

Analyst and Investor Presentation Q2 2007 Results Conference Call

Montreal, May 31st, 2007



**NATIONAL
BANK
OF CANADA**

**a bank
like no
other**

Adjusted
EPS up
14%

- Total revenues (TEB) reached over \$1B
- Net income stands at \$233M, a 12% increase ⁽¹⁾ (YoY)
- ROE at 20.3%, exceeds financial targets

- Good performance in all three business segments
- Solid risk management
- Q3 dividend increased by \$0.06 to \$0.60

(1) Excluding the gain on the sale of National Bank Trust share ownership management business in Q2 2006



Financial Review



Q2 2007 – YoY:

- Total revenues up 10%
(or 8% excluding Innocap minority interest)
- PCL stable at \$23M
- Adj. diluted EPS up 14%

TEB

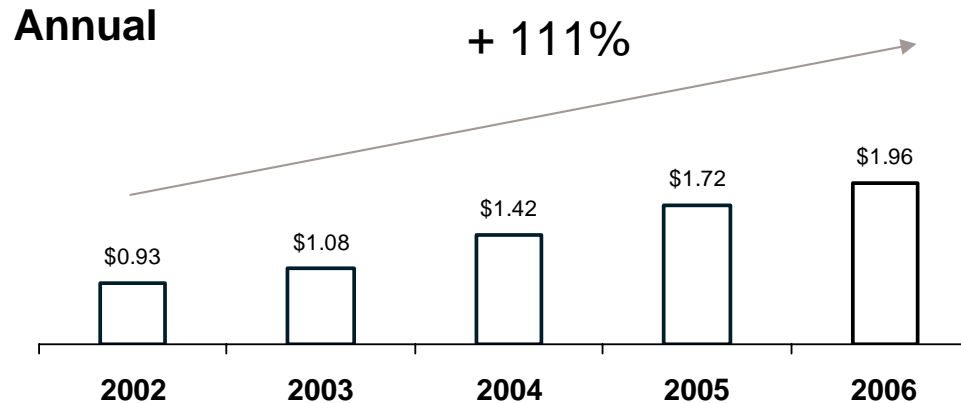
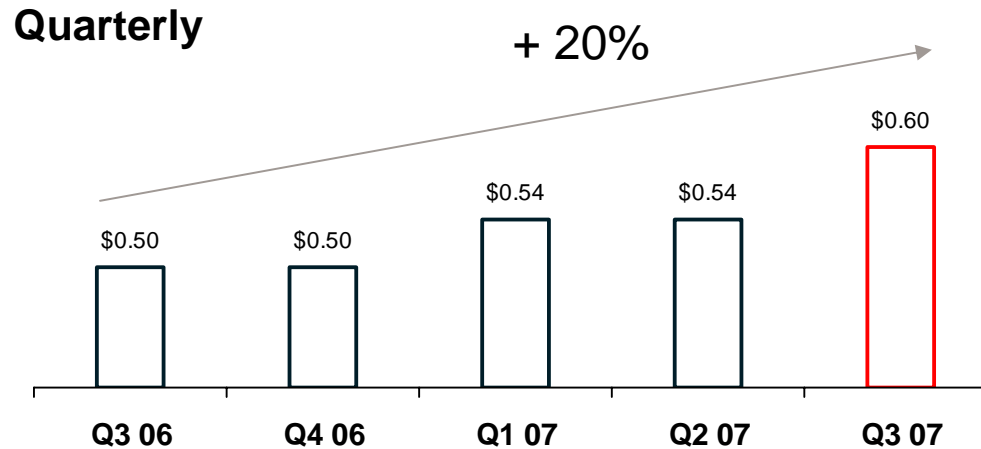
<i>(millions of dollars)</i>	Q2 07	Q2 06	Change	6M 07	6M 06	Change
Total revenues	1,064	968	10%	2,118	1,959	8%
Operating expenses	661	615	7%	1,318	1,251	5%
Contribution	403	353	14%	800	708	13%
Provision for credit losses	23	22	5%	51	39	31%
Income taxes	117	109	7%	238	222	7%
Minority interest	30	8	n/m	38	16	n/m
Net income	233	214	9%	473	431	10%
Diluted EPS	\$1.40	\$1.26	11%	\$2.83	\$2.52	12%
Gain on sale of business		(\$0.03)			(\$0.03)	
Adjusted EPS (1)	\$1.40	\$1.23	14%	\$2.83	\$2.49	14%

(1) Excluding the gain on the sale of National Bank Trust share ownership management business in Q2 2006

Dividend per Common Share

Growth for shareholders

- Q3 2007 dividend increased by \$0.06 to \$0.60
- 3M common shares bought back YTD, including 2.2M in Q2 2007



Q2 2007 – YoY:

All business segments contributing to growth:

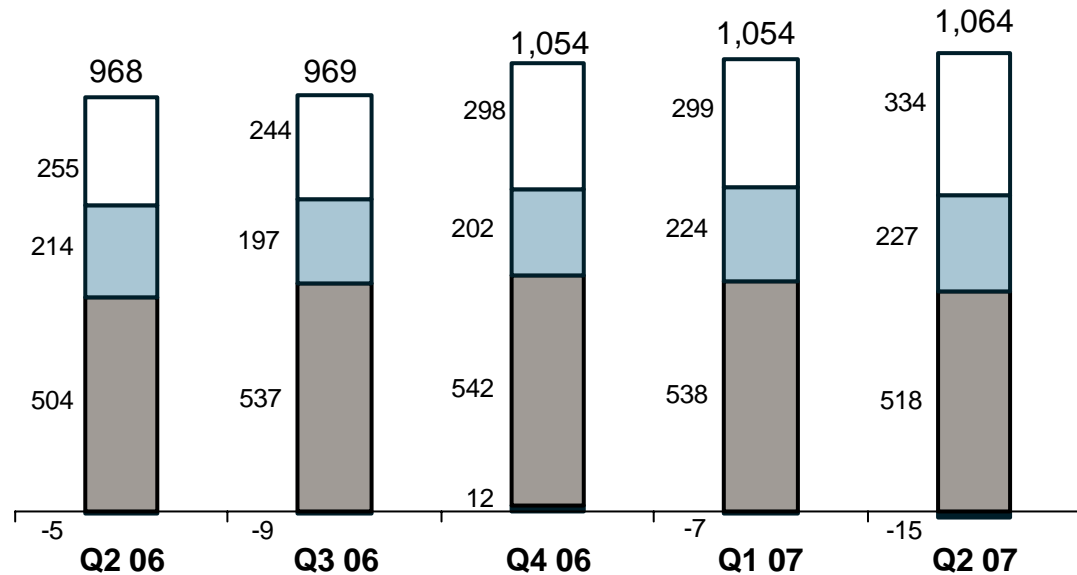
- P&C Banking: 3%
- Wealth Management: 6%
- Financial Markets: 31%
- Other: 23%¹

¹ Excluding Innocap minority interest

TEB

(millions of dollars)

- Other
- Personal and Commercial Banking
- Wealth Management
- Financial Markets



