

Analyst and Investor Presentation

Q3 2005 Results Conference Call



August 25, 2005
www.nbc.ca/investorrelations

opportunities



Highlights



- Q3 05 Results:
 - Net income \$207 M; up 24% y/y
 - EPS at \$1.20; +26% y/y
 - ROE at 20%; was 17% as at Q3 04
- For the 9 months
 - Net income \$648 M; up 22% y/y
 - EPS at \$3.76; +26% y/y
 - ROE at 21%; was 18% as at Q3 04
- Revenue growth from the 3 business segments, coupled with continued strong P&C volume growth and important asset growth
- Outstanding credit quality continued, with LLPs at \$15 M
- Capital position remains above target range with a 9.2% Tier One ratio

2005 Objectives

Well on track to achieving goals



	2005 Objectives	Q3 05	YTD
Growth in earnings per share	5% to 10%	26%	26%
Return on common shareholders' equity	16% to 18%	20%	21%
Tier 1 capital ratio	Equal or greater than 8.5%	9.2%	9.2%
Dividend payout ratio ¹	35% to 45%	34%	34%

(1) Trailing 4 quarters

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Performance Snapshot



In millions of dollars

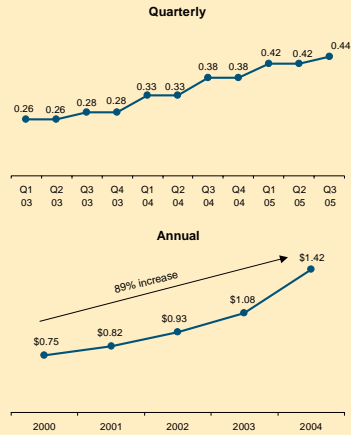
Q3 04	Q3 05	Change		9M 04	9M 05	Change
\$858	\$889	4%	Total revenues	\$2,653	\$2,772	4%
\$586	\$616	5%	Operating expenses	\$1,765	\$1,853	5%
\$272	\$273	0%	Contribution	\$888	\$919	3%
\$31	\$15	-52%	Provision for credit losses	\$94	\$33	-65%
\$241	\$258	7%	Operating income	\$794	\$886	12%
\$167	\$207	24%	Net income	\$533	\$648	22%
\$0.95	\$1.20	26%	EPS	\$2.99	\$3.76	26%
17.2%	19.6%		ROE	18.4%	21.1%	
9.5%	9.2%		Tier 1 ratio	9.5%	9.2%	
66.2%	64.9%		Efficiency ratio (TEB)	64.8%	64.2%	

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Dividend per Share



Highlights:

1.4 M shares repurchased in Q3 05, totalling an amount of \$74.9M

YTD 4.2 M shares of the total 8.4M share repurchase program have been repurchased for a total amount of \$224M

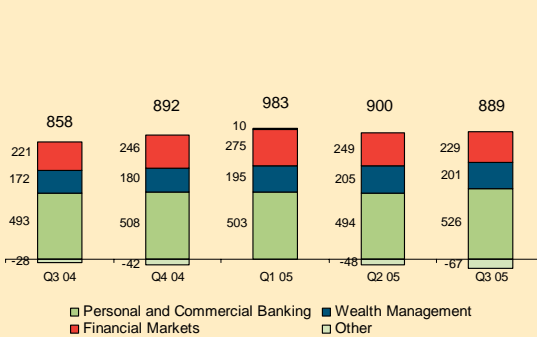
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Revenues – Business Line Mix

In millions of dollars

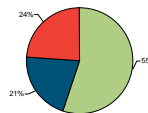


Highlights:

Y/Y revenue increase:

- P&C: 7%
- Wealth Management: 17%
- Financial Markets: 4%

Revenue Diversification



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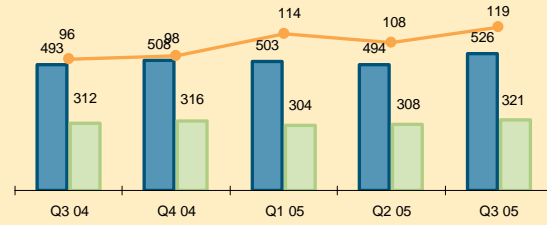
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Personal and Commercial Banking – Quarterly

In millions of dollars

■ Revenues
■ Expenses
—●— Net Income



Highlights:

