

# Annual Meeting of Shareholders

Notice of Annual Meeting of the Holders  
of Common Shares of National Bank of Canada  
Management Proxy Circular

**April 20, 2018**



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your ideas™**

Terms and abbreviations used →  
Use the table overleaf to facilitate reading.



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

**2017 Annual Information Form:** The Bank's Annual Information Form dated November 30, 2017 and posted on the [nbc.ca](http://nbc.ca) and [sedar.com](http://sedar.com) websites on December 1, 2017

**2017 Annual Report:** The Bank's Annual Report filed on December 1, 2017, posted on the [nbc.ca](http://nbc.ca) and [sedar.com](http://sedar.com) websites, including the consolidated financial statements for the fiscal year ended October 31, 2017, Management's Discussion and Analysis, and the related independent auditor's report

**AC:** Audit Committee of the Board

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

**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 share unit

**EDT:** Eastern Daylight Time

**EST:** Eastern Standard Time

**Executive Officers (as at October 31, 2017):**

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 of NBF;
- the Executive Vice-President – Risk Management;
- the Executive Vice-President – Financial Markets;
- the Executive Vice-President – Operations;
- the Executive Vice-President – Personal-Commercial Banking and Marketing;
- the Executive Vice-President – Human Resources and Corporate Affairs;
- the Executive Vice-President – Information Technology; and
- the Chief Transformation Officer and Executive Vice-President.

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

**FSB:** Financial Stability Board

**Hay Group:** Korn Ferry Hay Group Ltd.

**HRC:** Human Resources Committee of the Board

**ICP:** Annual Incentive Compensation Program

**Meeting:** Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on Friday, April 20, 2018 at 10:00 a.m. (EDT) and any reconvening thereof in case of an adjournment

**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;

**Ricardo Pascoe** – Chief Transformation Officer and Executive Vice-President;

**Denis Girouard** – Executive Vice-President – Financial Markets; and

**Diane Giard** – Executive Vice-President – Personal-Commercial Banking and Marketing.

**NBF:** National Bank Financial

**NCIB:** Normal course issuer bid of the Bank

**Officers:** The term "Officers" includes the Bank's Senior Vice-Presidents and Vice-Presidents, all staff in roles reporting directly to Executive Officers who are employees of the Bank's subsidiaries, as well as any Bank employee considered by the Bank's Human Resources Committee to occupy a similar role

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

**PRAP:** Post-Retirement Allowance Program

**PSU:** Performance share unit

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

**Regulation 54-101:** *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer*, R.R.Q., c. V-1.1, r. 29

**RMC:** Risk Management Committee of the Board

**RSU:** Restricted share unit

**SEDAR:** System for Electronic Document Analysis and Retrieval

**Stock Option Plan:** Stock Option Plan of the Bank

**TSR:** Total shareholder return

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





Montreal, February 23, 2018

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, which is being held at 10:00 a.m. (EDT) on Friday, April 20, 2018 at the Centrexpo Cogeco Drummondville located at [550 Saint-Amant Street, Drummondville, Quebec, Canada](#).

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

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

The Bank's Circular and [2017 Annual Report](#) are available on the [nbc.ca](#) website.

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, as explained under "How can I exercise my voting rights?" in Section 1 of the Circular.

A live webcast of the Annual Meeting will be available on the "Investor Relations" page at [nbc.ca/investorrelations](#). The 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 Houde*  
Chairman of the Board of Directors

*(s) Louis Vachon*  
President and Chief Executive Officer





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

Date: **Friday, April 20, 2018**  
Time: **10:00 a.m. (EDT)**  
Address: **Centrexpo Cogeco Drummondville**  
**550 Saint-Amant Street**  
**Drummondville, Quebec, Canada**

### **Business of the meeting:**

1. To receive the consolidated financial statements for the fiscal year ended October 31, 2017 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; and
5. To transact any other business which may properly come before the meeting.

By order of the Board of Directors,

### **NATIONAL BANK OF CANADA**

*(s) Dominic Paradis*  
Vice-President, Legal Affairs and Corporate Secretary  
Montreal, February 23, 2018

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### **Notice-and-access procedures**

Again this year, in compliance with securities regulations and with the authorization of the Office of the Superintendent of Financial Institutions of Canada, the Bank is adhering to the notice-and-access procedures for the delivery of the Circular issued by the Bank's Management in connection with the solicitation of proxies (the "Circular") for the purposes indicated in the Notice of Meeting, for use at the Annual Meeting of the Holders of Common Shares of the Bank (the "Meeting"), and, if adjourned, at any reconvening thereof. The notice-and-access procedures allow for faster access to the Circular, contribute to the protection of the environment by reducing tree, water and energy consumption, and help reduce high printing and postage costs.

