

**October 24,
2001**



National Bank of Canada

**Electronic Solutions
Investor Presentation
Toronto**



National Bank of Canada

Introduction

MICHEL

LOZEAU

Senior Vice-President, E-Commerce



- **Construct an ensemble of alternative electronic channels to support the strategic objectives of National Bank of Canada**
 - **Maintain our clientele and increase our various market shares and share of wallet**
 - **Increase service and client satisfaction**
 - **Reaffirm branding of NBC trademark**
 - **Improve efficiency**



Electronic Commerce: Enabling Usage of Multiple Alternative Channels

2001



■ Maximize customer value



Clients (internal/external)



Phone



Internet



Email



Fax



Cellular



VRU

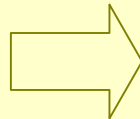


POS



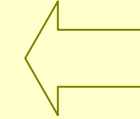
ATM

Marketing

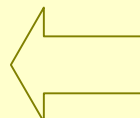


Clients interaction center

Finance & accounting



Product development



Client relation management system



- **Client impact is our main priority**
- **Our mostly defensive development approach is continued**
- **As such, our investment strategy is geared towards**
 - **Scalability and stability of infrastructure**
 - **Control of our allocated investment dollars – "role of an early follower"**

“With Customer Value Management, the aim is to build profiles of each customer that will answer key questions such as what channels they prefer, how their behaviour has changed in the past and what triggered the change. The bank can use that information to predict how customers are likely to behave in future, given the same triggers. It can also start to predict how other customers who share common characteristics with them are likely to behave.”

Rob Baldock : Cold Comfort on the CRM Front

National Bank of Canada

Virtual Banking
Clicks and Bricks Strategy

JEAN

HOUDE

Senior Vice-President, Personal Banking



- **Growing migration of transactional services towards virtual channels**
- **New e-commerce infrastructure**
- **Clear statement from clientele about importance of personal contact**
- **Important focus on quality of client servicing and consultation**



- **Banking products increasingly sophisticated:
higher level of required expertise**
- **What e-banking enables**
 - **Accessibility**
 - **Time saving**
 - **Convenience**
 - **Complementarity**



- **Retail branch network**
 - Wealth management
 - Credit cards
- **Retail brokerage at National Bank Financial**
- **National Bank Discount Brokerage**



Retail Footprint (as at July 31, 2001)

2001



- **2,700,000 Clients**
- **6,198 Employees**
- **535 Branches**
- **823 ATM's**
- **117 Business developers**
- **167 Financial planners**
- **394 Personal bankers**
- **825 Securities brokers**
- **1,136 Financial services managers**



Quebec Market Share – Savings

2001



Savings

(as at June 30, 2001)

% of total

% of banks

Personal deposits

17.15%

33.07%

**Non-registered
personal deposits**

17.22%

32.57%

**Non-registered
personal term deposits**

17.75%

34.20%

**Registered personal
term deposits**

16.97%

34.34%

Quebec Market Share – Personal Loans

2001



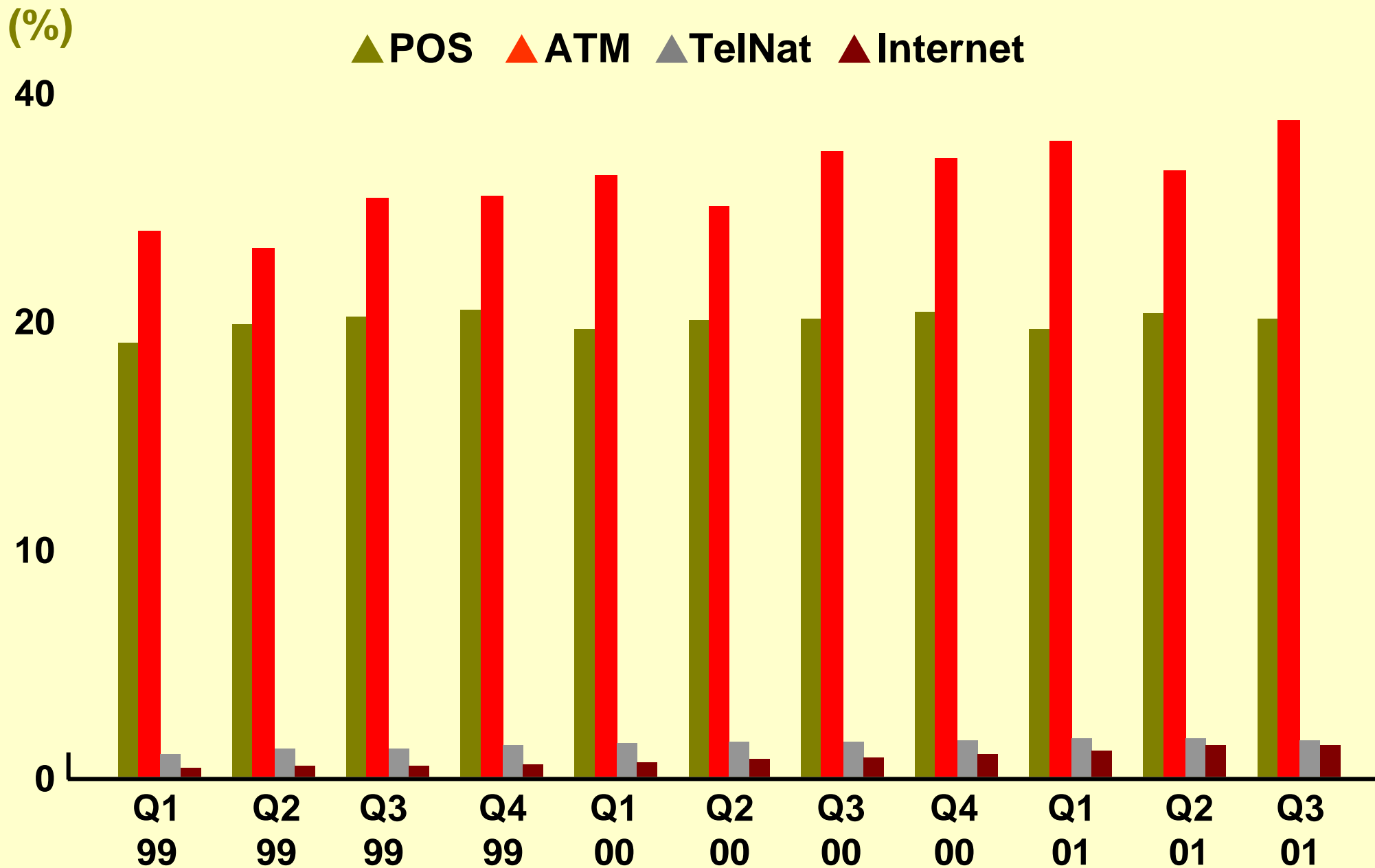
Personal loans	% of banks
Personal loan plans, direct for largest banks (as at July 31, 2001)	35.81%
Residential mortgages at deposit institutions (as at March 31, 2001)	18.51%

