

National Bank of Canada

Investor Presentation Q4 2001 and Year End Results Conference Call December 6th, 2001

www.nbc.ca/investorrelations



2001: Strong performance despite recent slow economic environment

Year end facts:

- ✓ **Solid and diversified banking model:**
 - ✓ **Cash ROE 16%**
 - ✓ **17.2% cash continued operations**
- ✓ **Stable and profitable Retail banking growth**
- ✓ **Financial Markets: high level of profit reflects excellent positioning**
- ✓ **Core capital ratio further improved to 9.6%**
- ✓ **Operational expenses flat year/year**
- ✓ **Annual performance objectives met in entirety**

Quarterly highlights:

- ✓ **Announced sale of US Commercial portfolio**
- ✓ **Closing of GPS transaction**



Delivering on growth strategy

Strategic focus

YTD 2001

Objective 1:
Growth in income before goodwill charges + 10%/year

10%

Objective 2:
**Return on common shareholders' equity
before goodwill charges between 15.5% - 17.5%**

16%

Objective 3:
Expense ratio at 60% in 2003

(1) Continued operations and excluding the gain on sale of Merchant Card services business in Q4 2001

62.7% ⁽¹⁾

Objective 4:
Tier 1 capital ratio between 7.75% - 8.50%

9.6%



Key yearly figures

Continued operations

(Millions \$)
Cash Basis

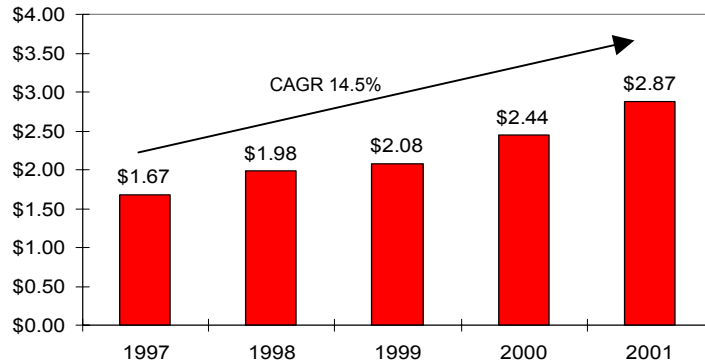
	<u>2001</u>	<u>2000</u>	<u>Evolution</u>
Revenues from continued operations (TEB)	\$3,171	\$3,036	4.4%
Non recurring items	<u>\$76</u>	<u>\$136</u>	
Total revenues (TEB)	\$3,247	\$3,172	2.4%
Net income	\$627	\$499	25.7%
Net income excluding non recurring items	\$580	\$490	18.4%
EPS	\$3.11	\$2.49	24.9%
EPS excluding non recurring items	\$2.87	\$2.44	17.6%
ROE	17.2%	15.0%	
ROE excluding non recurring items	15.9%	14.7%	
Expense ratio excluding non recurring items	62.7%	65.8%	



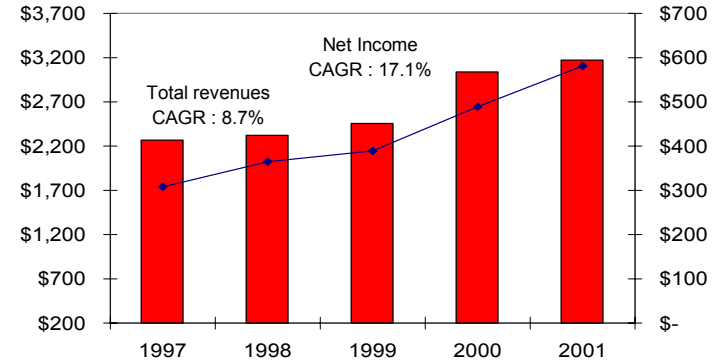
Strong fundamentals

Continued operations, cash basis

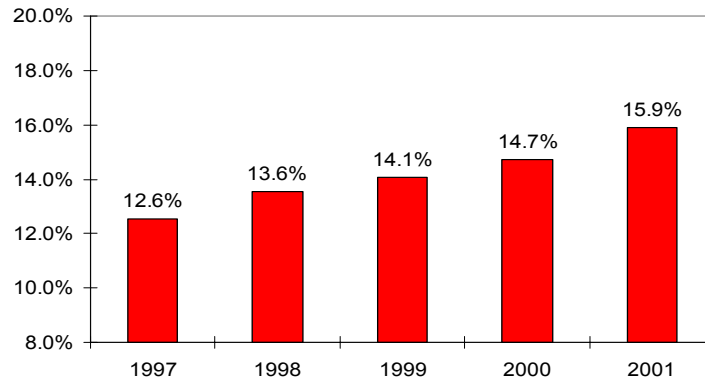
Earnings per Share



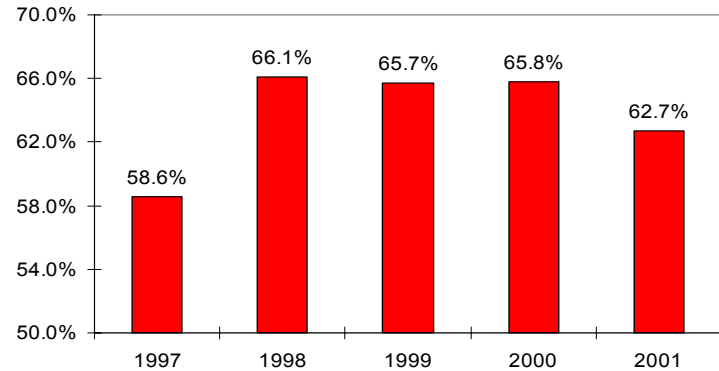
Total Revenues and Net Income (Millions \$)



ROE



Expense Ratio

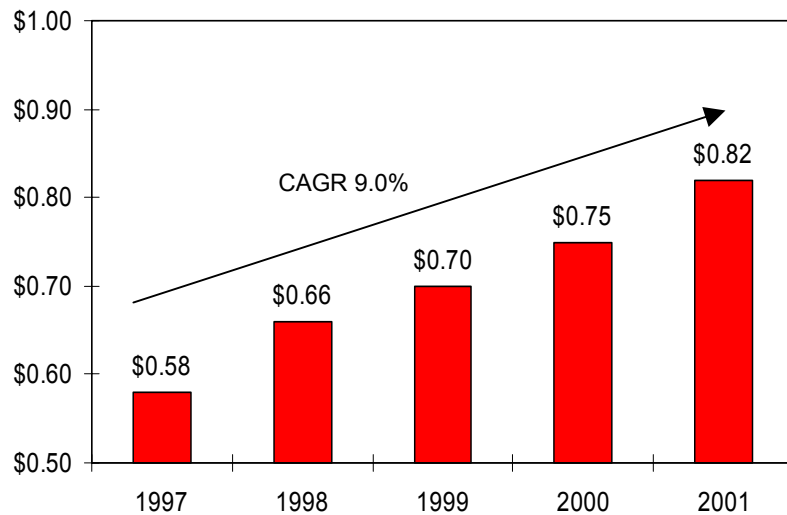


Excluding the gain on sale of Merchant Card services business in 2001 and the gain on sale of SIBN and charges to operating expenses in 2000

