

***National Bank of Canada announces its results
for the second quarter of 2002:***

- ***Net income of \$122 million***
- ***Allowances for credit losses exceed impaired loans
by \$92 million***
- ***5.6 million common shares repurchased***

MONTREAL, May 30, 2002 – National Bank of Canada declared income before goodwill charges of \$122 million or 62 cents per share for the second quarter ended April 30, 2002, compared to \$145 million or 71 cents per share for the corresponding quarter of 2001. Return on common shareholders' equity was 13.1% for the quarter as against 16.6% for the same quarter last year.

During the quarter, the National Bank increased its provision for credit losses by \$100 million following a decision by BCE Inc. to cease providing financial support to its Teleglobe subsidiary. Moreover, the Bank reduced its general allowance for credit risk by \$30 million and recorded \$10 million in revenues generated by merchant banking investments. Taken together, these items reduced earnings for the quarter, net of income taxes, by \$38 million or 20 cents per share.

	<u>Millions of dollars</u>		<u>Per share</u>
	<u>Before taxes</u>	<u>After taxes</u>	
Net income as reported		122	\$0.62
Additional credit losses	100	63	0.33
General allowance for credit risk	(30)	(19)	(0.10)
Revenues			
– merchant banking investments	(10)	(6)	(0.03)
		<u>160</u>	<u>\$0.82</u>

Press Release

Réal Raymond, President and Chief Executive Officer of the National Bank, noted that the steps taken by the Bank in the first quarter with respect to its impaired loan portfolio had given it manoeuvrability so that it was able to take action in the telecommunications sector. Mr. Raymond also singled out the excellent results posted by Financial Markets, Treasury and Investment Banking, and the satisfactory performance turned in by the other business units in the current economic environment.

Other strategic measures were also taken during the second quarter in order to further strengthen the Bank's position in certain target markets. For instance, the Bank announced that it had concluded a definitive agreement to acquire Putnam Lovell Group Inc., an American investment bank founded in 1987 with offices in New York, San Francisco, Los Angeles and London, all focusing exclusively on the financial services industry. The advisory services of Putnam Lovell and the Financial Institutions Group of National Bank Financial will be merged under the name Putnam Lovell NBF.

This transaction is consistent with National Bank Financial's strategic plan of developing capabilities in areas where NBF already has proven expertise in the domestic market, without increasing the National Bank's credit risk.

With respect to e-commerce, some 2.8 million visitors to the popular Sympatico-Lycos French Internet portal will now be able to obtain flexible Bank products and advisory services online thanks to a partnership agreement signed in February. The tools and content of the Bank's site will be integrated into the "*mes finances*" section of the Sympatico portal, thereby giving Internet users quick access to the Bank's financial products and advisory services at their convenience.

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

Conference call on second-quarter results

- A conference call for financial analysts will be held on **May 30, 2002 at 1:00 p.m.**
- Access by telephone: **1-800-387-6216 or (416) 405-9328**.
- Investors and media representatives will be able to listen in on the conference call.
- The conference call will be webcast live at **www.nbc.ca/investorrelations**
- Supplementary financial information and a slide presentation will be available on the investor relations page of the National Bank's website shortly before the start of the conference call.

Recording of the conference call

- A recording of the conference call can be heard until June 6, 2002 by calling 1-800-408-3053 or (416) 695-5800. The access code is 1161998.
- A recording of the webcast will also be available on the Internet after the call at **www.nbc.ca/investorrelations**.

Management's Analysis of the Financial Condition and Operating Results

The following text presents management's analysis of the Bank's financial condition and operating results as presented in the unaudited consolidated financial statements for the second quarter and the six months ended April 30, 2002.

Strategic Objectives

As indicated in the 2001 Annual Report, the National Bank set certain strategic objectives for itself for fiscal 2002 and subsequent years. The results obtained for the second quarter and the first six months of 2002 include the impact of the provision for credit losses recorded in the telecommunications sector:

	Objectives	2002 Q1 Results	2002 Q2 Results	2002 6-Mos. Results
Growth in earnings per share	4% - 6%	+ 3%	-13%	-5%
Return on common shareholders' equity	15% - 17%	15.0%	13.1%	14.1%
Efficiency ratio	61% in 2003	62.2%	59.4%	60.8%
Tier 1 capital ratio	7.75% - 8.75%	11.1%	10.7%	

Operating Results

For the second quarter ended April 30, 2002, the National Bank recorded income before goodwill charges of \$122 million or 62 cents per share compared to \$145 million or 71 cents per share for the corresponding quarter of 2001. Return on common shareholders' equity before goodwill charges was 13.1% as against 16.6% for the second quarter of 2001.

