



# Agreement with PNC Financial Services Group

Montreal, November 15, 2001



# Executive Summary

- Sale of the National Bank of Canada's U.S. Commercial Lending Business to PNC Financial Services Group, a \$1.6 billion in loans outstanding portfolio
  - ▶ NBC and PNC will collaborate to liquidate the discontinued portfolio of \$550 million
- PNC will buy all 18 regional offices, excluding the New York head office
- PNC intends to retain 80-100 employees
- With this transaction, National Bank is exiting the US secured-based lending market
- The closing date is expected to be January, 2002 subject to regulatory approval in the U.S.

**Note: All figures are in US\$.**

# Reasons for Sale



- NBC's effort to focus resources and attention on its core activities:
  - ▶ Retail Banking
  - ▶ Wealth Management
  - ▶ Commercial lending

} In Canada
- Portfolio not meeting financial objectives
- Changing economic marketplace
  - ▶ Large specialists
  - ▶ Focused super regional full service banks
- Limited offering of banking services that reduces cross-selling opportunities
- Increasing difficulty of generating direct loans as NBC does not benefit from referrals from a retail network



# Highlights of the Existing Portfolio

- \$2.2 billion in loans outstanding as at September 30, 2001
- 66% in traditional secured-based lending as at July 31, 2001
- 363 customers
- Diversified loan portfolio (client, geography & industry)

- Head office in New York, 113 employees
- 18 regional offices, 107 employees



# 2001 Financial Highlights of US Portfolio

- Erosion of portfolio as payouts outpaced originations given credit conditions
- Increased loan losses
- Net income impact of - \$0.15 a share

The profitability of U.S. Commercial Lending Business deteriorated markedly in 2001. Loan losses were the main contributor. Given the prevailing credit environment and projected economic conditions, we forecasted break-even for next year, at best.



# Why chose PNC?

- Best overall consideration and fit
  - ▶ HR retention
  - ▶ Business continuity
  - ▶ Experienced, diversified financial organization
  - ▶ Provides broad range of services for our client base



# Servicing the Cross-Border Portfolio

- The cross-border portfolio serviced by North American Corporate Banking (NACB) has been excluded from the transaction.
- The non-competition clause will allow NBC to maintain non secured-based lending activities to corporate client



# Remaining U.S. Operations



Treasury, NACB and National Bank Financial will unite in a common effort to continue operating efficiently in the U.S.:

- ▶ Treasury: funding
- ▶ NBF: sales office
- ▶ NACB: cross-border loans, deposit-taking
- ▶ 2 Florida Natbank branches



# NATIONAL BANK OF CANADA