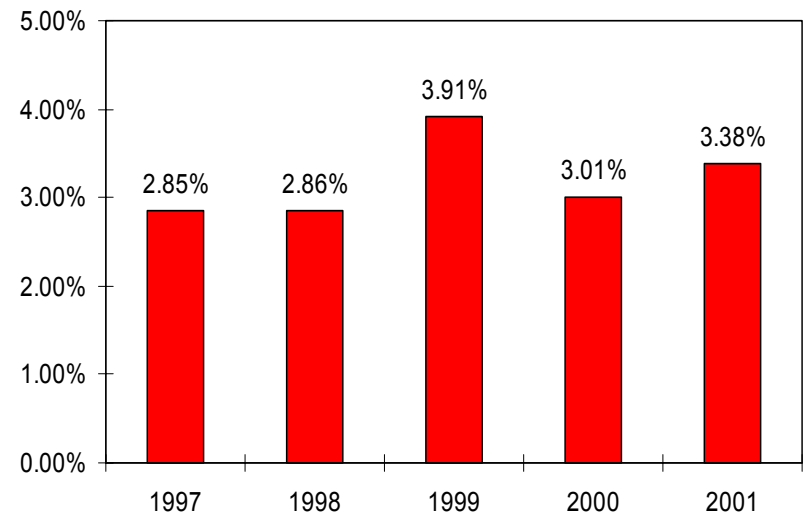


Common share dividend

Per common share dividend



Dividend Yield



*Yield calculation:
closing price/trailing four quarters EPS*



Key quarterly figures

Continued operations - Cash Basis

(Millions \$)

	<u>Q4 01</u>	<u>Q3 01</u>	<u>Q4 00</u>	<u>Evolution</u>	
				<u>Q4 vs Q3 01</u>	<u>Q4 vs Q4 00</u>
Revenues from continued operations (TEB)	\$799	\$812	\$760	-1.6%	5.1%
Non recurring items	\$76	-	-		
Total revenues (TEB)	\$875	\$812	\$760	7.8%	15.1%
Net income	\$163	\$174	\$132	-6.3%	23.5%
EPS	\$0.81	\$0.86	\$0.65	-5.8%	24.6%
ROE	17.2%	18.8%	14.9%		
Expense Ratio (1)	63.3%	61.9%	64.5%		

Taking into consideration non-recurring items, net income would be \$116 M, EPS \$0.56, and ROE 11.9%

(1) Excluding the gain on sale of Merchant Card services business in 2001

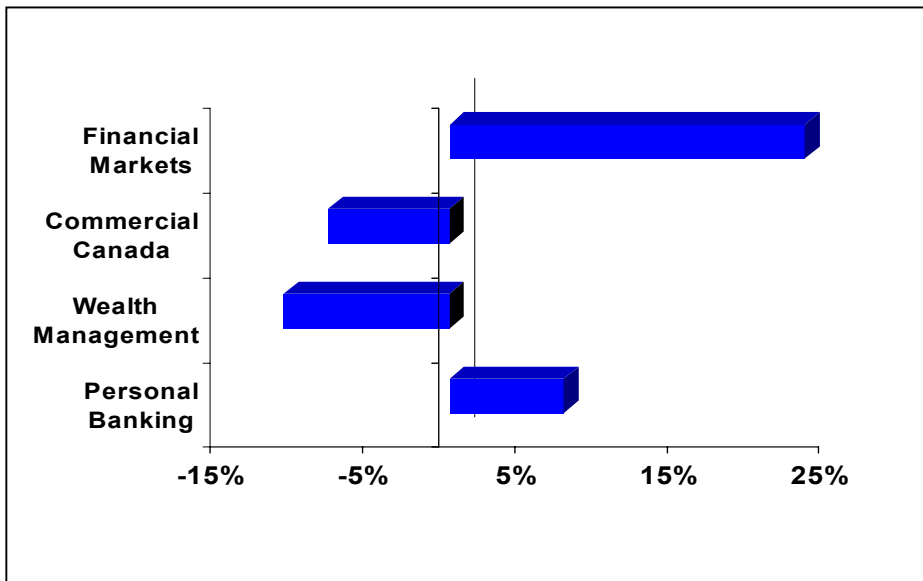


Earnings growth

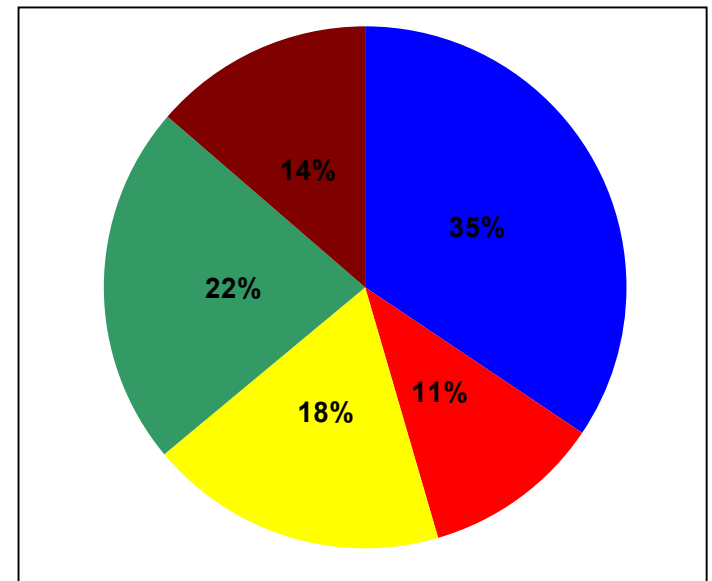
Continued operations - Cash Basis

For year ending October 31st, 2001

Earnings growth 2001/2000



Composition of earnings contribution

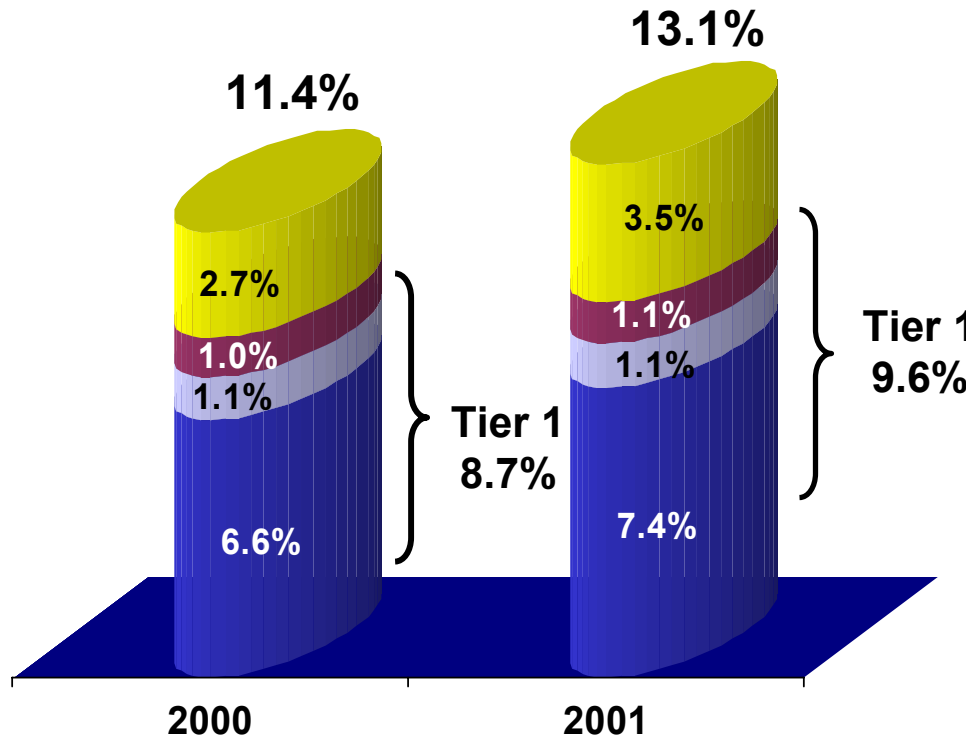


- Personal Banking
- Wealth Management
- Commercial
- Financial Markets
- Corporate Banking



Continued capital discipline

As at October 31



- Securitization of \$980 M of indirect loans
- Securitization of \$50 M of credit cards
- Redemption of Series 10 preferred shares

