Report to Shareholders

First Quarter 2007

NATIONAL BANK OF CANADA

National Bank posts record net income of $240 million in the first quarter of 2007

- Diluted earnings per share up 13% to $1.43
- Return on equity of 20.7%

MONTREAL, March 1, 2007 – National Bank today announced that in the first quarter of 2007, it posted record net income of $240 million, up 11% from the same period of 2006. Diluted earnings per share reached $1.43, an increase of 13% from the first quarter of 2006, when diluted earnings per share stood at $1.26. These excellent results were attributable to business growth in the Personal and Commercial and Wealth Management segments. Return on common shareholders' equity moved up almost one percentage point to 20.7%.

"The strength of our basic banking and wealth management activities, coupled with effective cost management, raised net income for the quarter to a record level. The past quarter's performance testifies to the soundness of the Bank's business strategies and is an excellent start to the 2007 fiscal year," said Réal Raymond, President and Chief Executive Officer.

Highlights

- Robust growth in activities aimed at individuals and SMEs between Q1 2006 and Q1 2007.
- Diluted earnings per share of $1.43, up 13% from the corresponding period of 2006, when diluted earnings per share stood at $1.26.
- Record net income of $240 million in Q1 2007, up $23 million or 11% from Q1 2006.
- Effective cost control maintained.

Personal and Commercial

- Growth of 6% in total revenues at Personal and Commercial in Q1 2007 owing to sustained growth in loan and deposit volumes since the corresponding period of 2006.
- Continued improvement in the first quarter of 2007 in the net interest margin, which reached 2.90%, as against 2.87% for the year-earlier period.
- Increase in segment net income of 16% in Q1 2007 to $123 million, versus $106 million in Q1 2006, due to business growth and the pronounced improvement in productivity. In fact, the efficiency ratio fell from 62.3% in Q1 2006 to 57.6% this quarter.

Wealth Management

- Increase of 9% in total revenues for the segment in Q1 2007, primarily due to vigorous retail brokerage activities.
- Rise of 22% in segment net income from $37 million in Q1 2006 to $45 million in Q1 2007.
- Year-over-year increase of 9% in segment deposits and off-balance sheet savings, which reached $71.6 billion owing to the growth in assets administered by brokerage services, mutual funds and private investment management.

Financial Markets

- Total revenue growth at Financial Markets of $9 million to $299 million on the strength of trading activities.
- Sustained segment contribution to the Bank's total profitability, with net income of $87 million in Q1 2007, despite the significant decrease in gains on securities compared to Q1 2006.

Financial Information

Quarter ended January 31
(unaudited)

(millions of dollars)	**2007**	2006	%
Personal and Commercial	**123**	106	+16
Wealth Management	**45**	37	+22
Financial Markets	**87**	91	– 4
Other	**(15)**	(17)	–
Net income	**240**	217	+11
Diluted earnings per common share	**$1.43**	$1.26	+13
Return on common shareholders' equity	**20.7%**	19.9%	

2007 Financial Objectives	Objectives	Results 1st Quarter 2007
Growth in diluted earnings per share excluding specified items	5% – 10%	**13%**
Return on common shareholders' equity	16% – 20%	**20.7%**
Tier 1 capital ratio	More than 8.5%	**9.9%**
Dividend payout ratio	40% – 50%	**37%**

Caution Regarding Forward-Looking Statements

From time to time, National Bank of Canada makes written and oral forward-looking statements in this Report to Shareholders, in other filings with Canadian regulators or the United States Securities and Exchange Commission, in annual reports, in press releases and in other communications. All such statements are made pursuant to Canadian securities regulations and the provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements with respect to the economy, market changes, the achievement of strategic objectives, certain risks as well as statements with respect to our beliefs, plans, expectations, estimates and intentions. These forward-looking statements are typically identified by the words "may," "could," "should," "would," "suspect," "outlook," "believe," "anticipate," "estimate," "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. 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 other 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; 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 judgments and legal proceedings; 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; operational and infrastructure risks; 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, changes 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.

Additional information about these factors can be found under "Risk Management" and "Factors That Could Affect Future Results" in the 2006 Annual Report.

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 also cautions readers not to place undue reliance on these forward-looking statements.

Financial Reporting Method

The Bank uses certain measurements that do not comply with Canadian generally accepted accounting principles (GAAP) to assess results. Securities regulators require companies to caution readers that net earnings and any other measurements adjusted using non-GAAP criteria are not standard under GAAP and cannot be easily compared with similar measurements used by other companies. Like many other institutions, the Bank uses the taxable equivalent basis to calculate net interest income, other income and income taxes. This calculation method consists in grossing up certain tax-exempt income (particularly dividends) by the income tax that would have been otherwise payable. An equivalent amount is added to income taxes. This adjustment is necessary in order to perform a uniform comparison of the return on different assets regardless of their tax treatment. For all operating segments, net interest income was grossed up by $44 million ($20 million in 2006) and other income was grossed up by $21 million ($1 million in 2006). An equivalent amount was added to income taxes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

Febuary 28, 2007 – The following text presents Management's discussion and analysis of the Bank's financial condition and operating results. This analysis was prepared in accordance with Multilateral Instrument 51-102, Continuous Disclosure Obligations, of the Canadian Securities Administrators and is based on the unaudited interim consolidated financial statements for the first quarter of fiscal 2007. Additional information about National Bank of Canada, including the Annual Information Form, can be obtained from the SEDAR website at **www.sedar.com** and the Bank's website at **www.nbc.ca**.

Analysis of Results

Consolidated Results
National Bank reported record net income of $240 million for the first quarter of fiscal 2007, up 11% from net income of $217 million for the same period of 2006. Diluted earnings per share amounted to $1.43, an increase of 13% from $1.26 for the first quarter of 2006.

Return on common shareholders' equity was 20.7% in the first quarter, almost one percentage point higher than the year-earlier period.

Total Revenues
The Bank's total revenues rose $18 million between the first quarter of 2006 and the first quarter of 2007 to reach $989 million. On a taxable equivalent basis(1), total revenues were $1,054 million, an increase of 6%. Personal and Commercial net interest income advanced $18 million, or 5.5%, to stand at $346 million for the quarter, owing to higher loan and deposit volumes. This increase was accompanied by an ongoing improvement in the net interest margin, which widened to 2.90% in the first quarter of 2007 from 2.87% for the year-earlier period. Over the past few quarters, the widening of the spread on deposits has offset the narrowing of the spread on loans, which is showing signs of stabilizing.

