NATIONAL BANK

PRESS RELEASE
FIRST QUARTER
2013

National Bank releases its results for the First Quarter of 2013

The financial information in this press release is based on the unaudited interim consolidated financial statements for the first quarter ended January 31, 2013. Additional information about National Bank of Canada, including the Annual Information Form, can be obtained from the SEDAR website at **sedar.com** or on Bank's website at **nbc.ca.**

Highlights:

- $364 million in net income for the first quarter of 2013, up 4% from $351 million in the same quarter of 2012;
- Diluted earnings per share of $2.03 for the first quarter of 2013, up 2% from $1.99 in the same quarter of 2012;
- Return on equity of 20.0%;
- As at January 31, 2013, the Common Equity Tier 1 (CET1) capital ratio under Basel III was 7.9% versus a pro forma CET1 ratio under Basel III of 7.3% as at October 31, 2012.

Highlights Excluding Specified Items[1]:

- A record $361 million in net income for the first quarter of 2013, up 2% from $353 million in the same quarter of 2012;
- Record diluted earnings per share of $2.02 for the first quarter of 2013, up 1% from $2.00 in the same quarter of 2012;
- Return on equity of 19.8%.

MONTREAL, February 28, 2013 – National Bank reports $364 million in net income for the first quarter of 2013, a 4% increase from $351 million in the first quarter of 2012. Diluted earnings per share for the quarter ended January 31, 2013 stood at $2.03, up 2% from $1.99 in the same quarter of 2012.

Excluding the specified items described on page 5, this quarter's net income was a record amount of $361 million, up 2% from $353 million in the same quarter of 2012, and the quarter's diluted earnings per share was a record $2.02, up 1% from $2.00 in the same quarter of 2012.

"The first quarter results were driven by excellent performance in the Wealth Management segment and the Personal and Commercial segment, whose earnings rose 24% and 5%, respectively," said Louis Vachon, President and Chief Executive Officer of the Bank. "The Bank is continuing to invest in improvements to client service delivery and operational effectiveness—key advantages in periods of moderate economic growth. Furthermore, the Bank will maintain its sound management of costs, risk and capital," added Mr. Vachon.

Financial Indicators

	Results Q1 2013	Results excluding specified items [1]
Growth in diluted earnings per share	2 %	1 %
Return on common shareholders' equity	20.0 %	19.8 %
Dividend payout ratio	33 %	40 %
CET1 capital ratio under Basel III	7.9 %	

(1) See the Financial Reporting Method section on page 5.

Results by Segment

The Bank's segment reporting is consistent with that adopted for the year beginning November 1, 2012, with the following changes having been made to better reflect how management monitors performance. The distribution of banking products through independent networks has been reclassified from the Personal and Commercial segment to the Wealth Management segment. Banking activities with energy sector companies have been transferred from the Financial Markets segment to the Personal and Commercial segment. These changes had no impact on the Bank's consolidated results.

Personal and Commercial
In the Personal and Commercial segment, first-quarter net income totalled $178 million compared to $169 million in the first quarter of 2012, a 5% year-over-year increase that came from sustained growth in business activity and a stringent control of non-interest expenses. The segment's first-quarter total revenues increased by $16 million as net interest income rose by $3 million and non-interest income by $13 million. The higher net interest income came mainly from growth in personal loan volume, tempered by a narrower net interest margin, which was 2.14% in the first quarter of 2013 compared to 2.34% in the same quarter of 2012, mainly due to a decline in loan spreads. The growth in non-interest income was mainly due to credit fees and insurance revenues.

Personal Banking's total revenues rose $8 million, mainly due to higher loan volume, especially consumer loans and home equity lines of credit, partly offset by narrower net interest margins. Credit fees and insurance revenues were also up. Commercial Banking's total revenues rose $8 million, owing mainly to higher credit fees, particularly on acceptances.

The Personal and Commercial segment's first-quarter non-interest expenses increased $5 million or 1% year over year. At 55%, the efficiency ratio for the first quarter of 2013 improved by 1% when compared to the same quarter of 2012. Provisions for credit losses were reduced by $1 million, as lower provisions for losses on business loans and credit card receivables were more significant than the higher provisions on personal credit losses.

Wealth Management
In the Wealth Management segment, net income totalled $51 million in the first quarter of 2013, up 24% from $41 million in the same quarter of 2012. First-quarter total revenues amounted to $275 million versus $262 million in the first quarter of 2012, a 5% increase that was mainly due to a greater volume of fee-based service transactions, growth in assets under administration and under management, and the CashPerformer account.

At $205 million, first-quarter non-interest expenses remained stable year over year.