Y/Y increase:

Revenues: 7%
 Net income: 24%

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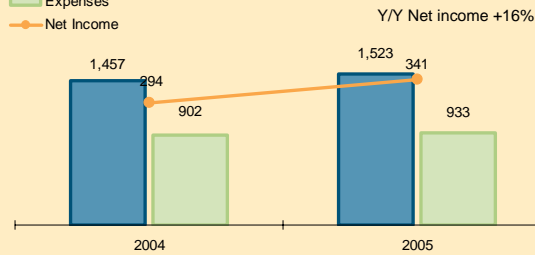
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Personal and Commercial Banking – YTD

In millions of dollars

■ Revenues
■ Expenses
—●— Net Income



Highlights:

Revenues +5%:

- NII +3.5%
- Other income: +6.3%

Slight improvement of
expense ratio at 61.3%

Net income +16%

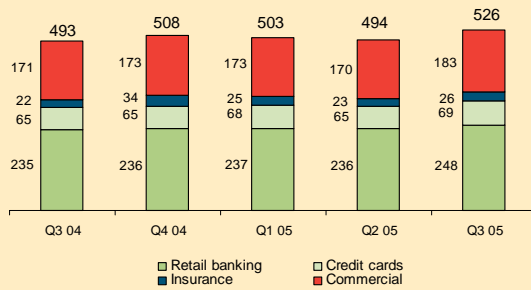
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P&C Revenue Composition

In millions of dollars



Highlights:

Contributor increases y/y:

Retail banking 6%
Credit cards 6%
Insurance 18%
Commercial 7%

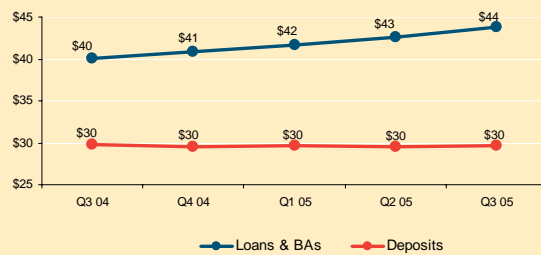
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P&C Volume Evolution

In billions of dollars
Quarterly average volumes



Growth :

- 10% in Loans & BAs
- Seeing a steady pace of \$1B in new loans per quarter
- Deposits stable

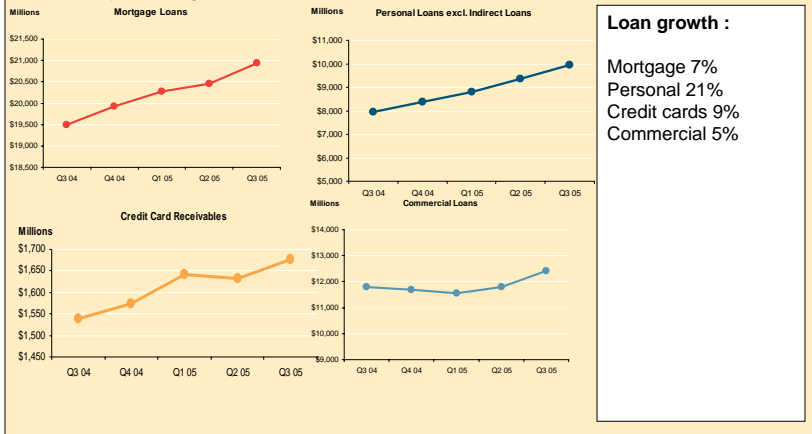
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P&C Loan Evolution

Quarterly average volumes



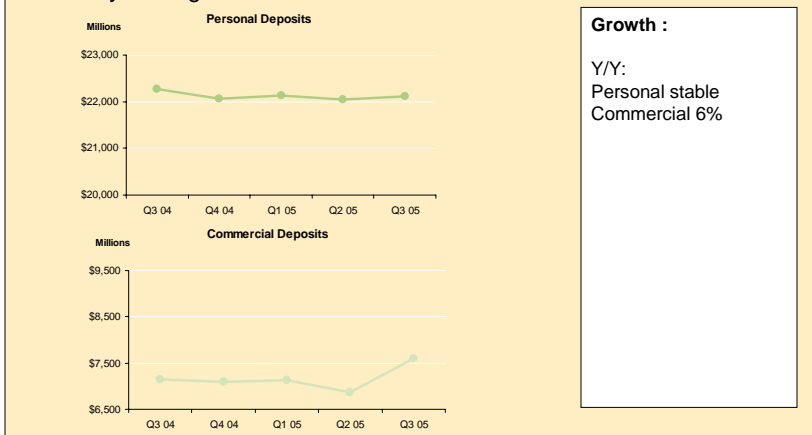
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P&C Deposit Volume Evolution