Other income in the first quarter totalled $713 million, versus $693 million for the corresponding quarter of 2006. On a taxable equivalent basis(1), other income was $734 million, as against $694 million in the first quarter of 2006. Financial market fees amounted to $167 million for the quarter, an increase of $8 million over the same period of 2006, attributable to the growth in retail brokerage activities.

Trading revenues, recorded in both net interest income and other income, rose $19 million year over year. Gains on securities were $29 million for the quarter, compared to $42 million for the first quarter of 2006. Revenues from mutual funds and trust services climbed $7 million from the first quarter of 2006 to reach $85 million in the first quarter of 2007, mainly on the strength of growth in mutual funds and retail brokerage activities.

Aside from these items, the increase in other income in the first quarter was derived from other revenues, which grew $34 million and included revenues stemming from the integration of Credigy Ltd., securitization revenues, which were up $8 million, and foreign exchange revenues, which rose $6 million. Lending fees and acceptances remained stable at $79 million.

(1) See "Financial Reporting Method" on page 3.

Operating Expenses
For the quarter ended January 31, 2007, operating expenses were $657 million, up $21 million from the year-earlier period. Expenses related to Credigy Ltd., which was acquired last year, accounted for $12 million of the increase. The remainder was attributable to the increase in regular salaries, which was partially offset by the decrease in variable compensation.

Income Taxes
Income taxes for the first quarter of 2007 totalled $56 million, representing an effective tax rate of 18%, compared to $93 million and an effective tax rate of 29% for the year-earlier period. The tax rate for the first quarter of 2007 was affected by the increase in tax-exempt income from securities.

Results by Segment

Personal and Commercial
Net income for the Personal and Commercial segment totalled $123 million for the first quarter of 2007, up 16% from the $106 million in net income earned in the corresponding quarter of 2006. Total revenues for the segment grew 6% to $538 million.

At Personal Banking, total revenues climbed $19 million, or 6%, owing to the $2.0 billion growth in average assets, attributable to higher volumes of consumer loans and residential mortgages. The improvement in the net interest margin on transaction deposits fully offset the narrower margin on consumer credit products. The wider spread on transaction deposits resulted from the rise in interest rates between the first quarter of 2006 and the first quarter of 2007.

Total revenues at Commercial Banking were up $10 million, or 6%, owing to the growth in net interest income and foreign exchange revenues. The net interest margin at Commercial Banking increased between the first quarter of 2006 and same period of 2007 due to the widening of the spread on deposits, which offset the narrowing of the spread on credit products.

Operating expenses for the Personal and Commercial segment were $310 million in the first quarter of 2007, down $7 million from the corresponding quarter of 2006, owing in part to the control of operations support costs. Consequently, the efficiency ratio improved to 57.6% in the quarter from 62.3% for the same quarter of 2006. The segment's provision for credit losses was up $12 million for a total of $43 million due to lower loan recoveries during the quarter.

Wealth Management
Net income for the Wealth Management segment totalled $45 million in the first quarter of 2007, compared to $37 million for the corresponding quarter of 2006, for an increase of 22%. The segment's total revenues advanced $18 million or 9% to $224 million for the first quarter of 2007. Vigorous retail brokerage activities accounted for most of the growth in segment revenues and net income. Mutual funds, private investment management and portfolio management also posted significant increases over the corresponding quarter of 2006. Operating expenses for the quarter were up $8 million, or 5%, to $156 million. The efficiency ratio improved from 71.8% in the first quarter of 2006 to 69.6% this quarter.

Financial Markets
The Financial Markets segment posted net income of $87 million in the first quarter of 2007, down $4 million from the corresponding quarter of 2006. Total revenues for the segment rose $9 million to $299 million. Trading revenues reached $109 million in the quarter, up $19 million from the first quarter of 2006. This increase was partially offset by the decline in gains on securities, which were $29 million as against $42 million a year earlier.

Operating expenses for the quarter ended January 31, 2007 were $168 million, up $15 million from the first quarter of 2006, owing to expenses associated with the integration of Credigy Ltd. The efficiency ratio went from 52.8% in the first quarter of 2006 to 56.2% in same period of 2007, mainly owing to the decrease in gains on securities. No provisions for credit losses were recorded in the quarter, compared to $1 million for the same period a year earlier.

Financial Market Revenues

(taxable equivalent basis)(1) *(millions of dollars)*	**Q1 2007**	Q1 2006
Trading revenues		
Equity	**88**	70
Interest rate	**5**	13
Commodity and foreign exchange	**16**	7
	109	90
Financial market fees	**66**	65
Gains on securities	**29**	42
Banking services	**46**	45
Other	**49**	48
Total	**299**	290

(1) See "Financial Reporting Method" on page 3.

Other
The "Other" heading of segment results recorded a net loss of $15 million for the first quarter of 2007, compared to a net loss of $17 million for the same period a year earlier. Higher operating expenses not allocated to the business segments offset the increase in securitization revenues.

Cash Flows

Due to the nature of the Bank's business, most of its revenues and expenses are cash items. Moreover, significant cash flow movement can be observed in certain activities, such as trading activities, and could impact several assets and liabilities, such as trading account securities, securities sold short or securities sold under repurchase agreements.

For the first quarter of 2007, cash and cash equivalents remained unchanged compared to an increase of $2.1 billion in the first quarter of 2006. As at January 31, 2007, cash and cash equivalents totalled $10.8 billion versus $8.4 billion a year earlier.

The $2.6 billion increase in securities held for trading explains the $3.0 billion required for operating activities in the first quarter of 2007. For the corresponding quarter of 2006, operating activities generated $4.2 billion owing to the $3.1 billion decline in trading account securities.

Financing activities in the first quarter of 2007 provided cash inflows of $5.4 billion owing to an increase in securities sold short and securities sold under repurchase agreements. For the corresponding period of 2006, financing activities required cash of $3.1 billion because of the $1 billion decrease in securities sold short and the $5.1 billion decrease in securities sold under repurchase agreements, offset in part by the $2.7 billion increase in deposits.

Finally, investing activities required $2.5 billion in cash flows in the first quarter of 2007 because of the increase in available for sale securities while in the corresponding quarter of 2006, cash flows amounting to $1.0 billion were generated for investing activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS (cont.)

