



NATIONAL BANK

Merrill Lynch Canadian Banks'
CEO Conference 2002

Réal Raymond
President and Chief Operating Officer

Agenda

- **Optimism about Canadian Banking**
- **Optimism about the National Bank:**
 - **Super Regional Model**
 - **6 key success factors**



Optimism about Canadian Banking

GDP real quarterly



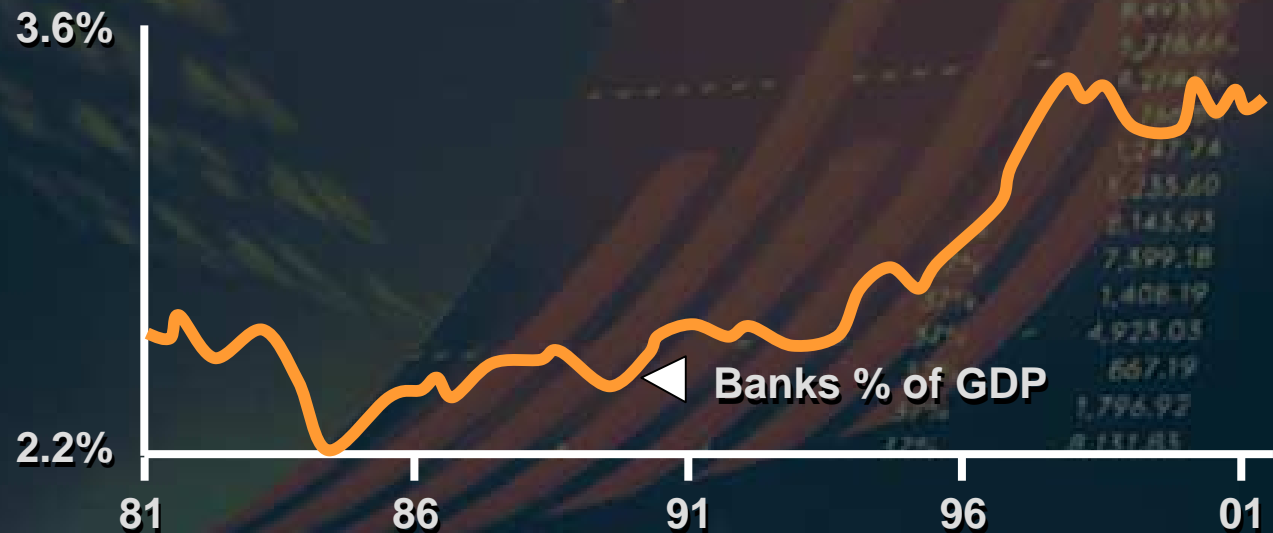
Evolution of Wealth Management

Financial Intermediaries % of real GDP



Bank growth strong mid 1990s

Real GDP - Banks



Banking in Canada is...

- **Flexible**
- **Rapidly growing**
- **Many reasons for optimism**



National Bank's prospects look good

- National will be a winner
- Strong and sustainable growth
- Best suited model: Super Regional Bank