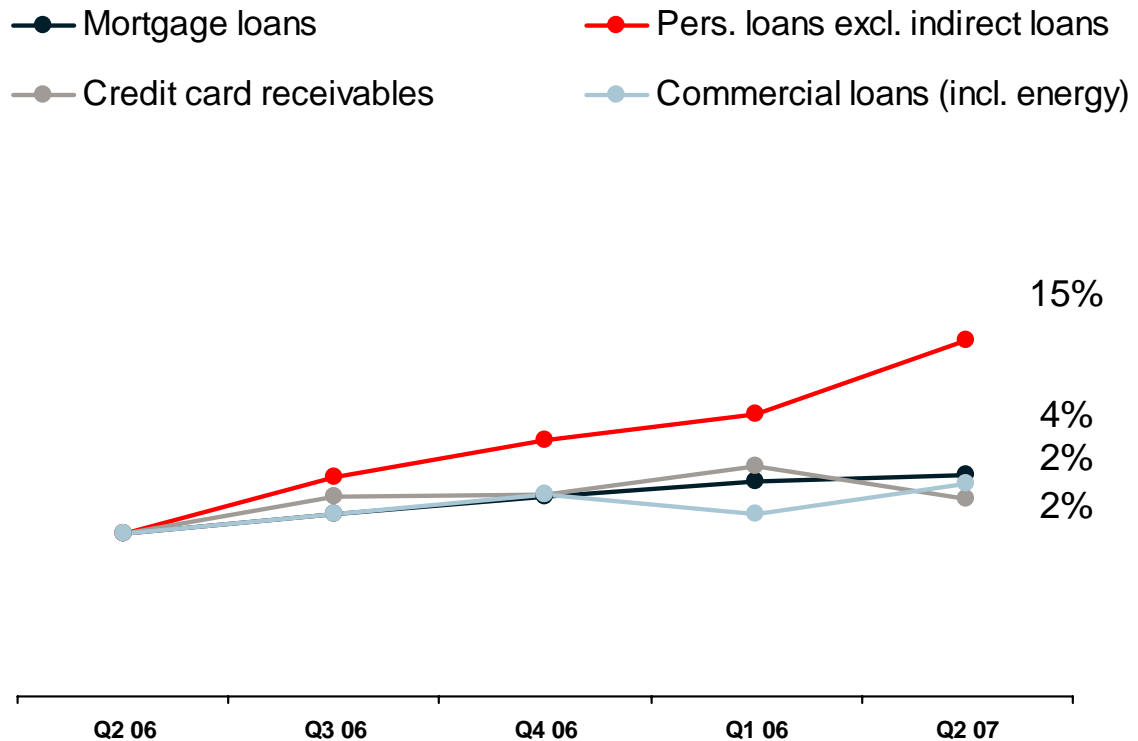
Highlights – YoY:

- 15% increase in consumer loans
- Mortgage loans kept momentum at 4%
- Commercial loans up 2%
- Credit card receivables up 2%

Volume growth

Q2 2006 = 100

(millions of dollars)



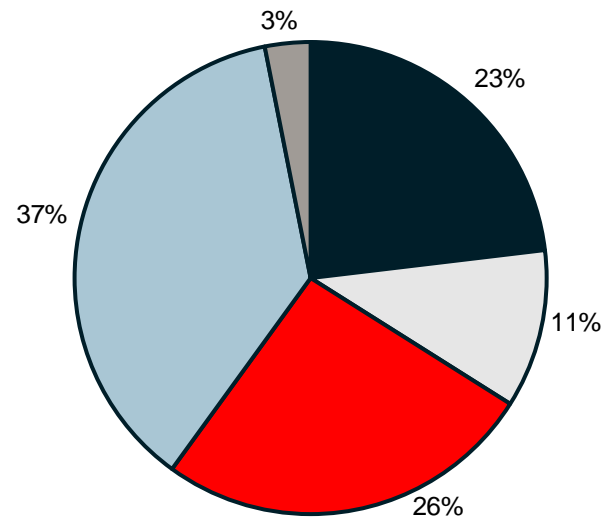
Highlights:

- Retail Banking represents 63% of total portfolio

Outstanding

As at April 30th, 2007

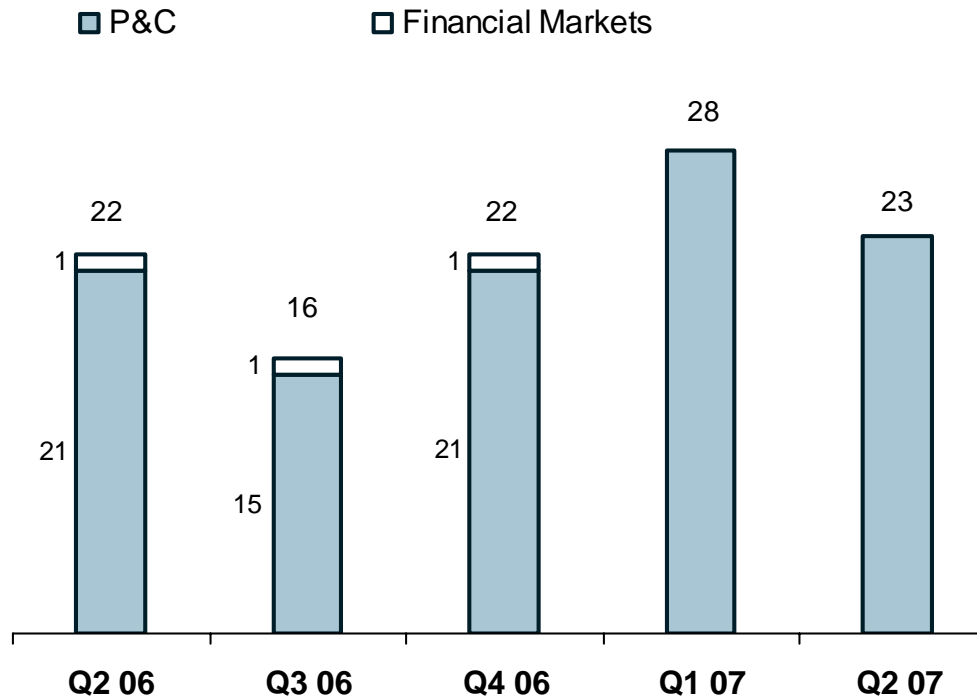
- Personal loans
- Corporate Banking
- Commercial Banking
- Mortgages
- Credit cards



Highlights – YoY:

- Ongoing favorable credit environment
- PCL at \$23M

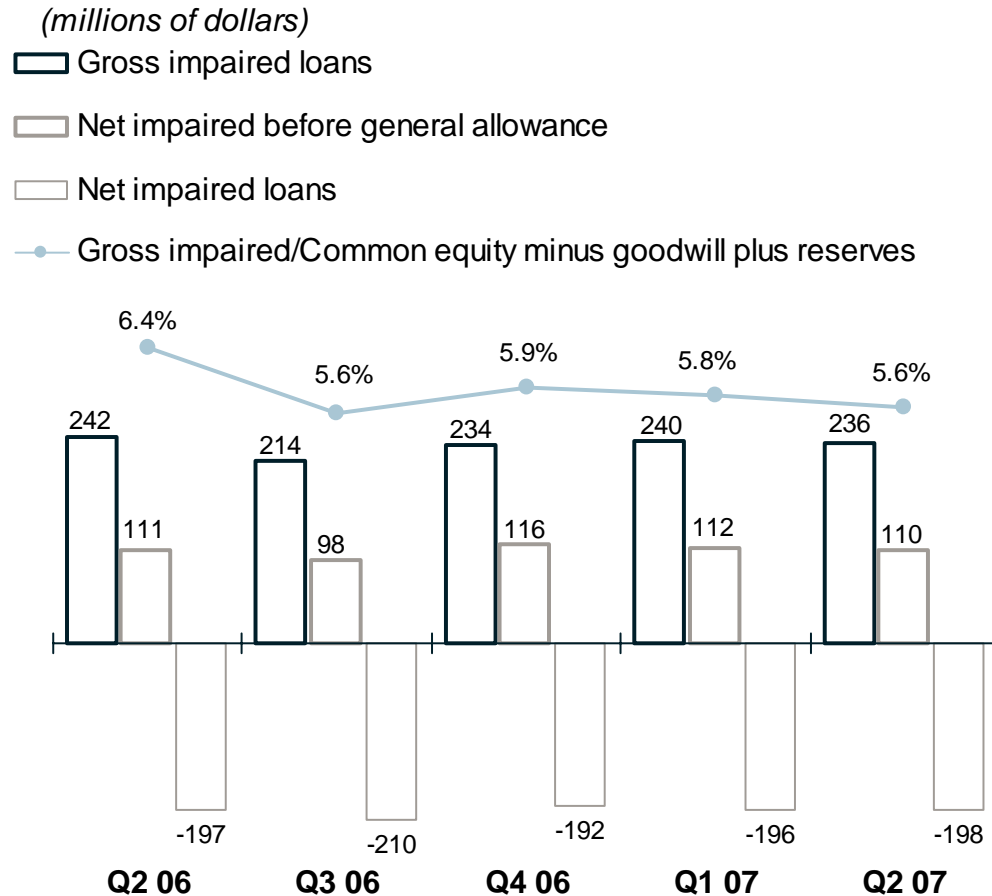
(millions of dollars)



Impaired Loans

Sound risk management continues to provide stable results

- Ratio at 5.6%
- Net impaired loans unchanged year over year



Impaired Loan Formation

<i>(millions of dollars)</i>					
	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07
Personal & Commercial	18	-1	41	22	19
Corporate	1	3	(1)	0	(1)
Total	19	2	40	22	18

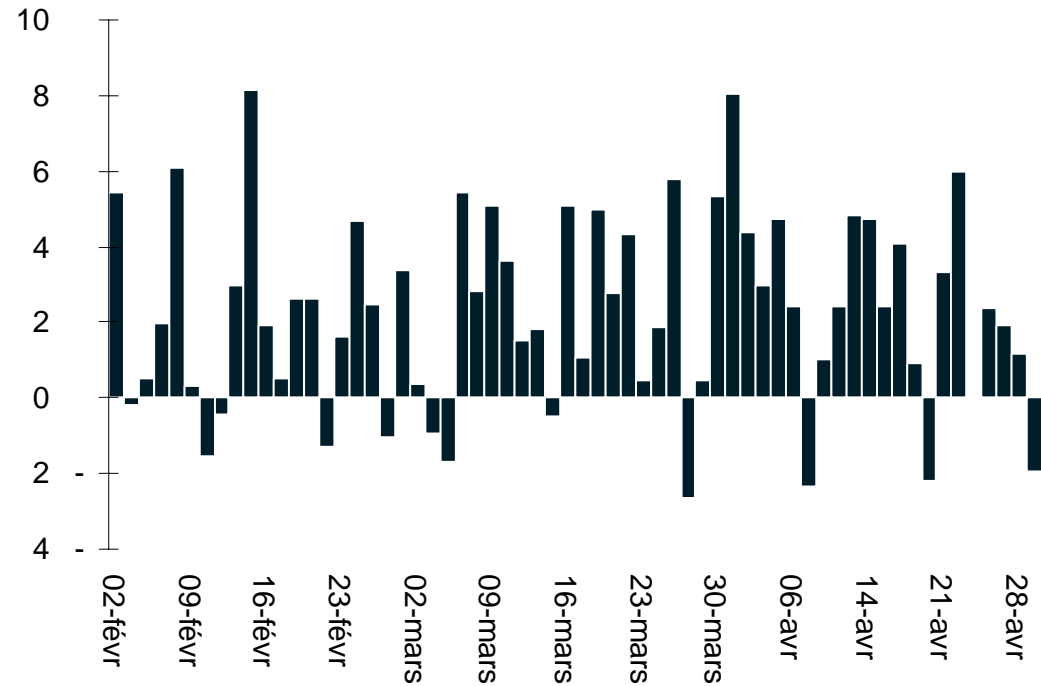
Formations include new accounts, disbursements, principal repayments and exchange rate fluctuation

Daily Trading P/L – Q2 2007

Highlights:

- Stability and profitability

(millions of dollars)
Excludes underwriting



Business Segment Review



Q2 2007 Highlights:

- Sustained personal loan and deposit volume growth
- Momentum in SMEs
- Positive operating leverage

Q2 2007 – YoY:

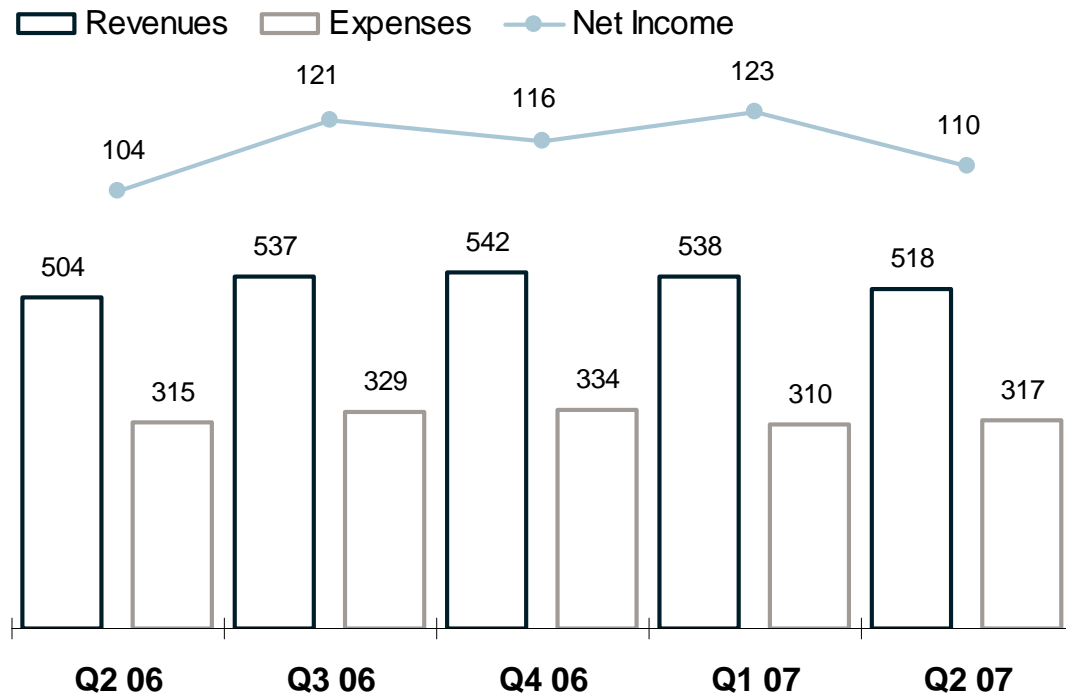
- Net income up 6%

Driven by :

- 3% increase in revenues attributed to higher volume in P&C Banking
- Expense grew only by 1%
- Improved efficiency ratio at 61.2% from 62.5%

TEB

(millions of dollars)