**Therefore, instead of receiving the Circular by mail, you can view it electronically by visiting the [nbc.ca/investorrelations](http://nbc.ca/investorrelations) page or the [sedar.com](http://sedar.com) website.**

Registered holders and beneficial owners will still receive by post, along with the Notice of Meeting, a form of proxy or voting instruction form that permits them to exercise the voting rights attached to their Common Shares of the Bank. For further information about the voting procedure, refer to the "[How can I exercise my voting rights?](#)" section of this notice.

*It is very important that you read the Circular carefully before exercising the voting rights attached to your Common Shares of the Bank.*

## How do I obtain a printed copy of the Circular?

Registered holders and beneficial owners can also ask to receive, free of charge, a printed copy of the Circular before the Meeting or in the year after the date the Circular was filed, by following the procedure below:

	REGISTERED HOLDER	BENEFICIAL OWNER
Procedure	Before the Meeting, call:	After the Meeting, call:
	1-866-962-0498 (toll-free in Canada and the United States) or 1-514-982-8716 (other countries)	1-866-964-0492 (toll-free in Canada and the United States) or 1-514-982-8714 (other countries)
	Call 1-877-907-7643 (toll-free in Canada and the United States) or go to <a href="http://proxyvote.com">proxyvote.com</a> and enter the control number shown on your voting instruction form.	
	And enter the control number indicated on your form of proxy when required.	
	If you request it before the date of the Meeting, the Circular will be sent to you within three business days after receiving your request. To receive the Circular before the voting deadline and the date of the Meeting, we estimate that your request must be received no later than <b>5:00 p.m. (EDT) on Thursday, April 5, 2018</b> . Please note that you will not receive another form of proxy or voting instruction form, so in order to exercise your voting rights, please keep the one you received with this notice.	
	If you request it on the date of the Meeting or in the year following the filing of the Circular, it will be sent to you within ten calendar days after receiving your request.	

## 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 23, 2018 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 *Bank Act* (Canada) (the "Act").

## Common Shares outstanding on the record date

On the record date for the Meeting, namely, February 23, 2018, 340,389,741 Common Shares of the Bank were outstanding and eligible to be voted at the Meeting, subject to the restrictions set out in the Act.

## How can I exercise my voting rights?

Registered holders of Common Shares may exercise their voting rights by attending the Meeting or by completing a form of proxy. If you foresee being unable to attend the Meeting, you can vote by going to the [investorvote.com](http://investorvote.com) website or by filling out, dating and signing the attached 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, 8<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1, or they can be faxed 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 Wednesday, April 18, 2018.

For more information on the procedure to be followed by holders of Common Shares who received a voting instruction form, refer to [Section 1](#) of the Circular and the instructions received from your broker.

## Shareholder questions and assistance with voting

If you have any questions regarding this notice, the notice-and-access procedures, or the Meeting, or if you require assistance with voting, you may contact Laurel Hill Advisory Group, a proxy solicitation firm mandated by the Bank, at 1-877-452-7184 (toll-free in Canada and the United States) or 1-416-304-0211 (other countries) or by email at [assistance@laurehill.com](mailto:assistance@laurehill.com).

## Caution regarding forward-looking statements

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the “[Outlook for National Bank](#)” and “[Major Economic Trends](#)” sections of the [2017 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 2018 and the objectives it has set for itself for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. 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, the Bank’s 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 2018 and how that will affect the Bank’s business are among the main factors considered in setting the Bank’s strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank’s control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in these forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, risk of regulatory non-compliance, reputational risk, strategic risk and environmental risk, which are described in more detail in the “[Risk Management](#)” section beginning on page 51 of the [2017 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; 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 U.S. *Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank’s information technology systems, including evolving cyber attack risks.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the “[Risk Management](#)” section of the [2017 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. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

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

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## SUMMARY

Items submitted to shareholder vote	Recommendation of the Board and of management	Page
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Board's approach to executive compensation	▶ For	14
Appointment of the independent auditor	▶ For	15

### Director nominees at a glance

You are invited to elect the 14 directors that will make up the Board. These nominees shall be elected individually by a majority each year. For a detailed biography of each nominee and for further information on the following charts, refer to [Sections 3](#) and [4](#) of the Circular.

