

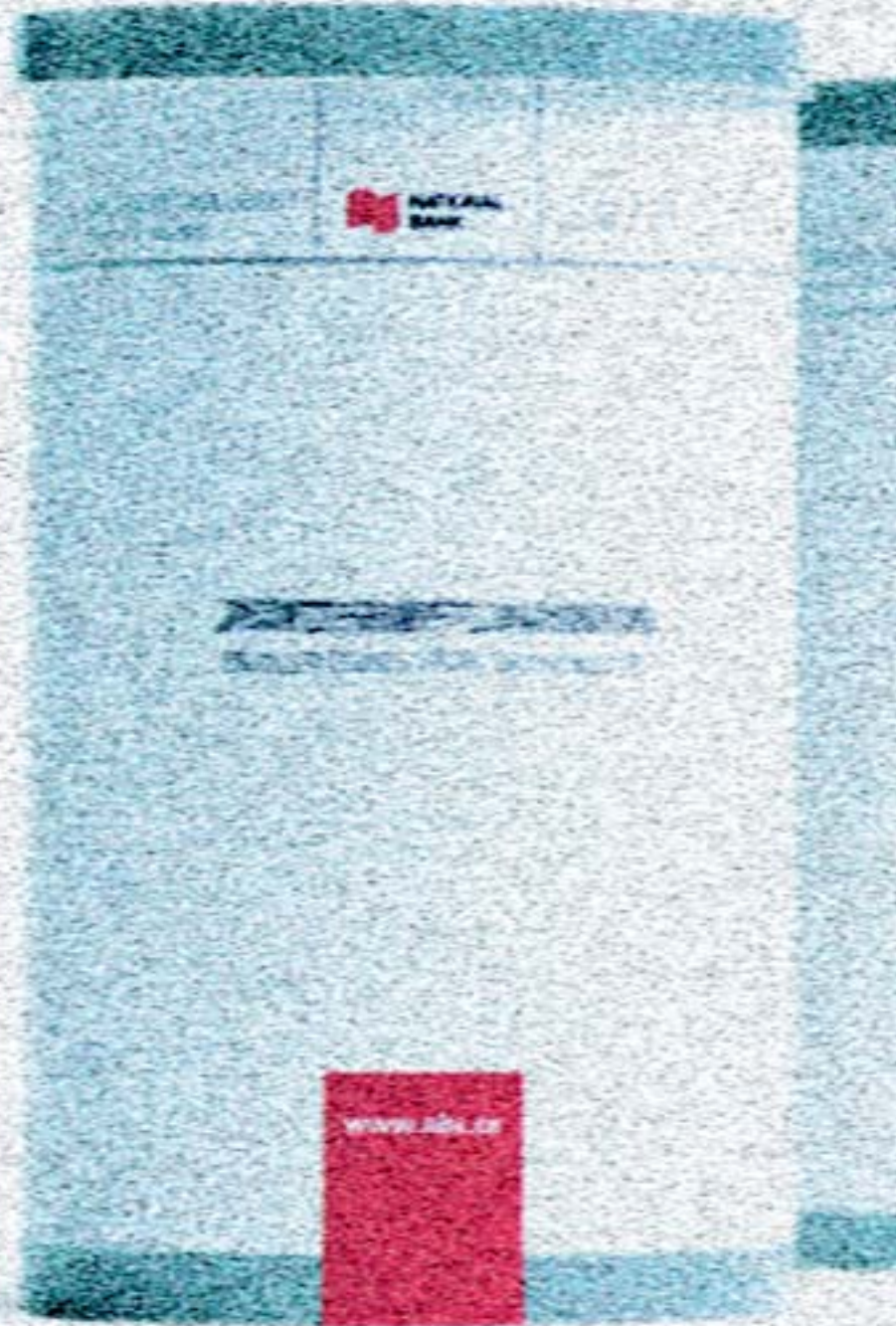


# **National Bank Financial**

## **Canadian Bank CEO Conference**

**April 9, 2003**

**Réal Raymond  
President and CEO**



- ✓ **NBC recent achievements**

- ✓ **Business strategy**

- ✓ **Key moves**

- ✓ **Key elements of model:**

  - Partnerships as distribution channels**

  - Capitalization policy**

  - Bank mergers**



## **Strategy was sharp, clear and unchanged**

- **To be a Quebec-based super regional Bank**

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- **Invest selectively in wealth management and capital markets**

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- **Set up partnerships as distribution channels for retail products outside Quebec**

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- **Use our strong capital position to dominate Quebec market**

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## **Focused business development**

- **Withdrew from US Asset-based lending market**

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- **Acquisition of Altamira**

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- **Acquisition of Putnam Lovell**

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- **Clean up of balance sheet**

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- **Partnership with Investors Group/Great West Life/London Life**

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## **2003 Performance objectives**

**2003**

<b>Growth in earnings per share</b>	5% to 10%
<b>Return on common shareholders' equity</b>	14% to 16%
<b>Tier 1 capital ratio</b>	8.75% to 9.50%
<b>Dividend payout ratio</b>	30% to 40%