■ Tangible equity ■ Non-cum. Pref. shares ■ Innovative instruments ■ Tier 2

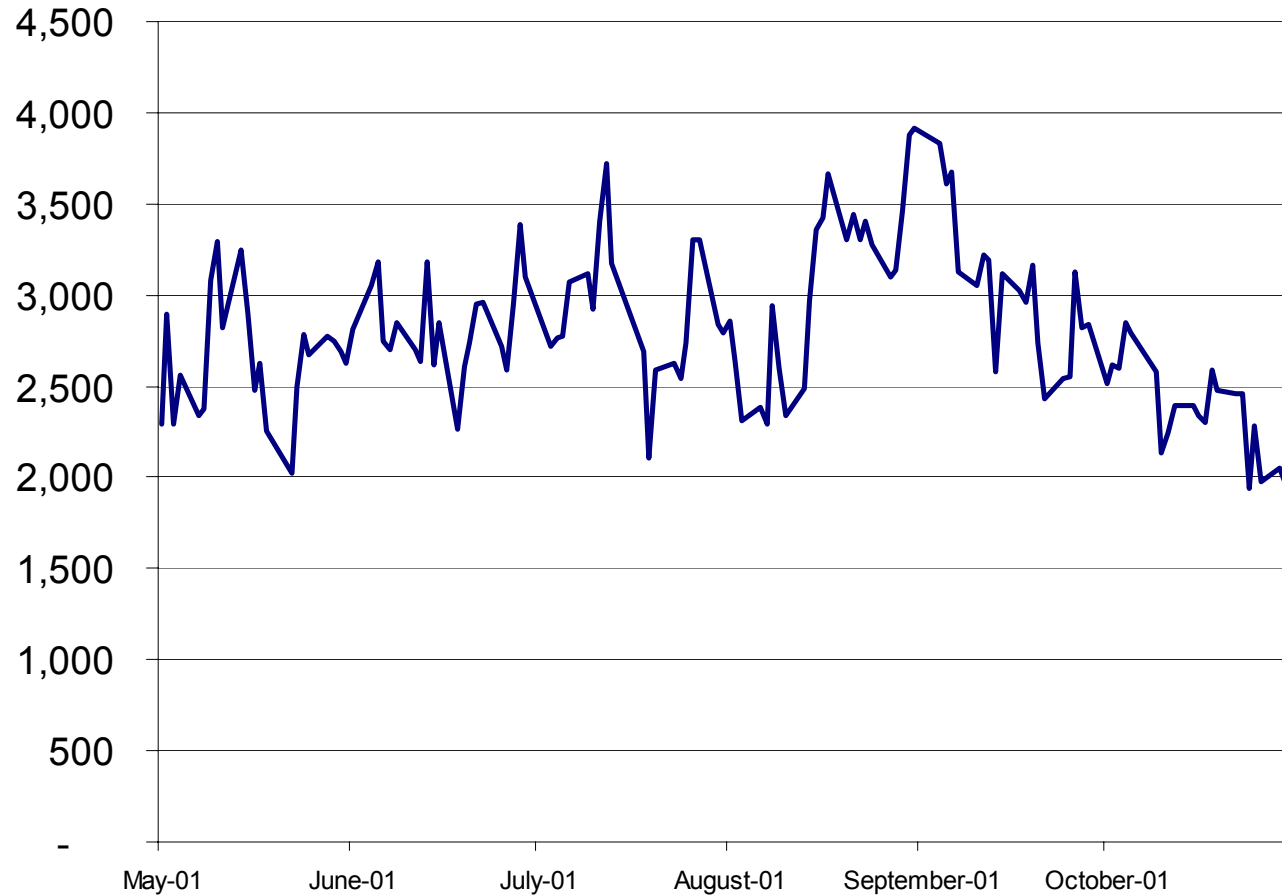


Value at Risk

Daily VaR - Global Trading - YTD - in CAD\$

(Maximum 1-day loss at 99%)

THOUSANDS



Strategic efforts paying off

- ✓ **Focus**
 - ✓ **Realignment of core activities to exit non profitable business lines**

- ✓ **Focus**
 - ✓ **High-Touch branch approach**

- ✓ **Focus**
 - ✓ **3rd party development of traditional networks**

- ✓ **Focus**
 - ✓ **Increase volume of Internet banking usage**

- ✓ **Accomplishment**
 - ✓ **Closing of GPS transaction**

- ✓ **Accomplishment**
 - ✓ **Branch refocus on quality of client and advisory services**

- ✓ **Accomplishment**
 - ✓ **Delivery of 2 virtual banks: Assante and Promutuel**

- ✓ **Accomplishment**
 - ✓ **Investment on infrastructure and effort on promotion tallys up over 1 million transactions**

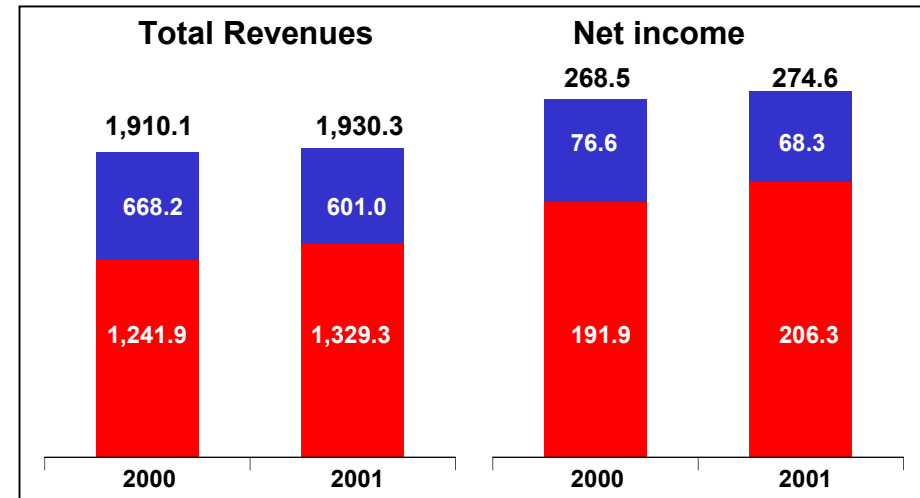
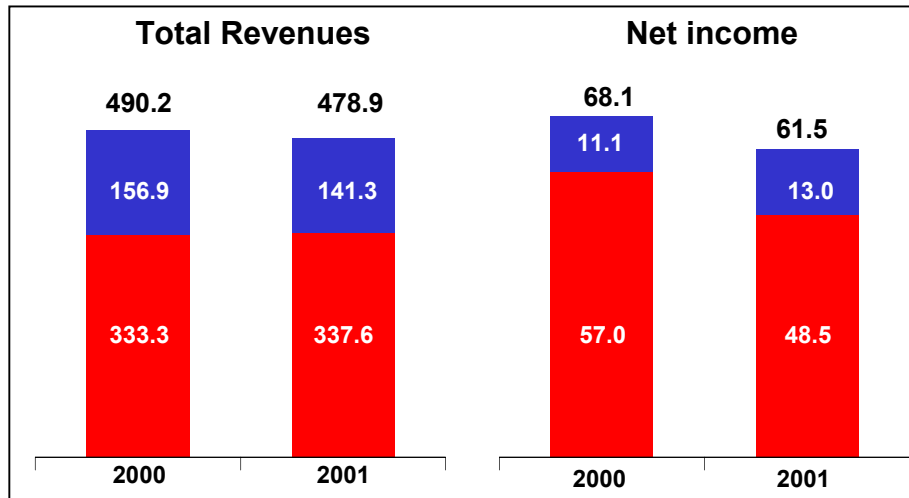


