Annual Meeting of Shareholders

April 10, 2014

Notice of Annual Meeting
of the Holders of Common Shares
of National Bank of Canada

Management Proxy Circular

NATIONAL BANK

Terms and abbreviations used ➜

Use the table overleaf to facilitate reading.

**Remember to vote.
Your vote is important.**

2013 Annual Information Form: The Bank's Annual Information Form filed on December 4, 2013 and posted on the Bank's website (nbc.ca) and on the SEDAR website (sedar.com)

2013 Annual Report: The Bank's Annual Report filed on December 4, 2013 and posted on the Bank's website (nbc.ca) and on the SEDAR website (sedar.com), including the consolidated financial statements for the fiscal year ended October 31, 2013 as well as Management's Discussion and Analysis and the independent auditor's report thereon

AC: Audit Committee of the Board

Act: *Bank Act*, S.C. 1991, c. 46

ARMC: Audit and Risk Management Committee of the Board

Bank: National Bank of Canada

Board: Board of Directors of the Bank

Circular: Management Proxy Circular for the Meeting

Computershare: Computershare Trust Company of Canada

CRCGC: Conduct Review and Corporate Governance Committee of the Board

CSA: Canadian Securities Administrators

Deloitte: Deloitte LLP

DSU: Deferred stock unit

EDT: Eastern Daylight Time

ESOP: Employee Share Ownership Plan of the Bank

EST: Eastern Standard Time

FSB: Financial Stability Board

HRC: Human Resources Committee of the Board

ICP: Annual bonus program of the Bank

IFRS: International Financial Reporting Standards

MDT: Mountain Daylight Time

Meeting: Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on Thursday, April 10, 2014 at 8:30 a.m. (MDT) and any reconvening thereof in case of an adjournment

NBF: National Bank Financial

NCIB: Normal course issuer bid of the Bank

OSFI: Office of the Superintendent of Financial Institutions (Canada)

PRAP: Post-Retirement Allowance Program

PSU: Performance share unit of the Bank

Regulation 51-102: *Regulation 51-102 Respecting Continuous Disclosure Obligations*, R.R.Q., c. V-1.1, r. 24

RMC: Risk Management Committee of the Board

RSU: Restricted stock unit

SAR: Stock appreciation right of the Bank

SEDAR: System for Electronic Document Analysis and Retrieval

Stock Option Plan: Stock Option Plan of the Bank

TSR: Total shareholder return

In the Circular, the terms "**officer**" and "**management**" and the expressions "**executive**," "**executive officer**" and "**senior management**" refer to the definitions of "officer" and "executive officer" contained in the *Securities Act*, R.S.Q., c. V-1.1 and Regulation 51-102, respectively.

The following terms are used for the purposes of Sections 6 (Report of the Human Resources Committee), 7 and 8 as well as the Bank's position in respect of shareholder proposals Nos. 1 and 2 in Schedule A of this Circular as they pertain to the Bank's Executive Officers, Named Executive Officers and Officers:

Executive Officers (as at October 31, 2013):

The "Executive Officers" are:

- the President and Chief Executive Officer;
- the Chief Financial Officer and Executive Vice-President – Finance and Treasury;
- the Executive Vice-President – Wealth Management and Co-President and Co-Chief Executive Officer, NBF;
- the Executive Vice-President – Risk Management;
- the Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, NBF;
- the Executive Vice-President – Marketing and Corporate Strategy;
- the Executive Vice-President – Operations and Strategic Initiatives Office;
- the Executive Vice-President – Personal and Commercial Banking;
- the Executive Vice-President – Human Resources and Corporate Affairs; and
- the Executive Vice-President – Information Technology.

"Other Executive Officers" includes all Executive Officers, except for the President and Chief Executive Officer.

Named Executive Officers:

The term "Named Executive Officers" means the President and Chief Executive Officer, the Chief Financial Officer and the three most highly compensated Executive Officers of the Bank as defined in Regulation 51-102, namely:

Louis Vachon, President and Chief Executive Officer;
Ghislain Parent, Chief Financial Officer and Executive Vice-President – Finance and Treasury;
Diane Giard, Executive Vice-President – Personal and Commercial Banking;
Luc Paiement, Executive Vice-President – Wealth Management and Co-President and Co-Chief Executive Officer, NBF; and
Ricardo Pascoe, Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, NBF.

Officers: The term "Officers" includes the Senior Vice-Presidents and the Vice-Presidents of the Bank, all direct reports of the Executive Officers who are employees of Bank subsidiaries, as well as any employees of the Bank whom the Human Resources Committee considers to hold an equivalent function.

Montreal, February 21, 2014

Dear Shareholder,

We cordially invite you to join the members of the Board of Directors and management for the Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held at 8:30 a.m. (MDT) on Thursday, April 10, 2014 at The Fairmont Palliser, located at 133 9th Avenue SW, Calgary, Alberta, Canada.

The Annual Meeting is an opportunity for us to present our achievements and current projects, and for you to voice your opinion on the matters put to a vote at this Meeting and ask questions.

The proposals to be voted on at this Annual Meeting are set out in this Circular. Please take the time to review the information provided concerning these proposals.

The Bank's Circular and 2013 Annual Report are available on the Bank's website (nbc.ca).

Your participation is important to us. If you cannot attend in person, you can nonetheless express your opinion on the matters put to a vote by using the enclosed form of proxy or voting instruction form.

A live webcast of this Meeting will be available at nbc.ca/investorrelations. A recording of the Annual Meeting will be available for viewing on the Bank's website until the next Annual Meeting.

Sincerely,

NATIONAL BANK OF CANADA

(s) Jean Douville
Chairman of the Board of Directors

(s) Louis Vachon
President and Chief Executive Officer

NATIONAL BANK

NOTICE OF ANNUAL MEETING OF THE HOLDERS OF COMMON SHARES OF NATIONAL BANK OF CANADA

Date: **Thursday, April 10, 2014**
Time: **8:30 a.m. (MDT)**
Place: **The Fairmont Palliser**
133 9th Avenue SW
Calgary, Alberta, Canada

Business of the meeting:

1. To receive the consolidated financial statements for the fiscal year ended October 31, 2013 and the independent auditor's report thereon;
2. To elect the directors;
3. To consider an advisory resolution to accept the approach taken by the Board of Directors of National Bank of Canada (the "Bank") with respect to executive compensation;
4. To appoint Deloitte LLP as independent auditor;
5. To consider the shareholder proposals set out in Schedule A to the Circular; and
6. To transact any other business which may properly come before the meeting.

By order of the Board of Directors,

NATIONAL BANK OF CANADA

(s) Linda Caty
Vice-President and Corporate Secretary

Montreal, February 21, 2014

Who can vote
Holders of Common Shares of the Bank whose shares are listed in the Bank's register in their name, the name of a broker or other intermediary, or the name of a duly authorized agent, on February 21, 2014 at 5:00 p.m. (EST), are entitled to receive notice of the Annual Meeting of the Holders of Common Shares of the Bank (the "Meeting") and to cast one vote per Common Share held, subject to the restrictions set out in the *Bank Act* (Canada) (the "Act").

Common Shares outstanding on the record date
On the record date for the Meeting, namely, February 21, 2014, 327,188,454 Common Shares of the Bank were outstanding and eligible to be voted at the Meeting, subject to the restrictions set out in the Act.

Exercising voting rights
Registered holders of Common Shares may exercise their voting rights by attending the Meeting or by completing a form of proxy. Registered holders of Common Shares who are unable to attend the Meeting are asked to complete, date and sign the enclosed form of proxy. Proxies can be returned by mail (i) using the pre-addressed, postage-paid envelope provided or (ii) to Computershare Trust Company of Canada at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, or by fax to 1-866-249-7775. To be valid, the form of proxy must be received by Computershare Trust Company of Canada no later than 5:00 p.m. (EDT) on Tuesday, April 8, 2014.

For more information on the procedure to be followed by holders of Common Shares who received a voting instruction form, please refer to "How to Vote" in Section 1 of this Circular and the instructions received from your broker.

For any questions regarding the Circular or the exercise of voting rights, please call the proxy solicitation firm, Georgeson Shareholder Communications Canada Inc., at 1-888-605-8407.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the "Major Economic Trends" and "Outlook for National Bank" sections of the 2013 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 2014 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 2014 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 readers not to 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 strategic risk, credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputation risk and environmental risk, which are described in more detail in the "Risk Management" section beginning on page 60 of the 2013 Annual Report, and in particular, the general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business, capital and liquidity; the situation with respect to the restructured notes of the master asset vehicle (MAV) conduits, in particular the realizable value of underlying assets; 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 the countries in which the Bank operates, primarily Canada and the United States (including the new reporting regime provided for in Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (FATCA)); and changes to capital adequacy and liquidity guidelines and to the manner in which they are to be presented and interpreted.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the "Risk Management" and "Other Risk Factors" sections of the 2013 Annual Report. Investors and others who rely 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 also cautions readers not to place undue reliance on these forward-looking statements.

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.

MANAGEMENT PROXY CIRCULAR

Unless otherwise indicated, the information in this Circular is as at February 21, 2014.

This Circular is provided in connection with the solicitation of proxies by management of the Bank, for the purposes set forth in the Notice of Meeting, for use at the Meeting to be held at 8:30 a.m. (MDT) on Thursday, April 10, 2014 at The Fairmont Palliser, located at 133 9th Avenue SW, Calgary, Alberta, Canada, and, if adjourned, at any reconvening thereof.

Who can vote

Holders of Common Shares of the Bank whose shares are listed in the Bank's register in their name, the name of a securities broker or other intermediary, or the name of a duly authorized agent, on February 21, 2014 at 5:00 p.m. (EST), are entitled to receive notice of the Meeting and to cast one vote per Common Share held, subject to the restrictions set out in the Act.

Registered holders are holders whose Common Shares are registered in their name in the Bank's register. Beneficial owners are holders whose Common Shares are not registered in their name in the Bank's register, but rather are held in their name by a nominee, such as a securities broker, other intermediary or a duly authorized agent.

On the record date for the Meeting, namely, February 21, 2014, 327,188,454 Common Shares of the Bank were outstanding and eligible to be voted at the Meeting, subject to the restrictions set out in the Act.

Effect of a share split by way of a share dividend paid on February 13, 2014

On February 13, 2014, the holders of record of Common Shares of the Bank as of February 6, 2014 received a dividend in the form of one common share for each common share they held. The payment of a share dividend resulted in a two-for-one share split of the outstanding Common Shares of the Bank.

Holders of Common Shares are entitled to cast one vote per share held on the matters set out in the Notice of Meeting. However, except for certain exceptions of the Act, the Act prohibits the exercise of voting rights attached to shares of the Bank beneficially owned by:

i) the Government of Canada or of a province;
ii) the government of a foreign country or of any political subdivision of a foreign country;
iii) an agency of any of these entities;
iv) a person who has acquired a significant interest in a class of Bank shares (if the aggregate of any shares of that class beneficially owned by the person, and any shares of that class beneficially owned by entities controlled by the person exceeds 10% of all of the outstanding shares of that class of shares) without the approval of the Minister of Finance (Canada); or
v) a person who holds a significant interest in a class of shares of another widely held bank or bank holding company with equity of $12 billion or more.

In addition, no person and no entity controlled by any person may cast votes in respect of any shares beneficially owned by the person or the entity that represent, in the aggregate, more than 20% of the eligible votes.

To the knowledge of the directors and Executive Officers of the Bank, and according to the latest data available, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares of the Bank.

How to vote

Registered holders

Registered holders of Common Shares of the Bank may vote in person at the Meeting, or may complete, sign and return the enclosed form of proxy. This form of proxy authorizes a proxyholder to represent and vote on behalf of a registered holder at the Meeting.

Beneficial owners

To vote in person at the Meeting, beneficial owners must:

– insert their own name as proxyholder in the space provided for this purpose on the voting instruction form;
– not otherwise complete the form as their vote will be taken at the Meeting; and
– return the voting instruction form following the procedure indicated on the form.

Beneficial owners unable to attend the Meeting may also exercise their vote by completing, signing and returning the voting instruction form sent to them by their broker or any other intermediary following the procedure indicated on the form.

The voting instruction form authorizes proxyholders to represent beneficial owners and vote on their behalf at the Meeting. Securities brokers, other Canadian intermediaries and their duly authorized agents are prohibited from exercising the voting rights attached to Common Shares on behalf of beneficial owners unless they are specifically instructed to do so.

Appointment of proxyholders

The proxyholders already designated in the form of proxy or voting instruction form are directors of the Bank. If a registered holder or beneficial owner wishes to appoint as his or her proxyholder to represent him or her at the Meeting a person other than those whose names are printed on the form of proxy or voting instruction form, he or she may do so by striking out the names appearing thereon and inserting such other person's name in the blank space provided.

If the registered holder or beneficial owner is not a natural person, the form of proxy or voting instruction form must be signed by a duly authorized officer or agent of said registered holder or beneficial owner. A proxyholder need not be a holder of Common Shares of the Bank.

To be valid, the form of proxy must be returned by mail (i) in the pre-addressed, postage-paid envelope provided or (ii) to Computershare Trust Company of Canada at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, or by fax to 1-866-249-7775, and received no later than 5:00 p.m. (EDT) on Tuesday, April 8, 2014.

For the voting instruction form to be valid, it must be returned following the procedure indicated on the form.

Exercising voting rights
The proxyholder named in the form of proxy or voting instruction form will exercise the voting rights attached to the Common Shares in accordance with the instructions given by the registered holder or beneficial owner.

If no instructions are given, the directors of the Bank designated as proxyholders on the form of proxy or voting instruction form will exercise the voting rights attached to the Common Shares as follows:

– **FOR** the election of each of the director nominees;
– **FOR** the advisory resolution on the Board's approach to executive compensation;
– **FOR** the appointment of Deloitte LLP as independent auditor; and
– **AGAINST** Proposals Nos. 1, 2 and 3 presented by a shareholder and set out in Schedule A to this Circular.

If no instructions are given, any other proxyholder will have discretionary authority when exercising the voting rights attached to the Common Shares concerning these matters.

Changes or other items in the Business of the Meeting
The proxyholder has discretionary authority with respect to any amendments or variations proposed at the Meeting to the matters set out in the form of proxy or voting instruction form and any other business which may properly come before the Meeting. However, he or she may only vote on the appointment of an independent auditor or the election of a director whose appointment or election is proposed in the form of proxy or voting instruction form or in the Circular.

As at the date of this Circular, management of the Bank is not aware of any amendment or other matter that will be presented at the Meeting.

Revocation of proxies or voting instructions
Registered holders may revoke their proxy as follows:

i) by delivering a written notice to this effect, signed by them or by their duly authorized agent to:

– the Head Office of the Bank, c/o Corporate Secretary's Office, National Bank of Canada, 600 De La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2, no later than 5:00 p.m. (EDT) on the last business day preceding the date of the Meeting, namely, Wednesday, April 9, 2014, or prior to any reconvening thereof in case of an adjournment; or
– the Chairman of the Meeting on the day of the Meeting, or, if adjourned, any reconvening thereof; or

ii) by completing, signing and returning to Computershare, in the manner set out on the form, a new form of proxy bearing a later date than the form already returned.

Beneficial owners may revoke their voting instructions by following their broker's instructions.

Confidentiality and counting of votes
To protect the confidential nature of voting, the votes exercised by registered holders are received and compiled for the Meeting by Computershare, the Bank's registrar and transfer agent, while the votes exercised by beneficial owners are compiled and submitted by intermediaries to Computershare. Computershare submits a copy of a form of proxy to the Bank only when a registered holder clearly wishes to express a personal opinion to management, or when necessary to comply with legal requirements.

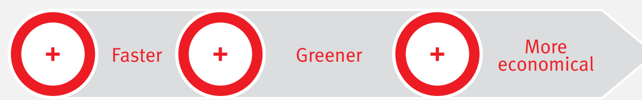
Voting results
After the Meeting, the Bank will immediately issue a press release on the voting results. This press release will be filed with the CSA on the SEDAR website (sedar.com). This press release will also be available on the Bank's website (nbc.ca).

Solicitation of proxies

The solicitation of proxies will be done by regular or electronic mail, by telephone or in person. Proxies will be solicited by employees, officers or directors the Bank or representatives of Georgeson Shareholder Communications Canada Inc. ("Georgeson"), a proxy solicitation firm, mandated by the Bank. The Bank expects to pay Georgeson fees totalling approximately $30,000 for such services.

Distribution of materials to objecting beneficial owners
The Bank does not intend to pay an intermediary to send the Circular and voting instruction form to objecting beneficial owners. They will obtain these documents only if their intermediary assumes postage costs.

Electronic delivery of documents



You are encouraged to use electronic delivery (e-delivery) to receive the continuous disclosure documents of the Bank, including Annual Meeting of Shareholders materials, and annual and interim reports. You will be notified via email when a new document is made available, at which time it can be consulted or downloaded through the Bank's website (nbc.ca).

How to sign up for e-delivery

Registered holders
Registered holders may sign up for e-delivery at www.computershare.com/ca-en by following the instructions provided.

Beneficial owners
Beneficial owners in Canada and the U.S. may sign up for e-delivery at proxyvote.com using the control number appearing on their voting instruction form, or after the Meeting, by obtaining a unique registration number from their intermediary.

By signing up for e-delivery, you will receive your documents faster and help protect the environment by reducing tree, water and energy consumption and you will contribute to reducing high printing and postage costs.

1. Receipt of the consolidated financial statements and the independent auditor's report

The consolidated financial statements of the Bank for the fiscal year ended October 31, 2013 and the independent auditor's report thereon are an integral part of the Bank's 2013 Annual Report, which is available on its website (nbc.ca) and on the SEDAR website (sedar.com).

2. Election of directors

The number of directors to be elected at the Meeting is 15. Jean Douville and Paul Gobeil will not be seeking to renew their mandates as directors. All of this year's director nominees are currently Bank directors, with the exception of Julie Payette.

The Conduct Review and Corporate Governance Committee recommended the director nominees to the Board. Their names and career profiles are presented in Section 3 of this Circular. This section also presents the names of the reporting issuers[1] as well as public and parapublic corporations on whose boards the nominees currently serve or have served in the past five years.

If no instructions are given, the directors of the Bank designated as proxyholders on the form of proxy or voting instruction form will exercise the voting rights attached to the Common Shares **FOR** the election of each of the director nominees.

Each director elected at the Meeting will hold office until his or her resignation or the election or appointment of his or her replacement, or until the close of the next annual meeting of the holders of Common Shares of the Bank.

A majority voting rule is in effect for purposes of electing director nominees. For more information, please refer to Section 4 of this Circular.

The director nominee election results from the April 24, 2013 Annual Meeting are available on the Bank's website (nbc.ca) and on the SEDAR website (sedar.com).

3. Advisory vote on the approach to executive compensation

The Board, assisted by the Human Resources Committee, is responsible for determining the underlying objectives and principles of the Bank's approach to executive compensation. The Board's role is to clearly explain to shareholders the key components of this compensation and how its approach is aligned with the Bank's strategic objectives.

By putting its approach to executive compensation to an advisory vote, the Board shows its commitment to the Bank's shareholders and recognizes its responsibility regarding decisions made concerning executive compensation. Moreover, the Board believes it is essential for the holders of Common Shares of the Bank to be well informed and to fully understand the principles on which its compensation-related decisions are based. This advisory vote promotes the ongoing process of dialogue between shareholders and the Board regarding the approach to executive compensation.

Since the "say on pay" vote on executive compensation was implemented in 2010, over 95% of the votes cast by holders of Common Shares of the Bank were favorable to the Board's approach to executive compensation.

The Human Resources Committee and the Board recommend voting **FOR** the advisory resolution on the Board's approach to executive compensation.

The resolution to be voted on is as follows:

"It is resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of National Bank of Canada, that the holders of Common Shares accept the approach to executive compensation described in National Bank of Canada's Management Proxy Circular delivered in advance of the Annual Meeting of the Holders of Common Shares to be held in 2014."

The above advisory resolution, upon which the holders of Common Shares present or represented by proxy and entitled to vote at the Meeting are asked to vote, is non-binding on the Board. However, the Board will consider the results of the vote when reviewing its approach to executive compensation.

For more information on the Board's approach to executive compensation, please refer to Sections 7 and 8 of this Circular.

Shareholders who have concerns or questions regarding the Board's approach to executive compensation may contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee or a director, including an independent director, by e-mail at boardofdirectors@nbc.ca or by mail c/o the Corporate Secretary's Office of the Bank at 600 De La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

4. Appointment of the independent auditor

During fiscal 2013, as is the case every year, the Audit Committee assessed the quality of the services and the performance of professional accounting firm Deloitte as independent auditor of the Bank. This assessment was based, among other things, on the audit plan tabled, the risk areas identified, the nature of the interventions by Deloitte and the reports presented to the Committee.

Given the satisfactory results of this assessment, the Audit Committee and the Board recommend voting **FOR** the appointment of Deloitte as independent auditor of the Bank for the fiscal year starting November 1, 2013 and ending October 31, 2014.

Deloitte has served as independent auditor of the Bank for the past five fiscal years.

The resolution regarding the appointment of the independent auditor must be adopted by a majority of the votes cast by the holders of Common Shares present or represented by proxy and entitled to vote at the Meeting.

For information on the Guidelines for the Management of Services Provided by the Independent Auditor, please refer to "Information on the Audit Committee" in the 2013 Annual Information Form.

(1) In accordance with Canadian securities legislation in effect, a reporting issuer is an issuer that has made a distribution of securities to the public.

Fees of the independent auditor

Each year, the Audit Committee recommends to the Board that it approve the fees to be paid to the independent auditor and the envelopes established under the Guidelines for the Management of Services Provided by the Independent Auditor. The following table details fees billed by Deloitte to the Bank and to its subsidiaries for various services rendered during the past two fiscal years.

	2013 ($)	2012 ($)
Audit fees(1)	4,933,902	5,323,794
Fees for audit-related services(2)	957,547	1,274,629
Fees for taxation services(3)	168,936	68,937
Other fees(4)	134,626	43,543
Total	6,195,011	6,710,903

(1) Audit fees include fees for services related to the audit of the consolidated financial statements of the Bank and the financial statements of its subsidiaries or other services normally provided by the independent auditor in connection with statutory or regulatory filings or engagements required by applicable legislation. They also include review of the Bank's condensed interim financial statements, fees for comfort letters, certification services, consents and assistance with the preparation and review of documents filed with regulators, the interpretation of accounting and financial reporting standards and the translation of reports to shareholders.

(2) Fees for audit-related services include certification fees for related services performed by the Bank's independent auditor. They also include fees for services related to the conversion to IFRS (for fiscal 2012 only), accounting consultations in connection with acquisitions and divestitures and internal control reviews.

(3) Fees for taxation services include fees for assistance in tax planning, during restructurings, and when taking a tax position, as well as the review of income and other tax returns and tax opinions.

(4) All other fees include fees for consulting services for projects, risk management services and statutory and/or regulatory compliance services.

5. Voting on shareholder proposals

The Bank received shareholder proposals within the time limits prescribed by the Act and has included them in this Circular. The full text of the proposals to be voted on by the holders of Common Shares is set out in Schedule A to this Circular.

The Board and the Bank's management recommend voting **AGAINST** Proposals Nos. 1, 2 and 3, for the reasons stated at the end of each of these proposals.

These proposals will be adopted if approved by a majority of the votes cast by the holders of Common Shares present or represented by proxy and entitled to vote at the Meeting.

The deadline by which the Bank must receive proposals from its shareholders for presentation at the Annual Meeting of the Holders of Common Shares to be held in 2015 is Monday, November 24, 2014 at 5:00 p.m. (EST).

The following tables present information about each of the proposed nominees for election as directors. This information includes a summary of their career profile, the Board committees of which they are members, their attendance at the meetings of the Board and its committees during the past fiscal year, the names of the reporting issuers as well as public and parapublic corporations on whose boards the nominees currently serve or have served in the past five years.

This information also includes a description of their Bank shareholdings in accordance with the share ownership requirements for directors.

Total shareholdings of director nominees

	February 21, 2014	March 1, 2013 split	March 1, 2013
Common Shares	521,028	482,750	241,375
Deferred stock units	138,884	120,964	60,482
Value ($)	**28,706,172**	**23,529,753**	**23,529,753**

The total value of Common Shares and deferred stock units held by director nominees is calculated by multiplying the number of Common Shares and deferred stock units held by each nominee as of March 1, 2013 and February 21, 2014 by the closing price of the Common Shares of the Bank on the Toronto Stock Exchange at the close of business on March 1, 2013 and February 21, 2014, which was $77.95 and $43.50, respectively. On February 13, 2014, the holders of record of Common Shares of the Bank as of February 6, 2014 received a dividend in the form of one common share for each common share they held. The payment of a share dividend resulted in a two-for-one share split of the outstanding Common Shares of the Bank. The information presented in this table also reflects the split as at March 1, 2013.

Maryse Bertrand

Independent
54, Montreal, Quebec, Canada

Director since April 2012

Main areas of expertise:
– Commercial and corporate law
– Corporate governance
– Finance/risk management
– Telecommunications and media

Career profile

Maryse Bertrand has been Vice-President – Real Estate Services, Legal Services and General Counsel with CBC/Radio-Canada, Canada's national public broadcaster, since September 2009. She also chairs the board of directors of ARTV Inc. and serves on the board of the Cinemania Film Festival. From 1989 to 2009, she was a partner with the law firm Davies Ward Phillips & Vineberg LLP, where she sat on the National Management Committee and played a key role in many cross-border and pan-Canadian acquisition and financing operation transactions. She also served on the board of directors of La Senza Corporation, a retailer with operations in Canada and 40 other countries, for over 10 years, chaired its Corporate Governance Committee and was a member of its Audit Committee. She has received many awards and honours, including the title of *Advocatus Emeritus* from the Quebec Bar in 2007, in recognition of her exceptional contribution to the legal profession. She has written many articles and given numerous presentations on corporate financing and securities law. She has a law degree from McGill University, where she also studied accounting at the Faculty of Management. She has participated in various executive management courses at Harvard Business School. Ms. Bertrand was called to the Quebec Bar in 1981 and is also a member of the Canadian Bar Association and the American Bar Association.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/19	94.7%
Member of the ARMC/RMC(1)	16/19	84.2%
Member of the CRCGC(2)	4/4	100%
Total	**38/42**	**90.5%**

Reporting issuers and public and parapublic corporations

Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2013)*
–	–

Securities held

Year(3)	Common Shares(4)	DSUs(5)	Total Common Shares and DSUs	Share price(6) ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors(7)	
2013	3,061	2,931	5,992	43.50	260,652	450,000	10,344	57.9%	Five-year grace period after taking office to meet requirements(8)
2012 split	2,154	1,280	3,434	38.975	133,840	450,000	11,545	29.7%	Five-year grace period after taking office to meet requirements(8)
2012	1,077	640	1,717	77.95	133,840	450,000	5,773	29.7%	Five-year grace period after taking office to meet requirements(8)

Lawrence S. Bloomberg

Non-independent
71, Toronto, Ontario, Canada

Director since August 1999

Main areas of expertise:
– Entrepreneurship
– Finance/risk management
– Financial markets and services
– International markets

Career profile

Lawrence S. Bloomberg is an advisor to National Bank Financial, a Canadian securities brokerage firm, where he served as Co-Chairman of the Board and Co-Chief Executive Officer from 1999 to 2000. Previously, he was Chairman of the Board, President and Chief Executive Officer of First Marathon Inc., a company he founded, which merged with National Bank Financial Inc. in 1999. Mr. Bloomberg has contributed to the expansion of many financial and non-financial companies. He currently sits on the board of directors of MaRS Discovery District, and is Chancellor of Ryerson University in Toronto. From January 2002 to June 2012, he also served as Chairman of the board of directors of Toronto's Mount Sinai Hospital. He has a Bachelor of Commerce from Concordia University and an MBA from McGill University. He has been a CFA charterholder since 1970. He became a Member of the Order of Canada in 2012 and an Officer of the Order of Ontario in 2010. Both Concordia University and University of Toronto have awarded him honorary law doctorates. Furthermore, in October 2013, he was inducted into the Investment Industry Association of Canada Investment Industry Hall of Fame.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100%
Total	**19/19**	**100%**

Reporting issuers and public and parapublic corporations	
Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2013)*
–	–

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	73,533	–	73,533	43.50	3,198,686	450,000	10,344	710.8%	Yes
2012 split	72,802	–	72,802	38.975	2,837,458	450,000	11,545	630.5%	Yes
2012	36,401	–	36,401	77.95	2,837,458	450,000	5,773	630.5%	Yes

Pierre Boivin

Independent
60, Montreal, Quebec, Canada

Director since April 2013

Main areas of expertise:
– Corporate/public sector management
– Natural resources
– President/Chief Executive Officer/Executive Officer
– Telecommunications and media

Career profile

Pierre Boivin has been President and Chief Executive Officer of private equity firm Claridge Inc. since September 2011. He serves on the board of directors of CH Group Inc., which manages the activities of the Club de hockey Canadien, Bell Centre, evenko and L'Équipe Spectra inc. He is also a member of the board of directors of Canadian Tire Corporation, Limited, which provides products and services for the jobs and joys of everyday life. From 2005 to January 2014, he was a member of the board of Sirius XM Canada Holdings Inc., Canada's leading audio entertainment company. From December 2012 to December 2013, he also served on the board of directors of Lumenpulse Inc., a world leader in commercial LED lighting solutions. From August 2008 to June 2012, he was a member of the board of directors of Questerre Energy Corporation and a member of its Audit Committee from March 2011 to June 2012. From September 1999 to June 2011, he was President and Chief Executive Officer of the Club de hockey Canadien, inc., and L'Aréna des Canadiens inc., a group of companies managing, among other things, Bell Centre sports activities and cultural and entertainment events. During this period, he was also a member of the Board of Governors of the National Hockey League. He is President of the board of directors of The Montreal Canadiens Children's Foundation, which he created in 2000, and headed the board of directors of the Sainte-Justine UHC Foundation from 2006 to 2012. Between 2009 and 2012, Mr. Boivin was Vice-Chairman of the board of directors and a member of the executive committee of the Québec Oil and Gas Association. He studied Commerce at McGill University. In 2009, he was awarded an honorary doctorate by Université de Montréal, and was appointed Officer of the Order of Canada on September 3, 2010.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member[9]	9/9	100%
Member of the HRC[9]	3/3	100%
Member of the RMC[1][9]	10/12	83.3%
Total	**22/24**	**91.7%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Canadian Tire Corporation, Limited	2013 to date	• Member of the Audit Committee • Member of the Management Resources and Compensation Committee
Sirius XM Canada Holdings Inc.	2005 – 2014	• Chair of the Corporate Governance Committee • Member of the Audit Committee • Member of the Compensation Committee
Questerre Energy Corporation	2008 – 2012	–
Kangaroo Media Inc.	2004 – 2009	–
TopTent Inc.	2007 – 2009	–

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	12,705	–	12,705	43.50	552,668	450,000	10,344	122.8%	Yes
2012 split	600	–	600	38.975	23,385	450,000	11,545	5.1%	Five-year grace period after taking office to meet requirements[10]
2012	300	–	300	77.95	23,385	450,000	5,773	5.1%	Five-year grace period after taking office to meet requirements[10]

André Caillé

Independent
70, Lac-Brome, Quebec, Canada

Director since October 2005

Main areas of expertise:
– Corporate governance
– Finance/risk management
– Human resources/compensation
– Natural resources

Career profile

André Caillé is a director of several corporations, including Junex Inc., an oil and gas exploration corporation, for which he is a Senior Strategic Consultant. From 2009 to 2011, he was also a member of the board of directors and of the executive committee of the Québec Oil and Gas Association. From 2004 to 2007, he served as Chairman of the World Energy Council. From 1978 to 2005, he held many positions, including Deputy Minister of the Environment of Quebec, President and Chief Executive Officer and Chairman of the Board of Hydro-Québec, and President and Chief Executive Officer of Gaz Métro inc., formerly known as Gaz Métropolitain inc. Mr. Caillé is involved with a number of charitable organizations, and notably was Co-Chairman of the board of directors of the Fondation Père Sablon from January 2000 to March 2012. He has a Bachelor's in specialized chemistry as well as a Master's and Doctorate in physical chemistry from Université de Montréal. He has been the recipient of many prestigious awards, including the Pierre De Celles Award, and was also made a Knight of the Legion of Honour of the French Republic. He is a Member of the Order of Canada and an Officer of the Ordre national du Québec. Université de Montréal, the Institut national de la recherche scientifique and Royal Military College of Canada have all awarded him honorary doctorates.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100%
Chair and member of the HRC	7/7	100%
Member of the ARMC/AC[1]	9/10	90%
Member of the CRCGC	8/8	100%
Total	**43/44**	**97.7%**

Reporting issuers and public and parapublic corporations

Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Junex Inc.	2008 to date	• Chair of the Compensation Committee
Quebecor World Inc.[11]	2005 – 2009	–

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	10,583	27,924	38,507	43.50	1,675,055	450,000	10,344	372.2%	Yes
2012 split	8,998	24,636	33,634	38.975	1,310,885	450,000	11,545	291.3%	Yes
2012	4,499	12,318	16,817	77.95	1,310,885	450,000	5,773	291.3%	Yes

Gérard Coulombe

Independent
66, Sainte-Marthe, Quebec, Canada

Director since February 1994

Main areas of expertise:
– Commercial and corporate law
– Corporate/public sector management
– Financial markets and services
– Governance

Career profile

Gérard Coulombe is a Partner of the law firm Lavery, de Billy, L.L.P., where he practices commercial law. From 1977 to 2007, he was Senior Partner at Desjardins Ducharme, L.L.P., where he chaired the board of directors from 2000 to 2007. From 1972 to 1977, he was responsible for negotiating international tax treaties on behalf of the Department of Finance Canada. He is a member of the board of the Club de hockey Canadien, inc. and member of the boards of directors of the following Bank subsidiaries: FMI Acquisition Inc., National Bank Life Insurance Company, National Bank Group Inc., National Bank Acquisition Holding Inc. and National Bank Trust Inc. Mr. Coulombe is actively involved in several charitable organizations, particularly with the Canadian International Organ Competition. He has a Diploma of Law from the University of Ottawa and attended the University of Oxford in the United Kingdom on a Rhodes scholarship. Mr. Coulombe was called to the Quebec Bar in 1969 and was appointed Queen's Counsel in 1992. He received the title of *Advocatus Emeritus* from the Quebec Bar in 2013, in recognition of his exceptional contribution to the legal profession.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100%
Chair and member of the CRCGC	8/8	100%
Member of the HRC	7/7	100%
Total	**34/34**	**100%**

Reporting issuers and public and parapublic corporations

Director/Trustee *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Cominar Real Estate Investment Trust	2007 to date	• Chair of the Compensation Committee • Member of the Nominating and Corporate Governance Committee

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	15,380	55,914	71,294	43.50	3,101,289	450,000	10,344	689.2%	Yes
2012 split	14,030	51,432	65,462	38.975	2,551,381	450,000	11,545	567.0%	Yes
2012	7,015	25,716	32,731	77.95	2,551,381	450,000	5,773	566.9%	Yes

Bernard Cyr

Independent
66, Cap Shediac, New Brunswick, Canada

Director since August 2001

Main areas of expertise:
– Entrepreneurship
– Finance/risk management
– Regional markets
– Retail

Career profile

Bernard Cyr has been President of Cyr Holdings Inc., a holding company in the hotel, commercial real estate and entertainment sectors, since 1986, and President of Dooly's Inc., an entertainment industry franchiser, since 1993. Mr. Cyr is also Chairman of the board of directors of Advanced Lodging Inc. and member of the board of directors of Groupe Savoie inc. and Partenaire Dumont inc. He was a member of the Bank's Atlantic Canada business development committee from 1996 to 2001. Mr. Cyr plays a very active role in his region and is a member of the board of directors of the Dr. Georges L. Dumont Hospital Foundation Inc. He has served on several other boards of directors, has been involved with various charitable organizations, and has participated in several fundraising events. Mr. Cyr has a Bachelor's of Business Administration from Université de Moncton, which also awarded him an honorary doctorate.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100%
Member of the ARMC/AC(1)	10/10	100%
Total	**29/29**	**100%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Vitalité Health Network	2010 – 2012	–
New Brunswick Power Distribution and Customer Service Corporation	1998 – 2011	–

