



2003 Social Responsibility Report





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Continually renewing our commitment



National Bank of Canada exists for the people and communities it is privileged to serve. Our primary mission is to provide individuals and companies with financial services tailored to their needs. But beyond this mission, beyond the money and the numbers, we put our heart into everything we do.

We also have a team of 17,000 employees, who are committed to serving their customers every day, inspired by the following core values:

- attentiveness, consideration and compassion
- respect for differences
- continuous improvement
- excellence and a desire to excel
- transparency and stringent compliance with laws and regulations

Our role goes beyond that of an effective financial intermediary and leading player in economic development. We also have a responsibility to contribute to social cohesion, which is fundamental to enhancing personal and collective well-being and to achieving economic progress.

Social cohesion can only be maintained when individuals have access to high-quality education that enables them to build skills and competencies. For this reason, we have long supported numerous teaching institutions and we facilitate access to adequate funding to ensure that students of all ages can return to school or pursue higher education. We also encourage our employees to take university courses by awarding scholarships to those who achieve outstanding results.

Since the quality of health care is of critical importance to the harmonious development of a society, we support hospitals in their fundraising efforts, as well as medical research and organizations that promote healthy living. In 2003, 50% of our donations were made to education or health care organizations.

Community organizations cannot rely on corporate monetary donations alone to meet all their needs: volunteers are often essential to their survival. The work our employees do on behalf of community organizations throughout the country deserves to be recognized. For many years, our employees have given freely of their time and expertise, serving on the boards of various organizations and helping set up activities to raise awareness and provide support. In addition, they have organized numerous benefit events, along with fundraising activities at their branches. In 2003, they raised a total of \$2.5 million for local community groups.

Access to employment is also vital to social cohesion. Here, the Bank plays a leading role, ranking 7th among Quebec's largest employers and 38th in Canada. We have set ourselves the goal of attracting, developing and retaining the best people. We regularly consult our employees to ensure we offer them programs that foster their personal growth and meet their expectations.

Since accepting differences is essential to creating a harmonious society, we view respect for diversity as a core value and strive to reflect our customers' diverse backgrounds in our staffing. We have introduced measures to ensure the success of this initiative.

We make life easier for both employees and customers with physical disabilities by adapting our offices and services so that they are accessible and more user-friendly. We also encourage the social integration of all cultural groups, and our community involvement mirrors our desire to provide them with equal opportunities to succeed.

Continuously improving customer service is another of our top priorities. We have invested considerable energy to ensure that the client is the first concern for each of our employees, and we strive to finetune the products and services we offer to ensure they keep pace with our customers' evolving needs.

Thousands of Canadians are National Bank shareholders, either directly or through various pension plans and mutual funds that invest in our shares. We respect the commitments we have made to them by demonstrating transparency and rigour in the way we do business, two enduring and important values. We firmly believe it is in the best interest of our customers, our employees, our shareholders and all of our partners to have solid, effective corporate governance standards in place and to ensure they are scrupulously respected.

In 2003, the National Bank's contribution to the Quebec economy was recognized by academic and business circles in a special edition of the business magazine *Les Affaires*. The Bank was among 10 Quebec companies honoured for their outstanding contribution to the economic development of the province in the past 75 years. This achievement is the result of our continually renewed commitment to better serve the needs of our customers and the communities where we do business. Above all, it recognizes the daily efforts made by all of our employees.

The second edition of National Bank of Canada's Social Responsibility Report is an opportunity for me to offer them my heartfelt thanks. Driven by their commitment and their desire to excel, they all contribute to maintaining this vital social cohesion in their respective communities.

A handwritten signature in black ink, appearing to read 'Réal Raymond', written in a cursive style.

Réal Raymond
President and Chief Executive Officer

Active in the community

Ever since it was founded, the National Bank has been committed to playing an active role in the communities it serves. We help improve the quality of life in these communities and contribute to their social and economic development through our donations, philanthropic activities and sponsorships, our employees' volunteer activities and the commitment of our senior officers.

Through donations, sponsorships, fundraising activities at its branches and special events for community organizations, the National Bank and its subsidiaries contributed \$10 million in 2003 to education, health, culture and community assistance organizations Canada-wide.

Each year, we receive several thousand requests for donations. In 2003, we distributed \$5.1 million to hundreds of organizations across the country and invested nearly \$2.5 million in sponsorships. The many fundraising activities organized by our branch employees raised close to half a million dollars for local organizations. Bank employees also held numerous events, including golf tournaments and fundraising dinners, which provided community groups with some \$2 million in funding.

Many National Bank employees volunteer with a variety of organizations, either personally or on the Bank's behalf. To encourage and acknowledge their commitment, each year we honour one employee who makes an outstanding contribution to a local organization. Since 2002, this honour has taken the form of the André Bérard Volunteer Award, created in tribute to the National Bank's Chairman, who is well known for his community involvement. The award includes a \$5,000 donation to the organization where the employee volunteers.

Education – one of our priority values

Since education is one of the keys to personal growth and competencies development, we encourage young people and adults alike to pursue or resume their studies. Moreover, high-quality education will provide the future workforce needed to ensure the sustainable economic development of our company.

We strive to promote the quality of post-secondary education and facilitate access to educational institutions through our donations to a number of Canadian colleges and universities, including the *École des Hautes Études Commerciales* (HEC Montréal), the *Université de Montréal*, the *Université Laval* and the *Université de Moncton*. In 2003, our financial support to the education sector accounted for 21% of our donations.

New commitments

In 2003, we made new commitments to support educational institutions and ensure that students have access to adequate funding. We have pledged \$2 million over 10 years to the *Université du Québec à Montréal* (UQAM), as part of its capital campaign, which began in 2002 and will continue through 2007. The campaign target is \$50 million.

The Bank's financial assistance will be used to support students at the master's and doctoral levels through the creation of an endowment fund for the *National Bank scholarships for success*, contribute to second-language studies by funding a fourth multimedia studio at the School of Languages, and provide mature students with better access to the university by consolidating the *Espaces 50+* program.

Réal Raymond, President and CEO of the Bank and himself a UQAM graduate, is chairing the fundraising campaign. One of the ways in which Mr. Raymond is striving to ensure the campaign's success is by increasing the awareness of business leaders to the importance of funding this institution to ensure it continues offering high-quality education to people who are broadening their skills-sets while working.



Rock Denis, Rector, UQAM and Réal Raymond, President and Chief Executive Officer of the Bank, at the launch of the \$50 million fundraising campaign.

The Bank is also committed to supporting institutions wherever it is present. For instance, it supports the **Asper School of Business at the University of Manitoba** by investing in scholarships, as well as in technology and research activities.



Increasing women's involvement in business

We believe it is important to support women who are determined to pursue a university education. Through our contribution to the *Fondation des bourses pour l'engagement féminin dans les affaires* [Women in Business Scholarships Foundation], Véronique Boivin, a master's student in civil engineering at the *École Polytechnique de Montréal*, received the 2003 Rose-Alma Gaudreau award, which included a \$4,000 scholarship. Rose-Alma Gaudreau (1895-1994), who earned a degree in pure and applied sciences, was the first woman to fly over the Rockies in a single-engine plane.

Encouraging students to stay in school

Dropping out of school has serious consequences not only for young adults but for society as a whole. The Bank feels it is critical to find solutions to this problem and therefore supports the *Fondation de lutte au décrochage scolaire de Montréal* [Metropolitan Foundation to Combat Dropping out of School], a non-profit organization set up to help students within its territory, especially those from underprivileged neighbourhoods. The Foundation established the *Centre métropolitain de décrochage scolaire*, which works with community groups and school personnel to bring young people who have dropped out of school back into the system and to lower dropout rates among high-risk groups. The Foundation also provides bursaries to students aged 16 to 20. Michel Tremblay, Senior Vice-President – Personal Banking and Wealth Management, served as Honorary Chair of the Foundation's most recent fundraising campaign. He raised \$50,000 through the sale of tickets to a benefit gala, which resulted in a \$67,000 donation to the Foundation.

Virginie scholarships

Virginie is a high-school teacher and the main character in a popular Radio-Canada TV series. This year, Aetios, the series' production company, and Radio-Canada established a \$600,000 scholarship program. Sponsored in part by the National Bank and the *Fédération des producteurs de lait du Québec* [Quebec Milk Producers



Robert Savard, Manager, Sales and Service, Beauce-Sud – Etchemin microregion, presented a bursary to Julie Nadeau, the first winner of the Virginie Bursary Program contest.

Federation], this program will award 30 scholarships worth \$20,000 each to students as well as to young people and adults who want to go back to school.

Julie Nadeau, a 16-year-old from Saint-Georges Ouest in Quebec's Beauce region, was the first recipient of a Virginie scholarship. Julie will use the funds to realize her dream of becoming a nurse, a profession she was inspired to pursue as a result of the wonderful care received from dedicated nurses during repeated hospitalizations for serious asthma.

Volunteer bankers

Teens who know how to manage a budget have mastered an invaluable skill. Twenty or so of our employees, including Debbie Ball of Maple, Ontario, became "volunteer bankers" last year, holding seminars on how to plan and manage a budget for high school students in their community. These employees volunteer for the **Canadian Bankers Association's** "There's Something about Money" program. In 2003, 26 of our employees hosted 66 seminars that attracted nearly 400 students across the country.

An innovative approach to learning

Our subsidiary, National Bank Discount Brokerage (NBDB), promotes education among finance students by challenging them in stock exchange simulations via the SRA-HEC/NBDB inter-university stock simulation program. Managed by the business relations centre at *HEC Montréal*, the program seeks to create student interest in financial and stock markets.

In 2003, five NBDB employees participated in the sixth edition of this activity, which brings together some 20 universities and 300 students.

Supporting our Olympic hopefuls

We also support talented young athletes and encourage them to persevere in their hard work, training and dedication to their chosen sport. Since 1993, we have funded the National Bank Bursary Program, which helps promising young athletes achieve their goal of competing at the Olympics. Since its inception, the program has provided more than \$400,000 to 275 athletes.