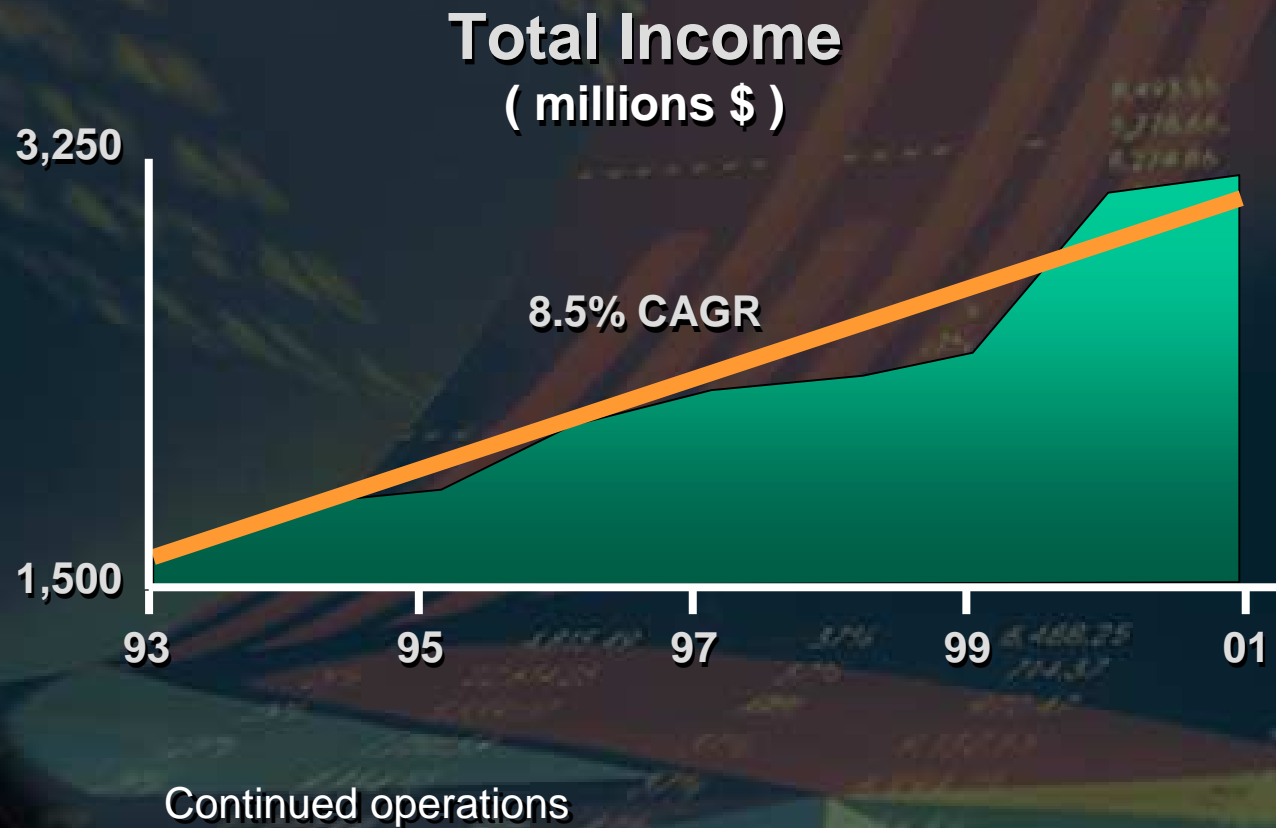
National Bank is

#1 Bank in Quebec

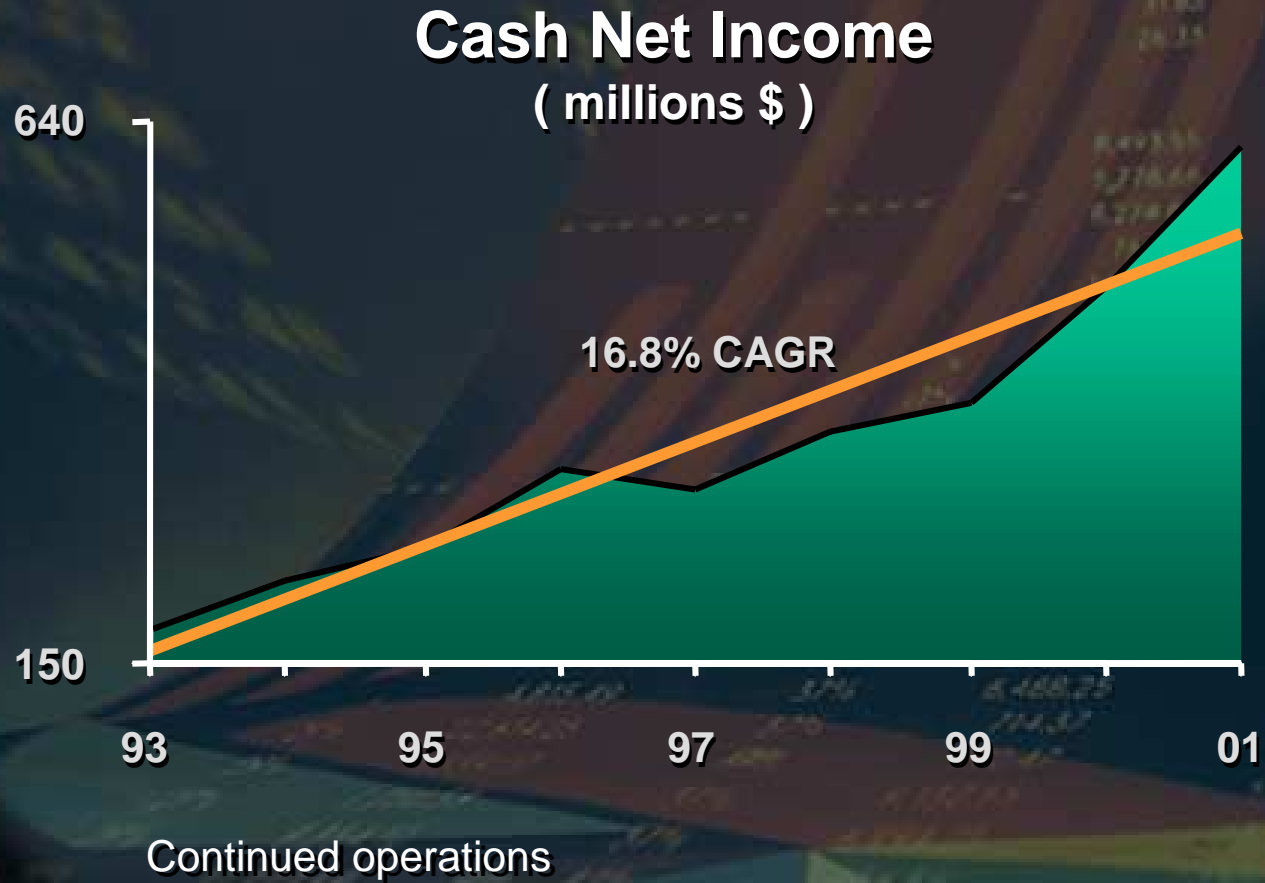
- Eye on the region
- Barriers of entry reward established players like National
- Consider our results...



