

# NATIONAL BANK FINANCIAL 2009 CANADIAN FINANCIAL CONFERENCE

Louis Vachon,  
President and CEO  
National Bank

March 31, 2009



## CAUTION REGARDING FORWARD-LOOKING STATEMENTS



### Caution Regarding Forward-Looking Statements

From time to time, National Bank of Canada (the "Bank") makes written and oral forward-looking statements, such as those contained in the "Major Economic Trends and Challenges" section and under the heading "Medium-term objectives" in the "Overview" section of the 2008 Annual Report, in the "Medium-term financial objectives" section of this Report to Shareholders, in other filings with Canadian securities regulators and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2009 and the objectives it has set for itself for that period. All such statements are made pursuant to the "safe harbour" provisions of Canadian and U.S. securities legislation. These forward-looking statements include, among others, statements with respect to the economy (particularly the Canadian and American economies), market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and words and expressions of similar import. By their very nature, such forward-looking statements require us to make assumptions and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2009 and how that will affect the Bank's business are material factors considered in setting the Bank's strategic priorities and objectives, and in determining its financial targets, including provisions for credit losses. With the financial and credit crisis currently underway, fiscal 2009 could be characterized by an overall slowdown in the world economy, which could affect the United States, Canada's largest trading partner. The financial crisis may result in lower levels of activity on financial markets and a higher cost of funds for financial institutions. There is a strong possibility that personal and commercial bankruptcies could increase in coming quarters. In determining its expectation for economic growth, both broadly and in the financial services sector, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Tax laws in the countries in which the Bank operates, primarily Canada and the United States, are material factors it considers when establishing its sustainable effective tax rate. There is significant risk that express or implied projections contained in such statements will not materialize or will not be accurate. A number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Such differences may be caused by factors, many of which are beyond the Bank's control, which include, but are not limited to, the management of credit, market and liquidity risks; the strength of the Canadian and United States economies and the economies of the countries in which the Bank conducts business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada and the U.S. Federal Reserve; the effects of competition in the markets in which the Bank operates; the impact of changes in the laws and regulations regulating financial services and enforcement thereof (including banking, insurance and securities); judicial or regulatory judgments and legal proceedings; developments with respect to asset-backed commercial paper (ABCP) and liquidity in the ABCP market; the Bank's ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank's ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; the Bank's ability to recruit and retain key officers; operational risks, including risks related to the Bank's reliance on third parties to provide components of the Bank's business infrastructure as well as other factors that may affect future results, including changes in trade policies, timely development of new products and services, changes in estimates relating to reserves, change in tax laws, technological changes, unexpected changes in consumer spending and saving habits; natural disasters; the possible impact on the business from public health emergencies, conflicts, other international events and other developments, including those relating to the war on terrorism; and the Bank's success in anticipating and managing the foregoing risks. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found under "Risk Management" and "Factors That Could Affect Future Results" in the 2008 Annual Report. Investors and others who base themselves on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Bank also cautions readers not to place undue reliance on these forward-looking statements. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf. The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.

# 1. MANAGING THE GLOBAL CRISIS

# 2. POSITIONING NATIONAL BANK FOR THE FUTURE



## ABCP - POST MORATORIUM TRIGGER RISK



NO TRIGGER RISK BEFORE JULY 16, 2010  
... AND A REMOTE RISK AFTERWARDS

- US spreads would have to widen by **more than 440 bps** from current levels

Indicative Distance to Triggers Post Moratorium					
	CDX7 5yr	CDX7 7yr	CDX7 10yr	CDX5 10yr	iTraxx6 10yr
Trigger	762	739	676	754	476
Current Spread	321	271	210	250	160
Distance to Trigger	441	468	466	504	316

Note: assuming no change in realized losses in the credit indices

- Triggers could also be breached if realized losses in the credit indices exceeded 12% (currently at 46 bps)
- Historical default analysis would suggest this risk is very low