## All 2003 Performance objectives matched

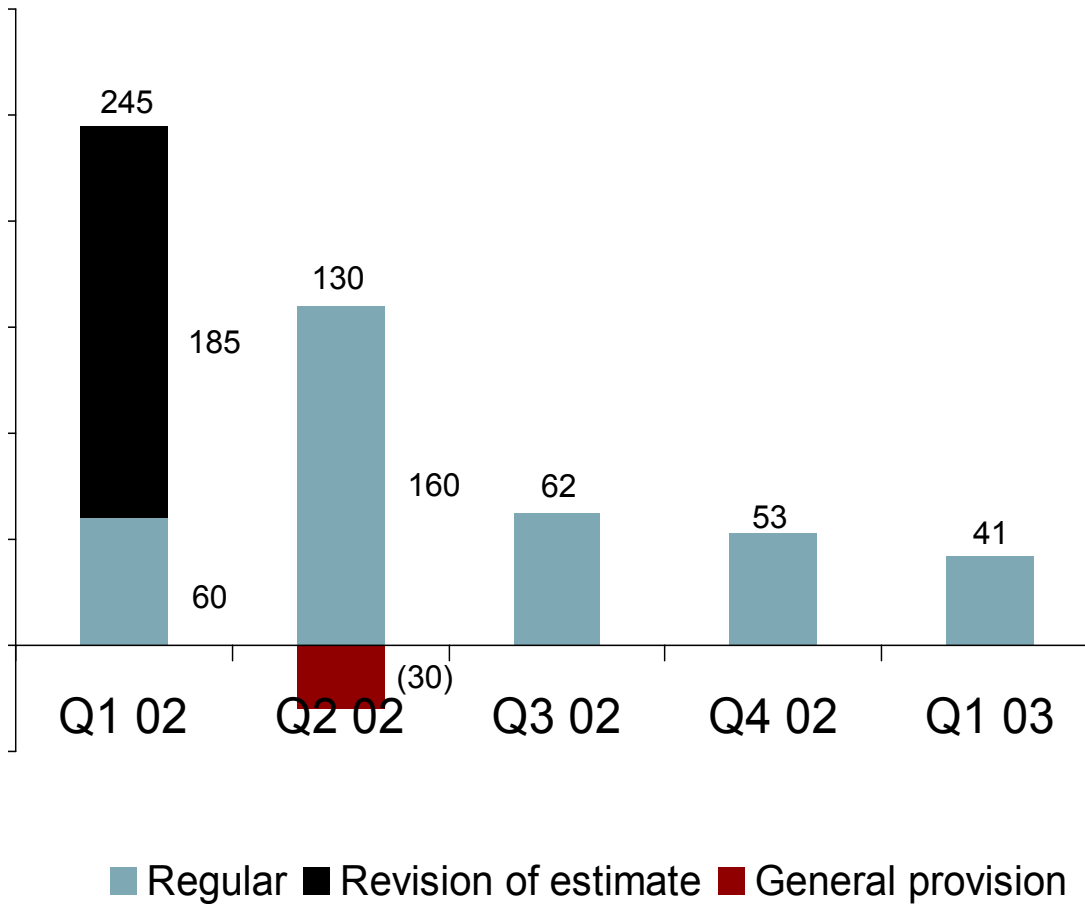
	2003	Q1 03
<b>Growth in earnings per share</b>	5% to 10%	<b>21%</b>
<b>Return on common shareholders' equity</b>	14% to 16%	<b>17.6%</b>
<b>Tier 1 capital ratio</b>	8.75% to 9.50%	<b>10.2%</b>
<b>Dividend payout ratio</b>	30% to 40%	<b>35%*</b>

