

CI BC World Markets Frontenac Institutional Investor Conference

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Three myths about Banking in Canada





- 1 All Banks are the same**
- 2 Bigger is always better**
- 3 Regional Banks can't grow outside the region**



Myth #1

All Banks are the same



Retail and Commercial in Quebec



<u>Quebec Market Share</u>	% of Banks	% of Market *
Retail	32%	18%
Commercial (1)	42%	31%

* Banks and Desjardins

(1) DDA&loans with commitments of less than \$5 million.

Number 1 Bank in Quebec



- 1: Super regional banks perform well in North America**
- 2: Quebec unique region, natural barriers to entry**
- 3: Current and future economic strength of Quebec and Canada**
- 4: Core competency of understanding market very well**
- 5: Faster and more flexible**



Myth #2

Bigger is always better



Big enough to grow?



- Today talk on the street says only mega banks can succeed
 - Economies of scale larger for greater efficiency
- True? If it were:
 - Canada would have weak banks
 - Banks such as National Bank would be struggling
 - Evidence of economies of scale overwhelming

Canada: One of the strongest banking systems in the world



International Comparison, 5 Largest Banks, 1996

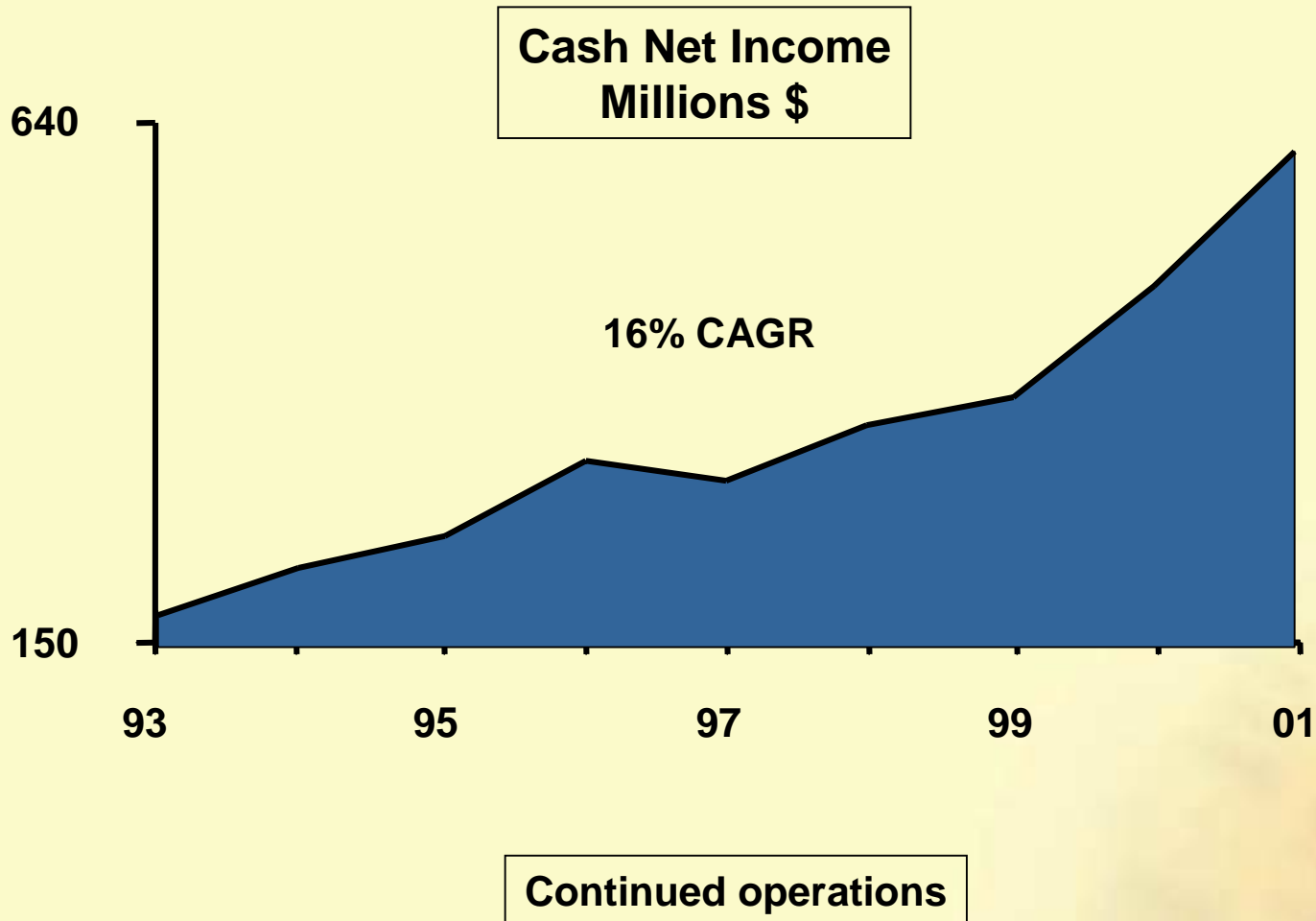
	Efficiency Ratio	Net income/ total revenue
UK	59.1%	22.3%
Canada	62.9%	19.5%
USA	63.5%	20.2%
Germany	67.2%	15.4%
Netherlands	69.9%	n.a.
Switzerland	71.2%	13.2%
Japan	94.7%	3.5%