- Telephone banking (TelNat)
- ATM's
- Point of sale terminals (debit cards)
- Internet banking (nbc.ca)
- Wireless financial services
 - Banking
 - Brokerage
- Discount brokerage (InvesNet.com)



Transaction Repartition

2001



■ Year-end number of users

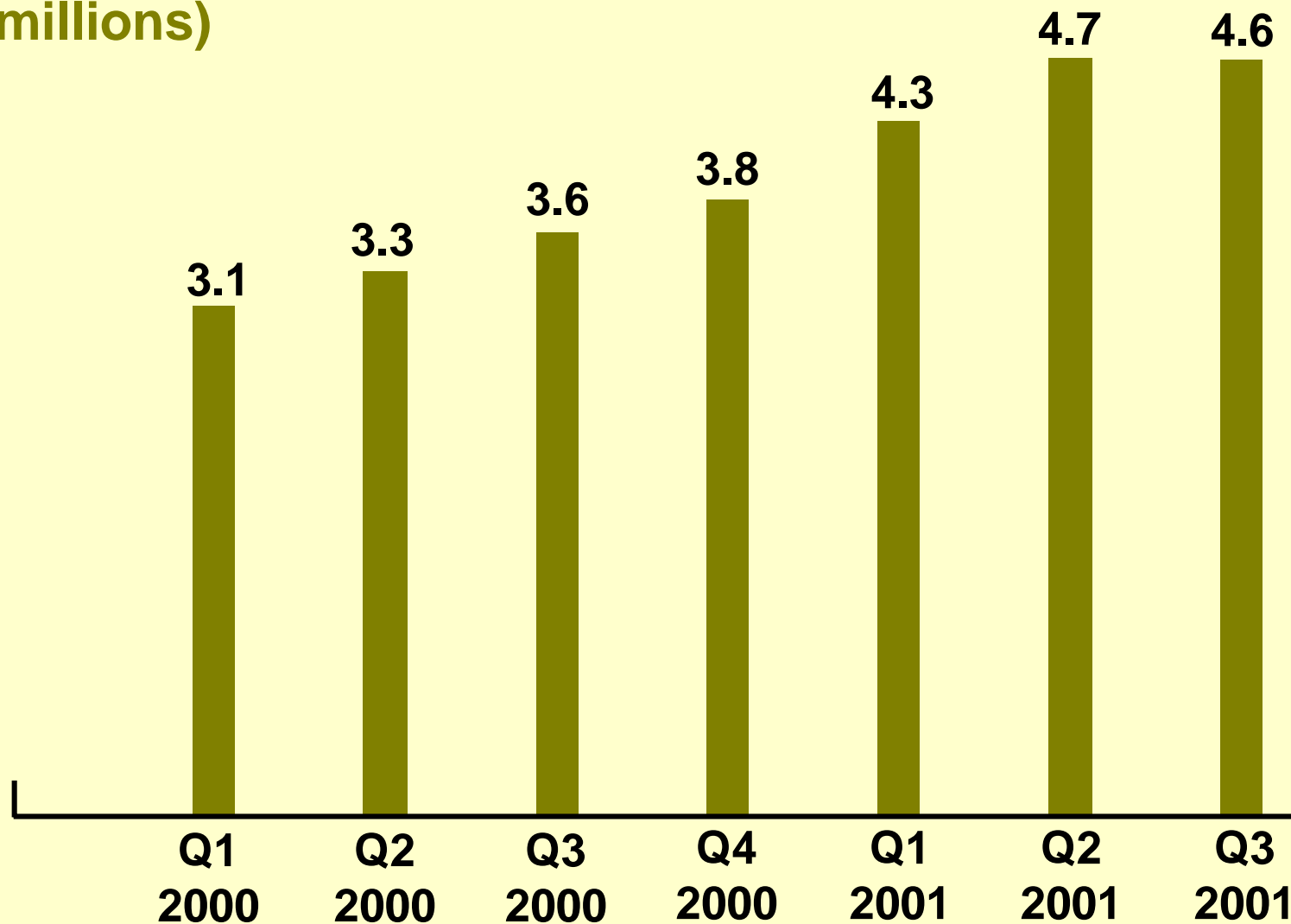
Year	Users	Penetration rate
1999-2000	400,000	21%
2000-2001	453,000	25%
2001-2002	525,000	29%

Distribution Channels – Telephone Banking (TelNat)