Following in the footsteps of Olympic medallists Marc Gagnon, Caroline Brunet and Nicolas Fontaine, other young National Bank Bursary athletes are now making a name for themselves on the international scene. In 2003, 18-year-old François Bourque won the Junior World Championship in downhill skiing, and Stéphanie St-Pierre, also 18, took the bronze medal for moguls at the World Freestyle Skiing Championships. Émilie Mondor broke an 18-year-old Canadian record when she became the first Canadian woman to run 5,000 metres in under 15 minutes at the 2003 World Track and Field Championships. The Quebec Foundation for Athletic Excellence manages the National Bank Bursary Program.



Improving care and promoting health

At the National Bank, we believe it is important to support hospitals and help them meet their funding challenges. We also believe in the importance of supporting medical research that will lead to the discovery of treatments or cures for serious illnesses, as well as organizations that promote health through healthy living habits.

We therefore support institutions such as **St. Mary's Hospital**, a community hospital that serves a multicultural clientele in Montreal, in its efforts to improve the care it provides to patients and their families. We also support the **Fondation du Centre hospitalier universitaire de Québec (CHUQ)**, which enables *Hôtel-Dieu de Québec*, *Centre hospitalier de l'Université Laval* and *Hôpital Saint-François d'Assise* to remain at the cutting edge of technology, engage in research and maintain high quality health care and services.

Committed employees

Current statistics show that 38% of women and 41% of men will develop cancer at some point in their lives. Since almost all of our employees have had a relative or friend stricken by this disease, they are determined to support projects that raise funds for cancer treatment and prevention. For instance, 25 employees from our branches in the Saguenay region took part in the **Canadian Cancer Society's** 2003 Relay for Life. For 12 hours, from Friday night to Saturday morning, teams of 10 people (parents, friends and colleagues) ran a track relay to raise funds for the Society.

Johanne Lavoie, a lawyer with our Legal Affairs Department and herself a cancer survivor, has served as Chairwoman of the Board of the **Réseau québécois pour la santé du sein (RQSS)** [Quebec Network for Breast Health] for the past three years. This network provides psychological and moral support as well as information and education to women with breast cancer and their families. In addition to offering her support to recently diagnosed patients, she takes part in communications and promotional activities

and contributes her legal expertise to RQSS's regulatory affairs. Ms. Lavoie also organizes early-detection workshops, which have been attended by more than 100 National Bank employees.

Since 1992, a team of National Bank employees has donned running shoes and comical get-ups to compete in the **Candere! Corporate Challenge**, an annual fundraiser for cancer research at McGill University and *Université de Montréal*. The funds are used to set up research laboratories, provide scholarships and develop various groundbreaking research projects. The Bank covers employees' registration fees and the cost of their costumes.

To support research and treatment in pediatric oncology, our employees in Atlantic Canada decided to participate in a five-year campaign to raise \$125,000 for the **Dr. Georges-L. Dumont Hospital Foundation** and the **Beauséjour Medical Research Institute** in Moncton, New Brunswick. In 2003, a committee of about a dozen employees helped organize the campaign, and employees at branches throughout the region supported these two organizations by selling Christmas cards illustrated by children with cancer and by organizing a golf tournament. They raised \$25,000 through these two activities.

A network of branches ready to help

Our network of branches is regularly called upon to lend a hand in fundraising efforts for local, regional and national organizations. For instance, in aid of the **Foundation for Research into Children's Diseases**, our branches have sold tickets for the National Bank's Ovide Duck Race for the past eight years. This event takes place every summer in the Montreal area. This year, we raised \$188,000, or \$41,000 more than in 2002.

Since 1998, employees at our branches have raised funds for the **Mira Foundation**, which trains guide and service dogs for persons with visual or physical disabilities. This year, we raised nearly \$290,000 for this organization by selling children's activity books about Mira.



Actor Jean L'Italien, spokesperson for the Mira Foundation, and Michel Tremblay, Senior Vice-President – Personal Banking and Wealth Management, in the company of Boris, a guide dog for the visually impaired.

Supporting specialized organizations across the country

The Bank also supports organizations active in specialized areas. In 2002, we made a five-year commitment to the **Fondation de l'Institut universitaire de gériatrie de Montréal** [Montreal University Institute of Geriatrics Foundation]. The Foundation's mission is to fund the Institute's development projects in the areas of eldercare, dissemination of expertise and research.

We also provide support for the **Children's Hospital of Eastern Ontario Foundation** in Ottawa, which provides pediatric care to patients from as far away as Nunavut. Our \$25,000 donation over the next five years will go to improving facilities and upgrading technologies, as well as pediatric programs and research.

In keeping with our policy of giving priority to requests for donations from organizations supported by our employees, our brokerage subsidiary National Bank Financial contributed to a cause embraced by Daniel Nocente, Vice-President. Mr. Nocente, who chairs the **St. Paul's Hospital Foundation**



in Vancouver, has played a key role in developing this Foundation and promoting it in British Columbia and the other Western provinces. The Foundation has funded several research projects and new equipment for the hospital, including subcutaneous pumps for the controlled release of pain medication, which enable patients to live more active lives.

Concerned senior management

Over the past three years, the Bank's senior management team has played a key role in selling tickets for the annual benefit gala for the *Centre hospitalier de l'Université de Montréal* (CHUM). In 2003, they sold more than 700 tickets to this event. Pierre Desbiens, Senior Vice-President – Insurance and Trust Services, serves on the executive committee of CHUM's board of directors as Vice-Chairman, and chairs the CHUM 2010 Implementation Committee. In 2002, the Bank committed \$150,000 to the CHUM Foundation over a five-year period.

Lévis R. Doucet, Vice-President – Commercial Banking for Montreal, is a trustee of the *Fondation de l'Hôpital du Sacré-Cœur de Montréal*. In 2003, Mr. Doucet also chaired the Gala Committee, helping raise \$265,000 that will go to the purchase of various types of equipment.

Community health

In 2003, the Bank agreed to serve as principal sponsor over a three-year period for the *Sérénité* program of the *Fondation du cancer du sein du Québec* [Quebec Breast Cancer Foundation]. This innovative program provides the community with free access to a peer counselling network and support that ensures the physical, emotional and spiritual well-being of women with breast cancer. The Bank also took advantage of Breast Cancer Awareness Month in October to invite its employees in the Montreal region to a conference about this disease.

Art in support of the Alzheimer's Society

Dorice Cusson, a Bank employee and volunteer with the *Société Alzheimer de l'Estrie*, comes from a family of volunteers and has been involved in volunteering since

she was 10 years old! She convinced her colleagues to support her favourite cause through an art auction, with proceeds going to the *Société Alzheimer de l'Estrie*. Since 1985, this organization has assisted some 3,000 people in the Eastern Townships afflicted with this disease or a related disorder, as well their families, in addition to raising public awareness and supporting research. Employees in this region also support the organization through the sale at their branches of tickets for the auction, and the Honorary President of the event is a National Bank client or employee. The success of the auction has grown significantly in the past decade: from \$5,000 raised in 1992 to \$55,000 in 2003.

Community assistance – a tradition at the Bank

Community assistance is rooted in the traditions and values that sustained the pioneers who built our country and who struggled to survive in a harsh climate and hostile environment. Although the social and economic context has changed considerably over the centuries, as have community assistance needs, there is still a pressing need for help. The Bank and its employees support organizations that work to improve the quality of life in their community and that help women and young people in difficulty.

Helping people who help people

The contribution made by the Bank and its personnel to the annual **United Way/Centraide** campaign is a concrete example of our commitment to the community. In 2003, Réal Raymond, President and CEO of the Bank, chaired the bank division of the 2003 campaign for Centraide of Greater Montreal.

At the National Bank, the efforts deployed by the campaign organizers to make personnel aware of this worthy cause raised \$512,000 in donations from employees, management and retired employees, an increase of 15% over 2002. To this amount, the Bank added a \$470,000 corporate donation for a total contribution of nearly \$1 million to the Centraide of Greater Montreal campaign.

Elsewhere across the country, employees and the Bank donated more than \$235,000 to

the United Way/Centraide drive in their region. Moreover, we invited our customers to give to Centraide by including a donation request in 150,000 account statements in September.

André Bérard Volunteer Award

Jean-Marie Boudreau, SME Account Manager with Commercial Banking in Tracadie-Sheila, New Brunswick, is one of thousands of National Bank employees who are involved in community organizations on their own behalf or on behalf of the Bank.

In 2003, Mr. Boudreau received the André Bérard Volunteer Award for his work with *Accueil Sainte-Famille*, a shelter for battered women and their children. A volunteer with this organization for the past eight years, where he serves as Treasurer on the Board of Directors, Mr. Boudreau has been instrumental in its financial turnaround. He has also helped to build a strong, competent and stable team at the shelter. Mr. Boudreau and his wife would like to pass on the importance of community caring to their children. The children have already volunteered for various activities at the shelter and Mr. Boudreau has indicated that these experiences are having an impact. The Bank has also donated \$5,000 to the *Accueil Sainte-Famille* shelter.



Jean-Marie Boudreau (right), SME Account Manager and recipient of the André Bérard Volunteer Award, presents Sister Alfreda Desjardins (left), Director of the Accueil Sainte-Famille, a shelter for battered women and their children, and Diana Sonier, Vice-President of the Fondation Sœur Cécile Renault Inc., with a \$5,000 cheque representing the Bank's contribution to the shelter.



Helping young people help themselves

In Montreal, there are 5,000 young people who live on the streets and the number keeps growing. The Bank contributes to helping them get their life back on track by supporting the efforts of *Le Bon Dieu dans la rue*, a Montreal-based organization serving youth on the street. Since 1988, its founder, Father Emmett "Pops" Johns, has been offering youth respect, friendship, assistance and both immediate and long-term solutions. On average, the organization welcomes 340 young people a day at its day centre, its temporary emergency shelter or its van, which travels through the streets of Montreal at night offering homeless kids food, comfort, a sympathetic ear and unconditional acceptance. *Le Bon Dieu dans la rue* has helped thousands of youths through its compassion, its intervention, housing and referral services as well as through activities to help them get off the streets for good and become contributing members of society. The Bank has contributed financially to *Le Bon Dieu dans la rue* for seven years.