For the first six months of 2002, income before goodwill charges was \$268 million or \$1.35 per share versus \$287 million or \$1.42 per share for the same period in 2001. Return on common shareholders' equity before goodwill charges was 14.1% for the first half of 2002 compared to 16.3% for the same period in 2001.

Results by Segment

Earnings for Personal Banking and Wealth Management amounted to \$56 million for the second quarter of 2002 compared to \$65 million for the corresponding period of 2001. Net interest income for the quarter remained stable at \$241 million. The narrower spreads on transaction accounts, attributable to lower interest rates, was offset by wider spreads on credit card loans. Other income for the quarter amounted to \$235 million, down from \$243 million for the second quarter of 2001 primarily because of a decline in retail brokerage activity. At \$362 million, operating expenses for the quarter rose less than 1% from the \$360 million recorded in the same quarter of 2001. The provision for credit losses totalled \$25 million versus \$21 million for the second quarter of 2001.

Earnings for Personal Banking and Wealth Management for the first six months of fiscal 2002 amounted to \$124 million compared to \$129 million for the same period in 2001.

With regard to Commercial Banking, earnings for the second quarter totalled \$28 million as against \$29 million for the same period in 2001. Net interest income was \$70 million for the quarter, down from \$72 million for the corresponding period of 2001 owing to weaker demand for credit in many industrial sectors, despite a stable spread of 2.54%. Operating expenses for the quarter amounted to \$39 million versus \$37 million for the second quarter of 2001. The provision for credit losses in the second quarter totalled \$21 million compared to \$22 million for the same period in 2001.

For the first six months of 2002, Commercial Banking earnings amounted to \$59 million as against \$65 million for the same period in 2001. Two-thirds of the decrease in earnings was attributable to the provision for expected credit losses.

For Financial Markets, Treasury and Investment Banking, second-quarter earnings reached \$79 million, up \$26 million from the corresponding period a year earlier, representing an increase of almost 50%. Total revenues rose \$54 million to \$238 million, for a 29% increase. One-third of this rise was attributable to net interest income, primarily because of asset and liability management operations, which offset the narrower spread on transaction deposit accounts in Personal Banking. Institutional operations at National Bank Financial, which included gross earnings of \$14 million from merchant banking investments, accounted for the remaining improvement in earnings. Operating expenses amounted to \$103 million for the quarter, up 12% from \$92 million for the second quarter a year earlier largely owing to variable remuneration. The provision for credit losses stood at \$10 million versus \$4 million for the corresponding year-earlier period owing to changes in the credit risk rating of accounts with large corporations.

Earnings for Financial Markets, Treasury and Investment Banking since the start of the fiscal year amounted to \$143 million, up 47% from the \$97 million recorded for the same period in 2001.

Revenues

Revenues for the second quarter of 2002, on a taxable equivalent basis, totalled \$827 million as against \$798 million for the corresponding period of 2001, for an increase of 4%.

Net interest income, on a taxable equivalent basis, was up 3% to \$361 million from \$352 million in the second quarter of 2001. Asset and liability management operations chiefly accounted for this rise.

At \$466 million, other income, on a taxable equivalent basis, increased 4% over the \$446 million recorded in the second quarter of 2001, primarily owing to institutional operations at National Bank Financial.

Operating Expenses

For the second quarter of 2002, operating expenses were \$491 million, down from \$503 million for the corresponding period of 2001. The efficiency ratio improved from 63.1% for the quarter ended April 30, 2001 to 59.4% this quarter (60% excluding revenues from merchant banking investments), notably because a larger proportion of revenues was generated by Financial Markets, Treasury and Investment Banking.