Securities held

Year(3)	Common Shares(4)	DSUs(5)	Total Common Shares and DSUs	Share price(6) ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors(7)	
2013	35,950	–	35,950	43.50	1,563,825	450,000	10,344	347.5%	Yes
2012 split	33,702	–	33,702	38.975	1,313,535	450,000	11,545	291.9%	Yes
2012	16,851	–	16,851	77.95	1,313,535	450,000	5,773	291.8%	Yes

Gillian H. Denham

Independent
53, Toronto, Ontario, Canada

Director since October 2010

Main areas of expertise:
– Finance/risk management
– Financial markets and services
– Human resources/compensation
– Retail

Career profile

Gillian H. Denham, who is a Corporate Director, sits on a number of boards including Morneau Shepell Inc., a provider of human resource consulting and outsourcing services. Since 2012 she has also been a member of the board of directors, and since January 2013, member of the Audit, Governance, and Human Resources and Compensation Committees of Penn West Petroleum Ltd., one of Canada's largest producers of conventional oil and natural gas. Further, since December 2013, she sits on the board of directors as well as on the Governance and Human Resources Committees of Markit Group Holdings Limited, sole shareholder of Markit Group Limited, a financial information services provider delivering over 40 products and services designed to reduce risk, enhance transparency and improve operational efficiency. Since September 2012, she has also been a member of the board of directors and the Audit and Conduct Review Committees, as well as Chair of the Investment Committee, of Munich Reinsurance Company of Canada and the Temple Insurance Company. From 2001 to 2005, she was Vice Chair, Retail Markets at Canadian Imperial Bank of Commerce (CIBC). Ms. Denham joined Wood Gundy in 1983, subsequently acquired by CIBC, as an Assistant Vice-President in Corporate Finance. Throughout her career at CIBC, she held progressively more senior roles. From 2006 to 2010, she was a member of the board of directors and Chair of the Human Resources and Compensation Committee of the Ontario Teachers' Pension Plan. Gillian H. Denham is a member of the Board of Governors and the Finance & Audit Sub-Committee of Upper Canada College. She holds an Honours Business Administration (HBA) from The University of Western Ontario School of Business and an MBA (Baker Scholar) from Harvard Business School.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/19	94.7%
Member of the HRC	7/7	100%
Total	**25/26**	**96.2%**

Reporting issuers and public and parapublic corporations		
Director/Trustee *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Penn West Petroleum Ltd.	2012 to date	• Member of the Audit Committee • Member of the Governance Committee • Member of the Human Resources and Compensation Committee
Morneau Shepell Inc.(12)	2011 to date	• Member of the Audit Committee
Calloway Real Estate Investment Trust	2011 – 2012	–
Morneau Sobeco Income Fund(12)	2008 – 2011	–
Ontario Teachers' Pension Plan	2006 – 2010	–

Securities held

Year(3)	Common Shares(4)	DSUs(5)	Total Common Shares and DSUs	Share price(6) ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors(7)	
2013	12,121	130	12,251	43.50	532,919	450,000	10,344	118.4%	Yes
2012 split	11,326	124	11,450	38.975	446,264	450,000	11,545	99.1%	Five-year grace period after taking office to meet requirements(13)
2012	5,663	62	5,725	77.95	446,264	450,000	5,773	99.1%	Five-year grace period after taking office to meet requirements(13)

Richard Fortin

Independent

65, Longueuil, Quebec, Canada

Director since August 2013

Main areas of expertise:
- Entrepreneurship
- Finance/risk management
- Financial markets and services
- Retail

Career profile

Richard Fortin is a Corporate Director. He is a member of the board of directors of Alimentation Couche-Tard inc., a convenience store operator, where he held the positions of Executive Vice-President and Chief Financial Officer until he retired in October 2008 and became Chairman of Alimentation Couche-Tard inc's. board of directors until September 2011. He is also a member of the board of directors of Transcontinental Inc., has been a member of its Audit Committee since 2004, and committee Chair since 2008. In addition, Mr. Fortin has been a member of the board of directors and the Audit Committee of National Bank Life Insurance Company, a Bank subsidiary, since 2005, and has been the Audit Committee Chair since February 2013. He was a director and member of the Audit Committee of Rona Inc. from 2009 to 2013. He has held several positions within financial institutions, including Vice-president for Quebec for Société Générale (Canada). In May 2012, he was the first recipient of the "Aces of Finance" Homage Award awarded by the Quebec Chapter of Financial Executives International Canada (FEI Canada) for his great contribution to finance, as well as being an inspiration for his peers. Richard Fortin obtained a Bachelor's in Management with a major in Finance from Université Laval in 1970. In 2002, the Faculty of Business Administration of Université Laval awarded him a Hermes prize, which is given annually to graduates who, through their careers, have advanced professions related to business administration.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member[14]	4/5	80%
Member of the AC[14]	2/2	100%
Member of the RMC[14]	5/5	100%
Total	**11/12**	**91.7%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Alimentation Couche-Tard inc.	1988 to date	• Member of the Executive Committee
Transcontinental Inc.	2004 to date	• Chair of the Audit Committee
Rona Inc.	2009 – 2013	–

Securities held

Year[15]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[16] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	3,939	781	4,720	43.50	205,320	450,000	10,344	45.6%	Five-year grace period after taking office to meet requirements[17]

Jean Houde

Independent

68, Montreal, Quebec, Canada

Director since March 2011

Main areas of expertise:
- Corporate/public sector management
- Finance/risk management
- Financial markets and services
- Human resources/compensation

Career profile

Jean Houde is Chairman of the board of directors of Gaz Métro inc., a distributor of natural gas. He is also Chairman of the board of directors of Finance Montreal – Quebec's financial cluster, an organization that promotes initiatives in Montreal's financial industry. He is also on the board of directors of Innovassur, assurances générales inc., of the International Financial Centre of Montreal (IFC – Montreal) and he is Vice-Chairman of the board of directors and, since April 2012, a member of the Audit Committee of JOA Groupe Holding, a private French company. From 2010 to January 2011, he was a business development advisor at accounting firm Samson Bélair/Deloitte & Touche s.e.n.c.r.l. From 2005 to 2009, he was Deputy Minister of Finance of Quebec. Prior to that, he was Chairman of the Board and President and Chief Executive Officer of Investissement Québec. From 1990 to 2003, he held several positions at the Bank. He joined the Bank as Senior Vice-President – Human Resources and when he left, he was Senior Vice-President – Corporate Affairs. He has a law degree and an MBA from Université Laval. Mr. Houde was called to the Quebec Bar in 1971.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100%
Chair and member of the AC[1] Member of the ARMC/RMC[1]	20/22	90.9%
Member of the CRCGC[18]	4/4	100%
Total	**43/45**	**95.6%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Gaz Métro inc.	2010 to date	• Chair of the Human Resources and Corporate Governance Committee

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	13,016	–	13,016	43.50	566,196	450,000	10,344	125.8%	Yes
2012 split	11,938	–	11,938	38.975	465,284	450,000	11,545	103.4%	Yes
2012	5,969	–	5,969	77.95	465,284	450,000	5,773	103.3%	Yes

Louise Laflamme

Independent

61, Rosemère, Quebec, Canada

Director since November 2008

Main areas of expertise:
- Corporate/public sector management
- Finance/risk management
- Financial markets and services
- Human resources/compensation

Career profile

Louise Laflamme is a Corporate Director. She was Executive Vice-President and Advisor to the President and Chief Executive Officer of the Montreal Exchange Inc.[19] until her departure in June 2008, after 11 years with this institution dedicated to the development of the Canadian derivatives market. Among others, she served as Chief Financial Officer and was also responsible for human resources and administration. She also worked for 12 years at accounting firm Raymond, Chabot, Martin, Paré & Associés. Ms. Laflamme has worked for a number of well-known companies where she has held various positions, in particular in internal audit and financial management. Ms. Laflamme has been a member of the Ordre des comptables professionnels agréés du Québec since 1977.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100%
Member of the ARMC/AC/RMC[1]	22/22	100%
Member of the HRC[20]	4/4	100%
Total	**45/45**	**100%**

Reporting issuers and public and parapublic corporations	
Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2013)*
–	–

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	16,563	9,719	26,282	43.50	1,143,267	450,000	10,344	254.0%	Yes
2012 split	15,542	7,676	23,218	38.975	904,922	450,000	11,545	201.1%	Yes
2012	7,771	3,838	11,609	77.95	904,922	450,000	5,773	201.0%	Yes

Julie Payette

Independent

50, Montreal, Quebec, Canada

New nominee

Main areas of expertise:
- Corporate/public sector management
- Finance/risk management
- Real estate
- Science/information technology

Career profile

Since July 2013, Julie Payette has been director of the Montreal Science Centre, a museum entirely devoted to science and technology. She is also Vice-President CSM of the Canada Lands Company, a federal Crown corporation that optimizes the financial and community value of strategic properties that are no longer required by the Government of Canada. Since September 2011, Julie Payette has served on the board of directors of Université Laval's Collège des administrateurs de sociétés, the first French-language institution dedicated to corporate director education. Since June 2010, she has also served on the board of directors of Own The Podium, an independent organization that determines and prioritizes investment strategies in high-performance sport, helping Canada win more Olympic medals. Since November 2013, she also sits on the board of directors of First Robotics Québec, a company that inspires young people to explore careers in engineering and science through a vast annual robotics competition. An engineer by training, Julie Payette was selected to become an astronaut in 1992 and joined NASA's Astronaut corps in 1996, where, among others, she held the position of CAPCOM (Capsule Communicator) at Mission Control Center in Houston. Julie Payette has flown on two space shuttle missions, Discovery (1999) and Endeavour (2009), logging over 611 hours in space. She was the Chief Astronaut for the Canadian Space Agency from 2000 to 2007, a fellow at the prestigious Woodrow Wilson Center in Washington, D.C., and the scientific delegate for Québec in the United States from 2011 to 2013. Julie Payette is a member of the Ordre des ingénieurs du Québec and the International Academy of Astronautics. She obtained an International Baccalaureate from the United World College of the Atlantic, UK, a Bachelor of Electrical Engineering from McGill University, and a Master of Applied Science – Computer Engineering from the University of Toronto and has the ASC certification from the Collège des Administrateurs. Julie Payette is the recipient of several awards and honours. She was named Knight of the Ordre National du Québec in 2002 and was inducted in 2010 into the Canadian Aviation Hall of Fame. Julie Payette was awarded the NASA Exceptional Service Medal and is an Officer of the Order of Canada.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*
New nominee	–

Reporting issuers and public and parapublic corporations	
Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2013)*
–	–

Securities held

Year[15]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[16] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	–	–	–	43.50	–	450,000	10,344	–%	Five-year grace period after taking office to meet requirements[21]

Roseann Runte

Independent
66, Ottawa, Ontario, Canada

Director since April 2001

Main areas of expertise:
– Academia
– Corporate/public sector management
– Governance
– International markets

Career profile

Roseann Runte has served as President and Vice-Chancellor of Carleton University in Ottawa since July 1, 2008. She also served as President of Old Dominion University in Norfolk, Virginia from 2001 to 2008 and as President of Victoria University in the University of Toronto from 1994 to 2001. Roseann Runte was a member of the board of directors of The Jean Coutu Group (PJC) Inc. from 2004 to 2006 and director of LifeNet Health from 2008 to 2012. She was also a member of the Executive Advisory Council of SunGard Higher Education Inc. and served on various boards of directors in the cultural and economic development sectors. She is the author of many books and articles, notably on education and economic and cultural development. She has a Bachelor's in French from New York University and a Master's and a Doctorate from the University of Kansas and completed eight courses at the Harvard Business School and the Kennedy School. She has received many honorary doctorate degrees from several universities and many distinctions, including the National Order of Merit (France). Roseann Runte is also a Member of the Order of Canada.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100%
Member of the CRCGC	8/8	100%
Total	**27/27**	**100%**

Reporting issuers and public and parapublic corporations	
Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2013)*
–	–

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	13,011	34,829	47,840	43.50	2,081,040	450,000	10,344	462.4%	Yes
2012 split	11,800	32,082	43,882	38.975	1,710,301	450,000	11,545	380.0%	Yes
2012	5,900	16,041	21,941	77.95	1,710,301	450,000	5,773	380.0%	Yes

Lino A. Saputo, Jr.

Independent
47, Montreal, Quebec, Canada

Director since April 2012

Main areas of expertise:
– Corporate/public sector management
– Industry/manufacturing
– International markets
– Telecommunications and media

Career profile

Lino A. Saputo, Jr. has been Chief Executive Officer since 2004 of Saputo Inc., one of the largest dairy processors in the world with 12,000 employees, as well as Vice-Chairman of the board of directors since 2011. Since 2008, he has also been a member of the board of directors of Transcontinental Inc., a provider of web solutions and marketing communications and Canada's leading consumer magazine publisher. From 1993 to 2004, he held various positions at Saputo Inc., including that of President and Chief Operating Officer of Saputo Inc.'s Dairy Products Division (USA). He is involved with a number of charitable organizations, and in 2011 he co-founded the Amelia & Lino A. Saputo Jr. Foundation. He is also actively involved in a number of fundraising campaigns as co-chair, including the Hôpital Marie-Clarac Palliative Care Unit campaign and Centraide of Greater Montréal campaign, where he has held a number of positions in recent years. Mr. Saputo, Jr. has a Bachelor's in Political Science from Concordia University.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	17/19	89.5%
Member of the HRC	6/7	85.7%
Total	**23/26**	**88.5%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Saputo Inc.	2001 to date	–
Transcontinental Inc.	2008 to date	• Member of the Human Resources and Compensation Committee

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	13,655	2,635	16,290	43.50	708,615	450,000	10,344	157.4%	Yes
2012 split	11,316	1,224	12,540	38.975	488,747	450,000	11,545	108.6%	Yes
2012	5,658	612	6,270	77.95	488,747	450,000	5,773	108.6%	Yes

Pierre Thabet

Independent
56, St-Georges, Quebec, Canada

Director since March 2011

Main areas of expertise:
– Entrepreneurship
– Finance/risk management
– Industry/manufacturing
– Regional markets

Career profile

Pierre Thabet has been President of Boa-Franc, s.e.n.c., a Canadian manufacturer of pre-finished hardwood floors, since 1983. He also sits on the board of Canam Group Inc., which operates plants specializing in the design and manufacture of construction products and solutions, where he served on the Human Resources Committee from 2006 to 2010. Mr. Thabet is involved in local economic and social organizations. In 2010, he became an entrepreneur-trainer at the École d'entrepreneurship de Beauce, a school dedicated to training entrepreneurs in all industries. He was the honorary chair of the 2007-2008 fundraising campaign for the Fondation Centre hospitalier Beauce-Etchemin, the 2012 fundraising campaign of the Maison Catherine de Longpré and of the 22nd Gala de l'entreprise beauceronne. He has a Bachelor's in Administration, specializing in Accounting, from Université de Moncton.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100%
Member of the CRCGC[22]	3/4	75%
Member of the RMC[1]	11/12	91.7%
Total	**33/35**	**94.3%**

Reporting issuers and public and parapublic corporations		
Administrateur *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Canam Group Inc.	2006 to date	• Member of the Audit Committee

Securities held

Year[3]	Common Shares[4]	DSUs[5]	Total Common Shares and DSUs	Share price[6] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[7]	
2013	166,457	4,021	170,478	43.50	7,415,793	450,000	10,344	1,648.0%	Yes
2012 split	158,852	2,510	161,362	38.975	6,289,084	450,000	11,545	1,397.6%	Yes
2012	79,426	1,255	80,681	77.95	6,289,084	450,000	5,773	1,397.5%	Yes

Louis Vachon

Non-independent
51, Beaconsfield, Quebec, Canada

Director since August 2006

Main areas of expertise:
– Corporate/public sector management
– Finance/risk management
– Financial markets and services
– International markets

Career profile

Louis Vachon has been President and Chief Executive Officer of the Bank since June 2007. He is responsible for the strategies, direction and development of the Bank and its subsidiaries. From August 2006 to May 2007, he held the position of Chief Operating Officer of the Bank responsible for all its operating units. He was Chairman of the Board of Natcan Investment Management Inc. from November 2004 to September 2006 and of National Bank Financial from January 2005 to September 2006. From September 2005 to September 2006, he also held the position of President and Chief Executive Officer of National Bank Financial Inc. Louis Vachon began his career in 1985 with Citibank Canada and in 1986 joined Lévesque Beaubien Geoffrion inc., now National Bank Financial Inc., where he served as Vice-President until 1990. From 1990 to 1996, he was employed by BT Bank of Canada, the Canadian subsidiary of Bankers Trust, where he served as President and Chief Executive Officer from 1994 to 1996. Mr. Vachon returned to the Bank in 1996, first as President and Chief Executive Officer of Innocap Investment Management Inc. and then in 1998, was appointed Senior Vice-President – Treasury and Financial Markets. He is a member of the boards of the following Bank subsidiaries: National Bank Group Inc., National Bank Acquisition Holding Inc. and Natcan Acquisition Holdings Inc. Louis Vachon has a Bachelor's in Economics from Bates College and a Master's in International Finance from The Fletcher School. He has been a CFA charterholder since 1990. He was named 2012 Financial Personality of the Year by the business publication *Finance et Investissement* and in 2001 was named one of Canada's Top 40 Under 40™.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	19/19	100 %
Total	**19/19**	**100 %**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2013)*
Fiera Capital Corporation[A]	2012 to date	–
Molson Coors Brewing Company	2012 to date	–

Securities held[23]

Year[3]	Common Shares[4]	Share price[6] ($)	Total market value of Common Shares ($)	Meets the Bank's share ownership requirements[24]
2013	131,054	43.50	5,700,849	Yes
2012 split	129,690	38.975	5,054,668	Yes
2012	64,845	77.95	5,054,668	Yes

(A) On April 2, 2012, the Bank sold the operations of Natcan Investment Management Inc. and acquired a 35% interest in Fiera Capital Corporation. As a result of this transaction and to represent the Bank's interests, two seats on the board of directors of Fiera Capital Corporation have been reserved for representatives of the Bank, one of whom is Louis Vachon.

Notes to the tables of director nominees

(1) The Audit and Risk Management Committee was dissolved on April 24, 2013 at which date the Audit Committee and the Risk Management Committee were created. For more information on director attendance at Board and Board committee meetings, please refer to “Selection of director nominees, election and oversight” in Section 4 of this Circular.

(2) Maryse Bertrand was appointed to the Conduct Review and Corporate Governance Committee on April 24, 2013.

(3) This information reflects the situation for 2013 as at February 21, 2014, and for 2012 as at March 1, 2013. On February 13, 2014, the holders of record of Common Shares of the Bank as of February 6, 2014 received a dividend in the form of one common share for each common share they held. The payment of a share dividend resulted in a two-for-one share split of the outstanding Common Shares of the Bank. The information presented also reflects the split for fiscal 2012.

(4) This number includes Common Shares directly or indirectly beneficially owned or controlled.

(5) For more information on director compensation paid in the form of deferred stock units, please refer to “Compensation of the directors of the Bank and its subsidiaries for the fiscal year ended October 31, 2013” in Section 5 of this Circular.

(6) These amounts represent the price of Common Shares of the Bank on the Toronto Stock Exchange, for 2013, at the close of trading on February 21, 2014, and for 2012, at the close of trading on March 1, 2013.

(7) For more information, please refer to “Share ownership requirements” in Section 5 of this Circular.

(8) Maryse Bertrand has a five-year grace period from the date of her appointment as Bank director on April 4, 2012 to meet share ownership requirements for directors.

(9) Pierre Boivin was appointed member of the Board, the Risk Management Committee and the Human Resources Committee on April 24, 2013.

(10) Pierre Boivin has a five-year grace period from the date of his appointment as Bank director on April 24, 2013 to meet share ownership requirements for directors.

(11) Quebecor World Inc. was later known as World Color Press Inc. until a plan of arrangement was entered into with Quad/Graphics Inc. in July 2010.

(12) On January 1, 2011, Morneau Sobeco Income Fund concluded a plan of arrangement pursuant to which the income fund structure was converted into a dividend-paying publicly traded corporation, now called Morneau Shepell Inc.

(13) Gillian H. Denham has a five-year grace period from the date of her appointment as Bank director on October 27, 2010 to meet share ownership requirements for directors.

(14) Richard Fortin was appointed member of the Board, the Audit Committee and the Risk Management Committee on August 27, 2013.

(15) This information reflects the situation as at February 21, 2014.

(16) This amount represents the price of Common Shares of the Bank on the Toronto Stock Exchange at the close of trading on February 21, 2014.

(17) Richard Fortin has a five-year grace period from the date of his appointment as Bank director on August 27, 2013 to meet share ownership requirements for directors.

(18) Jean Houde was appointed member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

(19) Further to the combination of the Montreal Exchange Inc. and TSX Group Inc. on May 1, 2008, this company then became known as TMX Group Inc.

(20) Louise Laflamme ceased to be a member of the Human Resources Committee on April 24, 2013.

(21) If elected at the Meeting, Julie Payette will have a five-year grace period from the date of her appointment as a Bank director on April 10, 2014 to meet share ownership requirements for directors.

(22) Pierre Thabet ceased to be a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

(23) As an executive director of the Bank, Louis Vachon does not receive any compensation for participating in the activities of the Board and its committees. For more information about Mr. Vachon’s compensation, including the values of his PSUs, RSUs and options, please refer to Section 8 of this Circular.

(24) For more information, please refer to “Share ownership requirements” in Section 7 of this Circular.

Additional information about the director nominees

To the knowledge of the Bank, no director nominee is, at the date of this Circular, or has been, during the 10 years prior to the date of this Circular, a director, chief executive officer or chief financial officer of any company, including the Bank, that while the nominee was acting in such capacity, or after the nominee ceased to act in such capacity, and as a result of an event which occurred while the nominee was performing his or her duties, was the subject of one of the following orders that was in effect for more than 30 consecutive days, namely, any cease trade or similar order or any order that denied it access to any exemption under securities legislation.

To the knowledge of the Bank, no director nominee is, at the date of this Circular, or has been, during the 10 years prior to the date of this Circular, a director or executive officer of any company, including the Bank, that while the nominee was acting in such capacity or within a year of the nominee ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to, or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, except for:

– Pierre Boivin, who, until November 26, 2009, was a board member of TopTent Inc., a corporation which filed a commercial proposal with its creditors on April 30, 2010. On August 3, 2010, TopTent Inc. was discharged from the proposal;

– André Caillé, who, until July 21, 2009, was a board member of Quebecor World Inc., a company placed under the protection of the *Companies' Creditors Arrangements Act* (Canada) and Chapter 11 of Title 11 (*Bankruptcy*) of the United States Code on January 21, 2008. Quebecor World Inc. was delisted from the New York Stock Exchange on January 22, 2008. Quebecor World Inc. emerged from Canadian and U. S. bankruptcy protection on July 21, 2009. It then became known as World Color Press Inc. until a plan of arrangement was entered into with Quad/Graphics Inc. in July 2010; and

– Gérard Coulombe, who, until September 28, 2005, was a board member of Centre International de Gestion de Projets G.P., a non-profit company adjudged bankrupt on September 29, 2005. Centre International de Gestion de Projets G.P. was discharged from bankruptcy on April 4, 2008.

In addition, to the knowledge of the Bank, no director nominee has, during the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to, or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Furthermore, to the knowledge of the Bank, no director nominee has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a nominee. Moreover, in the opinion of the Bank, no disclosure concerning a settlement agreement entered into by a director nominee before December 31, 2000 is likely to be considered important to a reasonable securityholder in deciding whether to vote for a nominee, except for the following disclosure:

– Under an administrative settlement agreement approved by a panel of the Toronto Stock Exchange in August 1998, Lawrence S. Bloomberg agreed to pay a $250,000 fine, not as a result of any personal misconduct, but as President and Chief Executive Officer of First Marathon Securities Limited for compliance inadequacies in 1993, 1994 and 1995, and issues arising from the participation of certain officers and employees of that company in matters relating to the financing, sale of securities and operations of Cartaway Resources Corp. between July 1995 and June 1996.

INTRODUCTION

The Board believes that corporate governance is an effective tool which enhances its stability, efficiency and independence, provides a sound basis for the Bank's operations and benefits its clients, its employees and its shareholders.

The Bank's corporate governance rigorously articulates the applicable regulations and includes a set of structures, policies and procedures. The first of these structures is the Board, which is supported by four standing committees: the Audit Committee, the Risk Management Committee, the Conduct Review and Corporate Governance Committee, and the Human Resources Committee. On April 24, 2013, the Board approved splitting the Audit and Risk Management Committee into two distinct committees, the Audit Committee and the Risk Management Committee.

To discharge its responsibilities, the Board receives recommendations from the four oversight functions, namely, Internal Audit, Risk Management, Corporate Compliance and Finance, which support the Board by ensuring that controls within the operating units are effective and that activities, results and risk exposure are reported in a reliable manner.

The Board's corporate governance policies and procedures enable it to achieve its objective of sound corporate governance and comply with the requirements of authorities that regulate the Bank, including the Superintendent of Financial Institutions (Canada), the CSA and the Toronto Stock Exchange.

The mandates of the Board and its four standing committees are available in the governance subsection under "About Us" on the Bank's website (nbc.ca). The mandate of the Board is incorporated by reference into this Management Proxy Circular and is also available on the SEDAR website (sedar.com).

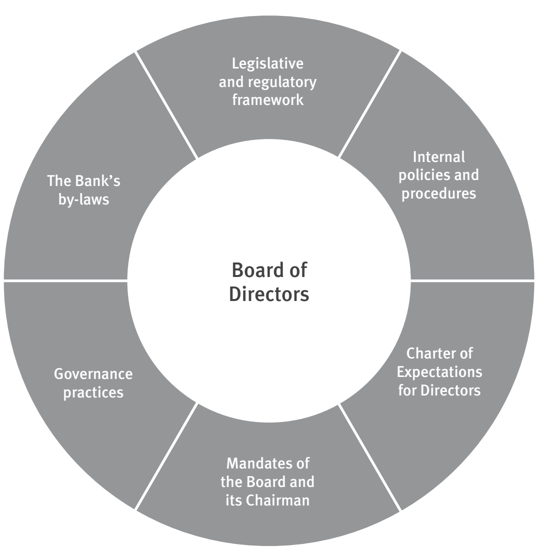
The following table details certain key factors of the governance practices implemented by the Board and directs the reader to the additional information contained in this Circular.

		Pages
Size of the Board (number of directors)	15	5-12, 19
Average age of directors	60	5-12, 19
Number of independent directors	13/15	20
All committee members are independent	✓	20
All directors are financially literate	✓	19
Number of Board meetings in fiscal 2013	19	21
Number of Board committee meetings in fiscal 2013	37	21
Meeting attendance requirements are met	✓	21
The roles of Chairman and of President and Chief Executive Officer are separate	✓	18
Directors are elected annually	✓	24
Directors are elected individually	✓	3, 24
A majority voting policy for the election of directors has been adopted	✓	24
The Code of Conduct and Ethics is signed and upheld by directors	✓	20
An annual advisory vote on executive compensation is held	✓	3
A formal Board assessment process has been established	✓	23
A guidance program for new directors has been implemented	✓	24
A continuing education program for directors has been implemented	✓	25

BOARD OF DIRECTORS

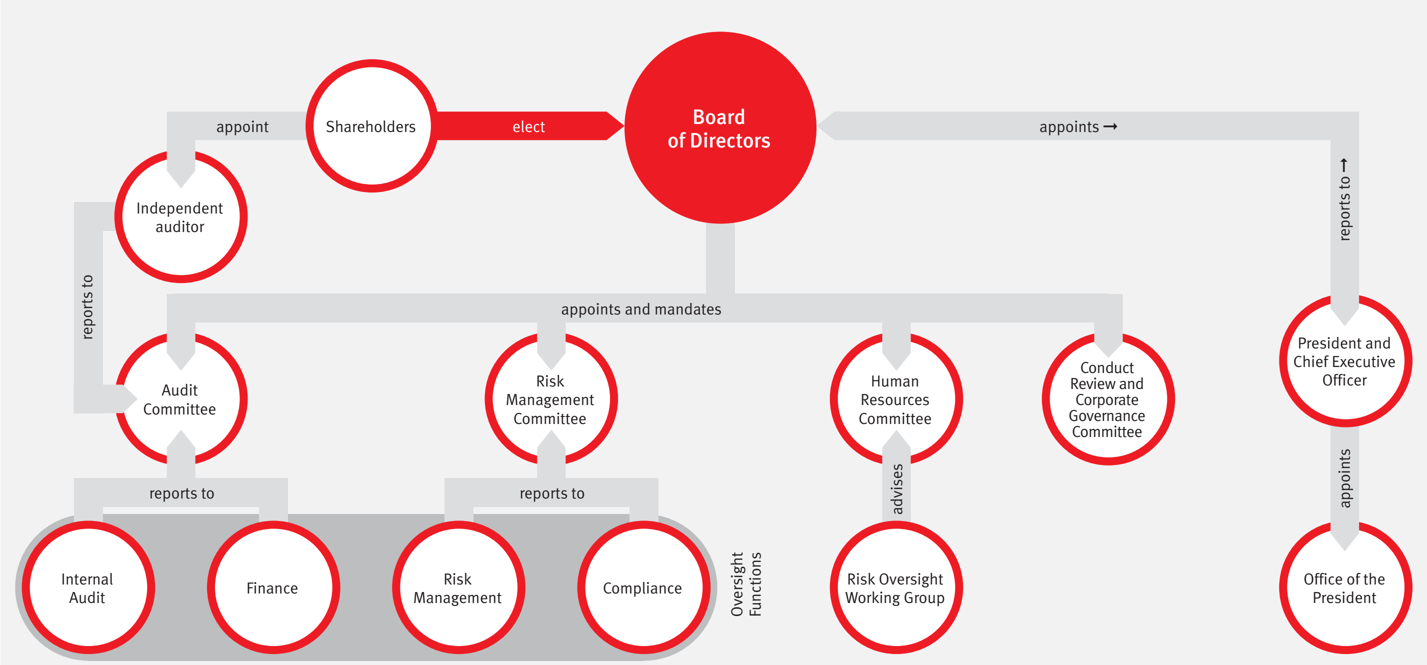
Framework

The Board's roles and responsibilities are defined by six factors:



The Board prepares and approves its own mandate as well as its Chairman's, and regularly assesses and reviews them to ensure compliance with legislation in force and that they adequately reflect the duties and responsibilities of the Board and its Chairman. Changes to these mandates are submitted to the Board for approval, whereas changes to the mandate of the Chairman of the Board are approved in his or her absence.

The Board's corporate governance practices are set out in a document available in the governance subsection under "About Us" on the Bank's website (nbc.ca).



Roles and responsibilities

The main duty of the Board is to oversee and provide direction for the management and operations of the Bank, safeguard its assets, and ensure its viability, profitability and development. The Board communicates its directions to management through the President and Chief Executive Officer of the Bank, who oversees their implementation. Management is responsible for the day-to-day management of the Bank's operations pursuant to the powers delegated by the Board and in accordance with applicable legislation and regulations.

1. Review and approve objectives, strategy and operating plans
2. Promote integrity and ethical behaviour
3. Ensure compliance with applicable legislation and regulations and strong governance
4. Ensure risks are effectively managed
5. Oversee management
6. Plan and develop management succession
7. Ensure transparent and diligent reporting and disclosure of financial information
8. Develop a compensation approach to maximize Bank competitiveness and support achievement of its objectives
9. Ensure officers and material risk takers comply with share ownership requirements

The nine core responsibilities of the Board

1. Review and approve objectives, strategy and operating plans

The Board periodically reviews, assesses and approves management's strategic plan setting out the Bank's mission, vision, business objectives and strategy, taking into account business opportunities and risks. The approval process includes discussions among the Board members as well as with members of the Bank's management. The Board proposes such amendments to the strategic plan as it deems appropriate before approving it. Management implements the strategy as approved and makes progress reports to the Board. The Board examines and approves the business plans for the Bank's main operations and regularly reviews them to ensure they remain appropriate and prudent given, in particular, the Bank's economic and business environment, its resources and its results.

The Board is assisted by the Bank's President and Chief Executive Officer and the Office of the President.

2. Promote integrity and ethical behaviour

The Board promotes integrity and ethical behaviour within the Bank, specifically with regard to the duty to act with honesty and integrity, abide by the law, treat others with respect, keep information in the strictest confidence, avoid conflicts of interest and respect the Bank.

It ensures that the rules of conduct and ethics are maintained, in particular by adopting and updating a Code of Conduct and Ethics for directors, officers and employees of the Bank and its subsidiaries (the "Code of Conduct and Ethics"). The Board also ensures that the Bank has an appropriate and effective process in place to ensure compliance with these rules. Moreover, the Board ensures that any material breach of the rules of the Code of Conduct and Ethics by a director or executive officer is disclosed in accordance with applicable continuous disclosure obligations. It also ensures that the Code of Conduct and Ethics is filed with the CSA and available on the Bank's website (nbc.ca).

3. Ensure compliance with applicable legislation and regulations and strong governance

The Board reviews the processes that ensure the Bank's operations comply with applicable legislation and regulations.

With the support of the Risk Management Committee, the Board adopts policies with regard to compliance and regulatory risk and keeps apprised of important changes to laws and regulations applicable to the Bank. It requires that management set up a compliance program to ensure that the Bank complies with its obligations.

The Board periodically reviews and approves, with the assistance of the Conduct Review and Corporate Governance Committee, the Bank's corporate governance practices. It keeps apprised of corporate governance trends and best practices, which it reflects in developing, implementing and overseeing the Bank's policies and practices.

4. Ensure risks are effectively managed

The Board is responsible for reviewing and approving the overall risk philosophy and risk appetite of the Bank, recognizing and understanding the major risks to which the Bank is exposed and ensuring that appropriate systems are in place to effectively identify, control and manage those risks. The Board delegates responsibility for executing certain elements of the risk oversight program to the Risk Management Committee. During 2013, based on changes in best practices and regulations, the Board approved splitting the Audit and Risk Management Committee into two distinct committees and assigned specific responsibilities to each of them.

The Risk Management Committee reviews the capital plan, the risk appetite framework, the main risk management principles and the risk tolerance limits, and recommends their approval by the Board, who ensures their implementation. It ensures that the appropriate resources and processes are in place to properly and effectively manage risk on an ongoing basis. Lastly, it oversees the Bank's risk profile and business-related trends and ensures that they are in line with the Bank's risk appetite. The respective responsibilities of the Board and the Risk Management Committee are clearly set out in their mandates.

To fulfill its obligations, the Risk Management Committee reviews detailed quarterly reports from the Bank's Risk Management sector covering all risks to the Bank, the general allowance for credit risk, impaired loans and loan losses. The Committee also reviews periodic reports on capital management, capital assessment and stress testing.

5. Oversee management

The Board fulfills its duty to oversee the management of the Bank's affairs by reviewing periodic reports submitted by the various business line leaders, and through discussions with senior management in those business lines. It ensures that it understands the decisions, plans and policies being undertaken by senior management and their impact on the Bank and obtains assurances from senior management that the decisions, plans and policies are consistent with the Board-approved risk appetite framework of the Bank, and that the corresponding internal controls are sound and implemented in an effective manner.

6. Plan and develop management succession

The Board approves the appointment of qualified and competent officers. It oversees the succession planning process for management positions, including, in particular, that of the President and Chief Executive Officer.

The Board, with the assistance of the Conduct Review and Corporate Governance Committee and the Human Resources Committee, ensures that the President and Chief Executive Officer and other Executive Officers respect and foster a culture of ethical behaviour and integrity throughout the Bank.

7. Ensure transparent and diligent reporting and disclosure of financial information

Information must be reported to the Bank's shareholders, investors and clients and to the general public in a transparent and diligent manner. On the recommendation of the Audit Committee, the Board reviews and approves the annual and interim financial statements of the Bank, related Management's Discussion and Analysis, audit procedures and management information systems. The Audit Committee receives reports from and has regular discussions in private with the internal auditor and the independent auditor of the Bank. The Committee reviews and approves the processes for financial reporting and disclosure and it ensures that reporting to shareholders is reliable, and timely and non-selective. It approves and regularly reviews the Bank's Information Disclosure Policy, which describes, in particular, the type of information to be disclosed, whether financial or non-financial, and when and how such information may be disclosed. This policy provides for the creation of an Annual and Quarterly Information Disclosure Committee, as well as a Timely Disclosure Committee. The first committee is tasked with overseeing the implementation and effectiveness of disclosure controls and procedures and internal control over financial reporting, and the second with overseeing the implementation and effectiveness of disclosure procedures for timely material information.

