

# Analyst and Investor Presentation Q4 and Fiscal 2007 Results Conference Call

Montreal, November 29, 2007



a bank  
like no  
other



## 2008 Objectives

Q1 2008  
dividend up  
**\$0.62**

New share  
buy back  
program in  
February  
2008

2008 Objectives	
Growth in earnings per share	3% to 8%
Return on common shareholders' equity	16% to 21%
Tier 1 capital ratio	More than 8.0%
Dividend payout ratio	40% to 50%

- Solid capital base (Tier 1 ratio at 9% at year end 2007) provides flexibility in funding growth, looking at acquisitions or increasing distributions to shareholders
- Focus on top line growth in the three core business segments as well as rigorous cost control measures

## Financial Review

Patricia Curadeau-Grou,  
Executive Vice-President, Finance, Risk and  
Treasury

## 2007 - Performance Snapshot

### 2007 – YoY:

Reported  
EPS were  
impacted by  
specified items  
including ABCP  
and Altamira  
charges

<i>(millions of dollars)</i>	Q4 07	Q4 06	Change	12M 07	12M 06	Change
<b>Net income</b>	(175)	220		541	871	(37.9%)
<b>EPS</b>	(\$1.14)	\$1.31		\$3.22	\$5.13	(37.2%)
<b>ROE</b>	(16.0%)	19.7%		11.5%	20.1%	

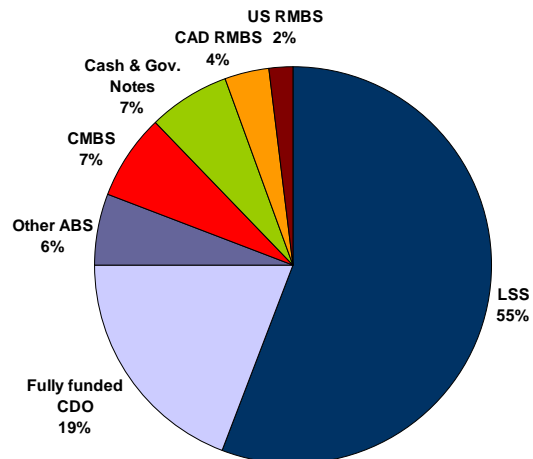
**2007 – YoY:**

Adjusted EPS up **12%**

(millions of dollars)	Q4 07	Q4 06	Change	12M 07	12M 06	Change
Net income	217	220	(1%)	933	857	9%
EPS	\$1.34	\$1.31	2%	\$5.65	\$5.05	12%
ROE	18.4%	19.7%		20.0%	19.7%	

All numbers excluding specified items

The underlying assets are generally reflective of those in the overall Canadian non-bank ABCP market

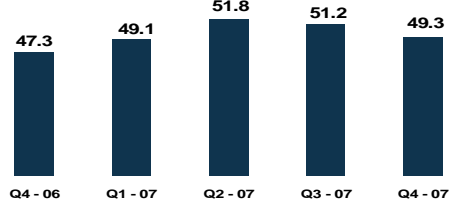


## Balance Sheet Management

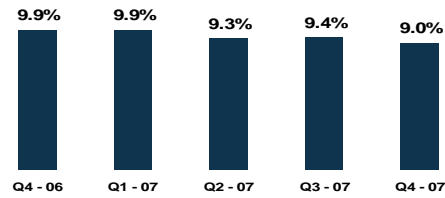
Active balance sheet management in the fourth quarter 2007

(billions of dollars)

### RWA



### Tier 1



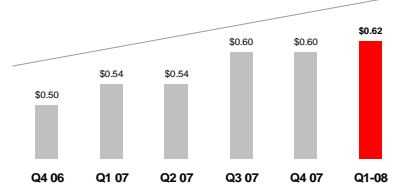
## Dividend per Common Share

### Growth for shareholders

- 5M common shares bought back in fiscal year 2007
- New buy back program to be implemented in February 2008
- Quarterly dividend increased by \$0.02 in Q1 2008

