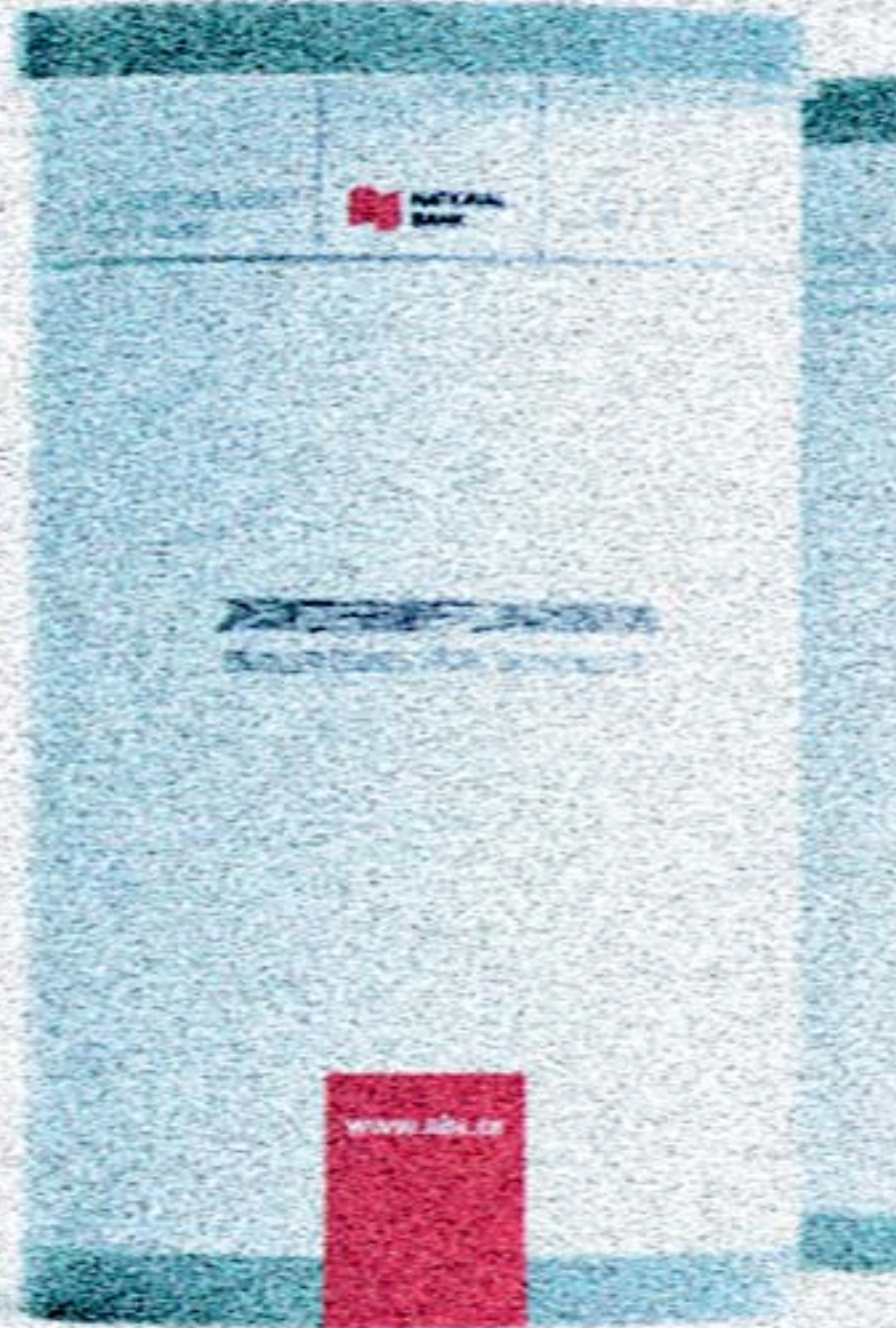




# **CSFB WHOLESALE BANKING CONFERENCE**

**Louis Vachon**  
**Senior Vice-President – Treasury and  
Financial Markets**

**Toronto, October 22 2003**



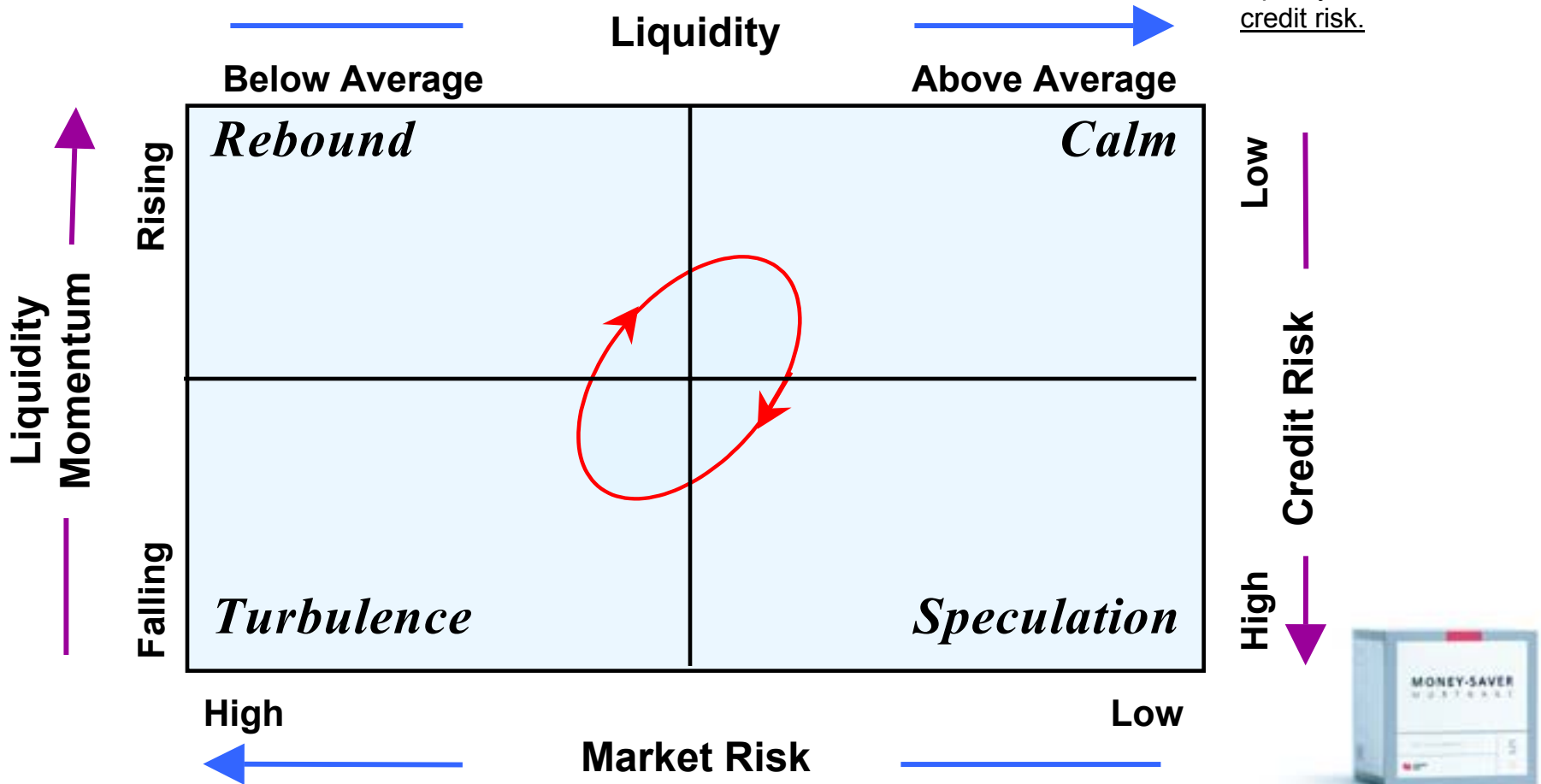


# NATIONAL BANK OF CANADA

## Regimes, Risk Factors and the Liquidity Cycle

**Comment:** Level of liquidity influences duration and market risk.

Change/momentum of liquidity determines credit risk.