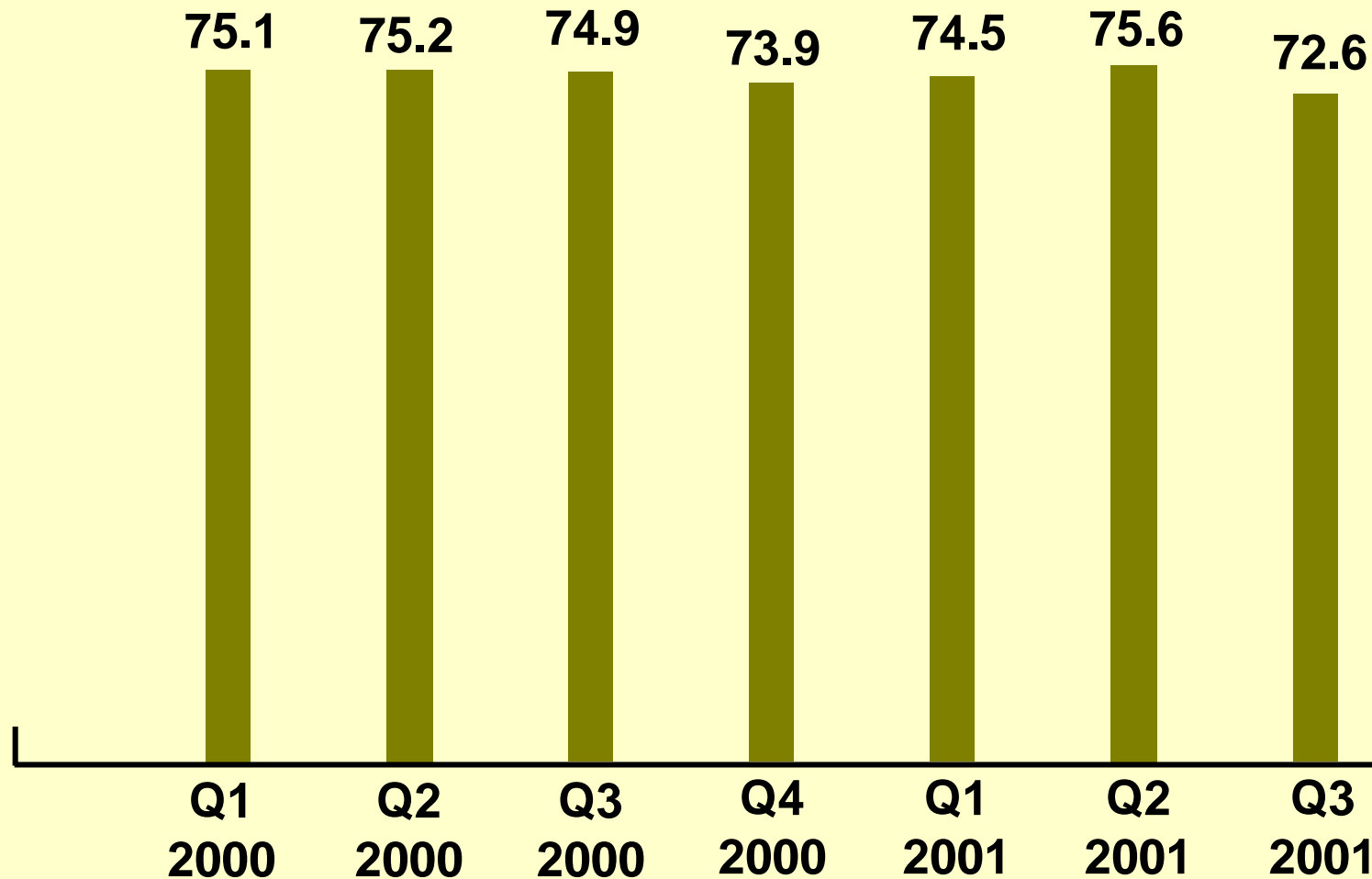
2001



■ Calls per quarter (millions)



■ Automated calls (VRU) (%)

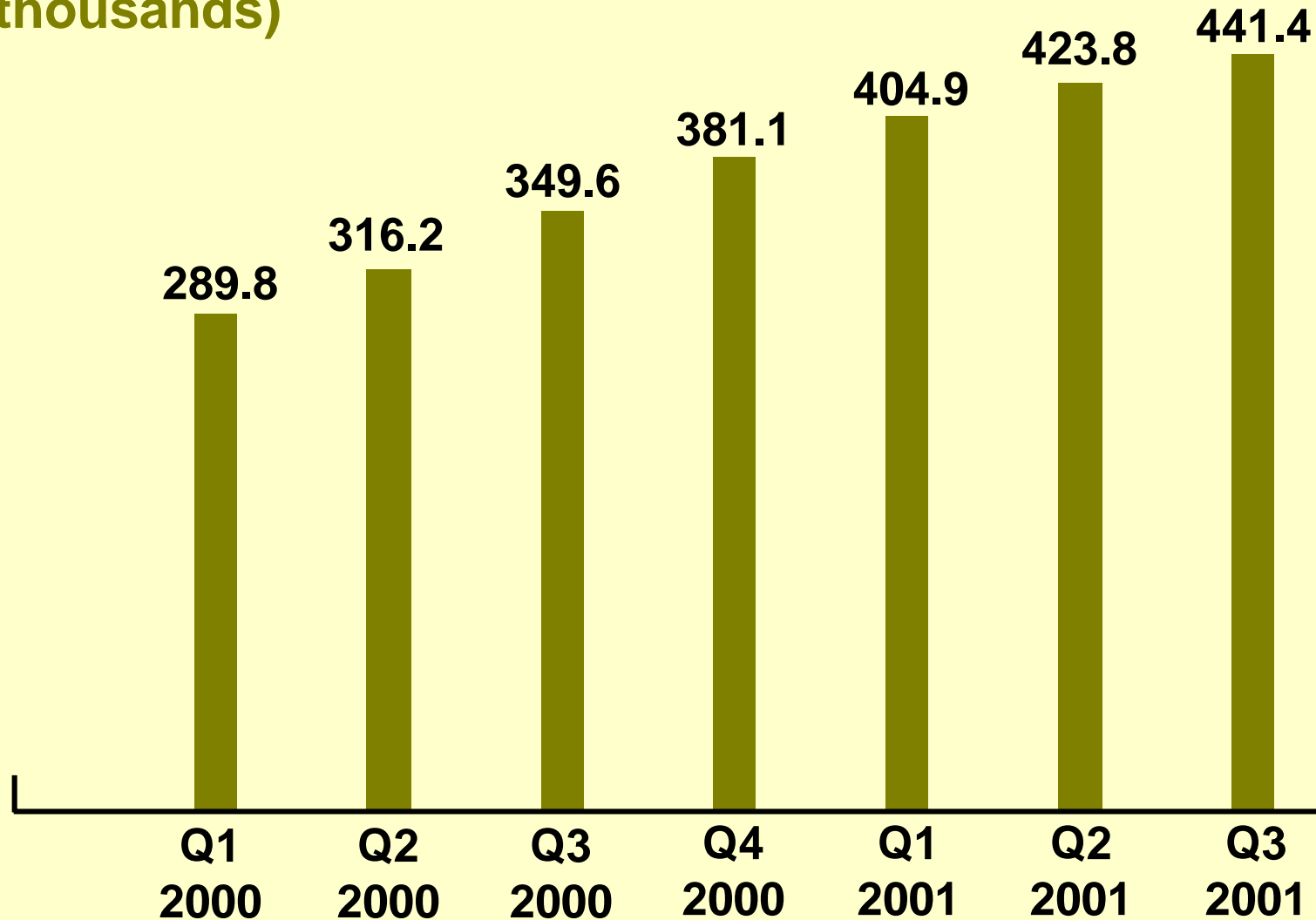


Distribution Channels – Telephone Banking (TelNat)