"When I think back to our first nights in the Van in 1988, I could have never imagined that Dans la rue would become what it is today. Thanks to the help of hundreds of volunteers and thousands of donors, we have made a real difference in tens of thousands of young lives and continue to do so every single day."

– Father Emmett Johns

"Thanks Pops! Without you, I might have been dead. You were there when I was hungry, when I was tired, when I needed help. Thank you so much."

– quote from a street kid

Fighting hunger

It is a known fact that children sent off to school without breakfast have trouble concentrating in class. A foundation set up by our subsidiary Altamira helps combat this problem through its annual Performing Arts Series, which in 2003 featured three performances by the National Ballet of Canada and three by the Canadian Opera Company at Toronto's Harbourfront Centre. The proceeds, collected from patrons at the performance, were donated to **Canadian Feed The Children** (CFTC). This agency works to alleviate hunger among some 1.1 million children who live in poverty in Canada. The gift of \$45,000 made thanks to the Performing Arts Series is directed towards CFTC's network of some 100 Canadian breakfast and lunch programs.

Involved in their communities

Our employees in the regional centres and the branches put in countless hours volunteering in their communities. In 2003, employees of three Repentigny branches, in the Greater Montreal area, organized a fundraiser and donated more than \$3,400 to the **Red Cross** to come to the aid of 60 people in the neighbourhood who had lost their homes in a fire.

This spirit of caring extends across the country and, in summer, all our regions take advantage of the popularity of golf to organize tournaments for various worthy causes. For instance, for the past seven years, our Calgary employees have hosted a golf tournament, to which they invite their customers, to raise money for their local chapter of **Big Brothers and Big Sisters**. This year, \$41,000 was donated to the organization, bringing the seven-year total to over \$250,000.

Recognizing merit

Jean-Paul Caron, Vice-President – Corporate Affairs, like a number of our employees, actively participates in the Scout movement. In 2003, the movement recognized his excellent volunteer work by awarding him the Ambroise-Lafortune prize in the "Individual" category, which was presented to him by the Honourable Lise Thibault, Lieutenant Governor of Quebec.



The Honourable Lise Thibault, Lieutenant Governor of Quebec, presents the Ambroise-Lafortune Award to Jean-Paul Caron, Vice-President – Corporate Affairs, for his outstanding support to the Scout movement.

This award, given by the *Fédération québécoise du scoutisme*, recognizes Mr. Caron for his success in seeking financial partners for the movement. As a member of a group of business people who act as ambassadors for the Scouts, Mr. Caron played a key role in securing the financing needed to purchase a former branch of the Bank on Saint-Denis Street in Montreal. Thanks to his commitment, the Quebec Scout movement now has a far more suitable head office. The Bank has supported scouting for eight years now, helping its young members grow into caring, concerned and responsible citizens.

Culture – a treasure to be shared

Culture is both a treasure and a mirror of our society. At the National Bank, we encourage Canadian creators and the next generation of artists. We also promote culture through our support of many cultural institutions such as the Montreal Museum of Fine Arts and the *Théâtre du Nouveau Monde* in Montreal.



Access to the visual arts

The Bank supports visual artists and promotes their work through its art collection. With over 6,000 original works of art, it is one of the largest corporate collections in Canada. Apart from the impressive number of works, this collection is unique in that it reflects the history of Quebec art. Works of the collection are exhibited in our offices and branches. Most of these works are prints, paintings and drawings, but they also include sculptures and photographs some of which date back to 1895. Each year, we add more than 100 new works to our collection.

Support for the performing arts

Each year for the past nine years, the Bank has supported *La Compagnie Jean Duceppe* by sponsoring one of its theatrical productions. For the 2003-2004 season, we are the principal sponsor of the play *Des fraises en janvier*. We have also helped to make known Jean Duceppe, the founder of this theatre company and a major figure in Quebec theatre, through our exclusive sponsorship of the television series *Jean Duceppe*, which aired on the French-language network Télé-Québec in the fall of 2002.

“La Compagnie Jean Duceppe wishes to recognize the substantial and longstanding contribution made by the National Bank to Quebec arts and culture. A key partner for more than 17 years, the Bank also assisted us through the volunteer involvement of its senior officers. Moreover, we applaud the interest the Bank has shown in supporting new or encore presentations of plays by Quebec authors such as Michel Tremblay, Steve Galluccio, Claude Meunier and Evelyne de la Chenelière.”

Established 10 years ago, the *Académie québécoise du théâtre* is responsible for promoting theatre, fostering its development and showcasing excellence in the theatre community. Since 1997, we have made space available to this organization free of charge and covered the costs related to general maintenance.

The Nutcracker

No child can resist the magical charm of the Nutcracker ballet, which *Les Grands Ballets Canadiens de Montréal* has been staging for the past 40 years. In 2003, thanks to a contribution from the Bank, 100 disadvantaged children were treated to a performance of this famous Christmas ballet.



The Nutcracker ballet has been part of the magic of Christmas for Montrealers of all ages for 40 years.

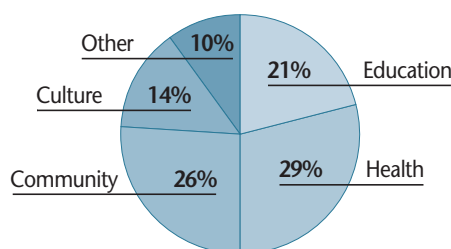
Mondial des Cultures

Jean Guindon and Suzette Joyal are among the 10 or so employees who work as volunteers with the team from *Mondial des Cultures de Drummondville*. For the past four years, the Bank has sponsored this major cultural event which brings together performers from all over the world in a spirit of friendship and cultural exchange. Both members of the board of directors of this event, Jean Guindon and Suzette Joyal also volunteer with the Mackinaw folk ensemble, host group of the *Mondial des Cultures*, which runs a dance school and a summer camp where children can learn about the traditions of various countries.

A circus revival

The circus has been around since ancient Rome, and to this day it is a show that enthalls us every time we enter a big top. In Quebec, circus artists have breathed new life into this art form and such companies as the *Cirque Éloïze* and *Cirque du Soleil* have exploded onto the international scene, delighting audiences the world over. The Bank encourages the circus stars of tomorrow in Quebec by supporting the **National Circus School**, which offers both artistic and academic training. Since its founding in 1981, the School has trained more than 200 circus artists. In 2003, we made a commitment to support this institution with a \$75,000 grant over five years. (see photo page 24)

Donations by sector of activity as a percentage of total donations





Our employees – our most valuable asset

The Bank considers its personnel to be its greatest asset. We are constantly striving to offer our employees a work environment that allows them to achieve their full potential. Our objective is to attract, develop and retain top-calibre people. To accomplish this, we have implemented programs and measures that meet the expectations of the men and women who choose to work with us. Diversity is one of our core values and we have developed equitable policies and programs that reflect the reality of our existing and future employees. We have also adopted various means to foster succession planning so that we are prepared for the upcoming retirement of the baby boomers and able to ensure the Bank's continued growth.

Action based on consultation

The success of our projects and the attainment of our objectives depend on the engagement and contribution of our employees. Accordingly, we believe it is important to consult them regularly, both formally and informally, in order to offer programs that meet their expectations.

Taking a Look at Our Organization

Taking a Look at Our Organization is a biennial survey which allows employees to express their views about their motivation and satisfaction at work. Acting on the survey findings, the Bank takes steps and initiatives to improve their work environment. In 2003, the results revealed a 10% increase in the overall satisfaction of employees. This increase attests to the effectiveness of the actions taken by the Bank following the previous survey.

Responding to concerns

We improve our policies and programs in response to our employees' concerns. We recently revamped our employment system and the related salary bands. The system is now more competitive and clearer. We have also implemented an extensive communications program to publicize the changes. This program received a mention for Excellence from the Montreal Chapter of the International Association of Business Communicators which recognizes original communications solutions that meet employee needs.

Ensuring equitable compensation is a priority at the Bank. We therefore closely monitor employee performance and changes in salaries in particular by means of an annual performance appraisal and salary adjustment exercise.

The Bank believes that in order to attract and retain the best people, it must offer a competitive total compensation package that meets the expectations of its existing employees and is attractive to external candidates. Last year, the Bank made several significant changes to its employee benefits program that enhanced the modular medical and dental care plans, the long-term disability plan and the mortgage loan credit policy.

Well-informed managers

Our managers must have extensive knowledge of the Bank and the environment in which it operates in order to perform well, offer superior customer service and keep their staff motivated and well informed.

A number of measures have been put in place to ensure that our managers are kept up to date of the latest developments at the Bank. These include a quarterly conference call during which Réal Raymond, President and CEO, briefs managers on the Bank's results, activities, objectives and priorities as well as on financial markets. This information is then relayed to employees.

Development, a factor for success

To enable our employees to realize their full potential, we believe it is necessary to offer them a range of information and training tools. We encourage them to broaden their skills by providing them with the means and support they need to further their studies. For instance, last year, we invested over \$12 million in training and developing our personnel and we offered them a variety of tools to help them better manage their careers at the National Bank.

An innovative university program

In addition to our many internal training programs, for almost seven years now, we have offered the National Bank University Program (NBUP). This Program, the only one of its kind in the industry, was introduced in partnership with the *Université du Québec à Montréal* and other constituents of the *Université du Québec*, *Télé-Université* and the Institute of Canadian Bankers. To ensure that our employees who work outside of Quebec have access to a similar program, we have signed agreements with other universities elsewhere in Canada. The NBUP is tailored to the needs of our employees and our clients as well as to the requirements of the financial milieu.

This year, we added new programs to the NBUP and honed existing programs as well as the eligibility criteria to better align them with the Bank's needs and those of the labour market.

Since 1996, nearly 4,300 employees have registered for undergraduate-level studies and close to 550 have pursued graduate studies. In 2003, over 1,100 employees earned undergraduate degrees and more than 210, graduate degrees.

Tangible support

Every year, we encourage our employees who distinguish themselves academically by awarding bursaries. The *Pierre Paquette Prize* is given to employees enrolled in the NBUP.



Louise Briand, recipient of the \$10,000 Pierre Paquette Prize.



Gina Gosselin and Maude Bernard (centre) receiving the Pierre Paquette Prize from Réal Raymond, President and CEO (left), Pierre Desroches, Ombudsman, and Gisèle Desrochers, Senior Vice-President – Human Resources and Operations (right).