McKinsey & Company

The Changing Landscape for Canadian Financial Services

The Task Force on the Future of the Canadian Financial service sector

A Profitable Market for National Bank

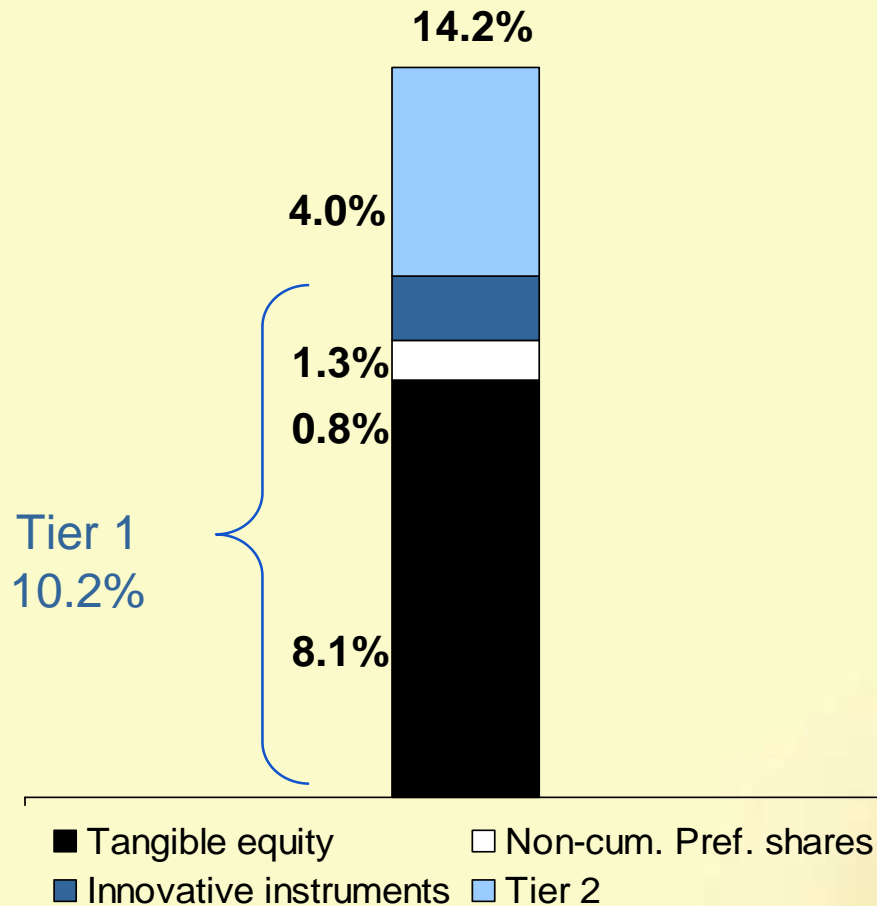


Strong ROE



	Q3 02	Q2 02	Q3 01	Evolution	
				Y/Y	Q/Q
Revenues	\$804	\$827	\$812	-1%	-3%
Net income	\$138	\$122	\$147	-6%	13%
EPS	\$0.73	\$0.62	\$0.73	0%	18%
ROE	14.6%	13.1%	15.9%		

Our Capital base is strong



High quality credit



Millions \$

	Q3 02	Q3 01
Gross impaired loans	\$640	982
Gross impaired loans as a % of tangible capital & reserves	15.7%	23.2%