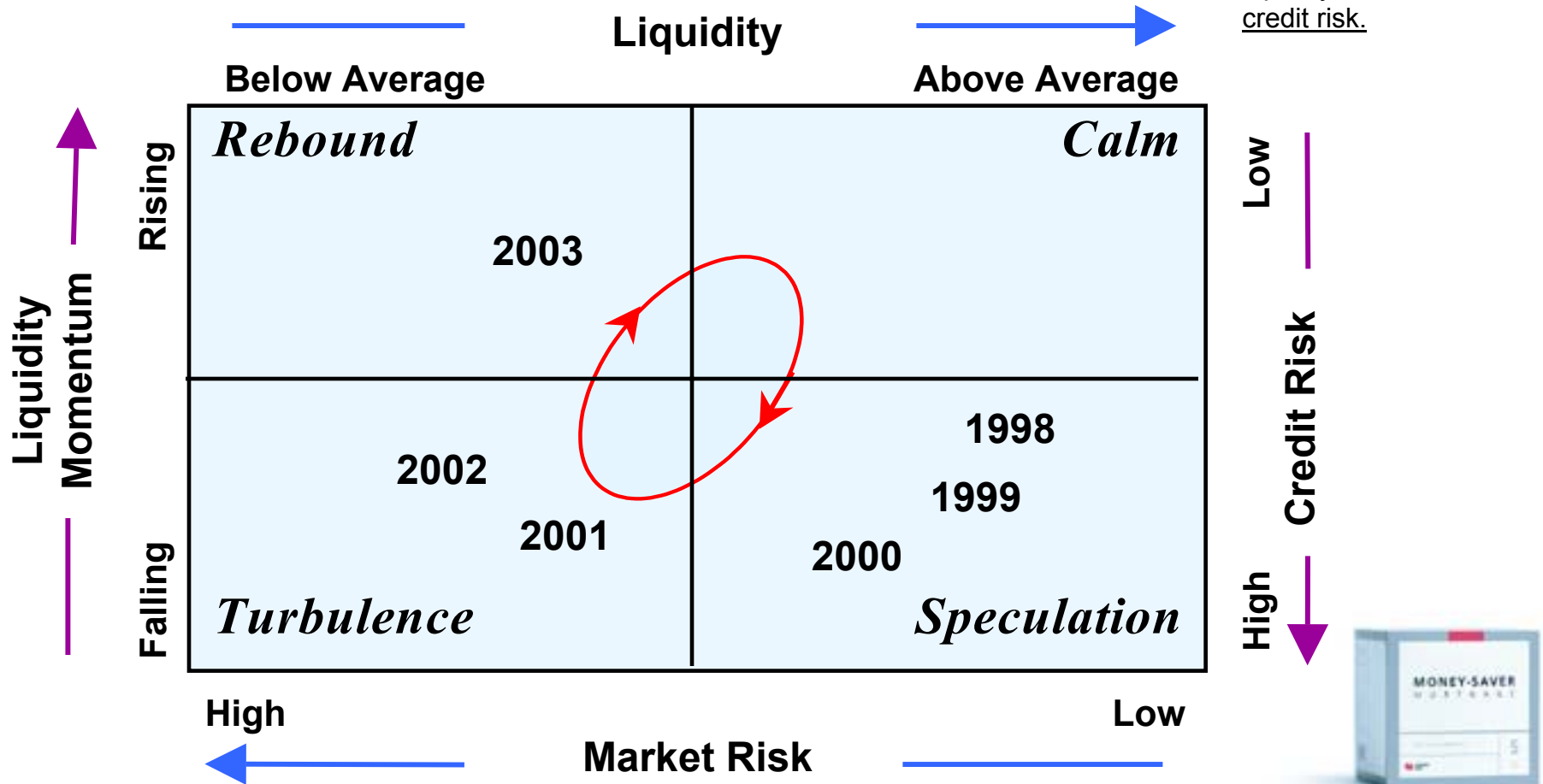


# NATIONAL BANK OF CANADA

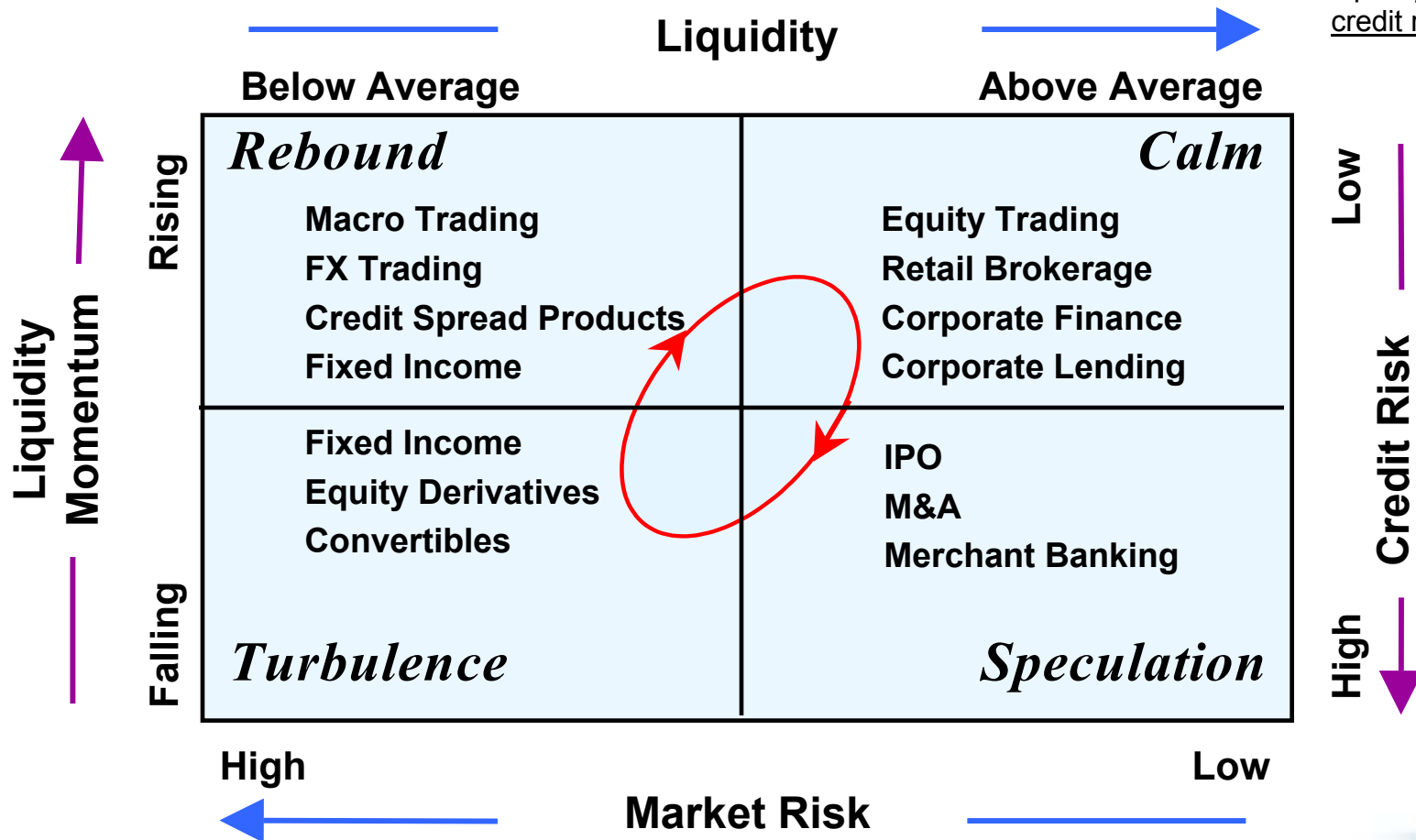
## Regimes, Risk Factors and the Liquidity Cycle

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## Regimes, Risk Factors and the Liquidity Cycle