Risk Management

Credit Risk
In the first quarter of 2007, the Bank recorded specific provisions for credit losses of $28 million. As at January 31, 2007, gross impaired loans stood at $239 million compared to $234 million at the end of fiscal 2006. This increase was primarily due to a decrease in recoveries on impaired business loans. The ratio of gross impaired loans to total adjusted capital and allowances was 5.8% as at January 31, 2007 compared to 5.9% at the end of fiscal 2006. As at January 31, 2007, allowances for credit losses exceeded gross impaired loans by $196 million versus $192 million as at October 31, 2006.

Market Risk – Trading Activities
The Value-at-Risk (VaR) simulation model is one of the main tools used to manage market risk in trading activities. VaR is the maximum value of potential daily losses, measured at a 99% confidence level, which means that actual losses are likely to exceed VaR only one day out of 100. The computerized VaR calculation model is based on two years of historical data. Market risk management is discussed in more detail on page 54 of the 2006 Annual Report.

The table below, entitled "Trading Activities," illustrates the allocation of market risk by type of risk: interest rate, foreign exchange, equity and commodity.

Trading Activities (1)
(millions of dollars)

Global VaR by risk category	**For the quarter ended January 31, 2007**			
	Period end	High	Average	Low
Interest rate	(6.0)	(9.2)	(5.8)	(3.3)
Foreign exchange	(1.7)	(1.7)	(1.3)	(0.6)
Equity	(5.2)	(6.6)	(5.1)	(4.0)
Commodity	(1.0)	(2.3)	(1.5)	(1.0)
Correlation effect (2)	6.6	10.6	6.7	3.4
Global VaR	**(7.3)**	**(9.2)**	**(7.0)**	**(5.5)**

Global VaR by risk category	**For the quarter ended October 31, 2006**			
	Period end	High	Average	Low
Interest rate	(4.1)	(7.3)	(4.3)	(2.6)
Foreign exchange	(1.2)	(1.7)	(1.2)	(0.5)
Equity	(4.1)	(6.7)	(3.9)	(2.6)
Commodity	(1.5)	(2.1)	(1.2)	(0.8)
Correlation effect (2)	5.1	8.7	5.0	2.4
Global VaR	**(5.8)**	**(9.1)**	**(5.6)**	**(4.1)**

(1) Amounts are presented on a pre-tax basis and represent one-day VaR.
(2) The correlation effect is the result of the diversification of types of risk.

Balance Sheet

As at January 31, 2007, the Bank had assets of $122.8 billion, up $5.9 billion from $116.9 billion as at October 31, 2006. Loans and acceptances were down $1.9 billion owing to a decline in loans to brokers. In addition, cash, deposits with financial institutions, securities and securities purchased under reverse repurchase agreements increased $7.3 billion. The table below presents the main portfolios.

Average monthly volumes *(millions of dollars)*	**January 2007**	October 2006	January 2006
Loans and acceptances*			
Residential mortgages	**21,689**	21,525	20,971
Consumer loans	**9,738**	9,490	8,482
Credit card receivables	**1,775**	1,743	1,734
SME loans	**13,599**	13,669	13,435
Corporate loans	**5,378**	5,308	4,479
	52,179	51,735	49,101
Deposits			
Personal (balance)	**29,579**	29,164	27,103
Off-balance sheet personal savings (balance)	**71,620**	70,164	66,993
Business	**11,029**	10,398	9,500

** including securitized assets*

Residential mortgage loans rose $0.7 billion in the first quarter of 2007, reaching $21.7 billion as against $21.0 billion in the year-earlier period. Consumer loans climbed 15% to $9.7 billion primarily driven by secured lines of credit. Higher consumer spending also accounted for the increase in credit card receivables, which totalled $1.8 billion as at January 31, 2007. Business loans continued to grow, with the average volume of SME loans up $0.2 billion year over year to $13.6 billion as at January 31, 2007. Average volumes of corporate loans, for their part, rose 20% to $5.4 billion.

Personal deposits stood at $29.6 billion as at January 31, 2007, up $2.5 billion from the corresponding quarter of 2006, chiefly owing to deposits distributed by Altamira. Off-balance sheet personal savings administered by the Bank as at January 31, 2007 totalled $71.6 billion, up $4.6 billion or 7% in a year. The rise was attributable to savings administered by brokerage subsidiaries, with the remainder divided between private investment management and mutual funds.

Accounting Policies and Estimates

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The reader is referred to Notes 1 and 2 to the 2006 audited annual consolidated financial statements for more information on the significant accounting policies used to prepare the financial statements.

There have not been any changes to the Bank's significant accounting policies for the first quarter of 2007, aside from those described in Note 2 to the unaudited interim consolidated financial statements on financial instruments and stock-based compensation.

The key assumptions and bases for estimates made by Management in accordance with GAAP and their impact on amounts presented in the unaudited interim consolidated financial statements and notes remain essentially unchanged from those described in the 2006 Annual Report.

Capital

Tier 1 and total capital ratios, according to the rules of the Bank for International Settlements, stood at 9.9% and 14.0% as at January 31, 2007, respectively, as against 9.9% and 14.0% as at October 31, 2006, including the $500 million subordinated debenture issued on November 2, 2006.

During the quarter, the Bank repurchased 717,000 common shares for a total of $46 million as part of its normal course issuer bid, which ended on January 22, 2007. On February 1, 2007, the Bank commenced a normal course issuer bid to repurchase, for cancellation, a maximum of 8,102,000 common shares during the 12-month period ending January 31, 2008.

Risk-weighted assets rose $1.8 billion during the quarter, of which $1 billion was due to market risk.

Dividends

At its most recent meeting, the Board of Directors declared regular dividends on the various classes and series of preferred shares as well as a 54 cent dividend per common share, payable on May 1, 2007 to shareholders of record on March 26, 2007.

Additional Financial Information
(unaudited)
(millions of dollars except per share amounts)

	2007 Q1	2006 Q4	Q3	Q2	Q1	2005 Q4	Q3	Q2	2006 Total	2005 Total
Total revenues	**$ 989**	$971	$922	$940	$971	$920	$882	$895	$3,804	$3,676
Total revenues (taxable equivalent basis)(1)	**1,054**	1,054	970	968	992	953	944	934	3,984	3,826
Net income	**240**	220	220	214	217	207	207	202	871	855
Earnings per share										
Basic	**1.45**	1.33	1.32	1.29	1.28	1.22	1.20	1.17	5.22	4.98
Diluted	**1.43**	1.31	1.30	1.26	1.26	1.20	1.18	1.15	5.13	4.90
Dividends per common share	**0.54**	0.50	0.50	0.48	0.48	0.44	0.44	0.42	1.96	1.72
Return on common shareholders' equity	**20.7%**	19.7%	20.2%	20.4%	19.9%	19.4%	19.6%	19.9%	20.1%	20.7%
Total assets	**$122,816**	$116,885	$108,645	$111,183	$105,276	$107,970	$110,593	$99,917		
Impaired loans, net	**112**	116	98	111	113	117	114	119		
Per common share										
Book value	**28.34**	27.17	26.57	25.77	25.72	25.39	24.70	24.19		
Stock trading range										
High	**66.59**	62.86	62.69	65.60	63.90	61.47	58.21	55.24		
low	**61.36**	58.26	56.14	61.35	58.35	55.87	51.60	48.72		

(1) See "Financial Reporting Method" on page 3.