Financial Markets
In the Financial Markets segment, net income totalled $115 million for the first quarter of 2013, down $6 million from $121 million in the same quarter of 2012. On a taxable equivalent basis, the segment's first-quarter total revenues amounted to $303 million compared to $337 million in the first quarter of 2012, mainly attributable to net gains on available-for-sale securities, which were $29 million lower given the investing activity gains that had been realized in the first quarter of 2012. Banking service revenues rose 26%, mainly due to greater financing needs of clients carrying out acquisitions, while other income was down $7 million, mainly due to a lower share in the income of an associate.

For the first quarter of 2013, non-interest expenses were down $12 million year over year as a result of variable compensation. During the first quarter of 2013, $13 million in credit losses was recovered, whereas in the same quarter of 2012, no provisions for credit losses had been taken.

Other
For the *Other* heading of segment results, first-quarter net income totalled $20 million, stable when compared to the same quarter of 2012. The specified items for the first quarter of 2013, net of income taxes, included $9 million in revenues related to holding restructured notes compared to $3 million in the first quarter of 2012. Excluding specified items, net income was down $5 million, mainly due to a lower contribution from Treasury in the first quarter of 2013.

Capital

The Bank considers credit risk, operational risk and market risk in its approach to managing capital. The Bank uses the Advanced Internal Rating-Based Approach to manage credit risk and the Standardized Approach for operational risk. For market risk, the Bank mainly uses an approach based on internal models but uses the Standardized Approach for certain exposures. Additional information is provided in the Capital Management section on pages 54 to 56 of the 2012 Annual Report.

The new regulatory framework, referred to as Basel III, sets out transitional arrangements for the period of 2013 to 2019. However, OSFI is requiring Canadian banks to meet the 2019 minimum requirements as of the first quarter of 2013 for Common Equity Tier 1 (CET1) and by the first quarter of 2014 for Tier 1 capital and total capital. These target ratios, called "all-in" ratios, will be presented alongside the ratios calculated on a transitional basis for each quarter until the start of 2019. Because the Bank must comply with the «all-in» ratios, it must maintain, as of the first quarter of 2013, a CET1 ratio of at least 7.0%, 4.5% for common equity and 2.5% for a capital conservation buffer.

In addition to regulatory capital ratios, OSFI also requires banks to meet an assets-to-capital multiple test. The assets-to-capital multiple is calculated by dividing the Bank's total assets, including certain off-balance-sheet items, by its regulatory capital.

According to OSFI's capital adequacy guidelines, financial institutions could elect to phase in the impact of converting to IFRS on their regulatory capital. The Bank had decided to use this election and phased in the IFRS-conversion impact on a straight-line basis over a five-quarter period starting from the first quarter of 2012 up to and including the first quarter of 2013.

As at January 31, 2013, the CET1 capital ratio under Basel III, on an "all-in" basis, was 7.9% versus a pro forma CET1 ratio under Basel III of 7.3% as at October 31, 2012. The higher CET1 ratio is essentially due to a delay in implementing the new Credit Valuation Adjustment (CVA) charge, to the common share issuance related primarily to exercised stock options, and to net income, net of dividends. The Tier 1 capital ratio and the total capital ratio, under Basel III on an "all-in" basis, were 10.8% and 14.5%, respectively as at January 31, 2013 versus the respective pro forma ratios of 10.1% and 14.1% as at October 31, 2012.

The risk-weighted assets calculated under the rules of Basel III on an "all-in" basis, totalled $59.4 billion as at January 31, 2013 versus $62.2 billion on a pro forma basis as at October 31, 2012, the decrease being attributable to the delay in implementing the CVA.

HIGHLIGHTS

(millions of Canadian dollars)

Quarter ended January 31	2013	2012	% Change
Operating results			
Total revenues	$ 1,235	$ 1,243	(1)
Net income	364	351	4
Net income attributable to the Bank's shareholders	344	332	4
Return on common shareholders' equity	20.0 %	21.9 %	
Earnings per share *(dollars)*			
Basic	$ 2.05	$ 2.00	2
Diluted	2.03	1.99	2
EXCLUDING SPECIFIED ITEMS(1)			
Operating results			
Total revenues	$ 1,225	$ 1,238	(1)
Net income	361	353	2
Net income attributable to the Bank's shareholders	341	334	2
Return on common shareholders' equity	19.8 %	22.1 %	
Earnings per share *(dollars)*			
Basic	$ 2.04	$ 2.01	1
Diluted	2.02	2.00	1
Per common share *(dollars)*			
Dividends declared	$ 0.83	$ 0.75	
Book value	41.38	36.87	
Stock trading range			
High	80.04	77.94	
Low	75.06	63.27	
Close	79.32	75.22	

