

National Bank posts record earnings of over half a billion dollars in fiscal 2000, for an increase of 24%

MONTREAL, November 30, 2000 – National Bank of Canada today announced its results for the fourth quarter and year ended October 31, 2000. Highlights of these results are provided below. More detailed results are contained in the attached tables.

For the quarter:

- Income before goodwill charges of \$138 million or 68 cents per share, up 20% in 12 months and 4% from the third quarter.
- Return on common shareholders' equity before goodwill charges of 15.8% as against 15.1% for the corresponding quarter of 1999.
- Total income, on a taxable equivalent basis, of \$795 million, for an increase of 22% over the fourth quarter of 1999.

For the year:

- Income before goodwill charges of \$531 million or \$2.66 per share, up 24% from a year ago.
- Return on common shareholders' equity before goodwill charges of 16% as against 15.5% for fiscal 1999.
- Total income, on a taxable equivalent basis, of \$3.3 billion, for an increase of 28% over fiscal 1999.
- Tier 1 and total capital ratios of 8.7% and 11.4% respectively as at October 31, 2000 compared to 7.7% and 11.0% a year earlier.

Mr. Bérard, Chairman of the Board and Chief Executive Officer, commented on the Bank's results for fiscal 1999-2000 by affirming that "we pursued our plans for restructuring our internal organization and managing our operations, with the result that our employees are able to focus more on the quality of their relations with clients. We also revamped our product and service offerings for our varied clientele. It is therefore not surprising," he concluded, "that these actions contributed to our solid results, of which we can be very proud. The National Bank is now in a better position than ever to tackle the challenges that lie ahead."

For the fourth quarter ended October 31, 2000, the National Bank reported income before goodwill charges of \$138 million or 68¢ per share, up from \$115 million or 59¢ per share for the same period of fiscal 1999. Return on common shareholders' equity before goodwill charges was 15.8% for the quarter, compared to 15.1% for the corresponding quarter of fiscal 1999.

For fiscal 2000, income before goodwill charges surpassed the half-billion dollar mark to reach \$531 million or \$2.66 per share, up 24% from \$428 million or \$2.30 per share for fiscal 1999. Return on common shareholders' equity was 16% for the year as against 15.5% for fiscal 1999.

The fourth quarter was notable for many initiatives that illustrate the National Bank's commitment to developing and strengthening its ties with clients. They include measures taken to further develop electronic distribution networks, the launch of a new advertising campaign which focuses on the quality of the Bank's relationship with its clients, and the introduction of new products. Here is a brief recap:

- In October, the Bank kicked off a new promotional campaign (print and TV ads) under the theme "Be in a better position". The main goal of this campaign is to reach a target clientele consisting of active individuals with sizeable assets or superior savings and investment potential. The theme is designed to remind clients that the National Bank has many tangible advantages to offer them thanks to the quality of the integrated financial solutions it has developed.
- In May, National Bank Securities Inc., a wholly-owned subsidiary of the National Bank, announced that it had signed a partnership agreement with *Fidelity Investments Canada Limited*. This agreement will lead to the creation and distribution of new National Bank/Fidelity funds, which will complement the National Bank Mutual Funds family. Under the terms of the agreement, Fidelity will also make its training expertise available to the National Bank's network of financial advisors. The National Bank will gain from this partnership mainly through the pooling of resources and the expanded line of investment products it can offer.
- Since August, as a result of a partnership with Bell Mobility, National Bank Discount Brokerage clients have been able to access their investments in real time via their cell phone, wherever they happen to be. For instance, they can:
 - buy and sell stocks;
 - check stock prices and indexes and the exchange rate of various currencies;
 - obtain news on stocks; and
 - obtain account-related information (balance, account positions, outstanding orders).
- In September, the National Bank received an Iris award for organizational change from the Order of industrial relations consultants in Quebec. The award, which recognizes the work of professionals belonging to the Order who have contributed to a major organizational change, was presented to the National Bank for the human resources certification program it launched in 1997. This program was created in response to the transformation of the banking industry and clients' growing need for advisory services. It primarily seeks to improve training for Bank personnel and retain the most valuable employees in terms of both performance and expertise. Quantifying human resources management practices in this way marks a first among Canadian businesses.