This year, at the undergraduate level, Louise Briand, Personal Banker in Chicoutimi, received the \$10,000 prize. At the graduate level, the team of Maude Bernard, Senior Manager – Customer Service, Montérégie and Central Quebec, and Gina Gosselin, Senior Advisor, Staffing and Recruitment, received the \$15,000 prize for an integration project on fostering employee engagement through flexible work scheduling.

The *Michel Bélanger Bursary*, worth \$15,000, was awarded to Johanne Cadieux, Manager – Sales and Service Strategies. This bursary helps employees complete a master's program in a discipline related to their function at the Bank.

These tax-free awards allow recipients to take unpaid leave or work part-time for a year in order to pursue their studies.



Johanne Cadieux received the Michel Bélanger Bursary which will enable her to complete her graduate studies.

The Bank maintains their employee benefits for the duration of the study period, and guarantees them the same position or an equivalent position when they return to work after completing their studies.

To date, the Bank has awarded \$70,000 to undergraduate students and \$75,000 to graduate students under the *Pierre Paquette Prize*, and \$210,000 to employees under the *Michel Bélanger Bursary program*.

Effective career management

In addition to offering training programs and encouraging the pursuit of higher education, the Bank also helps its employees advance in a career path through other means. Last year, for example, the members of the Bank's Young Professionals Committee organized a first Career Days event to provide information on career opportunities at the Bank and on how to get ahead professionally. Information booths, workshops and conferences by senior Bank executives, including Réal Raymond, President and CEO, gave participants an opportunity to learn about effective career management, dealing with clients, networking, succession and mentoring.

Career Days enabled many employees to learn more about effectively managing their careers at the Bank.



Planning well for an active retirement

Retirement is an important milestone in life. For the past five years, we have been helping our employees to prepare for retirement, financially and psychologically, by offering them retirement planning courses. These seminars cover the human, financial and legal aspects of retirement. Since 1998, 44 such seminars have been held.

The Bank keeps in touch with its retired employees by supporting the *Amicale des retraités*. Founded in 1995, this dynamic group has 1,140 members, or close to 60% of retired Bank employees in Quebec, to whom it offers a wide range of activities throughout the year.

The Bank supports the *Amicale* concretely, notably by lending it premises for its activities, assuming administration costs and reimbursing members' annual fees to Quebec's golden age club, the *Fédération de l'âge d'or du Québec*.

The *Amicale* is a stimulating meeting place that encourages its members to remain active. Dozens of them put their personal and professional experience to work for their communities by sitting on the boards of directors of various local organizations. The President of the *Amicale*, Claude Lemay, is a case in point. He has been a volunteer at the Charles-Lemoyne Hospital in Longueuil since 1989 and currently chairs its audit committee.

The Bank as employer

In 2003, the 17,000 National Bank employees offered high-quality service to clients, in Canada and abroad.



	Full-time	Part-time	Total*
Newfoundland and Labrador	–	–	–
Prince Edward Island	12	7	19
Nova Scotia	30	–	30
New Brunswick	185	125	310
Quebec	9,982	3,889	13,871
Ontario	1,594	386	1,980
Manitoba	35	4	39
Saskatchewan	23	5	28
Alberta	174	7	181
British Columbia	225	9	234
Total Canada	12,260	4,432	16,692
Outside Canada	218	25	243
Total Bank	12,478	4,457	16,935

*As at October 31, 2003

Diversity

– a reflection of our society

Cultural diversity is part of our history and our everyday lives as Canadians and an important social and economic asset. We value diversity because it brings to our society a wide range of experience, talents and perspectives that enrich us and play a key role in our development.

At the National Bank, we consider diversity a core value and a significant competitive advantage. We have created policies and programs to encourage the fair representation of women, visible minorities, the disabled and native peoples, allowing us to provide a service even more tailored to the needs of all our customers. Our community commitment also reflects our desire to support the integration of all groups into society and to help give them all an equal chance to thrive.

Ensuring diversity and equity in the workplace

A new, three-year employment equity plan was developed for 2003 through 2005. Supported by Réal Raymond, President and CEO, this plan will enable us to take even more concrete steps toward employment equity and the management of diversity. The plan is aimed at developing our practices to ensure that the Bank evolves at the same pace as the customers it serves.

Enhanced integration through heightened awareness

Under this plan, respect for workplace diversity is part of our managers' daily responsibilities. To help them achieve this objective, last year, we offered diversity management training sessions. These sessions, which will also be offered in 2004, give managers insight into recruiting, hiring and engaging people from the four target employment equity groups.

Targeting recruitment

To achieve equitable representation that reflects our client mix, our recruitment strategies need to be innovative, diversified and well focused. Several activities were introduced last year to ensure that we meet this objective.

To help visible minorities become more familiar with the Bank, we have organized guided tours of our head office and main branch. Some 20 professionals learned about career possibilities, challenges and working conditions at the National Bank and were able to speak with ten or so of our managers. A number of participants have since joined the ranks of our employees.

We also help raise awareness of employers and the general public about the hiring of people with disabilities by participating in job fairs. Last year in the Quebec City region, Bank representatives took part in a seminar on hiring disabled people called *L'emploi des personnes handicapées... pour faire la différence!* [Hiring disabled people... to make a difference]. This activity gave us the opportunity to reiterate our commitment to diversity and the services we provide to our employees with functional or sensory limitations.

In 2003, we were the principal sponsor of the *Salon de l'emploi*, a job fair organized by the intercultural council of Montreal's Côte-des-Neiges/Notre-Dame-de-Grâce borough, which is home to more than 135 cultural communities. National Bank representatives met with visitors and offered them career advice. Computers were also available to give visitors the opportunity to learn how to perform online job searches as well as to apply for positions at the Bank via our website.

Responding to a diversity of needs

The Bank is constantly improving measures aimed at meeting the specific needs of its employees, including child-care leave, a program for employees who are experiencing personal or family difficulties, on-site daycare and flexible work arrangements. In 2001, the Bank published its Reasonable Accommodation Policy, which was distributed to all employees and managers. The objective of this policy is to reduce obstacles to career advancement for employees in the four groups targeted by the employment equity policy by granting them leave, providing them with special equipment and accommodating their specific needs in other ways.

For example, in some regions where the annual goose hunt is an important event, native employees can request to take their vacation at that time of the year.

For more than a decade, we have been working to facilitate the integration of people with physical or sensory disabilities by adapting our buildings to make them easier to access and more user-friendly for employees and customers.

"My integration into the National Bank was one of the best I've experienced. Since I use a wheelchair, my manager immediately asked me what I needed to do my work. I felt like the Bank hired me because I was the best candidate for the job, not because there was a quota to fill. In the beginning, I was worried about changing jobs, but I have no regrets now."

– Marie-Jeanne Nahas, Recruitment Consultant,
Customer Relations Centres

Understanding through experience

It is difficult to fully understand the challenges faced by disabled people without knowing more about their daily lives. Last year, as part of an activity organized by the Bank, more than 300 employees were made aware of this reality through such activities as walking with a guide dog, eating blindfolded and navigating a ramp in a wheelchair.



National Bank employees understood the challenges that face disabled people when they tried to get around in a wheelchair.

Supporting community efforts

Support for students with physical or sensory disabilities

The National Bank is the only Canadian financial institution that encourages the integration of disabled young people into the workplace through a bursaries and summer jobs program. Introduced in 1989, this program helps post-secondary students with a physical or sensory disability to continue their studies and gain relevant work experience. The program was set up at the suggestion of a Bank employee, Michel Houle, who is himself disabled as the result of an accident. To date, we have awarded more than \$65,000 in bursaries and provided more than 17,000 hours of work.

This program also helps increase Bank employees' awareness of how to help their disabled colleagues integrate.

Many of our bursary recipients have pursued careers at the Bank following a summer job. For example, after working in Corporate Communications in the summer of 2003, Marie-Hélène Hamel, a communications student with neurosensory hearing loss, was hired to work in Human Resources on a part-time basis while she completes her undergraduate degree.

Employees' volunteer work

Social integration

Employees in our branches participate in many activities aimed at improving social integration. Employees in the Quebec City region participated in the *Semaine québécoise de la déficience intellectuelle* [Intellectual Disability Week], organized by the Quebec City branch of the Quebec Association for Community Living. This non-profit organization, founded in 1961, is dedicated to promoting and defending the rights and interests of those who suffer from intellectual disabilities and their families. Employees wore the official ribbon symbolizing the Week and distributed flyers, posters and pamphlets to the Bank's customers to raise awareness. At three branches, employees also welcomed intellectually disabled people for a day.

The Bank supported these employees' volunteer work through a financial contribution to the Association. This donation helped the Association raise its profile by airing a radio commercial 15 times during the week-long event, reaching 300,000 listeners. Our contribution also helped produce and distribute promotional material—ribbons symbolizing the Week, program flyers, restaurant placemats, posters and information cards.

Taking aim at racism

As part of the *Semaine d'actions contre le racisme* [Actions Against Racism Week], employees working in a Montreal neighbourhood with a large multicultural community decided to speak out on the subject by publishing a collection of testimonials about racism and the integration of immigrants. The texts were written mainly by employees from different cultural backgrounds, and the cover of the 20-page collection was illustrated by an employee's child. Marie-Michèle Cusson, who works at our branch at 5070 Park Avenue in Montreal, spearheaded the project, supported by her sister Mylène. Colleagues at her branch helped spark interest in the project among employees at nearby branches. A copy of the testimonials was given to each of the participating branches.



Marie-Michèle Cusson, sitting, in the company of colleagues who helped her publish a collection of testimonials about racism.

Promoting employability

Éric Boutet of the Bank's Payroll Department is visually impaired. For the past two years, he has served on the board of the *Société québécoise pour les personnes aveugles* (SQPA) [Quebec Society for the Blind], an association that promotes the social and professional integration of the visually challenged. Last year, Eric's colleagues supported him in his volunteer work by donating the funds raised at the second annual Human Resources Golf Classic to the SQPA. The initial objective was \$500, but by rallying everyone to canvas sponsors and organizing various activities, the Organizing Committee raised over \$2,000. In addition, Gisèle Desrochers,



Éric Boutet and his colleagues supported the Société québécoise pour les personnes aveugles (SQPA) [Quebec Society for the Blind]. Standing, from left to right, Marc Jarry, France Roy Maffei, Vice-President – Human Resources Interventions, Claude Séguin, General Manager, SQPA, and sitting, Pierre Dion, Éric Boutet and Jean Drouin.