\* Trailing 4 quarters, excluding impairment charge on investment



# Provision for credit losses

in millions of dollars



# Impaired loans

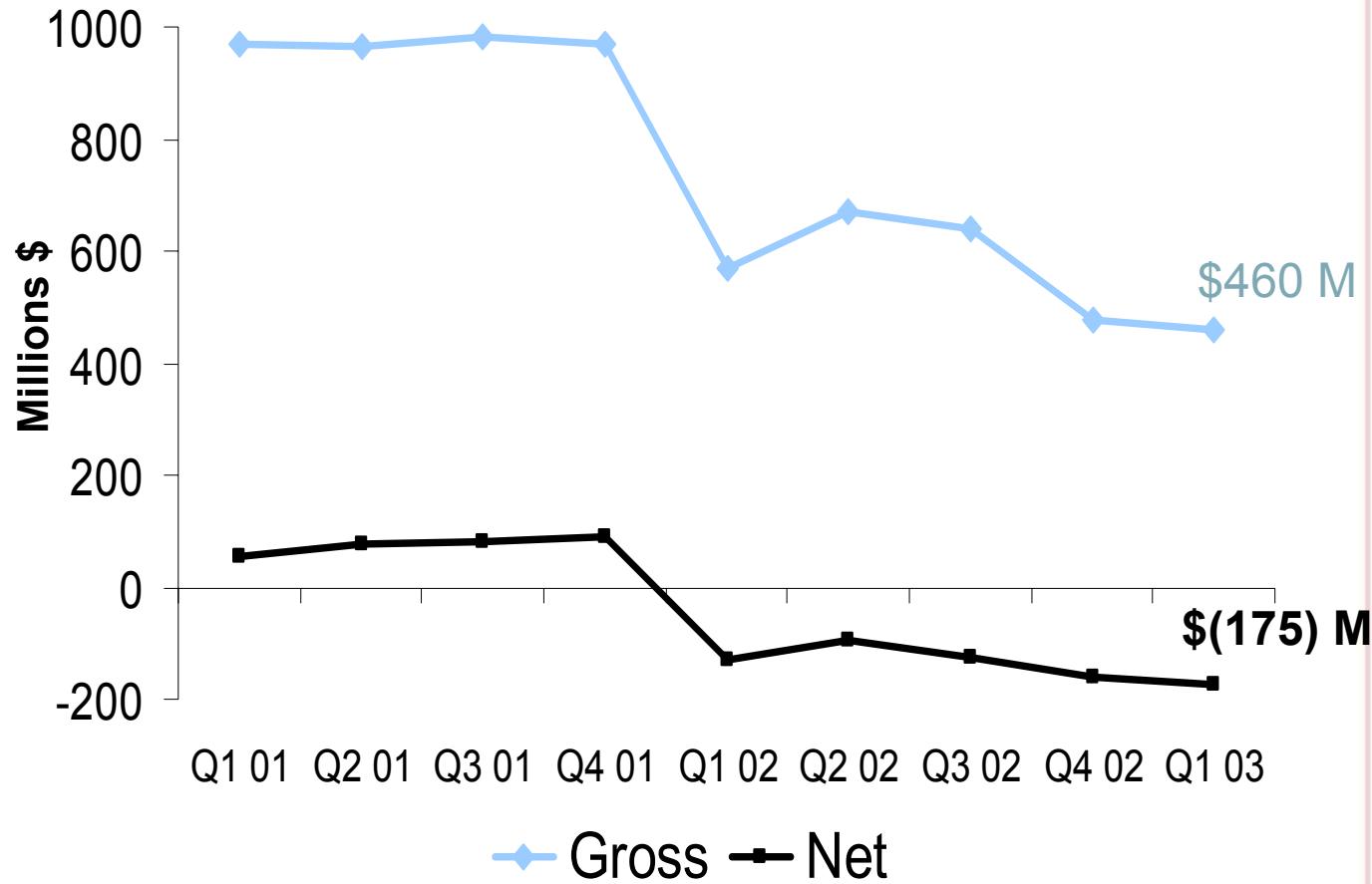
In millions of dollars

	Q1 03	Q4 02
<b>Gross impaired loans</b>	<b>\$460</b>	<b>\$503</b>
<b>Gross impaired loans as a % of tangible capital &amp; reserves</b>	<b>12.7%</b>	<b>14.1%</b>
<b>Net impaired loans</b>		
Individuals and small businesses	42	59
Commercial Canada	119	99
Corporate	19	36
Real Estate	45	44
Treasury	3	3
Other	<u>0</u>	<u>5</u>
Sub-total	228	246
<b>General allowance for credit risk</b>	<b><u>(405)</u></b>	<b><u>(405)</u></b>
Total - Net impaired loans	(175)	(159)
Net impaired loans as a % Loans and BA's	(0.43%)	(0.38%)