Provision for Credit Losses and Impaired Loans

The provision for credit losses for the quarter totalled \$130 million as against \$46 million for the corresponding quarter of 2001. An amount of \$100 million was recorded as a provision for credit losses in the telecommunications sector. In addition, the general allowance for credit risk was reduced by \$30 million in accordance with the methodology used for creating this allowance.

As at April 30, 2002, allowances for credit losses exceeded impaired loans by \$92 million compared to \$128 million as at January 31, 2002. At the end of fiscal 2001, net impaired loans stood at \$91 million. The increase in net impaired loans was attributable to loans to Teleglobe.

The ratio of gross impaired loans to total tangible capital and allowances remained excellent at 15.9% as at April 30, 2002 compared to 13.6% as at January 31, 2002 and 22.4% as at October 31, 2001.

Assets

The Bank had total assets of \$74.7 billion as at April 30, 2002 versus \$75.8 billion at the end of fiscal 2001. Loans and acceptances fell \$4.4 billion, of which approximately \$3 billion was attributable to the sale of U.S. asset-based lending operations. Cash resources, securities and securities purchased under reverse repurchase agreements rose by \$3.9 billion.

Savings

Total personal savings administered by the Bank amounted to \$64.9 billion as at April 30, 2002, up from \$60.8 billion as at October 31, 2001. Savings administered by National Bank Financial accounted for the \$4.1 billion increase.

Capital

Tier 1 and total capital ratios, in accordance with the rules of the Bank for International Settlements, were 10.7% and 14.5% respectively as at April 30, 2002, versus 11.1% and 15.0% as at January 31, 2002 and 9.6% and 13.1% as at October 31, 2001. In comparison to the previous quarter, the ratios declined primarily because of the repurchase of 5.6 million common shares under the normal course issuer bid. In addition, on February 15, 2002, the Bank redeemed non-cumulative first preferred shares, Series 11, totalling \$100 million.

The improvement in the ratios since October 31, 2001 was due to the reduction in risk-weighted assets, particularly following the sale of U.S. commercial lending operations.

Dividends

At its meeting on May 30, 2002, the Board of Directors declared regular dividends on the various classes and series of preferred shares as well as a dividend of 24 cents per common share, payable on August 1, 2002 to shareholders of record on June 27, 2002.

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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

(unaudited)	Quarter ended April 30			Six months ended April 30		
	2002	2001	% change	2002	2001	% change
Operating results						
(millions of dollars)						
Total revenues (taxable equivalent basis)	\$ 827	\$ 798	4	\$ 1,632	\$ 1,560	5
Income before goodwill charges	122	145	(16)	268	287	(7)
Net income	122	140	(13)	268	278	(4)
Return on common shareholders' equity before goodwill charges	13.1 %	16.6 %		14.1 %	16.3 %	
Per common share						
Income before goodwill charges	\$ 0.62	\$ 0.71	(13)	\$ 1.35	\$ 1.42	(5)
Net income	0.62	0.69	(10)	1.35	1.37	(2)
Dividends paid	0.24	0.21	14	0.45	0.40	13
Book value				19.53	18.08	8
Stock trading range						
High	34.93	31.00		34.93	31.00	
Low	29.14	26.05		24.70	23.00	
Close	33.40	26.45		33.40	26.45	
Financial position						
(millions of dollars)						
				April 30 2002	October 31 2001	
Total assets				\$ 74,670	\$ 75,763	(1)
Loans and acceptances				44,772	48,062	(7)
Deposits				51,086	51,436	(1)
Subordinated debentures and shareholders' equity				5,545	5,763	(4)
Capital ratios - BIS						
Tier 1				10.7 %	9.6 %	
Total				14.5 %	13.1 %	
Impaired loans, net				(92)	91	
Impaired loans, net as a % of net loans and acceptances				(0.2)%	0.2 %	
Assets under administration/management				135,515	115,086	
Total personal savings				64,864	60,783	
Interest coverage				8.44	8.74	
Asset coverage				3.46	3.55	
Other information						
Number of employees				16,957	17,070	(1)
Number of branches in Canada				544	546	-
Number of banking machines				821	834	(2)

Consolidated Statement of Income

(taxable equivalent basis)

(unaudited)

(millions of dollars except per share amounts)