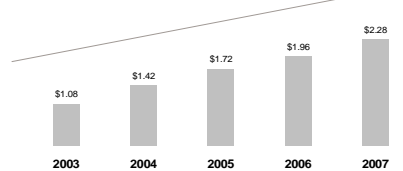
### Quarterly

+ 20%



### Annual

+ 111%



# Risk Management

Patricia Curadeau-Grou,  
Executive Vice-President, Finance, Risk and  
Treasury

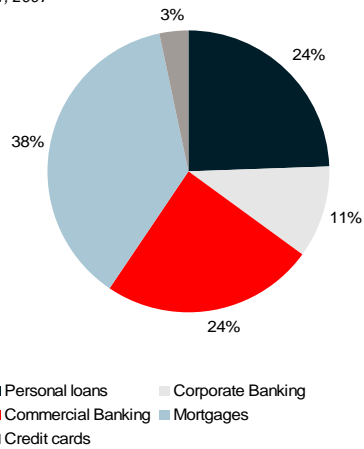


# Global Portfolio Composition

**Highlights:**

- Retail Banking represents 65% of total portfolio

**Outstanding**  
As at October 31, 2007



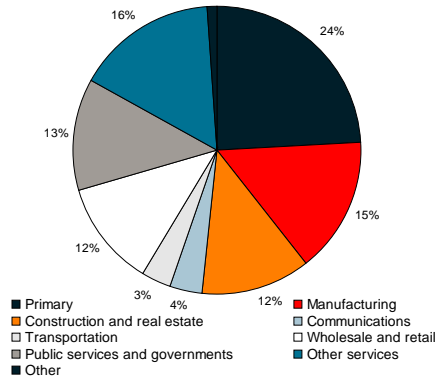
## Industry Exposure Breakdown

### Highlights:

- No particular industry exceeded 5% of total portfolio
- Closely monitoring the manufacturing sector

### Outstanding

As at September 30, 2007



## Risk Provisioning

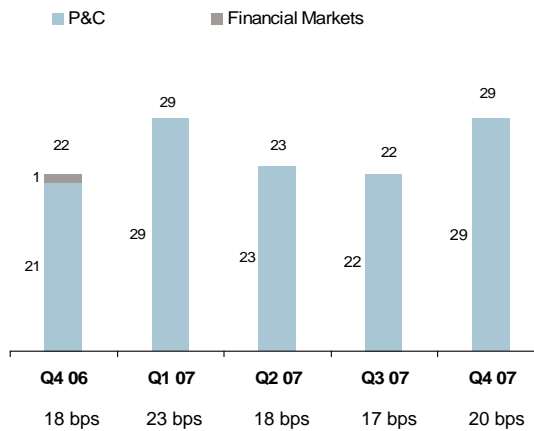
### Highlights – YoY:

- PCL at \$29M in Q4 2007

### 2008 PCL Target:

- 25 bps to 30 bps

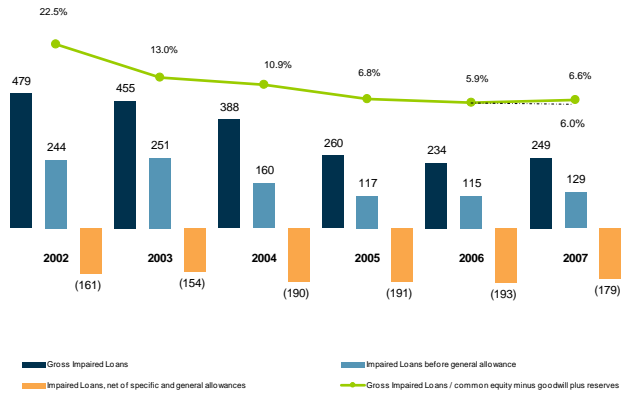
(millions of dollars)



## Impaired Loans

**Sound risk management continues to provide stable results**

- Gross impaired ratio's stand at 6.6%



## Impaired Loan Formation

(millions of dollars)

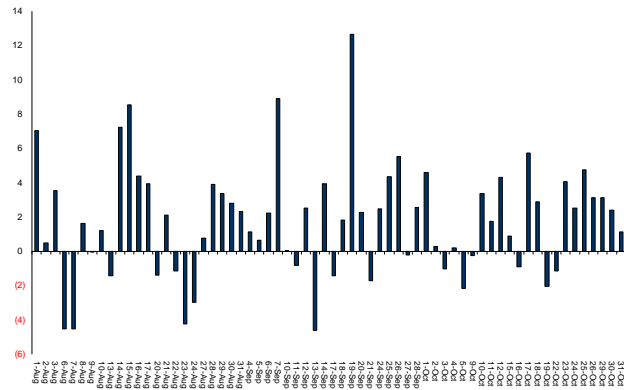
	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07
Personal & Commercial Banking	41	22	19	18	46
Corporate	(1)	-	(1)	-	(1)
<b>Total</b>	<b>40</b>	<b>22</b>	<b>18</b>	<b>18</b>	<b>45</b>