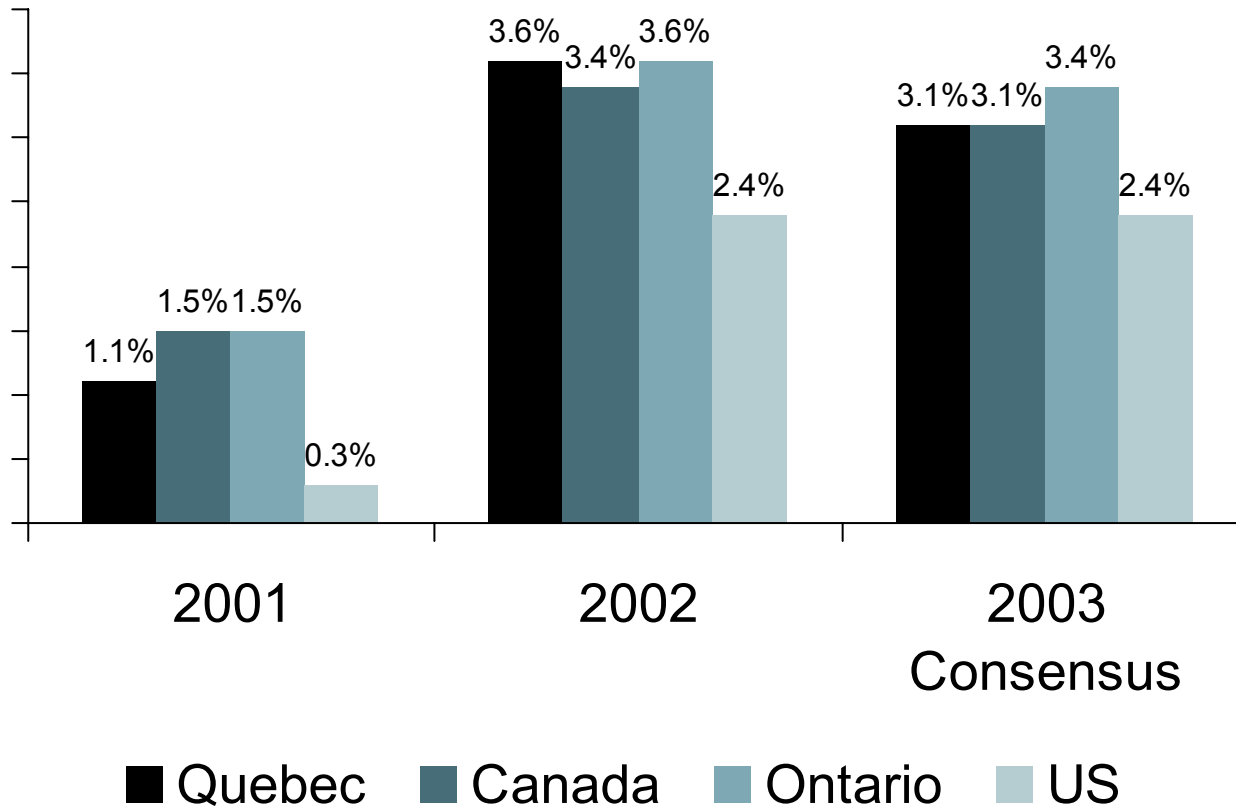


# Credit Portfolio

## Private Risk



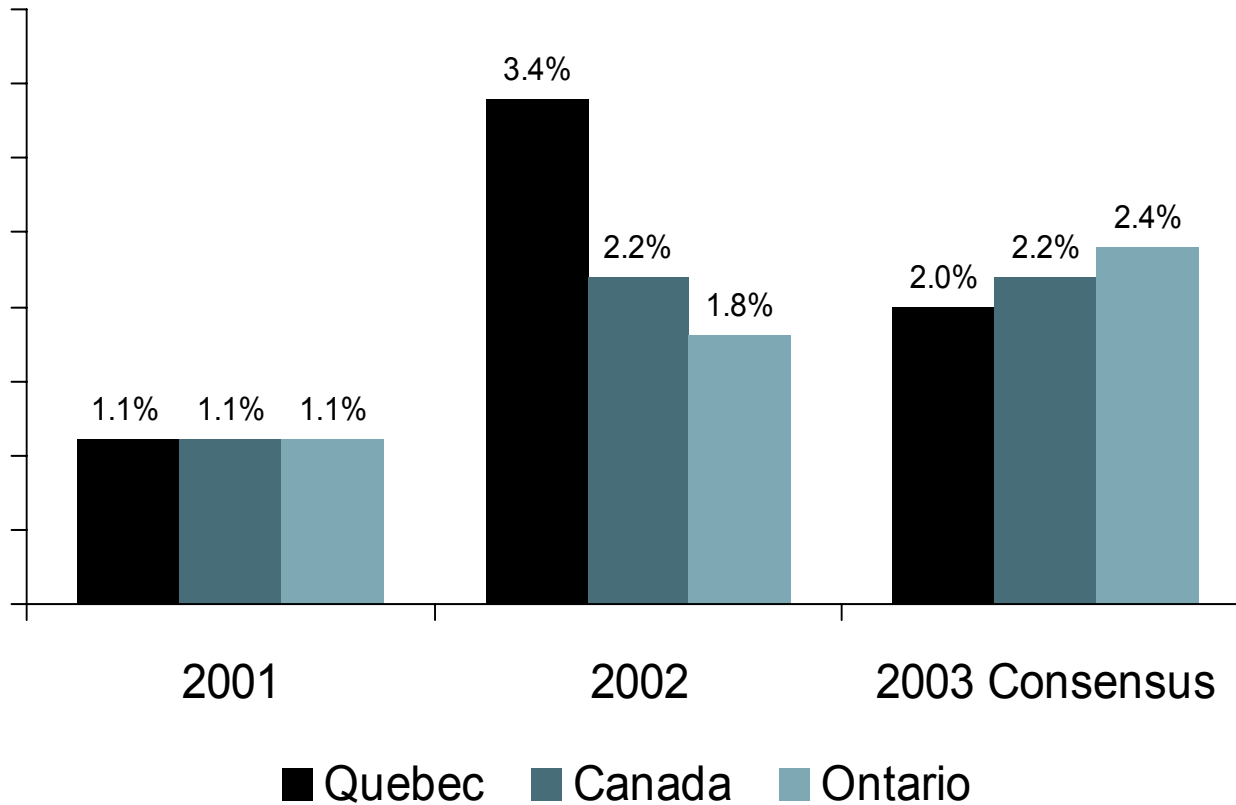
# GDP Growth



Source: Industry Canada



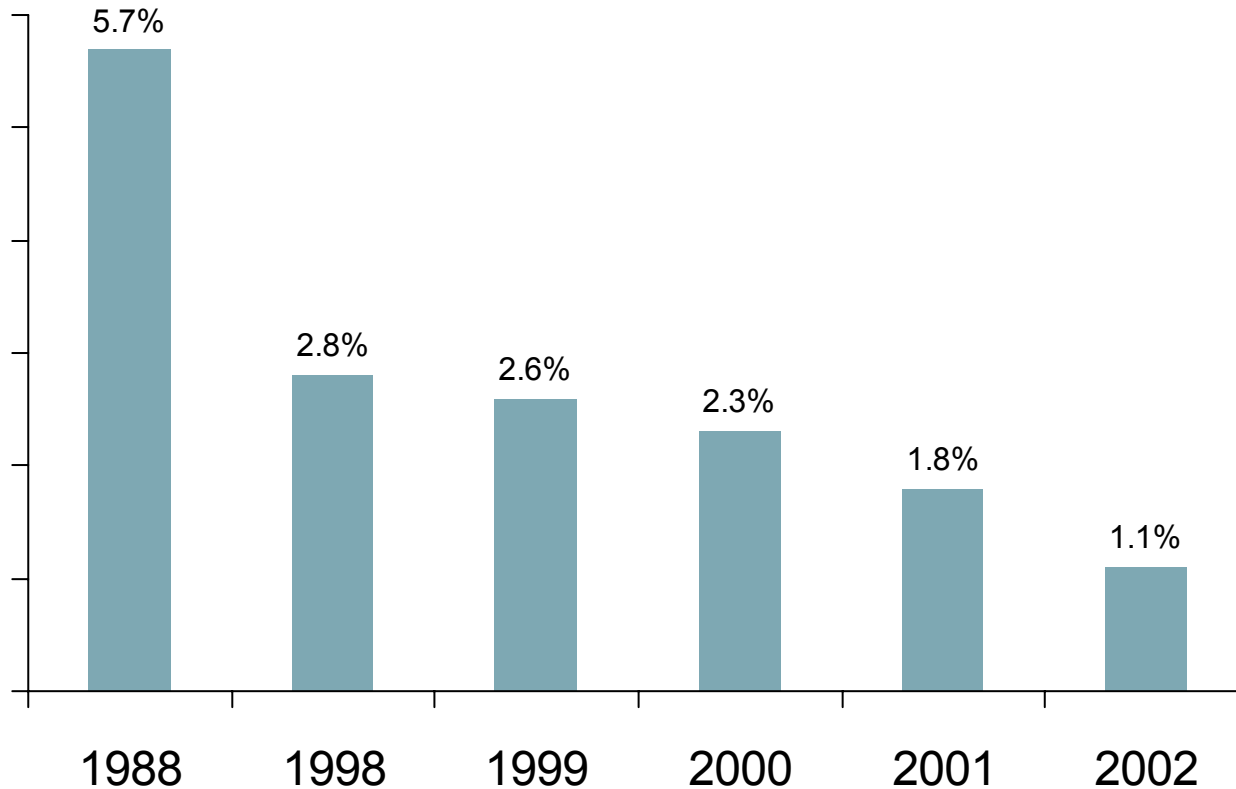
# Employment Growth



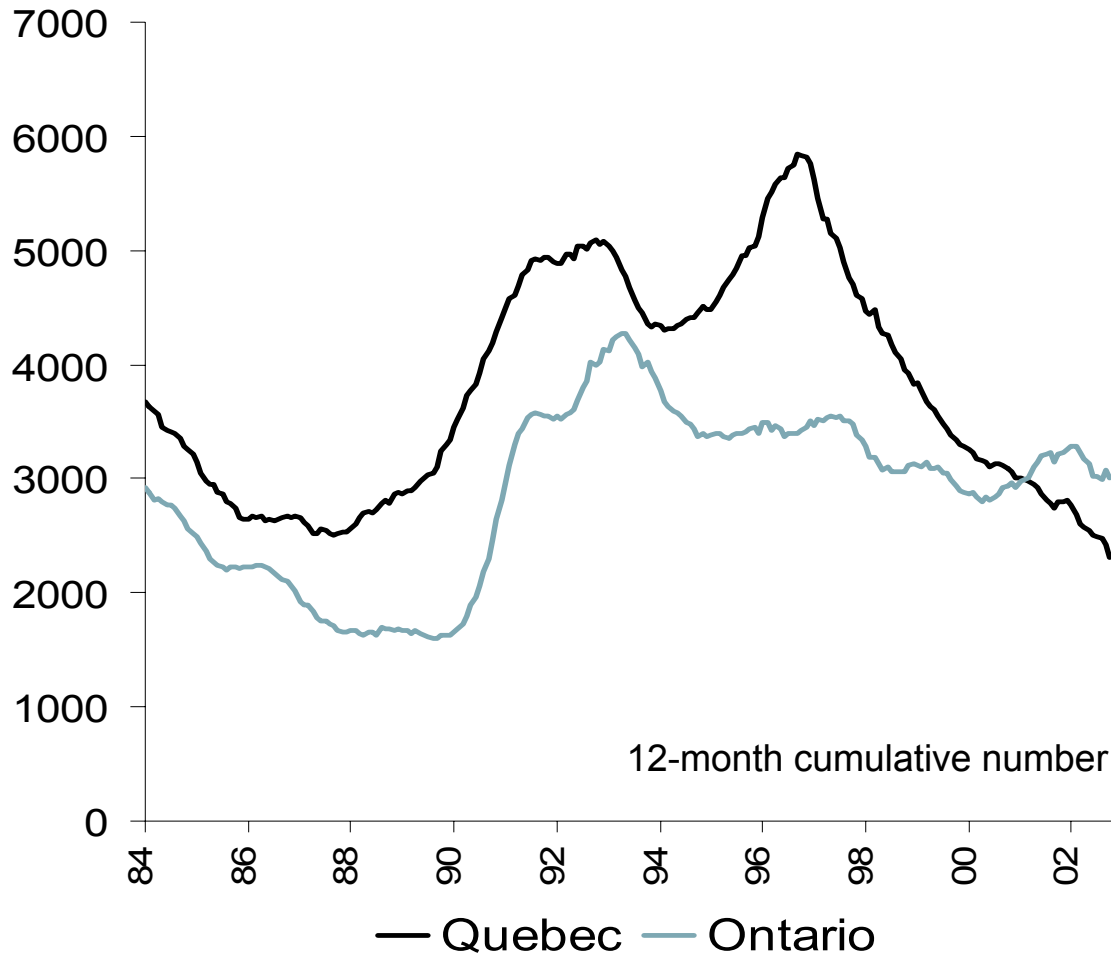
Source: Industry Canada



## Gap in Unemployment Rate Montreal vs Toronto



# Commercial Bankruptcies



## **Canadian economy currently partially immune to US slowdown**

- **Energy crisis a plus for Canada**

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- **Expansionist fiscal and monetary policy freed pent-up demand**

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- **Low interest rates and undervalued Canadian dollar partially compensated slack international business demand**

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- **US slowdown hit business investment, while consumers continue to borrow and spend**

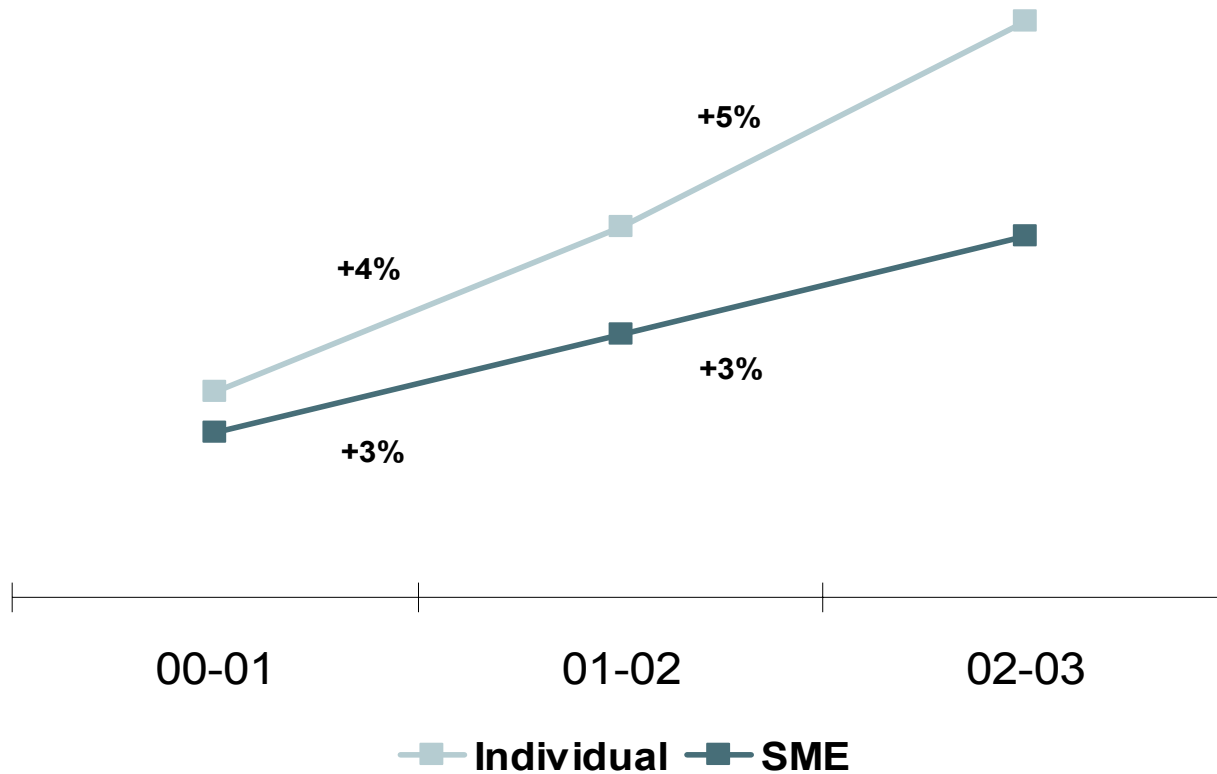
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- **Canada is not escaping financial markets turmoil, budgeted conservative contribution from capital markets to bottom line in 2003; Personal and Commercial Banking doing well**

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# Satisfaction Surveys (% of highly satisfied clients)



- ✓ **NBC recent achievements**

- ✓ **Business strategy**

- ✓ **Key moves**

- ✓ **Key elements of model:**

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  - Bank mergers**



## **Partnerships**

- **Investors Group/London Life/GreatWest Life**

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- **Promutuel**

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- **Assante**

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- **Edward Jones**

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- **Life insurance leveraging loans with clients Maritime Life, Standard Life and Industrial-Alliance**

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- **Correspondent Network offers full range of services to dealers and advisors**

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- **Co-branded card program including smart card technology**

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## **The importance of a strong product offering**