Evidence of economies of scale

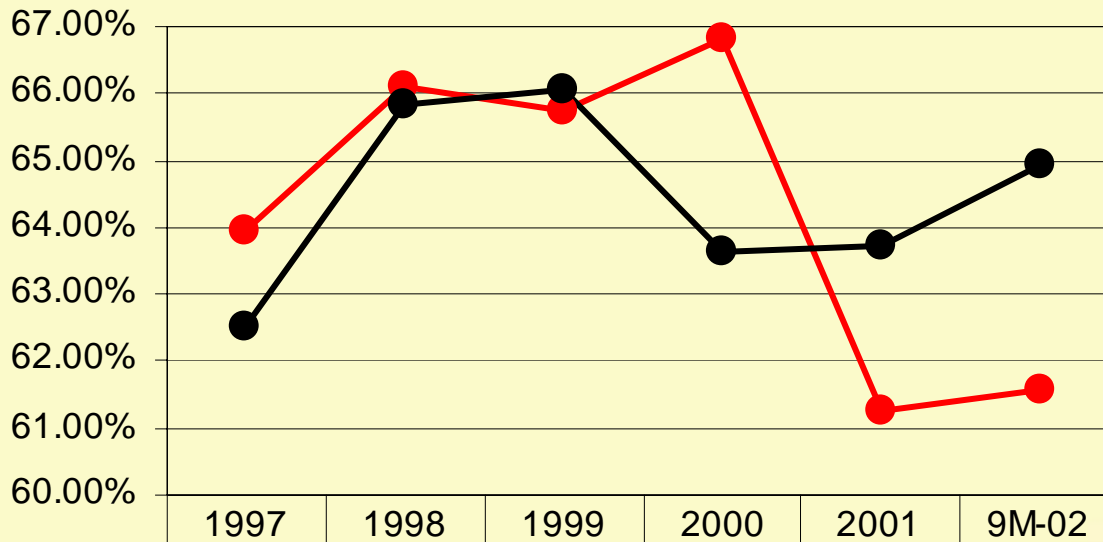


The Journal of Monetary Economics:

« The...scale efficiency for a \$500 million bank and a \$4 billion bank is not all that different. » (1993)

The Group of Ten Report on Consolidation in the Financial Sector: **« Most research...finds a relatively flat U-shaped...average cost curve, with a minimum (point) somewhere around...10 billion (U.S. dollars in) assets. » (2001)**

Efficiency success



—●— National	63.93%	66.12%	65.75%	66.82%	61.26%	61.59%
—●— BIG 5	62.52%	65.84%	66.07%	63.63%	63.75%	64.92%

Myth #3

**Regional Banks can't grow
outside the Region**



Picking niches for growth






**NATIONAL BANK
FINANCIAL**



- **Fourth largest Retail distribution Network**
- **One of the largest merchant banks and fixed income businesses**
- **Largest third party clearing business**

2001 National Post Survey



Underwriter	# as lead	Value \$ millions	# as non-lead	Value \$ millions	Total # of deals	Value \$ millions
RBCCM	8	482	18	419	26	901
TD Securities	4	69	24	550	28	620
Merrill Lynch	5	182	13	395	22	577
CIBC World Markets	6	112	23	450	29	563
BMO Nesbitt Burns	6	121	24	437	30	559
CSFB	2	278	3	163	5	440
Morgan Stanley	2	183	3	228	5	411
 NATIONAL BANK FINANCIAL	4	36	28	360	32	396
Scotia Capital	3	35	16	305	19	340
HSBC Securities	0	0	22	340	22	340

Dalbar Survey on Mutual Fund Service



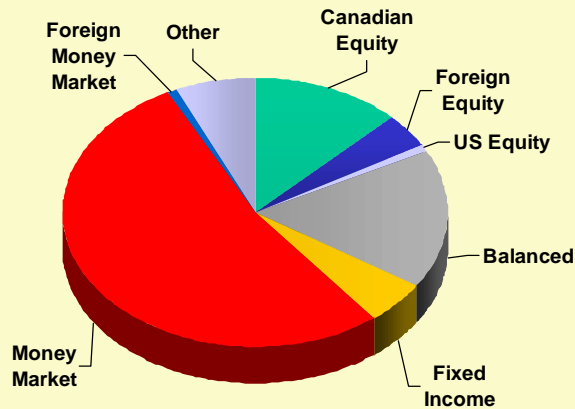
Altamira Investment Services Inc. Cumulative Ranking Summary - July 2002