8. Develop a compensation approach to maximize Bank competitiveness and support achievement of its objectives

The Human Resources Committee assists the Board in the exercise of its duties relating to human resources. The Committee ensures that the compensation policies and programs in place are conducive to achieving the Bank's objectives, without jeopardizing its viability, solvency or reputation.

The Bank's total compensation policies and programs are based on the following principles:

- Offer compensation based on the Bank's financial and market performance, considering different performance periods;
- Promote sound risk-taking;
- Recognize the contributions of the Executive Officers and Officers; and
- Align the vision of the Executive Officers, Officers and material risk takers with those of shareholders.

9. Ensure officers and material risk takers comply with share ownership requirements

The Human Resources Committee has imposed share ownership requirements to ensure that the interests of the Bank's officers and material risk takers are closely tied to those of shareholders.

Under these rules, officers of the Bank and its designated subsidiaries as well as material risk takers are required to maintain minimum holdings of Common Shares of the Bank, including vested (but unexpired) and non-vested Performance Share Units, vested (but unexpired) and non-vested Restricted Stock Units, vested and non-vested Deferred Stock Units, vested (but unexercised) Stock Appreciation Rights of the Bank and vested (but unexercised) options. The value of the minimum holdings of Common Shares varies according to each officer's compensation and position, and equals the average base salary for the previous three years received multiplied by a factor established under the requirements.

The Bank's officers and material risk takers have five years from the date they take up their duties or the date of their promotion to meet these requirements. Moreover, they must ensure they meet the share ownership requirements. If, for any reason, a shortfall should occur, the officer or material risk taker would then have to abstain from selling his or her Bank shares and from exercising his or her vested options and vested stock appreciation rights (unless the shares are kept) until such time as the minimum requirements are once again met.

The Human Resources Committee regularly monitors share ownership to ensure that these requirements are met.

External consultants

The Board and each of its committees may engage, when they deem it appropriate, legal counsel or other independent external consultants to assist them in carrying out their duties and responsibilities. They can also establish their mandate and set their remuneration. The Bank provides the necessary funds to cover the costs related to these consultants. Before engaging such consultants, the Board or the committee in question assesses the nature of the mandates to be awarded by the Bank to verify that the consultants' independence is not impaired. Exceptionally, the Chairman of the Board or the Chair of the committee in question may assess the independence of the consultants, establish their mandate and hire them, provided that the Board or committee in question subsequently confirms the assessment of the consultants' independence made by the Chairman of the Board or the Chair of the committee in question and ratifies their hiring. When the Board or a committee engages consultants for an indefinite period, it is required on an annual basis to approve the list of mandates that the Bank intends to entrust to the consultants to ensure that the mandates do not impair their independence.

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board is independent as defined by the CSA. He assumes the leadership of the Board with a view to ensuring the interests of the Bank, its shareholders and its clients, and also leads the Board's activities. He discharges the responsibilities vested in him by applicable legislation. He promotes the highest standards of integrity and ethical conduct within the Board as well as stringent corporate governance standards and ensures that the Bank complies with the applicable regulatory requirements.

Furthermore, the Chairman of the Board ensures that the Board effectively and independently performs its duties and responsibilities and assigns tasks to different Board members, as necessary. He also ensures that Board committees discharge the responsibilities vested in them by the Board and report back to the Board with the results of their work.

He further ensures that the Board has the necessary resources and information to fulfill its mandate and responsibilities. He sees to it that the independent directors meet at the end of each Board meeting without the Bank's management being present and chairs the proceedings in camera. He assists the Conduct Review and Corporate Governance Committee in overseeing the process of assessing Board, committee and director performance.

The Chairman of the Board does not have a deciding vote in the event of equality of Board member votes.

The mandate of the Chairman of the Board can be found in the governance subsection under "About Us" on the Bank's website (nbc.ca).

COMMITTEES CREATED BY THE BOARD

The Board delegates some of its powers to committees that it creates in accordance with applicable legislative requirements and according to its needs. Committee members and Chairs are appointed from among the directors and must meet the applicable legislative eligibility requirements as well as CSA independence standards. Each year, the Bank discloses the membership of each committee in its annual Management Proxy Circular; this information is also available in the governance subsection under "About Us" on the Bank's website (nbc.ca).

Provision is made for committee members to meet without the presence of the Bank's management, which is invited to attend committee meetings from time to time. Committees report regularly to the Board on their activities.

The Chairman of the Board may attend the meetings of each committee as an invited guest.

Based on the recommendations of the Conduct Review and Corporate Governance Committee, the Board develops and approves the mandates of each Board committee as well as those of the Committee Chairs. The Board committees regularly review their respective mandate and that of their Chair and recommend them for approval to the Board to ensure that they adequately reflect how they function, as well as their activities and responsibilities, and those of their chair, while complying with current legislation.

For more information regarding members of the standing committees of the Board, see the table under "Committees of the Board" in Section 6 of this Circular.

SELECTION OF DIRECTOR NOMINEES, ELECTION AND OVERSIGHT

The Board expects directors to devote the necessary time and energy to fully assume their responsibilities to the Bank. Directors are expected to show leadership and initiative, be proactive and prepare thoroughly in order to actively participate in deliberations during meetings of the Board and any committees on which they serve. Directors must remain abreast of the Bank's operations and business and keep their financial literacy up to date. The Board also expects that directors shall behave with honesty and integrity and, in particular, comply with the Bank's Code of Conduct and Ethics, as well as with all material elements of the directors' and officers' codes of conduct of any corporation of which they are a director or officer.

Size and composition of the Board

The Board is composed of 12 to 18 directors. The Board, together with the Conduct Review and Corporate Governance Committee, periodically reviews its size and composition to verify its effectiveness, within the limits set out in the applicable legislation and its By-Laws.

Directors must meet all the eligibility criteria set out in the Act, any other legislation applicable to the Bank, and any internal rules established by the Board. All the directors are Canadian residents. In accordance with the Act, less than one-third of director nominees are affiliated with the Bank.

Competencies

The Board is composed of directors who possess extensive complementary knowledge and competencies, as well as relevant expertise to make an active, informed and positive contribution to the management of the Bank, the conduct of its business and the strategic direction of its development.

The following table details key information concerning the proposed nominees for election as directors of the Bank together with their areas of expertise.

	Age		Languages		Geographic location			Business sectors and industries												Experience related to the position					
Director nominee	Under age 65	Age 65 and older	French	English	Quebec	Ontario	Atlantic Canada	Corporate/Public sector management	Education	Financial markets and services	Industry/Manufacturing	International markets	Natural resources	Public policy	Real estate	Regional markets	Retail trade	Science/Information technology	Telecommunications/Media	Business and corporate law	Entrepreneurship	Finance/Risk management	Governance	Human resources/Compensation	President/Chief Executive Officer/Executive Officer
Maryse Bertrand	✓		✓	✓	✓			✓		✓					✓				✓	✓		✓	✓		✓
Lawrence S. Bloomberg		✓		✓		✓				✓		✓									✓	✓			✓
Pierre Boivin	✓		✓	✓	✓			✓					✓						✓			✓			✓
André Caillé		✓	✓	✓	✓			✓					✓	✓								✓	✓	✓	✓
Gérard Coulombe		✓	✓	✓	✓			✓		✓				✓						✓		✓	✓	✓	
Bernard Cyr		✓	✓	✓			✓							✓	✓	✓	✓				✓	✓			✓
Gillian H. Denham	✓		✓	✓		✓		✓		✓			✓			✓	✓					✓	✓	✓	✓
Richard Fortin		✓	✓	✓	✓			✓		✓		✓					✓				✓	✓			✓
Jean Houde		✓	✓	✓	✓			✓		✓	✓		✓	✓								✓	✓	✓	✓
Louise Laflamme	✓		✓	✓	✓			✓		✓												✓		✓	✓
Julie Payette	✓		✓	✓	✓			✓				✓			✓			✓				✓	✓		✓
Roseann Runte		✓	✓	✓		✓		✓	✓			✓									✓	✓	✓	✓	
Lino A. Saputo, Jr.	✓		✓	✓	✓			✓			✓	✓							✓		✓	✓		✓	✓
Pierre Thabet	✓		✓	✓	✓						✓					✓					✓	✓			✓
Louis Vachon	✓		✓	✓	✓			✓		✓		✓				✓						✓		✓	✓
Total	8	7	14	15	11	3	1	12	1	8	3	6	4	4	3	4	3	1	3	2	6	15	7	8	13

The Board's expectations with regard to its members, both in terms of their individual experience and their contribution to the Board, are specified in the Charter of Expectations, which is prepared by the Conduct Review and Corporate Governance Committee and approved by the Board.

Selection criteria setting out the abilities sought when nominating a new director for election or when nominating an existing director for re-election, as applicable, are determined by the Conduct Review and Corporate Governance Committee and approved by the Board. The criteria call for a complementary mix of knowledge and expertise for directors as a whole to ensure that the Board can fulfill its role effectively in all areas.

Director nominees must have a range of abilities, including adequate financial literacy given the scope and complexity of the Bank's business, and solid business judgment. Moreover, director nominees must have a proven track record for reactive, objective and informed decision-making, their sense of initiative and independent judgment, as well as for assuming responsibilities on Board committees.

The Board believes that its current composition provides and maintains the knowledge, skills, expertise, geographic representation, diversity and number of directors it requires to ensure informed decision-making, appropriate composition of its committees and succession planning.

Independence

A majority of Board members and all Board committee members are independent, as defined by the CSA. The Board, either directly or through one of its committees, adopts structures and procedures to ensure the Board functions independently of the Bank's management.

All director nominees, except Lawrence S. Bloomberg and Louis Vachon, are independent.

Director nominee	Independent	Non-independent	Reason for non-independence
Maryse Bertrand (CRCGC, RMC)	✓		
Lawrence S. Bloomberg		✓	Advisor paid by a Bank subsidiary
Pierre Boivin (HRC, RMC)	✓		
André Caillé (HRC Chair, AC, CRCGC)	✓		
Gérard Coulombe (CRCGC Chair, HRC)	✓		
Bernard Cyr (AC)	✓		
Gillian H. Denham (HRC)	✓		
Richard Fortin (AC, RMC)	✓		
Jean Houde (AC Chair, CRCGC, RMC)	✓		
Louise Laflamme (AC, RMC)	✓		
Julie Payette	✓		
Roseann Runte (CRCGC)	✓		
Lino A. Saputo, Jr. (HRC)	✓		
Pierre Thabet (RMC)	✓		
Louis Vachon		✓	President and Chief Executive Officer of the Bank

During the fiscal year ended October 31, 2013, Jean Douville (Chairman of the Board) and Paul Gobeil (Chair of the Audit and Risk Management Committee, subsequently Chair of the Risk Management Committee and member of the Audit Committee) were independent directors as defined in the standards established by the CSA. Their names do not appear in the above table because they will cease being members of the Board and its committees on April 10, 2014.

The Conduct Review and Corporate Governance Committee regularly assesses the independence of the members of the Board in accordance with CSA criteria using, among other things, information provided semi-annually by directors or otherwise reported to the Conduct Review and Corporate Governance Committee. The Board then reviews the Conduct Review and Corporate Governance Committee's assessment of independence.

In fiscal 2013, the independent directors met in camera, without the Bank's management or the non-independent directors being present, at each Board and committee meeting.

To facilitate candid and open discussion, provision is made for the independent members of the Board and its committees to meet without the Bank's management being present, at each Board meeting.

Lastly, the Board ensures that the roles of Chairman of the Board and President and Chief Executive Officer are separate.

Integrity of directors

The directors of the Bank act with integrity and exercise independent judgment in performing their duties and fulfilling their responsibilities. In that regard, directors are bound by the provisions of the Code of Conduct and Ethics and other rules of conduct and ethics applicable to directors, officers and employees of the Bank, and annually undertake in writing to comply with the Code of Conduct and Ethics.

Director nominees must have a reputation for acting with integrity and honesty and a track record for fulfilling their fiduciary duty toward the companies they serve or served as directors and must have complied with all significant elements of the rules of conduct for directors and officers of said companies. The Conduct Review and Corporate Governance Committee conducts a background and reference check on all director nominees, before they are elected and thereafter at least every five years, in accordance with the guidelines issued by the Superintendent of Financial Institutions (Canada). The directors annually confirm in writing that they do not have a criminal record.

Conflicts of interest

Directors undertake, in writing, to comply with the Bank's standards with regard to conflicts of interest and renew their commitment on an annual basis. They must avoid all real, potential or apparent conflict of interest situations with the Bank. Any director with an interest in a contract or material transaction with the Bank must disclose the nature and scope of his or her interest as soon as possible to the Chairman of the Board or the Chair of the Conduct Review and Corporate Governance Committee, in accordance with applicable legislation. He or she must leave the meeting during the review of the contract or transaction and refrain from voting on the matter, barring exceptions provided for by applicable legislation. Moreover, the Corporate Secretary's Office regularly receives from the directors confirmation as to whether or not any conflicts of interest exist to ensure full disclosure.

Availability

The Board expects directors to attend and remain throughout the meetings to which they are called. However, directors unable to do so are required to inform the Chairman of the Board or chair of the committee in question as soon as possible, and contact him or her to obtain the highlights of the meeting. Directors are required to attend at least 75% of all the meetings to which they are called, unless the Conduct Review and Corporate Governance Committee deems that factors beyond their control prevented them from doing so, failing which the Board may re-evaluate their availability to act effectively as directors of the Bank.

In fiscal 2013, the average attendance rate for director nominees at Board meetings was 97.9% while the attendance rate for committee meetings was 94.1%. Each director attended at least 80% of the meetings to which he or she was called.

The following table shows the total number of Board and Board committee meetings held during the fiscal year ended October 31, 2013 and the attendance of director nominees standing for re-election at all said meetings.

Member	Board		AC(1)	ARMC(1)	RMC(1)	Sub-total AC/ARMC/RMC		CRCGC	HRC	Total for committees		Combined total	
Maryse Bertrand	18/19	94.7%		5/7	11/12	16/19	84.2%	4/4 (2)		20/23	87%	38/42	90.5%
Lawrence S. Bloomberg	19/19	100%										19/19	100%
Pierre Boivin	9/9 (3)	100%			10/12	10/12	83.3%		3/3 (3)	13/15	86.7%	22/24	91.7%
André Caillé	19/19	100%	3/3	6/7		9/10	90%	8/8	7/7	24/25	96%	43/44	97.7%
Gérard Coulombe	19/19	100%						8/8	7/7	15/15	100%	34/34	100%
Bernard Cyr	19/19	100%	3/3	7/7		10/10	100%			10/10	100%	29/29	100%
Gillian H. Denham	18/19	94.7%							7/7	7/7	100%	25/26	96.2%
Richard Fortin	4/5 (4)	80%	2/2 (4)		5/5 (4)	7/7	100%			7/7	100%	11/12	91.7%
Jean Houde	19/19	100%	3/3	6/7	11/12	20/22	90.9%	4/4 (5)		24/26	92.3%	43/45	95.6%
Louise Laflamme	19/19	100%	3/3	7/7	12/12	22/22	100%		4/4 (6)	26/26	100%	45/45	100%
Roseann Runte	19/19	100%						8/8		8/8	100%	27/27	100%
Lino A. Saputo, Jr.	17/19	89.5%							6/7	6/7	85.7%	23/26	88.5%
Pierre Thabet	19/19	100%			11/12	11/12	91.7%	3/4 (7)		14/16	87.5%	33/35	94.3%
Louis Vachon	19/19	100%										19/19	100%
Average attendance for all meetings		97.9%	100%	88.6%	92.3%		92.1%	97.2%	97.1%		94.1%		96.3%

(1) The Audit and Risk Management Committee was dissolved on April 24, 2013, at which date the Audit Committee and the Risk Management Committee were created.

(2) Maryse Bertrand was appointed a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

(3) Pierre Boivin was appointed a member of the Board, a member of the Risk Management Committee and a member of the Human Resources Committee on April 24, 2013.

(4) Richard Fortin was appointed a member of the Board, the Audit Committee and the Risk Management Committee on August 27, 2013.

(5) Jean Houde was appointed a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

(6) Louise Laflamme ceased to be a member of the Human Resources Committee on April 24, 2013.

(7) Pierre Thabet ceased to be a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

The following table details the attendance of the directors who will cease to be members of the Board and its committees on April 10, 2014.

Member	Board		AC[1]	ARMC[1]	RMC[1]	Sub-total AC/ARMC/RMC		CRCGC	HRC	Total for committees		Combined total	
Jean Douville[2]	19/19	100%										19/19	100%
Paul Gobeil	18/19	94.7%	3/3	7/7	12/12	22/22	100%	4/4[3]		26/26	100%	44/45	97.8%
Average attendance for all meetings		97.4%	100%	100%	100%		100%	100%			100%		98.4%

(1) The Audit and Risk Management Committee was dissolved on April 24, 2013, at which date the Audit Committee and the Risk Management Committee were created.

(2) Jean Douville regularly attends the various Board committee meetings as an invited guest.

(3) Paul Gobeil ceased to be a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

Outside directorships

Directors must inform the Chair of the Conduct Review and Corporate Governance Committee or the Chairman of the Board before accepting an invitation to serve on another board. Together with the Chairman of the Board, the Chair of the Conduct Review and Corporate Governance Committee assesses whether the director would be involved in a real, apparent or potential conflict of interest and whether the director's ability to discharge his or her responsibilities as a director of the Bank is affected.

The Board believes that the fact that a director of the Bank serves on the board of directors of another reporting issuer does not necessarily interfere with his or her ability to exercise his or her independent judgment and to act in the best interest of the Bank. The Board does not limit the number of boards on which directors may serve, but it regularly reviews this information to verify each director's ability to properly fulfill his or her role as director of the Bank.

The Bank maintains a list of all the directorships of its directors and director nominees. In its Management Proxy Circular, the Bank discloses the names of the reporting issuers as well as public and parapublic corporations on whose boards the director nominees currently serve or have served in the past five years. For more information, see the director nominee career profiles in Section 3 of this Circular.

Reporting issuers with more than one director nominee of the Bank serving as their directors, as well as the committees of said issuers on which the director nominees serve, if any, are disclosed in the following table:

Reporting issuer	Director	Committee of the reporting issuer of which the director nominee is a member
Transcontinental inc.	Richard Fortin	Chair of the Audit Committee
	Lino A. Saputo, Jr.	Member of the Human Resources and Compensation Committee

Change in status

Directors must inform the Chairman of the Board or the Chair of the Conduct Review and Corporate Governance Committee as soon as possible of any change in their professional or personal status that could have an impact on their role as directors, as well as any conflict of interest. The Chairman of the Board or the Chair of the Conduct Review and Corporate Governance Committee then submits a report to the Board containing the appropriate recommendations.

Board succession planning

The Board oversees its succession planning process implemented by the Conduct Review and Corporate Governance Committee, which includes establishing and regularly reviewing a list of potential director nominees, taking into account predetermined criteria.

In fiscal 2013, the directors had several discussions about Board succession planning and added to the evergreen list of potential director nominees compiled by the Conduct Review and Corporate Governance Committee.

The Board selects candidates with expertise that complements that of current members.

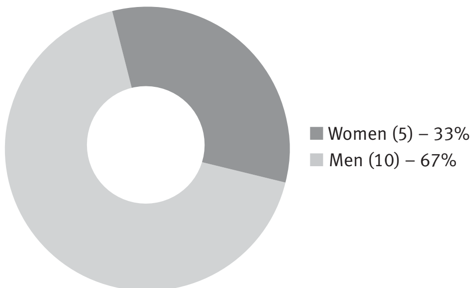
Diversity and gender parity

The Board considers that diversity among the members of the Board enriches discussion and therefore has acknowledged, with the adoption of a diversity statement during fiscal 2013, the importance of diverse representation among its directors reflecting the diversity of the Bank's clients, employees and shareholders. In the interest of improved corporate governance, the Conduct Review and Corporate Governance Committee recommends director nominees who, in addition to meeting the criteria determined by the Board and set out in this Circular, reflect the gender, age, cultural and geographic representation and other characteristics of the communities in which the Bank operates and transacts business.

In particular, the Board strives toward achieving gender parity between directors. Accordingly, the Board continues its efforts to identify more female nominees who meet the various selection criteria and has set an objective that half of the nominees appointed to fill Board vacancies be women. This set the stage this year for the Bank to join forces with several companies in signing an agreement initiated by Catalyst with a view to increasing the number of women serving on Canadian boards of directors.

Lastly, the Conduct Review and Corporate Governance Committee can engage external recruitment consultants to assist it in finding nominees who will help the Bank achieve the diversity objectives set by the Board.

The following chart shows the ratio of male/female representation based on the current slate of 15 director nominees.



Performance assessment

The Board regularly assesses its performance and effectiveness as well as that of its committees, the Chairman of the Board, the committee chairs and the directors in fulfilling their mandates, in keeping with a process implemented by the Conduct Review and Corporate Governance Committee.

The Conduct Review and Corporate Governance Committee is responsible for establishing and overseeing the process whereby each director can assess the effectiveness and contribution of the Board and its Chairman, of the Board committees and their respective chairs, as well as assess his or her own contribution as a Board and committee member.

The assessment process begins with the sending, to each director, of an assessment questionnaire and a self-assessment questionnaire prepared by the Corporate Secretary's Office and approved by the Conduct Review and Corporate Governance Committee. The questions in the assessment questionnaire cover, in particular, the Board's responsibilities, its relationship with management, its activities and its composition, the structure and activities of the committees, the material prepared for Board and committee meetings and the timeliness of their distribution to directors. The Corporate Secretary's Office submits to the Chairman of the Board all the responses received, except for those pertaining to the performance assessment of the Chairman of the Board, which are sent to the Chair of the Conduct Review and Corporate Governance Committee. The self-assessment questionnaires submitted by the directors are remitted directly to the Chairman of the Board.

Each director then meets individually with the Chairman of the Board to discuss his or her assessment of the performance of the Board, each Board committee of which he or she is a member and the committee Chair, if applicable, and his or her own performance as a Board and Board committee member, as applicable. The Chair of the Conduct Review and Corporate Governance Committee meets with the Chairman of the Board to discuss the comments received on his performance.

	Performance assessed				
Assessors	**Board**	**Chairman of the Board**	**Committees**	**Committee Chairs**	**Directors (self assessment)**
Chairman of the Board	✓				✓
Chair of the CRCGC	✓	✓	Committees on which he serves	Committees on which he serves except the CRCGC	✓
Directors	✓	✓	Committees on which they serve	Committees on which they serve	✓

Following these one-on-one meetings, the Conduct Review and Corporate Governance Committee holds a meeting where members discuss and review the comments collected from the questionnaires and the one-on-one meetings, and assess whether any changes or improvements are required with regard to the performance and effectiveness of the Board, the Board committees, the Chairman of the Board, the committee chairs and individual directors. A report is then presented to the Board.

In 2013, the assessment process was carried out in accordance with the respective mandates of the Board and the Conduct Review and Corporate Governance Committee.

Election and re-election

The Board has delegated to the Conduct Review and Corporate Governance Committee the responsibility of selecting director nominees for vacant positions and determining whether it is appropriate to re-elect each existing director.

Election

The Conduct Review and Corporate Governance Committee:

- Manages the process, establishes the criteria used to select directors and periodically reviews them to ensure they continue to comply with legislative and regulatory requirements and the Charter of Expectations and meet the Board's current and future needs;
- Compiles and regularly reviews an evergreen list of potential director nominees who meet the selection criteria identified by the Board. If deemed appropriate, the Committee may also engage an external recruitment consultant;
- Considers the aptitudes, knowledge and expertise of the new director nominees before recommending them to the Board, as well as the extent to which their background complements that of the other directors, and assesses the extent to which the candidate meets the Board's selection criteria and needs; it organizes one or more meetings with the candidate and certain Board members in order to obtain all the relevant information required; and
- Submits its recommendations on completion of the process to the Board, which approves all new director nominees.

The following chart shows the geographical representation of the slate of director nominees for election to fill Board vacancies.

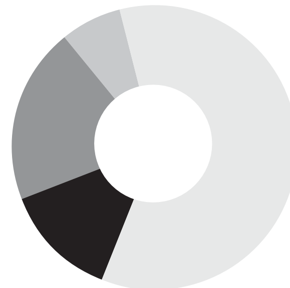
Re-election
The Conduct Review and Corporate Governance Committee annually assesses the eligibility and availability of directors nominated for re-election. To do so, it considers, in particular, their past performance assessments, their attendance at meetings of the Board and committees on which they serve, their independence, their competence, and their length of service on the Board, and submits its recommendations to the Board on completion of the process.

Majority voting
The Board has adopted a majority voting policy governing uncontested elections of directors. Under this policy, a director nominee will be deemed not to have received the support of shareholders, even if he or she is elected, where the number of votes withheld exceeds the number of votes cast in favour of his or her election at an annual meeting of the holders of Common Shares. A director elected under such circumstances must immediately tender his or her resignation to the Conduct Review and Corporate Governance Committee which, barring exceptional circumstances, will submit a recommendation to that effect to the Board. Before making this recommendation, the Committee will weigh the Bank's and shareholders' interests and take into account, in particular, the probable causes for voting abstentions, the expertise and characteristics of the director and the collective expertise and characteristics of the Board, as well as the risk that the resignation will result in the Bank's failure to meet its regulatory obligations. The Board shall issue, within 90 days of receiving the final voting results, a press release announcing the resignation of the director in question or its rationale for not accepting the resignation. However, majority voting does not apply if the director's election is contested. Furthermore, after the Meeting, the Bank will immediately issue a press release on the full voting results for the election of directors.

Term of a director and Board vacancies
A director's term usually expires at the close of the annual meeting of the holders of Common Shares of the Bank following his or her election. Board vacancies are filled in accordance with applicable legislation.

In addition, a director may not seek to renew his or her mandate more than 15 times unless the Board, on the recommendation of the Conduct Review and Corporate Governance Committee, decides that because of exceptional circumstances, it is advisable for said director to stand for re-election. The computation of this sequence of 15 renewals started when this rule was adopted in 1998 for directors in office at that time.

The following chart shows the time served on the Board of the current slate of director nominees.



Guidance and continuing education of directors

Directors must continuously broaden their knowledge and understanding of the operations and regulatory framework of the Bank. To support them, the Board, acting through the Conduct Review and Corporate Governance Committee, has put in place a guidance and continuing education program that takes into account the knowledge and various needs of the new and existing directors.

Guidance program
The guidance program for new directors provides them with an overview of the Bank, including its operations, activities and main challenges. More specifically, new directors receive training on the following subjects: the role of the Board and its committees, the role of directors, the Bank's vision, its main lines of business, its business challenges, its internal audit and control system, its human resources and its client base. Directors are also given a copy of the Code of Conduct and Ethics, with which they are required to comply.

Recently appointed directors can, on invitation, attend a meeting of each of the Board committees of which they are not members during an 18-month period to further familiarize themselves with the issues facing the Bank. New directors also take part in information meetings with the Chairman of the Board, the President and Chief Executive Officer and senior management of the Bank.

Directors' Handbook
Directors are given a handbook containing a series of documents outlining, in particular, their duties and the scope of their responsibilities.

Continuing education program

As part of the meetings of the Board and the committees on which they serve, directors regularly attend presentations and training sessions offered by Bank representatives or, from time to time, external consultants, in order to enhance their knowledge of areas relating to their duties. During the year, directors attend presentations by the heads of each business line about their strategic issues and business plans. From time to time, directors are also provided with articles and literature of interest pertaining to their Bank duties. At least 10% of the time designated annually for the regular meetings of the Board is devoted to continuing education.

Furthermore, the Bank encourages directors to participate in professional development programs designed to enhance the knowledge they need to carry out their duties. The Corporate Secretary's Office provides Board members with updated schedules of training activities provided by various organizations. Board members are free to participate in the activities of their choice. The Chairman of the Board or the Chair of the Conduct Review and Corporate Governance Committee may authorize the reimbursement of expenses incurred in connection with such programs.

The following table lists the training sessions provided by the Bank, the directors they were intended for and the dates on which they were given.

Training provided by the Bank	Date	Audience
OSFI Corporate Governance Guidelines	November 2012	CRCGC
"Say on pay" vote on executive compensation: Trends in Canada and internationally	November 2012	CRCGC
Investor Relations	December 2012	Board
Basel III	February 2013	Board
Cyber Risks	May 2013	RMC
Market Risks	May 2013	Board
Trends in compensation	May 2013	HRC
Horizontal benchmarking and likely impact on compensation of Executive Officers	August 2013	HRC
Model Risk and Model Risk Management	August 2013	HRC
Derivative Products	October 2013	RMC
Risk appetite framework	October 2013	RMC

In addition to the above-listed training provided by the Bank, several directors on an individual basis received from recognized organizations training related to their functions as directors in the following areas:

- Corporate strategy
- Business process optimization
- Board of Directors' role in transformation transactions
- Issues of interest to members of the Nomination and Corporate Governance committees
- Issues of interest to members of the Audit Committee
- Board of Directors' role in succession planning
- Board of Directors' role in crisis management
- Social media risks
- Canadian monetary policy
- Financial services industry trends
- Activist investors
- Ethics, risk and compliance governance
- Pension plans
- Board interactions with legal counsel
- International taxation
- Directors' liability
- Reasonable accommodations

MEASURES FOR COLLECTING FEEDBACK AND COMMUNICATION

The Board ensures that measures are in place to collect feedback. The Bank responds to questions from shareholders, investors, financial analysts and the media through its Investor Relations Department, Public Affairs Department, Corporate Secretary's Office or registrar and transfer agent. The Bank responds to clients with concerns or special needs through its branch or telephone banking representatives. If a complaint cannot be resolved through regular administrative channels, these clients may contact the Bank's ombudsman. The Bank is also very active on social media platforms such as Facebook, Twitter, LinkedIn and YouTube through which it can be contacted.

In fiscal 2013, at the Board's request, members of the Bank's management met with representatives of institutional investors, shareholder groups, proxy voting consultants and corporate governance advocacy groups to discuss various matters of interest with them, including the Board's approach to executive compensation.

In its Management Proxy Circular, the Bank provides an e-mail and a postal address that people can use to contact the Bank's Board, a Board committee, the Chairman of the Board or a director, including an independent director. The Corporate Secretary is responsible for ensuring effective communication between the Board, the Bank's management and shareholders.

For more information, see "Contacting the Board" in Section 9 of this Circular.

PROCEDURE FOR REPORTING IRREGULARITIES

The Audit Committee has established a policy for reporting irregularities relating to accounting and internal controls related to accounting and auditing at the Bank, and oversees its implementation. This policy sets out the process for the receipt, retention and handling of complaints and concerns, as well as an anonymous and confidential means for any person or Bank employee to report their accounting or auditing concerns. This policy can be found in the governance subsection under "About Us" on the Bank's website (nbc.ca).

Compensation policies and practices for establishing director compensation and share ownership requirements

Purpose

Recruit and retain qualified directors

Levers

Offer compensation that:

- Reflects the increasing complexity of the Bank's operations and the importance of the role of directors; and
- Is competitive compared with the peer group.

The Board aims to offer directors adequate compensation that reflects the increasing complexity of the Bank's operations, and which enables the Bank to both recruit and retain qualified individuals to serve on the Board and align their interests with those of the Bank's shareholders. Every year, the Board reviews and approves the compensation, form of compensation and allowances to directors to ensure that they reflect the importance of the function and that the incentive compensation measures do not impair the director's ability to fulfill his or her role and responsibilities.

Purpose

Align directors' interests with those of shareholders

Levers

A director's annual retainer is paid entirely in the form of Common Shares of the Bank or deferred stock units, or a combination of the two, until the share ownership requirements have been met, i.e., the value must be equal to or greater than five times the annual retainer received as a Board member. Directors have five years from the date they take office to meet these requirements.

When these requirements are met, directors must continue to receive a portion of their compensation in the form of Common Shares of the Bank. Furthermore, directors may cash the deferred stock units only after leaving all the positions he or she held as a director of the Bank or any of its subsidiaries.

The Board has adopted, on the recommendation of the Conduct Review and Corporate Governance Committee, a compensation program that is reviewed periodically to ensure that compensation is adequate, particularly compared with the Bank's peer group. The aggregate compensation that may be paid to directors for serving on the Board and its committees during a fiscal year may not exceed the aggregate amount specified in the By-Law approved by the Bank's shareholders.

Directors receive a retainer for serving on the Board. In addition to the retainer, the Chairman of the Board, committee chairs and committee members receive additional compensation related to these positions. To align the interests of the members of the Board with those of shareholders, director compensation includes a portion that must be paid in Common Shares of the Bank, with the remaining portion paid in cash, Common Shares, deferred stock units or a combination of all three, at the director's option.

A deferred stock unit is a right whose value corresponds to the market value of a Common Share of the Bank as at the date the units are credited, every quarter, to an account in the director's name. Additional units are credited to the director's account in an amount equal to the dividends paid on the Common Shares. The units may only be cashed when the director leaves all the positions he or she held as a director of the Bank or any of its subsidiaries. The units may be cashed at any time up to the end of the calendar year following that in which the director leaves his or her duties.

The directors (except for the President and Chief Executive Officer) do not receive stock options of the Bank for their duties. They do not participate in any other compensation mechanism that offers Bank securities or in a pension plan. Moreover, they do not benefit from any life insurance paid for by the Bank and nor do they benefit from banking products or services at preferred rates or reduced fees due solely to their status as directors.

Directors of the Bank who are also officers of the Bank do not receive any compensation in their capacity as directors of the Bank or any of its subsidiaries.

The Bank and its subsidiaries reimburse directors for the expenses incurred to attend meetings, including transportation and accommodation expenses. The Bank also reimburses the Chairman of the Board up to $25,000 annually for disbursements and accommodation expenses incurred for his business promotion activities on behalf of the Bank.

Share ownership requirements

Certain share ownership requirements have been implemented in order to maintain the trust of shareholders and ensure that directors' interests are aligned with those of shareholders. Consequently, all directors are required to hold Common Shares of the Bank or deferred stock units with a total value equal to or greater than five times the annual retainer payable to them. Directors have five years from the date they take office to meet these requirements. Once they have met the minimum requirements, directors may elect to receive their retainer in the form of cash, Common Shares or deferred stock units, subject to the portion that must be paid in the form of Common Shares of the Bank. A portion of the directors' retainer, as well as a portion of the retainer paid to committee members and committee chairs, must be paid in the form of Common Shares of the Bank even in the case of directors who have met the minimum requirements.

Requirements	Minimum required
Five times the annual retainer payable to Board members	5 X $90,000 = $450,000
Minimum share ownership requirement based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on February 21, 2014	$450,000/ $43.50 = 10,344 Common Shares

Share ownership requirements (as at February 21, 2014)

Director nominees	Securities held	Percentage of minimum requirement	Requirements met
Maryse Bertrand	5,992	57.9%	– (1)
Lawrence S. Bloomberg	73,533	710.8%	Yes
Pierre Boivin	12,705	122.8%	Yes
André Caillé	38,507	372.2%	Yes
Gérard Coulombe	71,294	689.2%	Yes
Bernard Cyr	35,950	347.5%	Yes
Gillian H. Denham	12,251	118.4%	Yes
Richard Fortin	4,720	45.6%	– (2)
Jean Houde	13,016	125.8%	Yes
Louise Laflamme	26,282	254.0%	Yes
Julie Payette	–	–%	– (3)
Roseann Runte	47,840	462.4%	Yes
Lino A. Saputo, Jr.	16,290	157.4%	Yes
Pierre Thabet	170,478	1,648.0%	Yes
Louis Vachon	–	–	Yes (4)

(1) Maryse Bertrand has a five-year grace period from the date of her appointment as Bank director on April 4, 2012 to meet share ownership requirements for directors.

(2) Richard Fortin has a five-year grace period from the date of his appointment as Bank director on August 27, 2013 to meet share ownership requirements for directors.