HIGHLIGHTS

Quarter ended January 31
(unaudited)

	2007	2006	% change
Operating results *(millions of dollars)*			
Total revenues	**$989**	$971	2
Total revenues (taxable equivalent basis)(1)	**1,054**	992	6
Net income	**240**	217	11
Return on common shareholders' equity	**20.7%**	19.9%	
Per common share			
Earnings – basic	**$1.45**	$1.28	13
Earnings – diluted	**1.43**	1.26	13
Dividends declared	**0.54**	0.48	13
Book value	**28.34**	25.72	10
Stock trading range			
High	**66.59**	63.90	
Low	**61.36**	58.35	
Close	**64.29**	61.75	

	January 31 2007	October 31 2006	
Financial position *(millions of dollars)*			
Total assets	**$122,816**	$116,885	5
Loans and acceptances	**48,591**	50,488	(4)
Deposits	**72,463**	71,989	1
Subordinated debentures and shareholders' equity	**6,922**	6,237	11
Capital ratios – BIS			
Tier 1	**9.9 %**	9.9 %	
Total	**14.0 %**	14.0 %(2)	
Impaired loans, net of specific and general allowances	**(196)**	(192)	
as a % of loans and acceptances	**(0.4)%**	(0.4)%	
Assets under administration/management	**235,378**	228,749	
Total personal savings	**101,199**	99,328	
Interest coverage	**13.81**	14.11	
Asset coverage	**3.41**	4.01	
Other information			
Number of employees	**16,908**	16,972	–
Number of branches in Canada	**450**	451	–
Number of banking machines	**807**	801	1

(1) See "Financial Reporting Method" on page 3.

(2) Taking into account the issuance of $500 million of subordinated debentures on November 2, 2006.

CONSOLIDATED STATEMENT OF INCOME

Quarter ended
(unaudited)
(millions of dollars)

	January 31 2007	October 31 2006	January 31 2006
Interest income			
Loans	**729**	720	614
Securities	**–**	260	204
Securities available for sale	**68**	–	–
Securities held for trading	**267**	–	–
Deposits with financial institutions	**130**	96	58
	1,194	1,076	876
Interest expense			
Deposits	**659**	558	439
Subordinated debentures	**25**	21	24
Other	**234**	192	135
	918	771	598
Net interest income	**276**	305	278
Other income			
Financial market fees	**167**	167	159
Deposit and payment service charges	**53**	53	50
Trading revenues	**131**	88	166
Gains on investment account securities, net	**–**	50	42
Gains on available for sale securities, net	**29**	–	–
Card service revenues	**10**	7	9
Lending fees	**62**	57	62
Acceptances, letters of credit and guarantee	**17**	17	16
Securitization revenues	**48**	58	40
Foreign exchange revenues	**29**	26	23
Trust services and mutual funds	**85**	73	78
Other	**82**	70	48
	713	666	693
Total revenues	**989**	971	971
Provision for credit losses	**28**	22	17
	961	949	954
Operating expenses			
Salaries and staff benefits	**390**	388	379
Occupancy	**40**	41	39
Technology	**98**	94	101
Communications	**17**	19	18
Professional fees	**40**	41	29
Other	**72**	91	70
	657	674	636
Income before income taxes and non-controlling interest	**304**	275	318
Income taxes	**56**	44	93
	248	231	225
Non-controlling interest	**8**	11	8
Net income	**240**	220	217
Dividends on preferred shares	**5**	5	5
Net income available to common shareholders	**235**	215	212
Number of common shares outstanding *(thousands)*			
Average – basic	**161,681**	161,969	164,903
Average – diluted	**164,398**	164,599	167,781
End of period	**161,367**	161,512	164,313
Net earnings per common share *(dollars)*			
Basic	**1.45**	1.33	1.28
Diluted	**1.43**	1.31	1.26
Dividends per common share *(dollars)*	**0.54**	0.50	0.48

CONSOLIDATED BALANCE SHEET

(unaudited)
(millions of dollars)

	January 31 2007	October 31 2006	January 31 2006
ASSETS			
Cash	**262**	268	250
Deposits with financial institutions	**10,554**	10,611	9,234
Securities			
Investment account	**–**	6,814	6,977
Trading account	**–**	31,864	23,095
Available for sale	**9,378**	–	–
Held for trading	**34,429**	–	–
	43,807	38,678	30,072
Securities purchased under reverse repurchase agreements	**9,812**	7,592	7,980
Loans (Notes 3, 4 and 5)			
Residential mortgage	**14,800**	15,230	15,348
Personal and credit card	**11,645**	11,280	10,126
Business and government	**18,419**	20,679	19,950
	44,864	47,189	45,424
Allowance for credit losses	**(435)**	(426)	(454)
	44,429	46,763	44,970
Other			
Customers' liability under acceptances	**4,162**	3,725	3,468
Fair value of derivative financial instruments	**2,746**	2,269	2,634
Premises and equipment	**383**	385	352
Goodwill	**684**	683	662
Intangible assets	**176**	177	178
Other assets	**5,801**	5,734	5,476
	13,952	12,973	12,770
	122,816	116,885	105,276
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits			
Personal	**29,579**	29,164	27,103
Business and government	**31,960**	33,998	29,640
Deposit-taking institutions	**10,699**	8,602	8,177
Deposit from NBC Capital Trust	**225**	225	–
	72,463	71,989	64,920
Other			
Acceptances	**4,162**	3,725	3,468
Obligations related to securities sold short	**17,860**	15,621	14,495
Securities sold under repurchase agreements	**11,844**	9,517	7,840
Fair value of derivative financial instruments	**2,024**	1,646	2,060
Other liabilities	**6,827**	7,574	5,788
	42,717	38,083	33,651
Subordinated debentures (Note 6)	**1,949**	1,449	1,600
Non-controlling interest	**714**	576	479
Shareholders' equity (Notes 8 and 9)			
Preferred shares	**400**	400	400
Common shares	**1,583**	1,566	1,573
Contributed surplus	**24**	21	15
Unrealized foreign currency translation adjustments	**–**	(92)	(49)
Retained earnings	**3,003**	2,893	2,687
Accumulated other comprehensive income (loss)	**(37)**	–	–
	4,973	4,788	4,626
	122,816	116,885	105,276