	English		French	
	<i>Rank (of 17)</i>	<i>Score</i>	<i>Rank (of 14)</i>	<i>Score</i>
OVERALL QUALITY	1	2.79	1	2.81
Phone Quality	1	2.87	1	2.75
Accomodation	1	2.92	1	2.86
Attitude	1	2.95	3	2.87
Exceeding Expectations	2	2.74	1	2.87
Knowledge	1	2.81	1	2.72
Telephone Etiquette	2	2.87	2	2.78
Quality of Security Check	1	3.00	8	2.63
Phone Accessibility	14	2.36	2	2.87
Mail Quality	2	2.73	1	3.00
Mail Timing	4	2.88	1	2.90

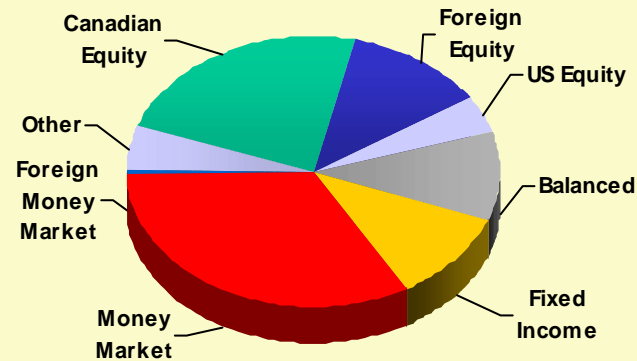
Natcan's disciplined approach will pay off



NBC ASSET MIX



COMBINED ENTITY ASSET MIX



PROFORMA IFIC RANKING (1)

		LOAD/ NO LOAD	AUM			LOAD/ NO LOAD	AUM
1	Investors Group	L	38,496,000	8	CIBC Securities Inc.	N	25,060,000
2	RBC Funds Inc.	N	35,036,000	9	AGF Management Limited	L	24,641,000
3	AIM Funds Management Inc.	L	34,239,000	10	Franklin	L	20,010,000
4	Mackenzie Financial Corporation	L	31,268,000	11	BMO investments Inc.	N	14,538,000
5	TD Asset Management	N	31,210,000	12	AIC Limited	N	12,875,000
6	Fidelity Investments Canada Limited	L	29,230,000	13	Scotia Securities Inc.	N	11,611,000
7	C.I. Mutual Funds	L	28,591,000	14	NBC/Altamira	N	9,530,000

Complementary Strengths and Opportunities



STRENGTHS

ALTAMIRA

- Excellent brand name recognition.
- High end loyal client base.
- Second largest independent no load mutual fund company with fully integrated manufacturing and distribution capability.
- Effective proprietary direct channel with access to third party distribution network.
- High weighted average management fee.
- Excellent technology and sale/service infrastructure.

OPPORTUNITY FOR NBC

- Increases market share in lucrative wealth management sector and diversifies sources of revenue.
- Significant opportunities for cross-selling traditional bank products and services.
- Ability to leverage training and marketing capability and technology across a broader platform.
- Increase in profitability through economies of scale, cross-selling, conversion of assets and change in asset mix to high management fee products.

STRENGTHS

NBC

- Full service bank with established products and services to meet all personal banking demands.
- 2.5 million customers across Canada and a dominant retail player in Quebec, with a 21% wealth management market share for deposits taking institutions.
- Strong technology platform.
- Access to the Canadian payment system.
- Capability to manufacture sophisticated structured products such as active management GICs.

OPPORTUNITY FOR ALTAMIRA

- Ability to provide client base a comprehensive banking products menu.
- Ability to introduce new sophisticated investment products.
- Diversified distribution channel – ability to sell beyond its current sales force.
- Ability to leverage technology platform over larger client base will provide significant cost advantage.
- Ability to use marketing resources to increase brand awareness.



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- 2 ■ **Bigger is always better**
- 3 ■ **Regional Banks can't grow outside the region**



Consider National Bank...



Not as just another Bank, but
a Bank unlike the others

Not as the number six Bank in Canada, but
as the number one Bank in Quebec

Not as just a Quebec Bank, but
**a Bank growing profitably inside and
outside Quebec**



National Bank of Canada

A profitable way
of thinking