Director nominees	Age	Director since	Main occupation	Independent	Committee	Board and committee attendance in 2017	Other directorships in public corporations
Raymond Bachand	70	October 2014	Strategic Advisor, Norton Rose Fulbright Canada LLP	✓	 	97.5%	• Transat A.T. Inc.
Maryse Bertrand	59	April 2012	Corporate Director	✓	  P	100%	• Metro Inc.
Pierre Blouin	60	September 2016	Corporate Director	✓	 	100%	• Fortis Inc.
Pierre Boivin	64	April 2013	President and Chief Executive Officer, Claridge Inc.	✓	  P	97.1%	• Canadian Tire Corporation, Ltd.
Gillian H. Denham	57	October 2010	Corporate Director	✓		100%	• Canadian Pacific Railway Limited • Kinaxis Inc. • Morneau Shepell Inc.
Richard Fortin	69	August 2013	Corporate Director	✓	  P	100%	• Alimentation Couche-Tard Inc. • Transcontinental Inc.
Jean Houde	72	March 2011	Chairman of the Board	✓		100%	–
Karen Kinsley	61	December 2014	Corporate Director	✓	  P	100%	• Canadian Real Estate Investment Trust • Saputo Inc.
Rebecca McKillican	38	October 2017	President and Chief Executive Officer, Well.ca Inc.	✓		100%	–
Robert Paré	63	New nominee	Strategic Advisor, Fasken Martineau DuMoulin LLP	✓	–	–	• ADF Group Inc. • Quebecor Inc.
Lino A. Saputo, Jr.	51	April 2012	Chief Executive Officer and Chairman of the board of directors, Saputo Inc.	✓		94.3%	• Saputo Inc.
Andrée Savoie	46	April 2015	President and Chair of the board of directors, Acadian Properties Ltd.	✓	 	100%	–
Pierre Thabet	60	March 2011	President, Boa-Franc Inc.	✓		97.1%	–
Louis Vachon	55	August 2006	President and Chief Executive Officer of the Bank	–	–	100%	• Molson Coors Brewing Company

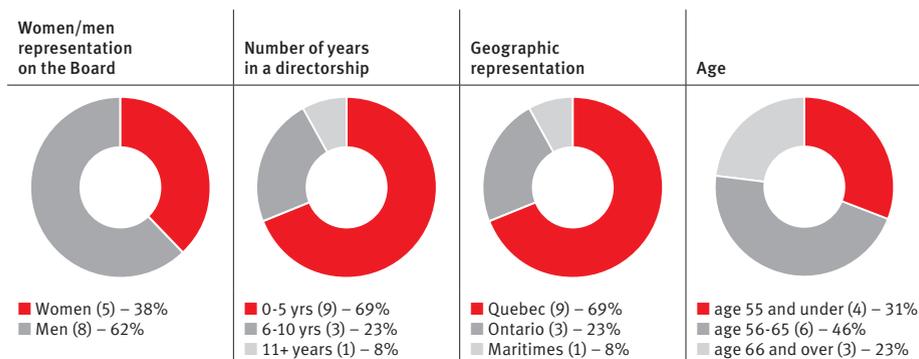
 Audit Committee  
  Committee Chair  
  Conduct Review and Corporate Governance Committee  
  Human Resources Committee  
  Risk Management Committee

## Data points on the director nominees

	Raymond Bachand	Maryse Bertrand	Pierre Blouin	Pierre Boivin	Gillian H. Denham	Richard Fortin	Jean Houde	Karen Kinsley	Rebecca McIllican	Robert Paré	Lino A. Saputo, Jr.	Andrée Savoie	Pierre Thabet	Louis Vachon
Competencies and expertise														
Audit / Finance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Entrepreneurship	✓					✓			✓	✓	✓	✓	✓	
Financial Markets and Services		✓			✓	✓	✓	✓		✓				✓
Governance	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓		
Human Resources / Compensation		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Information and Digital Technologies		✓	✓	✓					✓	✓	✓			
International Markets				✓	✓	✓	✓	✓			✓			✓
Legal and Regulatory Affairs	✓	✓					✓			✓				
Marketing	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓
Public Policy	✓						✓	✓						
Risk Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Social Responsibility		✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓

The main areas of expertise are shown in red (✓) in the above table.

## Data points on Board members



## Key governance practices

		Pages
Average age of directors	✓	3
Diversity Statement adopted by the Board	✓	32
Representation of women on the Board (38%) and in management (38%)	✓	32 to 35
Independent directors	✓	30
All committee members are independent	✓	28, 30, 48
Limited number of years as director	✓	37
All directors are financially literate	✓	29
Number of Board meetings in fiscal 2017	✓	16 to 23
Number of Board committee meetings in fiscal 2017	✓	16 to 23
Meeting attendance requirements are met	✓	16 to 23
Chairman and President and Chief Executive Officer roles are separate	✓	30
Directors are elected annually and individually	✓	13, 37
Majority voting policy for the election of directors	✓	13
The Code of Conduct and Ethics is signed and upheld by directors	✓	26, 30
Annual advisory vote on executive compensation	✓	14
A formal Board assessment process has been established	✓	38
Guidance and continuing education for directors	✓	39, 40
Communication with shareholders and the stakeholders	✓	41, 42

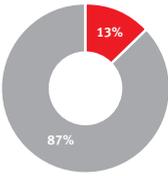
## 2017 COMPENSATION HIGHLIGHTS

- In 2017, the Bank achieved solid operational performance and record profitability. Its share price reached new highs, and it delivered industry-leading total shareholder returns. The Bank's variable compensation programs reflected this excellent performance, resulting in above-target payments to the Bank's Officers and other employees.
- The Bank makes sure that the parameters of its variable compensation programs are constantly evolving to support the organizational transformation. Thus, the following changes have or will be made:
  - Include in the annual Incentive Compensation Program (ICP) a performance metric that will recognize improvements to the Bank's efficiency ratio (2017) and, starting in 2018, a client experience metric;
  - Ensure the variable compensation programs of its main business lines continue to evolve;
  - Add a clause on the Board's discretionary power to adjust the payout value of performance share units (PSUs) downward and to reduce it to \$0 for awards granted as of December 2018.

