

# NBF CANADIAN FINANCIAL SERVICES CONFERENCE

**RICARDO PASCOE**  
Co-President and Co-CEO  
National Bank Financial



March 26, 2008

## Caution Regarding Forward-Looking Statements

From time to time, National Bank of Canada (the "Bank") makes written and oral forward-looking statements in publications, in filings with Canadian regulators or the United States Securities and Exchange Commission, in annual reports, in press releases and in other communications. 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 (in particular, the Canadian and U.S. economies), market changes, the achievement of strategic priorities and objectives, future strategies and actions, the price of Bank shares, 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. Assumptions about the performance of the Canadian and U.S. economies in 2008 and how that will affect the Bank's business are material factors considered in setting the Bank's strategic priorities and objectives, and in determining its financial targets, including provisions for credit losses. Key assumptions include that economic growth in Canada and the United States will be modest in 2008 and that inflation will remain low in North America. The Bank has also assumed that interest rates in Canada and the United States will decline slightly in 2008, and that the Canadian dollar will likely trade at parity with the U.S. dollar at the end of the year. In determining its expectation for economic growth, both broadly and in the financial services sector, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Tax laws in the countries in which the Bank operates, primarily Canada and the United States, are material factors it considers when establishing its sustainable effective tax rate. 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 2007 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. Moreover, these forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.



## Our Foundation

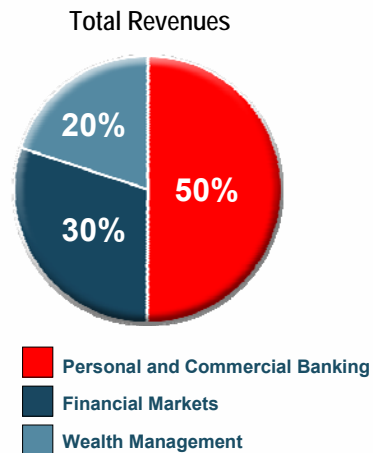
- **#1 Personal and Commercial bank in Quebec**
- **#1 Wealth Management bank in Quebec**
  - #1 full-service brokerage in Quebec
  - Innovative product manufacturer
- **Financial Markets**
  - National platform
  - Strength in trading and specialty advice
- **Growing positions outside Quebec**
  - Wealth management
  - Capital markets
  - Partnerships
  - Specialty finance

Solid foundation  
for growth



NBF Conference / March 2008 3

## Business Mix – 2007



Three solid  
growth platforms

Well-diversified  
business mix

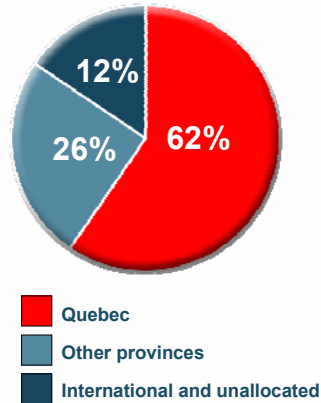


Year ended October 31, 2007  
Excluding specified items

NBF Conference / March 2008 4

## Geographic Distribution – 2007

As a % of Total Revenues



Solid  
Quebec-based  
operations

Well-positioned  
for expansion  
outside Quebec



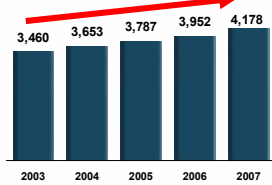
Year ended October 31, 2007  
Excluding specified items

NBF Conference / March 2008 5

## Last 5 Years

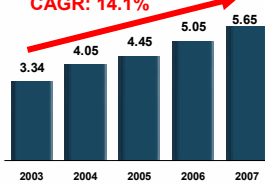
Total revenues (\$M) <sup>(1)</sup>

CAGR: 4.8%



Earnings per share (\$)

CAGR: 14.1%

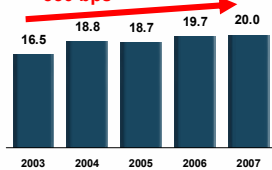


Proven ability  
to grow  
over time

(1) Net of Innocap's minority interest

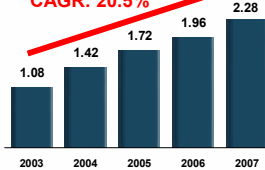
Return on equity (%)

+350 bps



Dividends per share (\$)

CAGR: 20.5%



Dividends  
per share  
doubled in  
5 years



Excluding specified items

NBF Conference / March 2008 6

## Current Market Conditions / Opportunities

- **Consumer recession in the U.S. could create opportunities: Credigy**
- **Reintermediation: neutral or slightly positive impact on NBSFG**
- **Steepening yield curve: traditional fixed income**
- **Consolidation**
- **Volatile Markets**

**NBSFG  
well-positioned  
to seize  
opportunities**



NBF Conference / March 2008 7

## Non-Bank ABCP Restructuring - Update

- **ABCP to be replaced with notes matching maturities of underlying assets**
- **Significant improvement in the potential for value recovery:**
  - Restructured margin call triggers
  - Committed margin funding facilities of \$13.4B
  - Investment grade rating
- **Ontario Superior Court agreed to provide the vehicles protection under CCAA**
- **Noteholders vote to be held in April**