From 1993 to 2001:

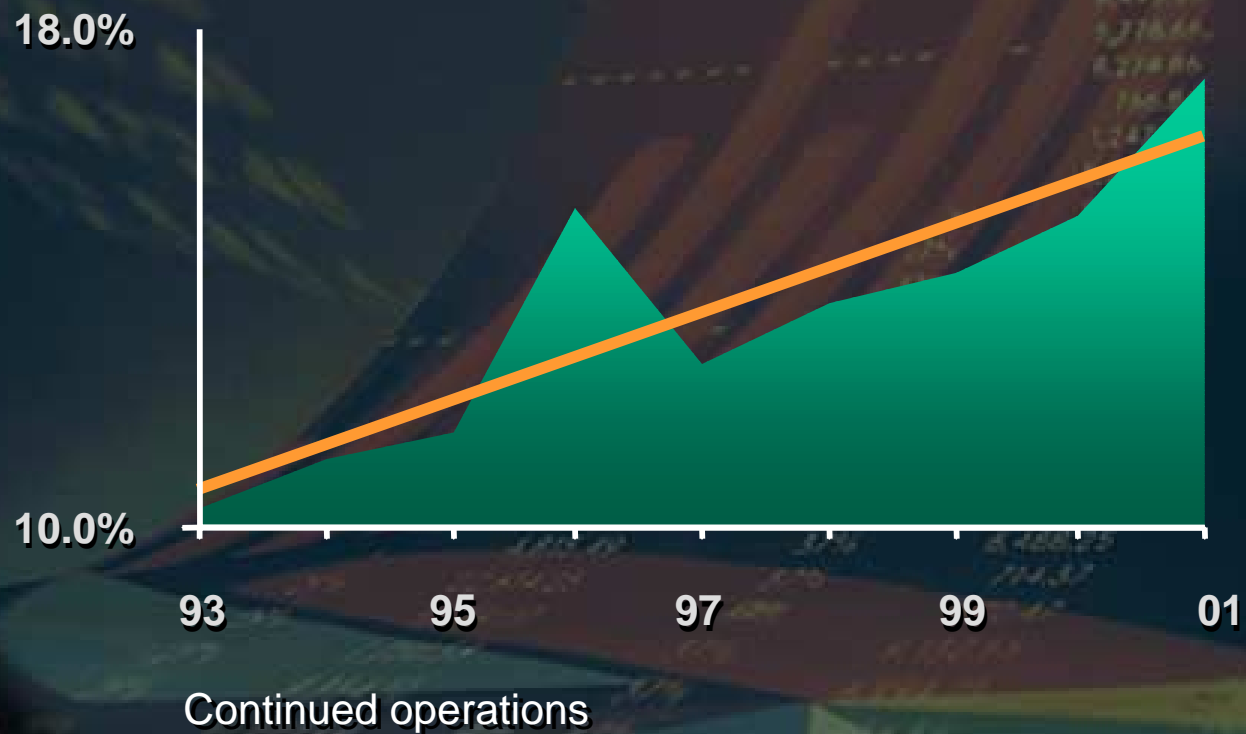


From 1993 to 2001:



From 1993 to 2001:

Cash ROE



Moving forward

Focus

Quality

**National Bank's
Super Regional
Model**

**Regional
Dominance**

**Economies
of scope**

Capitalization

Alliances



Success Factor #1

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Dropping low performers Picking up new high performers

Dropping low performers:

- Sale of US Asset-based lending operations
 - 6% premium on assets
- Sale of Merchant-card business
 - \$76 M profit

Picking new high performers:

- Additional \$2B in new business through
 - BMO branch acquisition
 - Placements Valorem acquisition



Investing in sectors where our skills give us advantage

Wealth Management:

- Market growing 10%/year

#1 in Quebec

- Dominant retail broker
- Dominant banking network
- High performance mutual funds
- Innovative products



Improved marketing approach

\$45M in profit

Skilled sales managers

Improved sales technology

Single team

Integrated network



Continue cross-Canada expansion

+50%

I.A.



A bar chart with 12 bars of varying heights, all colored in a light blue/grey. The bars are arranged in a descending order from left to right. To the right of each bar is a numerical value and a percentage. The values are: 8,495.55, 5,776.66, 6,274.84, 766.84, 1,247.74, 6,233.60, 8,143.93, 7,399.18, 1,408.19, 4,923.03, 1,147.19, and 1,147.19. The percentages are all 13%.

Value	Percentage
8,495.55	13%
5,776.66	13%
6,274.84	13%
766.84	13%
1,247.74	13%
6,233.60	13%
8,143.93	13%