Quarterly average volumes

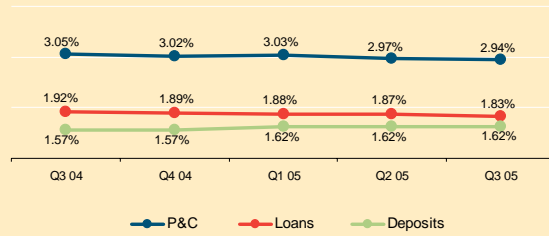


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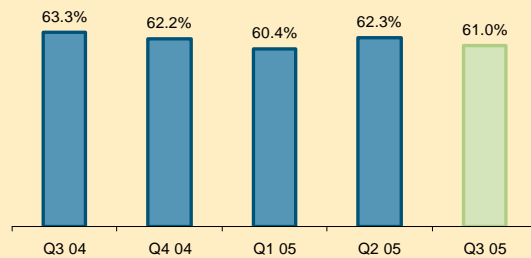
P&C Margin Evolution



Evolution :

Decrease in loan margin result of mix of business and HELOC volume increase (Lower margin but with lower loan losses)

P&C Expense Ratio



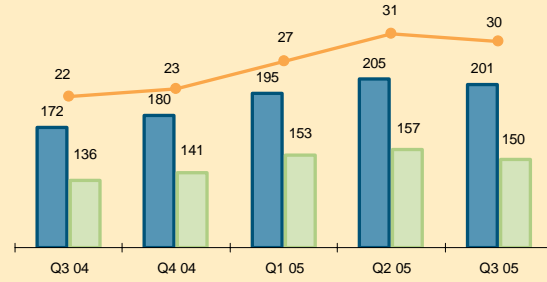
Highlights :

All sub-sectors improved their efficiency ratio

Wealth Management – Quarterly

In millions of dollars

■ Revenues
■ Expenses
—●— Net Income



Highlights:

Y/Y increase:

Revenue: 17%
 Net income: 36%

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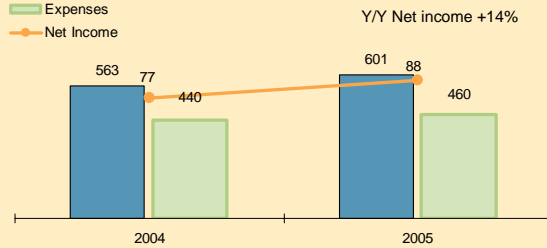


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Wealth Management – YTD

In millions of dollars

■ Revenues
■ Expenses
—●— Net Income



Highlights:

Revenue + 7%
 Expense + 5%
 Expense ratio 76.5%
 vs 78.2%
 Net income +14%

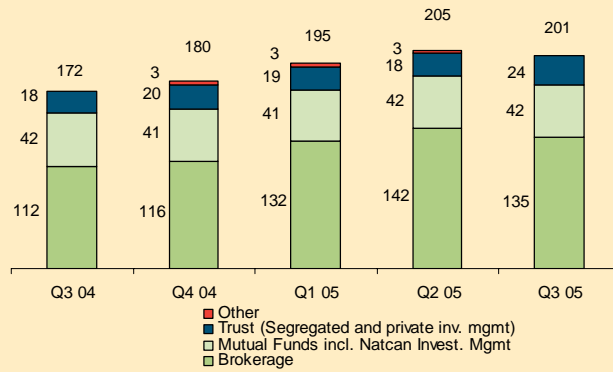
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Wealth Management Revenue Composition

In millions of dollars



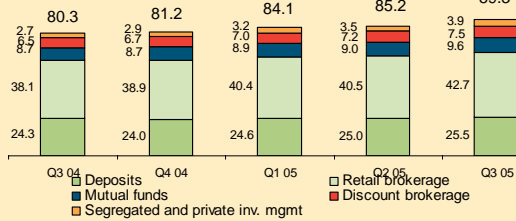
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Retail Assets Under Management Composition

