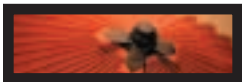


PROTECTING YOUR ASSETS

Our No. 1 priority



**NATIONAL
BANK
FINANCIAL**



You've made the right choice!

One of the primary, and very legitimate, concerns of investors in choosing a financial institution to do business with is the protection of the funds they deposit there. In opting for our firm, you can be sure you've made the right choice.

Anyone who decides to invest his or her money soon becomes familiar with the notion of risk. And one of every investor's first and most important decisions is to establish a personal level of tolerance with respect to market volatility – an easy task when based on a judicious investment strategy.

However, choosing a financial institution to which to entrust your money must not be associated with risk of any sort. Your choice should not be a gamble, and at no time should your money be endangered by the possible insolvency of the firm concerned.

National Bank Financial clients are particularly fortunate in this regard, as they benefit from the most solid protection the industry has to offer. The four major elements of this protection are:

- coverage by the Canadian Investor Protection Fund for a minimum of \$1 million, in the highly unlikely event that our firm becomes insolvent
- complementary private insurance that raises your coverage to a minimum of \$20 million
- extremely rigorous procedures for administering all assets on deposit
- the recognized solidity of our firm.

Please consult this brochure for further details.

Canadian Investor Protection Fund

National Bank Financial is a member of the Canadian Investor Protection Fund, which provides coverage of your assets that far exceeds the traditional \$60,000 deposit insurance.

Membership in the Investment Dealers Association of Canada means that all funds entrusted to us are covered by the **Canadian Investor Protection Fund (CIPF)**, created to protect the investing public in the event of the insolvency or bankruptcy of a member firm. CIPF insures your accounts for up to \$1 million.

It also provides separate coverage of up to \$1 million for your combined registered retirement accounts (RSP, RIF, LIRA, LIF). Certain other types of account (ESP, inter-vivos trust, etc.) are also protected, each with a separate \$1 million coverage. Full details can be found in the Canadian Investor Protection Fund brochure, available from your National Bank Financial Investment Advisor.

Cash balances of up to \$60,000 in registered plan accounts are covered by traditional deposit insurance as well, since these amounts are held by our registered plan trustees.

Additional information

Fixed-income securities, such as bonds, strip bonds and treasury bills, enjoy their own guarantee with respect to yield and maturity value. This guarantee is unconditional and unlimited for securities issued by a government or one of its agencies.

However, the value of other securities, such as common stocks or investment funds, is entirely dependent on market fluctuations and is in no way guaranteed.

Lastly, as National Bank of Canada and National Bank Financial are separate corporations, the securities offered by the latter are not guaranteed by the former, with the exception of certain of those issued by National Bank itself.

Minimum coverage of \$20 million with complementary insurance

The \$1-million protection provided by CIPF is very impressive coverage. But at National Bank Financial, we multiply this figure by 20... at very least!

Since our clients' assets are continually growing and their peace of mind is important to us, we have chosen to take out complementary private insurance with Travelers Casualty and Surety Company of Canada, a subsidiary of Citigroup, one of the largest financial institutions in the world. This additional coverage of **\$19 million** per account is separate from the CIPF coverage and therefore raises your protection to a minimum of **\$20 million** – a level that should put your mind at ease as you watch your portfolio grow.

We believe this coverage is one of the best afforded the clients of any Canadian financial institution.

Rigorous management practices

The transacting and safekeeping of securities in Canada is based less and less on the exchange of paper-based certificates and more and more on electronic transfers, which tend to eliminate the risks associated with transporting securities in physical form. This increasingly electronic reality involves highly advanced mechanisms – fully adopted by our firm – to ensure that your investments are well protected.

A fundamental difference

An important distinction should be made between the procedures used by investment dealers to safeguard your securities and the way banks handle the money you deposit. When you leave money on deposit at a bank, in either a demand account or a term deposit, your funds are pooled together with those of other clients. The bank then lends that money to individuals or corporations in need of capital. Your relationship with the bank is therefore one of a creditor: you are lending the bank your cash in exchange for a stated rate of interest and a promise of repayment. Your loan is secured by the bank's assets and guaranteed by deposit insurance to a maximum of \$60,000. In dealing with us, or any other investment dealer, you are not a creditor – you have simply left your securities in "storage" until such time as you decide to sell them.

How are securities held?

With few exceptions, none of the securities that you purchase through our firm are sent to you or physically held on our premises. Instead, they are entrusted to the custody of centralized clearing agencies, which serve to make financial transactions conducted in Canada both more efficient and more secure.