Results by segment

Income for Personal Banking and Wealth Management amounted to \$67 million for the fourth quarter of 2000, for an increase of \$14 million or 26%. For the year, this segment's income reached \$258 million, representing a gain of 43%. Total revenues for the year were up 20% to \$1,883 million, largely due to higher personal loan and deposit volumes, brokerage income from National Bank Financial and the correspondent network acquired last year. Moreover, as a result of improved productivity, operating expenses represented 72.5% of total income for fiscal 2000 compared to 75.5% in 1999.

Commercial Banking earnings reached \$39 million for the quarter as against \$33 million for the same period in 1999, for an increase of 18%. These results brought income for the year to \$155 million, up \$22 million or 17% from a year ago. The approximately \$1 billion growth in the volume of loans and acceptances, and an improvement in the spread, which went from 2.50% of average assets in 1999 to 2.56% this year, were responsible for the increase.

For Financial Markets, Treasury and Investment Banking, income before goodwill charges doubled versus the fourth quarter of fiscal 1999 to reach \$48 million, mainly owing to trading activities and gains on securities. For fiscal 2000, income for this segment was \$173 million, for an increase of \$55 million or 47%. Total revenues rose to \$674 million from \$402 million in 1999, for an increase of 68% chiefly attributable to the inclusion of First Marathon income over a full year and growth in capital market and trading activities.

Revenues

Total revenues on a taxable equivalent basis reached \$795 million for the quarter, up \$144 million, or 22% from the \$651 million posted in the fourth quarter of 1999.

Net interest income totalled \$317 million versus \$327 million for the corresponding period in 1999. The decrease in net interest income was due to asset securitization as well as new treasury activities that generate other income, while funding costs are deducted from net interest income.

Other income amounted to \$478 million as against \$324 million for the fourth quarter of 1999, for an increase of almost 48% which was primarily attributable to trading income and gains on securities, capital market activities and lending fees.

Excluding the gain on the sale of a subsidiary, total revenues on a taxable equivalent basis for fiscal 2000 reached \$3,168 million, up \$586 million or 23% over the \$2,582 million recorded for 1999. The increase stemmed from capital market fees (particularly as 12 months of income from the acquisition of First Marathon was included), growth in personal and commercial banking activities and trading income.

The Bank also realized a gain of \$105 million (\$136 million on a taxable equivalent basis) on the sale of SIBN Inc., its information technology subsidiary, to Cognicase Inc. in exchange for common shares.

Operating expenses

Operating expenses for the fourth quarter of 2000 amounted to \$507 million compared to \$419 million for the corresponding period in 1999. Excluding one-time charges of \$120 million, operating expenses for the year were \$2,064 million as against \$1,662 million for 1999. Salaries and staff benefits, including variable remuneration at National Bank Financial, accounted for almost 70% of the increase. The balance was attributable to information technology costs, professional fees (particularly due to the outsourcing of information technology development) and capital taxes.

During the year, the Bank recorded expenses totalling \$120 million mainly for projects designed to reduce costs and to accelerate development of its electronic infrastructure.

Loan losses and impaired loans

The provision for credit losses for the year was \$200 million compared with \$185 million in 1999. Loan losses represented 0.45% of average loans and acceptances for fiscal 2000 versus 0.43% in 1999.

Impaired loans as at October 31, 2000 stood at \$44 million as against \$42 million a year earlier. Impaired loans rose by \$21 million for Commercial Banking in the United States and \$20 million for Corporate Banking. These increases were substantially offset by a reduction of \$22 million for Personal Banking and Small Businesses, \$7 million for Real Estate and \$7 million for Commercial Banking in Canada.

Assets

The Bank had total assets of \$75.8 billion as at October 31, 2000 compared with \$69.8 billion as at October 31, 1999. Cash resources and securities as well as securities purchased under resale agreements were up by \$3.9 billion. Residential mortgage loans increased by approximately \$800 million while commercial loans in Canada and in the United States as well as corporate loans rose by \$400 million each. Moreover, the Bank securitized mortgage loans totalling \$1.8 billion.

Savings

Total personal savings administered by the Bank stood at \$64 billion as at October 31, 2000, up \$7.8 billion in 12 months. National Bank Financial was responsible for 82% of this increase.