Senior Vice-President – Human Resources and Operations, pledged an annual Bank donation of \$1,000 to the SQPA to set up a bursary promoting employability training for visually impaired people.

Access to information

In 2003, the Bank sponsored closed captioning for several public affairs and news programs aired on RDI, TVA and Radio-Canada, the French-language arm of the CBC. As a result, hearing-impaired people were able to watch shows such as *Maisonneuve à l'écoute*, *Enjeux*, *Grands Reportages*, *Zone Libre* and *Bulletin TVA réseau*.

Sharing our experience

An effective way of informing people is to share our own experiences. Last year, France Pelletier, Manager of the Bank's Employment Equity and Diversity Department, shared the Bank's experience in diversity, and the strategies used to encourage it, with students at *Université du Québec à Montréal* through a diversity management seminar that is part of the bachelor's degree in human resources. She also delivered the seminar to students at *HEC Montréal* and to lawyers at the Quebec Bar Association's annual convention.

National Bank Défi Sportif champions

In 2003, the Bank announced it would sponsor *Défi Sportif* for three years. *Défi Sportif* is a high-level international competition for disabled athletes, held annually in Montreal since 1984. Its mandate is to encourage participation in sports and to convey a positive image of disabled people. Athletes train year round for the event. The competition raises awareness of the social integration of disabled people and, more importantly, shows that they too can realize their dreams.



Sylvie Roy, Vice-President – Customer Relations Centres, presents medals to the winners of the Défi Sportif.

The Bank's contribution sponsors 16 National Bank *Défi Sportif* champions. They act as ambassadors for their respective disciplines, for *Défi Sportif* and for equality and social integration. The champions are selected for their athletic ability and their talent as communicators. Their role is to act as peer representatives to the media and the general public.

Over 2,000 athletes from six countries competed in 16 disciplines at the 2003 *Défi Sportif*, at which many of the Bank's employees volunteered. Sylvie Roy, Vice-President – Customer Relations Centres, acted as the Bank's spokesperson to congratulate athletes and to bear witness to the competence, devotion and enthusiasm of the persons with disabilities who work in her sector.

Artistic integration that is both graceful and surprising

France Geoffroy, Quebec's only wheelchair-bound professional dancer, has proven that a wheelchair can be much more than a utilitarian object. She uses hers as an extension of her body for movements that are both graceful and surprising. Ms. Geoffroy is a member of the *Corpuscule* dance ensemble, which also includes two non-disabled dancers.



France Geoffroy, Issac Savoie and Martine Lusignan of the *Corpuscule* dance ensemble, also teach integrated dance.

The Bank's financial support helps these innovative artists communicate their passion and determination to the public. The dancers, who also teach integrated dance, have performed in venues such as *Espace Tangente* and *Agora de la danse*.

A partner to economic growth

Quebec entrepreneurship is the backbone of the National Bank. Since our founding, we have grown with the Quebec economy and have constantly contributed to the economic growth of the regions by offering enterprises, particularly SMEs, personalized services based on their area of activity and that meet their specific needs.

In fact, our contribution was recognized last year by the French-language business magazine *Les Affaires* when it named the Bank to its honour roll of the top 10 Quebec companies that had made an exceptional contribution to the economic development of the province over the past 75 years. The jury, consisting of members of the academic and business worlds, was particularly impressed by the National Bank's dominant presence on Quebec's savings and loan markets for both individual and commercial clients, as well as its exemplary contribution to the community.

The leading bank in Quebec, the National Bank is the 7th largest employer in the province, according to *Les Affaires*, and National Bank Financial is the largest employer in Quebec among brokerage firms. Furthermore, according to "The Top 1000" published in the *The Globe and Mail's* Report on Business magazine, the Bank is the 38th largest employer in Canada.

Personalized services meeting clients' needs

The National Bank is the partner of choice of at least 65% of Quebec SMEs. We help them to grow and to thrive in their market and we accompany them at every stage of their development, from start-up to export, by offering them practical and innovative financing solutions, as well as the expertise of professionals specializing in the sector in which they operate.

As well, SMEs have access to advisors in cash management, international trade and franchising.

In order to better serve our clients across Canada, we have created a network of commercial banking centres that offer the services of specialists familiar with the specific needs of the business clientele in their region.

At the cutting edge of change in our clients' areas of activity

Some sectors have experienced strong growth over the past 25 years in Quebec, and today play an important part in the economic development of the province. The Bank has become a preferred partner in this new economy by developing an expertise in these specialized sectors and by offering customized services designed to meet their specific needs.

Areas of activity in which the Bank offers businesses a personalized approach include film and television, life sciences in which pharmaceutical and biotechnological enterprises operate, aerospace and information technology.

The Bank has formed teams of advisors specialized in these fields. These specialists keep abreast of the latest developments and technology in these markets. They also build up an extensive network of contacts within the Bank's subsidiaries, government, venture capital corporations, business incubators, research centres, etc.

The expertise of our specialized advisors enables them to understand their clients' strategies and business plans, to give them sound advice and to help them build or expand their network of partners.

Agriculture, a source of inspiration

The Bank drew on its experience with Quebec's agricultural community to establish the personalized approach it now offers to several sectors of activity.

The agricultural sector comprises many family SMEs that have particular financial management and administration needs. For several years, we have offered them the assistance of professional advisors specialized in agriculture. Since these advisors, who now number more than 100, all hold a diploma in agronomy, they are able to understand their clients and give them sound advice. Moreover, to meet the needs of certain regions, farm producers can now call on our specialists in the fields of agri-food, aquaculture and farm equipment financing.



Caroline Labonté, Business Development Manager – Life Sciences, with Denis Pellerin, Chief Financial Officer of Warnex Inc., a client of the Bank.



Farmers also face unique risks and the Bank offers them its support. In 2003, for example, it came to the aid of beef producers affected by the mad cow crisis (bovine spongiform encephalopathy, or BSE) by introducing a series of special measures relaxing credit standards and pricing terms for the farm sector.

Continuous improvement of our products and services

Our clients' needs vary depending on the size of their enterprise. Whether they are self-employed professionals, the owners of a small business or run a mature SME, we offer them products and services geared to their specific needs at every stage of their operations.

Facilitating access to credit for small businesses

In order to help entrepreneurs better manage their expenses and save money, last year we launched the new PREMIA MasterCard BusinessCard, specifically designed for small businesses and self-employed professionals. In addition to offering all the regular advantages of a credit card, PREMIA also comes with comprehensive insurance coverage and provides access to life and health insurance usually offered to medium-sized companies. PREMIA also offers rebates from selected partners such as Ultramar, Bell Canada, Hôtel des Gouverneurs and the French-language business magazine *Les Affaires*. The cards are issued in both the name of the registered cardholders and the company which can establish separate monthly spending limits for each card.

Small businesses need quick, flexible credit. Accordingly, we offer them simple, effective micro-credit tools. The Business Latitude Line of Credit offers numerous advantages, including access to an information line for the exclusive use of SMEs and to our online branch Direct•N@t SME, competitive pricing based on the prime business rate, flexible repayment terms, a MasterCard credit card and a detailed statement of account.

Furthermore, application forms can be completed online on the Bank's website, which makes access to financing even easier.

The Internet makes our services more accessible

Our Internet banking services simplify our clients' cash management and enable them to save time and money. They can obtain, online, a summary of their accounts, pay bills, transfer funds as well as complete foreign exchange transactions and credit reference requests. They also have access to numerous tools and services for the management of their day-to-day affairs.

In 2003, we expanded our range of services by offering wire transfers via the Internet to SMEs that do business abroad. This service enables customers to safely conclude transactions with local or international partners in the currency of their choice, directly from their computer. The Bank automatically assigns an exchange rate to each payment, and the wire transfer is carried out instantly online. The system provides access to the 17 most common foreign currencies. Moreover, SMEs can also carry out transfers between their own accounts in Canadian or U.S. dollars. This service facilitates the work of enterprises that do a high volume of import-export business, or that use the mail or fax to transfer funds abroad to pay their suppliers.

This year, we also offered our commercial clients direct access, at a discount, to Workopolis, a job search portal.

Sharing knowledge

For business owners to be able to manage their company well and make it grow, they need to have access to quality business information as well as to networking opportunities. We therefore publish regular newsletters covering topics of interest to entrepreneurs and hold information sessions that not only allow them to exchange with their peers but also inform them about issues central to the growth of their company.

A free monthly electronic newsletter, *Business Solution – Web Edition*, is available on our website. The newsletter offers entrepreneurs articles about the Internet and its many advantages.

Each year, experts from various fields share their knowledge with SME owners at *Conférences Inc.* seminars. In addition, to help farmers better manage their concerns, our advisors held 10 meetings last year to give them an opportunity to discuss various issues with agronomists, tax experts and other economic specialists in the sector.

Ensuring the survival of family enterprises

More than 80% of the Quebec business environment is made up of family businesses and more than half of their owners will be retiring in the next five to 10 years. This situation is worrisome because studies have shown that only 30% of family businesses survive the transfer from the first generation to the second generation, and that barely 10% of these survive the transition from the second generation to the third.

To ensure the survival of these SMEs, early in 2004, the Bank began offering clients who own family enterprises a series of conferences to assist them in transferring their business. The conferences cover such topics as protecting and transferring family assets, estate planning, shareholder agreements, structured financing and investment strategies as well as the human and emotional aspects involved in the transfer or sale of a family business.



Réal Raymond and Tony Meti congratulate the winners of the 10th edition of *The SMEs of the National Bank Recognition Program*. From left to right, Bernard Hamel and Martin Faucher, BHM Medical; Richard Gohier and Jean-René Fortin, Pépinière C.P.P.F.Q.; Réal Raymond and Tony Meti, National Bank; François Laflamme and Raynald Bourassa, OmegaChem; Riad A. Haffar and Ziad G. Homsy, FluoroSeal.