**National Bank  
commitment:  
\$815M in  
margin funding  
facilities**

**Ranks senior to  
all notes in  
Master Asset  
Vehicle (MAV1)**

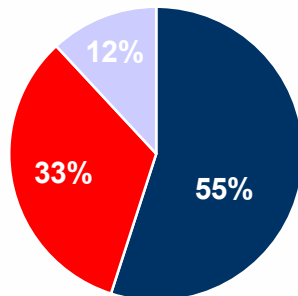


NBF Conference / March 2008 8

## Non-Bank ABCP Position Asset Breakdown

Excluding the Margin Funding Facility

By type of asset  
(% of notional)



- Leveraged Super Senior notes
- Traditional, Cash and Unleveraged
- Ineligible



NBF Conference / March 2008 9

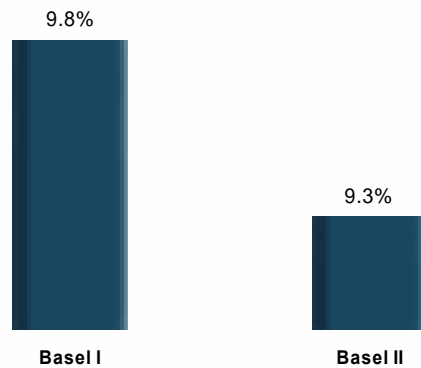
## Market environment update National Bank exposure

Margin funding facility to restructured notes replacing third party asset-backed conduits	<ul style="list-style-type: none"> <li>▪ \$815M</li> </ul>
Commercial paper liquidity lines to National Bank sponsored asset-backed conduit	<ul style="list-style-type: none"> <li>▪ Backstop liquidity facilities – not significant</li> <li>▪ No exposure to U.S. subprime mortgages</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 \$1.7 B ABCP as at Jan. 31, 2008</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>
Monolines and Credit derivative	<ul style="list-style-type: none"> <li>▪ None; no counterparties exposure</li> </ul>



NBF Conference / March 2008 10

## Capital Management Tier 1 – Q1 2008



### Active capital management

- Basel II implementation:
  - Impact of 50 bps
- Issuance of \$400 M of Innovative instrument
  - Impact of 39 bps

## Our 5 Year Ambition

1

one client, one bank: be the best-in-class in Quebec market

2

Seize the right opportunities in main franchise and niche markets

3

Match or exceed average financial performance of peers

4

Maintain balance among stakeholders

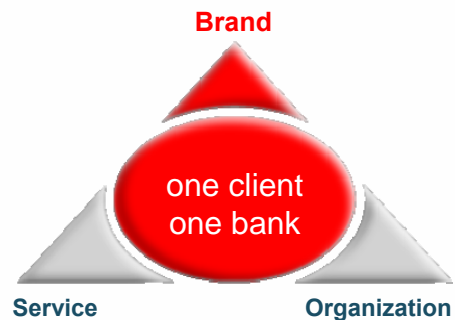
## Our Strategic Framework

- **Top priority: higher revenue growth combined with continuous productivity improvement**
- **People, tools and processes drive our performance**



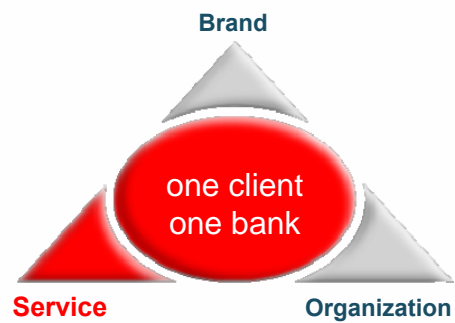
## one client, one bank Brand

- **150-year business history**
- **Most recognized banking brand in Quebec**
- **One of the top 20 brands in Canada**



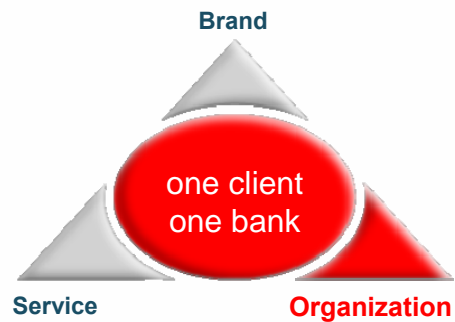
one client, one bank  
**Service and Financial Solutions**

- High client satisfaction
- Quality advice and proximity
- Strong relationships
- Extensive suite of products



one client, one bank  
**Organization / HR / IT / Processes**

- Integrated financial group
- Leading-edge expertise
- Strong leadership
- *Employer of Choice*  
in each of the last 4 years



## Performance drivers: the three pillars



## Productivity Improvement



Improve  
expense ratio

Operating  
leverage target  
 $\geq 2\%$

## Revenue Growth Accelerators

### Niche Markets & Specialty Finance

- Expand partnerships
- Grow agribusiness across Canada
- Pursue oil & gas expansion
- Leverage Innocap's platform
- Build on Credigy's platform momentum

### Acquisitions & JVs

- Acquisitions accretive within 2 years under conservative scenarios
- Considered in all business segments

## Key Takeaways

1

Positive steps taken in restructuring Canadian non bank ABCP

2

Solid capital and balance sheet in place to weather current economic uncertainties

3

Pursue strategic plan and seize opportunities in main franchise and niche markets