(3) If elected at the Meeting, Julie Payette will have a five-year grace period from the date of her appointment as Bank director on April 10, 2014, to meet share ownership requirements for directors.

(4) For more information on the share ownership requirements applicable to Louis Vachon, please refer to "Share Ownership Requirements" in Section 7 of this Circular.

Restrictions on trading and hedging of Bank securities

Under a policy adopted by the Board, no director, officer or employee of the Bank and its subsidiaries may knowingly sell, directly or indirectly, a security of the Bank or of any of the Bank's affiliates if the vendor does not own or has not fully paid for the security to be sold (short sale) or knowingly, directly or indirectly, buy or sell a call or put on a security of the Bank or of any of the Bank's affiliates.

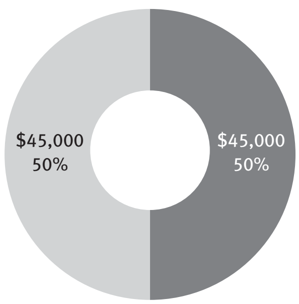
Furthermore, no director, officer or employee is permitted to purchase financial instruments, particularly prepaid variable forward contracts, equity swaps, collars or units of exchange-traded funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held directly or indirectly by the director, officer or employee.

Compensation of the directors of the Bank and its subsidiaries for the fiscal year ended October 31, 2013

The Conduct Review and Corporate Governance Committee periodically reviews the compensation of the directors of the Bank to ensure it adequately reflects the increasing complexity of the Bank's operations and the importance of the directors' roles, and is competitive compared with the Bank's peer group. The Bank sets the target director compensation at the median level of its peer group.

During the fiscal year ended October 31, 2013, no amendments were made to directors' compensation.

Breakdown of annual retainer



Annual compensation of the directors of the Bank and its subsidiaries for the fiscal year ended October 31, 2013

Bank

Board		
Member	Cash(1)	$ 45,000
	Common Shares	$ 45,000
Chairman of the Board(2)	Cash(1)	$200,000
Committees of the Board		
Member	**ARMC, AC and RMC:**	
	Cash(1)	$ 12,500
	Common Shares	$ 7,500
	CRCGC and HRC:	
	Cash(1)	$ 10,000
	Common Shares	$ 5,000
Commitee Chair(2)	**ARMC, AC and RMC:**	
	Cash(1)	$ 15,000
	Common Shares	$ 10,000
	CRCGC and HRC:	
	Cash(1)	$ 12,500
	Common Shares	$ 7,500

Subsidiaries of the Bank

National Bank Life Insurance Company		
Director	Cash(1)	$ 17,000
Committee member	Cash(1)	$ 3,000
Committee Chair(2)	Cash(1)	$ 1,500
National Bank Trust Inc.		
Director	Cash(1)	$ 12,000
Committee member	Cash(1)	$ 2,000
Committee Chair(2)	Cash(1)	$ 1,000
FMI Acquisition Inc.		
Director	Cash(1)	$ 500

(1) Excluding the part of director compensation that must be paid in the form of Common Shares for their role on the Board and its committees, directors may elect to receive the portion of their compensation considered payable in cash in the form of cash, Common Shares, deferred stock units or a combination of all three.

(2) The Chairman of the Board and the committee chairs receive compensation both as Board members and as Chairman and Chair respectively.

Compensation paid to the directors for the fiscal year ended October 31, 2013

The following table presents the compensation paid to the Bank's directors for serving on the Boards of Directors and Board committees of the Bank and its subsidiaries.

Name	Fees earned ($)[1]		Share-based awards ($)[2]				Total compensation for activities of the Board and its committees ($)	All other compensation ($)	Total compensation ($)	Breakdown of cash compensation for activities of the Board and its committees[5]
	Board retainer[3]	AC, ARMC, CRCGC, HRC or RMC member retainer[4]	Board retainer[3]		AC, ARMC, CRCGC, HRC or RMC member retainer[4]					
	Cash	Cash	Common Shares	DSU	Common Shares	DSU				
Maryse Bertrand[6] (CRCGC, RMC)			45,000	45,000	10,000	17,500	117,500		117,500	100% in DSUs
Lawrence S. Bloomberg	45,000		45,000				90,000	250,943[7]	340,943	100% in cash
Pierre Boivin[8] (HRC, RMC)	26,250	11,250	26,250		6,250		70,000		70,000	100% in cash
André Caillé[9] (HRC Chair, AC, CRCGC)			45,000	45,000	25,000[10]	45,000[10]	160,000		160,000	100% in DSUs
Gérard Coulombe (CRCGC Chair, HRC)			45,000	45,000	17,500[11]	32,500[11]	140,000	32,500[12]	172,500	100% in DSUs
Bernard Cyr[13] (AC)			90,000		20,000		110,000		110,000	100% in Common Shares
Gillian H. Denham (HRC)	45,000	10,000	45,000		5,000		105,000		105,000	100% in cash
Jean Douville (Chairman of the Board)	245,000[14]		45,000				290,000		290,000	100% in cash
Richard Fortin[15] (AC, RMC)			11,250	11,250	3,750	6,250	32,500	21,500[16]	54,000	100% in DSUs
Paul Gobeil[17] (RMC Chair, AC)	45,000	38,750[18]	45,000		23,750[18]		152,500		152,500	100% in cash
Jean Houde[19] (AC Chair, CRCGC, RMC)	45,000	31,250[20]	45,000		18,750[20]		140,000		140,000	100% in cash
Louise Laflamme[21] (AC, RMC)			45,000	45,000	13,750	23,750	127,500		127,500	100% in DSUs
Roseann Runte (CRCGC)			45,000	45,000	5,000	10,000	105,000		105,000	100% in DSUs
Lino A. Saputo, Jr. (HRC)			45,000	45,000	5,000	10,000	105,000		105,000	100% in DSUs
Pierre Thabet[22] (RMC)			45,000	45,000	6,250	11,250	107,500		107,500	100% in DSUs
Louis Vachon[23]	–		–	–			–		–	–
Total							**1,852,500**			

(1) For the purposes of this table and in accordance with paragraph 3(b) of Item 7.1 of Form 51-102F6 of Regulation 51-102, fees include all fees awarded, earned, paid, or payable in cash for services as a director, including annual retainers, fees for attending meetings of a Board committee or for chairing a Board committee or the Board, and meeting fees.

(2) For the purposes of this table and in accordance with paragraph 3.1 of Item 3 of Form 51-102F6 of Regulation 51-102, share based awards include the portion of director compensation paid in Common Shares and deferred stock units, as the case may be. The number of shares granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, which was $78.9597 on February 15, 2013, $74.2778 on May 15, 2013, $77.6766 on August 15, 2013 and $93.2734 on November 15, 2013. The number of deferred stock units granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, which was $78.9700 on February 15, 2013, $74.2600 on May 15, 2013, $77.8600 on August 15, 2013 and $93.3500 on November 15, 2013.

(3) For the year ended October 31, 2013, the annual retainer paid for service on the Board of Directors totalled $90,000, of which $45,000 was paid in the form of Common Shares and $45,000 in the form of cash, Common Shares, deferred stock units or a combination of all three, as elected by the director.

(4) The Audit and Risk Management Committee was dissolved on April 24, 2013, at which date the Audit Committee and the Risk Management Committee were created. As a result, compensation for members of these committees was prorated.

(5) Excluding the part of director compensation that must be paid in the form of Common Shares for their role on the Board and its committees, directors may elect to receive the portion of their compensation considered payable in cash in the form of cash, Common Shares, deferred stock units or a combination of all three. This column presents the election made by each director where they received payment during the fiscal year ended October 31, 2013 of compensation payable in cash for activities of the Board and its committees.

(6) Maryse Bertrand ceased to be a member of the Audit and Risk Management Committee and was appointed to the Risk Management Committee and the Conduct Review and Corporate Governance Committee on April 24, 2013. As a result, her compensation was prorated.

(7) Under a service contract entered into in November 2004 with National Bank Financial Inc., Lawrence S. Bloomberg acts as an advisor to National Bank Financial Inc. and National Bank Financial Ltd. As such, he receives an annual retainer, commissions, a business development allowance and reimbursement of various administrative fees incurred in carrying out his duties. For the fiscal year ended October 31, 2013, Lawrence S. Bloomberg received a total of $250,943.

(8) Pierre Boivin joined the Board and was appointed to the Risk Management Committee and the Human Resources Committee on April 24, 2013. As a result, his compensation was prorated.

(9) André Caillé ceased to be a member of the Audit and Risk Management Committee and was appointed to the Audit Committee on April 24, 2013. As a result, his compensation was prorated.

(10) Includes a $20,000 retainer for the Chair of the Human Resources Committee.

(11) Includes a $20,000 retainer for the Chair of the Conduct Review and Corporate Governance Committee.

(12) Gérard Coulombe received $17,000 in deferred stock units for serving on the Board of Directors of National Bank Life Insurance Company, $3,000 in deferred stock units as a member of the Ethics Committee of this Bank subsidiary, $12,000 in deferred stock units as a member of the Board of Directors of National Bank Trust Inc. and $500 in cash as a member of the board of FMI Acquisition Inc.

(13) Bernard Cyr ceased to be a member of the Audit and Risk Management Committee and was appointed to the Audit Committee on April 24, 2013. As a result, his compensation was prorated.

(14) Includes a $200,000 retainer for the Chairman of the Board.

(15) Richard Fortin joined the Board and was appointed to the Audit Committee and the Risk Management Committee on August 27, 2013. As a result, his compensation was prorated.

(16) Richard Fortin received $17,000 in the form of Common Shares of the Bank for serving on the Board of Directors of National Bank Life Insurance Company, $3,000 in the form of Common Shares of the Bank for serving on the Audit Committee and $1,500 in the form of Common Shares of the Bank for serving as Chair of the Audit Committee of this subsidiary of the Bank.

(17) Paul Gobeil ceased to be the Chair of the Audit and Risk Management Committee and a member of the Conduct Review and Corporate Governance Committee on April 24, 2013 and was appointed Chair of the Risk Management Committee and as a member of the Audit Committee on April 24, 2013. As a result, his compensation was prorated.

(18) Includes a total amount of $25,000 for a retainer for the Chair of the Audit and Risk Management Committee until April 24, 2013 and a retainer for the Chair of the Risk Management Committee since April 24, 2013.

(19) Jean Houde ceased to be a member of the Audit and Risk Management Committee and was appointed Chair of the Audit Committee and a member of the Risk Management Committee and the Conduct Review and Corporate Governance Committee on April 24, 2013. As a result, his compensation was prorated.

(20) Includes a $22,500 retainer for the Chair of the Audit Committee.

(21) Louise Laflamme ceased to be a member of the Audit and Risk Management Committee and the Human Resources Committee, and was appointed to the Audit Committee and the Risk Management Committee on April 24, 2013. As a result, her compensation was prorated.

(22) Pierre Thabet ceased to be a member of the Conduct Review and Corporate Governance Committee and was appointed to the Risk Management Committee on April 24, 2013. As a result, his compensation was prorated.

(23) As a Bank officer, Louis Vachon receives no compensation as a director of the Bank or any of its subsidiaries. For more information about Louis Vachon's compensation, including the values of his performance share units, restricted stock units and options, see Section 8 of this Circular.

In performing its duties, the Board is assisted by four standing committees: the Audit Committee, the Risk Management Committee, the Conduct Review and Corporate Governance Committee and the Human Resources Committee. During fiscal 2013, in accordance with changes in best practices and applicable regulations, the Board approved splitting the Audit and Risk Management Committee into two distinct committees, namely the Audit Committee and the Risk Management Committee. The Board may also create *ad hoc* committees to address specific purposes, whenever the situation so requires.

Together with the Conduct Review and Corporate Governance Committee, the Board develops and approves the mandates describing the role and responsibilities of each of its committees. Section 4 of this Circular presents additional information on the Board's committees, including their power to retain legal counsel or other independent consultants.

The committees are composed exclusively of independent directors, as defined by the CSA. Provision is made for the committee members to meet without management being present at each of their meetings. For more information on the concepts of independent directors and conflicts of interest, please refer to Section 4 of this Circular.

To promote an overall understanding of committee mandates and the challenges faced in the different business lines of the Bank, directors serve on more than one committee. The membership of the Board's standing committees for the fiscal year ended October 31, 2013 is detailed in the following table.

Member	AC(1)	ARMC(1)	CRCGC	HRC	RMC(1)
Maryse Bertrand		✓	✓(2)		✓
Lawrence S. Bloomberg					
Pierre Boivin				✓(3)	✓(3)
André Caillé	✓	✓	✓	Chair	
Gérard Coulombe			Chair	✓	
Bernard Cyr	✓	✓			
Gillian H. Denham				✓	
Jean Douville (Chairman of the Board)					
Richard Fortin	✓(4)				✓(4)
Paul Gobeil	✓	Chair	✓(5)		Chair
Jean Houde	Chair	✓	✓(6)		✓
Louise Laflamme	✓	✓		✓(7)	✓
Roseann Runte			✓		
Lino A. Saputo, Jr.				✓	
Pierre Thabet			✓(8)		✓
Louis Vachon					

(1) The Audit and Risk Management Committee was dissolved on April 24, 2013, and on that date the Audit Committee and the Risk Management Committee were created.

(2) Maryse Bertrand was appointed a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

(3) Pierre Boivin was appointed a member of the Risk Management Committee and the Human Resources Committee on April 24, 2013.

(4) Richard Fortin was appointed a member of the Audit Committee and the Risk Management Committee on August 27, 2013.

(5) Paul Gobeil ceased to be a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

(6) Jean Houde was appointed a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

(7) Louise Laflamme ceased to be a member of the Human Resources Committee on April 24, 2013.

(8) Pierre Thabet ceased to be a member of the Conduct Review and Corporate Governance Committee on April 24, 2013.

Each committee has included below a report describing its composition, responsibilities and main activities during fiscal 2013. The reports of the Audit Committee and the Risk Management Committee also discuss issues addressed by the former Audit and Risk Management Committee, before these two committees were created.[1] All four Committees believe that they fulfilled their responsibilities to the best of their members' abilities during fiscal 2013, in accordance with their mandates.

(1) On April 24, 2013, the date it was dissolved, the members of the Audit and Risk Management Committee were Maryse Bertrand, André Caillé, Bernard Cyr, Paul Gobeil (Chair), Jean Houde and Louise Laflamme.

AUDIT COMMITTEE

(including actions related to audit taken by the Audit and Risk Management Committee from November 1, 2012 to April 24, 2013).

Members


André Caillé (1)


Bernard Cyr (1)


Richard Fortin


Paul Gobeil (2)


Jean Houde, Chair (1)


Louise Laflamme (1)

(1) Previously member of the Audit and Risk Management Committee

(2) Previously Chair of the Audit and Risk Management Committee

Mandate

The mandates of the Committee and its Chair can be found in the governance subsection under "About Us" on the Bank's website (nbc.ca).

The Committee assists the Board in exercising its duties relating to audit, namely (i) reviewing the financial statements and Management's Discussion and Analysis and overseeing their integrity, (ii) monitoring the work of the independent auditor and assessing the independent auditor's performance, (iii) assessing the performance of the Internal Audit Oversight function, (iv) assessing the performance of the Finance Oversight function, and (v) reviewing the effectiveness of the internal control policies and procedures.

The duties and responsibilities of the Committee are described more fully in its mandate, which is periodically reviewed by the Board.

Frequency of meetings and achievements

The members of the Committee – or prior to April 24, 2013, the Audit and Risk Management Committee – met 10 times during the past fiscal year to fulfill their mandate, dealing mainly with the following issues:

Financial disclosure

We:

- ✓ Reviewed and approved the mandate, and the nature and scope of the Finance oversight function;
- ✓ Confirmed the independence and effectiveness of the Finance oversight function, ensured that sufficient resources were available for the Finance oversight function to fulfill its mandate and responsibilities, and approved its budget;
- ✓ Regularly met with the Chief Financial Officer and Executive Vice-President – Finance and Treasury, without the presence of management;
- ✓ Reviewed and recommended to the Board the approval of the quarterly consolidated financial statements, the audited annual consolidated financial statements, the Annual Report, the Annual Information Form, the press releases for the declaration of dividends and complementary financial information;
- ✓ Reviewed compliance reports on regulatory capital ratios;
- ✓ Reviewed the conclusions of the independent auditor concerning the annual consolidated financial statements and discussed with the independent auditor the annual and quarterly financial statements;
- ✓ Reviewed the common share normal course repurchase program and recommended to the Board that it approve the program;
- ✓ Reviewed proposals to increase dividends and made recommendations to the Board accordingly; and
- ✓ Reviewed and updated, as applicable, financial information policies.

Internal Audit and independent auditor

We:

- ✓ Reviewed and approved the mandate, and the nature and scope of the Internal Audit oversight function and annual audit plan;

- ✓ Confirmed the independence and effectiveness of the Internal Audit oversight function, ensured that sufficient resources were available for the Internal Audit oversight function to fulfill its mandate and responsibilities, and approved its annual budget;
- ✓ Regularly met with the Senior Vice-President – Internal Audit without the presence of management;
- ✓ Assessed the performance of the Senior Vice-President – Internal Audit and participated in determining his compensation;
- ✓ Reviewed the reports of the Senior Vice-President – Internal Audit and satisfied ourselves that all the necessary measures have been taken to follow up on the significant recommendations contained in these reports;
- ✓ Assessed performance and independence of the Internal Audit oversight function;
- ✓ Reviewed the report on internal controls over financial disclosure;
- ✓ Recommended the appointment and compensation of the independent auditor;
- ✓ Reviewed and approved the independent audit plan for the fiscal year ending October 31, 2013;
- ✓ Reviewed the results of the assessment of the work of Deloitte, and its independence, and then recommended to the Board that Deloitte be reappointed as the independent auditor of the Bank for the fiscal year ending October 31, 2013;
- ✓ Monitored the application of the guidelines for managing the services provided by the independent auditor and the pre-approval of some mandates; and
- ✓ Reviewed and updated, as applicable, audit policies.

Functioning of the Committee

We:

- ✓ Reviewed the impact of OSFI's revised Corporate Governance Guideline on the committee and recommended to the Audit and Risk Management Committee and to the Board appropriate changes to the committee mandate.

Competencies of members

- All the members of the Committee are "financially literate" under *Regulation 52-110 respecting Audit Committees* (R.R.Q., c. V-1.1 r. 28). All the members of the Committee have the experience and knowledge required to contribute effectively to the performance of the Committee's mandate. All Committee members have acquired the necessary experience and knowledge to adequately fulfill their duties as Committee members from having served as chief executive officers or directors or members of audit committees of other corporations or through their background.

  For more information on the expertise and experience of each member, please refer to the "Information on the Audit Committee" section of the 2013 Annual Information Form.

Independence of members and the Committee

- The Committee is composed exclusively of independent directors, as defined by the CSA.
- The Committee has put procedures in place to ensure its independence from the Bank's management and to have access to relevant information to carry out its mandate. Per its mandate, at each of its meetings the Committee also met in camera, without the presence of management.
- The Committee may communicate directly with the independent auditor, the Senior Vice-President – Internal Audit, the Chief Financial Officer and Executive Vice-President – Finance and Treasury, the Senior Vice-President – Finance, Taxation and Investor Relations and any other member of the Bank's management or employee.
- The Committee may also inquire about any question it deems relevant and, to that end, has full access to the Bank's books, records, premises, members of management and employees.
- Although the Chairman of the Board is invited, as a guest, to attend each Committee meeting, he is not entitled to vote on any item. However, if quorum is not attained at a meeting of the Committee, the Chairman of the Board may, at the request of the Chair of the Committee, serve as a member of the Committee for that meeting and have the right to vote. The Committee may also invite other individuals to attend, without the right to vote, all or part of its meetings.

RISK MANAGEMENT COMMITTEE

(including actions related to risk management taken by the Audit and Risk Management Committee from November 1, 2012 to April 24, 2013).

Members


Maryse Bertrand (1)


Pierre Boivin


Richard Fortin


Paul Gobeil, Chair (2)


Jean Houde (1)


Louise Laflamme (1)


Pierre Thabet

(1) Previously member of the Audit and Risk Management Committee

(2) Previously Chair of the Audit and Risk Management Committee

Mandate

The mandates of the Committee and its Chair can be found in the governance subsection under "About Us" on the Bank's website (nbc.ca).

The Committee assists the Board in exercising its duties relating to risk management, namely (i) monitoring the management of the main risks to which the Bank is exposed, (ii) reviewing and approving the risk appetite framework, (iii) monitoring capital, liquidity and financing management, (iv) assessing the performance of the Risk Management Oversight function, and (v) assessing the performance of the Compliance Oversight function.

The duties and responsibilities of the Committee are described more fully in its mandate, which is periodically reviewed by the Board.

Frequency of meetings and achievements

The members of the Committee – or prior to April 24, 2013, the Audit and Risk Management Committee – met 19 times during the past fiscal year to fulfill their mandate, dealing mainly with the following issues:

Risk management

We:

- ✓ Reviewed and approved the mandate, and the nature and scope of the Risk Management oversight function;
- ✓ Confirmed the independence and effectiveness of the Risk Management oversight function, ensured that sufficient resources were available for the Risk Management oversight function to fulfill its mandate and responsibilities, and approved its annual budget;
- ✓ Regularly met with the Executive Vice-President – Risk Management, without the presence of management;
- ✓ Reviewed the Bank's overall risk policy and risk appetite framework and requested that the Bank's management implement appropriate processes to effectively monitor risk;
- ✓ Reviewed the various sensitivity analyses related to credit risk;
- ✓ Reviewed the methodology for determining the general allowance for credit risk;
- ✓ Reviewed and approved the mandate of the Global Risk Committee and the mandate of the Risk Management oversight function;
- ✓ Reviewed the annual report on litigation against the Bank and its subsidiaries that could constitute a significant risk;
- ✓ Reviewed and updated, as applicable, risk management policies, namely statements, measures and overall targets for risk appetite;
- ✓ Reviewed and recommended to the Board the adoption of a contingency and recovery plan; and
- ✓ Reviewed various client credit files in accordance with the Board's policies for approving credits.

Capital, liquidity and funding management

We:

- ✓ Reviewed and approved the assumptions retained for the capital stress-testing scenarios;
- ✓ Reviewed the implementation of requirements set out in the Basel Accords;
- ✓ Reviewed the annual report for compliance with the Policy on New Products and Activities;
- ✓ Reviewed the liquidity management report; and
- ✓ Reviewed and updated, as applicable, and recommended to the Board policies concerning capital, liquidity and funding management.

Compliance

We:

- ✓ Reviewed and approved the mandate, and the nature and scope of the Compliance oversight function;
- ✓ Confirmed the independence and effectiveness of the Compliance oversight function, ensured that sufficient resources were available for the Compliance oversight function to fulfill its mandate and responsibilities, and approved its annual budget;
- ✓ Regularly met with the Chief Compliance Officer, without the presence of management;
- ✓ Assessed the performance of the Chief Compliance Officer, and participated in determining his compensation;
- ✓ Reviewed the annual report of the Chief Compliance Officer and recommended that the Board approve the Legislative Compliance Program;
- ✓ Assessed the governance of the Bank's subsidiaries; and
- ✓ Reviewed the annual report of the Chief Anti-Money Laundering Officer and approved the program.

Functioning of the Committee

We:

- ✓ Reviewed the impact of OSFI's revised Corporate Governance Guideline on the committee and recommended to the Audit and Risk Management Committee and to the Board appropriate changes to the committee mandate.

Competencies of members

- – All the members of the Committee have the experience and knowledge required to contribute effectively to the performance of the Committee's mandate. All Committee members have acquired the necessary experience and knowledge to adequately fulfill their duties as Committee members from having served as chief executive officers or directors of other corporations or through their background.

Independence of members and the Committee

- – The Committee is composed exclusively of independent directors, as defined by the CSA.
- – The Committee has put procedures in place to ensure its independence from the Bank's management and to have access to relevant information to carry out its mandate. Per its mandate, at each of its meetings the Committee also met in camera, without the presence of management.
- – The Committee may communicate directly with the Executive Vice-President – Risk Management, the Chief Compliance Officer, and any other member of Management or employee of the Bank.
- – The Committee may also inquire about any question it deems relevant and, to that end, has full access to the Bank's books, records, premises, members of management and employees.
- – Although the Chairman of the Board is invited, as a guest, to attend each Committee meeting, he is not entitled to vote on any item. However, if quorum is not attained at a meeting of the Committee, the Chairman of the Board may, at the request of the Chair of the Committee, serve as a member of the Committee for that meeting and have the right to vote. The Committee may also invite other individuals to attend, without the right to vote, all or part of its meetings.

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

Members


Maryse Bertrand(1)


André Caillé


Gérard Coulombe, Chair


Jean Houde(1)


Roseann Runte

(1) Committee member since April 24, 2013.

Mandate

The mandates of the Committee and its Chair can be found in the governance subsection under "About Us" on the Bank's website (nbc.ca).

The mandate of the Committee consists of three main areas: (i) composition and function of the Board and its committees, (ii) oversight of governance matters, and (iii) assessment of the Board, its committees and directors. The Committee also ensures that management implements mechanisms to ensure compliance with the provisions of the Act regarding related party transactions.

The duties and responsibilities of the Committee are described more fully in its mandate, which is periodically reviewed by the Board.

Frequency of meetings and achievements

The members of the Committee met eight times during the past fiscal year to fulfill their mandate, dealing mainly with the following issues:

Composition and function of the Board and its committees

We:

- ✓ Verified the independence, eligibility, availability and financial competencies of the Board members;
- ✓ Reviewed and recommended to the Board the appointment of the Chairman of the Board, the composition of the Board committees and the appointment of their chairs;
- ✓ Recommended the appointment of Pierre Boivin as director and member of the Risk Management Committee and the Human Resources Committee;
- ✓ Recommended the appointment of Richard Fortin as director and member of the Audit Committee and the Risk Management Committee;
- ✓ Examined the composition of the Audit Committee and the Risk Management Committee following the split of the Audit and Risk Management Committee;
- ✓ Reviewed the file on Board succession and selected potential candidates to replace the Chairman of the Board and the Chairman of the Risk Management Committee given their expected departure in 2014;
- ✓ Recommended to the Board that it nominate Julie Payette as a director for election at the Meeting;
- ✓ Reviewed Board member compensation to ensure it is competitive and adequately reflects directors' roles and responsibilities;
- ✓ Confirmed that each director complies with the Code of Conduct and Ethics, understands the Bank's standards dealing with conflict of interest and is not in a conflict of interest situation; and
- ✓ Reviewed and recommended to the Board that it approve the Management Proxy Circular (including replies to the shareholder proposals received) and the form of proxy for the Meeting of the Holders of Common Shares of the Bank held in 2013.

Oversight of governance matters

We:

- ✓ Implemented the required changes following the revised Corporate Governance Guideline adopted by OSFI in January 2013, primarily by recommending to the Board to split the Audit and Risk Management Committee into two separate committees and by recommending the adoption of the mandates for these two new committees and their respective Chairs, and the amendment of the Statement of Corporate Governance Practices;
- ✓ Reviewed the annual report on complaints from clients of the Bank and its subsidiaries prepared by the Bank's Mediation Department and the Office of the Client Ombudsman;
- ✓ Recommended the adoption of a statement on diversity practices to reflect the importance of diverse representation among directors;
- ✓ Reviewed the report on the application of the Bank's Code of Conduct and Ethics;
- ✓ Reviewed reports on the monitoring of related party transactions of the Bank and confirmed to OSFI that the Bank had complied with its legislative obligations; and
- ✓ Revised the guidance program for new directors and the continuing education program for directors.

Assessment of the Board, its committees and directors

We:

- ✓ Reviewed the methodology for assessing the overall performance and effectiveness of the Board, its four committees, the Chairman of the Board, the committee Chairs and the directors and oversaw the assessment.

Competencies of members

- All the members of the Committee have the experience and knowledge required to contribute effectively to the performance of the Committee's mandate. All the Committee members have acquired the necessary experience and knowledge to adequately fulfill their duties as Committee members from having served as chief executive officers, or directors or members of governance committees of other corporations or through their background.

Independence of members and the Committee

- The Committee is composed exclusively of independent directors, as defined by the CSA.
- The Committee has put procedures in place to ensure its independence from the Bank's management and to have access to relevant information to carry out its mandate. Per its mandate, at each of its meetings the Committee also met in camera, without the presence of management.
- If necessary, the Committee may communicate directly with the Vice-President and Corporate Secretary, or any other member of the Bank's management or employee.
- The Committee may also inquire about any question it deems relevant and, to that end, has full access to the Bank's books, records, premises, members of management and employees.
- Although the Chairman of the Board is invited, as a guest, to attend each Committee meeting, he is not entitled to vote on any item. However, if quorum is not attained at a meeting of the Committee, the Chairman of the Board may, at the request of the Chair of the Committee, serve as a member of the Committee for that meeting and have the right to vote. The Committee may also invite other individuals to attend, without the right to vote, all or part of its meetings.

HUMAN RESOURCES COMMITTEE

Members

Pierre Boivin [1]

André Caillé, Chair

Gérard Coulombe

Gillian H. Denham

Lino A. Saputo, Jr.

(1) Committee member since April 24, 2013.

Mandate

The mandate of the Committee and the mandate of the Committee Chair can be found in their entirety in the governance subsection under "About Us" on the Bank's website (nbc.ca).

The Committee assists the Board in exercising its duties relating to human resources and compensation governance. The Committee ensures in particular that the compensation policies and programs implemented are conducive to achieving the Bank's strategic and financial objectives, without compromising its viability, solvency or reputation.

The Committee's mandate comprises six areas:

(i) Compensation policies, programs and practices;

(ii) Performance and compensation of the President and Chief Executive Officer;

(iii) Performance and compensation management of the other Executive Officers and individuals in charge of oversight functions;

(iv) Succession planning;

(v) Oversight of the pension plans and the Pool Fund; and

(vi) Communications with shareholders and compliance with governance standards.

The duties and responsibilities of the Committee are described more fully in its mandate, which is periodically reviewed by the Board.

Frequency of meetings and accomplishments

The members of the Committee met seven times during the past fiscal year to fulfill their mandate, dealing mainly with the following issues:

Compensation policies, programs and practices

We:

- ✓ Approved amendments to the policy and procedures governing the clawback of previously awarded variable compensation;
- ✓ Reviewed the internal report on compliance with share ownership guidelines;
- ✓ Approved an update to the procedures governing share ownership guidelines;
- ✓ Approved the short-, mid- and long-term variable compensation envelopes for all employees;
- ✓ Approved the variable compensation program performance targets for the President and Chief Executive Officer, other Executive Officers, Officers and most employees;
- ✓ Approved the salary policy for the Bank and its subsidiaries;
- ✓ Approved the compensation of Executive Officers;
- ✓ Approved the compensation-related mandates (including benchmarking) entrusted to independent external consultants; and
- ✓ Reviewed a summary of the results of the Bank's Taking a Look at Our Organization survey on employee engagement.

Performance and compensation of the President and Chief Executive Officer

We:

- ✓ Reviewed and recommended that the Board approve the annual objectives and key performance indicators for the President and Chief Executive Officer's compensation;
- ✓ Reviewed the financial results and assessed his performance with respect to the annual objectives and key performance indicators as well as the prudence with which he has managed the Bank's operations and the risks to which the Bank is exposed and reported to the Board;
- ✓ Reviewed the analysis on the competitiveness of his target total direct compensation;
- ✓ Recommended that the Board approve his short-, mid- and long-term variable compensation; and
- ✓ Reviewed and approved the written description of his duties and responsibilities.

Performance and compensation management of the other Executive Officers and individuals in charge of oversight functions

We:

- ✓ Reviewed the report of the President and Chief Executive Officer on the performance of the other Executive Officers and the prudence with which they have managed the Bank's operations and the risks to which the Bank is exposed;
- ✓ Reviewed the competitiveness of their target total direct compensation;
- ✓ Recommended that the Board approve their short-, mid- and long-term variable compensation; and
- ✓ Reviewed and approved the compensation of an Executive Officer appointed during fiscal year 2013.

Succession planning

We:

- ✓ Reviewed the profile of a candidate appointed to an Executive Officer position following the decision of an Executive Officer to retire in 2014;
- ✓ Updated the succession plan of the President and Chief Executive Officer of the Bank in the event of an emergency;
- ✓ Reviewed the succession plan for Executive Officers and Officers of the Bank and its subsidiaries in light of their competency profiles; and
- ✓ Reviewed the Bank's workforce diversity report.

Oversight of the pension plans and Pool Fund

We:

- ✓ Added the new position of Vice-Chair of the Retirement Committee and approved the appointment of a new Chair and Vice-Chair to the Retirement Committee;
- ✓ Monitored the implementation of the approved amendments to the pension plans offered to Executive Officers, Officers and eligible employees that came into effect on January 1, 2014;
- ✓ Monitored the implementation of the approved changes to the flexible group retirement insurance plan that came into effect on January 1, 2014;
- ✓ Periodically reviewed the Retirement Committee's activities;
- ✓ Reviewed and approved the findings of the actuarial valuations of the different pension plans;
- ✓ Reviewed a report on the performance and risk-taking of the Pool Fund with respect to the application of the investment policy for the pension plans of the Bank; and
- ✓ Reviewed the performance of the Pool Fund of the Bank's pension plans.

Communications with shareholders and compliance with governance standards

We:

- ✓ Reviewed and approved the Report of the Human Resources Committee in Section 6 as well as Sections 7 and 8 of the Management Proxy Circular for the Annual Meeting held on April 24, 2013;
- ✓ Reviewed and approved the disclosure of aggregate quantitative information on compensation in accordance with the Basel II Pillar 3 compensation disclosure requirements;
- ✓ Reviewed the application of the Corporate Governance Guideline issued by OSFI on January 28, 2013 and approved the consequential amendments to the Committee's mandate;
- ✓ Directed the Executive Officers to meet with representatives of institutional investors, shareholder groups, proxy voting consultants and corporate governance advocacy groups to discuss various matters of interest with them, including the Board's approach to Executive Officers' compensation;
- ✓ Reviewed the report of the Bank's Internal Audit Department on total compensation policies, programs and practices;
- ✓ Received periodic summary reports from the Compensation Risk Oversight Working Group;
- ✓ Validated that each of the Executive Officers and individuals in charge of oversight functions are in compliance with the Code of Conduct and conflict of interest standards of the Bank; and
- ✓ Approved the Committee's mandate and meeting schedule for the upcoming year.

Competencies of members

- All Committee members have human resources, compensation and risk management expertise acquired through their professional experience, particularly as chief executive officers or top executives of large corporations, or through their academic background. In addition, André Caillé, Pierre Boivin and Gérard Coulombe serve on various other Board committees of the Bank, which allows the Committee to make more informed decisions on the appropriateness of compensation policies and practices.

  More specifically:

  - ✓ André Caillé has chaired the Compensation Committee of Junex Inc. since 2008;
  - ✓ Pierre Boivin has been President and Chief Executive Officer of private equity firm Claridge Inc. since September 2011. Since 2013, he has been a member of the Management Resources and Compensation Committee of Canadian Tire Corporation, Limited and was a member of the Compensation Committee of Sirius XM Canada Holdings Inc. from 2005 until January 2014;
  - ✓ Gérard Coulombe has chaired the Compensation Committee of Cominar Real Estate Investment Trust since 2007;
  - ✓ Gillian H. Denham chaired the Human Resources and Compensation Committee of the Ontario Teachers' Pension Plan from 2006 to 2010 and became a member of the Human Resources and Compensation Committee of Penn West Petroleum Ltd. on January 1, 2013;
  - ✓ Lino A. Saputo, Jr. has been Chief Executive Officer, since 2004, and Vice-Chairman of the board of directors, since March 2011, of Saputo Inc. He also joined the Human Resources and Compensation Committee of Transcontinental Inc. in 2008.

- The Committee has built a self-assessment mechanism into the skills improvement process for members to gauge their expertise and experience. As part of the continuing education program for directors, Committee members attend, in particular, presentations on risk management and use the knowledge they acquire in assessing compensation.