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Quarter ended January 31
(unaudited)
(millions of dollars)

	2007	2006
Preferred shares	**400**	400
Common shares at beginning	**1,566**	1,565
Issuance of common shares		
Dividend Reinvestment and Share Purchase Plan	**4**	3
Stock Option Plan	**19**	22
Repurchase of common shares for cancellation (Note 8)	**(7)**	(17)
Impact of shares acquired or sold for trading purposes	**1**	–
Common shares at end	**1,583**	1,573
Contributed surplus at beginning	**21**	13
Stock option expense (Note 9)	**5**	2
Stock options exercised	**(3)**	–
Other	**1**	–
Contributed surplus at end	**24**	15
Unrealized foreign currency translation adjustments at beginning	**(92)**	(26)
Losses on foreign exchange operations with a functional currency other than the Canadian dollar, net of income taxes	**–**	(23)
Reclassification of unrealized foreign currency translation adjustments to Accumulated other comprehensive income	**92**	–
Unrealized foreign currency translation adjustments at end	**–**	(49)
Retained earnings at beginning	**2,893**	2,645
Net income	**240**	217
Impact of initial adoption of financial instruments standards (Note 2)	**2**	–
Dividends		
Preferred shares	**(5)**	(5)
Common shares	**(88)**	(80)
Premium paid on common shares repurchased for cancellation (Note 8)	**(39)**	(90)
Retained earnings at end	**3,003**	2,687
Accumulated other comprehensive income (loss), net of income taxes		
Unrealized foreign currency translation gains (losses), net of hedging activities, net	**(60)**	–
Unrealized gains (losses) on available for sale securities, net	**48**	–
Gains (losses) on derivatives designated as cash flow hedges, net	**(25)**	–
Accumulated other comprehensive income (loss) at end	**(37)**	–
Shareholders' equity	**4,973**	4,626

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Quarter ended January 31
(unaudited)
(millions of dollars)

	2007
Net income	**240**
Other comprehensive income (loss)	
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations, net	**79**
Impact of hedging foreign currency translation gains and losses	**(69)**
Income taxes (recovery)	**(22)**
	(47)
Change in unrealized foreign currency translation gains and losses, net of hedging activities and income taxes	**32**
Unrealized gains (losses) on available for sale securities, net	**26**
Income taxes (recovery)	**8**
	18
Reclassification adjustment for realized losses (gains) on available for sale securities included in the Consolidated Statement of Income	**(2)**
Income tax recovery (charge)	**(1)**
	(1)
Change in unrealized gains and losses on available for sale securities, net of income taxes	**17**
Gains (losses) on derivatives designated as cash flow hedges, net	**(31)**
Income taxes (recovery)	**(10)**
	(21)
Losses (gains) on derivatives designated as cash flow hedges transferred to the Consolidated Statement of Income in the current period, net	**3**
Income tax recovery (charge)	**1**
	2
Change in gains and losses on derivatives designated as cash flow hedges, net of income taxes	**(19)**
Total other comprehensive income (loss), net of income taxes	**30**
Comprehensive income	**270**

CONSOLIDATED STATEMENT OF CASH FLOWS

Quarter ended January 31
(unaudited)
(millions of dollars)

	2007	2006
Cash flows from operating activities		
Net income	**240**	217
Adjustments for:		
Provision for credit losses	**28**	17
Amortization of premises and equipment	**18**	16
Future income taxes	**3**	4
Translation adjustment on foreign currency subordinated debentures	**–**	(2)
Gains on sale of investment account securities, net	**–**	(42)
Gains on sale of available for sale securities, net	**(29)**	–
Gains on asset securitizations and other transfers of receivables, net	**(29)**	(22)
Stock option expense	**5**	2
Change in interest payable	**60**	83
Change in interest and dividends receivable	**119**	71
Change in income taxes payable	**(22)**	48
Change in fair value of derivative financial instruments, net	**(99)**	(30)
Change in trading account securities	**–**	3,088
Change in held for trading securities	**(2,565)**	–
Change in other items	**(728)**	740
	(2,999)	4,190
Cash flows from financing activities		
Change in deposits	**474**	2,701
Issuance of subordinated debentures	**500**	500
Issuance of common shares	**23**	25
Repurchase of common shares for cancellation	**(46)**	(107)
Dividends paid on common shares	**(165)**	(73)
Dividends paid on preferred shares	**(5)**	(5)
Change in obligations related to securities sold short	**2,239**	(1,009)
Change in securities sold under repurchase agreements	**2,327**	(5,075)
Change in other items	**54**	(23)
	5,401	(3,066)
Cash flows from investing activities		
Change in deposits with financial institutions pledged as collateral	**(22)**	2,935
Change in loans	**1,288**	(1,478)
Proceeds from securitization of new assets and other transfers of receivables	**1,018**	560
Purchases of investment account securities	**–**	(6,991)
Purchases of available for sale securities	**(6,086)**	–
Sales of investment account securities	**–**	6,925
Sales of available for sale securities	**3,551**	–
Change in securities purchased under reverse repurchase agreements	**(2,220)**	(957)
Net acquisitions of premises and equipment	**(16)**	(13)
	(2,487)	981
Increase (decrease) in cash and cash equivalents	**(85)**	2,105
Cash and cash equivalents at beginning	**10,869**	6,276
Cash and cash equivalents at end	**10,784**	8,381
Cash and cash equivalents		
Cash	**262**	250
Deposits with financial institutions	**10,554**	9,234
Less: Amount pledged as collateral	**(32)**	(1,103)
	10,784	8,381
Supplementary information		
Interest paid	**858**	515
Income taxes paid	**65**	25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited) (millions of dollars)

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2006. Certain comparative figures have been reclassified to conform with the presentation adopted in fiscal 2007.

1 Significant Accounting Policies

These unaudited interim consolidated financial statements of the Bank have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and the accounting policies described in the Bank's most recent Annual Report for the year ended October 31, 2006 except for the recent accounting standards adopted described in Note 2.