## ABCP - CORPORATE DEFAULT

### THE RESTRUCTURING PROVIDES A CUSHION

16 corporate credits have defaulted out of approximately 900 names

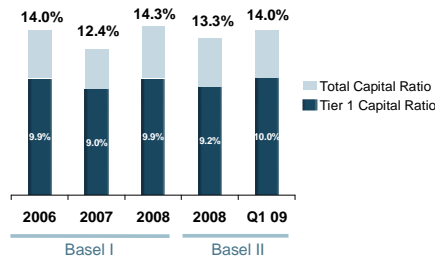
100 names traded above 1,000 basis points

Existing write downs on MAV 1 & 2 notes would cover significant additional defaults (nearly 10 times the current level of defaults in our scenario analysis)

As of March 25, 2009

## WELL-CAPITALIZED AND WELL-FUNDED

### CAPITAL RATIO



### CONSERVATIVE CAPITAL MANAGEMENT

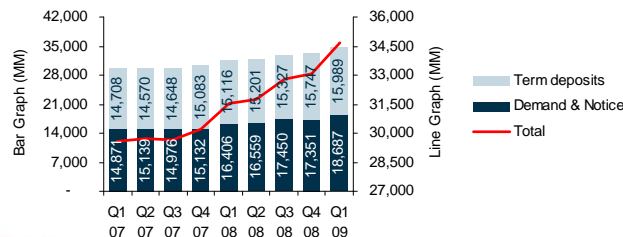
#### Sound Capital Ratio

- Preferred share issuance in Q1 2009 of \$315M
- Q1 2009 tier 1 ratio at 10%

#### Well-funded

#### Quarterly dividend maintained

### PERSONAL DEPOSITS

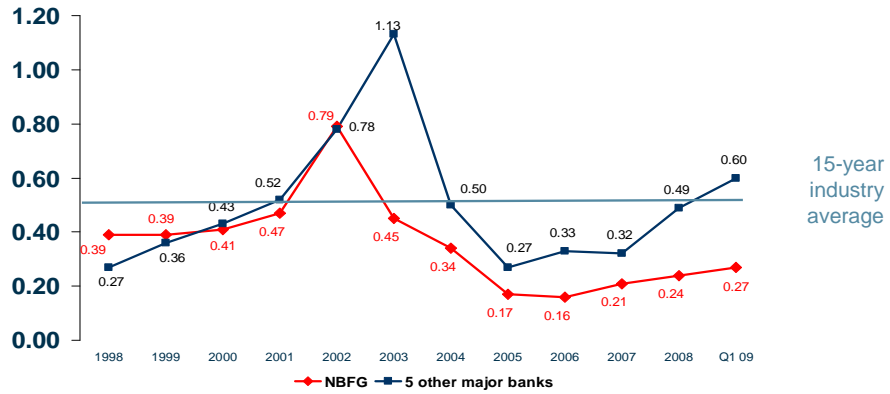


## NATIONAL BANK OUTPERFORMS ITS CDN PEERS



### CANADIAN BANKS - HISTORICAL LOAN LOSSES

As a % of Loans and BAs (bps)



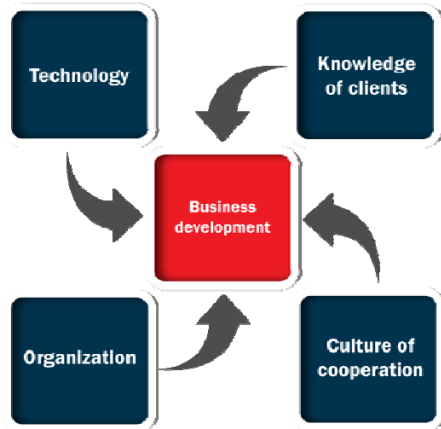
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1. MANAGING THE GLOBAL CRISIS