Independence of members and the Committee

- The Committee consists exclusively of independent directors, as defined by the CSA.
- The Committee has put procedures in place to ensure its independence from the Bank's management and provide access to relevant information to carry out its mandate. Per its mandate, the committee held part of each of its meetings in camera, without the Bank's management being present.
- As required, the Committee may communicate directly with the Executive Vice-President – Human Resources and Corporate Affairs or any other Executive Officer, Officer or employee of the Bank.
- The Committee may also investigate any issue it deems relevant. For this purpose, it has full access to the Bank's books, records, premises, to members of the Bank's management and Bank employees, including those from the Risk Management, Internal Audit, Corporate Compliance and Finance oversight functions.
- Although the Chairman of the Board is invited, as a guest, to attend each Committee meeting, he is not entitled to vote on any item. However, if quorum is not attained at a meeting of the Committee, the Chairman of the Board may, at the request of the Chair of the Committee, serve in a Committee member's capacity for that meeting and have the right to vote.
- The Committee may also invite other individuals to attend all or part of its meetings. Moreover, although Louis Vachon, President and Chief Executive Officer, and Lynn Jeanniot, Executive Vice-President – Human Resources and Corporate Affairs, are invited to attend the meetings of the Committee, they are not entitled to vote on any item.

Independent external consultants

The Committee has the authority to retain, when it deems appropriate, the services of independent external consultants to assist it in performing its duties and provide it with the necessary information on trends and best practices in its peer group regarding compensation policies and programs as well as on the competitiveness of Executive Officer compensation.

In keeping with good governance practices, the Committee sets guidelines for the awarding of mandates to external consultants, which include a criterion concerning external consultants' independence from Executive Officers. These guidelines also enable the Committee to choose the external consultant deemed most qualified to carry out each mandate awarded by the Committee.

All contracts awarded for work in respect of Executive Officer compensation must be approved in writing by the Chair of the Committee, as well as the related fees. Moreover, only work that does not compromise the independence of the external consultant is approved by the Chair of the Committee and its members.

At the start of the fiscal year, the Committee members also review the performance and independence of the external consultants and approve the fees of each external consultant in respect of all planned mandates and any to be awarded by the Bank's management during the fiscal year. When they are engaged, external consultants are apprised of these guidelines and must undertake to follow them.

The Hay Group:

- is the Committee's designated service provider regarding Executive Officer compensation matters since the early 2000s;
- validated, over the past fiscal year, the competitiveness of the target total direct compensation (base salary and variable compensation) of Executive Officer positions with that paid by companies in the Bank's peer group;
- adjusted the peer group data downward to reflect the Bank's relative size and differences in the level of responsibility associated with the Bank's positions compared to peer group positions; and
- helped the Committee review the composition of the peer group which remains appropriate.

Each year, the Bank takes part in compensation surveys conducted by the Hay Group on market practices and compensation levels for management and non-management positions at the Bank.

Morneau Shepell:

- has provided actuarial and administration services for the pension plans of the Bank since the early 1980s;
- has also been the Bank's service provider for its Employee Assistance Program since January 2011; and
- assessed, over the past fiscal year, the impact on pension plan costs of certain Executive Officers.

The following table presents the fees paid to the Hay Group and Morneau Shepell in the past two fiscal years.

Independent external consultants	For fiscal year 2013			For fiscal year 2012		
	Fees for executive compensation matters	Other fees	Total	Fees for executive compensation matters	Other fees	Total
Hay Group						
($)	$ 92,252	$ 40,644(1)	$ 132,896	$55,761	$ 33,469(1)	$ 89,230
(%)	69%	31%	100%	62%	38%	100%
Morneau Shepell						
($)	$ 15,033	$3,914,226(2)(3)	$3,929,259	$13,060	$2,322,908(2)	$2,335,968
(%)	0.4%	99.6%	100%	0.6%	99.4%	100%
Total ($)	$107,285	$3,954,870	$4,062,155	$68,821	$2,356,377	$2,425,198

(1) Total costs related to the Bank's participation in compensation surveys.

(2) Includes the administrative, actuarial and compliance costs of the pension plans of the Bank and NBF and administrative costs of the Employee Assistance Program (EAP).

(3) For fiscal year 2013, a significant portion of fees is linked to the pension plan and group insurance amendments and to the changes made to administrative systems.

LETTER TO SHAREHOLDERS

We believe it is important to give shareholders of the Bank all the necessary information to fully understand the Bank's Executive Officer compensation approach and gauge our compensation-related decisions and the rationale behind them. For the past four years, shareholders have expressed their support for our approach through a "say on pay" vote on executive compensation.

Our Executive Officer compensation approach, detailed in the pages that follow, is aimed squarely at creating value for our shareholders. We would like to share some highlights of the past fiscal year to help you gauge our 2013 financial results and understand the total compensation of the President and Chief Executive Officer as well as the rationale for our compensation-related decisions in fiscal year 2013.

Compensating absolute and relative performance

One of the guiding principles of our compensation philosophy is to offer Executive Officer compensation based on our financial and stock market performance, considering different performance periods and encouraging sound risk-taking.

Solid financial results and superior shareholder returns for fiscal year 2013

Once again in the past fiscal year, the Bank generated solid financial results and significant progress in its market positioning to ensure sustainable growth and superior shareholder returns for the coming years. Excluding specified items, total revenues for fiscal year 2013 grew 3% to $5,242 million. Diluted income per share excluding specified items rose 7 % to $8.41, marking over 10 years of consistent growth.

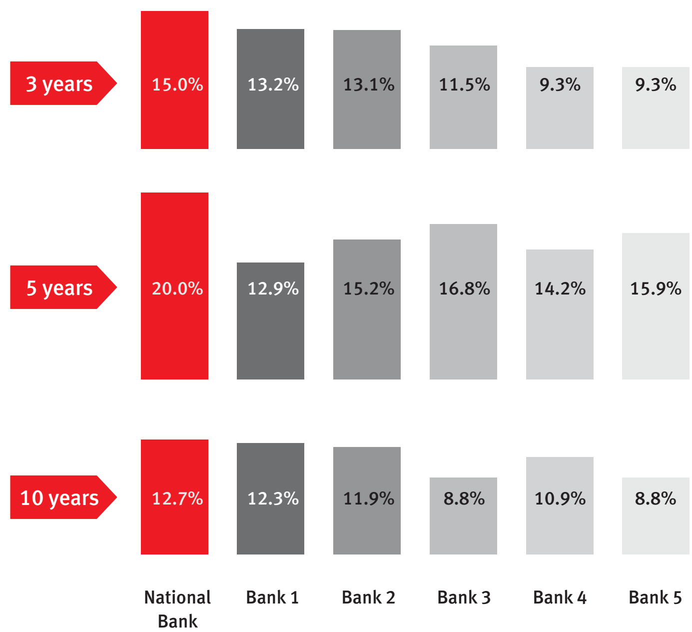
The following table shows a marked improvement in the Bank's financial and stock market performance over the past fiscal year.

Results	2013	2012
Total revenues[1]	$5,242 M	$5,087 M
Net income[1]	$1,491 M	$1,396 M
Return on common shareholders' equity[1]	19.7 %	20.7 %
Diluted earnings per Common Share[1]	$ 8.41	$ 7.86
Capital ratios under Basel III – Common Equity Tier 1 (CET1)	8.7 %	7.3 %
Share price as at October 31	$90.48	$77.18
Total shareholder return (1 year)	22 %	13 %

(1) Excluding specified items

In light of the dividends paid and the rise in value of the Bank's shares, which reached a record level in 2013, shareholders benefited from a solid total return in 2013, as in the past three, five and ten years. The Bank's shareholder return compares advantageously to the five other major Canadian banks over all three aforementioned investment horizons.

Total shareholder return (as at October 31, 2013)



Our approach to value creation and our super-regional model have allowed us to deliver excellent shareholder returns. Louis Vachon's leadership and his ability to engage Executive Officers, Officers and employees continue to drive customer and employee satisfaction. As a result, the Bank was named one of the 50 Best Employers in Canada for the ninth year in Aon Hewitt's annual ranking. For the third consecutive year, Bloomberg Markets ranked the Bank among the world's 20 strongest banks.

For fiscal year 2013, given our solid financial results and that Louis Vachon met his performance objectives, the Board approved his total direct compensation of $7,135,000, which is comparable to his total direct compensation for last year, amounting to $7,150,000.

Compensation more closely tied to shareholders' interests

To strengthen the link between Executive Officer compensation and the long-term interests of the Bank's shareholders, the Board has taken steps to revise certain compensation parameters for fiscal 2014. Specifically, the Board approved amendments to its share ownership guidelines effective December 31, 2014. The Committee increased the minimum share ownership amount for the President and Chief Executive Officer, other Executive Officers, Senior Vice-Presidents and lastly Officers in the Financial Markets sector. In addition, the President and Chief Executive Officer will be required to continue complying with those guidelines for one year after retiring. For more details regarding the new requirements, please refer to "Share Ownership Requirements" in Section 7 of this Circular.

Amendments to employee benefit programs

To ensure the strength and sustainability of the pension and retiree group insurance plans, the Board of Directors of the Bank approved amendments that became effective January 1, 2014 and coupled with changes to working conditions, allow the Bank to offer the same benefits to all eligible Canadian employees of the Bank. Accordingly, the Bank made amendments to the provisions of its defined benefit pension plans, in particular deferring the retirement age without reductions to 65. This change to the provisions of the pension plans is applicable to all employees, Officers, Executive Officers and the President and Chief Executive Officer.

Risk management: the centrepiece of our compensation approach

Building on its track record for prudent risk management, the Bank strives to more closely align the compensation of Executive Officers and Officers with their risk-taking. In fiscal year 2013, the Compensation Risk Oversight Working Group continued supporting the Human Resources Committee with its mandate to ensure the Bank's compensation approach is appropriately aligned with its risk management framework. As part of that undertaking, the Working Group ensured that the Bank's compensation policies, programs and practices supported the attainment of the Bank's business objectives without compromising its sustainability, solvency or reputation, while meeting the regulations and standards in effect.

The Bank discloses changes in its practices to regulatory authorities as required and in accordance with the principles and standards of the Financial Stability Board.

Conclusion

The Bank appreciates receiving feedback from shareholders and regularly liaises with its investors, shareholder lobby groups and regulatory authorities about its approach, strategy and governance with regard to Executive Officer compensation.

We believe that our compensation approach on which you are invited to vote and our compensation-related decisions allow us to strike the right balance between earning the loyalty of talented, qualified officers, compensation closely tied to performance and sound risk-taking. We are very grateful for your support at the last annual meeting of shareholders, whereby 97% of shareholders voted in favour of our approach with respect to Executive Officer compensation.

We suggest that shareholders refer to the Circular for more information on the Bank, particularly with respect to Executive Officer compensation.

We are confident the Bank's future is in good hands and that its Executive Officers, Officers and some 20,000 employees are committed to aligning client interests with prosperity for shareholders of the Bank.

(s) Jean Douville
Chairman of the Board of Directors

(s) André Caillé
Chair of the Human Resources Committee

COMPENSATION ANALYSIS

The information presented in the compensation analysis of the Named Executive Officers is in accordance with the policies, programs and decisions as adopted by the Human Resources Committee and defined by the Board during the fiscal year under review or in previous fiscal years. The Committee reviewed, approved and recommended to the Board that it approve the content of Sections 7 and 8 of this Circular.

Our priority: Generating a sustained and growing level of net income

The Bank aims to consistently deliver steady returns to its shareholders that match or exceed those of its main Canadian peers. To this end, the Bank is targeting 5%-10% growth in annual net income, which it intends to generate through the quality of its client services and continuous productivity improvement while maintaining sound risk management practices.

Our approach to shareholder value creation comprises the following four items:

1. An annual earnings growth rate that matches or exceeds the average of Canada's major banks;
2. Rigorous and effective cost and risk management;
3. Rigorous and effective management of shareholder equity; and
4. Adherence to the highest customer service and corporate responsibility standards.

To closely tie Executive Officer compensation to the promise to shareholders, the Bank's variable compensation programs in place target complementary financial objectives over various performance periods, within well-established risk tolerance limits.

The Bank is aware that its success hinges on the contribution of its committed, seasoned and qualified Executive Officers, Officers and employees. To attract and retain such talent in a fiercely competitive marketplace, we have designed a compensation policy based on four guiding principles, which are described below.

Compensation policies

1. Offer compensation based on the Bank's financial and stock market performance, considering different performance periods

Reward Executive Officers and Officers for their specific contribution to annual results and motivate them to maintain their performance over time and grow shareholder value in the long term.

Offer short-, mid- and long-term variable compensation programs, based on different and complementary financial metrics.

2. Promote sound risk-taking

Offer Executive Officers, Officers and material risk takers variable compensation programs that reward their contribution to generating revenue within the Bank's risk tolerance limits.

Include specific measures to balance risk and return in order to meet regulatory and prescriptive requirements as well as ensure the Bank's sustainability.

3. Recognize the contributions of Executive Officers and Officers

Ensure competitive total compensation relative to the Bank's peer group.

Ensure total compensation reflects their level of responsibility, expertise, competence and experience.

4. Align the vision of Executive Officers, Officers and material risk takers with those of shareholders

Ensure that a significant portion of the variable compensation of Executive Officers, Officers and material risk takers is share based.

Ensure that Executive Officers, Officers and material risk takers meet the Bank's minimum share ownership requirements.

These four principles enable the Bank to achieve an appropriate and consistent balance between expected performance, prudent risk management and the compensation offered.

Summary of key compensation policies and practices in effect at the Bank

Key compensation policies and practices		Pages
1. Pay for performance		
Performance-based compensation	– Performance of Executive Officers is assessed taking into account financial results, the demonstration of prudent risk management, growth in client loyalty and the level of employee engagement.	52, 54
Significant portion of pay at-risk and subject to performance	– For Executive Officers, 75%–91% of total target direct compensation is "at risk" and 55%–75% of variable compensation is deferred. This mix provides a strong pay-for-performance relationship.	52
Mid- and long-term incentive compensation subject to performance	– The final value of variable mid-term compensation awarded to Executive Officers is tied to the Bank's relative total shareholder return metric and the price of the Common Shares of the Bank.	59
	– The final value of variable long-term compensation awarded to Executive Officers is tied to growth in the price of the Common Shares of the Bank.	51
Annual bonus caps	– The maximum value of the annual bonus of Executive Officers (excluding the Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, NBF), Officers and employees eligible for the ICP is capped at 200% of their target annual bonus.	55, 56
Performance metrics and stress testing	– Special attention is given to the selection of financial indicators when designing and reviewing variable compensation programs. Each variable compensation program is required to take into account different and complementary performance metrics. Variable compensation program simulation testing is carried out taking into account various Bank performance scenarios, namely, expected, exceptional and weak.	52, 59, 69
2. Promote sound risk-taking		
Governance oversight	– The Human Resources Committee assists the Board in carrying out its oversight role by ensuring that the Bank maintains an appropriate and coherent balance between expected performance, prudent risk management and the compensation awarded. The Committee ensures that the compensation policies and programs do not unduly induce Executive Officers, Officers and material risk takers to take risks that exceed the Bank's risk tolerance limits.	47-49
	– The Executive Vice-President – Risk Management meets regularly with the Committee members to review the framework and principles of sound risk management and symmetry between variable compensation and the level of risk incurred.	48
Independent external consultants	– The Human Resources Committee retains independent external consultants to provide it with the necessary information on trends and best practices in its peer group regarding compensation policies and programs as well as on the competitiveness of Executive Officer compensation.	42
Alignment with FSB principles and standards	– The Bank's compensation policies and practices are rigorously monitored and aligned with the Principles and Standards for Sound Compensation Practices, issued by the FSB.	49, 50
Compensation aligned with risk time horizon	– A significant portion of Executive Officers' variable compensation is deferred to make them accountable for decisions with longer risk tails over various horizons, and responsible for longer-term value creation.	51, 52
	– A significant portion of the annual bonus of Officers and Financial Markets specialists is deferred to make them more accountable for decisions with longer risk tails over various horizons.	57, 58

Summary of key compensation policies and practices in effect at the Bank (cont.)

Key compensation policies and practices (cont.)		Pages
2. Promote sound risk-taking (cont.)		
Cancellation and clawback of previously awarded variable compensation	– A policy entitles the Bank to cancel and claw back variable compensation previously awarded to Executive Officers, Officers and Financial Markets specialists in specific circumstances.	55
Double trigger change in control	– Two events must occur for equity awards to vest on an accelerated basis: a change in control followed by termination of employment.	81
3. Reward contribution		
Target compensation positioning relative to peer group	– The value of Executive Officers' target total direct compensation is determined via downward adjustment to the peer group's target total compensation median to reflect the Bank's relative size, in particular.	53
Peer group definition	– The Bank refers to a peer group consisting of Canadian financial institutions in establishing the target total direct compensation of Executive Officers.	53
4. Align vision with that of shareholders		
Adoption of "say on pay"	– The Bank was the first Canadian bank to voluntarily adopt "say on pay" in 2009. At the last annual meeting of shareholders, 97% of shareholders voted in favour of our approach to Executive Officer compensation.	3, 55
Share ownership minimum requirements	– Share ownership guidelines are designed to align the interests of Executive Officers, Officers and material risk takers with the Bank's long-term performance. – The Board approved amendments to its share ownership guidelines effective December 31, 2014. The Committee increased the minimum share ownership amount for the President and Chief Executive Officer, other Executive Officers, Senior Vice-Presidents and lastly Officers in the Financial Markets sector. In addition, the President and Chief Executive Officer will be required to continue to comply with those guidelines for one year after retirement.	44, 68, 79
Opportunity to receive DSUs in lieu of shares	– Executive Officers and Officers may elect to receive up to 30% of their long-term variable compensation in the form of DSUs, redeemable for cash only on retirement or termination of employment, thereby enhancing the alignment between individual and shareholder interests.	64
Anti-hedging policy	– A policy prohibits Executive Officers, Officers and employees from hedging their equity-based compensation in order to maintain the alignment between individual and shareholder interests.	27, 55

Compensation-related risk appetite framework

The Bank views risk governance as an integral part of its development and operational diversification and favours a risk management approach consistent with its business expansion strategy. The purpose of the risk appetite framework is to provide reasonable assurance that incurred risks do not exceed acceptable thresholds and contribute to the creation of shareholder value. For the Bank, this means striking a healthy balance between risk and return.

In the normal course of business, the Bank is primarily exposed to strategic, credit, market, liquidity, operational, regulatory, reputational and environmental risks. These and other risks may result in losses that could adversely affect expected earnings.

As part of its compensation risk oversight role, the Human Resources Committee must ensure that compensation policies and programs do not unduly induce Executive Officers, Officers, material risk takers and employees in general to take risks that exceed the Bank's risk tolerance limits. The Committee is supported by various stakeholders in fulfilling this significant role. The figure on the following page depicts the compensation risk management framework:

Board of Directors

The Board is the ultimate decision-making body for the Bank's compensation principles, policies and programs and compensation risk management.

Risk Management Committee

Human Resources Committee

– The Committee ensures that the Bank maintains an appropriate and coherent balance between expected performance, prudent risk management and the compensation awarded.

– The Committee can draw on the expertise of certain Committee members who also serve on the Audit Committee and Risk Management Committee.

Audit Committee

Executive Vice-President – Risk Management

The Executive Vice-President – Risk Management meets regularly with the Committee members to review the framework and principles of sound risk management and the symmetry between variable compensation and the level of risk incurred.

Senior Vice-President – Internal Audit

The Senior Vice-President – Internal Audit makes an annual presentation to the Committee members of the results of his analysis aimed at measuring any material differences between compensation paid and compensation payable under the Bank's total compensation policies and programs.

Compensation Risk Oversight Working Group

The Compensation Risk Oversight Working Group put in place by the Human Resources Committee comprises three members, including the Executive Vice-President – Risk Management, the Chief Financial Officer and Executive Vice-President – Finance and Treasury and the Executive Vice-President – Human Resources and Corporate Affairs. The Working Group is mandated to:

– review the policies and key programs constituting the Bank's variable compensation, at the design, review and implementation stages, to ensure their compatibility with the Bank's risk management framework;
– ensure that the Bank's compensation policies, programs and practices support the attainment of the Bank's business objectives without compromising its viability, solvency or reputation;
– verify whether the Bank's compensation policies, programs and practices are in compliance with the regulations and standards in effect;
– review the annual objectives and the performance targets for the variable compensation programs to ensure their compatibility with the Bank's risk management framework;
– review the various risks incurred during the year by the Bank's material risk takers, determine whether annual bonus envelopes require downward adjustments and submit its recommendations to the Committee; and
– perform an annual review of the criteria defining material risk takers.

Human Resources Committee
The Committee's role is to review the various components of total compensation by developing or applying policies and programs, while ensuring compliance with governance principles. It also recommends that the Board approve new compensation programs or any material changes to existing programs. The Committee is assisted in this process by Executive Officers and independent external consultants, as needed. The Committee has the authority to recommend that the Board approve the various components of compensation.

The Committee ensures that the Bank's compensation policies and programs comply with regulations and standards in effect. Accordingly, the Committee ensures that the Bank complies with the new Guideline on Corporate Governance released by OSFI in January 2013 and the Principles and Standards for Sound Compensation Practices issued by the Financial Stability Board, the implementation of which is monitored by OSFI in Canada. The Committee also considers expectations of other governance organizations, such as the Canadian Coalition for Good Governance.

In addition, the Committee ensures that the Bank's compensation policies and programs promote sound risk management and that compensation paid is closely tied to the Bank's financial performance and total shareholder return. As a result, it is important for the Committee to be aware of the risks that could adversely affect the Bank's performance.

The Committee exercises its discretion, as it deems necessary, to adjust the annual variable compensation envelopes.

Committee members benefit from continuing education programs designed to meet their needs regarding prudent risk management. The Committee can also draw on the expertise of certain Committee members who also serve on the Audit Committee and Risk Management Committee.

At its discretion, the Committee may also call on the expertise of various groups at the Bank, such as Total Compensation, Finance and Risk Management, which take part in the compensation program design and review process. Each year, the Committee receives a letter signed by three Officers serving in internal control capacities, confirming the accuracy of the application of variable compensation programs and the financial results used to calculate the bonus envelopes for Executive Officers, Officers, Financial Markets specialists and employees in general.

Alignment of the Bank's compensation policies and practices with the principles and standards of the Financial Stability Board (FSB)

In 2009, the FSB published Principles and Standards for Sound Compensation Practices that were intended to protect against excessive risk taking and enhance the stability and soundness of the international financial system. The principles have been endorsed by many regulators and governments around the world, including Canada.

Over the past few years, the Bank has amended its compensation policies and practices to reflect the FSB's Principles for Sound Compensation Practices. The following table discusses how the Bank's compensation policies and programs are aligned with said principles.

FSB principles	Compensation policies and practices in effect at the Bank
1. The Firm's board of directors must actively oversee the compensation systems design and operation	✓ The Human Resources Committee consists of independent directors and assists the Board in carrying out its oversight role by approving the design and application of compensation policies and programs for Executive Officers, Officers and material risk takers, including cash compensation, equity compensation, pensions and share ownership requirements.
2. The Firm's board of directors must monitor and review the compensation system to ensure the system operates as intended	✓ At the beginning of the year, the Board approves the financial objectives and compares them with results at year-end. It approves the resulting bonus envelopes each year. ✓ The Board exercises its discretion, as it deems necessary, to make downward adjustments to annual variable compensation envelopes. ✓ The Board also has the discretion to make upward adjustments to annual bonuses under the ICP, by up to 15% of the value of the target bonuses, without however exceeding the maximum set at 200% of target bonuses, in order to take specific situations into account. ✓ The compensation of Executive Officers, Officers and Financial Markets specialists is approved each year by the Committee. ✓ The Committee reviews the significant compensation programs in the normal course of updates made to them and ensures that they remain appropriate, competitive and that they promote compliance with the Bank's risk tolerance limits.
3. Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business they oversee and commensurate with their key role in the firm	✓ Staff engaged in the four oversight roles at the Bank, namely, internal audit, risk management, compliance and finance, receive competitive total compensation, at the peer group median (the 50th percentile). Their compensation programs are structured to ensure their independence in carrying out their duties and the value of their total variable compensation is linked to the Bank's results, not the results of the business lines for which services are performed. This variable compensation represents only a portion of their total compensation, in accordance with the Bank's compensation policy. ✓ Adjustments to internal processes were made in line with the January 28, 2013 corporate governance guideline issued by OSFI.

FSB principles (cont.)	Compensation policies and practices in effect at the Bank (cont.)
4. Compensation must be adjusted for all types of risk	✓ All major annual bonus programs have a discretionary element to take into account the risk when determining the size of annual bonus envelopes or individual bonuses. ✓ At fiscal year-end, the Executive Vice-President – Risk Management presents the recommendations of the Compensation Risk Oversight Working Group to the Human Resources Committee, using a scoring grid developed by Risk Management that flags the key potential sources of significant risk, both internal (related to decision-making) and external (related to the environment). The assessment takes into account strategic, credit, market, liquidity, operational, regulatory, reputation and environmental risk. ✓ The final decisions regarding any required risk-based adjustments to the annual variable compensation envelopes of Executive Officers, Officers and Financial Markets specialists are submitted to the Human Resources Committee.
5. Compensation outcomes must be symmetric with risk outcomes	✓ A significant portion of total direct compensation for Executive Officers is variable and dependent on the Bank's financial and market performance and individual performance, and includes consideration of risks taken versus the Bank's risk appetite framework. ✓ A number of mechanisms have been put in place to ensure that compensation outcomes are symmetric with risk outcomes, in particular: – The funds earmarked for performance-based bonuses are mainly determined based on net income. A minimum net income threshold must be met to create annual bonus envelopes under the ICP; – One mechanism refers to Basel III Accord guidelines that call for reducing the size of annual bonus envelopes where the Bank's minimum regulatory capital required by regulatory authorities is not met. The guidelines dictate the elements to be reduced (share redemptions, dividends and annual bonuses) and the weight of their reductions; – A portion of the annual bonuses of material risk-takers is deferred over a three-year period; – A policy entitles the Bank to cancel and claw back variable compensation previously awarded to Executive Officers, Officers and Financial Markets specialists in specific circumstances; – The Human Resources Committee exercises its discretion, as it deems necessary, to adjust annual variable compensation envelopes.
6. Compensation payout schedule must be sensitive to time horizon of risks	✓ A significant portion of Executive Officers' compensation is deferred. PSUs vest after three years. Stock options vest over four years at a rate of 25% per year and expire after 10 years. ✓ A significant portion of annual bonuses of Officers and Financial Markets specialists is deferred in the form of RSUs and vest annually and evenly over three years, and expire at the end of the third year.
7. The mix of cash, equity and other forms of compensation must be consistent with risk alignment	✓ The cash/equity mix of compensation varies based on the position or the ability to impact the risk of the Bank. The percentage awarded as equity increases with seniority and risk impact: – The target deferred compensation of the President and Chief Executive Officer represents 75% of his variable compensation; – At least 50% of the total direct compensation of the Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, NBF must be deferred; – Financial Markets Officers eligible for the annual Officers bonus program receive a minimum of 40% of variable compensation in the form of RSUs; – The portion of annual bonuses of Financial Markets specialists awarded in RSUs is based on the amount of the bonus awarded.

Approval and management process for compensation policies and programs

1 Setting total compensation

- Ensuring that variable compensation is closely tied to financial performance
- Establishing the compensation policy

2 Tying variable compensation to performance

- Setting annual objectives and managing performance and careers
- Creating annual variable compensation envelopes
- Determining the Bank's performance factor
- Adjusting annual variable compensation envelopes as necessary

3 Ensuring governance of compensation practices

- Monitoring compensation policies and programs implementation
- Clawing back, as warranted, the deferred portion of variable compensation
- Receiving Internal Audit's annual report

1 Setting total compensation

The Bank's compensation offering includes direct compensation components, such as base salary and variable compensation programs, as well as indirect compensation components such as employee benefits, that support and secure the well-being of employees and their families in their personal and family lives.

The components of the total compensation programs, and their respective features, risk/performance relationships and time horizons are shown in the following table. A summary of the variable compensation programs is provided under "Description of Programs" in this section of the Circular.

	Components (time horizon)	What are the key features?	Why do we offer this component?	How do we determine the value of this component?	What is the financial risk/ performance relationship?
Fixed compensation	**Base salary (ongoing)**	Fixed compensation component, payable in cash. Revised annually and adjusted, as necessary	Factors in the level of responsibility, expertise, competence and experience	Based on extent of responsibility, peer practices, experience and individual performance	–
Variable compensation (at-risk)	**Annual (1 year)**	Variable compensation component, payable in cash (portion can be paid in RSUs), based on the level of achievement of the Bank's annual financial targets and individual performance	Rewards achievement of key annual financial and non-financial objectives	Based on the level of achievement of financial results and individual performance	Amount granted is not guaranteed and varies annually based on financial results obtained relative to the Bank's financial objectives set at the beginning of the year
	Mid-term (3 years)	Variable compensation component granted in PSUs or RSUs	Rewards creation of sustainable shareholder value	Based on extent of responsibility, peer group practices and individual performance. Expressed as a % of base salary	Value at maturity is at-risk as it depends on Common Share price and, for the Executive Officers, on total shareholder return
	Long-term (10 years)	Variable compensation component granted in stock options, which vest over four years at a rate of 25% per year and expire after 10 years	Rewards sustained growth in Common Share price over the long term	Based on extent of responsibility, peer group practices and individual performance. Expressed as a % of base salary	Value at maturity is at-risk as it depends primarily on increase in Common Share price over a maximum 10-year period
Indirect compensation	**Employee benefits and perquisites (ongoing)**	Group insurance program (health and dental care, life insurance, salary insurance, etc.)	Provides employees and their families with assistance and security so that they can focus on their professional responsibilities and the Bank's objectives	Based on peer group practices and the Bank's employer/ employee cost allocation policy	–
		Vehicle, parking and financial or fiscal services	Offers Executive Officers and Officers a limited number of benefits to complement their total compensation	Based on peer group practices	–
	Pension plan (long-term)	Defined Benefit Pension Plan and Post-Retirement Allowance Program	Encourages long-term retention of employees by rewarding their continued service and contributing to their retirement income	Based on peer group practices and the Bank's employer/ employee cost allocation policy	–

Ensuring that variable compensation is closely tied to financial performance

The short-, mid- and long-term variable compensation programs are based on various predetermined financial indicators that promote consistency over time between the vision, business strategies and decisions of Executive Officers. In addition, these indicators help ensure that risks are spread over a broader time horizon.

When programs are developed, the Committee ensures that they comply with the Principles and Standards for Sound Compensation Practices issued in 2009 by the Financial Stability Board. The Committee reviews the results of stress tests comprising various application scenarios for the program in development. The Committee considers the impact of these scenarios on the Bank's performance over different performance periods.

The Bank's financial performance is the main factor that guides decisions on compensation. As a result, compensation offered takes into account the Bank's performance and varies depending on the nature and level of contribution:

– the variable compensation programs are designed to reward Executive Officers and Officers for their specific contribution to the annual results attained and motivate them to produce consistent results over time and grow shareholder value in the long term;
– employees engaged in the four oversight roles at the Bank, namely, internal audit, risk management, compliance and finance, receive competitive total compensation, at the peer group median (the 50th percentile). Their compensation programs are structured to ensure their independence in carrying out their duties and the value of their variable compensation is linked to the Bank's results, not the results of the business lines for which services are performed. This variable compensation represents only a portion of their total compensation, in accordance with the Bank's compensation policy;
– the variable compensation programs offered to some specialists reward mainly their revenue contribution to the Bank. However, strict rules governing risk-taking must be followed at all times. The size of the annual bonus envelopes generated by these programs is directly proportional to the financial results attained. Furthermore, a portion of this variable compensation is deferred and the final value is based on the Bank's Common Share price.

Variable compensation represents a significant portion of Executive Officers' total compensation. It includes the annual bonus, the value of which ranges from 0% to 200% of the target bonus as it is directly linked to achievement of the Bank's financial objectives. It also includes deferred compensation, for which the value of the final payment is at-risk, as it is contingent on the future value or appreciation in the future value of the Bank's Common Share. In fact, more than 75% of the Executive Officers' compensation paid when the Bank's financial results fully meet fixed objectives is variable or "at-risk."

The following table shows the breakdown, as a percentage, of the target total direct compensation of the Executive Officers.

	Breakdown as a percentage of target total direct compensation				Total variable compensation at-risk (as a % of total direct compensation)	Total deferred variable compensation (as a % of variable compensation)
	Fixed	Variable–at-risk				
		Award at-risk	Payment at-risk			
	Base salary	Short-term annual bonus	Mid-term RSUs/PSUs	Long-term Options		
President and Chief Executive Officer	14%	21%	36%	29%	86%	75%
Other Executive Officers leading a business line	9% – 16%	33% – 41%	35% – 41%	9% – 16%	84% – 91%	55% – 61%
Other Executive Officers leading a corporate department	25%	25%	25%	25%	75%	67%

Establishing the compensation policy

The compensation policy for the Executive Officers aims to position their target total compensation at the peer group median (the 50th percentile) when results meet expectations. However, the target total compensation of the peer group continues to be adjusted downward to take into account the Bank's specific characteristics, notably its relative size. The peer group used to establish the value of compensation varies according to the Bank's business lines. For Executive Officers, the peer group for 2013 is unchanged from 2012 and consists of the following companies:

Selection criteria

Location of head office	– Canada
Industry	– Banks with diversified operations and other financial institutions
Characteristics	– Serve a comparable client group – Attract a similar profile of employees – Have a large number of shareholders

Peer group

- Bank of Montreal
- Canadian Imperial Bank of Commerce
- Great-West Lifeco Inc.
- Industrial Alliance Insurance and Financial Services Inc.
- Manulife Financial Corporation
- Power Financial Corporation
- Royal Bank of Canada
- Sun Life Financial Inc.
- The Bank of Nova Scotia
- The Toronto-Dominion Bank

The following table shows how the Bank ranks in relation to the Canadian Banks and other financial institutions in its peer group.

Peer group member	Revenues ($ millions)	Net income attributable to holders of Common Shares ($ millions)	Ratio Net income/ Revenues	Market capitali-zation ($ millions)	Number of employees (thousands)
Bank of Montreal(2)	16,263	4,063	25%	46,777	45.6
Canadian Imperial Bank of Commerce(2)	12,783	3,304	26%	35,413	43.0
Great-West Lifeco Inc.(1)	7,610	1,815	24%	23,147	17.9
Industrial Alliance Insurance and Financial Services Inc.(1)	2,360	312	13%	2,856	4.3
Manulife Financial Corporation(1)	12,189	1,624	13%	24,693	27.8
Power Financial Corporation(1)	9,961	1,626	16%	19,316	33.0
Royal Bank of Canada(2)	28,541	8,078	28%	100,903	74.2
Sun Life Financial Inc.(1)	7,141	1,554	22%	15,810	14.9
The Bank of Nova Scotia(2)	21,343	6,205	29%	76,612	83.9
The Toronto-Dominion Bank(2)	24,206	6,372	26%	87,748	78.9
National Bank of Canada(2)	**5,163**	**1,439**	**28%**	**14,747**	**19.7**

(1) The information is as at December 31, 2012.

(2) The information is as at October 31, 2013.

Each year, the Human Resources Committee reviews the competitiveness of Executive Officers' target total direct compensation. Said compensation includes base salary, target annual bonus and mid-term and long-term variable compensation. The Committee examines the results of the compensation studies conducted by the independent external consultant it mandated. It receives the recommendations of the President and Chief Executive Officer for the other Executive Officers' compensation, and then conducts its own review in order to make its recommendations to the Board.

The Bank's compensation policy, which covers most of the other functions, also aims to position the target total direct compensation of employees at the peer group median (the 50th percentile) when results meet expectations. The Bank's compensation policy also applies to its Canadian and foreign subsidiaries. However, it is aligned with market practices by offering compensation components that may vary from one business line to another, and takes into account significant pay disparities that may exist among the large regions or the countries where the Bank provides its services.

At the start of each year, the Committee reviews and approves the mandates to be assigned to independent external consultants for obtaining market studies on total compensation, which enable it to maintain the competitiveness of the compensation policy applicable to the other functions of all Bank employees. During the year, the results of these market studies are first reviewed by the management and, if applicable, recommendations are submitted to the Committee for discussion and approval.