2001



■ VRU users (thousands)



■ ATM repartition

Province	NBC	Exchange	Total
Quebec	725	13	738
BC	-	459	459
Ontario	65	35	100
Atlantic provinces	32	5	37
Alberta	1	14	15
Saskatchewan	-	2	2
Manitoba	-	1	1
Total	823	529	1,352

Distribution Channels – Point of Sale Terminals

2001



# of merchants	118,000
# of terminals	23,000
Credit card annual transactional volume	\$7 billion
Credit cards in circulation	1,587,901
Debit card annual transactional volume	\$8.7 billion
Debit cards in circulation	1,176,610



■ Internet financial services

- Number of transactions has reached the 1 million mark
- 169,393 members
- 2002 objective: 400,000 members
- Transactional volumes

Type	July 2000	April 2001	July 2001	Sept. 2001
NBC group consolidated statement	388,136	310,055	810,215	864,765
Invoice payment	91,346	153,887	180,028	169,357
Historical requests	390,135	672,700	754,683	863,078
Credit card info	106,303	163,966	185,320	155,855

National Bank Discount Brokerage – Weathering the Storm

2001



	Q3 2000	Q2 2001	Q3 2001
Accounts	132,131	143,387	145,773
New accounts	2,125	2,460	4,726
Assets under management	\$5.1 billion	\$5 billion	\$5 billion
Total transactions	46,999	50,599	38,148
Automated transactions	25,893	26,489	17,980
% automated transactions	55%	62%	57%

- **Position the Bank as the dominant provider of personal integrated financial solutions in Quebec**
- **Focus on third party agreements to further development**
- **Integrate the different components of the new « Specialized sales force » to set us apart from the competition**

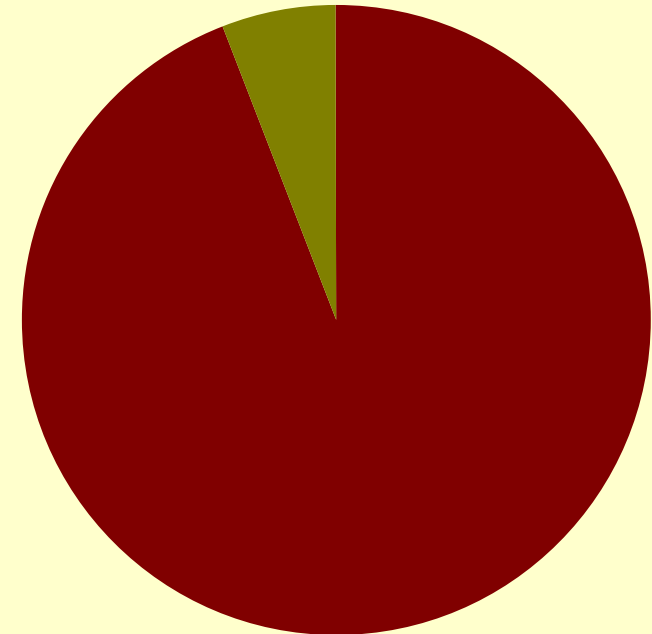


- **Branch network reconfiguration: expertise concentration, specialized sales, transactions through other channels**
- **535 NBC branches in Canada**

■ **NBC 504**

■ **In-store 31**

- Supermarkets
- Pharmacies
- Post offices
- Convenience stores



Our Broad Offering

2001



[Home](#) [Menu](#) [Search](#) [Tools](#) [E-Mail](#) [NBC Bookmark](#) [Individuals Transactions](#) [Businesses Transactions](#)

Go direct
when you use
Ready Access
or the
top menu



 **NATIONAL
BANK
OF CANADA**
BE IN A BETTER POSITION

Version française



Up to **6%** of your mortgage amount...in **cash!**

READY ACCESS

PRODUCTS AND SERVICES FOR INDIVIDUALS

✓ Select One

Internet Banking

- Internet_Direct.N@t
- Enrolment
- Adding or modifying bills

- Wireless banking services

- Insurance

- TelNat

- Client-Card

- MasterCard

- Mortgage Loan

- Personal Loan

- Auto-Option Loan

- RRSP Loan

- Line of Credit

- Financial packages for professionals

- Student Loan

- ClickStudent

- Self Employed

- RRSP

- Deposits

- National Bank Funds

- SecurNat

- My Personal Finances

MUST SEE


- ▶ Mortgage Promotion
- ▶ Wireless banking services
- ▶ Featuring
- ▶ Investor Relations
- ▶ New : *webdoxs*
- ▶ My up-to-date rates
- ▶ Careers and Professions
- ▶ To contact us
- ▶ National Bank Funds
- ▶ Agribusiness Entrepreneurs
- ▶ Market summary

Your Internet banking services

Services for Individuals Internet_Direct•N@t

- ▶ Enter now
- ▶ Information

Services for businesses

- ▶ Internet banking solutions 
- ▶ Clic Commerce electronic solutions

VISIT OUR OTHER SITES

- ▶ AssurNat
- ▶ **National Bank General Insurance**
- ▶ National Bank Financial
- ▶ **Full Service Brokerage**
- ▶ InvesNet

October 3, 2001)
10
September 18, 2001)

■ "Clicks and Bricks" strategy

Branch

www.nbc.ca

Footprint and design more suitable to accommodate shift from transactional to sales/advice network

New corporate website 2002

Accessibility to services offered through branch network (loans, investments, product info)

Promotion of products and services

■ Development through 3rd party agreements

- **↑ market penetration in Quebec and Canada**
- **Looking for established network to complement existing client base**
- **2 virtual banks to be delivered before year-end**
 - **Assante and Promutuel**

■ Client servicing

- Key to business development
- Multidimensional task of
 - Improved access
 - Flawless operations
 - Anticipate clients' needs

National Bank of Canada

E-Commerce

TONY P.