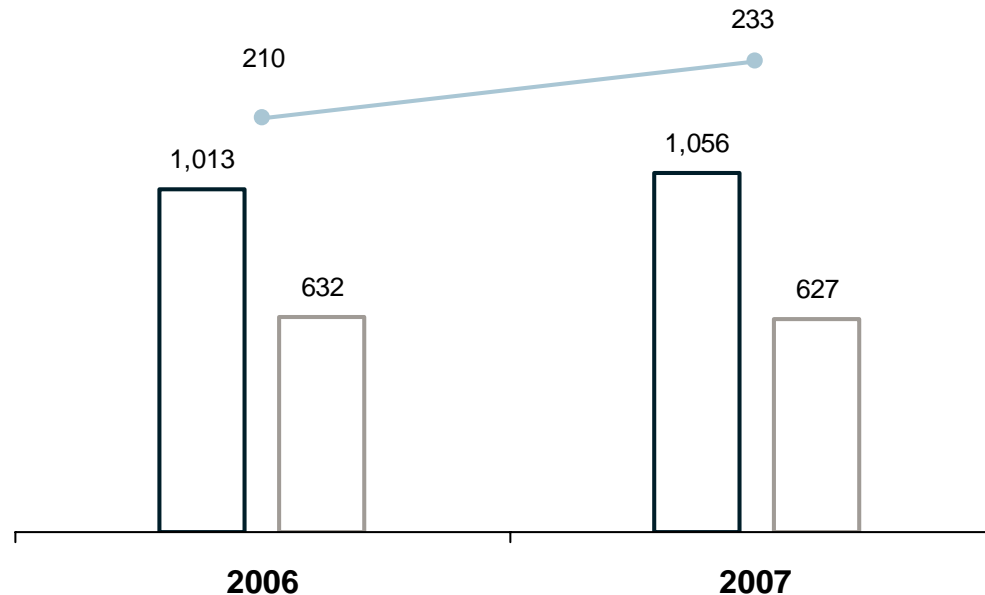
Net
Income up
11%

- Revenues grew by \$43M while expenses went down \$5M

TEB

(millions of dollars)

Revenues
 Expenses
 Net Income



P&C Revenue Composition

Q2 2007 - YoY:

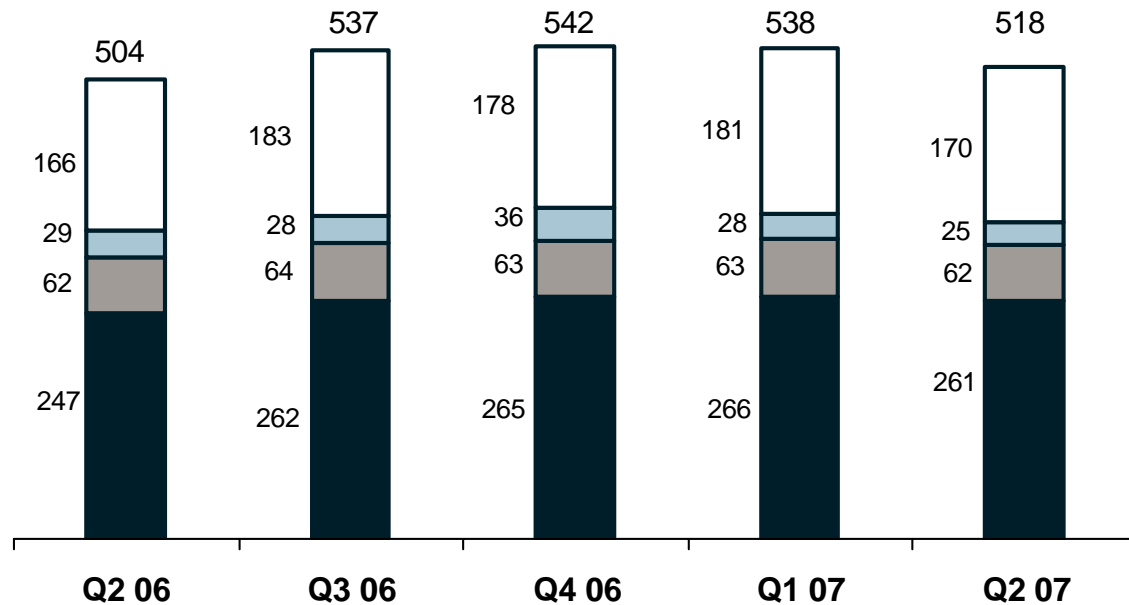
Sub-segments contributing to growth:

- Retail Banking: 6%
- Commercial Banking: 2%
- Increase in insurance premiums

TEB

(millions of dollars)

■ Retail Banking ■ Credit cards ■ Insurance □ Commercial

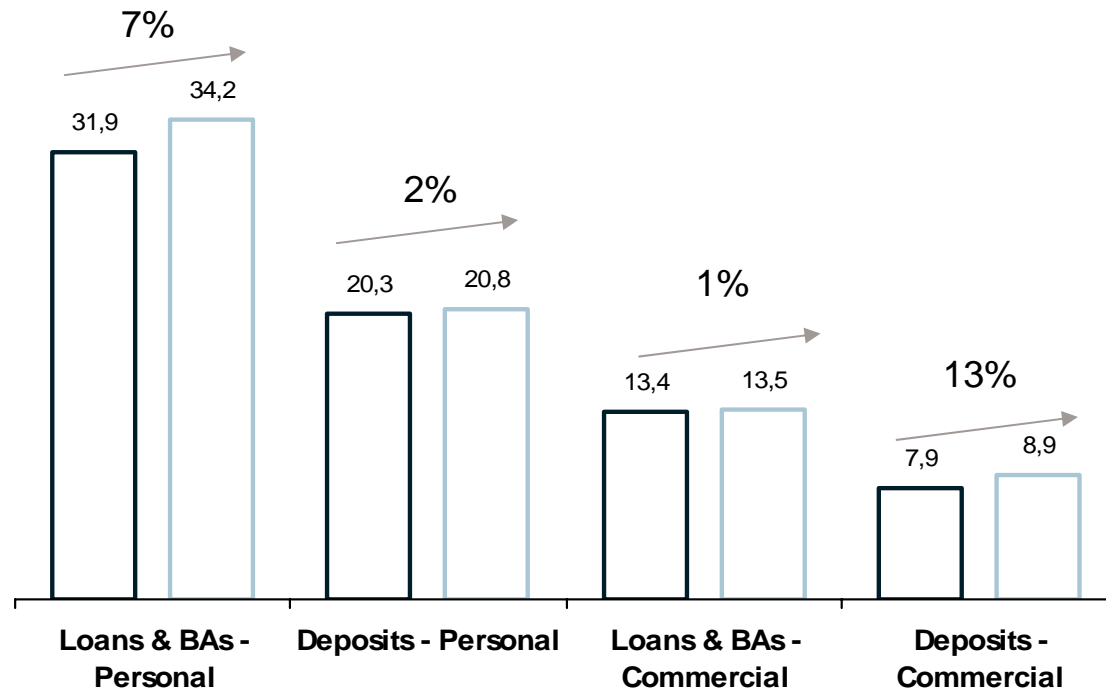


Strong volume growth

- 7% increase in personal loans
- 13% increase in commercial deposits

Quarterly average volume (billions of dollars)