2 Tying variable compensation to performance

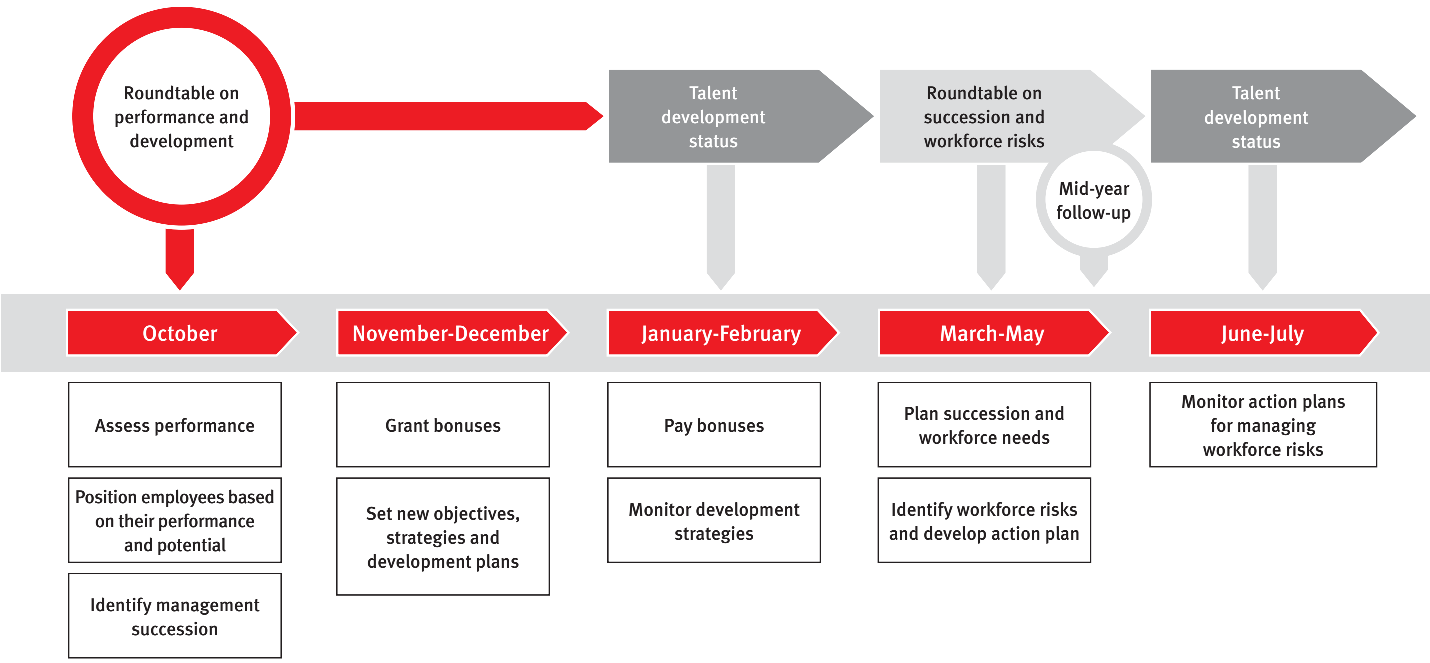
Setting annual objectives and managing performance and careers

At the beginning of each fiscal year, the Committee approves the performance objectives of the President and Chief Executive Officer and recommends that the Board approve the financial objectives of the variable compensation program provided to the President and Chief Executive Officer as well as the other Executive Officers.

Since implementing its *One client, one bank* approach, the Bank has put in place a rigorous performance and career management process in order to closely tie variable compensation to performance. One of the priorities of this process is to promote a culture of cooperation, accountability and performance at all levels of the institution on a daily basis. The approach strives to foster performance and professional development, provide for succession planning and manage workforce risks. Each Officer prepares an annual plan, consisting of three types of objectives:

- annual objectives tied to financial targets, growing client loyalty and engaging and retaining employees;
- annual objectives attached to his role and his mandate; and
- annual objectives related to his leadership development and commitment to the values and behaviours sought by the Bank.

To ensure fairness, rigour and regular follow-ups, each management level, including Executive Officers, holds two roundtable meetings every year: the first to assess individual performance and the second to plan succession and workforce needs. This process, depicted below, has also been implemented in business segments where specialists may assume risks that can have a material impact on the Bank.



The Committee assesses the performance of the President and Chief Executive Officer by comparing results against the objectives set at the start of the fiscal year.

For the other Executive Officers, the Committee receives the assessment report of the President and Chief Executive Officer and reviews and approves the recommendations regarding variable compensation stemming from program application.

Creating annual variable compensation envelopes

The short-term variable compensation envelopes for Executive Officers are based on the following parameters:

1		2		3
Bank's performance factor as a %	X	% of target bonus corresponding to the position level	X	Base salary

Determining the Bank's performance factor

A single financial indicator is used to determine the annual bonus envelopes: net income attributable to holders of the Bank's Common Shares as reported in the Bank's Financial Statements, i.e., net income less dividends on preferred shares and the non-controlling interest amount.

Net income attributable to holders of Common Shares is a comprehensive financial indicator that captures the Bank's overall performance during a given fiscal year and provides a basis for assessing growth from year to year. It focuses all employees on meeting the same sustained growth objective.

For the short-term variable compensation program, a growth target for net income attributable to holders of Common Shares is set at the beginning of each fiscal year, with a threshold (80% of the target) to be achieved in order to generate the creation of an envelope, and a maximum (120% of the target), at which the envelope is capped.

Each year, the Human Resources Committee receives a letter signed by three Officers serving in internal control functions, confirming the accuracy of the variable compensation programs deployment and the financial results used to calculate the bonus envelopes for Executive Officers, Officers and Financial Markets specialists, as well as for employees in general.

The Board may exercise its discretion, on the Committee's recommendation, to increase annual bonuses by up to 15% of the value of the target bonuses, without however exceeding the maximum set at 200% of target bonuses, in order to take specific situations into account.

Adjusting annual variable compensation envelopes as necessary

The Bank is always striving to further align the potential impact of all types of risks with the compensation of Executive Officers, Officers and Financial Markets specialists, as required by the Financial Stability Board and OSFI. Like other major Canadian banks, the Committee can and does exercise its discretion to make downward adjustments, as it sees fit, to the annual variable compensation envelopes. In order to better support primarily judgment-based decisions, the Compensation Risk Oversight Working Group uses a scoring grid developed by Risk Management that flags the main potential sources of significant risk, both internal (related to decision-making) and external (related to the business conditions). Accordingly, the assessment takes into account strategic, credit, market, liquidity, operational, regulatory, reputation and environmental risks. Subsequent to this assessment, Working Group members recommend to the Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, NBF, the President and Chief Executive Officer and the Committee, if need be, that the appropriate adjustments be made to the annual variable compensation envelopes of Officers and Financial Markets specialists.

One mechanism refers to Basel III Accord guidelines that call for reducing the size of annual bonus envelopes where the Bank's minimum regulatory capital required by regulatory authorities is not met. The guidelines dictate the elements to be reduced (share redemptions, dividends and annual bonuses) and the weight of their reduction. The mechanism applies to all short-term variable compensation programs including those offered to Executive Officers, Officers and Financial Markets specialists and all other employees of the Bank and its subsidiaries.

3 Ensuring governance of compensation practices

Monitoring compensation policies and programs implementation

In exercising its duties, the Human Resources department of the Bank oversees the implementation of policies and all variable compensation programs of the Bank and its subsidiaries.

Clawing back, as warranted, the deferred portion of variable compensation

Additional measures are taken to balance risk and return to adequately meet regulatory and prescriptive requirements and ensure the Bank's sustainability. More specifically, the various programs for Officers and Financial Markets specialists provide for the following controls:

– a policy prohibits Officers and employees from purchasing financial instruments, including variable prepaid forward agreements, equity swaps, collars or units of listed funds, designed to hedge against a decline in the market value of equity securities awarded as compensation or that they hold directly or indirectly or to offset such a decline;
– a portion of the annual bonuses of Officers and Financial Markets specialists, who may have a considerable impact on the Bank's risk profile, is deferred over three years; and
– a policy revised in 2012 and procedures implemented in 2013 now entitle the Bank to cancel and claw back not only the deferred portion but also all of the variable compensation awarded to Officers and Financial Markets specialists, where one of the following situations arises:
  - an employee engaged in dishonest actions or unethical behaviour in the course of his or her employment;
  - an employee failed to comply with policies, rules or procedures during the fiscal year or thereafter (for up to three years); or
  - a unit's financial results must be restated and reissued and employee compensation is based on those results.

During fiscal year 2013, and following validation by the Compensation Risk Oversight Working Group, no portion of previously awarded variable compensation was clawed back by the Bank.

Receiving Internal Audit's annual report

Each year, the Senior Vice-President – Internal Audit submits to the Committee the results of his independent analysis designed to detect any material differences between the Bank's compensation policies, programs and practices and the principles and standards issued by the FSB. Internal Audit's analysis further aims to detect any material differences between the compensation paid and the compensation payable under the Bank's total compensation policies and programs.

Communication with shareholders

The Bank has implemented a process for collecting and handling questions, comments or suggestions from shareholders or shareholder associations, in order to give them the opportunity to make their concerns known or better understand the Board's approach to executive compensation. The Committee also communicates with institutional investors on issues raised by them. For example, in 2013, the Bank voluntarily participated in a study performed by Meridian in response to comments by Northwest and Ethical Investments L.P. (NEI), a mutual fund company.

Finally, by annual advisory vote, shareholders can also express their position on the approach to executive compensation presented in Sections 7 and 8 of this Circular.

For more information, please refer to "Contacting the Board" in Section 9 of this Circular.

DESCRIPTION OF PROGRAMS

The Bank's various compensation programs are summarized in the following tables. During fiscal year 2013, no change was made to the compensation policy or to the variable compensation programs offered to Executive Officers.

1. Base salary

In accordance with the objectives of the compensation policy, the purpose of base salary is to recognize the contribution of Executive Officers, Officers and the majority of employees. It allows the Bank to ensure that their compensation is competitive in relation to that offered by the Bank's peer group. It also recognizes their level of responsibility, expertise, competence and experience.

Eligibility	– Executive Officers, Officers and the majority of employees
Features/reasons for payment	– Makes up the fixed portion of total compensation – Is based on the level of the position and the value of total compensation to ensure an appropriate mix between fixed and variable compensation – Is compared annually with the median salaries of the Bank's peer group, taking into account the Bank's relative size and differences in the responsibilities associated with the positions at the Bank and those of comparable peer group positions

2. Short-term variable compensation programs of the Bank and the Financial Markets sector

In accordance with the Bank's compensation policies, short-term variable compensation aims to compensate Executive Officers, Officers and employees based on annual financial performance. The individual annual bonus granted takes into account the prudence demonstrated in risk management. A portion of such bonus may be deferred to reflect the risk horizons involved.

Annual bonus program of the Bank (ICP)	
Eligibility	– Executive Officers and the majority of Officers and employees
Features/reasons for payment	– **Designed to tie** the annual compensation of Executive Officers, the majority of Officers and employees to the Bank's financial objectives and promote their buy-in to the *One client, one bank* approach based on the following governing principles: • promote cooperation among business lines • improve the Bank's financial performance in absolute terms • provide an incentive to exceed the Bank's financial objectives • generate a minimum level of net income attributable to holders of Common Shares to justify the payment of bonuses
Financial indicator	– Growth in net income attributable to holders of Common Shares
Grant	– Individual bonuses are granted in relation to: • the extent to which the Bank's financial objectives are met • the employment level • individual results attained • the assessment of leadership behaviours and adherence to the Bank's values
Payment	– Bonuses are paid annually in cash and may range between 0% and 200% of the target bonus, depending on financial results and grant criteria – The Board has the power, on the Committee's recommendation, to increase annual bonuses by up to 15% of the value of the target bonuses, without however exceeding the maximum set at 200% of target bonuses, in order to take specific situations into account

2. Short-term variable compensation programs of the Bank and the Financial Markets sector (cont.)

Annual bonus program for Officers of the Financial Markets sector	
Eligibility	– Officers of the Financial Markets sector
Features/reasons for payment	– **Designed to reward** group and individual contributions to the results of the Financial Markets sector
Financial indicator	– Financial Markets sector's income before taxes
Grant	– Individual bonuses are granted on a discretionary basis in relation to: • the degree of achievement of Financial Markets annual objectives • the demonstration of prudent risk management • the assessment of leadership behaviours and adherence to the Bank's values • the degree of achievement of financial, strategic and organizational objectives
Payment	– Bonuses are granted annually as follows: • 60% in cash • 40% in the form of RSUs (deferred payment), in accordance with governance practices. The value of these RSUs is equal to the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant – RSUs vest over a three-year period, in three equal annual portions, and expire at the end of such period – Additional RSUs are credited to the Officer's account in an amount proportional to the dividends paid on the Common Shares – The cash payment is equal to the number of vested RSUs, multiplied by the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the vesting date

2. Short-term variable compensation programs of the Bank and the Financial Markets sector (cont.)

Annual bonus program for specialists of the Financial Markets sector	
Eligibility	– Specialists of the Financial Markets sector
Features/reasons for payment	– **Designed to reward** group and individual contributions to the financial results of the various business units of the Financial Markets sector
Financial indicator	– Financial results of the various business units of the sector
Grant	– The envelopes represent a proportion of the financial results of each business unit and are distributed, on a discretionary basis, as follows: • 70% within the business unit; the value of individual bonuses is determined on a discretionary basis and takes into account individual contributions to revenue generating capacity, prudence demonstrated in risk management, business relationships with clients and the responsibility level assumed • 30% to all business units in order to reward, on a discretionary basis, qualitative results that promote expected behaviours and organizational values such as cooperation among business lines
Payment	– Bonuses are paid as follows: • a portion in cash • the other portion is deferred in the form of Restricted Stock Units (RSU), in accordance with governance practices. The deferred portion is established on the basis of the amount of the bonus granted

Portion of annual bonus	Percentage deferred and granted in the form of RSUs
$0 – $100,000	0%
$100,000 – $400,000	30% of the portion
$400,000 – $1,000,000	35% of the portion
$1,000,000 or over	40% of the portion

- RSUs vest over a three-year period, in three equal annual portions, and expire at the end of such period
- Additional RSUs are credited to the account of specialists of the Financial Markets sector in an amount proportional to the dividends paid on the Common Shares
- The cash payment is equal to the number of vested RSUs, multiplied by the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the vesting date

3. Deferred compensation – Mid-term variable compensation programs

In accordance with the objectives of the compensation policy, the purpose of mid-term variable compensation is to align the vision and expectations with respect to Executive Officers and Officers with those of shareholders and foster sound risk-taking.

Performance Share Unit (PSU) Plan of the Bank	
Eligibility	– Executive Officers
Features/reasons for payment	– **Designed to tie** a portion of the value of compensation to the future value of the Bank's Common Shares and total shareholder return (TSR)
Financial indicator	– Growth in the Bank's TSR compared to growth in the S&P/TSX Banks Sub-index (relative TSR)
Grant	– The total value to be granted in the form of PSUs is equal to a predetermined percentage of the base salary of the Executive Officer – The number of PSUs granted is based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant date – Additional PSUs are credited to the account of the Executive Officer in an amount proportional to the dividends paid on the Common Shares
Vesting	– After three years
Payment	– The cash value is first based on the share price corresponding to the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the vesting date, then adjusted upward or downward depending on relative TSR

$$\frac{\text{Bank's TSR growth index over 3 years}}{\text{S\&P/TSX banks' TSR growth index over 3 years}} = \text{Relative TSR}$$

– The adjustment to the payable value, based on the relative TSR, is established in a linear manner within the following limits:

Relative TSR	Adjustment range of payable value
≥ 1.25	125% (maximum)
= 1.00	100%
≤ 0.75	75% (minimum)

When the program was developed, the Committee reviewed stress tests for different Bank performance scenarios and reviewed the consequences of these scenarios on the value of PSUs. The Committee evaluated the possible values over three-year periods of expected, exceptional and weak performance. The Committee concluded that granting PSUs makes it possible to establish an appropriate relationship between this compensation component and the total shareholder return.

TSR is recognized as the most appropriate financial indicator for measuring shareholder value creation. It takes into account the price changes of the Bank's Common Shares and the dividends paid to holders of Common Shares over a period of time. Relative TSR provides a basis for comparing the value the Bank generates for its holders of Common Shares against the performance of Canada's banks.

3. Deferred compensation – Mid-term variable compensation programs (cont.)

Restricted Stock Unit (RSU) Plan of the Bank	
Eligibility	– Certain Officers of the Bank
Features/reasons for payment	– **Designed to tie** a portion of the value of certain Officers' compensation to the future value of the Bank's Common Shares
Financial indicator	– Price of the Bank's Common Shares
Grant	– The total value to be granted in the form of RSUs is equal to a predetermined percentage of the Officer's base salary – The number of RSUs granted is based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant – Additional RSUs are credited to the Officer's account in an amount proportional to the dividends paid on the Common Shares
Vesting	– After three years
Payment	– The cash payment is equal to the number of vested RSUs, multiplied by the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the vesting date

4. Deferred compensation – Long-term variable compensation programs

In accordance with the objectives of the compensation policy, the purpose of long-term variable compensation is to align the vision and expectations with respect to Executive Officers and Officers with those of shareholders and foster sound risk-taking.

Stock Option Plan of the Bank	
Eligibility	– Executive Officers and the majority of Officers
Features/reasons for payment	– **Designed to:** • **retain** the Executive Officers and eligible Officers and **encourage** them to contribute to the Bank's success • **foster** growth in the value of the investment of holders of Common Shares – Each option entitles the holder to purchase one Common Share at a price equal to the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant – The price of options already granted cannot be revised downward, under any circumstances, notwithstanding changes in the price of the Bank's Common Shares, so that Executive Officers and Officers can only benefit from the options granted to them to the extent that the Bank's Common Share price increases steadily over the long term – Under the Bank's long-term compensation programs, only the Stock Option Plan allows for the issuance of the Bank's equity securities
Financial indicator	– Growth in the price of the Bank's Common Shares
Grant	– Each year, when granting options, the Committee takes into account the number and term of previously granted options – The number of options granted is based on: • the dollar value of the grant • the Black-Scholes value – Since the Stock Option Plan was adopted, the Bank has made only one grant per fiscal year, on a specific date, without taking into account the Executive Officers and Officers hired or appointed during the fiscal year. This annual grant date has never been amended retroactively – The number of Common Shares reserved for a plan member may not exceed 5% of the total number of issued and outstanding Common Shares of the Bank

4. Deferred compensation – Long-term variable compensation programs (cont.)

Stock Option Plan of the Bank (cont.)	
Grant (cont.)	– The total number of shares that can be issued to insiders (as defined by the CSA), at any time, under all share based compensation arrangements of the Bank, including the shares issued on the exercise of options granted under the Stock Option Plan, cannot exceed 10% of the total number of issued and outstanding Common Shares of the Bank – The total number of shares issued to insiders, in any one-year period, under all share-based compensation arrangements of the Bank, including the shares issued on the exercise of options granted under the Stock Option Plan, cannot exceed 10% of the total number of issued and outstanding Common Shares of the Bank
Vesting	– 25% per year, over a four-year period
Payment	– No options may be exercised in the first year after they are granted – Vested options may be exercised: • between the second business day following release of the Bank's interim or annual consolidated financial statements and the 30th calendar day following that date • only by a plan member or his or her estate (options may not be sold to a third party but ownership may be transferred to a beneficiary or to a legal representative in the event of the option holder's death) • in whole or in part before the expiration date set by the Committee at the time the options are granted; however, where the expiration date falls within or immediately after a black-out period, the expiration date of the options is deferred, as applicable, (i) by 10 business days if the expiration date falls during the black-out period or (ii) by a number of business days equal to 10 business days less the number of business days elapsed between the end of the black-out period and the expiration date if such date falls no later than 10 business days after the end of the black-out period – Each Executive Officer must, upon exercising options granted since December 2002, keep for one year the value equal to the gain resulting from the exercise of vested options, after tax considerations, in the form of Common Shares of the Bank – The options held by a Stock Option Plan member who retires from the Bank continue to vest in accordance with the terms and conditions in effect. The member has five years to exercise his or her vested options – Vested options of a plan member who commences an authorized leave of absence lasting more than 12 months may be exercised during the duration of the leave. Non-vested options at the commencement of such leave may be suspended from the commencement of such leave and for the duration of such leave so that the date upon which options shall be vested shall be extended by a period of time equal to the duration of the leave. However, the expiry date of the options is not amended – For information on the treatment of options according to the reason for departure, please refer to the table "Conditions applicable in the event of termination of employment" in Section 8 of this Circular
Cancellation of options	– Options expire on their expiry date, namely, 10 years after the grant date, or when the plan member's employment at the Bank is terminated – An extension of the expiry of the vested and non-vested options of up to 18 months may be granted if termination of employment results from the disposition by the Bank of a division or of one of its subsidiaries – Vesting of options granted shall continue during the first 27 consecutive months of absence due to disability. All non-vested options shall be forfeited on the date of death or following 27 consecutive months of absence due to disability. A six-month period following the date of death or 27 months of disability shall be granted for the exercise of already vested options. At the end of this period, all unexercised options are cancelled

4. Deferred compensation – Long-term variable compensation programs (cont.)

Stock Option Plan of the Bank (cont.)	
Amendments to the Stock Option Plan	– In accordance with the special amendment procedure approved by the holders of Common Shares on March 7, 2007, certain material amendments to the Stock Option Plan require shareholder approval, while certain minor changes can be approved by the Board without having to obtain shareholder approval. Subject to certain conditions, the Board may also amend some features of the options already granted – The Board may not make the following amendments to the Stock Option Plan without shareholder approval: • an increase in the number of reserved shares • any downward revision in the exercise price or purchase price or any cancellation of options in order to issue new options • any extension of the term of an option beyond the initial term provided for • an amendment to the class of eligible plan members allowing the introduction or reintroduction of non-employee directors of the Bank at the discretion of the Board • an amendment allowing share-based payments granted under the Plan to be transferable or assignable other than in connection with an estate settlement following a member's death • an amendment to the maximum amount issuable to insiders – Subject to the foregoing, the Board may decide at any time to suspend or terminate the Stock Option Plan in whole or in part or amend it in such respects as the Board may deem appropriate without having to obtain shareholder approval – Subject to other provisions of the Stock Option Plan, the Board shall be required to obtain the consent of the plan members in the event that the amendment, suspension or termination of the Stock Option Plan affects the entitlements and responsibilities resulting from an option already granted to such members under the Stock Option Plan – Without limiting the scope of the foregoing, the Board may amend the Stock Option Plan for one or more of the following purposes, without having to obtain shareholder approval: • to amend the eligibility criteria and the limits for participating in the Stock Option Plan • to amend the conditions and rules for granting, vesting and exercising options • to make additions, amendments or deletions to the Stock Option Plan in order to comply with the legislation governing the Stock Option Plan or with the requirements of a regulatory authority or stock exchange • to correct or rectify any ambiguity, incorrect stipulation or omission in the text of the Stock Option Plan • to amend the provisions relating to the administration of the Stock Option Plan • to amend the reasons for canceling options – The Board may also amend features of an option granted to a plan member (including the exercise price, the exercise conditions or the expiry date of an option) without having to obtain shareholder approval, provided the following conditions are met: • the amendments do not have the effect of reducing the exercise price of an option or extending the expiry date of options already granted • the Board had prior authority to grant the amended option • the amendment does not materially prejudice the rights of the plan members affected by such amendment – On December 4, 2013, the Bank announced that the Board had approved a two-for-one share split of its outstanding Common Shares, under which shareholders of record as of February 6, 2014 received, on February 13, 2014, one Common Share for each Common Share held. On such date the Board also approved adjustments to the Stock Option Plan required to maintain plan members' rights at a level proportionate to the existing level prior to the stock dividend payment.

4. Deferred compensation – Long-term variable compensation programs (cont.)

The following table is presented pursuant to Canadian securities legislation requirements and shows the status of the Stock Option Plan as at October 31, 2013.

The information presented below takes into account the two-for-one common share split taking the form of a share dividend payable on February 13, 2014 to shareholders of record as of February 6, 2014.

Information about equity-based compensation plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants or rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity-based compensation plans (excluding securities reflected in column (a)) (c)
Equity-based compensation plan approved by securityholders	15,015,756	$31.85	11,115,118

The table below presents the total number of options granted in December of each year and exercised options in the past three fiscal years, as well as the reserve position at the end of each fiscal year.

	Options granted in December (1)	Value at grant date ($) (2)	Total value of grant ($)	Options exercised during the fiscal year	Options outstanding at fiscal year-end (3)	Options available for future grants at fiscal year-end (1)	Total options outstanding and available at fiscal year-end
2013	2,863,376	8.99	25,741,750	3,529,528	15,015,756	11,115,118	26,130,874
2012	3,225,392	8.06	25,980,533	3,412,162	15,588,436	14,071,966	29,660,402
2011	3,523,096	7.50	26,423,220	3,931,262	15,807,470	5,802,438	21,609,908

(1) The number of options available for future grants at the end of fiscal year 2013 represented 3.41% of the total number of Common Shares outstanding 325,763,570. Of this number, 2,863,376 options were granted in December 2013, which represents 0.88% of the total number of Common Shares outstanding at fiscal year-end.

(2) The compensation value of December 2013 awards represented $8.99 or 20% of the share price as at December 9, 2013, or $89.91 (corresponding to $44.96 following the February 13, 2014 share split). This percentage is equal to the average estimated value of results based on the Black-Scholes model from 2009 to 2012 and the estimated compensation value of options based on an historical average for 2008.

(3) The number of options outstanding at the end of fiscal year 2013 represented 4.61% of the total number of Common Shares outstanding at this date.

Stock Appreciation Rights (SAR) Plan of the Bank	
Eligibility	– Officers who are Canadian non-residents
Features/reasons for payment	– **Designed to meet the same objectives** as the Stock Option Plan and subject to the same granting and exercise conditions
Financial indicator	– Growth in the price of the Bank's Common Shares
Grant	– The number of SARs granted is based on: • the dollar value of the grant • the Black-Scholes value – Only Canadian non-residents received SARs in fiscal year 2013
Vesting	– 25% per year, over a four-year period – SARs expire on their expiry date, namely, 10 years after they are granted, or when the plan member's employment at the Bank is terminated
Payment	– The cash payment is equal to the number of SARs exercised, multiplied by the difference between the closing price of the Bank's Common Shares on the Toronto Stock Exchange the day before the exercise date and the closing price the day preceding the grant date

4. Deferred compensation – Long-term variable compensation programs (cont.)

Deferred Stock Unit (DSU) Plan of the Bank	
Eligibility	– Executive Officers and the majority of Officers
Features/reasons for payment	– **Designed to tie** a portion of the value of the compensation of Executive Officers and eligible Officers to the future value of the Bank's Common Shares – DSUs cannot be cashed as long as the holder is employed by the Bank
Financial indicator	– Price of the Bank's Common Shares
Grant	– Executive Officers and Officers may elect to receive up to 30% of their long-term compensation in the form of DSUs – The number of DSUs granted is based on: • the dollar value of the grant • the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant – Additional DSUs are credited to the account of the Executive Officer and Officer in an amount proportional to the dividends paid on the Common Shares
Vesting	– 25% per year, over a four-year period
Payment	– DSUs may be cashed only upon termination of employment or retirement of the Executive Officer or Officer – A plan member may cash vested DSUs by filing redemption notices during a fixed period after termination of employment

NBF Deferred Compensation Plan	
Eligibility	– Certain Officers and employees of NBF Individual Investor Services
Features/reasons for payment	– **Designed to promote** growth in income and profitability as well as foster retention of key employees
Contribution	– Voluntary contribution by employees of up to 15% of their annual compensation until their retirement, as they do not participate in any pension plan – Employer contribution based on net income attributable to holders of Bank's Common Shares – Employees may invest their contribution and the employer's contribution among thirteen investment vehicles and can modify the fund allocation among these, once a year – Deferred stock units, the value of which is linked to the performance of the Bank's Common Shares, are one of the investment vehicles proposed
Grant	– Deferred compensation units are granted to the employees with the highest individual contributions based on income generated
Vesting	– The amounts granted by the employer vest at the rate of 25% per year
Payment	– The value of the vested units is payable, under certain conditions, upon termination of employment or retirement

4. Deferred compensation – Long-term variable compensation programs (cont.)

Employee Share Ownership Plan (ESOP)	
Eligibility	– Executive Officers, Officers and all Canadian employees
Features/reasons for payment	– **Designed to foster** a stronger sense of belonging among Bank employees – Voluntary contribution by employees of up to 8% of their gross annual salary – Contributions are made by way of payroll deductions
Financial indicator	– Growth in the price of the Bank's Common Shares
Grant	– The employer contribution is equal to 25% of the employee's contribution, up to $1,500 per year
Vesting	– The contributions of the Bank are vested to the employee after the employee has completed one year of continuous membership in the ESOP. Subsequent contributions vest immediately

5. Employee benefit and perquisite programs

Eligibility	– Executive Officers, Officers and the majority of employees
Features/reasons for payment	– **Aims to foster** financial security of Executive Officers, Officers and the majority of employees while providing employee benefits to attract and retain talent – Perquisites comparable to those of the competition
Plans offered	– Group insurance: • medical and dental care • life and accident insurance • short- and long-term disability benefits • optional critical illness insurance – Perquisites: • banking services at no charge or at reduced rates (offered to Executive Officers, Officers and the majority of employees) • use of a vehicle and a parking space (Executive Officers and Officers only) • annual medical exam and financial and fiscal planning service fees reimbursed (Executive Officers and Officers only)
Valuation method	– Group insurance: • basic coverage in accordance with plan terms and conditions • option to increase level of coverage, if the plan member pays additional premiums • benefits taxable in accordance with the prescribed legislation – Perquisites: • set annual limit • benefits taxable in accordance with the prescribed legislation

6. Pension Plans and Post-Retirement Allowance Programs (PRAP)

Eligibility	– Executive Officers, Officers of the Bank and the majority of Canadian employees of the Bank
Plan definition	– The contributory defined benefit pension plans are subject to legislation governing pension plans under applicable jurisdiction – The PRAP aims to offset the impact of limits based on the maximums prescribed under tax legislation with respect to pension benefits provided by a registered pension plan – A pension is payable under the registered pension plans up to the maximum pension prescribed by current legislation, while the PRAP provides for the supplemental pension benefit – The benefits accrued under the defined benefit pension plans and the PRAP form an integral part of the total compensation offered by the Bank – Changes to the pension plans and to the PRAP came into effect January 1, 2014 (see details below). Generally, these changes affect the annual pensions of Executive Officers, Officers and employees in the same order of magnitude
Features/reasons for payment	– **Designed to encourage** long-term retention of Executive Officers, Officers and employees by rewarding their continued service at the Bank and by contributing to their retirement income
Normal retirement age (without pension reduction)	– For pension plan membership years prior to January 1, 2014: • Set at 60 years for the accumulated service of Executive Officers and Officers in accordance with the pension plans – For pension plan membership years starting January 1, 2014: • Set at 65 years for the accumulated service of Executive Officers, Officers and eligible employees in accordance with the pension plans
Years of credited service	– President and Chief Executive Officer: • Recognition of five years of credited service on August 1, 2006 and credited 4% of salary per year between August 1, 2006 and July 31, 2010, 2.5% of salary per year between August 1, 2010 and July 31, 2017 and 2% of salary per year between August 1, 2017 and July 31, 2022, and in accordance with Plan provisions thereafter • These conditions for crediting years of service were approved by the Board, taking into account all of Louis Vachon's years of service at the Bank and its subsidiaries where no pension plan was offered – Other Executive Officers: • The majority of Executive Officers accumulate 1.5 years of credited service per year of membership up to a maximum of 5 additional years. Starting in 2014, with the harmonization of the plans, all other Executive Members will accumulate 1.5 years of credited service per year of membership up to a maximum of 5 additional years
Pension formula	– For pension plan membership years prior to January 1, 2014: • 2% of the average pensionable earnings for each year of credited service. As of age 60, the pension is reduced to take into account the benefits payable under the Quebec Pension Plan or Canada Pension Plan – For pension plan membership years starting January 1, 2014: • 1.7% of the average pensionable earnings for each year of credited service

6. Pension Plans and Post-Retirement Allowance Programs (PRAP) (cont.)

Pensionable earnings	– Average pensionable earnings consist of the average earnings for the 60 highest-paid consecutive months. Pensionable earnings include the base salary and the annual bonus, which is subject to limits that vary according to the level of the position
President and Chief Executive Officer	– The eligible annual bonus is capped at 100% of base salary
Other Executive Officers	– The proportion of the annual bonus recognized will increase gradually until 2017 to reach 100% of the annual bonus (up to 45% of base salary) – Average annual pensionable earnings are capped at $1,000,000 for a majority of members. With the harmonization of the plans as at January 1, 2014, average annual pensionable earnings for all other Executive Officers will, gradually until 2017, be capped at $1,000,000
Contributions of Executive Officers	– 9% of pensionable earnings, up to $17,569 per year – At retirement, the accumulated amount exceeding the basic contributions is converted into a supplemental pension, subject to the limits imposed by applicable legislation
Reduction for early retirement applicable to Executive Officers	– These plans allow for early retirement starting at age 55 – For pension plan membership years prior to January 1, 2014: • The applicable reduction for a plan member who has been a member of the pension plan for 10 years or more is the lesser of: · 4% for each year prior to age 60; or · 2% for each year before the sum of the age and years of service reaches 90 years – For pension plan membership years starting January 1, 2014: • The applicable reduction is 4% for each year prior to age 65 – The applicable reduction for a plan member who has been a member of the pension plan for less than 10 years is determined on an actuarial equivalent basis for plan membership years prior to January 1, 2014

The Bank's retirement plans have been reviewed and amendments came into force as of January 1, 2014, for plan membership years starting on that date. For membership years prior to January 1, 2014, the rules in force at the time will continue to apply to the portion of the pension accumulated prior to that date.

Governance practices on pension plan administration

The Bank's pension plans are subject to the governance of the Human Resources Committee of the Board, which acts as trustee of the pension plans, and are managed in accordance with best market practices. The Human Resources Committee reviews the asset-liability management strategy, reviews the financial statements, approves the actuarial valuations, monitors the capitalization level, approves the investment policy and recommends to the Board for approval any material changes deemed necessary to ensure plan continuity.

A Retirement Committee was set up in 2001, on a voluntary and proactive basis, by the Human Resources Committee to support it in its role as trustee and to ensure optimal asset management and inherent risk control. This committee is made up of independent external members as well as officers of the Bank who are specialists in finance, treasury, risk management and human resources. The Retirement Committee reports to the Bank's Human Resources Committee. The Retirement Committee members meet at least four times per year and regularly report on their work to the Human Resources Committee.

Further, the Bank periodically and effectively communicates with pension plan members, particularly through the Pension Committee comprising Bank and active and retired employee representatives. At this annual meeting, the findings of the actuarial valuations, along with the performance review of the investment fund and its financial statements, are presented, among others.

The Bank fulfills its financial disclosure requirements and is responsible for the integrity of the information provided, and ensuring its compliance with applicable accounting and disclosure standards. The financial statements and the Management's Discussion and Analysis undergo a rigorous audit by the Bank's independent auditors, appointed by Bank Shareholders at the Annual Meeting.

Note 22 of the financial statements for the fiscal year ended October 31, 2013 shows that, from an accounting standpoint, the Bank's pension plans are in a surplus position.