METI

**Senior Vice-President, Commercial Banking
North America**



Today



Bank of solutions

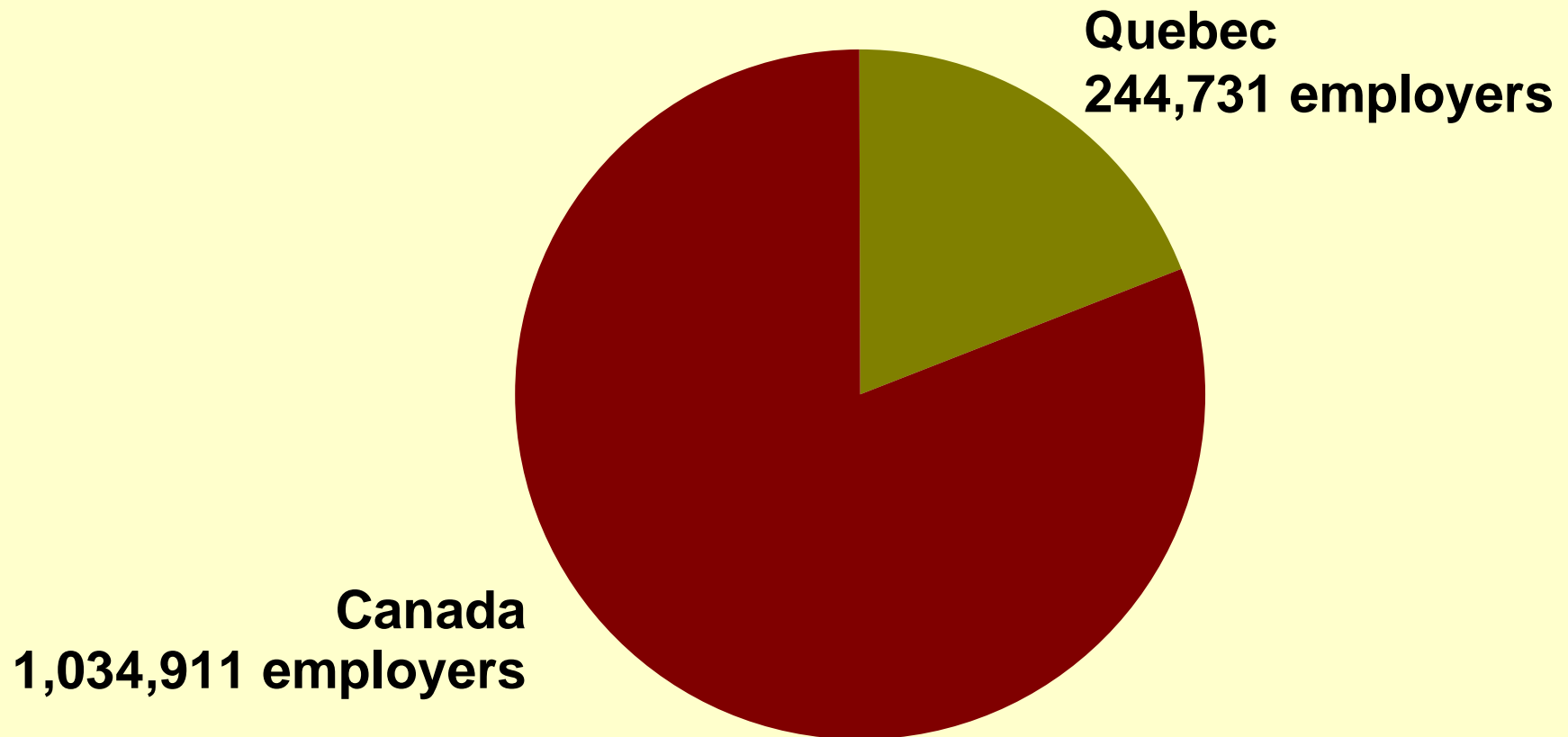


Tomorrow



e-Bank of solutions

- Quebec employers = 23.6% of the Canadian market

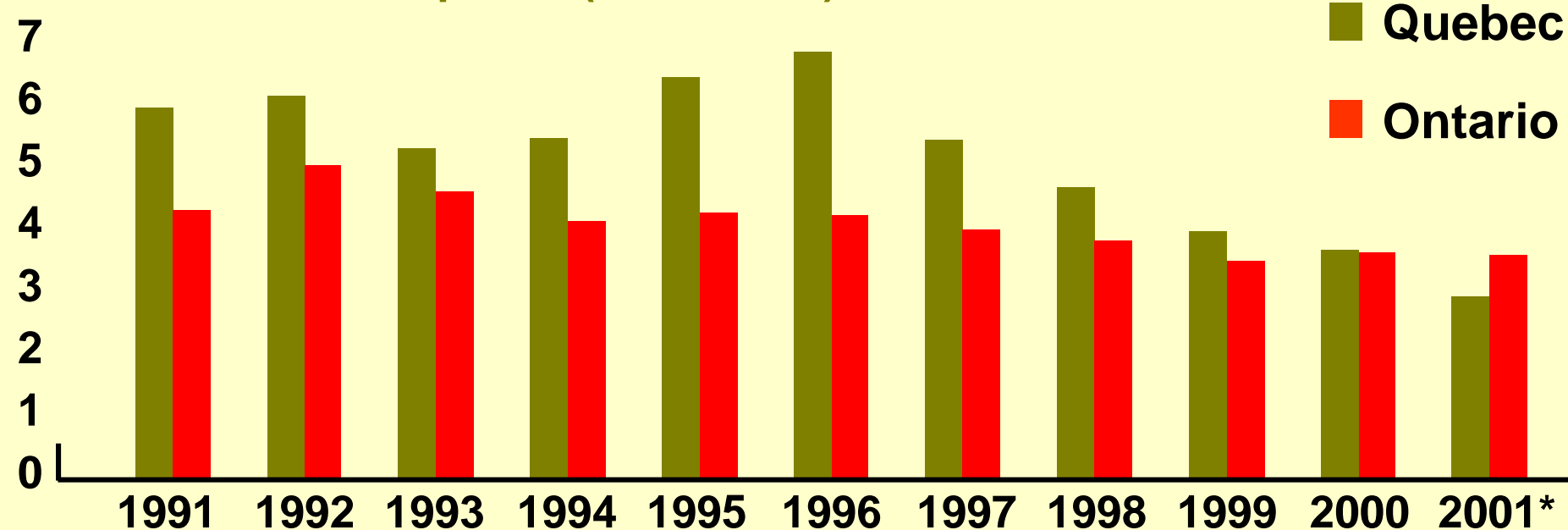


The Economic Landscape

2001



Commercial Bankruptcies (thousands)



Share of bankruptcies in Canada in 2001

Quebec

Ontario

% of the number

30.7%

31.8%

In total losses (\$)

20.2%

52.8%

**January-August annualized*

■ Quebec exports

Industry	Share	Growth 1991-2000*
Telecommunication equipment	12.5%	33.2%
Aircraft and aircraft parts	11.0%	16.8%
Aluminum industry	8.4%	5.9%
Electronic parts and computing	6.9%	4.4%
Newsprint industry	5.6%	3.9%
Motor vehicle industry	4.4%	15.5%