Interest income and dividends

Loans	460	496	627	956	1,307
Securities	133	143	194	276	365
Deposits with financial institutions	43	54	73	97	156

Interest expense

Deposits	238	268	487	506	1,035
Subordinated debentures	27	28	28	55	53
Other	10	11	27	21	50

Net interest income

Other income

Capital market fees	150	128	137	278	258
Deposit and payment service charges	42	42	39	84	78
Trading activities and gains on investment account securities, net	56	36	66	92	134
Card service revenues	12	12	21	24	42
Lending fees	47	44	43	91	86
Acceptances, letters of credit and guarantee	14	17	15	31	31
Securitization revenues	49	46	35	95	63
Foreign exchange revenues	17	15	14	32	31
Trust services and mutual funds	23	23	23	46	47
Other	56	56	53	112	100

Total revenues

Provision for credit losses

Related to regular operations	130	60	46	190	89
Related to a revision of the estimated allowance	—	185	—	185	—

Operating expenses

Salaries and staff benefits	286	282	266	568	529
Premises	45	44	45	89	90
Computers and equipment	58	57	58	115	114
Communications	18	18	18	36	36
Other	84	100	116	184	211

Income before income taxes, non-controlling interest, discontinued operations and goodwill charges

Income tax charge

Non-controlling interest

Income before discontinued operations and goodwill charges

Discontinued operations

Income before goodwill charges

Goodwill charges

Net income

Dividends on preferred shares

Net income applicable to common shares

Number of common shares outstanding (thousands)

Average - basic

Average - diluted

End of period

Income before discontinued operations and goodwill charges per common share

Basic

Diluted

Income before goodwill charges per common share

Basic

Diluted

Net income per common share

Basic

Diluted

Dividends per common share

	Quarter ended			Six months ended	
	April 30 2002	January 31 2002	April 30 2001	April 30 2002	April 30 2001
Interest income and dividends					
Loans	460	496	627	956	1,307
Securities	133	143	194	276	365
Deposits with financial institutions	43	54	73	97	156
	636	693	894	1,329	1,828
Interest expense					
Deposits	238	268	487	506	1,035
Subordinated debentures	27	28	28	55	53
Other	10	11	27	21	50
	275	307	542	582	1,138
	361	386	352	747	690
Other income					
Capital market fees	150	128	137	278	258
Deposit and payment service charges	42	42	39	84	78
Trading activities and gains on investment account securities, net	56	36	66	92	134
Card service revenues	12	12	21	24	42
Lending fees	47	44	43	91	86
Acceptances, letters of credit and guarantee	14	17	15	31	31
Securitization revenues	49	46	35	95	63
Foreign exchange revenues	17	15	14	32	31
Trust services and mutual funds	23	23	23	46	47
Other	56	56	53	112	100
	466	419	446	885	870
	827	805	798	1,632	1,560
Provision for credit losses					
Related to regular operations	130	60	46	190	89
Related to a revision of the estimated allowance	—	185	—	185	—
	130	245	46	375	89
Operating expenses					
Salaries and staff benefits	286	282	266	568	529
Premises	45	44	45	89	90
Computers and equipment	58	57	58	115	114
Communications	18	18	18	36	36
Other	84	100	116	184	211
	491	501	503	992	980
Income before income taxes, non-controlling interest, discontinued operations and goodwill charges	206	59	249	265	491
Income tax charge	76	24	95	100	187
	130	35	154	165	304
Non-controlling interest	8	7	7	15	14
	122	28	147	150	290
Discontinued operations	—	118	(2)	118	(3)
	122	146	145	268	287
Goodwill charges	—	—	5	—	9
	122	146	140	268	278
Dividends on preferred shares	5	7	9	12	18
	117	139	131	256	260
Number of common shares outstanding (thousands)					
Average - basic	188,828	190,450	189,757	189,685	189,666
Average - diluted	190,260	191,350	190,741	190,814	190,571
End of period				185,109	189,822
Income before discontinued operations and goodwill charges per common share					
Basic	0.62	0.11	0.73	0.73	1.44
Diluted	0.62	0.11	0.72	0.73	1.43
Income before goodwill charges per common share					
Basic	0.62	0.73	0.71	1.35	1.42
Diluted	0.62	0.73	0.71	1.35	1.41
Net income per common share					
Basic	0.62	0.73	0.69	1.35	1.37
Diluted	0.62	0.73	0.69	1.35	1.37
Dividends per common share	0.24	0.21	0.21	0.45	0.40