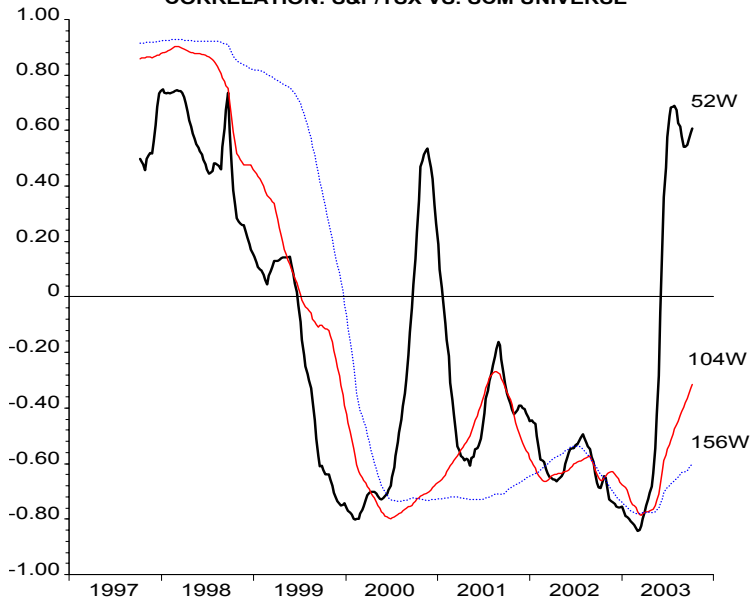


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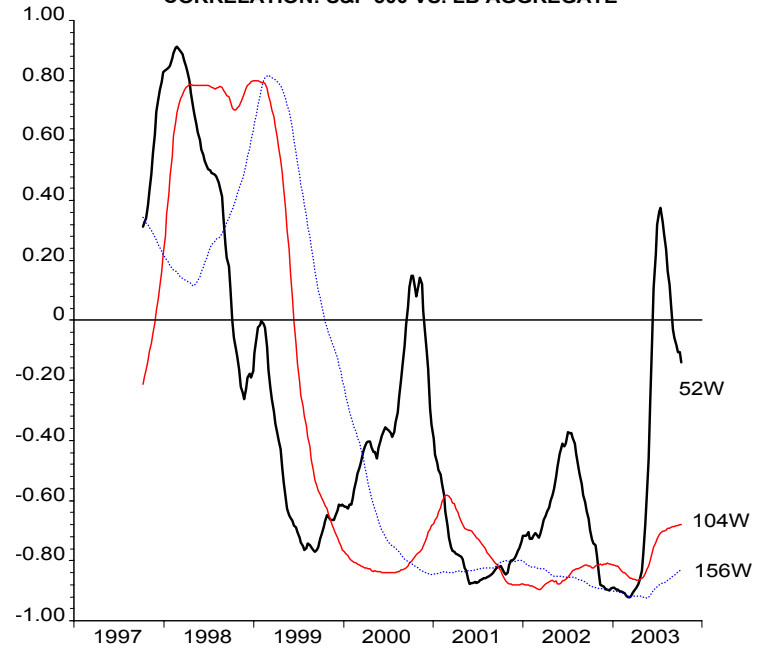


**CORRELATION: S&P/TSX VS. SCM UNIVERSE**



Source: DATASTREAM

**CORRELATION: S&P 500 VS. LB AGGREGATE**



Source: DATASTREAM



## Secular / Cyclical Growth - Trading Activities

### Secular

- Demand for risk management products
- Doubled number of profit centers / activities since 1998: equity derivatives, commodity derivatives, fund-linked notes
- VAR model and regulatory regime

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### Cyclical

- Positive interest rate and FX environment
- Reduction of risk premium: credit spread and equity