- **Loans designed to finance registered and non-registered investments are key**

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- **High yield liquidity management account hot seller**

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- **Complementing partner offered investment products with structured products requiring expertise (ex. derivatives)**

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## **Keys to successful partnerships**

- **Committed to first class service**

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- **Effective manufacturing of private label products**

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- **Tailoring each deal to partner**

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## **Building our business through partnerships**

- **Access to new client base and distribution force, particularly outside Quebec**

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- **Increase volume of operations, providing better economies of scale**

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- **Gives us room to grow: given our size, new loans generate significant asset growth**

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- **Avoiding discounted model, partnering should add to bottom line**

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- **Although some set up costs, most business is on variable-cost base**

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- ✓ **NBC recent achievements**
- ✓ **Business strategy**
- ✓ **Key moves**
- ✓ **Plans for 2003**
- ✓ **Key elements of model:**
  - Partnerships as distribution channels**
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## **Maintaining a strong capital position**

- **Market expecting NA to be better capitalized**

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- **Extra capital necessary to being opportunistic**

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- **Sound financial management objective**

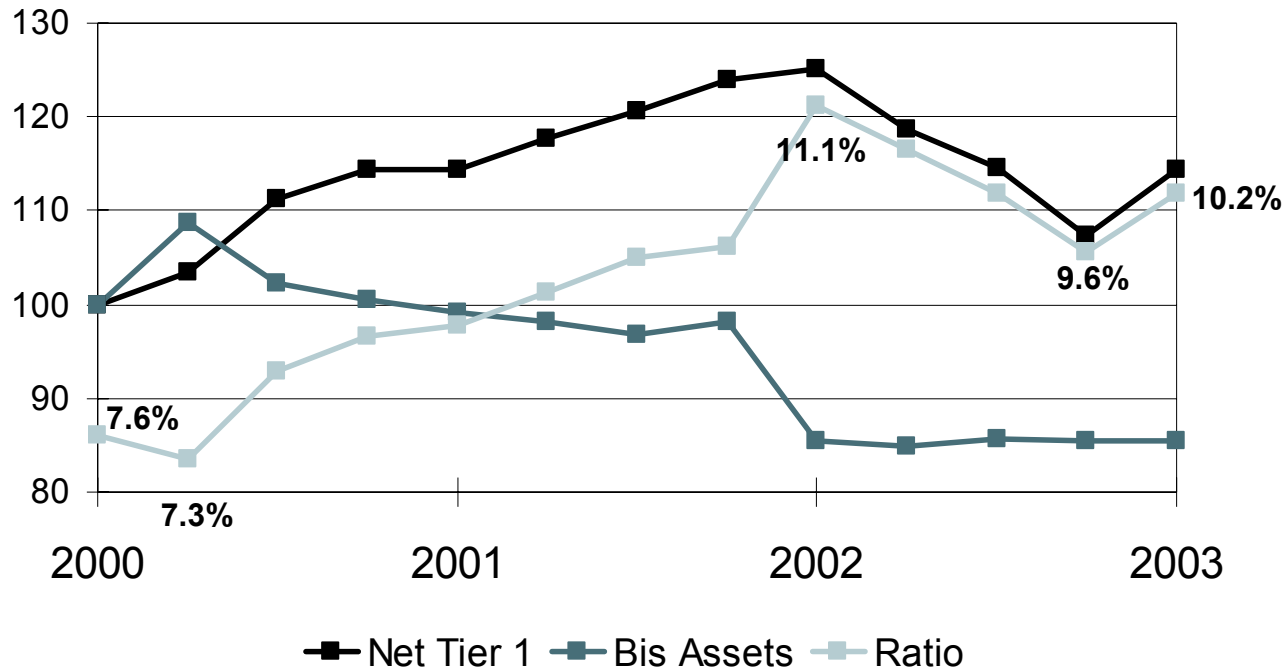
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- **Well capitalized banks are often the most profitable**

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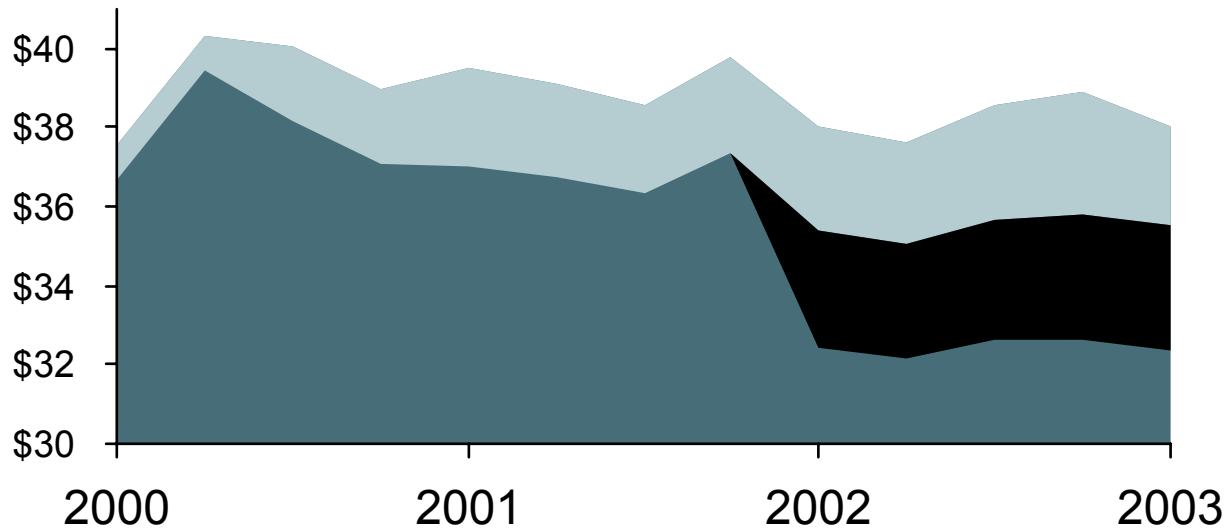