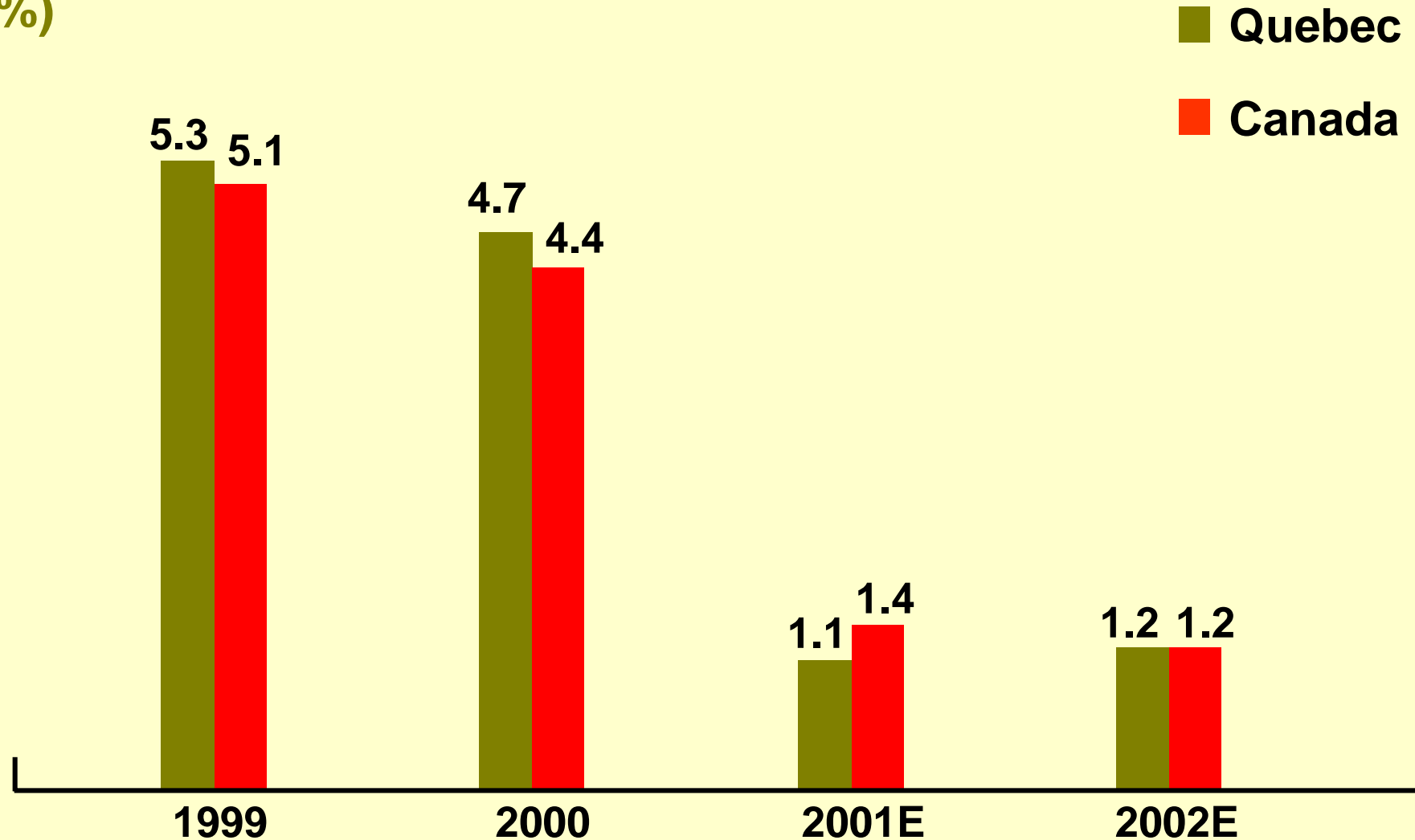
■ Ontario exports

Industry	Share	Growth 1991-2000*
Motor vehicle industry	41.2%	12.1%
Electronic parts and computing	5.0%	13.0%
Machinery and equipment	2.7%	14.7%
Aircraft and aircraft parts	1.9%	6.4%
Plastic and synthetic resin	1.8%	20.7%

■ Exports to the US

Province	Share	Growth 1991-2000*
Quebec	85.6%	14.2%
Ontario	93.3%	13.4%

■ Economic annual growth rate (%)



■ **Quebec companies are smaller than Canadian counterparts**

	Quebec	Canada
Sales volume		
<\$100,000	32.9%	23.3%
\$100,000 - \$1M	49.2%	58.8%
\$1M - \$5M	13.2%	13.2%
Employees		
<10	79.2%	76.1%
>10	20.8%	23.9%

- **Strong presence in agricultural, construction, manufacturing, transport and communication**

Development index Industry sector	Quebec NBC business	Quebec banking industry
Agriculture	4.0%	2.6%
Construction	9.7%	7.1%
Manufacturing	13.3%	12.6%
Transport/Communications	5.9%	5.2%
Commerce	25.4%	26.2%
Finance, insurances, real estate	4.0%	4.2%
Services	36.1%	40.9%
Other	1.2%	1.0%

■ Quebec is catching up

	Quebec	Canada	▲
1997 Internet access	13%	31%	18%
2000 Internet access	59%	69%	10%

■ Lower Internet usage by our customers

Development index % of companies	Quebec NBC business	Financial institutions operating in Quebec
Internet access	58.1%	62.7%
Internet sites	29.5%	29.6%
Internet purchases	12.4%	15.4%
Internet sales	6.6%	9.0%
Banking on Internet	6.0%	10.1%

■ Small Business

- Borrowings less than \$350,000 managed by Retail bank under the supervision of SVP – Personal Banking

■ Commercial

- Borrowings between \$350,000 and \$25M administered through Commercial Banking Centres



■ Small Business

Account managers	180
Borrowing clients	18,090
Latitude line of credit	10,427
Non-borrowing clients	87,186
SME regional offices	19

■ Commercial

Account managers	176
Borrowing clients	15,491
Corporate service centres	50

- **131,194 company-clients out of a possible 244,731 (54%)**
- **18.8% with >10 employees**
(Quebec businesses 20.8%)
- **22.3% with >\$1M in sales**
(Quebec businesses 13.2%)
- **20,6% with >30 transactions/month**