SHARE OWNERSHIP REQUIREMENTS (in force until December 30, 2014)

Positions covered	– Executive Officers, Officers and certain specialists of the Financial Markets sector
Features/reasons for payment	– **Designed to tie** the long-term interests of Executive Officers, Officers and certain specialists of the Financial Markets sector to those of holders of Common Shares and to discourage these Executive Officers, Officers and specialists from taking undue and excessive risks – Executive Officers, Officers and certain specialists of the Financial Markets sector are required to maintain minimum holdings of Common Shares of the Bank, including vested (but unexpired) and non-vested RSUs, non-vested PSUs, vested and non-vested DSUs and vested (but unexercised) options, commensurate with compensation received and position held – The Committee regularly monitors share ownership to ensure that these minimum requirements are met
Minimum ownership requirement	– The minimum holding amount represents a multiple of the previous three years' average base salary
Period for meeting the requirements	– All individuals have five years from the date of their hiring or promotion to meet these requirements – All individuals must comply at all times with the share ownership requirements. If, for any reason, a shortfall occurs, the individual must abstain from selling his or her Common Shares of the Bank and from exercising his or her vested options (unless the Common Shares are kept) until such time the minimum requirements are once again met
Valuation method	– The minimum number of Common Shares that must be held is calculated by dividing the minimum holding amount by the price of the Bank's Common Shares on the Toronto Stock Exchange

Position	Multiple of the previous three years' average base salary
President and Chief Executive Officer	5.0 times
Other Executive Officers	2.0 times
Officers and certain specialists of the Financial Markets sector	2.0 times
Senior Vice-Presidents (or equivalent)	1.5 times
Vice-Presidents (or equivalent)	1.0 time

NEW SHARE OWNERSHIP REQUIREMENTS (in force as of December 31, 2014)

Following recommendation by the Human Resources Committee, the Board approved new share ownership guidelines applicable to Executive Officers, Officers and certain specialists of the Financial Markets sector.

The changes are as follows:

Position	Multiple of the previous three years' average base salary as of December 31, 2014
President and Chief Executive Officer	Increase of 5.0 to 7.0 times average salary
Other Executive Officers	Increase of 2.0 to 4.0 times average salary
Officers of the Financial Markets sector	Increase of 2.0 to 3.0 times average salary
Senior Vice-Presidents (or equivalent)	Increase of 1.5 to 2.0 times average salary

Moreover, as of December 31, 2014, the President and Chief Executive Officer must also maintain his required shareholdings for a period of one year following his retirement.

The compensation of the Named Executive Officers was established in accordance with the different variable compensation programs, taking into account the Bank's financial results compared with the targets set at the start of the fiscal year, as well as sound risk management and the individual contribution of each Named Executive Officer to fiscal year 2013 results. The Human Resources Committee presented its recommendations to the Board in accordance with the Bank's approval process and the management of its compensation policies and programs.

APPLICATION OF VARIABLE COMPENSATION PROGRAMS FOR FISCAL YEAR 2013

The Bank's variable compensation programs are designed to complement each other and reward the achievement of short-, mid- and long-term objectives.

More precisely, the purpose of the annual bonus program is to reward employees for specific annual objectives, while that of the Performance Share Unit (PSU) Plan and Stock Option Plan is to reward employees for future financial results over periods of three and ten years, respectively.

Accordingly, the Named Executive Officers receive an annual bonus that varies depending on the Bank's results obtained during the year.

Application of the annual bonus program for fiscal year 2013

At the beginning of the fiscal year, the Board approved the financial objectives for fiscal year 2013, in accordance with the Human Resources Committee's recommendations. The objective for net income attributable to holders of Common Shares was a 6% growth to $1,352 million from $1,280 million in 2012, excluding 2012 specified items.

In fiscal year 2013, the Bank reported available net income attributable to holders of Common Shares of $1,439 million. However, for the purposes of the annual bonus program, the Board approved the Committee's recommendation to reduce that net income amount by $63 million to exclude any of the specified items, including the favourable reversal related to restructured notes held. In that regard, since 2007, the amount of net income attributable to holders of Common Shares used for the annual bonus program of Executive Officers is calculated excluding the losses or gains related to holding commercial paper as well as other elements such as restructuring or acquisition charges, and fiscal provisions.

Available net income arising from those adjustments amounted to $1,376 million, which represents a performance factor of 109%.

	2012	2013				
Financial objectives ($ millions)	Result	Threshold	Target	Adjusted result	Maximum	Reported result
Available net income attributable to holders of Common Shares	$1,280	$1,082	$1,352	$1,376	$1,622	$1,439
Performance factor		0%	100%	109%	200%	132%

No further adjustments were made at the Board's discretion.

The short-term variable compensation envelopes of the Named Executive Officers are established based on the following parameters:

1 Bank's performance factor 109%	X	2 % of target bonus	X	3 Base salary

Application of the PSU and Stock Option Plans for fiscal year 2013

The Named Executive Officers are eligible to receive mid- and long-term variable compensation every year, which are based not on past results but on future results. Accordingly, although the award value at grant date is primarily based on the target value, the final value depends on the Bank's future results and will be known only in subsequent years.

Louis Vachon

President and Chief Executive Officer

Career profile

Louis Vachon has been President and Chief Executive Officer of the Bank since June 2007. In this capacity, he is responsible for the direction, strategies and development of the Bank and its subsidiaries. He is supported by the other Executive Officers who, with him, make up the Office of the President. At the time of his appointment, he was Chief Operating Officer of the Bank, a position he had held since August 2006.

Mr. Vachon was Chairman of the Board of Natcan Investment Management Inc. from November 2004 to September 2006. He was also President and Chief Executive Officer of NBF from September 2005 to September 2006.

Louis Vachon has a Bachelor's in Economics from Bates College and a Master's in International Finance from The Fletcher School, a Tufts and Harvard University cooperative graduate program. He has been a CFA Charterholder since 1990. He was named 2012 Financial Personality of the Year by the business publication *Finance et investissement* and in 2001 was named one of Canada's Top 40 Under 40 ™.

2013 Performance indicators and results

The Human Resources Committee assessed Louis Vachon's performance for 2013 taking into account the results associated with the Bank's short-, mid- and long-term objectives, risk management and the strategic, organizational and operational priorities conducive to creating sustainable value for shareholders. The following table presents all the results considered by the Committee in assessing Mr. Vachon's performance.

Performance indicators	Result obtained	
Shareholder-related		
Increase net earnings per share by more than 5% – Excluding specified items	7%	The Bank reported a record financial performance in fiscal year 2013. Excluding specified items, diluted net earnings per share reached $8.41, up 7% from 2012. Return on equity was 19.7% while revenues grew by 3%. Revenue growth was greater than expense growth, contributing to the 7% increase of net earnings excluding specified items.
Deliver return on equity of over 15% – Excluding specified items	19.7%	
Revenue growth of at least 5% – Excluding specified items	3%	
Keep revenue growth above or in line with expense growth	✓	
Employee-related		
Further improve employee engagement in the transformation linked to the *One client, one bank* approach	✓	The 2013 *Taking a Look at Our Organization* survey showed a high level of employee engagement, confidence and commitment to the Bank's transformation. In 2013, the Bank made Aon Hewitt's annual ranking of the 50 Best Employers in Canada for the ninth year. In addition, the Bank is a winner of the prestigious Canada's 10 Most Admired Corporate Cultures Program and ranks among Canada's Best Diversity Employers. With over 48.4% of Officer positions held by women, the Bank is a leader among Canada's major banks.
Maintain voluntary external turnover rate of employees at or below target	✓	Voluntary external turnover stood at 15% below the target set at the beginning of the year, demonstrating the Bank's capacity to retain its employees.

2013 Performance indicators and results (cont.)

Performance indicators	Result obtained	
Client-related		
Continue deployment of strategy rooted in the *One client, one bank* approach	✓	During fiscal year 2013, several initiatives were deployed to ensure the Bank increasingly lives up to its promise to be “the Bank that truly takes care of its clients”, including: – Implementation of initiatives aimed at improving the competency and retention of employees working directly with clients – Launch of the High Interest Savings Account, which already has over $1 billion in assets – Further enhancements to our mobile solutions, including the release of our Android® application and BlackBerry® launcher – An investment of nearly $15 million in branches to support around ten major upgrade projects – Stepped up social media presence
Community-related		
Active participation in community associations and causes	✓	During fiscal year 2013, the Bank continued to actively collaborate with leading entrepreneurial advocates. The Bank also held true to its outstanding commitment to youth development. On a personal level, Louis Vachon chaired or co-chaired seven charitable campaigns and events for various causes in the communities served by the Bank.
Promote an environmentally responsible brand image	✓	The Bank is a recognized leader in the field of energy efficiency and devotes extensive efforts to reduce its ecological footprint. The Bank continued this undertaking in 2013, earning its CarbonCare™ certification last February. The Bank became the first Canadian organization to receive this recognition following a rigorous audit. Furthermore, the Bank is now carbon-neutral as a result of offsetting 100% of its greenhouse gas emissions by purchasing carbon credits on the voluntary market.

Decisions on the 2013 target and paid total compensation

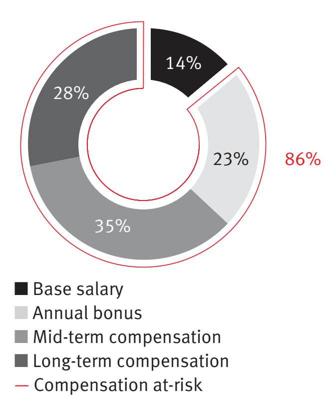
In 2013, the Human Resources Committee noted that, as in 2012, Louis Vachon's target total direct compensation remained below the downward-adjusted peer group median, which factors in the Bank's relative size. This analysis was carried out at the Committee's request by Hay Group.

In determining Louis Vachon's variable compensation for fiscal year 2013, the Committee considered the Bank's solid financial and operational performance, his leadership in the continuing deployment of the *One client, one bank* approach, the client satisfaction levels, and his ability to engage Executive Officers, Officers and employees.

Therefore, the Board approved the following compensation, in accordance with the Human Resources Committee's recommendation:

	Form	Target variable compensation % of salary	Target total direct compensation ($)	Total direct compensation granted ($)	 (%)
Base salary	Cash	n/a	1,000,000	1,000,009	14
Annual bonus	Cash	150	1,500,000	1,635,000	23
Mid-term compensation	PSUs	250	2,500,000	2,500,000	35
Long-term compensation	Options	200	2,000,000	2,000,023	28
Total			7,000,000	7,135,032	100

2013 granted compensation mix



Ghislain Parent

Chief Financial Officer and Executive Vice-President – Finance and Treasury

Career profile

Ghislain Parent is Chief Financial Officer and Executive Vice-President – Finance and Treasury. In this capacity, he is responsible for all accounting, finance, corporate treasury, strategic planning and internal audit operations, including taxation, investor relations and financial governance. Mr. Parent is a member of the Office of the President.

Until August 28, 2011, Mr. Parent served as Senior Vice-President – Internal Audit, a position he had held since July 2010. Before joining the Bank, Mr. Parent was Senior Vice-President and Chief Financial Officer of the Caisse de dépôt et placement du Québec and President of CDP Financial Inc. During his career, Mr. Parent was both Vice President – Internal Audit and Security and Vice-President – Chief Accountant for Laurentian Bank of Canada. He also served as Senior Advisor – Banking Supervision and Restructuring, Africa, for the International Monetary Fund.

Mr. Parent has a Bachelor's in Business Administration and Accounting Sciences from Université du Québec en Abitibi Témiscamingue and is a Fellow of the Ordre des comptables professionnels agréés du Québec.

Achievements and decisions on target total compensation and compensation paid in 2013

In determining Ghislain Parent's variable compensation for fiscal year 2013, the Human Resources Committee factored in the following achievements:

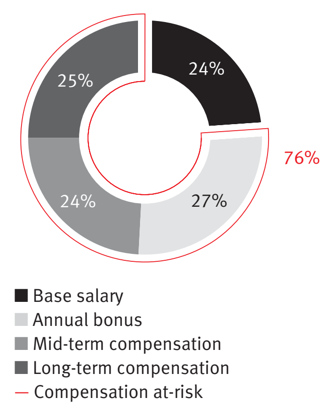
- The Bank's financial performance. The Bank is targeting a 5% to 10% annual growth in earnings per share. In 2014, this indicator grew by 7%, excluding specified items.
- The Bank's capital strength and positioning relative to the new Basel III requirements. In particular, the Common Equity Tier 1 (CET1), Tier 1 and total capital ratios stood at 8.7%, 11.4% and 15.0%, respectively, as at October 31, 2013, well above regulatory requirements.
- The Bank's focus on sustained productivity gains is one of its levers of financial performance. The Bank reviews how work is executed in key areas of its activities, seeking to reduce or limit cost increases and promote greater agility. Processes are reviewed and optimized progressively across the Bank.
- The design and operation of financial disclosure controls and procedures. During the fiscal year, the effectiveness of these elements was measured in accordance with the securities regulatory authorities, with results considered satisfactory.

Therefore, the Board approved the following compensation, in accordance with the Human Resources Committee's recommendation:

	Form	Target variable compensation % of salary	Target total direct compensation ($)	Total direct compensation granted ($)	Total direct compensation granted (%)
Base salary	Cash	n/a	400,000	400,008	24
Annual bonus	Cash	100	400,000	436,000	27
Mid-term compensation	PSUs	100	400,000	400,000	24
Long-term compensation	Options	100	400,000	280,056	17
	DSUs	–	–	120,000[(1)]	7
Total			1,600,000	1,636,064	100

(1) Ghislain Parent elected to receive 30% of his long-term compensation in the form of DSUs.

2013 granted compensation mix



Ricardo Pascoe

Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, NBF

Career profile

Ricardo Pascoe was appointed Co-President and Co-Chief Executive Officer of NBF in September 2006 and Executive Vice-President – Financial Markets in September 2008. In this capacity, he is responsible for activities related to institutional equities and fixed-income securities, derivatives, corporate finance, U.S. operations and proprietary trading. Mr. Pascoe is also Co-Chairman of the Board of NBF and Chairman of the Board of NBC Financial Services Inc. and Innocap Investment Management Inc. He joined the Bank in 2003 as Senior Vice-President – Treasury and Financial Markets. Mr. Pascoe is a member of the Office of the President.

Mr. Pascoe previously held various strategic executive positions in London and New York at financial institutions specializing in capital markets, derivatives and portfolio management.

He is recognized by the international markets as a derivatives expert.

Mr. Pascoe has a Master's in Economics from Columbia University and an MBA from the University of Western Ontario.

Achievements and decisions on target total compensation and compensation paid in 2013

In determining Ricardo Pascoe's variable compensation for fiscal year 2013, the Human Resources Committee factored in the following achievements:

- In the Financial Markets segment, net income amounted to $541 million for fiscal year 2013, up $108 million or 25% from 2012. Excluding specified items, net income of the segment rose $80 million or 17% to $541 million in 2013, compared with $461 million in 2012. On a taxable equivalent basis, total revenues from the Financial Markets segment amounted to $1,379 million, up $76 million from 2012 and $159 million from 2011.
- For fiscal year 2013, the segment recorded $14 million in recoveries of credit losses, whereas in 2012, it had recognized $3 million in provisions for credit losses.
- Average assets in the Financial Markets segment grew to $87.1 billion in 2013 from $76.1 billion in 2012 and $72.6 billion in 2011. Large corporation loans were up more than 20% from 2012 owing to greater client demand for financing.
- In 2013, the Financial Markets segment stayed the course with its *One client, one bank* strategy of delivering the Bank's full capabilities to all its clients. It achieves this by employing a collaborative and partnership approach across its business lines and with the Bank's Wealth Management and Personal and Commercial segments. Regardless of clients' initial point of contact, the Financial Markets segment offers the full range of its expertise and abilities to meet client needs. Throughout fiscal year 2013, the segment successfully leveraged its strengths to build and grow its leadership position in its chosen areas of focus.

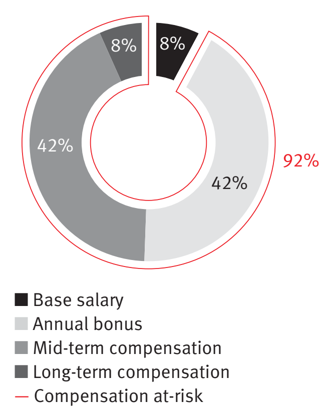
Therefore, the Board approved the following compensation, in accordance with the Human Resources Committee's recommendation:

	Form	Target variable compensation % of salary	Target total direct compensation ($)	Total direct compensation granted ($)	Total direct compensation granted (%)
Base salary	Cash	n/a	450,000	450,006	8
Annual bonus(1)	Cash	n/a	2,050,000	2,488,010	42
	UAR		1,037,500(2)	1,475,510	25
Mid-term compensation	UAP	225	1,012,500	1,012,500	17
Long-term compensation	Options	100	450,000	450,003	8
Total			5,000,000	5,876,029	100

(1) Ricardo Pascoe's total annual bonus is composed of two elements:
- a target annual bonus set at 210% of base salary. The bonus paid may range from 0% to 420% of base salary depending on the results of the Bank's annual bonus program; and
- an annual bonus set at 0.40% of income before taxes generated by the Financial Markets segment, a portion of which is deferred in the form of RSUs.

(2) A portion of Ricardo Pascoe's annual bonus is granted in the form of RSUs. Its value is calculated by considering the value of his compensation granted in the form of PSUs and options since it is a requirement that at least 50% of Ricardo Pascoe's total compensation be deferred (RSUs, PSUs and options).

2013 granted compensation mix



Luc Paiement

Executive Vice-President – Wealth Management and Co-President and Co-Chief Executive Officer, NBF

Career profile

Luc Paiement was appointed Co-President and Co-Chief Executive Officer of NBF in September 2006 and Executive Vice-President – Wealth Management in September 2008. In this capacity, he is responsible for all operations related to wealth management at the Bank and its subsidiaries. Mr. Paiement is also Co-Chairman of the Board of NBF and Chairman of the Board of National Bank Direct Brokerage Inc. and National Bank Trust Inc. He is a member of the Office of the President.

During his career at NBF, which has spanned more than 30 years, Mr. Paiement has held various key positions in the personal services, institutional equities and corporate finance sectors.

Mr. Paiement has a Bachelor of Commerce from Concordia University and in 1999 was named one of Canada's Top 40 Under 40™.

Achievements and decisions on target total compensation and compensation paid in 2013

In determining Luc Paiement's variable compensation for fiscal year 2013, the Human Resources Committee factored in the following achievements:

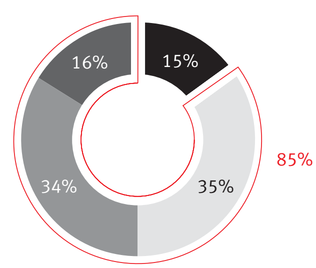
- In the Wealth Management segment, net income excluding specified items rose 26% to $236 million from $188 million in 2012. Total revenues grew 6% to $1,143 million from $1,080 million in 2012, due to growth across all revenue categories.
- Assets under administration and management totalled $258.0 billion, up 11% due to strong performance by National Bank's Private Wealth 1859 division and stock market increase.
- Excluding specified items, non-interest expenses remained stable, owing primarily to stringent cost control measures.
- As evidenced by the following studies, the Wealth Management segment was outstanding in fiscal year 2013:
  - According to a study by marketing information firm J.D. Power, National Bank Direct Brokerage clients are the most satisfied self-directed investors in the Canadian brokerage industry;
  - An independent survey showed that the client satisfaction level with National Bank Financial and its investment advisors is higher than that of the financial services industry; and
  - For the first time since the creation of National Bank's Private Wealth 1859, a broad client satisfaction study was conducted and revealed that over 84% of clients are satisfied or very satisfied with the service provided by their investment advisor, exceeding the average for the Canadian financial services industry, which scored 80%.
- During 2013, the Wealth Management segment derived significant benefit from the favourable synergy created by recent transactions entered into between July 2011 and April 2012. The Bank considers that the transition process was essentially completed in 2013 and that the synergy gains can be fully exploited going forward.

Therefore, the Board approved the following compensation, in accordance with the Human Resources Committee's recommendation:

		Target variable compensation	Target total direct compensation	Total direct compensation granted	
	Form	**% of salary**	**($)**	**($)**	**(%)**
Base salary	Cash	n/a	475,000	475,015	15
Annual bonus	Cash	210	997,500	1,087,275	35
Mid-term compensation	PSUs	225	1,068,750	1,068,750	34
Long-term compensation	Options	100	475,000	332,558	11
	DSUs	–	–	142,500(1)	5
Total			3,016,250	3,106,098	100

(1) Luc Paiement elected to receive 30% of his long-term compensation in the form of DSUs.

2013 granted compensation mix



■ Base salary
■ Annual bonus
■ Mid-term compensation
■ Long-term compensation
— Compensation at-risk

Diane Giard

Executive Vice-President – Personal and Commercial Banking

Career profile

As Executive Vice-President – Personal and Commercial Banking since May 14, 2012, Diane Giard oversees all personal, commercial and international banking operations. She is a member of the Office of the President.

Ms. Giard joined the Bank in 2011 as Executive Vice-President – Marketing and was responsible in particular for implementing the Client Value Proposition – a key component in the *One client, one bank* approach. She has more than 30 years of experience in banking, and has acquired deep knowledge of different client segments nationwide through her various roles.

Ms. Giard has a Bachelor's in Economics from Université de Montréal and a Master's in Business Administration from Université du Québec à Montréal (UQÀM), and is a Fellow of The Institute of Canadian Bankers.

Ms. Giard was awarded the 2007 B'nai Brith Canada Award of Merit and the 2008 Prix Performance by UQÀM's School of Management, in the Manager category. In 2012, she received the Queen Elizabeth II Diamond Jubilee Medal.

Achievements and decisions on target total compensation and compensation paid in 2013

In determining Diane Giard's variable compensation for fiscal year 2013, the Human Resources Committee factored in the following achievements:

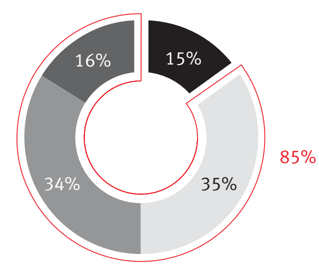
- In the Personal and Commercial segment, net income excluding specified items amounted to $713 million in 2013, up 4% from $686 million in 2012. Total revenues grew $68 million or 3% due to net interest income growth driven primarily by significantly higher personal and commercial loan volumes, which more than offset slimmer profit margins.
- This year, the Bank rolled out a new mortgage financing process supported by a sales and services platform used by the entire retail distribution network, the insurance segment, and product support and development. With robust technology and efficient processes, clients can more quickly secure the ideal mortgage solution for their needs and gain easier access to additional financing and customized insurance coverage.
- As part of its Client Value Proposition program to be the "Bank that truly takes care of its clients", the Bank introduced several initiatives aimed directly at improving client satisfaction, such as:
  - A monthly client-experience performance measure was applied to each branch to keep performance at a high level and make quick behaviour adjustments, as necessary;
  - Managers in retail Personal Banking received governing principles on optimizing branch business hours and effectively responding to market changes; and
  - A proactive approach was adopted for mortgage renewals, including personalized mortgage conditions for every client, to facilitate client decision-making and promote loyalty.

Therefore, the Board approved the following compensation, in accordance with the Human Resources Committee's recommendation:

	Form	Target variable compensation % of salary	Target total direct compensation ($)	Total direct compensation granted ($)	Total direct compensation granted (%)
Base salary	Cash	n/a	475,000	475,015	15
Annual bonus	Cash	210	997,500	1,087,275	35
Mid-term compensation	PSUs	225	1,068,750	1,068,750	34
Long-term compensation	Options	100	475,000	332,558	11
	DSUs	–	–	142,500(1)	5
Total			3,016,250	3,106,098	100

(1) Diane Giard elected to receive 30% of her long-term compensation in the form of DSUs.

2013 granted compensation mix



- Base salary
- Annual bonus
- Mid-term compensation
- Long-term compensation
- — Compensation at-risk

SUMMARY OF COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table was prepared in accordance with Canadian securities legislation and details the total compensation paid by the Bank and its subsidiaries to each Named Executive Officer during the past three fiscal years. No award, gain or payment was made to associates of a Named Executive Officer.

Name and principal position	Year	Salary	Share-based awards (1) (2) (3)	Option-based awards (4)	Non-equity-based incentive plan compensation: Annual incentive plans (5)	Non-equity-based incentive plan compensation: Long-term incentive plans	Pension value (6)	All other compensation (7)	Total compensation
		($)	($)	($)	($)	($)	($)	($)	($)
Louis Vachon President and Chief Executive Officer	2013	1,000,009	2,500,000	2,000,023	1,635,000	–	168,000	315,471	7,618,503
	2012	1,000,009	2,500,000	2,000,000	1,650,000	–	277,000	250,006	7,677,015
	2011	954,473	2,500,000	2,000,000	1,800,000	–	994,000	220,813	8,469,286
Ghislain Parent Chief Financial Officer and Executive Vice-President – Finance and Treasury	2013	400,008	520,000	280,056	436,000	–	81,000	70,979	1,788,043
	2012	400,008	520,000	280,000	440,000	–	110,000	41,335	1,791,343
	2011	275,900	720,000	280,000	184,800	–	134,000	7,109	1,601,809
Ricardo Pascoe Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, NBF	2013	450,006	2,488,010	450,003	2,488,010	–	352,000	303,648	6,531,677
	2012	450,006	2,220,007	450,000	2,220,007	–	88,000	288,606	5,716,626
	2011	450,000	2,177,615	450,000	2,163,785	–	83,000	205,635	5,530,035
Luc Paiement Executive Vice-President – Wealth Management and Co-President and Co-Chief Executive Officer, NBF	2013	475,015	1,211,250	332,558	1,087,275	–	324,000	223,921	3,654,019
	2012	475,015	1,211,250	332,500	1,097,250	–	102,000	188,383	3,406,398
	2011	475,000	1,211,250	332,500	1,079,300	–	94,000	128,379	3,320,429
Diane Giard Executive Vice-President – Personal and Commercial Banking	2013	475,015	1,211,250	332,558	1,087,275	–	127,000	106,269	3,339,367
	2012	380,561	1,187,500	356,250	649,688	–	178,000	45,872	2,797,871
	2011	28,768	1,000,000	300,000	150,000	–	s.o.	s.o.	1,478,768

The information in the notes below takes into account the splitting of the Common Shares of the Bank by way of a two-for-one share dividend paid on February 13, 2014 to shareholders of record as of February 6, 2014.

(1) The Named Executive Officers are eligible for mid-term share-based variable compensation. The value in Bank shares for each Named Executive Officer is equal to a percentage of their respective base salary: 250% for Louis Vachon, 100% for Ghislain Parent, 225% for Ricardo Pascoe, Luc Paiement and Diane Giard. This compensation is paid in the form of PSUs. The value of each PSU was determined based on the award price, which was $89.91 on December 9, 2013 (or $44.96 following the share split of February 13, 2014). The fair value of the award is equal to the accounting fair value, amortized over a three-year period on a declining basis. PSUs awarded for fiscal 2013 totalled 55,611 for Louis Vachon, 8,898 for Ghislain Parent, 22,523 for Ricardo Pascoe, and 23,774 for Luc Paiement and Diane Giard. For more information, please refer to “Performance Share Unit Plan of the Bank” in Section 7 of this Circular.

(2) Ghislain Parent, Luc Paiement and Diane Giard elected to receive a portion of their long-term variable compensation in the form of DSUs. The value of each DSU was determined based on the award price, which was $89.91 on December 9, 2013 (or $44.96 following the share split of February 13, 2014). The fair value of the award is equal to the accounting fair value, amortized over a four-year period on a declining basis. DSUs awarded for fiscal 2013 totalled 2,669 for Ghislain Parent and 3,170 for Luc Paiement and Diane Giard. For more information, please refer to “Deferred Stock Unit Plan of the Bank” in Section 7 of this Circular.

(3) Ricardo Pascoe received 37% of his annual bonus in the form of RSUs. The value of each RSU was determined based on the award price, which was $89.91 on December 9, 2013 (or $44.96 following the share split of February 13, 2014). The fair value of the award is equal to the accounting fair value, amortized over a three-year period on a declining basis. A total of 32,822 RSUs were awarded to Ricardo Pascoe for fiscal 2013. For more information, please refer to “Restricted Stock Unit Plan of the Bank” in Section 7 of this Circular.

(4) The Named Executive Officers are eligible for long-term variable compensation in the form of stock options. In 2013, the value of the Bank’s options was estimated at 20% (representing the average estimated percentage from 2009 to 2012 based on the Black-Scholes model and the estimated value of options in 2008 based on the historical average) of the closing price of the Bank’s Common Shares on the Toronto Stock Exchange on the day preceding the grant. In 2012, the value of the Bank’s options was estimated at 21% (representing the average estimated percentage from 2007 to 2011 based on the Black-Scholes model). In 2011, the value of options was estimated at 22% (representing the average estimated percentage from 2006 to 2010 based on the Black-Scholes model). The assumptions used to determine the award fair value for compensation purposes differ from those used in the notes to the financial statements of the Bank, which are based on an expected life of six years for the 2011 and 2012 awards, and seven years for the 2013 awards.

The following table details the assumptions used to determine the fair value based on the Black-Scholes model:

The information in the table below takes into account the splitting of the Common Shares of the Bank by way of a two-for-one share dividend paid on February 13, 2014 to shareholders of record as of February 6, 2014.

	2013	2012	2011
Exercise price			
Before share split	$89.91	$76.72	$68.18
After share split	*$44.96*	*$38.36*	*$34.09*
Estimated value of the options ($)			
Before share split	$14.22	$11.55	$11.37
After share split	*$7.11*	*$5.78*	*$5.69*
Estimated value of the options (%)	16%	15%	17%
Risk-free interest rate	3.13%	2.18%	2.34%
Expected life of the options	10 years	10 years	10 years
Expected volatility	21.86%	24.67%	26.60%
Expected dividend growth rate	4.06%	4.33%	4.40%

Options granted for fiscal 2013 totalled 222,472 for Louis Vachon, 31,152 for Ghislain Parent, 36,992 for Luc Paiement, 50,056 for Ricardo Pascoe and 36,992 for Diane Giard.

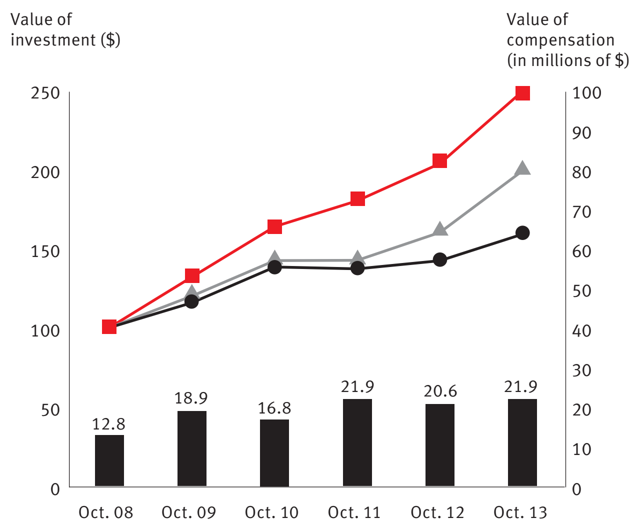
(5) The amounts in this column include the annual bonuses earned during each fiscal year ended October 31 and paid in cash.

(6) Present value of the pension benefit vested during the fiscal year and any compensatory change during the fiscal year based on the assumptions used in the Bank's Annual Report for each of those years. For more information, please refer to the "Defined benefit pension plans" table in this section of the Circular.

(7) The amounts in this column represent dividends earned during the fiscal year and credited in the form of additional PSUs, DSUs and RSUs under the PSU, DSU and RSU plans. The total value of indirect benefits and other taxable benefits provided to Named Executive Officers was not indicated, as the benefits amounted to less than $50,000 and 10% of the total salary of the Named Executive Officers.

Link between the Bank's total shareholder return and Named Executive Officer compensation

The following performance graph shows the cumulative total return on a $100 investment in Common Shares of the Bank on October 31, 2008, compared with the total cumulative return of the S&P/TSX Banks Sub-index and the S&P/TSX Composite Index for the past five fiscal years, assuming dividends are fully reinvested at the market price on each dividend payment date.



	Oct. 08	Oct. 09	Oct. 10	Oct. 11	Oct. 12	Oct. 13
The Bank	100.00	132.01	163.74	180.07	203.56	249.23
S&P/TSX Banks	100.00	119.96	142.30	142.47	160.09	199.03
S&P/TSX Composite	100.00	115.74	138.25	137.10	142.23	158.98
Total compensation of the five Named Executive Officers	12.8	18.9	16.8	21.9	20.6	21.9

The bar chart shows the total compensation (excluding compensation in the form of dividends earned during the fiscal year and credited in the form of additional RSUs, PSUs and DSUs under the RSU, PSU and DSU plans) paid to the Named Executive Officers in office at the end of each fiscal year.

The preceding performance graph shows that the Bank generated a 249.23% total cumulative return on the Bank's shares from 2008 to 2013. In addition to this significant cumulative growth over the past five years, the Bank's rate of return has outperformed the S&P/TSX Composite Index each year.

From 2008 to 2013, total compensation of Named Executive Officers rose by 11% annually compared to an annual growth of 20% in total shareholder return. In 2009, the lines representing share return and compensation moved in tandem. In 2010, compensation decreased by 11% because the growth objective for net income attributable to holders of Common Shares set at the beginning of the year was only partially attained. However, the total cumulative return on the Bank's Common Shares increased by 23%. In 2011, the 30% increase in compensation resulted from structural adjustments made during the year to bring the total direct compensation of certain Named Executive Officers in line with the peer group median, adjusted downward to reflect the Bank's relative size. In 2012, total compensation fell nearly 6%, despite a significant 13% share appreciation. This decline resulted from the decrease in value of the pension plan of Louis Vachon and the appointment of Diane Giard as Executive Vice-President – Personal and Commercial Banking effective May 14, 2012. In 2013, the total shareholder return rose by 22.4% compared to a slight increase of 6% for the total compensation of Named Executive Officers caused by the value growth of the pension plans of Ricardo Pascoe and Luc Paiement compared with 2012, as well as a higher compensation for Diane Giard, who completed 12 months in her position as Executive Vice-President – Personal and Commercial Banking.

Outstanding share-based awards and options

The following table indicates, for each Named Executive Officer, all awards outstanding at the end of the fiscal year ended on October 31, 2013. For more information on the grant process, please refer to Section 7 of this Circular.

The number of securities and grant prices in the table below take into account the splitting of the Common Shares of the Bank by way of a two-for-one share dividend paid on February 13, 2014 to shareholders of record as of February 6, 2014

		Option-based grants				Share-based grants		
Name	Grant date	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options (1) ($)	Number of non-vested shares or share units (#)	Market or payout value of non-vested share-based awards (2) ($)	Market or payout value of vested share-based awards (unpaid or undistributed) ($)
Louis Vachon	December 11, 2003	56,000	20.50	December 11, 2013	1,385,440	–	–	–
	December 9, 2004	110,000	24.10	December 9, 2014	2,325,400	–	–	–
	December 7, 2005	74,800	30.72	December 7, 2015	1,086,096	–	–	–
	December 13, 2006	250,800	32.95	December 13, 2016	3,082,332	–	–	–
	December 12, 2007	392,928	26.93	December 12, 2017	7,196,476	–	–	–
	December 10, 2008	458,720	17.44	December 10, 2018	12,754,710	–	–	–
	December 9, 2009	316,928	29.25	December 9, 2019	5,069,263	–	–	–
	December 8, 2010	283,840	34.34	December 8, 2020	3,095,275	42,793	1,935,937	–
	December 14, 2011	266,672	34.09	December 14, 2021	2,974,726	79,617	3,601,861	–
	December 12, 2012	248,296	38.36	December 12, 2022	1,708,276	67,956	3,074,332	–
Total		**2,458,984**			**40,677,995**	**190,365**	**8,612,130**	**–**
Ghislain Parent	December 8, 2010	15,296	34.34	December 8, 2020	166,803	2,884	130,453	130,453
	December 14, 2011	37,336	34.09	December 14, 2021	416,483	20,382	922,076	115,260
	December 12, 2012	34,768	38.36	December 12, 2022	239,204	14,135	639,445	–
Total		**87,400**			**822,490**	**37,400**	**1,691,975**	**245,712**
Ricardo Pascoe	December 11, 2003	60,000	20.50	December 11, 2013	1,484,400	–	–	–
	December 9, 2004	32,000	24.10	December 9, 2014	676,480	–	–	–
	December 7, 2005	26,800	30.72	December 7, 2015	389,136	–	–	–
	December 13, 2006	60,600	32.95	December 13, 2016	744,774	–	–	–
	December 12, 2007	85,440	26.93	December 12, 2017	1,564,834	–	–	–
	December 10, 2008	99,768	17.44	December 10, 2018	2,774,049	–	–	–
	December 9, 2009	113,864	29.25	December 9, 2019	1,821,255	–	–	–
	December 8, 2010	100,784	34.34	December 8, 2020	1,099,050	53,536	2,421,987	–
	December 14, 2011	60,000	34.09	December 14, 2021	669,300	69,350	3,137,386	–
	December 12, 2012	55,872	38.36	December 12, 2022	384,399	60,345	2,730,015	–
Total		**695,128**			**11,607,676**	**183,231**	**8,289,388**	**–**
Luc Paiement	December 7, 2005	32,000	30.72	December 7, 2015	464,640	–	–	–
	December 13, 2006	42,400	32.95	December 13, 2016	521,096	–	–	242,281
	December 12, 2007	0	26.93	December 12, 2017	0	–	–	284,944
	December 10, 2008	0	17.44	December 10, 2018	0	–	–	419,040
	December 9, 2009	19,926	29.25	December 9, 2019	318,716	2,298	103,940	311,819
	December 8, 2010	60,472	34.34	December 8, 2020	659,447	28,452	1,287,164	229,122
	December 14, 2011	44,336	34.09	December 14, 2021	494,568	37,440	1,693,775	51,327
	December 12, 2012	41,288	38.36	December 12, 2022	284,061	32,924	1,489,485	–
Total		**240,422**			**2,742,529**	**101,113**	**4,574,364**	**1,538,534**
Diane Giard	December 14, 2011	40,000	34.09	December 14, 2021	446,200	25,345	1,146,597	294,152
	December 12, 2012	44,232	38.36	December 12, 2022	304,316	32,279	1,460,324	–
Total		**84,232**			**750,516**	**57,624**	**2,606,921**	**294,152**

(1) The value of unexercised in-the-money options at fiscal year-end is determined by calculating the difference between the closing price of the Common Shares of the Bank on the Toronto Stock Exchange as at October 31, 2013, which was $45.24 (or $90.48 before the February 13, 2014 share split), and the exercise price of the options, multiplied by the number of unexercised options.