## KEY PRINCIPLES OF THE COMPENSATION POLICY FOR EXECUTIVE OFFICERS

### 1. Pay for performance

- ✓ A significant portion of variable compensation is conditional on performance
- ✓ Compensation consists mainly of the variable compensation tied to the Bank's financial and stock market performance

Average breakdown of target direct compensation of Named Executive Officers	Components of variable compensation		Performance metrics
 <p>■ Fixed compensation – 13%</p> <p>■ Variable and at-risk compensation – 87%</p>	Short-term	Annual bonus	The Bank's financial results and individual performance levels
	Mid-term	RSUs	Price of the Bank's Common Shares
		PSUs	Share price and Total Shareholder Return relative to other banks
	Long-term	Stock options	Price of the Bank's Common Shares
		DSUs	Price of the Bank's Common Shares

- ✓ Annual bonuses are capped under the Incentive Compensation Program (ICP)

### 2. Promote sound risk taking

- ✓ Variable compensation is aligned with short-, mid- and long-term risk horizons

Components of variable compensation		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Short-term	Annual bonus	→										
Mid-term	Restricted Share Units (RSUs)	→ Vest over a three-year period										
	Performance Share Units (PSUs)	→ Vest after three years depending on relative TSR and adjustment range capped at 125%										
Long-term	Stock options	→ Vest over a four-year period at a rate of 25% per year and stock options expiring after ten years										
	Deferred Share Units (DSUs)	→ Vest over a four-year period at a rate of 25% per year and redeemable only at retirement or upon termination of employment										

- ✓ The Compensation Risk Oversight Working Group supports the Board and the Human Resources Committee in their functions relating to human resources and compensation governance. The Board's Risk Management Committee studies the reports that this working group submits to the Human Resources Committee
- ✓ Previously granted variable compensation can be cancelled or clawed back

### 3. Reward contribution

- ✓ Compensation is established based on level of responsibility, expertise, competence and experience
- ✓ Peer group consists of Canadian financial corporations with profiles comparable to the Bank's
- ✓ Target compensation is established by adjusting the peer group median downward to reflect the relative size of the Bank, using the Hay Group's evaluation method

### 4. Align vision with that of shareholders

- ✓ Advisory vote is held on the approach to executive compensation ("say on pay")
- ✓ The President and Chief Executive Officer's compensation is aligned with Total Shareholder Return

The Board is satisfied that the Bank's compensation policy helps create long-term value for shareholders. In fact, the average actual value of every \$100 granted annually to Louis Vachon in the form of direct compensation over the past ten years as President and Chief Executive Officer was \$203 on December 31, 2017. By comparison, from a shareholder's viewpoint, the average value of a \$100 annual investment in Common Shares of the Bank over the same period was \$238. For more information, see [page 79](#) of the Circular.

Value of \$100 granted annually as direct compensation to Louis Vachon over the past ten years	Value of \$100 invested in Common Shares of the Bank at the beginning of each of the last ten fiscal years
Average value of \$203 (on December 31, 2017)	Average value of \$238 (on December 31, 2017)

#### ✓ Anti-hedging policy and minimum share ownership requirements

Share ownership guidelines aim to align the interests of Executive Officers, Officers and material risk takers with the Bank's long-term performance. The requirement is expressed as a multiple of base salary, as follows:

Multiple of previous three years' average base salary	Requirement	Multiple achieved
President and Chief Executive Officer	7 times	
Louis Vachon		86.9 times
Other Named Executive Officers	4 times	
Ghislain Parent		16.6 times
Ricardo Pascoe		71.2 times
Denis Girouard		27.8 times
Diane Giard		21.5 times

- ✓ Rigorous governance is applied to deferred compensation plans, in particular the Stock Option Plan

# 1. VOTING INFORMATION

## How to obtain the Circular

Again this year, in accordance with securities regulations and with OSFI authorization, the Bank is adhering to the notice-and-access procedures for the delivery of the Circular issued by the Bank's Management in connection with the solicitation of proxies, for the purposes indicated in the Notice of Meeting, for use at the Meeting to be held at 10:00 a.m. (EDT) on Friday, April 20, 2018, at the Centrexpo Cogeco Drummondville located at 550 Saint-Amant Street, Drummondville, Quebec, Canada, and, if adjourned, at any reconvening thereof.

Therefore, instead of receiving the Circular by post, registered holders and beneficial owners who hold Common Shares of the Bank at 5:00 p.m. (EST) on February 23, 2018, the record date for the Meeting, have access to it online, as provided for in Regulation 51-102 and Regulation 54-101.

