

National Bank to Acquire TD's Institutional Services Business

August 1, 2013



Caution Regarding Forward-Looking Statements

From time to time, National Bank of Canada (the Bank) makes written and oral forward-looking statements, such as those contained in the Major Economic Trends and the Outlook for National Bank sections of the 2012 Annual Report, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2013 and the objectives it has set for itself for that period. These forward-looking statements are made in accordance with current securities legislation. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2013 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include without limitation:

- The ability to attract and retain key employees who will support the acquired institutional services business, including certain senior management of the acquired institutional services business;
- The ability to complete the conversion of the client records, systems and operations supporting the acquired business to the Correspondent Network platform within anticipated time periods and costs;
- The retention of substantially all of the clients of the acquired institutional services business following the closing;

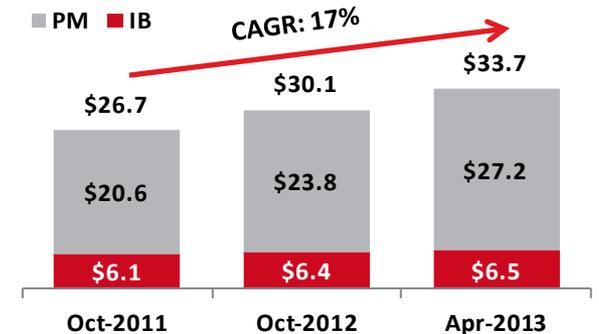
together with general factors such as credit risk, market risk, liquidity risk, operational risk, regulatory risk, and reputation risk, (all of which are described in greater detail in the Risk Management section that begins on page 57 of the Bank's 2012 Annual Report available at www.sedar.com); the general economic environment and financial market conditions in Canada, changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in Canada; and changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted.

The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes and is made as of the date of this document. The Bank assumes no obligation to update or revise them to reflect new events or circumstances and cautions readers not to place undue reliance on these forward-looking statements.

Overview of TD Waterhouse Institutional Services

- ✓ Established in 1987
- ✓ Client experience focused provider of complete back-office solutions, investment products and support services for Portfolio Managers and Introducing Brokers
- ✓ \$34 billion in assets under administration (“AUA”)
 - \$1.4 billion of high quality deposits
 - Over 130,000 client accounts

AUA (Bn)



Portfolio Managers (PMs)

Introducing Brokers (IBs)

Value Proposition

- Provides independent PMs comprehensive resources to manage their end client assets
 - Custody, trading and clearing of securities

- Enables IBs to lower operating costs by outsourcing back-office and book of record processing

Core Services and Technology

- Trading and settlement on major markets across major asset classes
- Online management and regulatory reporting
- Investment fund specialists to assist firms in launching funds
- End client online access and electronic statements and tax documents
- Secure and seamless data delivery

- Trading and settlement on major markets across major asset classes
- Custody of client assets and financing of client margining

AUA & Clients

- \$27.2 billion and 243 firms serviced

- \$6.5 billion and 21 firms serviced (8 discretionary brokers, 6 retail brokers and 7 institutional brokers)

Strategic Rationale

- ✓ **Continued expansion of National Bank's wealth distribution network across Canada**
 - National Bank Correspondent Network ("NBCN") will have over \$84 billion in AUA and 408 registered independent dealer and portfolio manager clients across Canada
 - Acquisition in line with stated strategy to expand outside of Quebec in areas of strength
 - Diversification of client mix and revenue streams
 - Opportunity exists to offer other National Bank services to expanded NBCN platform
- ✓ **Accelerates NBCN's growth trajectory supported by a highly integrated service platform**
 - Highly complimentary to existing business
 - Greater exposure to a growing segment of the market: fee-based managed assets
 - Technological investments to support client retention and growth, will also benefit other NBC business lines
- ✓ **Financially attractive transaction**
 - Immediately accretive to EPS
 - Expecting high level of client retention
 - Well-identified and manageable integration risks

Transaction Summary

Purchase Price	<ul style="list-style-type: none">• \$250 million in cash, subject to adjustment
Purchase Price Adjustment	<ul style="list-style-type: none">• Adjustment mechanism depending on the level of client retention experienced one year from today
Employees	<ul style="list-style-type: none">• Majority of front-office employees to be offered employment with NBCN
Transition Services Agreement	<ul style="list-style-type: none">• In place to support the business until conversion is completed
Transition Period	<ul style="list-style-type: none">• Client conversion expected to be completed 8 months following closing
Closing	<ul style="list-style-type: none">• Expected before the end of 2013• Regulatory approvals required

Overview of National Bank Correspondent Network

A leading provider of securities processing services to independent advisory firms in Canada

	National Bank Correspondent Network	TD Waterhouse Institutional Services	Combined NBCN
<i>As at April 30, 2013</i>			
IIROC IB Firms	67	21	88
PM Firms	77	243	320
AUA	\$50 Bn	\$34 Bn	\$84 Bn
Deposits	\$3.3 Bn	\$1.4 Bn	\$4.7 Bn
Client Accounts	350,000	130,000	480,000
Dedicated Employees	110	60	170

- ✓ Patrick Primerano joined NBCN in December 2012, previously oversaw TD Waterhouse Institutional Services

Improved Growth Profile of Wealth Management Group

- ✓ **Increased exposure to growing segments of the fee-based asset market**
 - Portfolio Managers and IIROC licensed discretionary brokers, serving high net worth clients
- ✓ **Increased exposure to provinces with higher predicted growth**
- ✓ **Increased visibility and exposure of National Bank across the country**
- ✓ **Added IT tools that will increase productivity of our existing networks**
- ✓ **Wellington West, HSBC Securities (Canada) Private Client Services Network and TD Waterhouse Institutional Services acquisitions significantly increase our distribution footprint for investment and banking solutions and products**
- ✓ **Reaffirms our commitment to the relationship driven advice business**
- ✓ **Reaffirms our position as a consolidator of choice**
- ✓ **Natcan-Fiera merger has created, as expected, a growing and independent asset management company that has also become a consolidator of choice**

Earnings and Capital Impacts

✓ **Immediately Accretive to EPS**

- \$0.12 in 2014 and \$0.14 in 2015 assuming full benefit of acquisition in FY 2014

✓ **Favourable Outlook for Growth**

- Growth in assets under administration
- Increasing interest rates
- Opportunities to offer additional National Bank services to expanded NBCN platform

✓ **Capital Impact**

- No common equity issuance
- Approximately 40 bps reduction to Common Equity Tier 1 Ratio under Basel III
- Common Equity Tier 1 Ratio under Basel III to remain above 8%
- No common share buyback in Q3 2013
- Common share buyback on hold for Q4 2013



INVESTOR RELATIONS

Financial analysts and investors who want to obtain financial information on the Bank are asked to contact the Investor Relations Department.

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