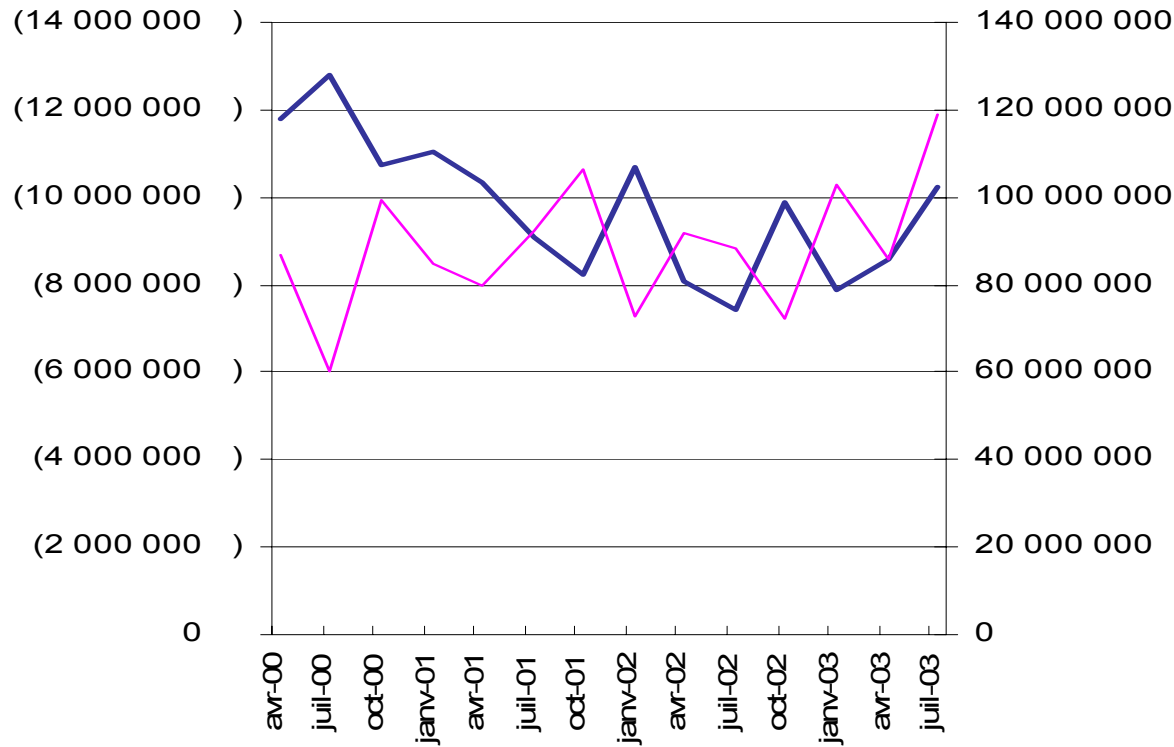


# NATIONAL BANK OF CANADA

## NBC Trading/Securities gains/ALM Revenues

USD \$

CND \$

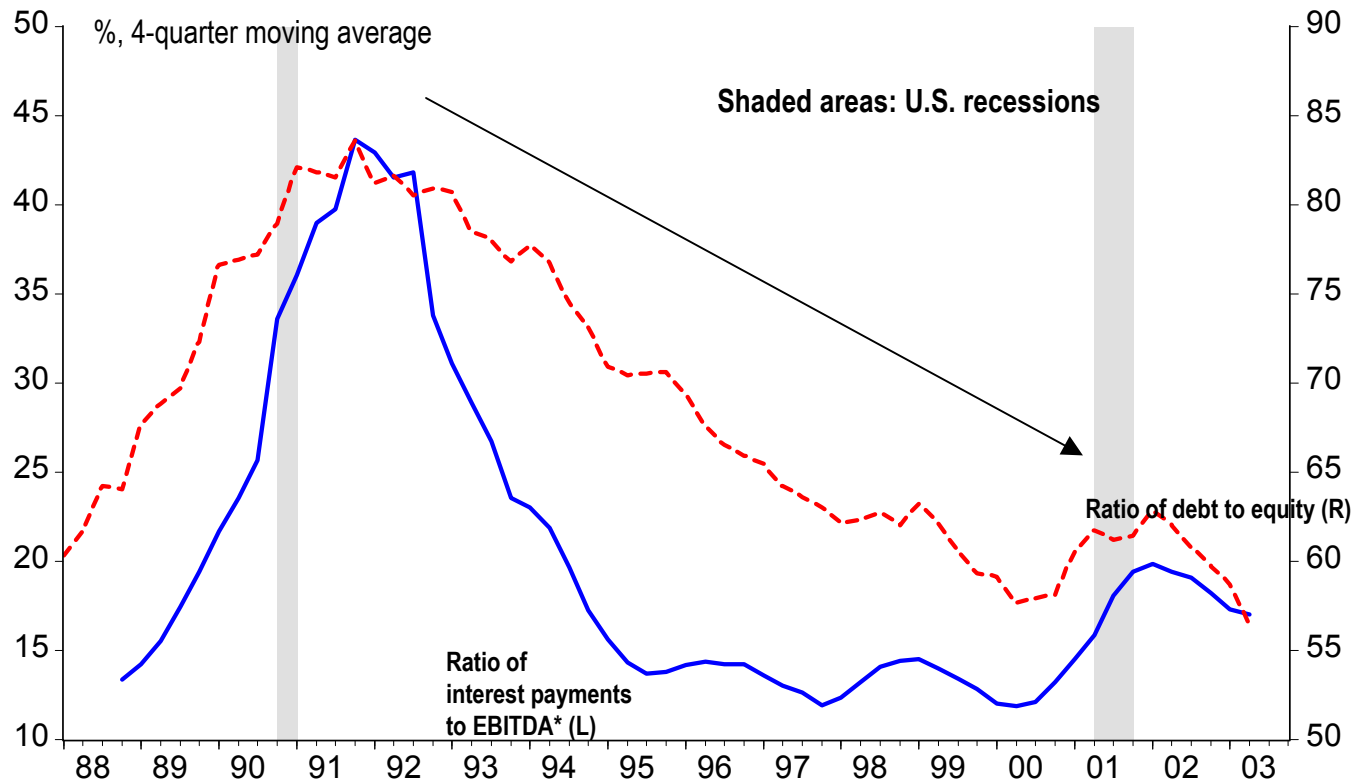


— NBC Total VaR    — Trading, G/L on investments and ALM revenues



## Canada: Stronger balance sheet than a decade ago

Canadian manufacturing: Debt/equity and debt burden