Financial Performance

*For the period ending October 31
in millions of dollars*

Fourth Quarter

Fiscal Year



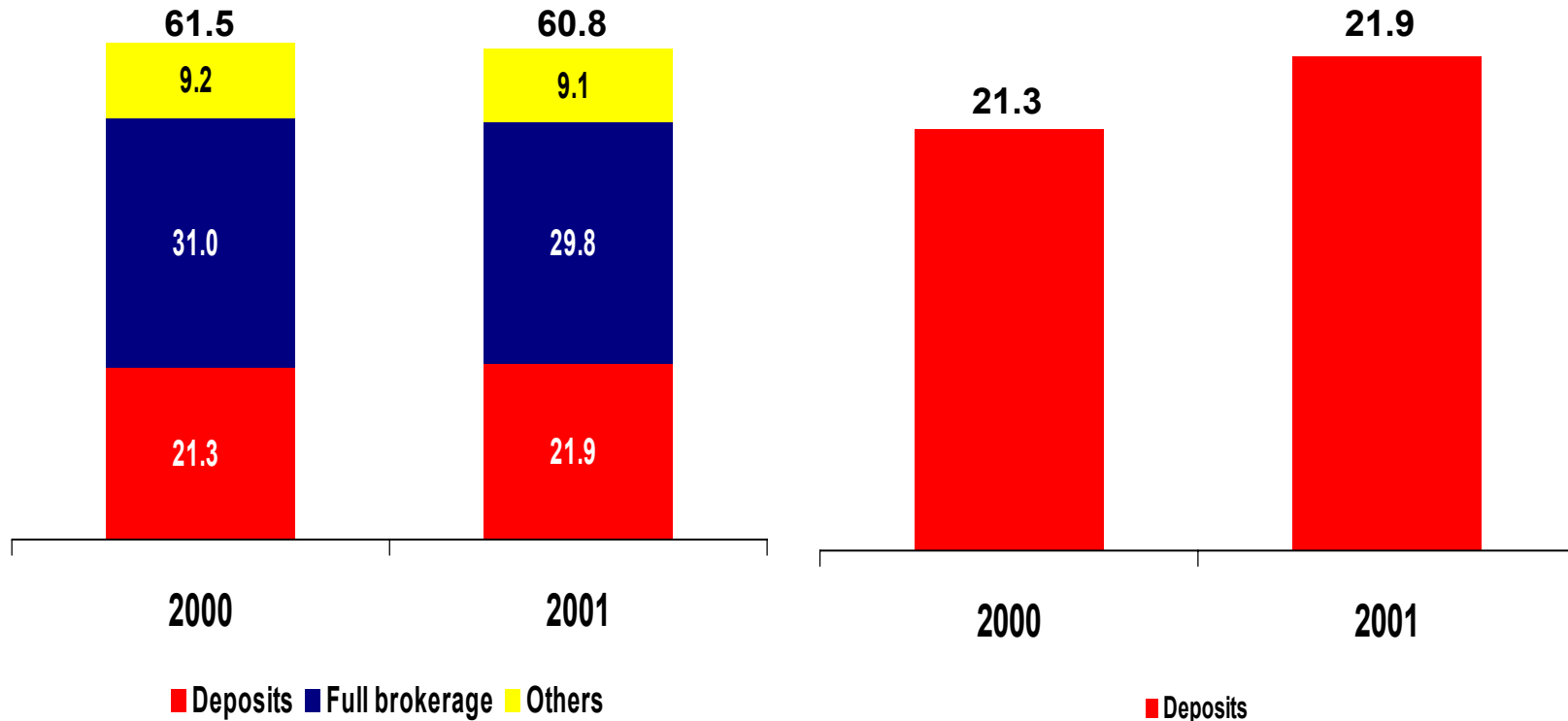
■ Personal Banking ■ Wealth Management

- ✓ **Stable and consistent income stream from Retail banking and slowdown in Retail brokerage activities**
- ✓ **Costs monitored and controlled year/year**
- ✓ **Higher provisioning levels, but overall credit quality remains strong**
- ✓ **Improved margins, +21bps Y/Y and +21bps Q/Q**



Asset under management growth

As at October 31, 2001
in billions of dollars



Others include Mutual Funds, Discount Brokerage and Trust Services



Specialized Sales Force dynamism

- ✓ **Objectives**
 - ✓ **Create unit responsible for distribution of Wealth Management products and services**

- ✓ **Key strategy**
 - ✓ **Leverage current sales force and realign resources towards client centric structure**

- ✓ **Actions taken**
 - ✓ **Geographically group together Financial Planners and Personal Bankers in order to achieve multidisciplinary teams and increase efficiency**

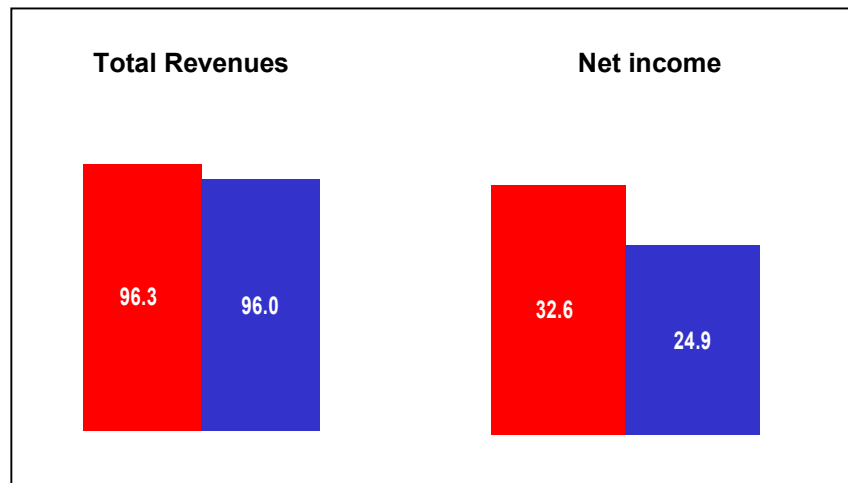
- ✓ **Implementation**
 - ✓ **Ensure necessary training and access to technological tools as deployment blends into network**