	As at January 31, 2013	As at October 31, 2012	% Change
Financial position			
Total assets	183,796	177,903	3
Loans and acceptances	92,721	90,922	2
Deposits	93,899	93,249	1
Subordinated debt and equity	10,939	10,710	2
Capital ratios under Basel III(2)			
Common Equity Tier 1 (CET1)	7.9 %	7.3 %	
Tier 1	10.8 %	10.1 %	
Total	14.5 %	14.1 %	
Capital ratios under Basel I			
Tier 1	11.2 %	11.0 %	
Total	15.0 %	14.6 %	
Impaired loans, net of individual and collective allowances	(202)	(190)	
As a % of loans and acceptances	(0.2) %	(0.2) %	
Assets under administration/management	242,096	232,027	
Total personal savings	152,210	149,774	
Interest coverage	12.35	12.23	
Asset coverage	3.56	3.45	
Other information			
Number of employees	19,858	19,920	–
Number of branches in Canada	452	451	–
Number of banking machines	922	923	–

(1) See the Financial Reporting Method section on page 5.
(2) Ratios are presented on an “all-in” basis and the October 31, 2012 ratios are presented on a pro forma basis.

FINANCIAL REPORTING METHOD

(millions of Canadian dollars)

When assessing its results, the Bank uses certain measures that do not comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and set out in the Canadian Institute of Chartered Accountants Handbook. Securities regulators require companies to caution readers that net income and other measures adjusted using non-IFRS criteria are not standard under IFRS and cannot be easily compared with similar measures used by other companies.

FINANCIAL INFORMATION

Quarter ended January 31	2013	2012	% Change
Excluding specified items			
Personal and Commercial	**178**	169	5
Wealth Management	**56**	46	22
Financial Markets	**115**	121	(5)
Other	**12**	17	
Net income excluding specified items	**361**	353	2
Less: Acquisition-related items(1)	**(6)**	(5)	
Plus: Items related to holding restructured notes(2)	**9**	3	
Net income	**364**	351	4
Diluted earnings per share excluding specified items	**$ 2.02**	$ 2.00	1
Less: Acquisition-related items(1)	**(0.04)**	(0.03)	
Plus: Items related to holding restructured notes(2)	**0.05**	0.02	
Diluted earnings per share	**$ 2.03**	$ 1.99	2
Return on common shareholders' equity			
Including specified items	**20.0 %**	21.9 %	
Excluding specified items	**19.8 %**	22.1 %	

(1) For the first quarter ended January 31, 2013, the acquisition-related items consisted of: $6 million ($4 million net of income taxes) in charges incurred for the Wealth Management acquisitions (2012: $8 million, $5 million net of income taxes), made up essentially of retention bonuses; the Bank's $1 million share ($1 million net of income taxes) in the integration charges incurred by Fiera; and the Bank's $1 million share ($1 million net of income taxes) in intangible asset amortization and integration charges related to its interest in TMX.

(2) During the quarter ended January 31, 2013, $12 million in revenues ($9 million net of income taxes) was recorded to reflect a change in the fair value of commercial paper not included in the Pan-Canadian restructuring plan (2012: $5 million, $3 million net of income taxes).

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 the Outlook for National Bank sections of the 2012 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 2013 and the objectives it has set for itself for that period. These forward-looking statements are made in accordance with the current securities legislation. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. 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 similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2013 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputation risk, and environmental risk (all of which are described in greater detail in the Risk Management section that begins on page 57 of the 2012 Annual Report); the general economic environment, and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including the effects of the debt crisis in certain European countries; the lowering of the U.S. long-term sovereign debt rating by Standard & Poor's; the lowering of the sovereign debt rating of certain European countries and the impact of changes that affect the Bank's credit ratings; the situation with respect to the restructured notes of the master asset vehicle (MAV) conduits, in particular the realizable value of underlying assets; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States; and changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management and Other Risk Factors sections of the 2012 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.

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 2013 RESULTS

Conference Call

- A conference call for analysts and institutional investors will be held on Friday, March 1, 2013 at 8:00 a.m. ET.
- Access by telephone in listen-only mode: 1-866-898-9628 or 416-340-2217.
- A recording of the conference call can be heard until March 12, 2013 by dialing 1-800-408-3053 or 905-694-9451. The access code is 5955220#.

Webcast

- The conference call will be webcast live at **nbc.ca/investorrelations**.
- A recording of the webcast will also be available on National Bank's website after the call.

Financial Documents

- The quarterly financial statements are available at all times on National Bank's website at **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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