Recognizing excellence

The Bank is committed to recognizing businesses that have excelled in terms of their competence, dynamic approach or outstanding human resources management. In 2003, *The SMEs of the National Bank Recognition Program* celebrated its 10th anniversary. Since its creation, this program, which comprises a regional and a provincial component, has highlighted the excellence of several hundred entrepreneurs who have contributed to economic growth in Quebec. The regional and provincial winners receive prizes offered, among others, by our subsidiaries National Bank Life Insurance and National Bank Financial and benefit from extensive coverage in the media.

We also recognize the essential role played by some 25,000 women in Quebec agriculture. To honour them, in 1999, the Bank created, in partnership with the *Maison Saint-Gabriel*, the Catherine Crolo Award honouring the first intendant of *Ferme Pointe-Saint-Charles*. Each year, this award is presented to a Quebec woman entrepreneur in the area of agriculture or agri-food who has stood out for her courage, her innovation and her enterprising spirit. In 2003, the award went to Colette Duchesne Lapointe, a grain producer in the Jonquières region.

Since 1995, we have also been associated with the *Soirée Saturne*, an event organized by the *Fédération des agricultrices du Québec*, which honours women for their contribution and their drive by awarding them three prizes – *Farmer of the Year*, *Farm Entrepreneur* and *Young Farmer*.

Educating the next generation to ensure the future

In order to sustain the ongoing growth of our economy, we believe it is important to support education. For more than 10 years, we have given financial support to the *École de technologie supérieure* and, since 2001, have encouraged a new generation of students to choose the technology sector by awarding bursaries to promote career choices in the various applications of advanced technology such as engineering or systems integration.

We also support *Jeunes Entreprises du Québec*, the Quebec chapter of Junior Achievement of Canada, which is dedicated to educating and inspiring young people about business and economics. Each year, a number of our employees serve as volunteer advisors to assist groups of high school and CEGEP students in setting up a micro-business to introduce them to all aspects of management.

In the field of agriculture, we participate in the funding of bursaries for agronomy students at the *Université Laval* and the Philippe Parizeau Chair for graduate students in agricultural science at the *Université du Québec à Montréal*.

Regional solidarity funds

In order to stimulate regional economic development in Quebec, we contribute to 16 venture capital funds created by the Quebec Federation of Labour's Solidarity Fund. These regional funds, created in 1996, are used to fund new businesses or restructure companies. To date, the Bank has invested a total of \$14.4 million in these funds.

"The Mini-enterprise program gives young people the opportunity to put into practice what they have learned in their economics class. I enjoy seeing them gain confidence in themselves as the year progresses and their company takes off."

– Maryse Martin, Customer Service Representative and volunteer for the Quebec Junior Achievement Mini-enterprise program

Our contribution to the economy

The National Bank operates in all regions of Canada. As an employer, taxpayer and purchaser of goods and services, the Bank plays an important role in the economic life of every region. The tables on this page present statistics on our contribution to the Canadian economy.

- \$1,287,000,000 in salaries and employee benefits
- \$12,000,000 in training
- \$835,985,595 in procurement of goods and services throughout Canada
- \$63,396,000 in investments in our facilities

Income taxes and other taxes paid in 2003 in Canada

Income taxes and taxes paid or payable in Canada as at October 31, 2003
(in thousands of dollars)

	Income taxes ⁽¹⁾	Capital taxes ⁽¹⁾	Other taxes ⁽²⁾
Federal	225,393	–	50,977
Provincial			
Newfoundland and Labrador	2	–	–
Prince Edward Island	112	101	104
Nova Scotia	149	4	124
New Brunswick	1,146	1,165	1,622
Quebec	48,735	36,805	103,238
Ontario	12,291	4,309	17,169
Manitoba	257	187	244
Saskatchewan	267	213	138
Alberta	1,424	–	877
British Columbia	1,900	182	1,081
Yukon, Northwest Territories and Nunavut	1	–	–
Total – provincial	66,284	42,966	125,916
Total – federal and provincial	291,677	42,966	180,871

(1) Income taxes and capital taxes: Estimated amount

(2) Other taxes: Amount including employee benefits (employer's contribution including amounts paid into the CPP, EI and provincial health insurance plans), business taxes, property taxes, sales taxes (including federal GST, HST and estimated provincial sales tax) and deposit insurance premiums.

Debt financing granted to companies in Canada

A partner of small and medium-sized companies, in 2003, the National Bank authorized more than \$32 billion in debt financing to 36,023 SMEs in Canada.

	\$0 to \$24,999		\$25,000 to \$99,999		\$100,000 to \$249,999		\$250,000 to \$499,999		\$500,000 to \$999,999		\$1,000,000 to \$4,999,999		\$5,000,000 and more		Grand total	
	Total authorized	SMEs	Total authorized	SMEs	Total authorized	SMEs	Total authorized	SMEs	Total authorized	SMEs	Total authorized	SMEs	Total authorized	SMEs	Total authorized	SMEs
Newfoundland and Labrador*	–	–	–	–	–	–	–	–	–	–	–	–	–	–	72,645,185	7
Prince Edward Island	241,616	28	1,681,913	29	3,059,786	17	1,188,303	4	4,205,480	7	15,592,838	7	51,659,863	3	77,629,799	95
Nova Scotia	102,134	12	928,431	15	1,165,226	8	2,921,993	9	5,596,898	8	8,335,579	4	103,251,491	5	122,301,753	61
New Brunswick	3,111,461	355	22,149,165	429	34,105,536	222	46,364,053	131	46,881,173	72	119,587,318	59	274,871,264	18	547,069,969	1,286
Quebec	74,714,041	8,435	439,888,813	8,327	890,413,785	5,736	1,089,244,134	3,111	1,572,482,764	2,293	4,279,547,272	2,204	14,260,011,197	555	22,606,302,006	30,661
Ontario	6,336,379	845	41,299,269	741	90,674,947	600	116,131,749	333	178,194,417	261	523,775,615	262	3,871,516,618	145	4,827,928,995	3,187
Manitoba	165,478	14	1,447,430	28	2,490,117	17	6,833,795	20	8,739,061	12	71,753,733	32	178,762,844	8	270,192,457	131
Saskatchewan	80,502	8	469,648	8	3,224,071	20	5,897,458	18	9,868,223	17	76,814,300	32	98,843,288	9	195,197,490	112
Alberta	447,388	38	2,255,943	39	7,045,118	47	13,605,574	40	27,464,346	39	157,035,998	69	2,562,372,898	99	2,770,227,266	371
British Columbia	68,102	15	781,862	12	2,830,004	18	4,265,953	13	9,485,097	14	53,007,073	21	471,192,666	19	541,630,756	112
Total	\$85,284,311	9,751	\$510,992,596	9,629	\$1,035,158,590	6,686	\$1,286,453,012	3,679	\$1,862,917,458	2,723	\$5,305,449,726	2,690	\$21,944,869,982	865	\$32,031,125,675	36,023

*To preserve the confidentiality of our clients, we are giving only the grand total of debt financing for the province when there is only one SME concerned in a category.

Service quality – a high priority

The quality of customer service is a high priority at the National Bank. In recent years, we have introduced many initiatives to improve the quality of our services and we have seen a steady increase in overall satisfaction with our services in the customer surveys we regularly conduct. In 2003, to further improve quality at all levels of the Bank, we implemented a set of initiatives that affect all sectors and have a single focus: to ensure that the customer is the top priority for all employees.

Our customers' needs are constantly changing. To meet their expectations, we continued to enhance the accessibility of the products and services we provide in the branches, by telephone or via the Internet.

An important aspect of customer service is ensuring that, at all times and in all of its activities, the Bank respects and complies with the legislation, regulations and guidelines that govern it. Last year, we strengthened our Compliance sector and developed new ways of offering our employees the support they need in this area.

The customer – a top priority for all employees

Our continuous improvement strategy supports our objective of offering every customer, whether an individual or a business, superior quality service everywhere, at all times and by every employee at the Bank.

This strategy is based on service expectations as expressed by our customers—accessibility, competency, consideration, convenience, courtesy, reliability, speed and thoughtfulness.



“With Destination Client, we think “client” even more than before. Everyone is working toward a common goal. We realize how very important it is to provide excellent customer service.”

*– Roxanne Vincent
Customer Service Representative
LeGardeur branch*

Service standards have been developed to meet these expectations and to offer the same level of service at all times. This was the impetus behind *Destination Client*, an innovative training and engagement program created for all employees who work directly with customers.

Service quality is a priority not just for front-line employees but for everyone at the Bank. In order to ensure customer satisfaction, each employee must be a strong link in the service chain. Deployment of this strategy is also aimed at all sectors involved in customer service delivery and transaction processing. For the past two years, agreements have been made between service sectors and business units that are part of the service chain. These agreements cover transaction processing performance and set precise delivery standards with respect to the speed, reliability and accessibility of the services offered.

Continuous improvement means continuous training

Continuous training is one of the ways in which we ensure that our employees are able to provide quality service at all times. Our employees can deepen their skills through various internal and external training programs.

All new customer service representatives receive training as soon as they start work and continue to develop competencies through independent study courses. In 2003, we introduced a training program for financial services managers in the Montreal area. We selected three “mentor branches” and three coaches devoted to building the basic knowledge and skills of new financial services managers, whether they come from inside or outside the Bank.



Promoting quality

The Bank is a partner of choice for Quebec companies. As such, the Bank seeks to share its expertise with them and to support them in their efforts to enhance product and service quality. For several years now, the Bank has been actively involved with the *Mouvement québécois de la qualité* (MQQ) [Quebec Quality Movement]. Gisèle Desrochers, Senior Vice-President – Human Resources and Operations, was recently elected Chair of the MQQ’s Board of Directors and represents the Bank on the Board of Governors.

The MQQ, whose members number about 1,300, is a non-profit organization dedicated to promoting best business practices and making them available to companies in order to improve their performance and competitiveness in local, domestic and international markets.

Accessible services that meet expectations

We are constantly improving our service offering and its accessibility so that our customers can choose the services best suited to their needs.