Capital

Tier 1 and total capital ratios, in accordance with the rules of the Bank for International Settlements, were 8.7% and 11.4%, respectively, compared to 7.7% and 11% as at October 31, 1999. A number of operations to improve the Bank's capital ratios were completed during the year, including the issuance of \$175 million of preferred shares in July 2000, the insuring of conventional mortgages for an approximate amount of \$2 billion, and the securitization of approximately \$1 billion of mortgages on properties with five or more units. The impact of the issuance of \$350 million of debentures in June 2000 was offset by the conversion of \$250 million of debentures into deposit notes as well as the reduced eligibility of debentures maturing within five years under capital adequacy rules.

Dividends

At its meeting on November 30, 2000, the Board of Directors declared regular dividends on the various classes and series of preferred shares, as well as a dividend of 19¢ per common share, payable on February 1, 2001 to shareholders of record on December 28, 2000.

André Bérard, Chairman of the Board and Chief Executive Officer, stated that in his opinion, "The results for the year demonstrate, beyond any doubt, the merit and appropriateness of the decisions we made during the year, and that they were necessary given our commitment to the future development of our institution. These decisions are in fact decisions for the future. The National Bank has all the advantages needed to tackle the changes that financial markets and the entire banking industry are experiencing. Two of particular importance to us are our sound financial position and our strong, dedicated team."

Quarterly financial statements are available at all times on the web site of National Bank of Canada at www.nbc.ca/investorrelations.

A conference call for financial analysts will be broadcast live via the Internet on November 30, 2000 at 2 p.m. Supplementary financial information as well as a slide presentation are available on the investor relations page of the National Bank's web site at the following address: www.nbc.ca/investorrelations. After the conference call, a recorded version of the event will be available on the Bank's web site.

Investors can also hear a recording of the conference call by calling 1-800-408-3053 or (416) 695-5800. The access code is 607521.

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Refer to Note 26 on page 79 of the 1999 Annual Report for information on the impact of the adjustment to the general allowance for credit risk as at October 31, 1998.

Caution regarding forward-looking statements

As part of its analyses and reports, National Bank of Canada from time to time makes forward-looking statements concerning the economy, market changes, the achievement of strategic objectives, certain risks and other related matters.

By their very nature, such forward-looking statements involve inherent risks and uncertainties. It is therefore possible that express or implied projections contained in such statements will not materialize and will differ materially from actual future results. Such differences may be caused by factors which include, but are not limited to, changes in Canadian and/or global economic conditions, particularly fluctuations in interest rates, currencies and other financial instruments, market conditions, technological changes or regulatory developments.

Investors and others who base themselves on the Bank's forward-looking statements to make decisions should carefully consider the above factors as well as the uncertainties they represent and the risks they entail. The Bank therefore cautions readers not to place undue reliance on these forward-looking statements.

Highlights

	Quarter ended October 31			Year ended October 31		
	2000	1999	% Change	2000	1999	% Change
Results of operations						
(millions of dollars)						
Total revenues (taxable equivalent basis)	\$ 795	\$ 651	22	\$ 3,304	\$ 2,582	28
Income before goodwill charges	138	115	20	531	428	24
Net income	132	110	20	509	417	22
Return on common shareholders' equity before goodwill charges	15.8 %	15.1 %		16.0 %	15.5 %	
Per common share						
Income before goodwill charges	\$0.68	\$0.59	15	\$ 2.66	\$ 2.30	16
Net income	0.65	0.56	16	2.54	2.24	13
Dividends	0.19	0.18	6	0.75	0.70	7
Book value				17.60	15.81	11
Stock trading range						
-High	25.25	19.35		25.25	26.20	
-Low	21.05	17.15		16.40	17.15	
-Close	24.95	18.55		24.95	17.90	
Financial position						
(millions of dollars)						
Total assets				\$ 75,827	\$ 69,801	9
Loans and acceptances				50,379	46,853	8
Deposits				50,473	49,984	1
Bank debentures and shareholders' equity				5,189	4,336	20
Capital ratios - BIS						
-Tier 1				8.7 %	7.7 %	
-Total				11.4 %	11.0 %	(1)
Impaired loans, net				44 \$	43 \$	
Impaired loans, net as a % of net loans and acceptances				0.1 %	0.1 %	
Assets under administration/management				117,982	105,534	
Total personal savings				63,991	56,215	
Interest coverage				9.37	7.41	
Asset coverage				3.46	2.74	
Other information						
Number of employees				16,616	17,703	(6)
Number of branches in Canada				586	649	(10)
Number of banking machines				802	761	5

(1) Taking into account the issuance of US \$250 million in subordinated debentures on November 2, 1999.