In billions of dollars



Highlights:

Y/y total asset increase:
11%

Contributor increases Q3
05 vs Q3 04:

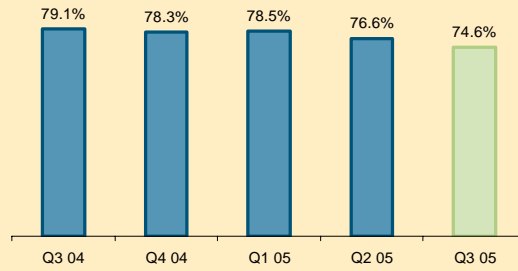
Deposits 5%
Retail brokerage 12%
Mutual funds 11%
Discount brokerage 16%
Segregated and private
invest. mgmt 44%

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Wealth Management Expense Ratio



Highlights :

Seeing important leverage in the model

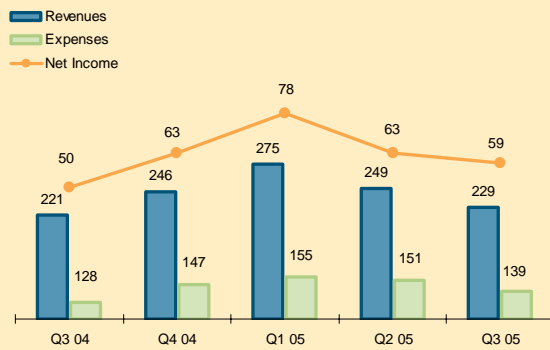
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Financial Markets – Quarterly

In millions of dollars



Highlights:

Y/Y Net income growth of 18%

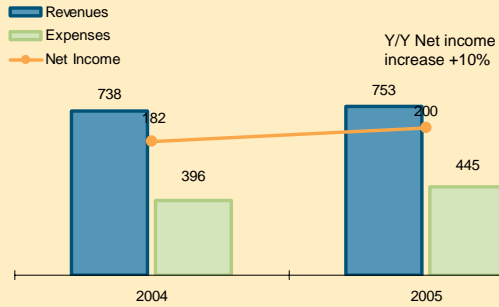
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Financial Markets – YTD

In millions of dollars



Highlights:

Revenue growth +2%

Net income +10%

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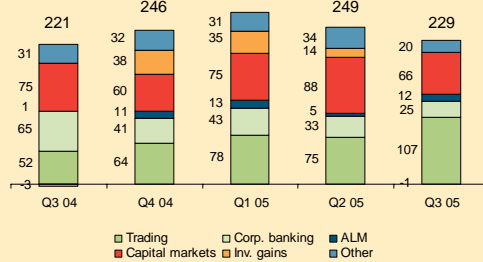
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Financial Markets Revenue Composition

In millions of dollars

TEB



Highlights:

Excess of market value over book of \$131M, of which \$60M comes from Equities

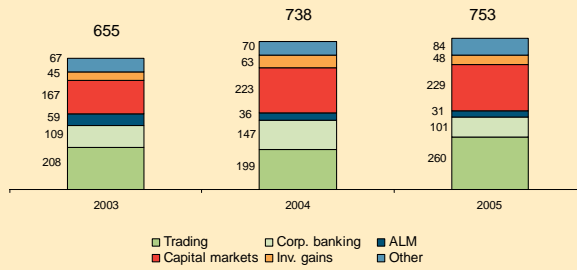
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Financial Markets Revenue Composition – YTD

In millions of dollars



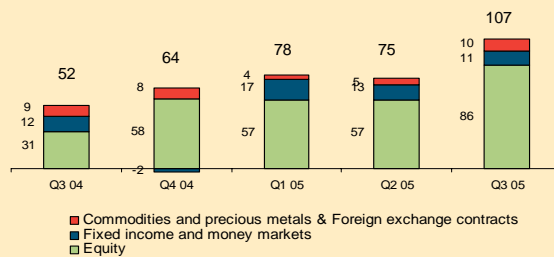
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Trading Revenue Breakdown