2 Recent Accounting Standards Adopted

a) Financial Instruments – Recognition and Measurement, Hedges and Comprehensive Income

On November 1, 2006, the Bank adopted the standards set out in the new sections of the Canadian Institute of Chartered Accountants (CICA) Handbook relating to financial instruments as described in Note 2 of its Annual Report for the fiscal year ended October 31, 2006.

Transition

The recognition, derecognition and measurement methods used as well as the hedge accounting policies used to prepare the consolidated financial statements of periods prior to November 1, 2006 were unchanged and, therefore, those financial statements have not been restated.

On November 1, 2006, the Bank recognized all of its financial assets and liabilities in the Consolidated Balance Sheet according to their classification. Any adjustment made to a previous carrying amount was recognized as an adjustment to the balance of retained earnings at that date or as the opening balance of "Accumulated other comprehensive income," net of income taxes.

The items recorded as an adjustment to the opening balance of retained earnings, net of income taxes, totalled $2 million.

The items recognized as an adjustment to the opening balances of "Accumulated other comprehensive income," net of income taxes, are:

- A net unrealized loss on the translation of the financial statements of self-sustaining foreign operations, net of hedge transactions, in the amount of $92 million
- A net unrealized gain on available for sale securities in the amount of $31 million
- A net loss on derivatives designated as cash flow hedges, in the amount of $6 million

Risk Management

In the context of its day-to-day operations, the Bank exposes itself to certain categories of risks, especially credit and market risk, in order to generate revenue and thereby create shareholder value.

Credit risk is controlled through a rigourous and methodical process that includes the following: credit risk assessment, credit granting process and portfolio diversification and management.

Market risk is intrinsically interlinked with participation in financial markets. Managing this risk is a core competency for the Bank in its trading, investing and asset/liability management activities. One of the main tools used to manage market risk is the Value-at-Risk simulation model.

The Bank uses derivative financial instruments to manage its exposure to interest rate risk, foreign exchange risk and credit risk, as well as other market risks. Some derivatives used to manage these risks are specifically designated as hedges and qualify for hedge accounting.

Hedge Accounting Policy
The purpose of hedging transactions is to modify the Bank's exposure to one or more risks by creating an offset between changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging item. Hedge accounting ensures that counterbalancing gains, losses, revenues and expenses are recognized in net income in the same period or periods. When hedge accounting is appropriate, the hedging relationship will be designated a fair value hedge, a cash flow hedge or a foreign currency risk hedge related to a net investment in a self-sustaining foreign operation.

Fair value hedge
Fair value hedge transactions mainly use interest rate swaps to hedge changes in the fair value of an asset or liability arising from changes in market interest rates. In a fair value hedge, the change in fair value of the derivative instruments used will offset the change in fair value of the hedged item. The Bank uses this strategy primarily for its securities, deposit and subordinated debenture portfolios.

For the quarter ended January 31, 2007, the amount representing the ineffective portion recognized as "Other income" in the Consolidated Statement of Income was negligible. All the components of the change in fair value of the derivative instruments used were taken into account in assessing the effectiveness of the fair value hedge.

Cash flow hedge
Cash flow hedge transactions mainly use interest rate swaps to hedge exposure of the future cash flows related to a floating rate financial asset or liability. In a cash flow hedge, the derivative instruments related to the hedged item will mitigate the variability in future cash flows. The Bank uses this strategy primarily for its loan portfolios.

For the quarter ended January 31, 2007, an unrealized loss of $31 million was recorded in "Other comprehensive income" for the effective portion of changes in fair value of derivative instruments designated as cash flow hedges. The amounts recognized are reclassified to "Net interest income" in the periods during which the variability in cash flows of the hedged item affects net interest income. A net loss of $3 million was reclassified to net income during the quarter. An estimated net gain of $3 million deferred in "Accumulated other comprehensive income" as at January 31, 2007 is expected to be reclassified to net income during the next 12 months.

For the quarter ended January 31, 2007, the amount representing the ineffective portion recognized as "Other income" in the Consolidated Statement of Income was negligible. All the components of the change in fair value of the derivative instruments used were taken into account in assessing the effectiveness of the cash flow hedge.

Hedge of a net investment in a self-sustaining foreign operation
The Bank uses financial instruments denominated in foreign currencies to hedge the foreign exchange risk related to investments in self-sustaining foreign operations whose activities are denominated in a currency other than the Canadian dollar. In a hedge of a net investment in a self-sustaining foreign operation, the monetary items used will offset the foreign exchange gains and losses on the investments.

For the quarter ended January 31, 2007, unrealized foreign exchange gains of $79 million were recorded in "Other comprehensive income" related to the Bank's net investment in self-sustaining foreign operations and were offset by losses of $69 million related to financial instruments designated as foreign currency risk hedges.

Available for sale securities presented at cost
The Bank's equity securities, mutual fund units and other securities that are classified as available for sale but which do not have a quoted market price in an active market must be recognized at cost on the Consolidated Balance Sheet. These available for sale securities, presented at cost on the Consolidated Balance Sheet, totalled $476 million.

Impairment in value not recognized in the Consolidated Statement of Income
Securities classified as available for sale will be measured periodically to determine whether an objective indication of an other-than-temporary impairment exists.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

(unaudited) (millions of dollars)

The gross unrealized gains (losses) are presented in the table below.

	For the quarter ended January 31, 2007			
	Unamortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities issued or guaranteed by the Canadian or U.S. governments	**6,694**	**7**	**(16)**	**6,685**
Other debt securities	**1,410**	**16**	**(7)**	**1,419**
Equity securities (cost)	**1,201**	**89**	**(16)**	**1,274**
Total securities available for sale	**9,305**	**112**	**(39)**	**9,378**

Financial instruments designated as held for trading

The Bank may irrevocably designate any financial instrument as held for trading when it is first recognized; as a result, the instrument will be measured at fair value and the gains and losses will be recognized in the Consolidated Statement of Income during the period in which they occur. The Superintendent of Financial Institutions Canada has issued guidelines limiting the circumstances under which this option may be used. The Bank can use this option in the following cases:

- If, in accordance with a documented risk management strategy, using this option allows the Bank to eliminate or significantly reduce the valuation or recognition inconsistency and if the fair values are reliable.
- For hybrid financial instruments with one or more embedded derivatives which would significantly affect the cash flows of these financial instruments and which would be accounted for separately.