(2) The market or payout value of share-based awards that have not vested is calculated by multiplying the number of share units by the closing price of Common Shares of the Bank on the Toronto Stock Exchange as at October 31, 2013, which was $45.24 (or $90.48 before the share split of February 13, 2014).

Incentive plan awards – Value vested or earned during the fiscal year

The following table indicates the value of the awards at vesting or the value earned during the fiscal year ended October 31, 2013. For more information on the grant process, please refer to Section 7 of this Circular.

Name	Option-based awards – Value vested during the year (1) ($)	Share-based awards – Value vested during the year (2) ($)	Non-share-based incentive compensation – Value earned during the fiscal year ($)
Louis Vachon	3,879,818	1,903,116	1,635,000
Ghislain Parent	62,729	148,930	436,000
Ricardo Pascoe	999,804	2,882,288	2,488,010
Luc Paiement	691,137	1,372,601	1,087,275
Diane Giard	48,400	242,723	1,087,275

(1) The amount represents the aggregate value that would have been realized had the options been exercised on the vesting date, calculated as the difference between the closing price of the Common Shares of the Bank on the Toronto Stock Exchange and the exercise price. On the vesting date, the share price was $77.85, while the exercise price of options ranged from $34.87 to $68.67.

(2) The amount represents the value of the share units (PSUs, RSUs, DSUs) on the vesting date, based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on the vesting date.

SHARE OWNERSHIP

As at October 31, 2013, all of the Named Executive Officers complied with the share ownership requirements, which are described in Section 7 of this Circular. The table below shows the shareholdings of the Named Executive Officers at that date. For more information on the share ownership guidelines applicable to Named Executive Officers effective December 31, 2014, please refer to Section 7 of this Circular.

	Requirement		Share ownership (1)			Actual multiple	
	Multiple of previous three years' average base salary						
Name	Current requirement	As of December 31, 2014	Securities held, appreciation in value of vested options, PSUs, DSUs and RSUs ($)	Appreciation in value of non-vested options ($)	Total value ($)	Based on securities held, appreciation in value of vested options, PSUs, DSUs and RSUs	Based on the total value (including appreciation in value of non-vested options)
Louis Vachon	5 times	7 times	48,386,650	6,754,275	55,140,925	48.4	55.1
Ghislain Parent	2 times	4 times	2,260,929	634,968	2,895,897	5.7	7.2
Ricardo Pascoe	2 times	4 times	18,515,074	1,891,213	20,406,287	41.1	45.3
Luc Paiement	2 times	4 times	8,847,311	1,303,427	10,150,738	18.6	21.4
Diane Giard	2 times	4 times	3,058,672	638,966	3,697,638	7.3	8.9

(1) Values determined on October 31, 2013 based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange, which was $90.48 before the share split of February 13, 2014.

PENSION PLANS FOR NAMED EXECUTIVE OFFICERS

All the Named Executive Officers of the Bank participate in the defined benefit pension plan and the Post-Retirement Allowance Program. The provisions of these plans are described under "Description of programs" in the "Pension Plan and Post-Retirement Allowance Program" subsection in Section 7 of this Circular.

The following table details, for each Named Executive Officer, years of credited service as at October 31, 2013, annual benefits payable, changes in the accrued benefit obligation between October 31, 2012 and October 31, 2013, including compensatory and non-compensatory changes with respect to their membership in pension plans for fiscal 2013.

The amounts in the following table are estimates based on assumptions and employment conditions that can vary over time. The method used to calculate these amounts may also differ from that used by another company, potentially rendering comparisons less relevant.

Defined benefit pension plans(1) (2)

Name	Years of credited service (3) (4)	Annual benefits payable (5) (6)		Accrued benefit obligation at the start of the fiscal year (7) ($)	Compensatory change (8) ($)	Non-compensatory change (9) ($)	Accrued benefit obligation at year-end (7) ($)
		At fiscal year-end ($)	At age 65 ($)				
Louis Vachon	25.6	923,000	1,428,000	9,910,000	168,000	211,000	10,289,000
Ghislain Parent	4.3	36,000	173,000	379,000	81,000	24,000	484,000
Ricardo Pascoe	10.1	118,000	287,000	1,329,000	352,000	54,000	1,735,000
Luc Paiement	6.8	83,000	252,000	881,000	324,000	46,000	1,251,000
Diane Giard	3.1	33,000	176,000	257,000	127,000	26,000	410,000

(1) The amounts in the "Salary" column of the table "Summary of Compensation of Named Executive Officers" in this section of the Circular and annual bonuses paid are used to calculate average pensionable earnings. To this end, the eligible bonus is limited to 100% of base salary for Louis Vachon and 50% of the annual bonus is used for the other Named Executive Officers (up to 35% of base salary). The annual bonus used will increase gradually from 2014 to 2017 to reach 100% of the annual bonus paid (up to 45% of base salary in 2017). However, average pensionable earnings are subject to the caps set out in Note 2 to this table.

(2) Average pensionable earnings are capped at $1,000,000 for Diane Giard and Ghislain Parent, and at $700,000 (with a gradual increase from 2014 to 2017 to reach $1,000,000) for Luc Paiement and for Ricardo Pascoe.

(3) Louis Vachon was granted five years of credited service on August 1, 2006, earned a credit of 4% of salary for each year between August 1, 2006 and July 31, 2010 and will earn a credit of 2.5% of salary for each year between August 1, 2010 and July 31, 2017, 2% of salary for each year between August 1, 2017 and July 31, 2022 and the credit provided for under the provisions of the Plan thereafter.

(4) The years of credited service for Ghislain Parent and Diane Giard are calculated according to the PRAP for eligible Executive Officers of the Bank, that is, 1.5 years of credited service per year during the ten years following the date of designation by the Board. The dates of designation are August 29, 2011 and September 26, 2011 for Ghislain Parent and Diane Giard, respectively. Luc Paiement and Ricardo Pascoe will accumulate 1.5 years of credited service over the 10-year period starting on January 1, 2014.

(5) The estimated pensions do not take into account the pension generated by the additional contributions accumulated by the Named Executive Officer.

(6) The pension is payable for life, but reduced to take into account the benefits payable under the Canada or Quebec Pension Plan. Upon the member's death, 60% of the pension is payable to the member's spouse. If there is no spouse, part of the pension is payable to the dependent children in the event of death following retirement.

(7) The accrued benefit obligation represents the present value of the pension benefit for years of credited service up to October 31, 2012 or October 31, 2013. These values were calculated using the same assumptions as those used for the Bank's consolidated financial statements, notably a discount rate of 4.75% as at October 31, 2013 and 4.50% as at October 31, 2012. The value of benefits payable related to the Officer's contributions is included in the calculation of the accrued benefit obligation.

(8) The compensatory change includes the annual cost of retirement benefits and the impact of changes in base salary, the increase in maximum pensionable earnings following appointments, plan amendments or grants of years of credited service.

(9) The non-compensatory change includes the amounts attributable to interest accruing on the obligation at the beginning of the fiscal year, contributions paid by the Officer, actuarial gains and losses other than those associated with compensation levels, and changes in actuarial assumptions.

EMPLOYMENT CONTRACT

Termination of Employment Policy in the event of a change of control
Under the Bank's Termination of Employment Policy, the President and Chief Executive Officer and other Executive Officers would receive severance in the event their employment were to be terminated by the Bank following a change of control. The compensatory measures are applicable when the following two events occur:

– a change of control of the Bank, as defined below; and

– a dismissal without cause resulting from a Bank initiative during the two-year period following the change of control, or the resignation of an Executive Officer further to a significant reduction in compensation or responsibilities or a transfer to another organization, against his or her wishes, during the two-year period following the change of control.

Moreover, this policy is not applicable to cases of voluntary resignation, dismissal, demotion or termination of employment based on an unsatisfactory performance.

"Change of control" means any change in ownership of the Bank's shares following the acquisition of shares, a merger or a business combination resulting in an incorporated or unincorporated entity beneficially owning in excess of 50% of the voting shares of the Bank.

Pursuant to this policy, the Executive Officers would be entitled to severance equal to their base salary and their average annual bonus for the previous three years (or the target annual bonus for the Executive Officers in their respective positions for less than three years) for a period of 24 months, up to the normal retirement age.

No amendments were made to the Termination of Employment Policy in fiscal 2013.

Conditions applicable in the event of termination of employment
The table below summarizes the conditions applicable to the Named Executive Officers in the event of termination due to a voluntary resignation, dismissal for cause, dismissal without cause, change of control or retirement.

Event	Conditions applicable
Voluntary resignation	– Base salary and employee benefit programs cease to apply – No annual bonus is paid – Vested PSUs and RSUs are paid out and non-vested PSUs and RSUs are cancelled – Vested unexercised options and non-vested options are cancelled – Vested DSUs are paid out and non-vested DSUs are cancelled – Pension benefit is paid at its actuarial value or as a deferred benefit
Dismissal for cause	– Base salary and employee benefit programs cease to apply – No annual bonus is paid – Vested PSUs and RSUs are paid out and non-vested PSUs and RSUs are cancelled – Vested unexercised options and non-vested options are cancelled – Vested DSUs are paid out and non-vested DSUs are cancelled – Pension benefit is paid at its actuarial value or as a deferred benefit
Dismissal without cause (lay-off)	– Severance equal to three weeks of salary per year of service for up to 18 months plus an amount equal to the average annual bonus for the previous three years – Non-vested PSUs and RSUs vest immediately and are paid out at the average market price corresponding to the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the payment date – A period is granted to exercise vested options during which non-vested options continue to vest, if applicable. Vested unexercised options and non-vested options are cancelled at the end of the period – Pension benefit is paid at its actuarial value or as a deferred benefit

Event (cont.)	Conditions applicable (cont.)
Change of control and termination of employment within two years	– Severance is paid for a period of 24 months, up to the normal retirement age, and is equal to the base salary and average annual bonus for the previous three years – Non-vested PSUs and RSUs vest immediately and are paid out at the average market price corresponding to the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the payment date – Non-vested options vest immediately. A 12-month period is granted to exercise the options, at the end of which, all non-exercised options are cancelled – DSUs vest immediately and a 12-month payout period is granted – The period covered by the severance is recognized as eligible service under the pension plan, provided that the termination benefits are paid in instalments
Retirement	– Base salary ceases to apply – Retiree benefits apply (on the same basis as any other Bank employee) – Annual bonus is prorated to the number of months worked – PSUs and RSUs continue to vest in accordance with the same timeframe had retirement not been taken and are paid out when vested – Since March 1, 2009, non-vested options continue to vest in accordance with the same timeframe had retirement not been taken and a five-year period is granted to exercise the vested options – DSUs vest immediately and a maximum 23-month payout period is granted – Pension benefit is paid monthly

Estimated value of conditions applicable in the event of termination of employment

The table below indicates the estimated additional amounts that would have been paid to the Named Executive Officers had their employment terminated on October 31, 2013.

	Estimated additional value(1) by type of termination ($)				
Name	Retirement	Voluntary resignation	Dismissal for cause	Dismissal without cause(2)	Change of control and termination of employment(3)
Louis Vachon	0	0	0	2,443,265	4,858,994
Ghislain Parent	0	0	0	110,761	1,153,812
Ricardo Pascoe	0	0	0	2,150,631	7,343,221
Luc Paiement	0	0	0	2,127,396	2,844,320
Diane Giard	0	0	0	84,638	1,389,251

(1) The estimated additional value refers to the severance benefits that would have been paid. No additional value from the pension plan would have been payable regardless of the reason for termination.

(2) If a Named Executive Officer had had his or her employment terminated on October 31, 2013 further to dismissal without cause, he or she would have been entitled to accelerated vesting of any share-based compensation already granted in the fiscal years prior to 2013. For additional information on outstanding share-based awards, please refer to this section of the Circular. Based on the Bank's share price on October 31, 2013, the value of such accelerated vesting would have been $8,612,130 for Louis Vachon and $8,289,388 for Ricardo Pascoe. For Ghislain Parent, Luc Paiement and Diane Giard, the value would have been less than that indicated in this section of the Circular, as they elected to receive a portion of their long-term compensation in the form of DSUs instead of options. Accordingly, the adjusted value would have been $1,068,191 for Ghislain Parent, $3,912,114 for Luc Paiement and $2,082,679 for Diane Giard.

(3) If a Named Executive Officer had had his or her employment terminated on October 31, 2013 further to a change of control, he or she would have been entitled to accelerated vesting of any share-based and option-based compensation already granted in the fiscal years prior to 2013. For additional information on outstanding share-based and option-based awards for fiscal years prior to 2013, please refer to this section of the Circular. Based on the Bank's share price on October 31, 2013, the value of such accelerated vesting would have been $15,366,405 for Louis Vachon, $2,326,942 for Ghislain Parent, $10,180,601 for Ricardo Pascoe, $5,877,791 for Luc Paiement and $3,245,887 for Diane Giard.

Indebtedness of directors, executive officers and employees

Aggregate indebtedness

As at January 24, 2014, aggregate indebtedness[1] outstanding to the Bank or any of its subsidiaries, other than loans repaid in full and routine indebtedness as defined by Canadian securities legislation, of current and former directors, executive officers[2] and employees of the Bank and its subsidiaries stood as follows:

Purpose	To the Bank or its subsidiaries ($)	To another entity ($)
Securities purchases	–	–
Other	$14,990,260[A]	

(A) This amount consists of loans of which 69% are secured by mortgages.

Indebtedness of directors and executive officers under securities purchase and other programs

The following table presents the indebtedness[1] of each individual who is, or was during the most recently completed fiscal year, a director or executive officer of the Bank, of each director nominee of the Bank, and of each related person of any such director, executive officer or nominee. These loans exclude loans repaid in full and routine indebtedness.

Name and principal position	Involvement of Bank or subsidiary of the Bank	Largest amount outstanding during fiscal year ended October 31, 2013 ($)	Amount outstanding as at January 24, 2014 ($)	Financially assisted securities purchases during fiscal year ended October 31, 2013	Security for indebtedness	Amount forgiven during fiscal year ended October 31, 2013 ($)
Securities purchase programs						
–	–	–	–	–	–	–
Other programs						
Stéphane Bilodeau Executive Vice-President – Operations and Strategic Initiatives Office	Loans granted by the Bank	$1,112,533[3]	$1,080,452[3]	–	–	–
Diane Giard Executive Vice-President – Personal and Commercial Banking	Loan granted by National Bank Financial Ltd.	$ 773,933[4]	$ 715,427[4]	–	–	–
Jacques Lavallée Acting Senior Vice-President – Internal Audit	Loan granted by the Bank	$ 84,218[5]	$ 71,677[5]	–	–	–
Karen Leggett Executive Vice-President – Marketing and Corporate Strategy	Loan granted by the Bank	$ 648,000[6]	$1,381,390[6]	–	–	–
Luc Paiement Executive Vice-President – Wealth Management and Co-President and Co-Chief Executive Officer, NBF	Loan granted by the Bank	$ 119,884[7]	$ 106,861[7]	–	–	–
Ricardo Pascoe Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, NBF	Loans granted by the Bank	US$1,466,186[8]	US$1,378,916[8]	–	–	–

(1) In accordance with paragraphs 10.1(2) and 10.2(1) of Form 51-102F5 of Regulation 51-102, these loans are granted by the Bank or one of its subsidiaries or by another entity if the indebtedness is the subject of guarantee or letter of credit provided by the Bank or one of its subsidiaries, a support agreement or other similar arrangement or understanding.

(2) For the purposes of this section and in accordance with subsection 1.1(1) of Regulation 51-102, the executive officers are the Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer, the Vice-Presidents in charge of a principal business unit, division or function of the Bank, and officers of the Bank or its subsidiaries who perform a policy-making function in respect of the Bank.

(3) This amount represents the balances of loans granted by the Bank secured by a mortgage on the borrower's main residence. The amount consists of a mortgage loan bearing interest at a fixed rate in accordance with the standards applicable to clients, except that the interest rate is reduced by 2% for employees of the Bank, amortized over a 25-year period, and an All-in-One National Bank personal line of credit granted in accordance with the standards applicable to clients, except that the interest rate is the rate given to employees of the Bank, which is the prime rate less 2% but not less than the prime rate divided by 2.

(4) This amount represents a margin loan granted by National Bank Financial Ltd. for borrowing against the value of the securities held in the borrower's account. The portfolio securities provide collateral. Such loans are granted in accordance with the standards applicable to clients, including the interest rate which may range between the preferred rate and the preferred rate plus 2.25%, depending on the account type and amount borrowed.

(5) This amount represents the balance of a personal line of credit granted by the Bank. Such a line of credit is granted according to the standards applicable to clients, except that the interest rate is the rate given to employees of the Bank, which is the prime rate less 2%, but not less than the prime rate divided by 2.

(6) This amount represents the balances of loans secured by mortgages granted by the Bank. The amount consists of a mortgage loan secured by a mortgage on the borrower's main residence bearing interest at a fixed rate in accordance with the standards applicable to clients, except that the interest rate is reduced by 2% for employees of the Bank, amortized over a 20-year period; and a mortgage loan secured by a mortgage on the borrower's secondary residence bearing interest at a fixed rate in accordance with the standards applicable to clients, amortized over a 20-year period.

(7) This amount represents one or more personal leveraged loans ("Leveraged Loans") granted to finance the participant's equity commitments under the EdgeStone Affiliate Fund co-investment program. All Leveraged Loans bear interest at the federal prescribed rate published quarterly and are secured by a pledge of the participant's interests in each limited partnership comprising the EdgeStone Affiliate Fund co-investment program. This program provided officers and eligible employees of the Bank and some of its subsidiaries the opportunity to co-invest with EdgeStone Capital Equity Fund II-A, L.P., EdgeStone Capital Equity Fund II-B, L.P., EdgeStone Capital Mezzanine Fund II, L.P., EdgeStone Capital Venture Fund, L.P. and EdgeStone Capital Venture Fund II, L.P. (each designated as a "Main Fund") and the Bank or a company in which the Bank holds an indirect interest. Officers and eligible employees are offered credit terms by the Bank or one of its subsidiaries (the "Lender") through limited recourse Leveraged Loans. The Leveraged Loans bear interest and will mature on the earliest of: (i) the 10th anniversary date of the establishment of the applicable Main Fund, (ii) the dissolution of the applicable EdgeStone Affiliate Fund limited partnership, (iii) the sale or disposal of a participant's interest in the applicable EdgeStone Affiliate Fund limited partnership, or (iv) the date the principal amount of the Leveraged Loans otherwise becomes due and payable. The Lender will have personal recourse against the participant equal to 50% of the participant's total commitment (equity and leveraged portion). The Lender's recourse for the balance of the Leveraged Loans is limited to the participant's EdgeStone Affiliate Fund limited partnership interest and the distributions thereon.

(8) This amount represents the balance of loans in U.S. dollars granted by the Bank to purchase a second home with interest at the current LIBOR rate, plus 2%, amortized over a 25-year period. The interest rate on such loans is the rate given to clients. Collateral mortgages were granted to secure the loans.

Directors' and officers' liability insurance

The Bank has purchased a liability insurance policy on behalf of the directors and officers of the Bank and its subsidiaries. This policy covers directors and officers under circumstances where the Bank is not able or not permitted to indemnify them. The policy provides aggregate coverage of up to $115,000,000, with no deductible.

The annual premium for this insurance is $546,000. The policy expires on September 1, 2014 and is renewable.

Share repurchase program

A new Normal Course Issuer Bid began on June 20, 2013 and will terminate no later than June 19, 2014. This NCIB allows the Bank to repurchase, from time to time and during the period mentioned above, on the Toronto Stock Exchange, a maximum of 6,496,228[1] Common Shares, representing approximately 2% of its outstanding Common Shares. The price paid by the Bank for any Common Shares repurchased under this NCIB is the market price of the Common Shares on the Toronto Stock Exchange on the repurchase date. In the opinion of the Board, the repurchase of Common Shares under this NCIB would represent an appropriate use of the Bank's surplus funds. As at February 21, 2014, the Bank had not repurchased any Common Shares under this NCIB.

Shareholders may obtain, free of charge, a copy of the notice of intent regarding this NCIB, which was approved by the Toronto Stock Exchange, by writing to the Corporate Secretary's Office of the Bank at 600 De La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

Minutes

A copy of the minutes of the Annual Meeting of the Holders of Common Shares of the Bank held on April 24, 2013 has been filed with the CSA on the SEDAR website (sedar.com). The minutes may also be found on the Bank's website (nbc.ca). Furthermore, a copy of the minutes was mailed to holders of Common Shares together with this Circular.

Additional information

Financial information about the Bank can be found in the comparative consolidated financial statements and Management's Discussion and Analysis for the most recently completed fiscal year, which are included in the 2013 Annual Report.

The Bank will, upon request, promptly provide any shareholder, free of charge, with a copy of the 2013 Annual Report, a copy of the 2013 Annual Information Form together with a copy of any document incorporated therein by reference, a copy of the consolidated financial statements for the fiscal year ended October 31, 2013 with the accompanying independent auditor's report, a copy of any subsequent interim report and a copy of the Management Proxy Circular with respect to its most recent Annual Meeting of the Holders of Common Shares of the Bank involving the election of directors, and all other documents incorporated by reference into the Circular, including the mandate of the Board as well as a copy of the Code of Conduct and Ethics.

To obtain copies of these documents, please send your request to the Corporate Secretary's Office of the Bank at 600 De La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

These documents as well as additional information about the Bank may be obtained from its website (nbc.ca) and from the SEDAR website (sedar.com).

The information below regarding governance can be found in the governance subsection under "About Us" on the Bank's website:

- Mandates of the Board and its committees;
- Mandates of the Chairman of the Board and the committee Chairs;
- Director's Independence Policy;
- The Bank's Statement of Corporate Governance Practices; and
- Code of Conduct and Ethics.

The Bank's most recent Social Responsibility Report can also be found in the social responsibility subsection under "About Us" on the Bank's website.

Contacting the Board

The Board considers it important to allow Bank shareholders and clients, as well as any other person, to comment on subjects concerning the Bank, particularly the Board's approach to executive compensation. Anyone wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee or a director, including an independent director, may do so by e-mail at boardofdirectors@nbc.ca or by mail c/o the Corporate Secretary's Office of the Bank at 600 De La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

Trademarks

The trademarks used in this Circular include, among others, National Bank of Canada, National Bank Financial, National Bank Private Wealth 1859, *One client, one bank*, All-in-One National Bank and their respective logos, which are trademarks of the Bank used under licence by the Bank or its subsidiaries. All other trademarks mentioned in this Circular, which are not the property of the Bank, are owned by their respective holders.

Approval of the Board

The Board has approved the content of this Circular and its mailing to the holders of Common Shares.

NATIONAL BANK OF CANADA

(signed) Linda Caty
Vice-President and Corporate Secretary

Montreal, February 21, 2014

(1) 3,248,114 Common Shares prior to the share split in the form of a stock dividend paid on February 13, 2014.

The Bank has reproduced below the proposals and supporting statements submitted by a shareholder, in full and with no changes whatsoever.

Proposals Nos. 1, 2 and 3 were submitted to the Bank's management by the Mouvement d'éducation et de défense des actionnaires (MÉDAC), 82 Sherbrooke Street West, Montreal, Quebec, Canada H2X 1X3.

Incidentally, MÉDAC submitted a formal proposal to the Bank on communication related to the status of the Bank's administered pension plans, entitled "Pension plans and transparency." Following discussions with the Bank, MÉDAC has agreed to withdraw its proposal given the Bank's commitment to include supplementary information on the subject in the Circular, as well as the Bank's efforts in the matter and its sound governance practices in pension plan administration. MÉDAC also considered the capitalization status of the pension plans.

Proposal No. 1

Shareholder proposal and statement (translation):

"It is proposed that the Bank undertake to gradually eliminate stock options as a form of variable compensation for its senior executives.

Arguments

As mentioned by the Institute for Governance of Private and Public Organizations (IGPPO), in its study entitled *Pay for Value: Cutting the Gordian Knot of Executive Compensation*: "It was a major mistake, and a source of many shenanigans, to make stock options a large component of executive compensation."

Senior executive compensation must rely on solid performance criteria which these executives can control and which favour the creation of long-term added value for the organization. However, compensation in the form of stock options is mainly intended to reward and motivate senior executives by tying executive performance to the performance of the company's shares.

Such a relationship is far from proven. For example, the results of a study performed by Michel Magnan and Sylvie St-Onge reveal:

> "that between 1998 and 2008, 90% of the change in the market price of the five big Canadian banks is explained by characteristics of the banking sector, such as low interest rates and a favourable macroeconomic context. In other words, during that decade, **less than 10% of the differences in these banks' market performance can be explained by factors specific to each of them, including the decisions and initiatives of the CEOs in office, but also by a host of other factors, such as their personnel, their clientele, the location of their places of business or their business 'mix'".**(1) [TRANSLATION]

For this reason, stock options should be abandoned gradually, which could also allow us to rebuild in a small way our confidence in the approach used by the Bank to reward and motivate senior management."

The Bank's position:

One of the principles underlying the Bank's compensation philosophy is to align compensation with performance, taking into account different time horizons and encouraging sound risk-taking. The objective is to reward Executives for their specific contribution to the annual results achieved and motivate them to maintain performance over time and grow shareholder value in the long term.

To that end, the Bank offers short-, mid-, and long-term variable compensation programs based on various and complementary financial measures. The Stock Option Plan, which is considered to be a long-term variable compensation plan, is intended to earn the loyalty of and encourage eligible officers to contribute to the Bank's continued success and grow shareholder value in the long term.

Participants to the Stock Option Plan can therefore only benefit from the options granted to them if the Bank's share price increases steadily over the long term. They receive no payout value when the Bank's share trades at or below the exercise price. They do not acquire the full amount of the options granted until at least four years have elapsed since their grant date. Consequently, in the case of a departure before the end of this period, non-vested options are cancelled.

Moreover, the Board has implemented a series of measures to assure shareholders can rely on sound management of the Stock Option Plan:

- Grants are made only once a year;
- No options may be exercised before the first vesting portion, namely one year after the grant;
- The exercise price of the options cannot be modified after the grant;
- Share redemption initiatives ensure prudent management of the dilution of Bank shares;
- Executive Officers must keep the value of gains obtained on exercise for at least one year following any exercise;
- A policy prohibits employees from hedging their equity-based compensation;
- The gains on the exercise of options are subject to the principles of variable compensation clawback; and
- Officers are subject to the share ownership requirements.

The Board feels that the Stock Option Plan is appropriate in its current form and that it ties in with the Bank's overall compensation strategy, which is to maintain performance over time and grow shareholder value in the long term. This type of compensation also constitutes an important tool to attract and retain talent, as similar plans are offered by the other members of our peer group.

Further, the Board and the Bank's management ensure compliance with market practices and best governance practices to ensure optimal distribution of the components of the Officers' overall compensation, which is renewed annually. In particular, in 2011, the Board reduced the compensation target from options for the President and Chief Executive Officer. This allocation of incentive compensation decreased from 40% to 29% of total compensation. If applicable, the Board will continue to follow market best practices in the future.

For these reasons, the Board and the Bank's management recommend voting **AGAINST** this proposal.

(1) http://www.igopp.org/IMG/pdf/rem._des_dir._StOnge-Magnan_a08.pdf

Proposal No. 2

Shareholder proposal and statement (translation):
"It is proposed that the Bank inform the shareholders and the stakeholders of the actions it has undertaken following a significant vote against the senior executive compensation policy.

Arguments
For the past three years, Canadian banks have consulted their shareholders on their senior executive compensation policy. The percentages voting "against" fluctuates annually and may reach as much as 15.07%, as was the case in 2011 at the Royal Bank of Canada.

The Bank, like its competitors, has never engaged in a feedback process with its shareholders following a significant vote against its compensation policy.

This year, the percentage voting against the compensation policy reached 3.43%, which represented almost 3 million shares.

To ensure feedback to these shareholders, we propose that, for any vote against over 3%, the Board, after consulting the Compensation Committee, deliberate on the subject during an upcoming session and immediately publish a news release on its website, mentioning the response it intends to give to the expectations expressed by the shareholders during the Annual Meeting. For the next annual meeting, we suggest that the Chairman of the Compensation Committee present in a statement the actions taken by the committee during the year to respond to these concerns.

We believe that a percentage of 3% is significant, since this threshold is recognized by the legislator to grant organizations like ours the right to resubmit a resolution."

The Bank's position:
On February 26, 2009, the Bank was the first in Canada to announce that it would put its approach to executive compensation to a "say on pay" vote.

By putting its approach to executive compensation to a "say on pay" vote, the Board shows its commitment to the Bank's shareholders and recognizes its responsibility regarding decisions made concerning executive compensation. Moreover, the Board believes it is essential for the holders of Common Shares of the Bank to be well informed and to fully understand the principles on which its compensation-related decisions are based. This "say on pay" vote promotes the ongoing process of dialogue between shareholders and the Board regarding the Board's approach to executive compensation.

Concurrently with the implementation of the "say on pay" vote, the Board also adopted a policy promoting communication with shareholders along with a feedback process. Each year since the adoption of this policy and especially in fiscal 2013, at the Board's request, management had discussions with representatives of institutional investors, with shareholder groups, proxy voting consultants and corporate governance advocacy groups to discuss various matters of interest with them, including the Board's approach to executive compensation.

In addition to these meetings, the Bank responds to questions from shareholders, investors, financial analysts and the media through its Investor Relations Department, Public Affairs Department, Corporate Secretary's Office and registrar and transfer agent. Further, shareholders who have concerns or questions regarding the Board's approach to executive compensation may contact the Board, a Board committee, the Chairman of the Board, the Chair of a Board committee or a director, by e-mail or by mail.

While this advisory resolution is non-binding, the Board, particularly through its Human Resources Committee, takes the results of the vote into consideration when reviewing its approach on executive compensation. During the last fiscal year, the Human Resources Committee analyzed results of "say on pay" votes carried out by the Bank and by other major Canadian banks, along with the recommendations of proxy voting consultants, to find out whether to perform a review of the compensation of the Bank's senior management. The committee regularly monitors various discussions among the Bank's management and OSFI regarding the application of the Financial Stability Board's principles and standards. The committee also remains current on developments in best practices in senior management compensation put forward by some institutional investors, shareholder groups, proxy voting consultants and corporate governance advocacy groups.

In light of the foregoing, the Board also introduced qualitative criteria for performance assessment of the President and Chief Executive Officer, introduced deferred incentive compensation in the form of a Performance Stock Unit Plan for Executive Officers and implemented a variable compensation clawback policy for Officers and Financial Market specialists.

The Board seeks to obtain the support from the largest possible number of shareholders regarding the approach to executive compensation by taking the necessary steps to ensure compensation according to the long-term performance and interests of shareholders. Since the "say on pay" vote on the Bank's executive compensation was implemented in 2010, over 95% of holders of Common Shares of the Bank have supported the Board's approach.

The Board does not agree with the statement that the suggested 3% threshold is significant.

For these reasons, the Board and the Bank's management recommend voting **AGAINST** this proposal.

Proposal No. 3

Shareholder proposal and statement (translation):
"Given that certain Board members received a greater number of abstentions than their colleagues, it is proposed that the Board of Directors present, at the next Annual Meeting, the actions it has taken to follow up on the dissatisfaction expressed by the shareholders.

Arguments
Over the past few years, several shareholders have expressed their dissatisfaction regarding certain directors through a high percentage of abstentions. For example, during the last Annual Meeting, two directors received a number of abstentions substantially higher than their colleagues, namely Lawrence S. Bloomberg (12.98%) and Gérard Coulombe (12.09%).

These percentages merit reflection and communication with the shareholders to inform them about the measures taken by the Board to remedy the situation, given that the abstentions for these two directors represent more than 10 million shares."

The Bank's position:
In 2006, the Board adopted a majority voting policy governing uncontested elections of directors. Under this policy, a director nominee shall be deemed not to have received the support of shareholders, even if he or she is elected, where the number of votes withheld exceeds the number of votes cast in favour of his or her election. A director elected in such circumstances shall immediately tender his or her resignation to the Conduct Review and Corporate Governance Committee which, barring exceptional circumstances, will submit a recommendation to that effect to the Board.

The Board considers it necessary to be receptive to shareholders, investors, clients, employees, financial analysts, the media and the general public. It ensures that measures are in place to gather feedback from each of these groups, be it through its Investor Relations Department, Public Affairs Department, Corporate Secretary's Office, Human Resources Department or registrar and transfer agent. The Bank is also very active on social media platforms such as Facebook, Twitter, LinkedIn and YouTube through which it can be contacted. The Bank considers all questions and comments it receives.

Anyone wishing to communicate directly with the Board, a board committee, the Chairman of the Board, a Chair of a Board committee or a director, including an independent director, may do so by e-mail or regular mail via the Corporate Secretary's Office. The Board also maintains constructive interaction with institutional investors, shareholder groups, proxy voting consultants and corporate governance advocacy groups to discuss various matters of interest with them. The Board is of the opinion that these discussions ensure better alignment of the interests of shareholders, the Board and management. Moreover, for several years and, notably during fiscal 2013, members of management have, at the request of the Board, met with representatives of these different groups to discuss various matters of interest and give them the opportunity to share comments and concerns with the Bank.

The Board believes that the different mechanisms in place allow it to effectively collect questions and comments from shareholders, which it will subsequently take into consideration.

Additionally, specifically as regards the election of directors, the Conduct Review and Corporate Governance Committee annually assesses the composition of the Board and ensures that each director nominee standing for election or re-election meets the established selection criteria and the Charter of Expectations adopted by the Board. In particular, in the case of directors standing for re-election, it takes into consideration their past performance assessments, their attendance at meetings of the Board and the committees on which they serve, their independence, their competence and their length of service on the Board. The Board believes that it is—and will be at the closing of the Meeting—composed of directors providing the knowledge, skills, expertise, geographic representation, diversity and the number of directors it requires to ensure informed decision-making, the appropriate composition of its committees and its succession planning.

For these reasons, the Board and the Bank's management recommend voting **AGAINST** this proposal.

INFORMATION FOR SHAREHOLDERS

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Registrar and Transfer Agent
For information about stock transfers, address changes, dividends, lost share certificates, tax forms and estate transfers, shareholders are asked to directly contact Computershare, the Bank's registrar and transfer agent, at the address and telephone numbers below.

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Contacting the Board of Directors
Bank shareholders and clients as well as any other person wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee or a director, including an independent director, may do so by e-mail at boardofdirectors@nbc.ca or by mail c/o the Corporate Secretary's Office of the Bank at 600 De La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.