In millions of dollars

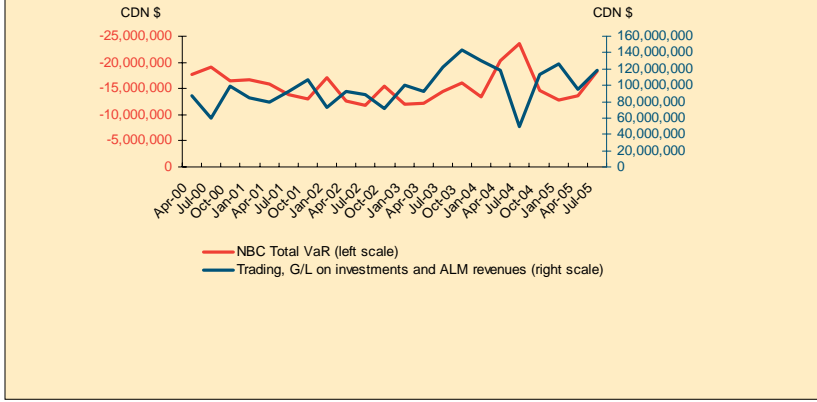


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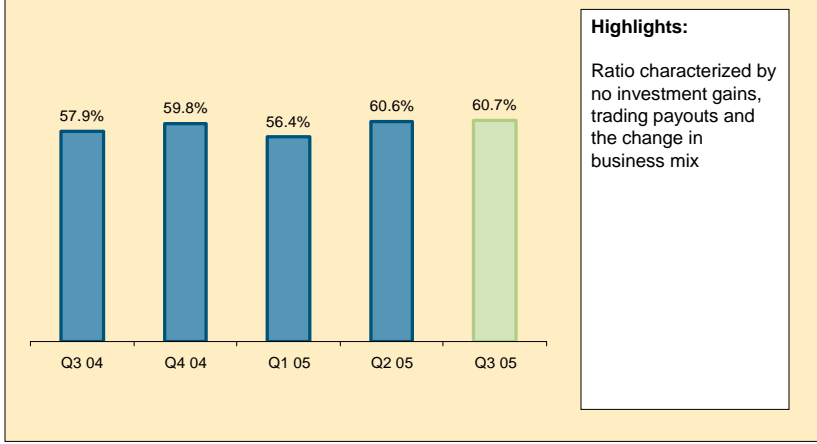
Trading/Securities Gains/ALM Revenues



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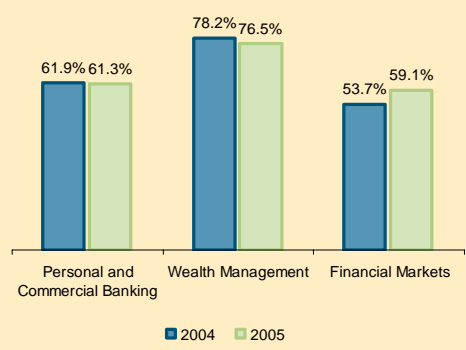
Financial Markets Expense Ratio



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Business Line Expense Ratio – YTD



Highlights:
Expense levels remains low, and shift in Financial Markets business mix impacted sectoral ratio.



Risk Management



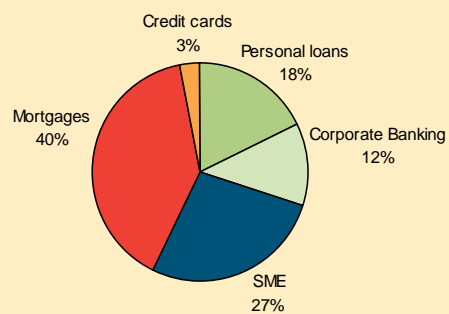
Quarterly highlights

Another low provisioning quarter

- Provisioning environment continues to be excellent on all fronts:
- Continued active surveillance of specific industries
 - Managing down exposures
 - Proactive use of derivatives
- At quarter end, the level of credit protection bought was US\$237M; sold US\$95M

Global Portfolio Composition

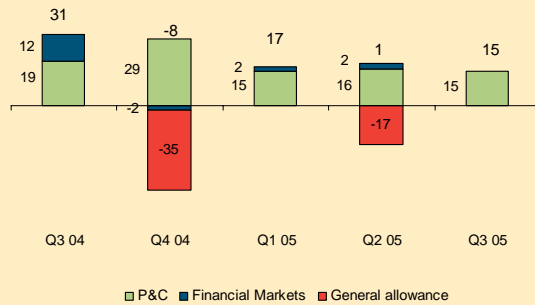
As at July 31, 2005
Outstanding



Adjusted for securitization

Risk Provisioning

In millions of dollars



Highlights :