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

**Highlights:**

- Stable daily P/L trading

(millions of dollars)  
Excludes underwriting



**Business Segment Review**

Jean Dagenais  
Senior Vice-President and Chief Financial Officer



## ABCP impact

(millions of dollars)

	Financial Market	Others	Total
ABCP adjustments	(42)	(533)	(575)
Cost of funds	(2)	(19)	(21)
Compensation adjustment	19	27	46
Other costs		(3)	(3)
<b>Sub-total</b>	<b>(25)</b>	<b>(528)</b>	<b>(553)</b>
Tax	(8)	(164)	(172)
<b>TOTAL</b>	<b>(17)</b>	<b>(364)</b>	<b>(381)</b>

## Altamira Consolidation

**\$13M of  
non  
recurring  
charges**

- Restructure and reposition the distribution model with better customer services
- \$7M of non recurring charges:
  - Severance fees of \$3M
  - Other restructuring charges \$4M
- Positive expenses impact in 2009 of approximately \$7M
- Intangible write-off of \$6M

**2007 - Performance Revenues**

<i>(millions of dollars)</i>	Q4 07	Q4 06	Change	12M 07	12M 06	Change
<b>Total revenues - reported</b>	<b>402</b>	<b>970</b>	<b>(59%)</b>	<b>3,423</b>	<b>3,803</b>	<b>(10%)</b>
Tax equivalent adjustment	55	84		205	200	
Revenues attributable to non-controlling investor in the innocap platform	(30)	(5)		(46)	(10)	
<b>Sub-total</b>	<b>427</b>	<b>1,049</b>	<b>(59%)</b>	<b>3,582</b>	<b>3,993</b>	<b>(10%)</b>
<b>ABCP</b>						
Adjustment for ABCP	575	-		575	-	
Cost of funding ABCP	21	-		21	-	
<b>Others</b>						
Gain on Mastercard IPO	-	-		-	(13)	
Gain on sale of business	-	-		-	(8)	
<b>Adjusted revenues (teb)</b>	<b>1,023</b>	<b>1,049</b>	<b>(2%)</b>	<b>4,178</b>	<b>3,972</b>	<b>5%</b>

**2007 - Performance Non-interest Expenses**

<i>(millions of dollars)</i>	Q4 07	Q4 06	Change	12M 07	12M 06	Change
<b>Non-interest expenses - reported</b>	<b>640</b>	<b>673</b>	<b>(5%)</b>	<b>2,632</b>	<b>2,546</b>	<b>3%</b>
<b>ABCP</b>						
Variable compensation	46	-		46	-	
Other costs	3	-		3	-	
<b>Altamira</b>						
Restructuring charge	(7)	-		(7)	-	
Reduction in value of intangible	(6)	-		(6)	-	
<b>Adjusted non-interest expenses</b>	<b>676</b>	<b>673</b>	<b>0%</b>	<b>2,668</b>	<b>2,546</b>	<b>5%</b>

**Q4 2007 Highlights:**

- Sustained personal loan and deposit volume growth tempered by spread compression and mix of business margin
- Lower prime / BAs impact in Q4
- Higher provision for credit losses due to recoveries in Commercial Banking in 2006

**Q4 2007 – YoY:**

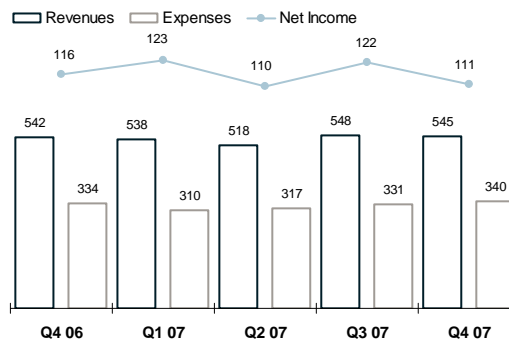
- 4% decrease in net income

**Driven by :**

- 1% increase in revenues attributed to higher volume in P&C Banking
- Expenses grew by 2%
- Efficiency ratio at 62.4% from 61.6%