□ Q2 06 □ Q2 07

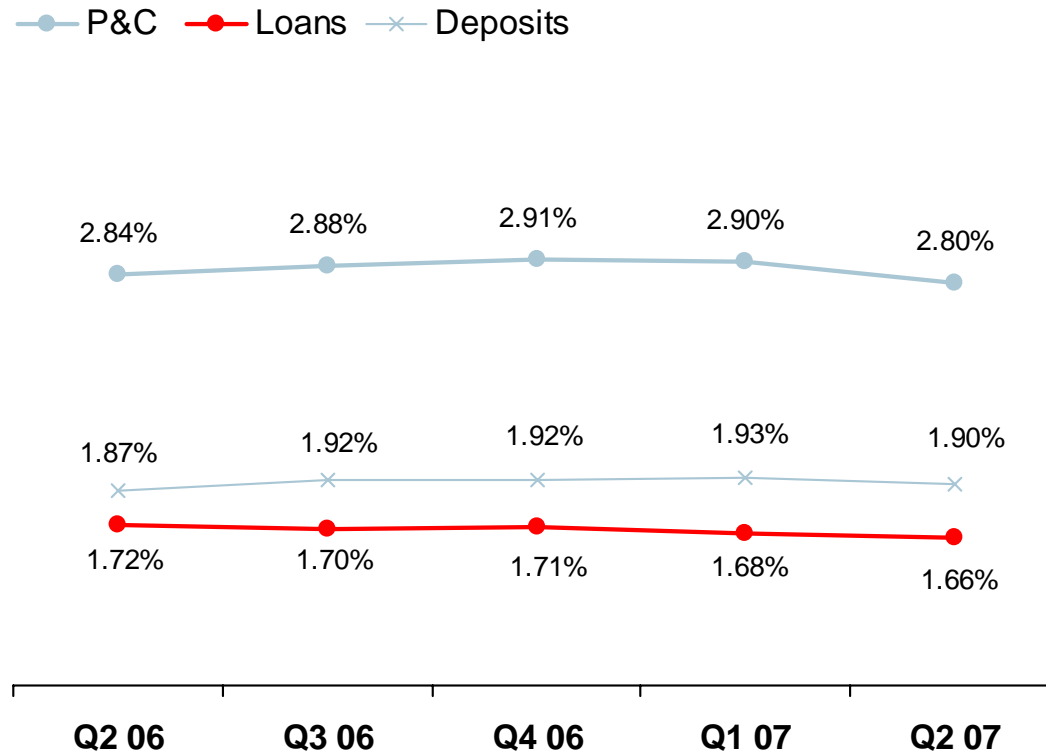


P&C Margin Evolution

Highlights:

Q2-07 vs Q1-07

- Slightly narrower mortgage spread
- Lower spread on secured lines of credit
- Narrower spread on commercial deposit



Q2 2007 Highlights:

- Private investment management reached the \$6B mark (AUM)
- Meritage launch successful
- Retail brokerage volume rising steadily

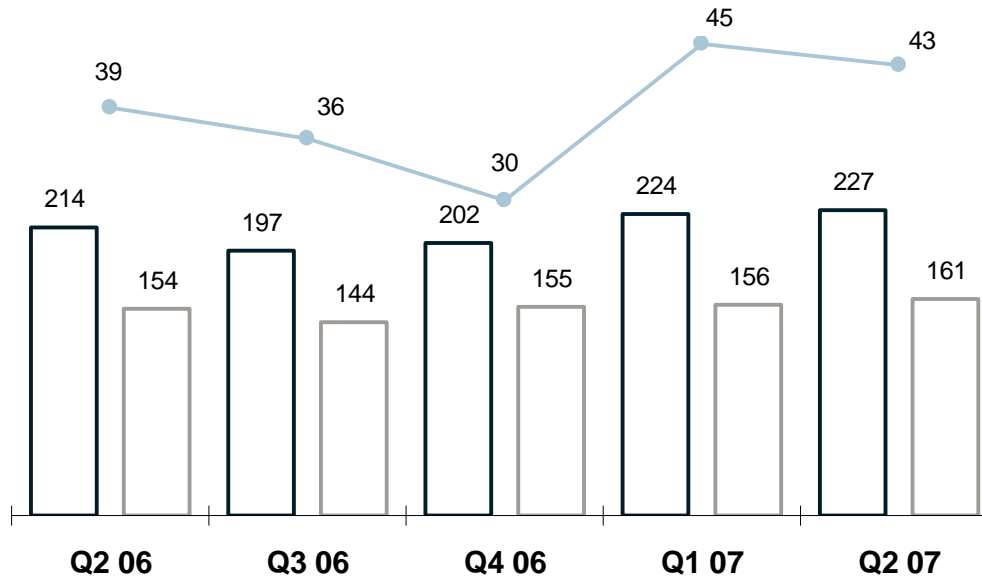
Q2 2007 – YoY:

- Net income up 10%
- Revenues increased by 6% with half the contribution coming from brokerage activities

TEB

(million of dollars)

Revenues Expenses Net Income

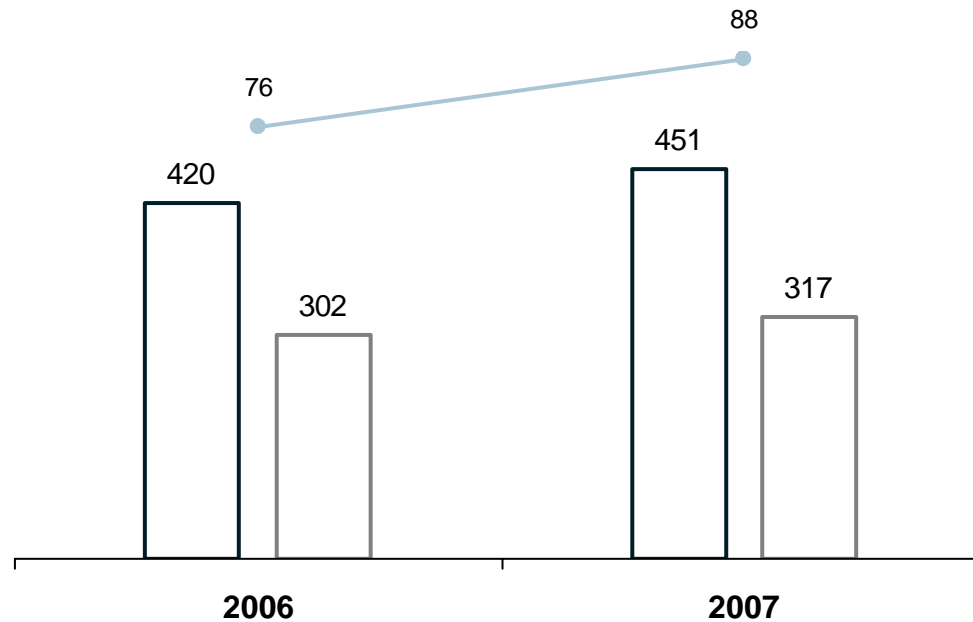


Net
Income up
16%

TEB

(millions of dollars)