Registered holders and beneficial owners will still receive by post, along with the Notice of Meeting to the Annual Meeting of Holders of Common Shares of the Bank, a proxy form or voting instruction form permitting them to exercise the voting rights attached to their Common Shares. This Notice of Meeting will explain to registered holders and to beneficial owners how to view this Circular online and how to obtain a printed copy.

AM I A REGISTERED HOLDER?	AM I A BENEFICIAL OWNER?
You are a registered holder if the Common Shares that you own are registered in your name in the Bank's register.	You are a beneficial owner if the Common Shares that you own are not registered in your name in the Bank's register but rather are held in your name by a nominee such as a securities broker, other intermediary, or a duly authorized agent.

## NOTICE-AND-ACCESS PROCEDURE

 **FASTER**

 **GREENER**

 **MORE ECONOMICAL**

Registered holders and beneficial owners can consult the Circular electronically by visiting the [nbc.ca/investorrelations](http://nbc.ca/investorrelations) page or the [sedar.com](http://sedar.com) website.

You may also ask to receive, free of charge, a printed copy of the Circular before the Meeting or in the year after the date the Circular was filed by following the procedure below:

	REGISTERED HOLDER	BENEFICIAL OWNER
Procedure	Before the Meeting, call:  1-866-962-0498 (toll-free in Canada and the United States) or 1-514-982-8716 (other countries)	After the Meeting, call:  1-866-964-0492 (toll-free in Canada and the United States) or 1-514-982-8714 (other countries)
	And enter the control number indicated on your form of proxy when required.	

If you have any questions regarding the notice-and-access procedures or the Meeting, you may contact the representatives of Laurel Hill Advisory Group ("Laurel Hill"), a proxy solicitation firm, mandated by the Bank, at 1-877-452-7184 (toll free in Canada and the United States) or 1-416-304-0211 (other countries).

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 of the Bank or by representatives of Laurel Hill. The Bank expects to pay approximately \$25,000 in fees to Laurel Hill for such services.

Certain beneficial owners may be contacted by Laurel Hill and receive assistance to conveniently exercise their voting rights directly by telephone using the QuickVote™ service of Broadridge Investor Communications Corporation.

### ELECTRONIC COPIES OF OTHER CONTINUOUS DISCLOSURE DOCUMENTS

You are also encouraged to use electronic delivery (e-delivery) to receive the Bank's other continuous disclosure documents, including 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 [nbc.ca](http://nbc.ca).

### HOW TO SIGN UP FOR E-DELIVERY

REGISTERED HOLDER	BENEFICIAL OWNER
Registered holders may sign up for e-delivery at <a href="http://computershare.com/ca-en">computershare.com/ca-en</a> by following the instructions provided.	Beneficial owners in Canada and the United States may sign up for e-delivery at <a href="http://proxyvote.com">proxyvote.com</a> 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, help protect the environment by reducing tree, water and energy consumption, and contribute to reducing high printing and postage costs.	

### What is in the Circular?

The Circular contains information about the matters set out in the Notice of Meeting and about which you will be asked to voice your opinion. This information includes, among other things, details about the director nominees, the Bank's governance practices, the Board's approach to executive compensation, and the shareholder proposals to be voted on by the shareholders.

**Unless otherwise indicated, the information in the Circular is as at February 23, 2018.**

### How can I attend the Meeting?

To attend the Meeting, you can present yourself in person at 10:00 a.m. (EDT) on April 20, 2018 at the Centrexpo Cogeco Drummondville located at [550 Saint-Amant Street, Drummondville, Quebec, Canada](http://550 Saint-Amant Street, Drummondville, Quebec, Canada).

You can also watch a live webcast of this event on the "Investor Relations" page on the Bank's website at: [nbc.ca/investorrelations](http://nbc.ca/investorrelations). The recording of the Meeting will be available for viewing on the Bank's website until the next Annual Meeting.

### Can I vote?

If you are a registered holder or beneficial owner of Common Shares of the Bank on February 23, 2018, at 5:00 p.m. (EST), you are entitled to receive the Notice of Meeting and to vote at the Meeting.

Each of your Common Shares entitles you to cast one vote on each item listed in the Notice of Meeting.

On February 23, 2018, 340,389,741 Common Shares of the Bank were outstanding and eligible to be voted at the Meeting.

However, except for certain exceptions under the Act, it is prohibited to exercise voting rights attached to Common Shares of the Bank that are beneficially owned by:

- i) the Government of Canada or 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 of over more than 10% of the outstanding Common Shares of the Bank.

### How can I exercise my voting rights?

You may exercise your voting rights at whatever time you consider the most appropriate, before or during the Meeting. Exactly how you exercise your voting rights, however, depends on whether you are a registered holder or a beneficial owner.