Clearing agencies operate in this manner: When Smith, a client of financial institution ABC, sells 100 shares of Alcan to Jones, a client of financial institution XYZ, the change of ownership is simply reflected by offsetting journal entries in each institution's account with the clearing agency. Corresponding entries in each firm's internal accounts are then made: ABC will show the 100 shares being removed from Smith's account, and XYZ will show the same number of shares being added to Jones' account. In the past, when ownership was reflected by physical certificates held directly by the financial institution, the 100 Alcan share certificate would have had to be returned to the transfer agent to be destroyed and replaced by another certificate issued in the name of the new owner. Given that millions of securities transactions are initiated by Canadian investors each year, it is evident that problems would ensue if each transaction still involved cancelling one certificate and issuing another. Furthermore, the settlement period for securities transactions has been shortened to three business days, and eventually will drop to one business day.

This reduction of the time allowed for settlement makes the efficiency of centralized clearing even more essential.

Banks, trust companies and investment dealers have worked together to create these clearing agencies, and it is standard industry practice to entrust them with the custody of negotiable securities whenever possible.* Like all other Canadian financial institutions, we deal with the following clearing agencies: *The Canadian Depository for Securities Limited* (CDS) and the Canadian Derivatives Clearing Corporation (CDCC) for Canadian securities, *Depository Trust Corporation* (DTC) for U.S. securities and *Euroclear* for European securities.

* Exceptions include treasury bills, municipal bonds, government-issued savings bonds and guaranteed investment certificates, which we keep in our vaults in Toronto and Montreal.

The Canadian Depository for Securities Limited (CDS)

CDS, created in 1970, is Canada's primary depository system, clearing more than 90% of all securities transactions made on Canadian financial markets. CDS is owned jointly by the Investment Dealers Association of Canada (IDA), the members of the Toronto and Montreal exchanges and Canada's largest banks and trust companies. It has joint head offices in Toronto and Montreal, and operates branches in Vancouver, Calgary, Toronto, Montreal and Halifax. Its membership includes 12 banks, 13 trust companies and 69 investment dealers. CDS currently holds securities deposits of \$1.9 trillion: \$800 billion in stocks and \$1.1 trillion in bonds.

The securities held by CDS in physical form are kept in vaults located in Vancouver, Calgary, Toronto and Montreal. As a general rule, there is a direct relationship between the location of the issuer's head office or its transfer agent and the city in which CDS keeps the certificates.

For instance, Province of Ontario and Ontario Hydro bonds are customarily held in CDS's Toronto vault, while Province of British Columbia bonds are kept in its Vancouver vault. In other words, the factor that determines a certificate's physical location is usually your choice of investment, rather than the address of the financial institution handling your transactions.

Segregation

The term "in segregation" refers to how securities held for our clients are accounted for at CDS. "In segregation" means that our clients' fully paid securities are accounted for separately from margin securities or any other security that we hold, such those belonging to our firm. This ensures that in the highly unlikely event that National Bank Financial became insolvent, creditors seeking repayment would have absolutely no access to securities owned by our clients. Highly evolved accounting mechanisms and regular verification by independent auditors as well as by the industry's self-regulating organizations serve to enforce this fundamental segregation rule.

A system that has proven its worth

The safekeeping practices used by Canadian investment dealers have evolved over time to keep pace with the growth of our industry. Millions of shares and billions of dollars of bonds and treasury bills are traded each day, with an exceedingly low rate of error. This safekeeping system, although complex, makes it possible to have efficient, liquid markets while providing ample protection for Canadian investors. If you have any questions about the above, or would like additional information about the operational side of the securities industry, your Investment Advisor will be glad to be of service.

National Bank Financial: a century of rock solid service

One of the best protections your money can have is the strong unlikelihood of your financial institution becoming insolvent. Backed by a century of trusted service, our credentials are rock solid!

In 1902, before many of its competitors had seen the light of day, National Bank Financial was already leading the way for Canadian investors. One of Canada's six largest investment dealers, the firm maintains a substantial presence from coast to coast with an 86-branch network and 2,700 employees, including 830 Investment Advisors.

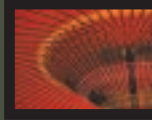
National Bank Financial has more than 270,000 individual clients, for whom it manages assets in excess of \$34 billion. It is a subsidiary of National Bank of Canada, one of the country's six largest chartered banks. National Bank of Canada has 655 Canadian branches, offices in New York, Chicago and 18 other U.S. cities, representatives in 120 countries and an asset base of over \$70 billion, providing reliable, dynamic partnership for National Bank Financial.

These facts and figures, which speak for themselves, attest to the wisdom of your choice in selecting our firm.

NATIONAL
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MANAGING
THE WORLD'S
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YOURS!



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