**TEB**

(millions of dollars)



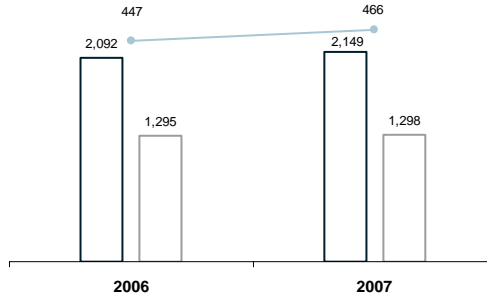
**Net Income up 4%**

- Revenues grew by 3%
- Expense stable

**TEB**

(millions of dollars)

Revenues Expenses Net Income



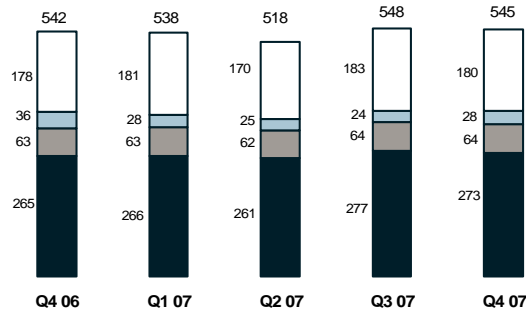
**Q4 2007 - YoY:**

- Sub-segments contributing to growth:
- Retail Banking: 3%
  - Credit cards: 2%
  - Commercial Banking: 1%
  - Insurance premium underwriting increased of 9%

**TEB**

(millions of dollars)

Retail Banking Credit cards Insurance Commercial



## P&C Volume Evolution

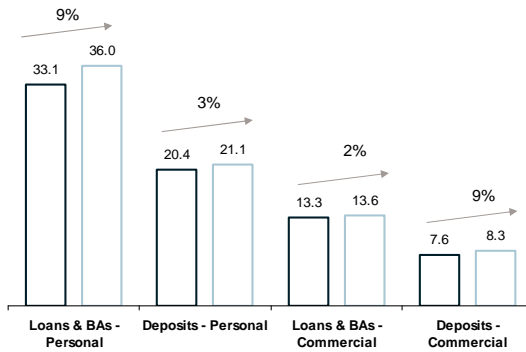
### Quarterly average volume

(billions of dollars)

□ Q4 06 □ Q4 07

#### Strong volume growth

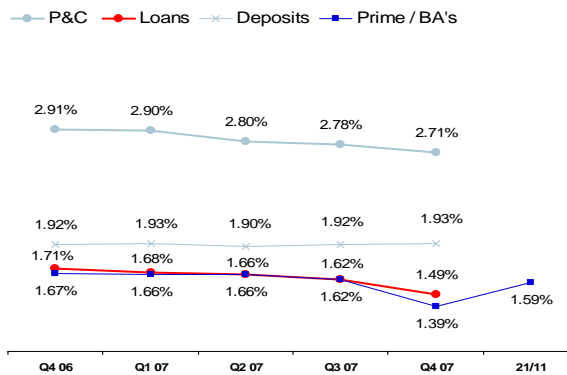
- 9% increase in personal loans
- 9% increase in commercial deposits



## P&C Margin Evolution

#### Highlights: Q4-07 vs Q3-07

- Prime / BA's effect on loan margin
- Slightly narrower mortgage spread
- Lower spread in credit cards
- Narrower spread on commercial deposits



**Q4 2007 Highlights:**

- Overall AUM growth of 7%
- Mutual funds and private investment management contributing to the revenue growth

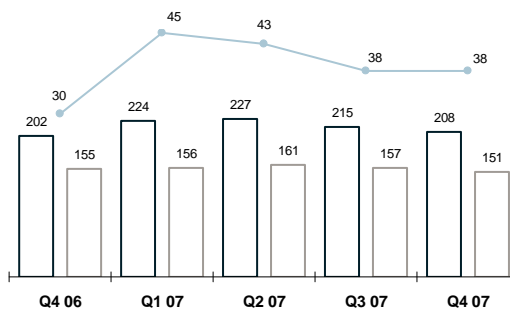
**Q4 2007 – YoY:**

- Net income up by 27%
- Revenues increased by 3%
- Expenses decreased by 3%
- Efficiency leverage