Segment Disclosure

Quarter ended April 30

(taxable equivalent basis)
(unaudited)
(millions of dollars)

	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	Personal Banking and Wealth Management		Commercial Banking		Financial Markets, Treasury and Investment Banking		Other		Total	
Net interest income ⁽¹⁾	241	241	70	72	77	60	(27)	(21)	361	352
Other income ⁽¹⁾	235	243	34	35	161	124	36	44	466	446
Total revenues	476	484	104	107	238	184	9	23	827	798
Operating expenses	362	360	39	37	103	92	(13)	14	491	503
Contribution	114	124	65	70	135	92	22	9	336	295
Provision for credit losses ⁽³⁾	25	21	21	22	10	4	74	(1)	130	46
Income before income taxes, non-controlling interest, discontinued operations and goodwill charges	89	103	44	48	125	88	(52)	10	206	249
Income taxes ⁽¹⁾	33	38	16	19	45	34	(18)	4	76	95
Non-controlling interest	–	–	–	–	1	1	7	6	8	7
Income before discontinued operations and goodwill charges	56	65	28	29	79	53	(41)	–	122	147
Discontinued operations	–	–	–	–	–	–	–	(2)	–	(2)
Income before goodwill charges	56	65	28	29	79	53	(41)	(2)	122	145
Average assets	27,699	27,382	11,310	11,621	39,055	38,636	(6,992)	(7,014)	71,072	70,625

Six months ended April 30

(taxable equivalent basis)
(unaudited)
(millions of dollars)

	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	Personal Banking and Wealth Management		Commercial Banking		Financial Markets, Treasury and Investment Banking		Other		Total	
Net interest income ⁽²⁾	491	479	141	141	169	107	(54)	(37)	747	690
Other income ⁽²⁾	469	477	70	72	275	246	71	75	885	870
Total revenues	960	956	211	213	444	353	17	38	1,632	1,560
Operating expenses	718	702	77	71	200	176	(3)	31	992	980
Contribution	242	254	134	142	244	177	20	7	640	580
Provision for credit losses ⁽³⁾	49	49	41	36	15	14	270	(10)	375	89
Income before income taxes, non-controlling interest, discontinued operations and goodwill charges	193	205	93	106	229	163	(250)	17	265	491
Income taxes ⁽²⁾	69	76	34	41	84	64	(87)	6	100	187
Non-controlling interest	–	–	–	–	2	2	13	12	15	14
Income before discontinued operations and goodwill charges	124	129	59	65	143	97	(176)	(1)	150	290
Discontinued operations	–	–	–	–	–	–	118	(3)	118	(3)
Income before goodwill charges	124	129	59	65	143	97	(58)	(4)	268	287
Average assets	27,818	27,202	11,449	11,729	38,876	36,771	(7,100)	(5,719)	71,043	69,983

Personal Banking and Wealth Management This segment comprises the branch network, intermediary services, full-service retail brokerage, discount brokerage, mutual funds, trust services, credit cards and insurance.

Commercial Banking This segment includes commercial banking services in Canada and real estate.

Financial Markets, Treasury and Investment Banking This segment consists of corporate financing and lending, treasury operations, which include asset and liability management, corporate brokerage and portfolio management.

Other This segment comprises securitization operations, gains from the sale of operations, certain non-recurring items, discontinued operations and the unallocated portion of centralized service units.

(1) Net interest income was grossed up by \$5 million (\$12 million in 2001) and other income by \$8 million (\$6 million in 2001) to bring the tax-exempt income earned on certain securities in line with the income earned on other financial instruments. An equivalent amount was added to income taxes.

(2) Net interest income was grossed up by \$10 million (\$24 million in 2001) and other income by \$46 million (\$16 million in 2001) to bring the tax-exempt income earned on certain securities in line with the income earned on other financial instruments. An equivalent amount was added to income taxes.

(3) Provisions for credit losses for the business segments are determined based on expected losses, which are established through statistical analyses.