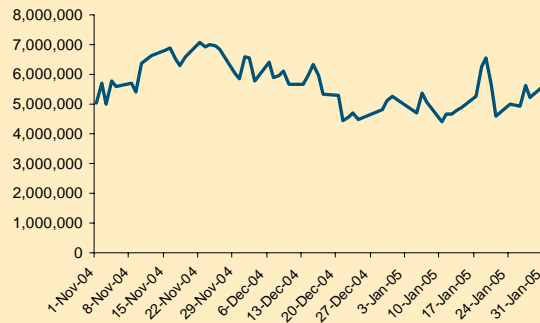
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## VaR – Global Trading

In CDN dollars



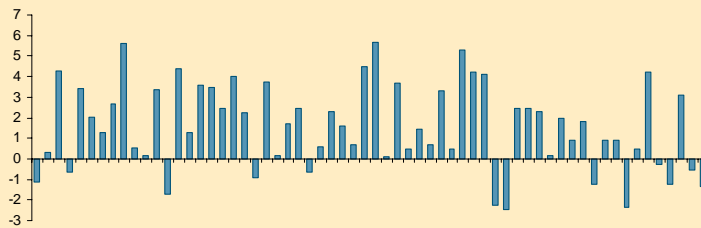
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## Daily Trading P/L – Q1 05

In millions of Cdn dollars  
(Excludes underwriting)



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## Solid beginning to year



- Favourable overall performance for quarter, despite continued competitive business environment
- Satisfying Q1 results, solid base to build on
- Increased contribution from all sectors, supported by good cost control
- Confident and on track to 2005 objectives

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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 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.