**TEB**

(million of dollars)

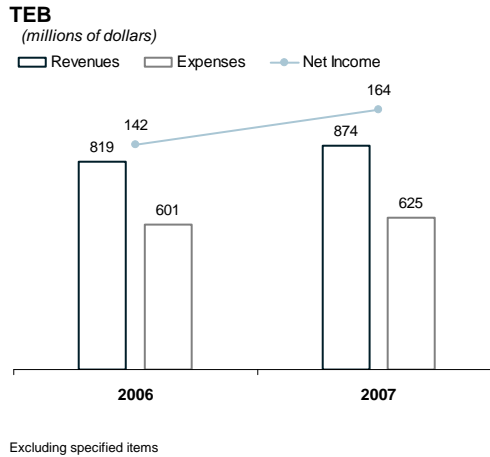
Revenues Expenses Net Income



Excluding specified items

## Wealth Management – YTD

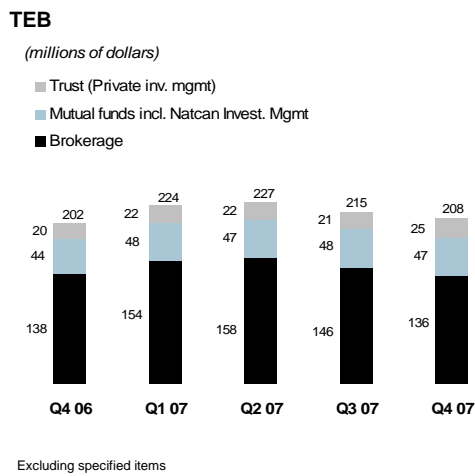
Net Income up **15%**



## Wealth Management Revenue Composition

**Q4 2007 – YoY:**

- 7% growth in mutual funds
- 25% growth in private investment management



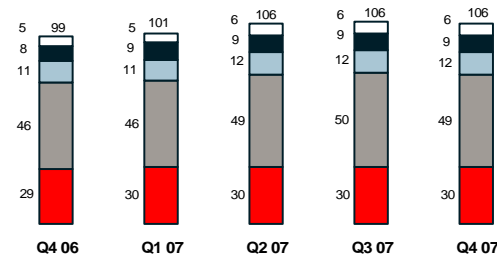
**TEB**

**Q4 2007 – YoY:**

- Overall up 7%
- Growth in all sub-sectors:
- Deposits: 3%
- Retail brokerage: 7%
- Mutual funds: 9%
- Disc. brokerage: 13%
- Private investment management 20%

(billions of dollars)

■ Deposits     
 ■ Retail brokerage     
 ■ Mutual funds  
■ Discount brokerage     
 ■ Private inv. mgmt



**Q4 2007 Highlights**

- Higher trading and ALM

**2007 Highlights**

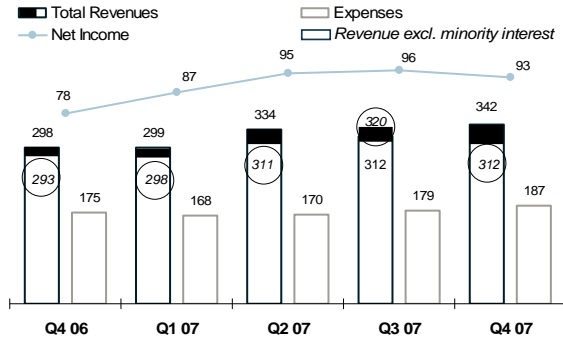
- Solid revenues from capital market activities
- Higher net income due to a full year contribution from Credigy and strong trading

**Q4 2007 – YoY:**

- Net income up by 19%
- 6% growth in revenues<sup>(1)</sup>

**TEB**

(million of dollars)