During the quarter, the Bank designated certain deposits with one or more embedded derivatives as held for trading. These deposits are presented as "Deposits" in the Consolidated Balance Sheet.

The fair value of these deposits was $63 million as at January 31, 2007. The change in fair value in the amount of $2 million was recognized as "Trading revenues" in the Consolidated Statement of Income.

At maturity, the amount that the Bank will be required contractually to pay to the deposit holders may vary and will be different than the fair value as at January 31, 2007.

The change in fair value not attributable to changes in an essentially risk-free interest rate totalled $1 million.

b) Stock-Based Compensation

On November 1, 2006, the Bank adopted the accounting treatment set out in EIC-162 "*Stock-Based Compensation for Employees Eligible to Retire Before the Vesting Date*" issued by the Emerging Issues Committee. The EIC specifies that the compensation cost attributable to stock-based awards granted to employees who are eligible to retire at the grant date should be recognized immediately and that the compensation cost attributable to stock-based awards granted to employees who will become eligible to retire during the vesting period should be recognized over the period from the grant date to the date of retirement eligibility. Previously, the Bank amortized this cost over the vesting period. The Bank has not restated its prior-period consolidated financial statements to take this change into account because the impact is not material.

3 Loans and Impaired Loans

		Impaired loans		
	Gross loans	Gross	Specific allowances	Net balance
January 31, 2007				
Residential mortgage	**14,800**	**13**	**1**	**12**
Personal and credit card	**11,645**	**37**	**18**	**19**
Business and government	**18,419**	**189**	**108**	**81**
	44,864	**239**	**127**	**112**
General allowance (1)				**(308)**
Impaired loans, net of specific and general allowances				**(196)**
October 31, 2006				
Residential mortgage	15,230	13	2	11
Personal and credit card	11,280	36	16	20
Business and government	20,679	185	100	85
	47,189	234	118	116
General allowance (1)				(308)
Impaired loans, net of specific and general allowances				(192)

(1) The general allowance for credit risk was created taking into account the Bank's credit in its entirety.

4 Allowance for credit losses

The changes made to allowances are as follows for the quarter ended:

	Specific allowances	**General allowance**	**January 31 2007**	Specific allowances	General allowance	January 31 2006
Allowances at beginning	**118**	**308**	**426**	143	308	451
Provision for credit losses	**28**	**–**	**28**	17	–	17
Write-offs	**(34)**	**–**	**(34)**	(32)	–	(32)
Recoveries	**15**	**–**	**15**	18	–	18
Allowances at end	**127**	**308**	**435**	146	308	454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

(unaudited) (millions of dollars)

5 Transfers of Receivables

Securitization transactions

CMHC-insured mortgage loans

The Bank securitizes residential mortgage loans through the creation of mortgage-backed securities. The pre-tax gain or loss from securitization transactions, net of transaction fees, is recognized in the Consolidated Statement of Income under "Securitization revenues."

Securitization activities for the quarter ended:	**January 31, 2007**	October 31, 2006	January 31, 2006
	Mortgage loans	Mortgage loans	Mortgage loans
Net cash proceeds	**918**	820	419
Retained interests	**27**	25	13
Retained servicing liability	**(5)**	(5)	(2)
	940	840	430
Receivables securitized and sold	**926**	821	425
Gain before income taxes, net of transaction fees	**14**	19	5
Mortgage-backed securities created and retained included in "Securities – Investment account"	**–**	78	275

The key assumptions used to measure the fair value of retained interests as at the securitization date for transactions carried out during the quarter ended January 31, 2007 were as follows:

Weighted average term (months)	**30.1**
Prepayment rate	**20.0 %**
Excess spread, net of credit losses	**1.3 %**
Expected credit losses	**–**
Discount rate	**4.0 %**

Other transfers

The Bank sells insured and uninsured mortgage loans to a mutual fund administered by the Bank. The pre-tax gain or loss is recognized in the Consolidated Statement of Income under "Other income – Other." The table below summarizes the other transfers carried out by the Bank:

Quarter ended	**January 31, 2007**	October 31, 2006	January 31, 2006
Net cash proceeds	**100**	–	141
Insured and uninsured mortgage loans sold	**100**	–	140
Gain before income taxes	**–**	–	1

6 Subordinated Debentures

On November 2, 2006, the Bank issued $500 million of subordinated debentures that mature in 2016. Interest at the annual rate of 4.456% is payable semi-annually on May 2 and November 2 of each year.

7 Pension and Other Employee Future Benefits

	January 31, 2007	October 31, 2006	January 31, 2006
Pension benefit expense	**15**	15	15
Other employee future benefit expense	**3**	3	2

8 Capital Stock

Shares outstanding and dividends as at January 31, 2007

	Number of shares	Shares $	$	Dividends per share
First Preferred Shares				
Series 15	8,000,000	200	3	0.3656
Series 16	8,000,000	200	2	0.3031
	16,000,000	400	5	
Common shares	161,367,076	1,583	88	0.5400
		1,983	93	

Repurchase of common shares

On January 23, 2006, the Bank filed a normal course issuer bid for the repurchase and cancellation of up to 8,278,000 common shares over a 12-month period that ended on January 22, 2007. On January 13, 2005, the Bank filed a normal course issuer bid for the repurchase and cancellation of up to 8,400,000 common shares over a 12-month period that ended on January 12, 2006. Repurchases were made on the open market at market prices through the facilities of the Toronto Stock Exchange. Premiums paid above the average carrying value of the common shares were charged to retained earnings. As at January 31, 2007, the Bank had completed the repurchase of 717,000 common shares (1,792,100 in 2006) at a cost of $46 million ($107 million in 2006), which reduced common share capital by $7 million ($17 million in 2006) and retained earnings by $39 million ($90 million in 2006).

On February 1, 2007, the Bank filed a normal course issuer bid for the repurchase and cancellation of up to 8,102,000 common shares over a 12-month period ending no later than January 31, 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

(unaudited) (millions of dollars)

9 Stock-Based Compensation

Stock Option Plan

During the quarter ended January 31, 2007, the Bank awarded 1,493,504 stock options (943,200 in 2006) at a fair value of $11.32 ($12.81 in 2006).

As at January 31, 2007, a total of 6,341,868 stock options were outstanding.