	REGISTERED HOLDER	BENEFICIAL OWNER
Before the Meeting	<p><b>To vote using the form of proxy</b></p> <p>You may exercise your voting rights by indicating on the form of proxy how you wish to vote on each particular matter in the Notice of Meeting.</p> <p>If you wish to exercise your voting rights before the Meeting is held, you may give your instructions as follows:</p>	<p><b>To vote using the voting instruction form</b></p> <p>You may exercise your voting rights by indicating on the voting instruction form how you wish to vote on each particular matter in the Notice of Meeting.</p> <p>If you wish to exercise your voting rights before the Meeting is held, you may give your instructions as follows:</p>
	<p> Go to the following <b>website</b>: <a href="http://investorvote.com">investorvote.com</a></p>	<p> Go to the following <b>website</b>: <a href="http://proxyvote.com">proxyvote.com</a></p>
	<p> Send the duly completed, signed and dated (on the back) form of proxy <b>by fax</b> to 1-866-249-7775 (toll-free in Canada and the United States) or to 1-416-263-9524 (other countries).</p> <p> Using the provided envelope, send the duly completed, signed and dated (on the back) form of proxy <b>by mail</b> to 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, Canada M5J 2Y1.</p>	<p> <b>Phone</b> 1-800-474-7493 (for service in English) or 1-800-474-7501 (for service in French).</p> <p> Send the duly completed, signed and dated voting instruction form <b>by fax</b> to 1-905-507-7793 or 514-281-8911.</p> <p> Send the duly completed, signed and dated (on the back) voting instruction form <b>by mail</b> using the provided envelope.</p>

	REGISTERED HOLDER	BENEFICIAL OWNER
During the Meeting	<p><b>Voting at the Meeting</b></p> <p>If you wish to exercise your voting rights during the Meeting, please register with Computershare when you arrive at Centrexpo Cogeco Drummondville, located at <a href="#">550 Saint-Amant Street, Drummondville, Quebec, Canada</a>.</p> <p><b>Proxyholder</b></p> <p>The form of proxy also allows you to appoint a proxyholder to represent you at the Meeting and exercise your voting rights there.</p>	<p><b>Voting at the Meeting</b></p> <p>If you wish to exercise your voting rights during the Meeting, please:</p> <ul style="list-style-type: none"> <li>• insert your name as proxyholder in the space provided for this purpose on the voting instruction form;</li> <li>• do not otherwise complete the section of the form on voting rights as your vote will be taken at the Meeting; and</li> <li>• return the form following the instructions indicated therein.</li> </ul> <p><b>Proxyholder</b></p> <p>The voting instruction form also allows you to appoint a proxyholder to represent you at the Meeting and exercise your voting rights there.</p>

### How can I revoke the content of a form that I sent before the Meeting?

If you have sent a form of proxy or a voting instruction form before the Meeting is held and you wish to amend the content, you can do so by following the procedure set out below.

	REGISTERED HOLDER	BENEFICIAL OWNER
Procedure	<p>You may revoke your proxy as follows:</p> <ul style="list-style-type: none"> <li>✓ by delivering a written notice to this effect, signed by you or by your duly authorized agent, to: <ul style="list-style-type: none"> <li>• the Head Office of the Bank, c/o Corporate Secretary, National Bank of Canada, <a href="#">600 De La Gauchetière Street West, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2</a>, no later than 5:00 p.m. (EDT) on the last business day preceding the date of the Meeting, namely, Thursday, April 19, 2018, or prior to any reconvening thereof in case of an adjournment; or</li> <li>• the Chairman of the Meeting on the day of the Meeting or, if adjourned, any reconvening thereof; or</li> </ul> </li> <li>✓ 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.</li> </ul>	<p>You can revoke your voting instructions by following the procedure specified by your securities broker.</p>

## How can I appoint a proxyholder to represent me?

You may appoint a proxyholder to represent you at the Meeting and to exercise your voting rights there.

Securities brokers and other Canadian intermediaries and their duly authorized agents are prohibited from exercising the voting rights attached to your Common Shares on your behalf unless you specifically instruct them to do so.

**The proxyholders already designated in the form of proxy or voting instruction form are directors of the Bank. If you wish to appoint as your proxyholder to represent you at the Meeting a person other than those whose names are printed on the form of proxy or voting instruction form, you 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 a business corporation or a corporate entity, 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. Your proxyholder need not be a holder of Common Shares of the Bank.**

	REGISTERED HOLDER	BENEFICIAL OWNER
To appoint your proxyholder	<p><b>Using the form of proxy</b></p> <p>For your appointment of proxyholder to be considered valid, please complete the section to that effect on the form of proxy and make sure to return the form as follows:</p> <ul style="list-style-type: none"> <li>✓ by mail;           <ul style="list-style-type: none"> <li>• using the pre-addressed, postage-paid envelope provided; or</li> <li>• to Computershare Trust Company of Canada at 100 University Avenue, 8<sup>th</sup> floor, Toronto, Ontario, Canada M5J 2Y1; or</li> </ul> </li> <li>✓ by fax to 1-866-249-7775.</li> </ul> <p><b>Your form of proxy must be received no later than 5:00 p.m. (EDT) on Wednesday, April 18, 2018.</b></p>	<p><b>Using the voting instruction form</b></p> <p>For your appointment of proxyholder to be considered valid, please complete the section to that effect on the voting instruction form and make sure to return the form in accordance with the instructions indicated thereon.</p> <p><b>Your voting instruction form must be received before the deadline and in accordance with the instructions indicated on the form.</b></p>

## How will my proxyholder exercise the voting rights attached to my shares?

The proxyholder whom you will have appointed on the form of proxy or the voting instruction form will exercise the voting rights attached to your Common Shares in accordance with the voting instructions you carefully indicated in either of those forms.