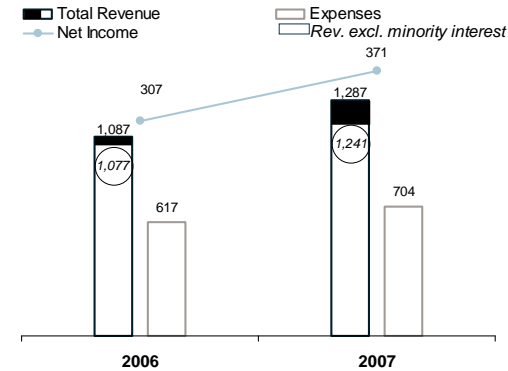


<sup>1</sup> Excluding Innocap minority interest and specified items

**Net Income up 21%**

**TEB**

(millions of dollars)



Excluding specified items

## Financial Markets Revenue Composition <sup>1</sup>

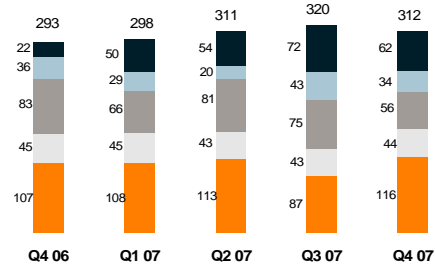
### TEB

(millions of dollars)

Trading Corp. Banking Capital Markets Inv. gains Other

#### Q4 2007 – YoY:

- “Other” up partly due to ALM
- Securities: excess of market to book value of \$148M



<sup>1</sup> Excluding Innocap minority interest and specified items

## Trading Revenue Breakdown <sup>1</sup>

### TEB

(millions of dollars)

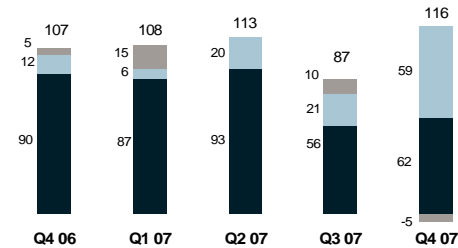
Commodities and precious metals & Foreign exchange contracts

Fixed income and money markets

Equity

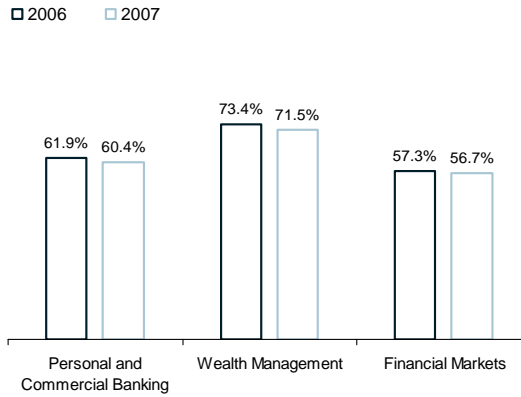
#### Q4 2007 (YoY)

- Increase in fixed income and money markets
- Decrease in equity



<sup>1</sup> Excluding Innocap minority interest and specified items

- Continuous improvement of the efficiency ratio in each segments
- Overall improvement of 70 pbs



# Appendix

Commercial paper liquidity lines to third party asset-backed conduits	<ul style="list-style-type: none"> <li>• None</li> </ul>
Commercial paper liquidity lines to National Bank sponsored asset-backed conduit	<ul style="list-style-type: none"> <li>• \$588 millions on balance sheet, as at October 31, 2007</li> <li>• Backstop liquidity facilities – not significant</li> <li>• No exposure to U.S. subprime mortgages</li> <li>• No leverage</li> </ul>
U.S. subprime mortgage direct exposure	<ul style="list-style-type: none"> <li>• None</li> </ul>
U.S. subprime mortgage indirect exposure	<ul style="list-style-type: none"> <li>• Minimal, held through \$1.7B ABCP, as at October 31, 2007</li> </ul>
Leveraged buy out (LBO) underwriting commitments	<ul style="list-style-type: none"> <li>• None</li> </ul>
Hedge fund trading and lending exposure, including prime brokerage	<ul style="list-style-type: none"> <li>• Transactions fully collateralized</li> <li>• No credit issues with counterparties</li> </ul>

(In millions of dollars)