Revenues Expenses Net Income



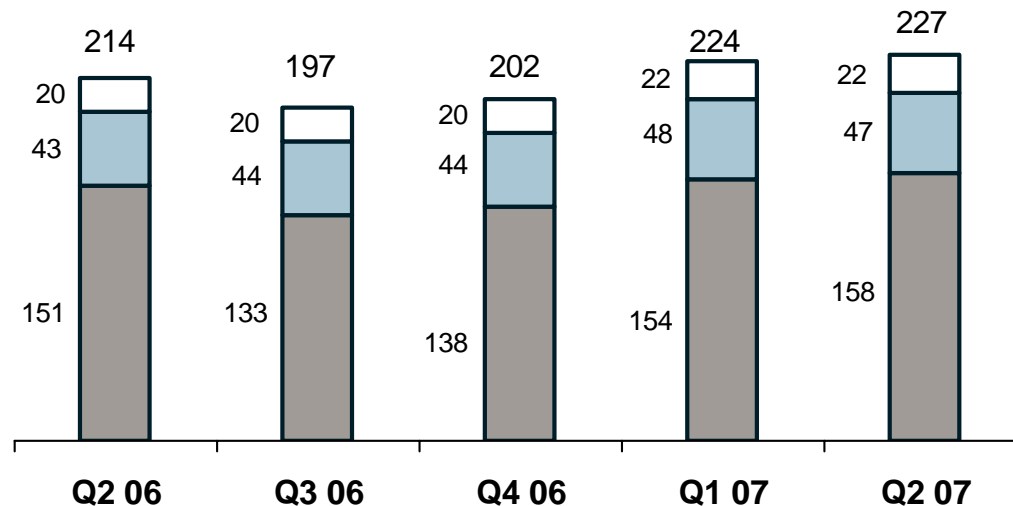
Q2 2007 – YoY:

- 9% growth in mutual funds
- 10% growth in private investment management
- 5% growth in retail brokerage

TEB

(millions of dollars)

- Trust (Private inv. mgmt)
- Mutual funds incl. Natcan Invest. Mgmt
- Brokerage

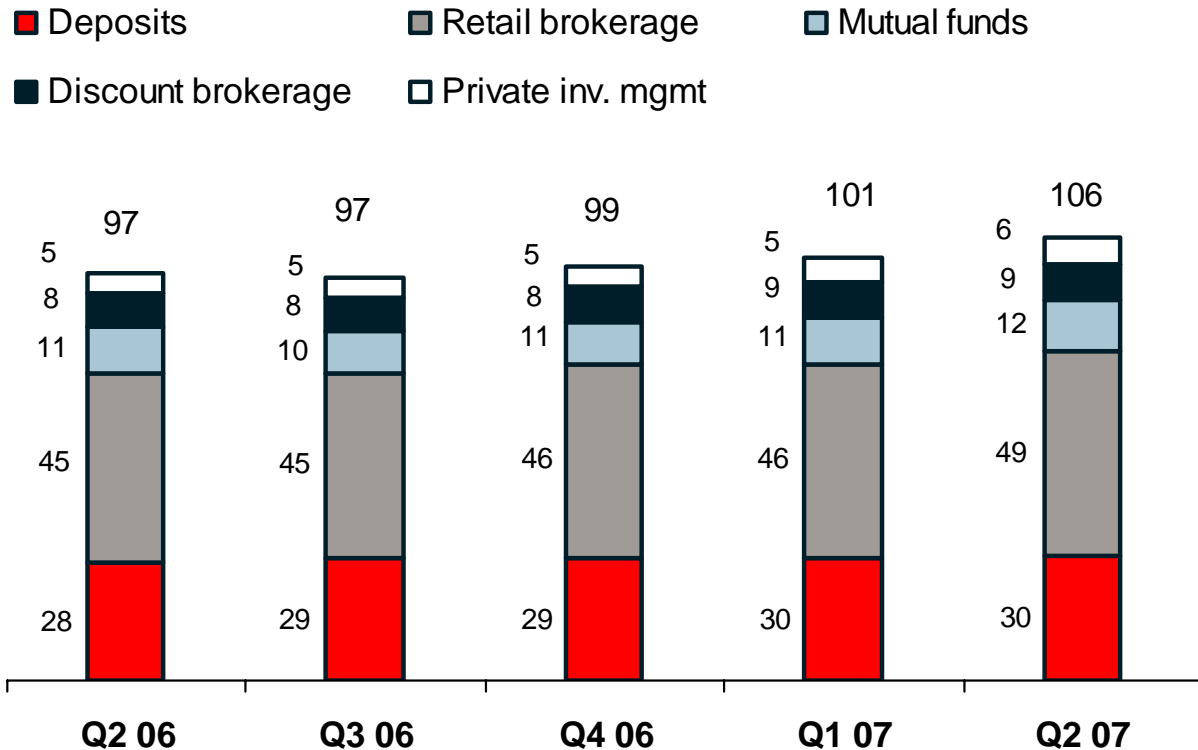


Retail Assets Under Management Composition

TEB (billions of dollars)

Q2 2007 – YoY:

- Overall up 9%
- Growth in all sub-sectors:
- Deposit: 5%
- Retail brokerage: 10%
- Private investment management: 21%
- Mutual funds: 14%
- Disc. Brokerage: 7%



Q2 2007 Highlights:

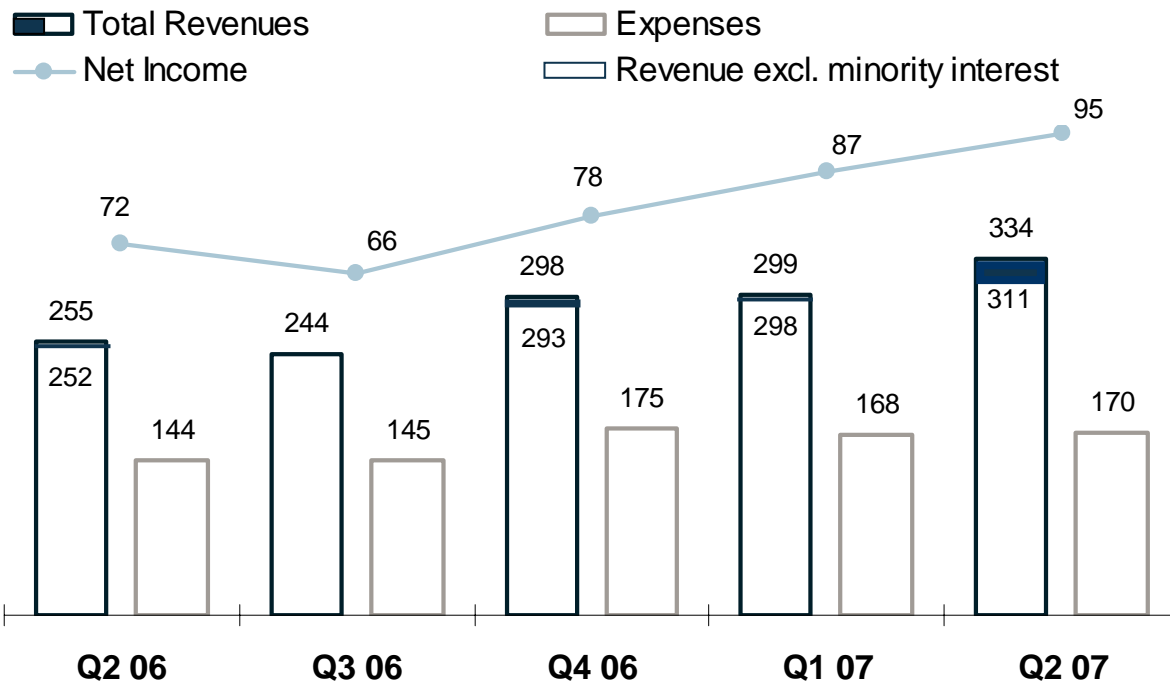
- Innocap / BNP Paribas joint venture announced
- Strong revenues from M&A activity
- National Bank Financial is now eligible to be a co-manager, co-lead or lead manager for Ontario's domestic syndicated issues

Q2 2007 – YoY:

- Revenues up 31% (23 % excluding Innocap minority interest) while expenses increased by 18%
- Net income up 32%

TEB

(million of dollars)