**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 your Common Shares as follows:**

Matters set out in the Notice of Meeting	Vote
Election of each of the director nominees	FOR
Board's approach to executive compensation	FOR
Appointment of Deloitte as independent auditor	FOR

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

### **What will my proxyholder do in the event that agenda items are amended or added to on the day of the Meeting?**

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

On the date of the Circular, the Bank's management is not aware of any amendment or other matter that will be duly presented at the Meeting.

### **How are the votes counted and how is their confidentiality protected?**

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 shareholder clearly wishes to express a personal opinion to management or when necessary to comply with legal requirements.

### **How can I find out the results of the voting?**

After the Meeting, the Bank will immediately issue a press release on the voting results. You will be able to see these results on the [nbc.ca](http://nbc.ca) and [sedar.com](http://sedar.com) websites.

## 2. BUSINESS OF THE MEETING

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

The Bank's consolidated financial statements for the fiscal year ended October 31, 2017 and the independent auditor's report thereon are an integral part of the Bank's [2017 Annual Report](#), which is available on the [nbc.ca](#) and [sedar.com](#) websites.

### Election of directors

The number of directors to be elected at the Meeting is 14. Directors are elected individually each year. Aside from Robert Paré, all of this year's director nominees are currently Bank directors.

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 the Circular. Also presented in Section 3 are the names of the public corporations on whose boards the nominees currently serve or have served in the past five years.

If no instructions are given, the Bank directors 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, the election or appointment of his or her replacement, or the close of the next Annual Meeting of the Holders of Common Shares of the Bank.

### Majority voting

The Board has adopted a majority voting policy governing uncontested director elections. Under this policy, a director nominee will be deemed not to have received the support of shareholders, even if he or she is elected, if 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, other than in exceptional circumstances, will submit a recommendation to that effect to the Board. Before making such a recommendation, the Committee will first weigh the Bank's and shareholders' interests and consider the probable causes for withheld votes, the competencies and characteristics of the director, the collective competencies and characteristics of the Board, and the risk that the resignation would prevent the Bank from meeting regulatory obligations, among other factors. Within 90 days of receiving the final voting results, the Board will issue a press release announcing the resignation of the director in question or its rationale for not accepting the resignation.

This majority voting mechanism does not apply, however, if a director's election is contested.

After the Meeting, the Bank will immediately issue a press release announcing the full voting results for the election of directors.

The director nominee election results from the Annual Meeting held April 21, 2017 are provided in the director nominee summaries of [Section 3](#) of the Circular as well as in the [nbc.ca](#) and [bedan.com](#) websites.

### Advisory vote on the Board's approach to executive compensation

The Board, assisted by its Human Resources Committee, is responsible for setting the objectives and principles underlying the Bank's approach to executive compensation. The Board must also provide shareholders with clear explanations on the key components of executive compensation and on how its approach supports the Bank's strategic objectives.

By putting its approach to executive compensation to an advisory vote, the Board is acting on its commitment to the Bank's shareholders while recognizing its responsibility for executive compensation decisions. The Board considers it crucial for Bank shareholders to be well informed and to fully understand the principles on which its compensation decisions are based. This advisory vote promotes an ongoing dialogue between shareholders and the Board regarding the approach to executive compensation.

Last year, 91.66% of shareholders voted in favour of our approach to executive compensation. Since the advisory vote on the approach to executive compensation was introduced in 2010, it has always received the approval of at least 91% of shareholders.

### 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 2018."

The advisory resolution above, on which the holders of Common Shares are asked to vote, is not binding on the Board. However, the Board will consider the results of the vote when reviewing its 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.

For more information on the Board's approach to executive compensation, refer to [Section 7](#) of the Circular.

Shareholders who have concerns or questions regarding the Board's approach to executive compensation may contact the Board by email at [boardofdirectors@nbc.ca](mailto:boardofdirectors@nbc.ca) or by mail c/o the Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.

## Appointment of the independent auditor

During fiscal 2017, the Audit Committee conducted an annual assessment of the performance and service quality of professional accounting firm Deloitte as independent auditor of the Bank. This assessment was based, among other things, on the audit plan submitted, the risk areas identified, the nature of the work done 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 beginning November 1, 2017 and ending October 31, 2018.

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, refer to "[Information on the Audit Committee](#)" in the 2017 [Annual Information Form](#).