	2007			
	Q4	Q3	Q2	Q1
<b>LIQUID ASSETS</b>				
Canadian Dollar				
Inter-Bank Loans	737	1,774	2,490	2,575
Cash Resources	261	278	248	237
Securities	29184	32,144	33,461	32,119
less ABCP	(1,719)	-	-	-
<b>Total</b>	<b>28,463</b>	<b>34,196</b>	<b>36,200</b>	<b>34,931</b>
Other Currency				
Inter-Bank Loans	2,308	7,387	6,910	7,979
Cash Resources	22	23	22	25
Securities	10,086	11,661	14,510	11,445
<b>Total</b>	<b>12,416</b>	<b>19,071</b>	<b>21,442</b>	<b>19,448</b>
<b>Total Liquid Assets</b>	<b>40,879</b>	<b>53,267</b>	<b>57,642</b>	<b>54,380</b>
<b>Total Assets</b>	<b>113,085</b>	<b>123,353</b>	<b>135,172</b>	<b>121,402</b>
<b>Liquid Assets -to- Total Assets</b>	<b>36%</b>	<b>43%</b>	<b>43%</b>	<b>45%</b>
<b>Net Pledges (delivered-received) <sup>1</sup></b>	<b>(14,202)</b>	<b>(24,076)</b>	<b>(25,688)</b>	<b>(23,241)</b>
<b>Unencumbered Liquid Assets</b>	<b>26,677</b>	<b>29,191</b>	<b>31,954</b>	<b>31,139</b>
<b>Unencumbered Liquid Assets -to- Total Assets</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>26%</b>
<b>DEPOSITS</b>				
Canadian Dollar				
Banks	822	710	1,410	1,175
Business & Govt	23,217	22,472	24,298	20,991
Personal	28,992	28,540	28,686	28,550
<b>Total</b>	<b>53,031</b>	<b>51,722</b>	<b>54,394</b>	<b>50,716</b>
Other Currency				
Banks	5,739	7,496	9,828	9,524
Business & Govt	10,805	10,936	10,355	9,847
Personal	1,223	1,125	1,065	1,078
<b>Total</b>	<b>17,767</b>	<b>19,558</b>	<b>21,248</b>	<b>20,449</b>
<b>Total Deposits</b>	<b>70,798</b>	<b>71,280</b>	<b>75,642</b>	<b>71,165</b>
<b>Retail Deposits</b>	<b>30,215</b>	<b>29,666</b>	<b>29,751</b>	<b>29,628</b>
<b>Retail Deposits -to- Total Deposits</b>	<b>43%</b>	<b>42%</b>	<b>39%</b>	<b>42%</b>

<sup>1</sup> Includes securities borrowed, securities loaned, pledges received, pledges delivered, securities sold short, reverse repurchased agreements & repurchased agreements

Investor Relations: 514-394-0296

[www.bnc.ca/investorrelations](http://www.bnc.ca/investorrelations)

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#### Caution Regarding Forward-Looking Statements

*\*National Bank of Canada makes written forward-looking statements in this press release. Such statements are made pursuant to Canadian securities regulations and the provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements with respect to the economy, market changes, and the achievement of strategic objectives, certain risks as well as statements with respect to our beliefs, plans, expectations, estimates and intentions. These forward-looking statements are typically identified by the words "may," "could," "should," "would," "suspect," "outlook," "believe," "anticipate," "estimate," "expect," "intend," "plan," and words and expressions of similar import.*

*\*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, the management of credit, market and liquidity risks; the strength of the Canadian and United States economies and the economies of other countries in which the Bank conducts business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada; the effects of competition in the markets in which the Bank operates; the impact of changes in the laws and regulations regulating financial services and enforcement thereof (including banking, insurance and securities); judicial judgments and legal proceedings; developments with respect to the restructuring proposal relating to asset-backed commercial paper (ABCP) and liquidity in the ABCP market; the Bank's ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank's ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; other factors that may affect future results, including changes in trade policies, timely development of new products and services, changes in estimates relating to reserves, changes in tax laws, technological changes, unexpected changes in consumer spending and saving habits; natural disasters; the possible impact on the business from public health emergencies, conflicts, other international events and other developments, including those relating to the war on terrorism; and the Bank's success in anticipating and managing the foregoing risks.*

*\*Additional information about these factors can be found under "Risk Management" and "Factors That Could Affect Future Results" in the 2006 Annual Report. 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 also cautions readers not to place undue reliance on these forward-looking statements.*