Branch services

Since 2002, over half a million of our customers have enjoyed extended business hours in some 60 branches in Quebec, satisfying the needs of individual and business customers who wanted to go to their branch when it was most convenient for them. Additionally, on appointment, our customers can meet with a financial advisor outside of regular business hours.

Making our network of 477 branches accessible to mobility-impaired customers is a major concern for the Bank, and last year we completed our premises adaptation program.

Every year, we invest in redesigning our branches to make them more attractive and more functional. In 2003, we spent almost \$10 million to enhance 23 branches, including the one located in Quebec City’s

Saint-Roch district. Over the past two years, a major renovation project was undertaken by the Bank to restore this 1909 building to its original beauty. The project provided tangible support to efforts to revitalize the Saint-Roch district and helped breathe new life into one of the finest gems of Quebec City’s architectural heritage.



Our branch in Quebec City’s Saint-Roch district has been restored to its former glory.

Over 6 million transactions are carried out every month at our banking machines.

With this number steadily rising, banking machines are clearly the method of choice for our customers, who appreciate their convenience and efficiency. In 2003, we added 36 new machines to our network, bringing the total to 817 across Canada. To better protect customers who use our machines, we also installed surveillance cameras in 79 branches.

Last year, 16 branches were closed or merged with other branches. The customers and personnel of 11 of the closed branches were transferred to new facilities, while those of the remaining 5 branches were relocated to existing branches that are better equipped to meet all customers’ needs.

Branches closed

Quebec

- 34, boul. Saint-Benoit Est¹, Amqui
- 10, rue Vaillancourt¹, Cap-de-la-Madeleine
- 135, rue Fusey¹, Cap-de-la-Madeleine
- 575, rue Saint-Charles-Borromée Nord¹, Joliette
- 37, Place Bourget Sud¹, Joliette
- 5, rue de L’Église, Lac-au-Saumon
- 20-A, rue Notre-Dame Est, Lorrainville
- 2515, rue Bécancourt, Lyster
- 2, rue Saint-Germain Est, Rimouski
- 3777, chemin d’Oka¹, Saint-Joseph-du-Lac
- 9505, Côte-des-Saints, Sainte-Scholastique, Mirabel
- 20, rue Blainville Ouest¹, Sainte-Thérèse
- 222, boul. Curé-Labelle¹, Sainte-Thérèse

New Brunswick

- 620 Queen Street¹, Fredericton

Ontario

- 263 Queen Street East¹, Brampton
- 301 Ouellette Avenue¹, Windsor

Branches opened

Quebec

- 30, boul. Saint-Benoit Est², Amqui
- 305, rue Barkoff², Cap-de-la-Madeleine
- 979, boul. Firestone², Joliette
- 21, chemin Principal², Saint-Joseph-du-Lac
- 206, boul. Curé-Labelle², Sainte-Thérèse

New Brunswick

- 55 King Street², Fredericton

Ontario

- 58 Quarry Edge Drive², Brampton
- 1 Riverside Drive West², Windsor

^{1,2} Customers and personnel at the branches identified with a ¹ were transferred to new premises in the same town identified with a ². The customers and personnel of the other closed branches were relocated to existing branches.



New banking machines

Quebec

101, 1^e avenue Ouest, Amos
 1360, boul. du Curé-Labelle, Blainville
 1750, chemin d'Oka, Deux-Montagnes
 1, boul. du Casino, Hull
 20, boul. du Plateau, Gatineau
 920, boul. Saint-Joseph*, Hull
 979, boul. Firestone, Joliette
 2135, chemin Gascon, Lachenaie
 655, montée des Pionniers, Lachenaie
 3800, boul. Dagenais Ouest, Laval
 160, boul. Saint-Laurent Ouest, Louiseville
 165, rue Principale Ouest, Magog
 265, boul. Henri-Bourassa Est, Montreal
 159, rue Saint-Antoine, Montreal
 6000, boul. Henri-Bourassa Est, Montreal
 2505, boul. Rosemont, Montreal
 501, avenue Mont-Royal Est, Montreal
 6425, boul. Léger, Montreal
 301, rue Saint-Antoine, Montreal
 1400, boul. Saint-Jean-Baptiste, Montreal
 138, rue Saint-Vallier Ouest, Quebec City
 9700, 4^e rue, Rivière-des-Prairies
 133, rue Principale, Saint-Anselme
 8201, rue Saint-Jacques, Saint-Augustin
 1452, rue Roberval, Saint-Bruno-de-Montarville
 206, boul. Labelle, Sainte-Thérèse
 20, rue Blainville Ouest, Sainte-Thérèse
 21, chemin Principal*, Saint-Joseph-du-Lac
 310, boul. Saint-Luc, Saint-Luc

Ontario

447 Main Street East, Hamilton
 255 Dufferin Avenue, London
 44 Mississauga Street, Orillia

Manitoba

447 Portage Avenue, Winnipeg

New Brunswick

Université de Moncton, Moncton

*2 machines

Home banking services

Many customers prefer to manage their accounts from their home or office. With TelNat Telephone Banking Solutions, they can carry out transactions 7 days a week, 365 days a year, from 6:00 a.m. to midnight. Furthermore, TelNat representatives can serve clients in 22 languages.

More and more customers are using Internet Banking Solutions, which saves them time and guarantees them security, accuracy and accessibility. In 2003, some 424,000 users carried out more than 5 million transactions a month via our website, an increase of 34% over the previous year.

We are constantly improving our website in response to user needs. In 2003, we made it even more comprehensive and user-friendly, by adding such features as a detailed bill payment history, an online password change and a banking account and package selector. Individuals can also now open an account online. Applicants who do not have an account with the National Bank will be asked to go to a branch to confirm their identity, in accordance with legal requirements. Applicants who do have an account with us, other than a MasterCard credit card, will simply receive a telephone call from an advisor to confirm the opening of their account.

The quality of our website (www.nbc.ca) was recognized at the *XXIII Mercuriades*, a competition organized by the *Fédération des chambres de commerce du Québec* [Quebec Federation of Chambers of Commerce]. The Bank won the *Mercur* award in the Internet Strategy category as well as the Bell Special Award for use of new information technologies.

Transactions breakdown*

At the counter	6%
At banking machines	22%
By telephone	2%
By cheque	9%
Via Internet	3%
Interac™ Direct Payment	37%
Electronic funds transfers	21%

*As at October 31, 2003

Reaching all cultures

Our employees are constantly looking for ways to offer personalized services to customers from various cultural communities.

Last year in a Montreal neighbourhood with a large Spanish-speaking population, Roxanna Mora, Financial Services Manager at the Pie IX Blvd. branch in Saint-Léonard, gave a presentation in Spanish on mortgage loans to an audience of 70.

In the Côte-des-Neiges district, which is home to a cultural diversity unparalleled in Quebec, our personnel, representing 10 different cultural backgrounds, offer customers services in 13 languages.

A range of services tailored to needs

In 2003, to help our customers choose the products and services that best met their needs and banking habits, we launched a guide of our banking programs and packages. Given to all new customers, *Your Guide to Personal Banking Solutions* is also available on our website.

Since transactions via the Internet and banking machines are becoming more and more popular, we offer the *AccessPlus* package, which includes an unlimited number of electronic debits for \$10.95 per month.

In order to meet the needs of customers with modest incomes, we offer the *Accessible* package, available at a flat monthly fee of \$3.95, which includes 12 debits per month, two at the branch and 10 electronically. *Interac™* Direct Payment, cheques, withdrawals for bill payment via banking machines or transfers through our Electronic Banking Solutions (Internet, wireless and telephone banking) are also among the services available free of charge with this package.

We also offer banking packages that meet the particular needs of students and customers aged 59 and over. The *NatPlus* package offers persons aged 59 and over many account choices at attractive rates. ClickStudent gives students unlimited access to all our electronic banking services for just \$2.75 per month.

Preparing for retirement

In the past few years, many investors were hard hit by stock market upheavals and are now looking for investments that will meet their need for security and offer a good return when they retire. To satisfy their needs, last year, during Registered Retirement Savings Plan (RRSP) season, we launched the Canadian Blue Chip Portfolio-Linked Note, an innovative product that can generate excellent returns for our customers, while guaranteeing the capital invested.



The Bank considers financial security at retirement a social value. It therefore recently agreed to join an innovative partnership that will be setting up an information vehicle for Quebecers to help them become familiar with public and private pension plans and savings products, manage their savings effectively and soundly and, consequently, become financially self-sufficient at retirement age.



"In co-operation with the managers, I have to make sure that, in all their dealings with customers, our employees provide high service quality in compliance with our legislative frameworks. Compliance means providing customers with all the information they need, explaining all the options available to them and making sure that they clearly understand the products, services and transactions offered so that they can make an informed decision that meets their objectives."

*– Robert Grondin, Manager – Compliance
Montérégie and Central Quebec*

In addition to the National Bank, the partnership comprises the Laurentian Bank, the *Caisse de dépôt et placement du Québec*, the *Fédération des caisses Desjardins du Québec*, the CGI Group, and the *Régie des rentes du Québec*.

Conducting business in compliance with the law

The Bank believes that, to offer superior customer service, it must ensure that the legislation, regulations and guidelines governing its operations are respected at all times and in all its activities. In December 2002, we brought together all the people responsible for compliance Bank-wide under the new Compliance sector. In 2003, we devoted even more resources to this sector and created new ways of supporting our employees in this area.

The mandate of Compliance is to protect the interests of our customers and shareholders as well as the Bank's reputation and that of its employees by implementing structures, management systems, programs, policies and procedures to ensure compliance with legislation, regulations, guidelines and codes of conduct.

Moreover, to ensure the independence of this sector in the Bank, Nicole Rondou, Vice-President – Compliance, has direct access

to the President and CEO as well as to the Board of Directors via the Chair of the Audit and Risk Management Committee.

On a day-to-day basis, all Bank employees are responsible for ensuring that legislation and regulations are respected. To assist them, the Compliance sector has developed new ways of providing employees with the support they need to follow the appropriate procedures. For instance, each of our regions now has a Compliance Manager to guide employees and oversee compliance. Information sessions were organized for personnel and a number of tools developed to assist them in their work.