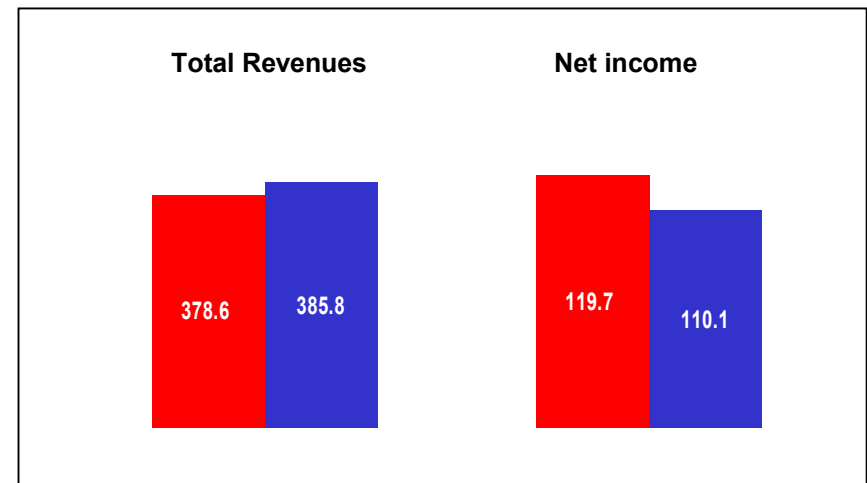
Financial Performance

*For the period ending October 31
in millions of dollars*

Fourth Quarter



Fiscal Year



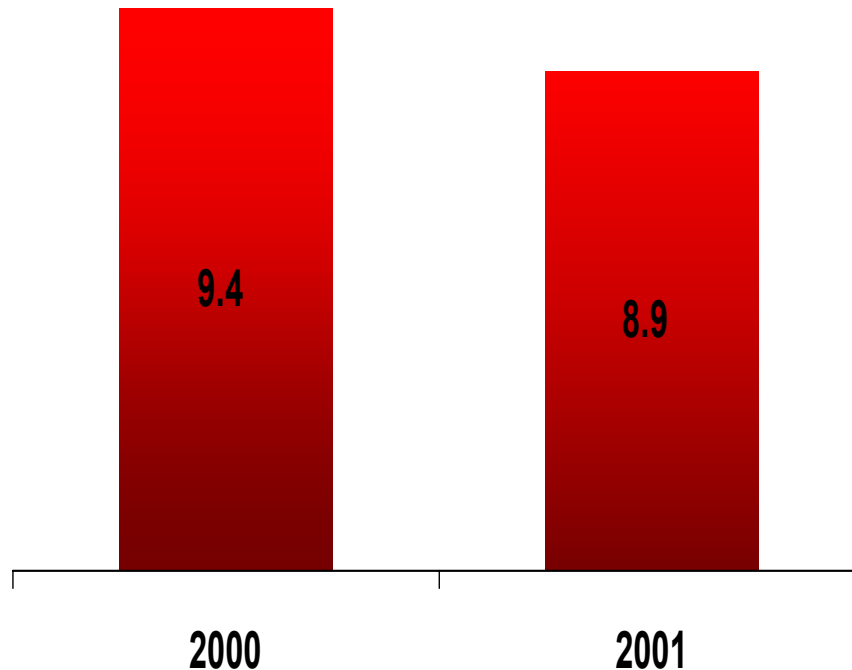
■ 2000 ■ 2001

- ✓ **Performance mainly affected by economic slowdown and higher provisioning levels**
- ✓ **Due to improved margins of +20 bps Y/Y and +16 bps Q/Q, a 4.8% increase in net interest was recorded, despite a slowdown in volume**



Loans and BA's

As at October 31
in billions \$



- Steady Quebec market share
- In quarter, renewed activity in oil sector
- Continued efforts on pricing and fees



Sale of US Commercial lending portfolio

Expected to close in Q1 02

- ✓ **Summary of transaction:**
 - ✓ **Sale of US Commercial Lending business to PNC Financial Services Group, a US \$1.6 billion in loans outstanding**
 - ✓ **National Bank and PNC will collaborate to liquidate the discontinued portfolio of US \$550 million**

- ✓ **Reasons for sale:**
 - ✓ **Changing economic landscape: depressed margins and a more competitive marketplace**
 - ✓ **Cost of funding in wholesale market**
 - ✓ **Risk reward ratio not in line with our actual performance objectives**

- ✓ **Possible gain:**
 - ✓ **Expected between CDN \$115 to CDN \$130 million before taxes (TEB)**
 - ✓ **Before any release of general allowance allocated to the US portfolio**



Satisfactory performance despite volatile environment

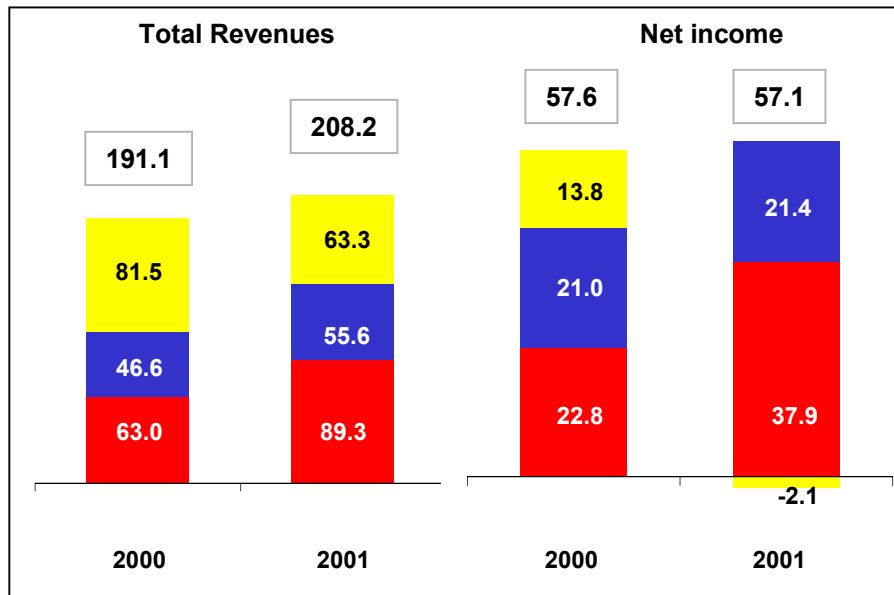
- ✓ Sharp market movement (rate and equity)
- ✓ Lower capital market activity
- ✓ Fair demand for corporate finance services



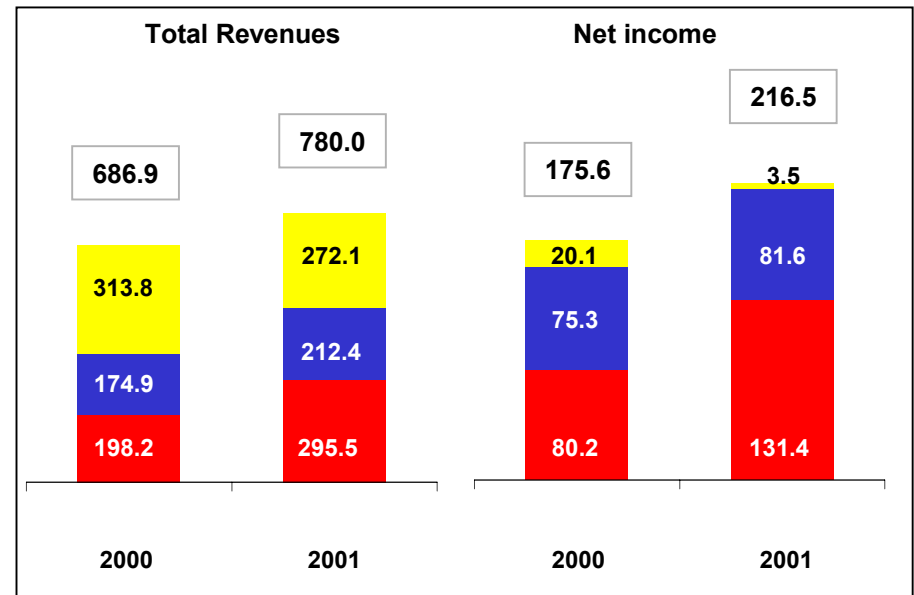
Financial Performance

For the period ending October 31
in millions of dollars

Fourth Quarter



Fiscal Year



Treasury Corporate Banking NBF Wholesale

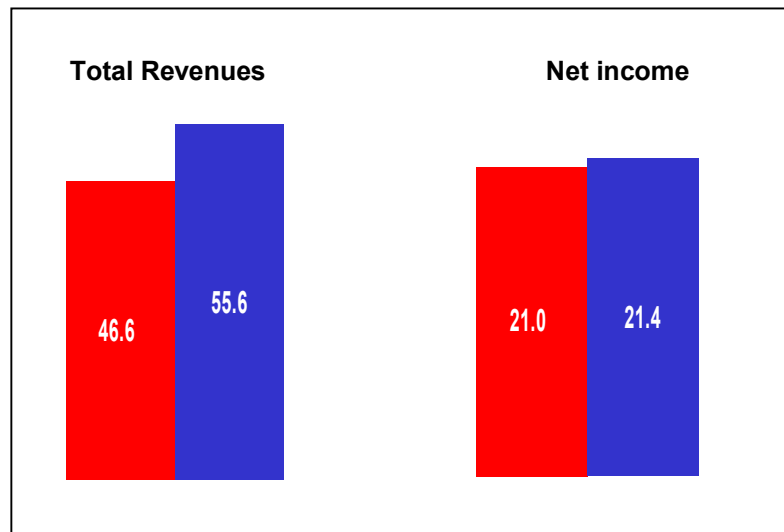
- ✓ Increase of 9.0% in total revenue Y/Y and 13.5% Q/Q
- ✓ Net income increase of 23% this year, stable in Q4
- ✓ Y/Y expense ratio improving, moving from 53.6% in 2000 to 49.6% in 2001