At this stage of the cycle we estimate to be on the lower end of our original forecast

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Allowance for Credit Losses



In millions of dollars	Specific allowances	Allocated general allowances	Unallocated general allowances	9M 05
Allowances at beginning	228	272	78	578
Provision for credit losses	50	-	(17)	33
Write-offs	(171)	-	-	(171)
Recoveries	40	-	-	40
Allowances at end	147	272	61	480

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Impaired Loan Formation



In millions of dollars	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	9M 05
Personal & Commercial *	20	7	2	4	7	13
Corporate	(6)	(20)	(14)	(3)	(4)	-21
Total	12	(13)	(12)	1	3	-8

Formations include new accounts, disbursements, principal repayments and exchange rate fluctuation

* Includes Real Estate

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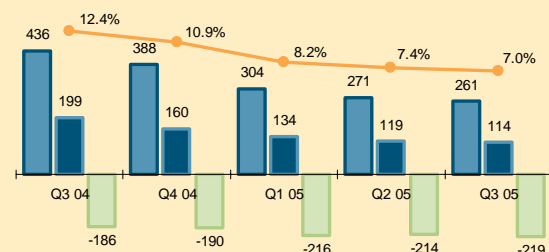
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Impaired Loans

In millions of dollars

■ Gross impaired loans
■ Net impaired before general allowance
■ Net impaired loans
—●— Gross impaired/Common equity minus goodwill plus reserves



Continued strong asset quality

4% decrease in gross impaired loans from previous quarter, 40% since a year ago

7% best historical ratio

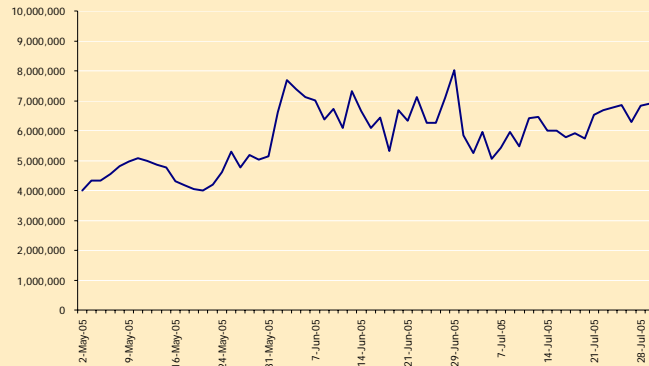
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VaR – Global Trading

In CDN dollars



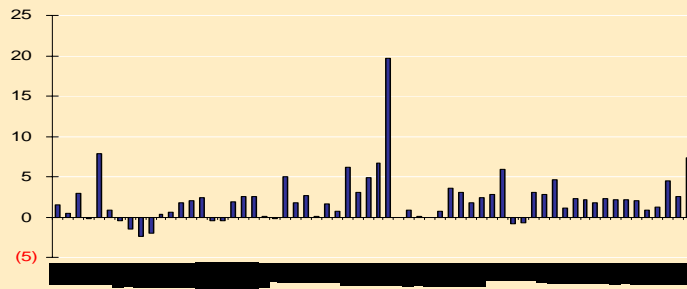
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Daily Trading P/L – Q3 05

In millions of Cdn dollars
(Excludes underwriting)



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Continued strong performance



- NA continues to produce consistent top and bottom line returns even in mixed environments
- Our priority remains a focused, disciplined execution of our strategic plan that continues to produce shareholder value

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By their very nature, such forward-looking statements require us to make assumptions and involve inherent risks and uncertainties, both general and specific. 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, changes in Canadian and/or global economic and financial conditions (particularly fluctuations in interest rates, currencies and other financial instruments), liquidity, market trends, regulatory developments and competition in geographic areas where the Bank operates, technological changes, consolidation in the Canadian financial services sector, the possible impact on our businesses of international conflicts and other developments including those relating to the war on terrorism and the Bank's anticipation of and success in managing the risks implied by the foregoing. The Bank cautions that the foregoing list of important factors is not exhaustive. 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 therefore cautions readers not to place undue reliance on these forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Bank.