We have set up various committees to review and strengthen compliance with regulatory processes, including an Ethics Committee and a Committee to Fight Proceeds of Crime (Money Laundering) and Terrorist Financing.

Finding solutions

We have continued to improve our procedures to ensure that when customers have a dispute with us it is resolved satisfactorily. This year we implemented a new, simpler and more effective procedure that offers customers various options for filing a complaint and the guarantee of a

prompt response. A customer can now contact our Mediation Department directly via a new, toll-free telephone number or by letter, fax or e-mail. If they prefer, customers can submit their request to a branch or call a TelNat Call Centre Representative, who will forward it to the Mediation Department.

Moreover, it is now easier for our customers to obtain information about the complaint settlement procedure. Our website offers a direct link to the site of the Bank's Ombudsman. We also updated the pamphlets *For Better Banking Relations with You*, for Personal Banking customers, and *Code of Conduct for Businesses*, for Commercial Banking clients, to reflect the changes in our complaint settlement procedure. These pamphlets are available at all branches and on our website.

Complaints offer an opportunity to review our services and, if needed, improve them. Last year, a number of customers notified the Mediation Department that the suppliers' names for bills paid via the Internet did not appear in their transaction history. The Bank therefore made the necessary changes and our customers have had access to that information since September 2003.



Protecting the confidentiality and security of information

The protection of personal information is integral to every stage of our operations and is subject to stringent procedures pertaining to obtaining, using, preserving and destroying documents.

We have developed a privacy code and employees are made aware, during information sessions, of the importance of protecting the confidentiality of the information to which they have access. Furthermore, Compliance Managers at the Bank are responsible for ensuring that the privacy code is applied in their region.

In 2003, we appointed a new standing committee to uphold our commitment to our privacy code, and to look into all privacy matters on a regular basis. This committee has undertaken a review of our document management policy in order to make it even more effective.

Safe surfing

We work with our partners and suppliers at every stage of the design and implementation of information security solutions, particularly with respect to information transmitted

via the Internet. In 2003, we sought out the best practices in this regard and worked even more closely with our partners to continue developing new solutions.

Our efforts to protect personal information and the integrity of transactions carried out via our website enable us to offer our Peace of Mind Guarantee, which is our commitment to users of our *Internet Banking Solutions* that we will reimburse them for any losses caused by fraud while using our sites, provided they have properly safeguarded their access number, password and personal computer equipment. The National Bank is the only financial institution in Canada to offer such a guarantee to its Personal Banking customers. In fact, in 2002, we received an Octas award from the *Fédération de l'informatique du Québec* in the security and protection of information category for a project to protect Internet banking and e-business transactions.

DALBAR recognizes the quality of our services

Altamira, a subsidiary of the Bank that offers wealth management solutions, National Bank Discount Brokerage (NBDB) and National Bank Securities Advisory Services (NBSAS) were all honoured, on several occasions, by the prestigious financial services research firm DALBAR Inc. DALBAR measures

the performance of investment companies in areas such as customer satisfaction, service quality and effectiveness of communications.

In August 2003, NBSAS ranked first in its class for the overall quality of its customer service via telephone and e-mail. For five consecutive quarters, specifically all four quarters of 2002 and the first quarter of 2003, NBDB was awarded first place among discount brokerage firms for the quality of its customer service. For its part, Altamira won the DALBAR mutual fund service award for service to English-speaking clients as well as the award for French-speaking clients for the fourth time in the past five years.

Senior citizens and their rights

The National Bank supports *Éducaloi*, a non-profit organization whose mission is to educate Quebecers on their rights and obligations, which it does by making available information on the law in everyday language. In 2003, we distributed, free of charge, 25,000 copies of the *Legal Guide for Seniors*, a bilingual legal information guide intended for senior citizens in Quebec, which deals with various issues, including wills, mandates in the event of incapacity, contracts and housing.



The Legal Guide for Seniors, published by Éducaloi, is available on their website at educaloi.qc.ca.

Transparency and rigour in business

Respecting corporate governance standards is of paramount importance at the National Bank. It enables us to participate as a corporate citizen in efforts deployed by regulatory agencies, governments and businesses worldwide to restore investor confidence in capital markets.

Transparency and rigour in business are two of our top priorities. We firmly believe that it is in the interest of our shareholders, our customers, our employees and all our partners to adopt sound corporate governance policies and practices, and to monitor and improve them when necessary.

Board of Directors

Over the past two years, we have made changes to the size and composition of our Board of Directors to make sure it functions more effectively and to ensure its independence.

The functions of Chairman of the Board and Chief Executive Officer were separated in 2002. Since the tabling in 1994 of the Dey Report, which recommended that boards of directors have fewer than 20 members, the size of our Board has gradually been reduced to 18 directors, most of whom are independent directors. Moreover, all the members of the Conduct Review and Corporate Governance Committee and of the Audit and Risk Management Committee are independent directors.

To further increase the independence of the Board with respect to management, outside directors meet from time to time during in camera sessions led by the Chair of the Conduct Review and Corporate Governance Committee.

The Bank is recognized in Canada for its efforts to increase the number of women on its Board of Directors. In 2003, women accounted for 28% of Board members compared to 21% two years earlier.

The Board requires that its directors own a minimum number of Bank common shares so that their interests are aligned with those of all Bank shareholders.

Accuracy of financial information

In 2003, an accountability chain was put in place in order to systemize disclosure with respect to the accuracy of the financial results and the risks incurred by the Bank. Approximately 60 managers of the Bank and its subsidiaries must attest to the accuracy of data concerning the activities for which they are accountable, and disclose any information likely to influence the results and reputation of the Bank. Moreover, beginning this year, the President and Chief Executive Officer and the Chief Financial Officer attest to the accuracy of the Bank's financial reports.

Protecting and improving the environment

The National Bank believes that it has an important role to play in protecting and improving the environment. It has therefore implemented measures aimed at limiting the environmental impact of its operations and selecting only enterprises that manage environmental risks efficiently.

Environmental risk evaluation

We work in cooperation with enterprises that assume their environmental responsibilities and have integrated environmental evaluation criteria into our credit policies. When we receive an application for financing from an enterprise that operates in a risk sector, we require an assessment of the potential existence and scope of environmental risks associated with this type of business and advise clients about the risks they may incur in financing their acquisition.

Minimizing the impact of our operations

Over the past few years, we have adopted a number of measures aimed at reducing our energy consumption and limiting the waste generated by our operations. Our construction and renovation environmental handbook has helped to reduce the environmental impact of our projects through more efficient use of space and the recycling or reuse of materials.

We have improved energy efficiency in our buildings and implemented energy-saving programs, including one to replace domestic water-cooled air conditioning units in branches that were still using this type of air conditioner.

The Bank also encourages its employees to participate in recycling programs. Established in 1994, the Zero Waste program seeks to reduce waste produced in the National Bank Tower in Montreal based on the principle of the 3Rs, namely, reduce, reuse and recycle paper, plastic and glass, and donate any old but useable furniture to non-profit organizations.

The National Bank at a glance

Our origins and the scope of our activities

- The National Bank was founded in 1859 in Quebec City, where its first branch was located.
- The Bank's head office is in Montreal and its shares trade on the Toronto Stock Exchange (TSX) under the symbol NA.T.
- The National Bank is an integrated group that provides personalized services and specialized savings, investment, financing and payment products to individual customers and companies in Canada, the United States and elsewhere in the world.
- Through its subsidiaries and other entities, the Bank is involved in wealth management, securities brokerage and mutual fund management as well as in retirement plans and insurance. It is also active in international financial markets.
- In Quebec, the Bank is the leader in wealth management. In the commercial banking sector, it is the partner of choice for at least 65% of Quebec's SMEs.
- The Bank is ranked sixth among Canada's chartered banks in terms of assets.

Our network

- The Bank's products and services are available through an extensive network of branches and a wide range of e-commerce tools.
- Number of branches in Canada: 477
- Number of banking machines across Canada: 817

Our most valuable resource

- The Bank is the seventh largest employer in Quebec.
- The Bank considers its 17,000 employees to be its greatest asset.
- Diversity is a core value at the Bank, and many policies and programs have been developed in this area.
- In 2003, the Bank invested more than \$12 million in employee training and development.
- In addition to its many internal training programs, for the past seven years, the Bank has offered the *National Bank University Program*, unique in the banking industry.

Our social commitment

- In 2003, donations made by the National Bank and its subsidiaries, sponsorships, fundraising projects at the branch level and benefit events organized for community groups contributed \$10 million to hundreds of Canadian organizations active in education, health, culture and community aid.
- In addition, a great many of our employees work as volunteers with non-profit organizations, either personally or on the Bank's behalf.

Annual economic benefits generated by our activities

- Salaries and benefits: \$1.287 billion
- Purchases of goods and services: \$836 million
- Income taxes and other taxes: \$516 million
- Financing via loans granted to SMEs: \$32 billion
- Investments in our facilities: \$63 million





Subsidiaries of National Bank of Canada*

Altamira Capital Growth Fund Limited

Altamira Financial Services Ltd.

Altamira Networked Economy Partnership

Correspondent Network Partnership

First Structured Notes Corporation

Fivex Corporation

(dissolved August 29, 2003)

Innocap Investment Management Inc.

Le Fonds d'Investissement REA Inc.

Maple Financial Group Inc.

Natcan Investment Management Inc.

Natcan Trust Company

National Bank Discount Brokerage Inc.

National Bank Financial Inc.

National Bank Financial Ltd.

National Bank Financial Planning Inc.

National Bank Financial Services
(Investments) Inc.

National Bank Financial Services Inc.

National Bank Funds Corporation

National Bank Life Insurance Company

National Bank Securities Inc.

National Bank Trust Inc.

NBC Financial Services Inc.

NBC International (USA) Inc.

NBCN

NBCN Clearing Inc.

NBF Financial Services Inc.

NBF Financial Services Ltd.

NBF Securities (USA) Corp.

Opus 2 Financial Inc.

Opus 2 Securities Inc.

Putnam Lovell NBF Securities Inc.

Renvest Capital Corporation

3838366 Canada Inc.

*This list represents the subsidiaries of National Bank of Canada covered under the Public Accountability Statements Regulations adopted on March 21, 2002.



 NATIONAL
BANK
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