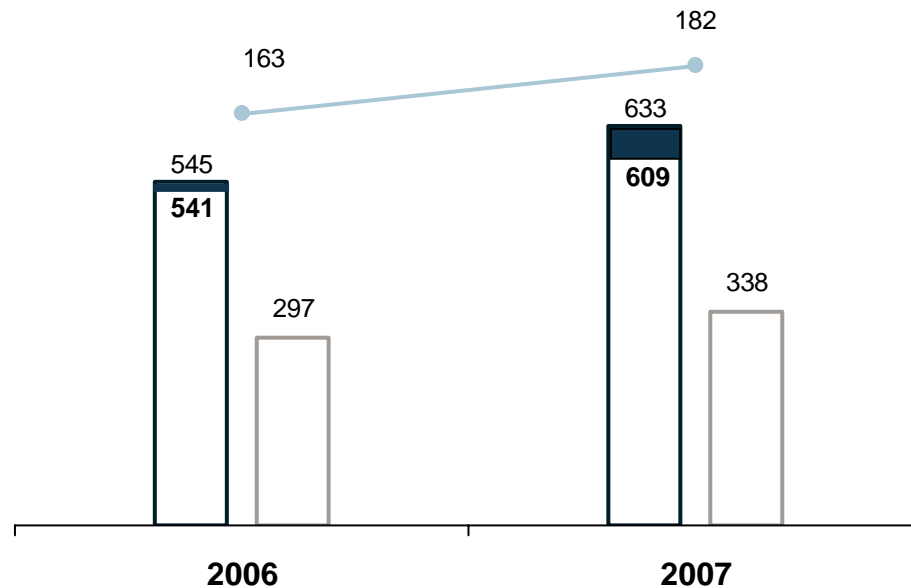


Net
Income up
12%

TEB

(millions of dollars)

Total Revenue
 Expenses
 Net Income
 Rev. excl. minority interest



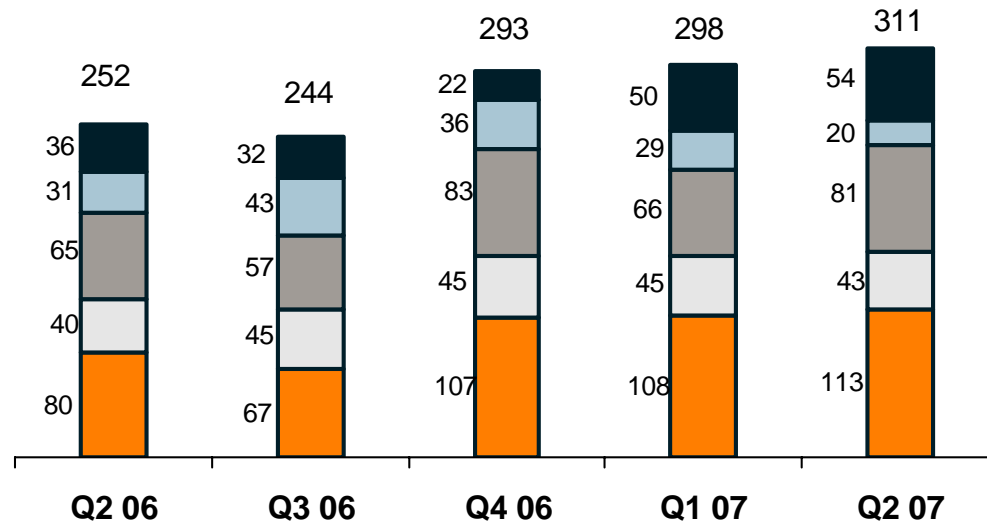
TEB

(millions of dollars)

■ Trading
 ■ Corp. Banking
 ■ Capital Markets
 ■ Inv. gains
 ■ Other

Q2 2007 – YoY:

- Trading up
- Capital Markets up 25 % due to M&A activities in CIB



¹ Excluding Innocap minority interest

Trading Revenue Breakdown

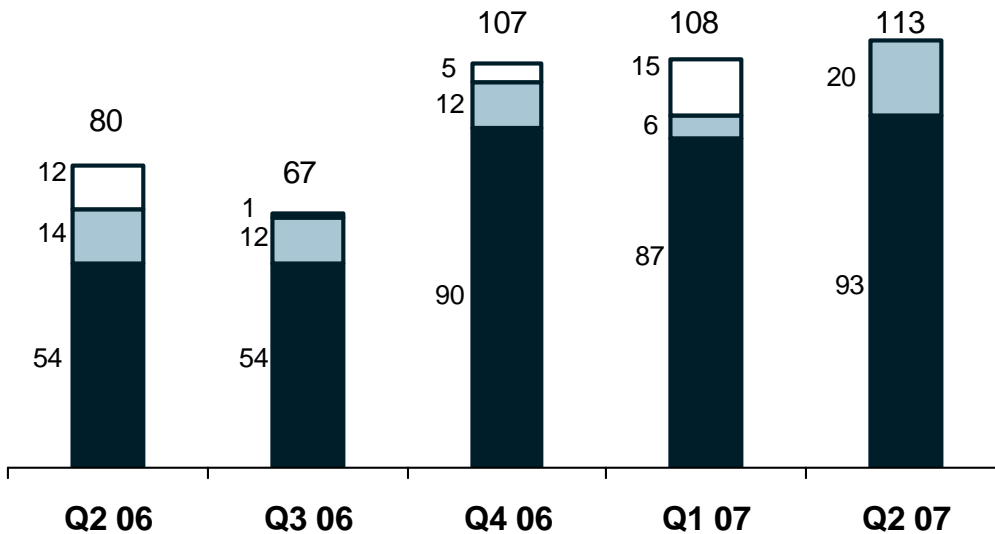
Q2 2007 – YoY:

- Cash and derivatives drove up equity trading

TEB

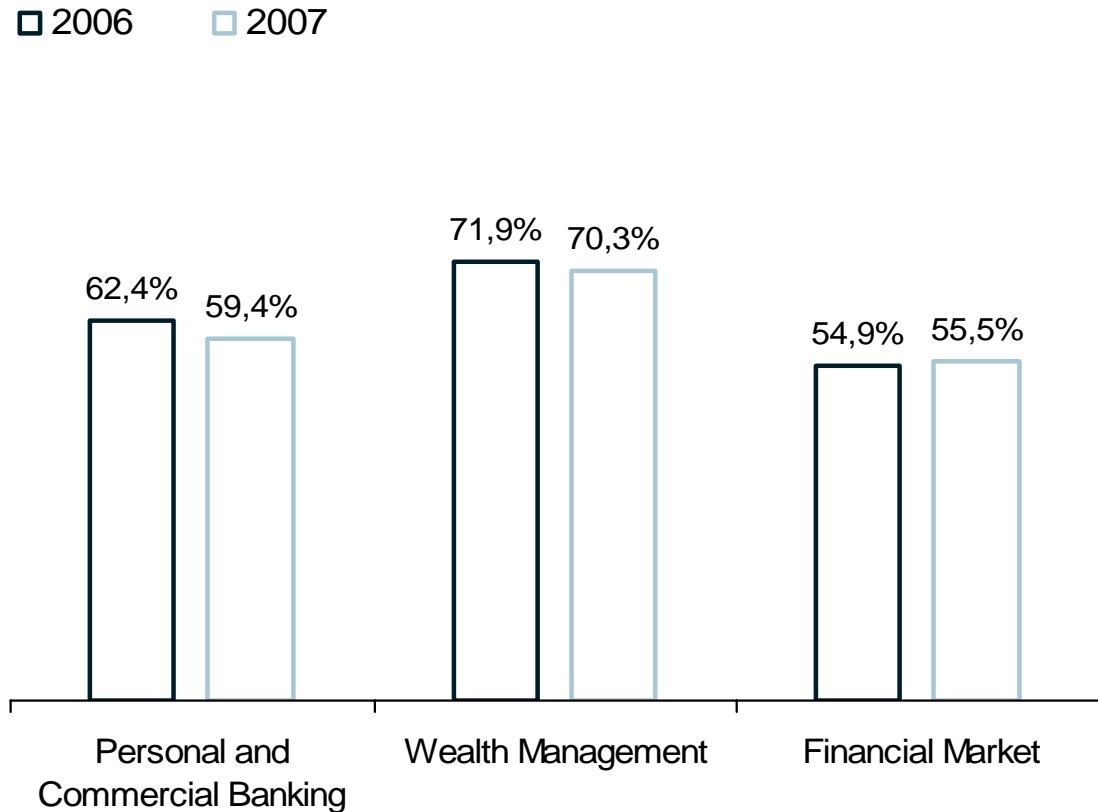
(millions of dollars)