# Tier 1 Capital Ratio



Capital and Assets 1Q00=100



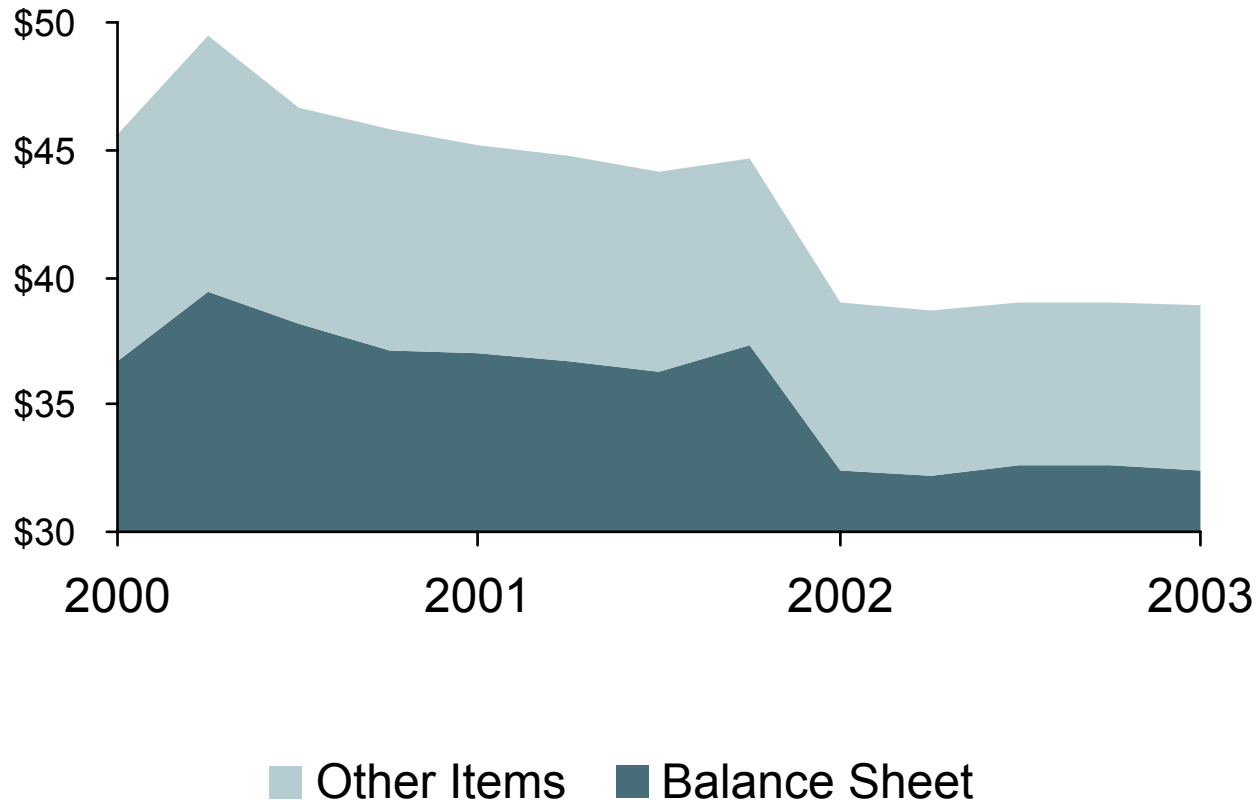
## Balance Sheet BIS Assets, billions \$



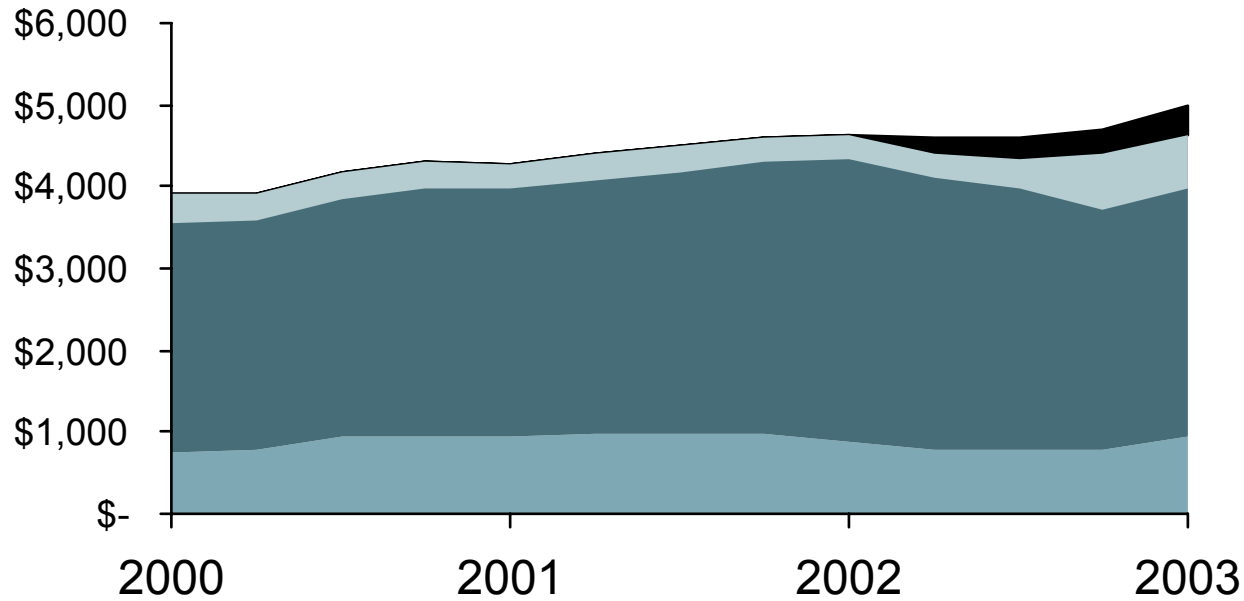
Commercial US
  Securitization
  Balance Sheet