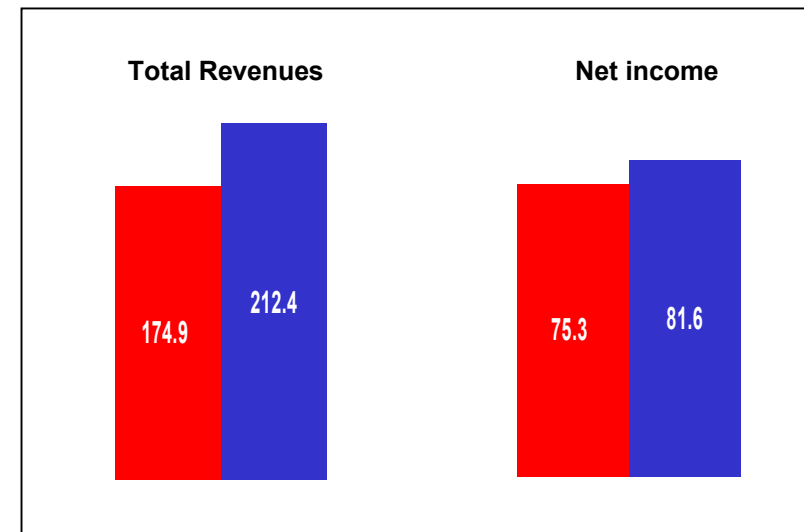
Corporate Banking achievements

For the period ending October 31
in millions of dollars

Fourth Quarter



Fiscal Year



2000

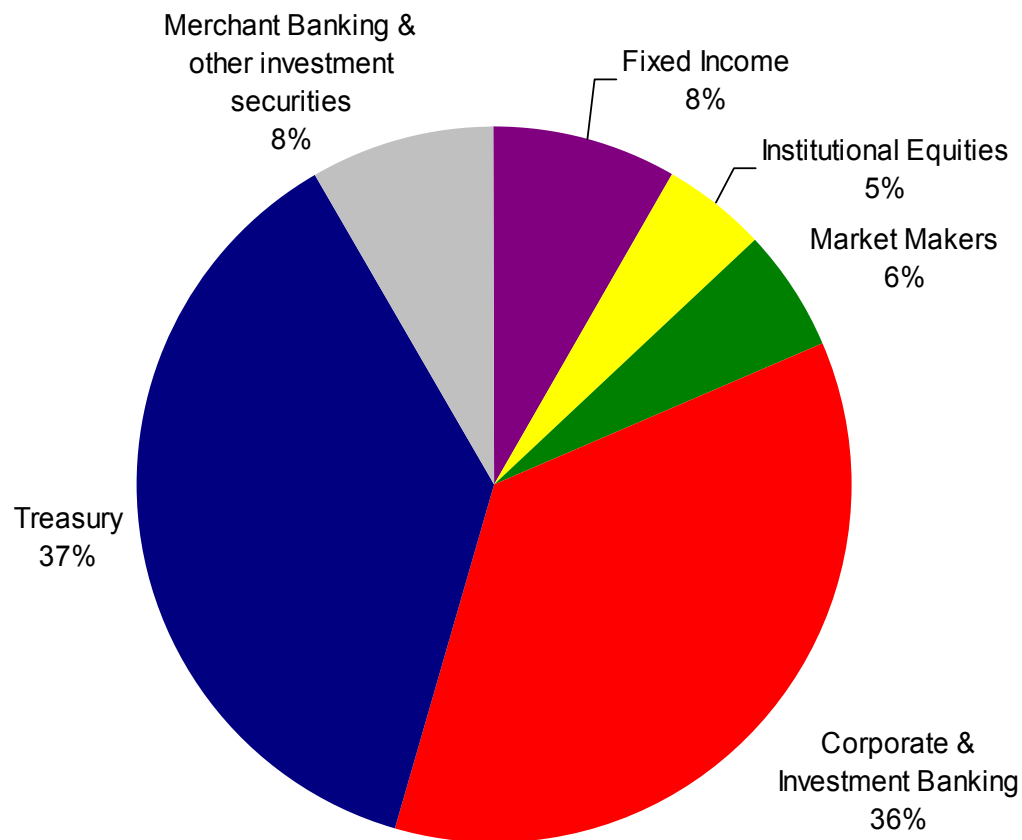
2001

- ✓ 8% increase in volume
- ✓ Margins steady at +3bps Y/Y
- ✓ 21% increase of total revenues
- ✓ 8% increase in net income, despite increase in expected loans losses