■ Quebec market share

As at June 30, 2001	Market share
Borrowings outstanding Including Desjardins Banks only	29.1% 39.0%
Deposits Including Desjardins Banks only	26.6% 36.5%

- **Introduced in Quebec during the fall of 1999**
- **Unlike any other product launched in Quebec market place**
- **Vision**
 - **Better adapted to the changing needs of clients**
 - **Enrolment of new clients outside the traditional network**
- **Objectives**
 - **Simplicity, flexibility and accessibility for the client**

■ Virtual service

- Application online available
- SME Account Manager available over the phone
- Monthly payment by ATM's, Telnat, Internet, cheque

■ Advantages for the client

- Minimal annual fees
- Online overdraft protection
- Note rollover to the nearest dollar
- Minimum 21 days interest free on purchases
- No financial statement or business plan required

- **Protect NBC's impressive Quebec market share**
- **Strengthen NBC leadership position in Quebec**
- **Meet customers' expectations**



- **Encourage corporate behaviour of NBC clients and support advantages of 7/24 information transactional access**
- **Convert client base towards e-channels**
 - **Improve from 5% to 20% ratio of NBC clientele using a Cash Management Product**
- **Support continuous development of new e-solutions**

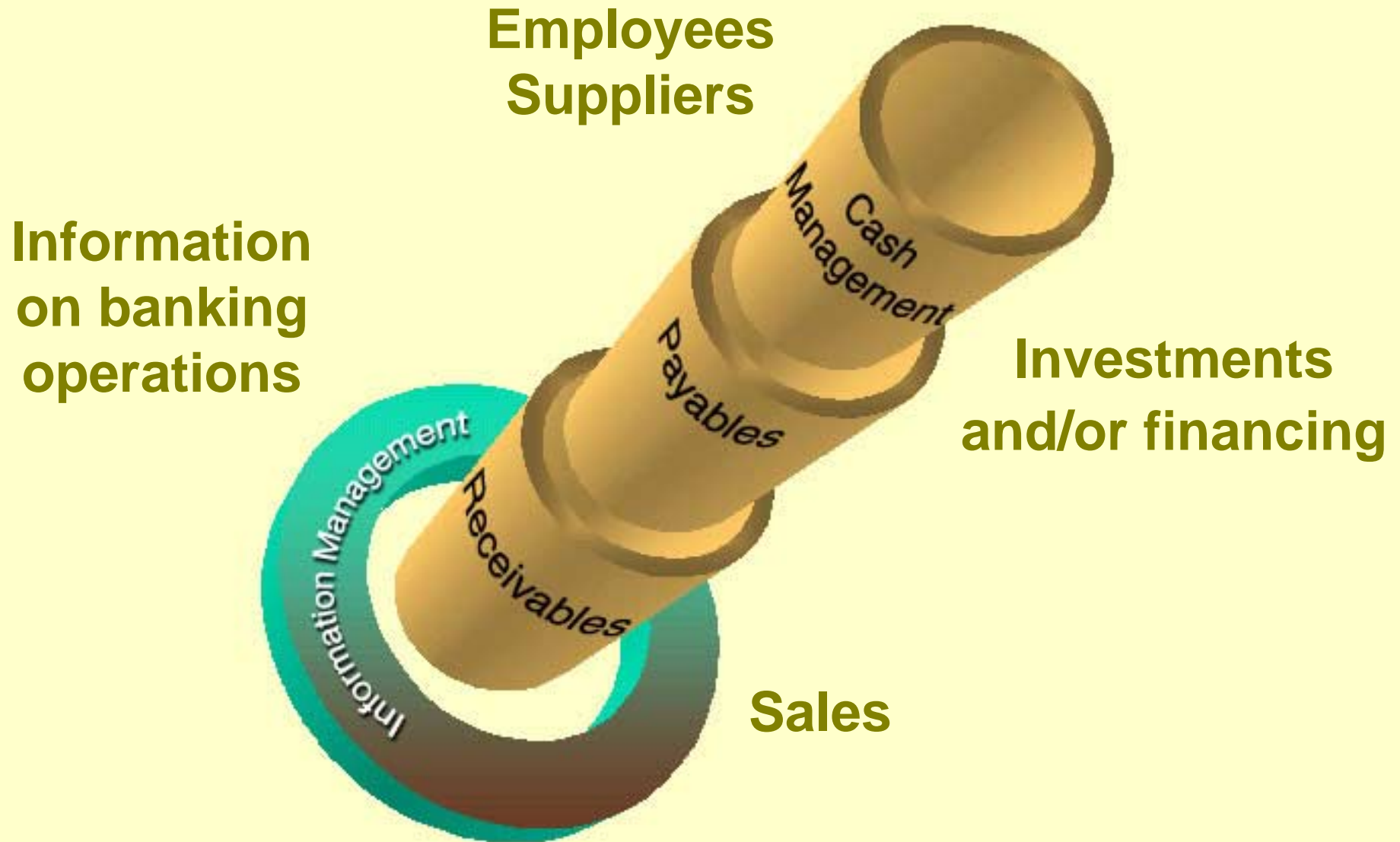


- **Mobilizing 26 Global Cash Managers already in place**
- **Hiring specialized task force focused on SME's**
- **Simplifying sale and integration process**
- **New commercialisation concept**
 - **Low monthly fee**
 - **Implementation of pay as you go concept**



- **Quarterly client satisfaction surveys measuring satisfaction and improvement ideas**
- **Migration of applications towards more robust environment**
- **New functionalities development**





A Traditional Customer

INFLOW

Receives payments
by mail

Opens envelopes

Assigns each cheque
received to receivable
counterpart

Prepares deposit

In-branch deposit



Clients

An NBC e-Customer

A Traditional Customer

INFLOW

Receives payments by mail

Opens envelopes

Assigns each cheque received to receivable counterpart

Prepares deposit

In-branch deposit



Clients

An NBC e-Customer

INFLOW

Bank: Transmits to client file with info on received cheques and proceeds to deposit into client account

Client: Manages file in online accounting system

Product: Automated Lock Box

Advantages: Drastically reduces depositing delay, reduces interest costs, significant time savings