- Commodities and precious metals & Foreign exchange contracts
- ▒ Fixed income and money markets
- Equity



Business Line Expense Ratio - YTD

**Continuous
improvement
of the
efficiency
ratio**



Strategic Update

Louis Vachon, President & CEO

Montreal, May 31, 2007



**The Key:
Execution
of growth
initiatives**

Continue to deliver good risk-adjusted earnings growth.

Equilibrium
in the three
core
segments
remains the
best model
to leverage
the Bank's
advantages

- Successful regional model + Centres of Excellence in selected markets
- Balanced revenue mix with conservative risk management
- Strong commitment to employees, clients and shareholders
- Highly regarded brand with good growth potential

Three Priorities:

- One client, one bank
- Number One in Wealth Management in Quebec
- Continued expansion outside Quebec

One Client, One Bank

Key Differentiator:

Leveraging our clients' relationships with the right bundle of products and services

Initiatives:

- Technological
- Organizational
- Cultural

Maximizing Franchise Value

One example of a premium opportunity:

Increase the number of products per commercial client from current level of 2.1

Number one in Wealth Management in Quebec

Advantages in Quebec:

- Strong brand recognition
- #1 Commercial bank - close to entrepreneurs
- #1 Retail broker
- Product capabilities

Initiatives:

- Enhance cross-selling (One client, one bank)
- Measure of success: profitability + market share

Continued expansion outside Quebec

- Centres of Excellence with specific focus in selected markets:
 - Wealth Management
 - Capital Markets
- Geographic clusters
- Joint ventures and partnerships:
 - Investors Group / MD
 - Corrnet
 - Innocap / BNPP

An experienced and diversified executive team working together to deliver on the Bank's priorities.

Executive Office

Louis Vachon, President & CEO

Michel Tremblay
Chief Operating Officer,
P&C Banking and
Wealth Mgmt

Patricia
Curadeau-Grou
Executive VP,
Finance, Risk and
Treasury

John Cieslak,
Senior VP
Technology, Business
Intelligence and
Organizational
Performance

Ricardo Pascoe
Co-President and
Co-CEO
National Bank
Financial Group

Luc Paiement
Co-President and
Co-CEO
National Bank
Financial Group

Gisèle
Desrochers
Senior VP, Human
Resources and
Corporate Affairs

A new structure aligned with strategic priorities.

Highlights:

- P&C and Wealth Management are integrated and led by Michel Tremblay as Chief Operating Officer
 - Commercial Banking Head: Mario Lecaldare
 - Operations and Marketing integrated
- Ricardo Pascoe and Luc Paiement remain co-heads of Financial Markets
 - New Partnership Unit led by David Wood
- Business Intelligence & IT Unit created and under the responsibility of John Cieslak

A new structure aligned with strategic priorities.

Highlights:

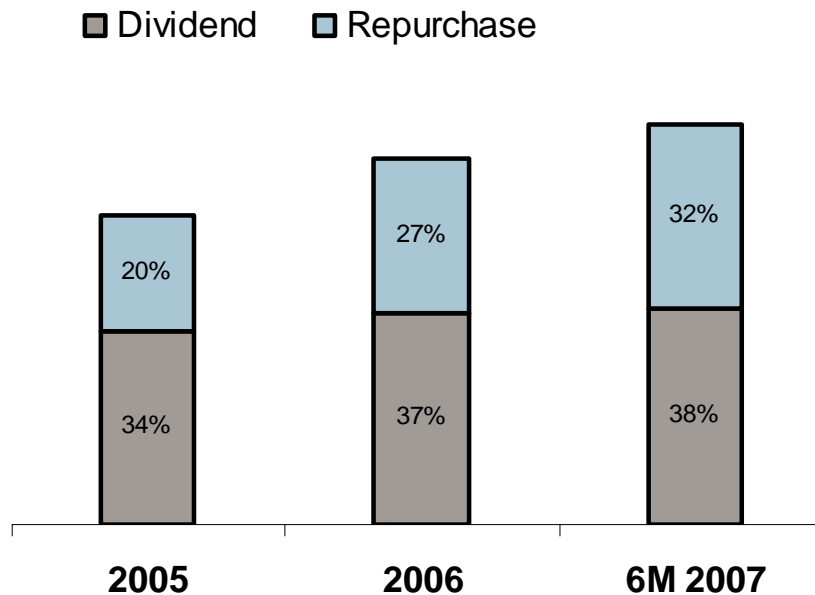
- Finance, Treasury and Risk under the leadership of Patricia Curadeau-Grou
 - Jean Dagenais is appointed Senior Vice-President and Chief Financial Officer
 - Laura Dottori is appointed Senior Vice-President, Risk Management
- Gisèle Desrochers is responsible for Human Resources and Corporate Affairs.

	2007 Objectives	Q2 07	YTD
Growth in earnings per share	5% to 10%	14%	14%
Return on common shareholders' equity	16% to 20%	20.3%	20.5%
Tier 1 capital ratio	Greater than 8.5%	9.3%	9.3%
Dividend payout ratio ⁽¹⁾	40% to 50%	38%	38%

(1) *Trailing 4 quarters*

National Bank will continue to proactively manage its capital.

BNC



- Excess capital returned to shareholders through dividends and share buy backs.

Today

- Introduction of new organizational structure

August 30

- Third quarter financial results

Sept. 25

- Investor Day to present initiatives and objectives

Investor Relations: 514-394-0296

www.bnc.ca/investorrelations

investorrelations@nbc.ca

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By their very nature, such forward-looking statements require us to make assumptions and involve inherent risks and uncertainties, both general and specific. There is significant risk that express or implied projections contained in such statements will not materialize or will not be accurate. A number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Such differences may be caused by factors, many of which are beyond the Bank’s control, which include, but are not limited to, changes in Canadian and/or global economic and financial conditions (particularly fluctuations in interest rates, currencies and other financial instruments), liquidity, market trends, regulatory developments and competition in geographic areas where the Bank operates, technological changes, consolidation in the Canadian financial services sector, the possible impact on our businesses of international conflicts and other developments including those relating to the war on terrorism and the Bank’s anticipation of and success in managing the risks implied by the foregoing. The Bank cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Bank’s forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Bank therefore cautions readers not to place undue reliance on these forward-looking statements. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Bank.

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