7,399.18	13%
1,408.19	13%
4,923.03	13%
1,147.19	13%
1,147.19	13%

Capital Markets

- Increase in market share:
 - Equity derivatives, block trading, fixed income securities
- Boutique approach
- Targeting mid-market



Success Factor #2

Focus

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Customer satisfaction has risen

- Dalbar survey rank NBDB #1 in customer service
- Commercial credit review processes streamlined
- Longer retail banking hours
- Quick approval to new technology investments
- Customer satisfaction taken into account come bonus time



Success Factor #3

Focus

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Quebec dominance

National Bank share of banking in Quebec

	Quebec market % of Banks
Personal deposits	33%
Personal loans ⁽¹⁾	30%
SME deposits	38%
SME loans	40%

(1) Includes mortgage loans and credit cards



Our objective

Making life harder
for competition by
making life easier
for our customers



Success Factor #4

Focus

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Economies
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Building on a broad base

- **Strong position in several markets makes cross-selling-promotion of product lines easier**
- **Immediate goal:**
 - **Sell to 2.2 M individual and 110,000 business clients**
 - **Ideal E-commerce target audience**



Success Factor #5

Focus

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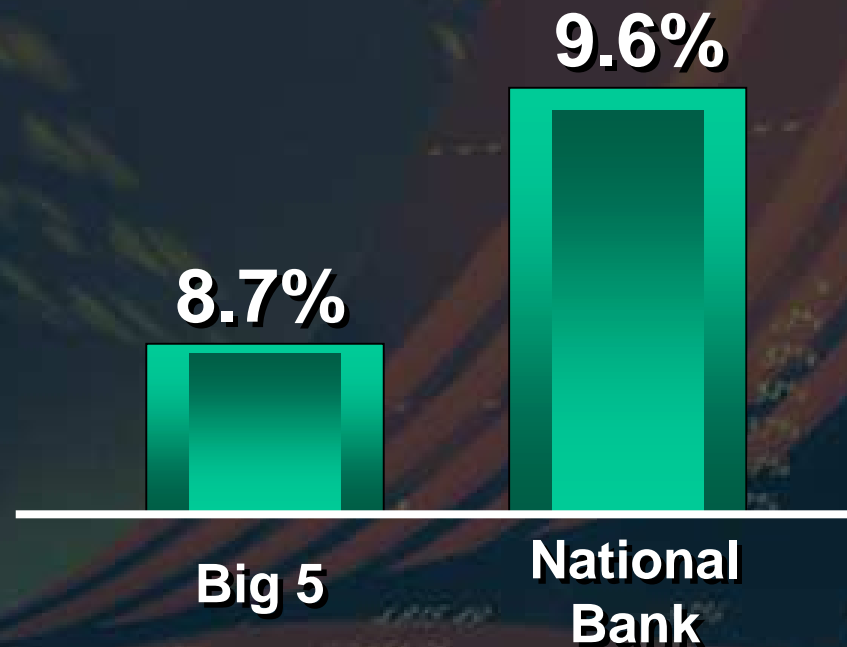
Economies
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Best Tier One capital ratio