A Traditional Customer

OUTFLOW

Prepares cheques

Signs cheques

Mails cheques

Monthly bank reconciliation



Clients

An NBC e-Customer

A Traditional Customer

OUTFLOW

Prepares cheques

Signs cheques

Mails cheques

Monthly bank reconciliation



Clients

An NBC e-Customer

OUTFLOW

Prepares payment instructions

Bank: Direct payment to suppliers account

Payment notification to supplier

Product: Internet Banking Solutions

Advantages: Reduces time of reconciliation, cost or printing + mailing cheques, availability 7/24

A Traditional Customer

INFORMATION MANAGEMENT

**Phones Bank
to obtain balance
and transaction
details**



Clients

**Phones US Bank to obtain
similar info**

**Phones Bank – transfers
funds to balance accounts**

**Fax to Bank credit enquiry
on client(s)**

An NBC e-Customer

A Traditional Customer

INFORMATION MANAGEMENT

Phones Bank
to obtain balance
and transaction
details

Phones US Bank to obtain
similar info

Phones Bank – transfers
funds to balance accounts

Fax to Bank credit enquiry
on client(s)



Clients

An NBC e-Customer

INFORMATION MANAGEMENT

Account balance available
online for Canadian
and US accounts

Easy electronic transfers

Online credit enquiry
on clients with electronic
answerback

Product: Internet Banking
Solutions

Advantages: Time saving,
availability 7/24



e-Bank of solutions



e-commerce

National Bank of Canada

ClicCommerce

GUY

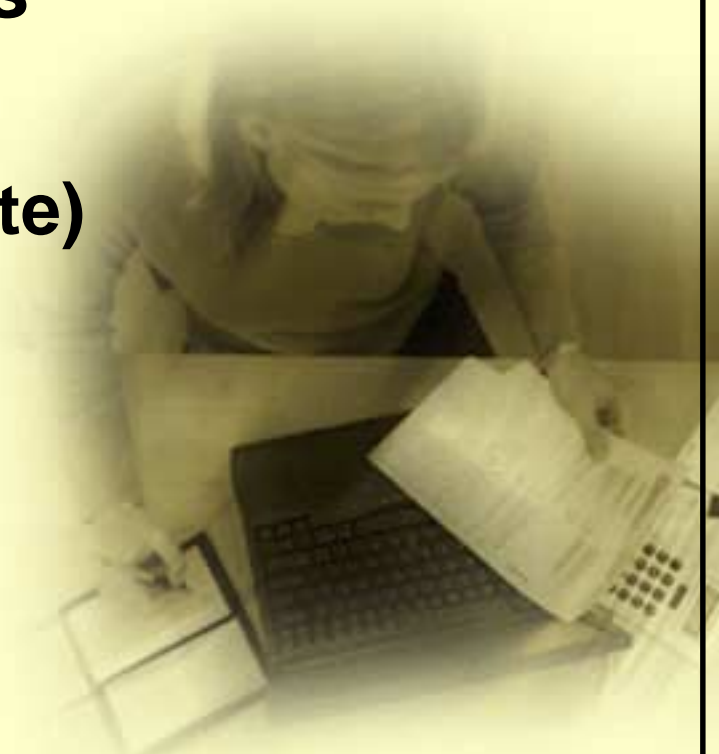
BÉRARD

President, ClicCommerce



- **To complement e-bank by providing e-commerce and e-business solutions to our clients**

- **Protect SME franchise**
- **Complete/enhance e-banking offer**
- **Generate associated banking services**
- **Provide e-procurement solutions focused on SME B2B needs**
 - **MRO horizontal (public and private)**
 - **Vertical marketplaces**
 - **Generate associated banking services with e-commerce transactions**



Quebec businesses	Statistics
Internet access	63%
Own website	29.6%
Internet banking	10%
Buy goods + services via Internet	15%
Sell goods + services via Internet	9%
The most common purchases	Computer equipment + office supplies

■ Today

- NBC uses e-procurement platform since May 2001
- Horizontal public B2B marketplace with suppliers, 6 more committed suppliers and over 250 purchasers
- Pilot project for Health Vertical Marketplace



■ Within one year

- **Electronic Invoice Presentment + Payment with PO Matching functionality**
- **Auction/Reverse Auction functions**
- **Automated RFQ's + RFP's**
- **Connectivity to major accounting packages used by SME clients**
- **Create value for importers/exporters through seamless links to current e-banking FX and Letter of Credit**
- **Link to main suppliers ERPs and logistics systems**



■ Long term

- Negotiate pan-Canadian alliances
- Negotiate bridges to other marketplaces: expand reach of our member clients rather than capture foreign clients
- Expand “Collaborative Commerce” facets to our offer



■ Today

- **Clic Business Finder: over 4,500 companies registered**
- **Clic Web: over 25 sites**
- **Clic Catalogue: 10 sites in pilot mode**

■ Within one year

- **Marketing of services increasingly tied to e-banking and credit card promotions**
- **White Label approach**



■ Current

- B2B procurement platform supports credit card, P Card and electronic payments
- ClicCatalog, virtual shop support Credit Card payments
- Credit enquiries provided by e-banking platform



■ Short term (Q2 2002)

- B2B electronic invoice presentment and payment

■ Mid term

- FX, letters of credit, wires
- Escrow service



B2B

Efficiency gains through automation

Facilitate access to new buyers/suppliers

Savings through community buying (private marketplace)

Savings through special promotions by marketplace suppliers

For suppliers, decrease DSO (Days Sales Outstanding)

Management information

Control maverick buying

7/24 access to specialized resources

B2C

B2B

Efficiency gains through automation

Facilitate access to new buyers/suppliers

Savings through community buying (private marketplace)

Savings through special promotions by marketplace suppliers

For suppliers, decrease DSO (Days Sales Outstanding)

Management information

Control maverick buying

7/24 access to specialized resources

B2C

Additional visibility

New sales channel for merchants with much less upfront investment than a physical outlet

Cost savings tied to production and updates of paper catalogs

Lower cost of online sales

7/24 access to specialized resources

- Only private and public market place
- No interference with pricing
- We leverage clientele
- Connectivity

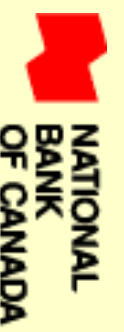
TARGET:

\$1 BILLION

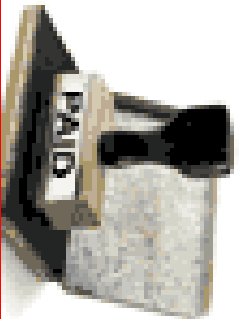
of TRANSACTIONS

by 2004

2001



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inc.