## Total BIS Assets, billions \$



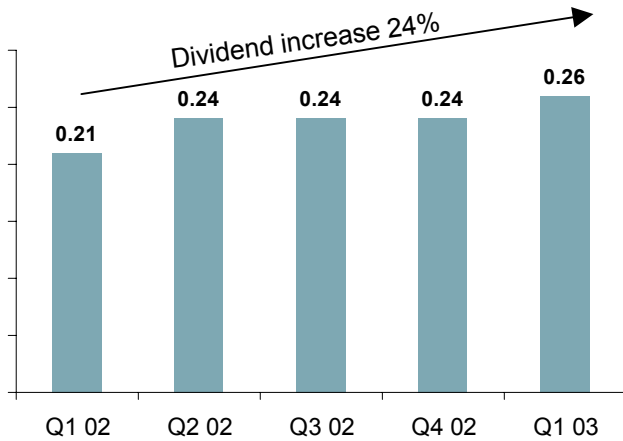
## Tier 1 Capital, millions \$



Goodwill
  Buy Back
  Net Common
  Other Tier 1

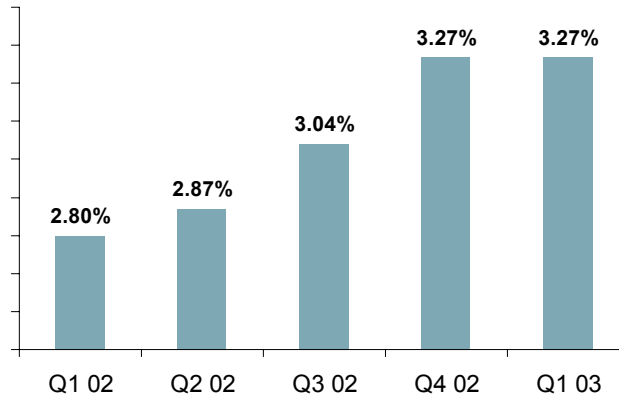


## Dividend per share



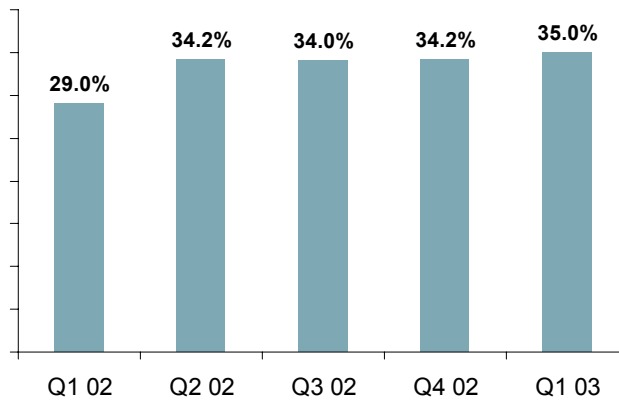
## Dividend Yield

Annualized

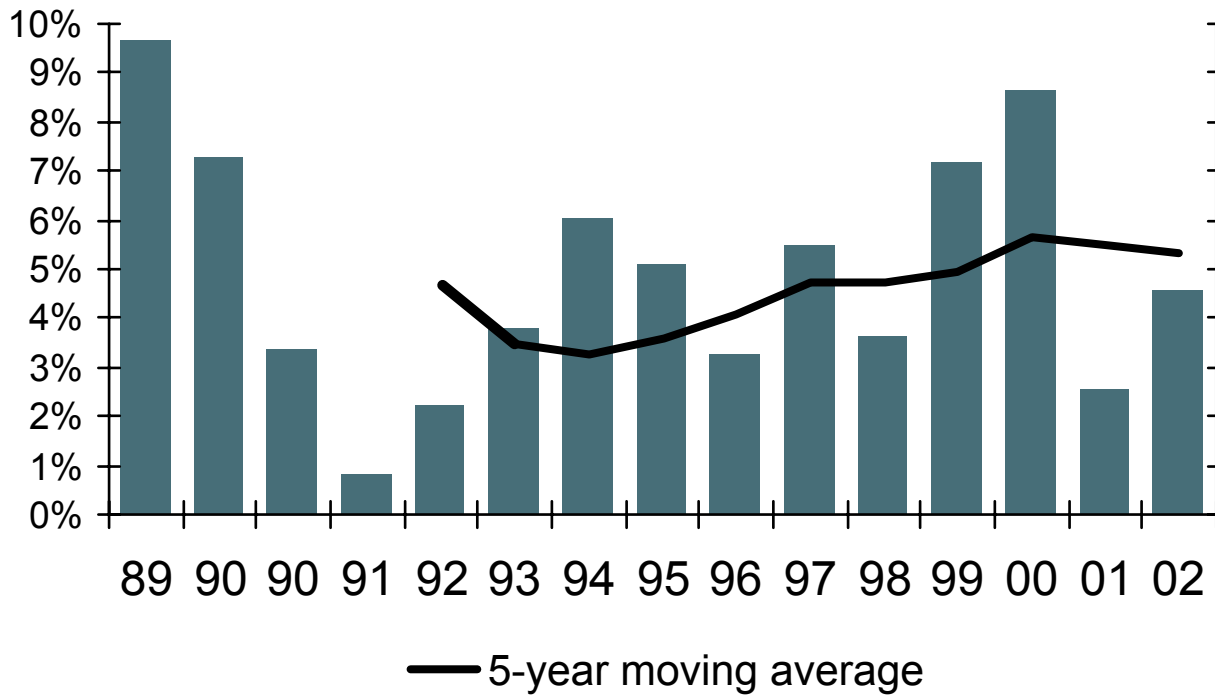


## Dividend Payout

Trailing 4 quarters, excluding impairment charge on investment



# Nominal GDP Growth



## **Capital management will remain strong piece of corporate strategy**

- **The 15% ROE targets of Canadian banks translated into faster capital generation than we can employ for ongoing domestic operations**
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- **Will continue to balance investor demands for dividends and share buybacks with need to maintain higher capital ratios**
- 



- ✓ **NBC recent achievements**
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## **Back to square one for now...**

- **Recent House of Commons report brings little clarification of public interest criteria**
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- **Waiting for the leadership race to be resolved**
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## **...but the exercise has been useful**

- **Noticeable change of attitude amongst general public and on Parliament Hill; more receptive to banks' point of view**

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- **Competition issues can be resolved**

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- **National Bank has effectively gotten its message out: proposal of disinvestments be used as strategic tool to stimulate effective new competition and maintain existing networks**

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- **Very interested in buying franchises**

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- Belief that Canadian and Quebec economies grow this year despite uncertainty on world stage
- Can Canada withstand another shock on global economy and financial markets?
- National Bank will continue focusing on:
  - Managing strong capital position
  - Investing selectively in Wealth Management and Capital Markets
  - Use partnerships to expand outside Quebec