The fair value of options granted was valued on the award date using the Black-Scholes model. The following assumptions were used:

Quarter ended	**January 31, 2007**	January 31, 2006
Risk-free interest rate	**4.05%**	4.18%
Expected life of the options	**5 years**	6 years
Expected volatility	**22.5%**	24.0%
Expected dividend yield	**5%**	5%

The following table presents the compensation expense recorded for the stock options:

Quarter ended	**January 31, 2007**	October 31, 2006	October 31, 2006
Bank stock options	**5**	4	2

Stock Appreciation Rights (SAR) Plan

During the quarter ended January 31, 2007, the Bank awarded 48,396 SARs. As at January 31, 2007, a total of 326,134 SARs were outstanding.

Deferred Stock Unit (DSU) Plan

During the quarter ended January 31, 2007, the Bank awarded 32,358 DSUs. As at January 31, 2007, a total of 247,868 DSUs were outstanding.

Restricted Stock Unit Plan (RSU)

During the quarter ended January 31, 2007, the Bank awarded 47,335 RSUs. As at January 31, 2007, a total of 202,100 RSUs were outstanding.

Deferred Compensation Plan of National Bank Financial

During the quarter ended January 31, 2007, National Bank Financial awarded 75,556 units. As at January 31, 2007, a total of 870,294 units were outstanding.

10 Segment Disclosures

Quarter ended January 31

	Personal and Commercial		Wealth Management		Financial Markets		Other		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Net interest income (1)	**346**	328	**34**	31	**(3)**	(6)	**(101)**	(75)	**276**	278
Other income (1)	**192**	181	**190**	175	**302**	296	**29**	41	**713**	693
Total revenues	**538**	509	**224**	206	**299**	290	**(72)**	(34)	**989**	971
Operating expenses	**310**	317	**156**	148	**168**	153	**23**	18	**657**	636
Contribution	**228**	192	**68**	58	**131**	137	**(95)**	(52)	**332**	335
Provision for credit losses	**43**	31	**–**	–	**–**	1	**(15)**	(15)	**28**	17
Income before income taxes and non-controlling interest	**185**	161	**68**	58	**131**	136	**(80)**	(37)	**304**	318
Income taxes (1)	**62**	55	**21**	19	**43**	43	**(70)**	(24)	**56**	93
Non-controlling interest	**–**	–	**2**	2	**1**	2	**5**	4	**8**	8
Net income (net loss)	**123**	106	**45**	37	**87**	91	**(15)**	(17)	**240**	217
Average assets	**47,389**	45,336	**435**	705	**83,802**	65,550	**(11,709)**	(8,000)	**119,917**	103,591

Personal and Commercial
The Personal and Commercial segment comprises the branch network, intermediary services, credit cards, insurance, commercial banking services and real estate.

Wealth Management
The Wealth Management segment comprises full-service retail brokerage, direct brokerage, mutual funds, trust services and portfolio management.

Financial Markets
The Financial Markets segment encompasses corporate financing and lending, treasury operations, including asset and liability management for the Bank, and corporate brokerage.

Other
The Other heading comprises securitization operations, certain non-recurring items and the unallocated portion of centralized services.

Taxable equivalent
(1) The accounting policies are the same as those described in the note on accounting policies (Note 1), with the exception of the net interest income, other income and income taxes of the operating segments, which are presented on a taxable equivalent basis. Taxable equivalent basis is a calculation method that consists in grossing up certain tax-exempt income by the amount of income tax that otherwise would have been payable. For all of the operating segments, net interest income was grossed up by $44 million ($20 million in 2006) and other income by $21 million ($1 million in 2006). An equal amount was added to income taxes. The impact of these adjustments is reversed under the “Other” heading.

INFORMATION FOR SHAREHOLDERS AND INVESTORS

Investor Relations
Financial analysts and investors who want to obtain financial information on the Bank are asked to contact the Investor Relations Department.
600 de La Gauchetière West, 7th Floor
Montreal, Quebec H3B 4L2
Toll-free: 1-866-517-5455
Fax: 514-394-6196
E-mail: investorrelations@nbc.ca
Website: www.nbc.ca/investorrelations

Public Relations
600 de La Gauchetière West, 10th Floor
Montreal, Quebec H3B 4L2
Telephone: 514-394-8644
Fax: 514-394-6258

Website: **www.nbc.ca**
General inquiries: **telnat@nbc.ca**

Quarterly report publication dates for fiscal 2007
Second quarter: May 31, 2007
Third quarter: August 30, 2007
Fourth quarter: November 29, 2007

Disclosure of First Quarter Results

Conference call
- A conference call for analysts and institutional investors will be held on March 1, 2007 at 1:00 p.m. ET.
- Access by telephone in listen-only mode: 1-866-898-9626 or 416-340-2216
- A recording of the conference call can be heard until March 8, 2007 by calling 1-800-408-3053 or 416-695-5800. The access code is 3214628#.

Webcast
- The conference call will be webcast live at www.nbc.ca/investorrelations.
- A recording of the webcast will also be available on the Internet after the call.

Financial Documents
- The quarterly financial statements are available at all times on National Bank's website at **www.nbc.ca/investorrelations.**
- The Report to Shareholders, Supplementary Financial Information and a slide presentation will be available on the Investor Relations page of National Bank's website shortly before the start of the conference call.

Transfer Agent and Registrar
For information about stock transfers, address changes, dividends, lost certificates, tax forms and estate transfers, shareholders are requested to contact the transfer agent, Computershare Trust Company of Canada, at the address or telephone number below.

Computershare Trust Company of Canada
Share Ownership Management
1500 University, 7th Floor
Montreal, Quebec H3A 3S8
Telephone: 1-888-838-1407
Fax: 1-888-453-0330
Email: **service@computershare.com**
Website: **www.computershare.com**

Direct Deposit Service for Dividends
Shareholders may elect to have their dividend payments deposited directly via electronic funds transfer to their bank account at any financial institution that is a member of the Canadian Payments Association. To do so, they must send a written request to the transfer agent, Computershare Trust Company of Canada.

Dividend Reinvestment and Share Purchase Plan
National Bank offers holders of its common shares a Dividend Reinvestment and Share Purchase Plan through which they can invest in common shares of the Bank without paying a commission or administration fee. Participants in the Plan may acquire shares by reinvesting cash dividends paid on shares they hold or by making optional cash payments of at least $500 per payment, to a maximum of $5,000 per quarter. For additional information, please contact the registrar, Computershare Trust Company of Canada, at 1-888-838-1407.

Dividends
The dividends declared by the Bank constitute eligible dividends pursuant to the *Income Tax Act* (Canada).

NATIONAL
BANK
OF CANADA

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