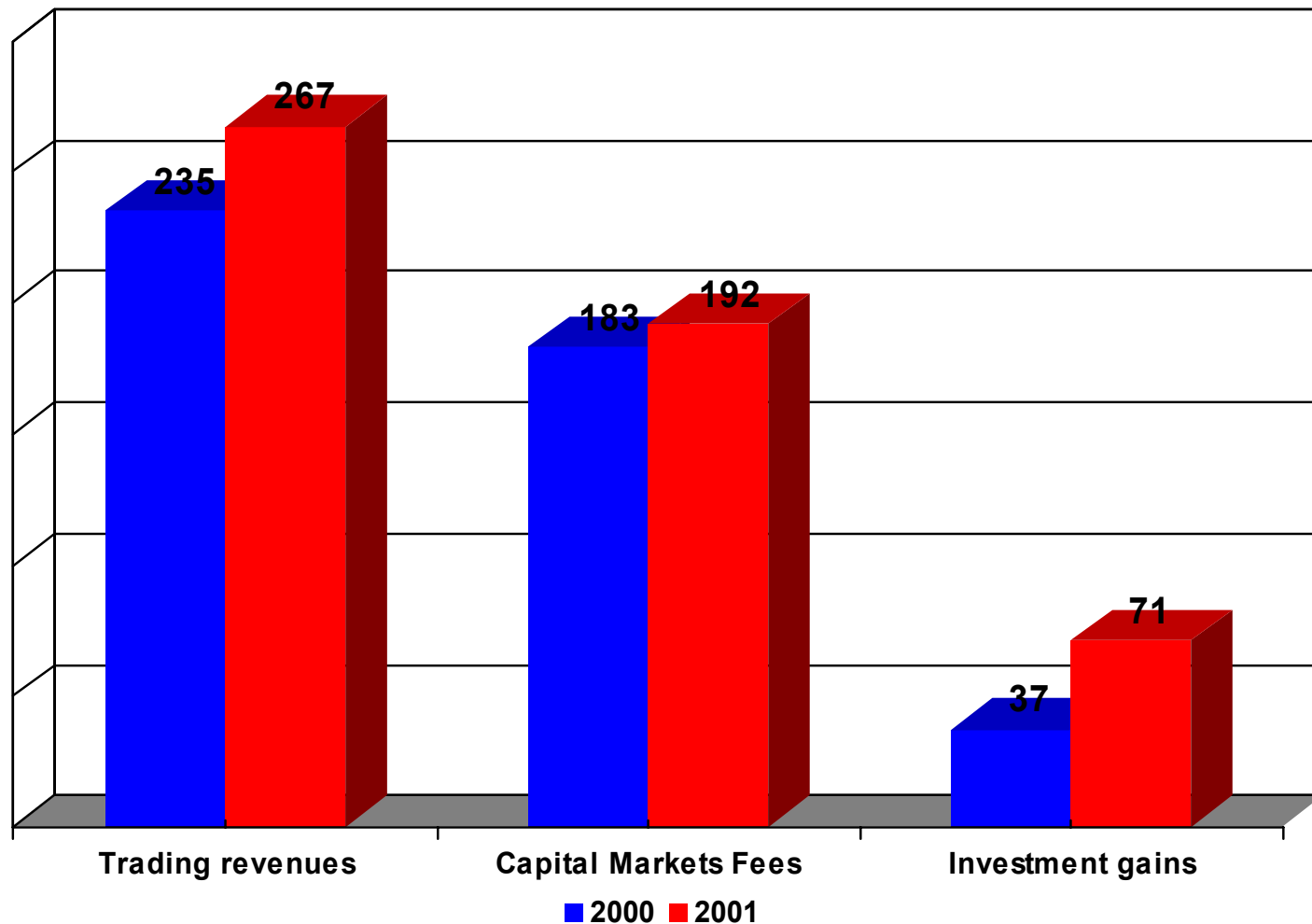
Composition of revenue

As at October 31, 2001



Revenue consistency

in millions of dollars



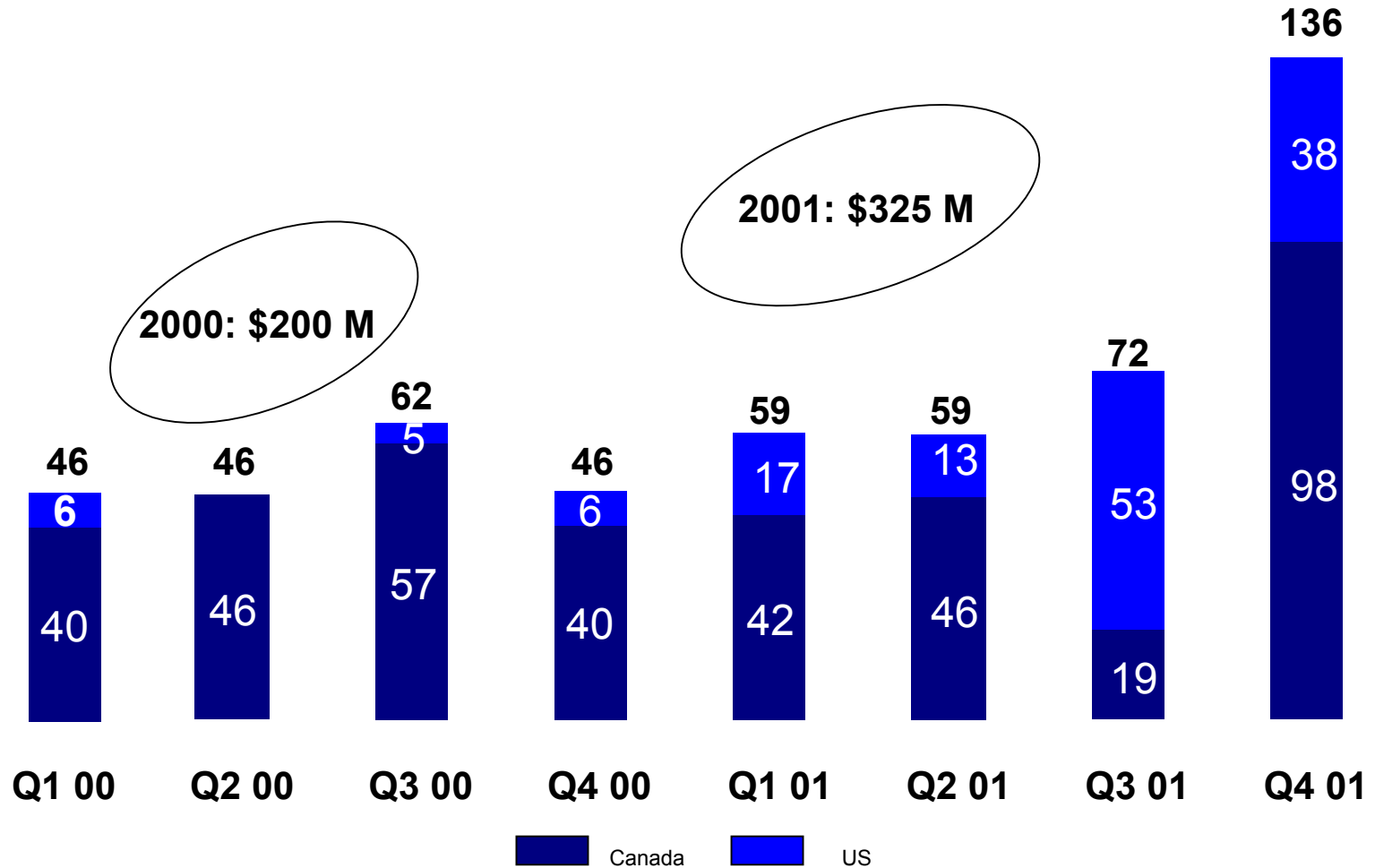
Enhancing credit management capabilities

- ✓ **Extending credit rating scale to improve risk adjusted pricing**
- ✓ **Exposure limited in volatile industry sectors**
- ✓ **Close monitoring of portfolio segmentation**