Consolidated Statement of Income

(unaudited) (millions)	Quarter ended			Year ended	
	October 31 2000	July 31 2000	October 31 1999	October 31 2000	October 31 1999
Net interest income (taxable equivalent basis)	317	345	327	1,334	1,319
Other income (taxable equivalent basis)					
Capital market fees	134	134	95	571	336
Deposit and payment service charges	40	39	37	155	150
Trading activities and gains on investment account securities, net	113	56	29	327	120
Card service revenues	45	45	37	171	143
Lending fees	56	47	40	195	167
Acceptances, letters of credit and guarantee	16	17	15	64	58
Foreign exchange revenues	14	15	14	52	50
Trust services	8	10	7	38	33
Other	52	217	50	397	206
	478	580	324	1,970	1,263
Total revenues	795	925	651	3,304	2,582
Provision for credit losses	46	62	47	200	185
	749	863	604	3,104	2,397
Operating expenses					
Salaries and staff benefits	285	284	228	1,166	887
Premises	46	48	48	185	169
Computers and equipment	65	68	59	256	221
Communications	19	17	17	73	65
Other	92	217	67	504	320
	507	634	419	2,184	1,662
Income before income taxes	242	229	185	920	735
Income taxes	98	89	63	363	275
	144	140	122	557	460
Non-controlling interest	6	7	7	26	32
Income before goodwill charges	138	133	115	531	428
Goodwill charges	6	5	5	22	11
Net income	\$ 132	\$ 128	\$ 110	\$ 509	\$ 417
Dividends on preferred shares	\$ 9	\$ 7	\$ 6	\$ 28	\$ 24
Dividends on common shares	\$ 36	\$ 36	\$ 34	\$ 142	\$ 123
Number of common shares (in thousands)					
Average	189,444	189,311	186,568	189,214	175,746
End of period				189,474	188,729

Segment Disclosures

Quarter ended October 31
(taxable equivalent basis)
(unaudited) (millions of dollars)

	Personal Banking and Wealth Management		Commercial Banking		Financial Markets, Treasury and Investment Banking		Other		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Net interest income	235	218	97	87	15	27	(30)	(5)	317	327
Other income	247	189	33	30	171	75	27	30	478	324
Total revenues	482	407	130	117	186	102	(3)	25	795	651
Operating expenses	349	301	50	47	95	62	13	9	507	419
Contribution	133	106	80	70	91	40	(16)	16	288	232
Provision for credit losses	22	22	15	17	4	4	5	4	46	47
Income before income taxes	111	84	65	53	87	36	(21)	12	242	185
Income taxes	44	30	26	20	39	12	(11)	1	98	63
Non-controlling interest	–	1	–	–	–	–	6	6	6	7
Income before goodwill charges	67	53	39	33	48	24	(16)	5	138	115
Average assets	26,536	25,701	14,742	13,830	36,316	31,946	(4,099)	(1,725)	73,495	69,751

Year ended October 31
(taxable equivalent basis)
(unaudited) (millions of dollars)

	Personal Banking and Wealth Management		Commercial Banking		Financial Markets, Treasury and Investment Banking		Other		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Net interest income	917	855	376	342	112	138	(71)	(16)	1,334	1,319
Other income	966	718	129	119	562	264	313	162	1,970	1,263
Total revenues	1,883	1,573	505	461	674	402	242	146	3,304	2,582
Operating expenses	1,365	1,188	190	178	362	190	267	106	2,184	1,662
Contribution	518	385	315	283	312	212	(25)	40	1,120	920
Provision for credit losses	90	91	63	65	16	16	31	13	200	185
Income before income taxes	428	294	252	218	296	196	(56)	27	920	735
Income taxes	170	111	97	85	122	72	(26)	7	363	275
Non-controlling interest	–	3	–	–	1	6	25	23	26	32
Income before goodwill charges	258	180	155	133	173	118	(55)	(3)	531	428
Average assets	26,244	24,842	14,690	13,705	36,643	32,392	(3,770)	(1,152)	73,807	69,387