\* Earnings before interest, taxes, depreciation and amortization

Source: NBF Economic Research

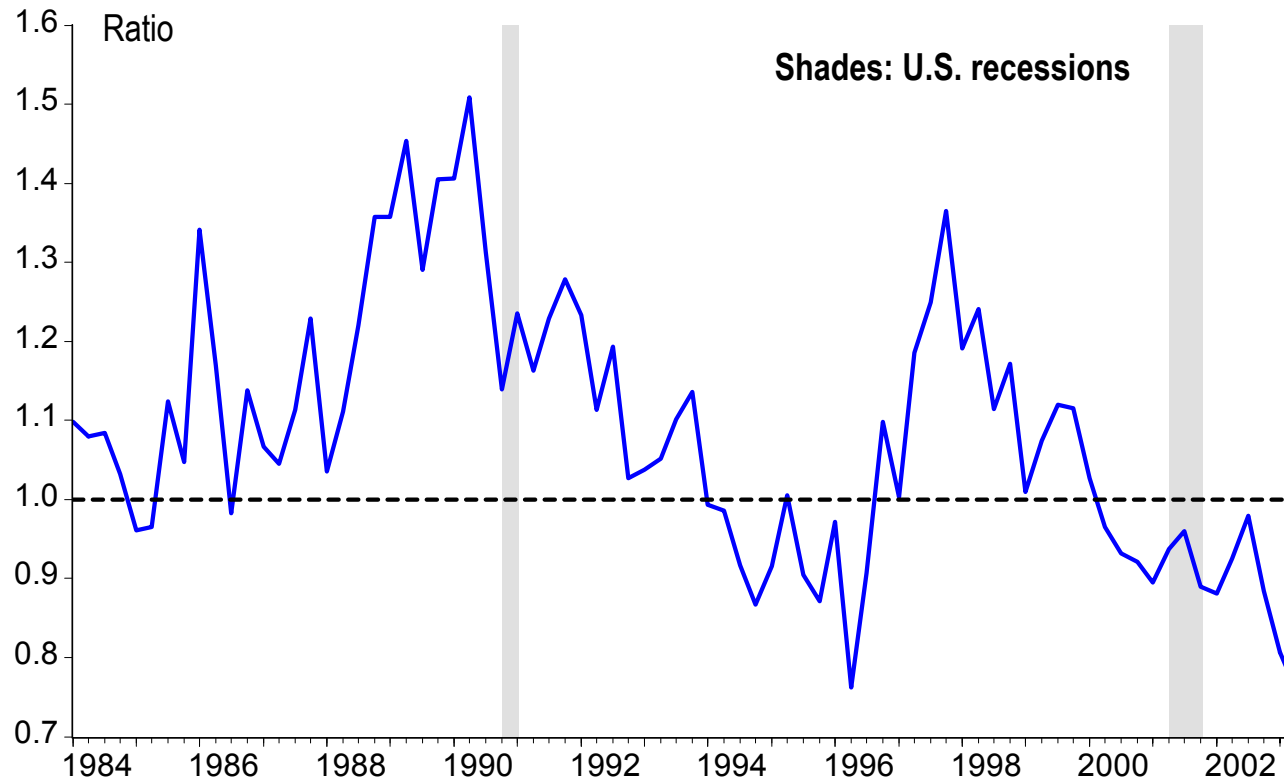




# NATIONAL BANK OF CANADA

## Canada: Much easier to launch a CAPEX program

*Financing gap \* nonfinancial businesses*



\* *Ratio of capital expenditures to internally generated funds*

Source: NBF Economic Research



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