Higher Q4 01 credit losses

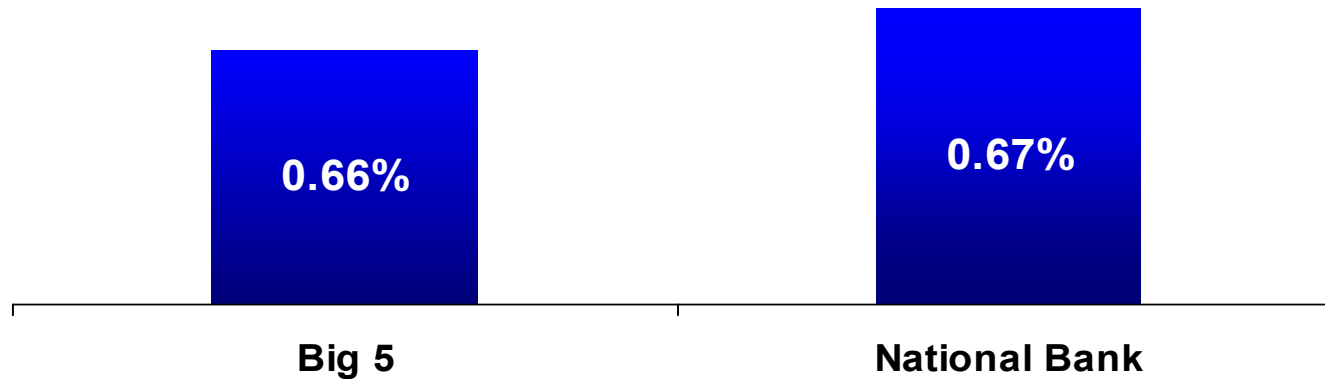
in millions of dollars



Level of provisioning for credit losses

Including discontinued operations

% of Loan losses as a % of loans and BA'S



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



Net impaired loans

Millions \$

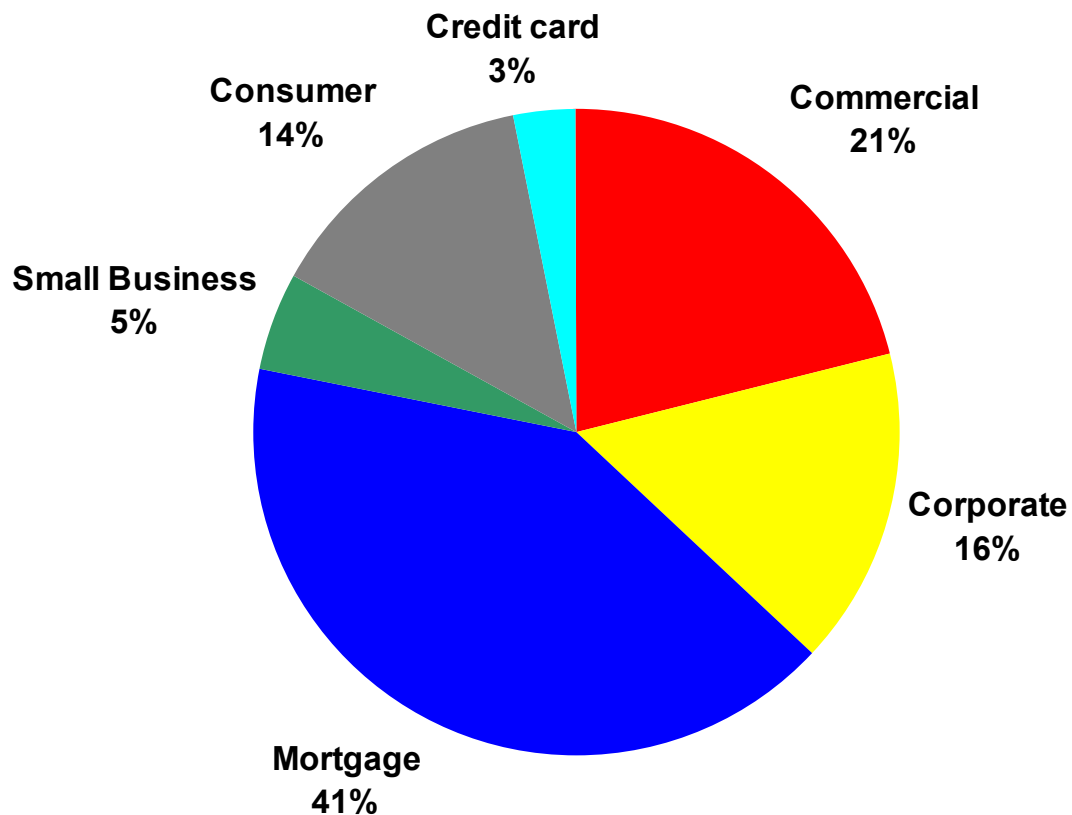
	Q4 01	Q3 01	Q4 00
Gross impaired loans	\$932	\$947	\$957
<u>Net impaired loans</u>			
Individuals and small business	211	201	194
Commercial Canada	211	178	233
Corporate	15	23	23
Real Estate	32	50	38
Discontinued operations	117	125	52
Treasury	2	3	3
Other	3	1	1
Sub-total	591	581	544
General allowance for credit risk	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>
Total - Net impaired loans	91	81	44
Net impaired loans as a % Loans and BA's	0.19%	0.17%	0.10%



Diverse portfolio composition

Continued operations

Total Loans and BAs*
As at October 31, 2001

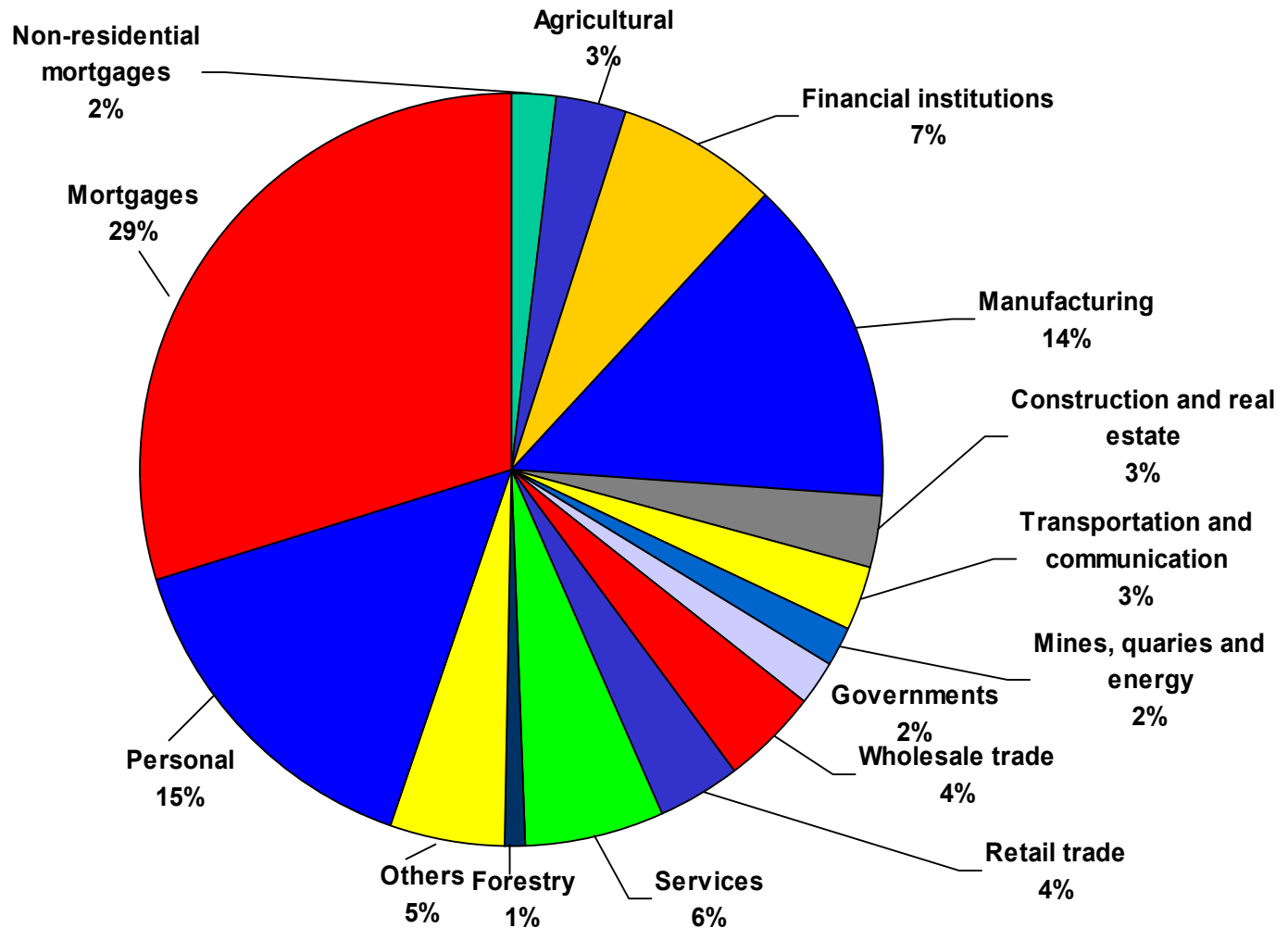


* Adjusted for Securitization



Business portfolio diversification

as at September 30 2001, excluding Repo 's



Industry exposure

*Loans and BAs as at October 31st, 2001
(in millions \$)*

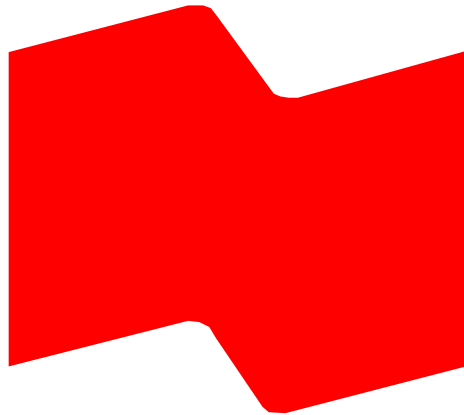
	Total Loans	% of Total Loans & BAs
Telecommunication and Cable	571	1.19%
Aerospace	419	0.87%
Insurance	56	0.12%
Automotive parts & accessories	419	0.87%
Hotel/Touring	112	0.23%



Well positioned for 2002

- ✓ ***Weathering the economic storm...***
 - ✓ **High capital and general reserve levels**
 - ✓ **Concentrating on productivity improvements**
 - ✓ **Solid risk management**
 - ✓ **Benefiting from focused activities**





NATIONAL BANK OF CANADA

This presentation may contain certain forward looking statements about the operations, objectives and strategies of the National Bank of Canada. Such statements are subject to risk and uncertainties. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change and economic conditions in Canada, North America or internationally. These and other factors should be considered carefully and readers should not place undue reliance on National Bank of Canada 's forward-looking statements.

Question and Answer Session

Please address any inquiries to:

Investor Relations: 514.394.6061

Public Relations: 514.394.6991