Big 5 refers to TD Bank, Royal Bank, CIBC, Bank of Montreal and Scotia Bank



Better position to grow

- Customer base
- Balance sheet
- Return to shareholders



Success Factor #6

Focus

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Reasons for alliances

- Alliances:
 - Efficiency
 - Growth

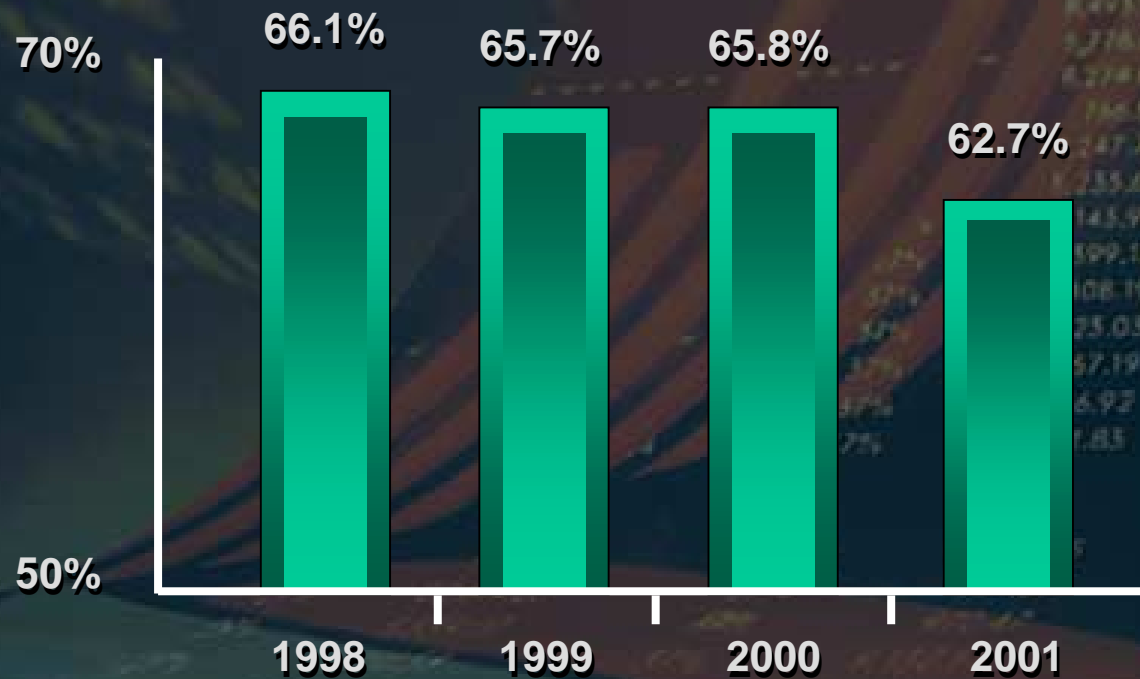


Increase efficiency

- **Renegotiation of \$200 M contracts in IT**
 - IBM
 - Bell
 - Cognicase
- **Expertise**
- **Economies of scale**
- **Cost control**



Our lowest expense ratio



Growth

- **Alliances with:**
 - Assante
 - Fidelity co-branded mutual funds
 - Canada Pension Plan
- **Cover entire spectrum**



#1 Bank

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Strategic vision: #1 in Québec