2. POSITIONING NATIONAL BANK FOR THE FUTURE



## ONE CLIENT, ONE BANK: TOP PRIORITIES



### RE-ALIGNING RESOURCES TO CLIENTS

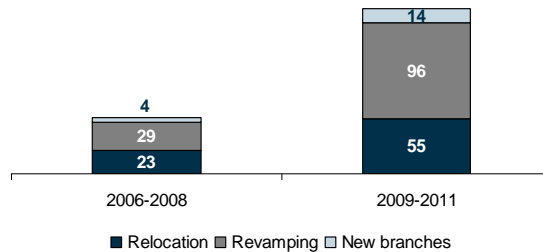
- Workforce reduction
- Lower general expenses in operating units
- Reduce procurement and outsourcing costs

 + \$100 million

- Additional investments in our branch network
- More people in branches
- Increased budget for marketing and branding

## LAUNCH OF A NEW RETAIL INFRASTRUCTURE PLAN

Close to \$80M in investments from 2009 to 2011



- 14 net new branches, including 4 outside Quebec
- More than 150 out of 448 branches revamped or relocated
- 2009 target is in line with 24 out of 39 projects already initiated

## MARKETING AND BRANDING



Jean-Marc Eustache  
President and CEO,  
Transat A.T.

### 2009 CAMPAIGN:

- More than \$10M for two major programs
- 150th anniversary
- “And Action...” platform

## MARKETING AND BRANDING



Ian Greenberg  
President and CEO,  
Astral Media

### 2009 CAMPAIGN:

- More than \$10M for two major programs
- 150th anniversary
- “And Action...” platform

## MARKETING AND BRANDING



Ellis Jacob  
President and CEO,  
Cineplex Odeon Corporation

### 2009 CAMPAIGN:

- More than \$10M for two major programs
- 150th anniversary
- “And Action...” platform

## MARKETING AND BRANDING



Alain Bouchard  
President and CEO,  
Alimentation Couche-Tard

### 2009 CAMPAIGN:

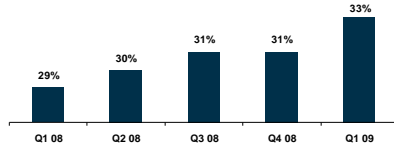
- More than \$10M for two major programs
- 150th anniversary
- “And Action...” platform

## FINANCIAL MARKETS - ONE CLIENT, ONE BANK



### CORPORATE CLIENTS (% with at least 2 products)

Up to 33%

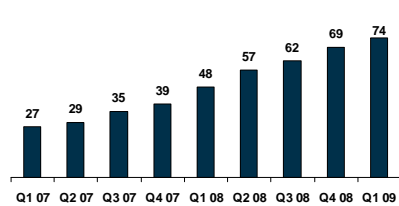


### Q1 2009 – YoY

- A third of corporate clients use at least two products
- More corporate clients use NBF solutions to hedge their energy exposures.
- Sales of risk management products to corporate clients more than doubled since Q1 2008

### NUMBER OF CLIENTS (with NBF solutions for energy exposure)

Up 174%



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## FIERCE COMPETITION AHEAD



Aggressive competition around traditional banking services (Pricing and Market share)

Solid cost control & risk management are key assets to fight efficiently with aggressive competitors

Return of relationship banking for large corporations

- National Bank's role as a "super regional" is an asset
- Proximity of financial solutions

Financial innovation to continue but at a slower pace

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## UPCOMING REGULATION CHANGES

### The Canadian financial system shows more resiliency

- More a relationship model than a transactional one
- Tighter regulations on capital requirements and leverage

### Establishing a systemic-risk regulator...

- Global supervision vs. domestic regulations
- The return of the Glass Steagall restrictions?

The key is to maintain vital balance between regulation and development of a healthy industry

Regulation changes will be advantageous to Canadian Banks

## Q & A SESSION

### Investor Relations

Financial analysts and investors who want to obtain financial information on the Bank are asked to contact the Investor Relations Department.

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