## Independent auditor fees

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 the fees billed by Deloitte to the Bank and to its subsidiaries for various services rendered during the past two fiscal years.

	2017	2016
	(\$)	(\$)
Audit fees <sup>(1)</sup>	3,044,308	3,044,308
Fees for audit-related services <sup>(2)</sup>	1,225,873	1,302,457
<b>Sub-total</b>	<b>4,270,181</b>	<b>4,346,765</b>
Fees for taxation services <sup>(3)</sup>	72,658	88,550
Other fees <sup>(4)</sup>	1,450,548	1,264,848
<b>Total</b>	<b>5,793,387</b>	<b>5,700,163</b>

- (1) The 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 fees for examining the Bank's interim condensed consolidated financial statements.
- (2) The fees for audit-related services include fees for comfort letters, statutory audits, 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 and related services performed by the Bank's independent auditor. They also include fees for accounting consultations in connection with acquisitions and divestitures and internal control reviews.
- (3) Tax fees include fees for assistance in tax planning, during restructurings, and when taking a tax position, as well as the preparation and review of income and other tax returns and tax opinions.
- (4) Other fees include fees for consulting services for projects, risk management services, and statutory or regulatory compliance services.

## Shareholder proposals

The Mouvement d'éducation et de défense des actionnaires (MÉDAC) sent four proposals to the Bank for inclusion in the Circular. After discussions with the Bank, MÉDAC agreed to not submit any of these four proposals to a shareholder vote. In addition, the Bank and MÉDAC agreed to include these proposals in the Circular solely for information purposes. The Bank has reproduced the full text of these four proposals as well as its responses thereto in [Appendix A](#) of the Circular.

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 2019 is Monday, November 26, 2018 at 5:00 PM (EST).

### 3. DIRECTOR NOMINEES

The following tables present information about each of the nominees proposed for election as directors. This information includes a summary of their career profile, the Board committees of which they are members, their attendance at meetings of the Board and its committees during the past fiscal year, and the names of the public corporations on whose boards they 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 applicable to directors.

#### TOTAL SHAREHOLDINGS OF DIRECTOR NOMINEES

	February 23, 2018	February 24, 2017
Common Shares	612,231	490,831
Deferred share units	91,272	108,332
Value (\$)	44,855,351	34,649,596

The total value of Common Shares and deferred share units held by director nominees is calculated by multiplying the number of Common Shares and deferred share units held by each nominee on February 24, 2017 and February 23, 2018, by the closing price of the Bank's Common Shares on the Toronto Stock Exchange at the close of markets on February 24, 2017, and February 23, 2018, i.e., \$57.83 and \$63.76, respectively.

#### RAYMOND BACHAND



**Independent**  
70  
Montreal, Quebec, Canada

- Director since October 2014
- Voting results in 2017: 99.54% FOR

#### CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Governance
- Public Policy
- Risk Management

Since 2014, Raymond Bachand has been a Strategic Advisor to law firm Norton Rose Fulbright Canada LLP and President of the Institut du Québec, a research centre created by The Conference Board of Canada and HEC Montréal. He is also Chairman of the board of directors of Tourisme Montréal. Raymond Bachand was the Member of the Assemblée nationale du Québec for the Outremont riding from 2005 to 2013. During this period, he held a number of different positions and ran several government departments, including Economic Development, Innovation and Export Trade, Tourism, Finance and Revenue. He was also the Minister responsible for the Montreal region and the Official Opposition Critic for finance. Throughout his career, Raymond Bachand has held several senior positions in the private sector, particularly the positions of Vice-President, Planning and Development at Metro Richelieu Inc., President and Chief Executive Officer of Fonds de solidarité des travailleurs du Québec (F.T.Q.), and President and Chief Executive Officer of Secor Consulting Inc. He has a Licence of Law from the Université de Montréal and an MBA and a Doctorate in Administration from the Harvard University Graduate School of Business Administration. Raymond Bachand is a member of the Quebec Bar.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the RMC	19/20	95%
Member of the CRCGC	5/5	100%
<b>Total</b>	<b>39/40</b>	<b>97.5%</b>

Public corporations	Role on boards and committees
Director (in the past five years)	(as at October 31, 2017)
Transat A.T. Inc.	2014 to date
	• Member of the Audit Committee

#### Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>	
						(\$)	Shares/DSUs		
2017	1,123	8,029	9,152	63.76	583,531	500,000	7,842	116.7%	Yes
2016	1,080	5,366	6,446	57.83	372,772	500,000	8,646	74.5%	– <sup>(6)</sup>

## MARYSE BERTRAND



## Independent

59  
Montreal, Quebec, Canada

- Director since April 2012
- Voting results in 2017: 99.79% FOR

## CAREER PROFILE

Main areas of expertise:

- Financial Markets and Services
- Governance
- Legal and Regulatory Affairs
- Risk Management

Maryse Bertrand is a corporate director. Since January 2015, she has served on the board of directors for Metro Inc., a leader in the grocery distribution and pharmaceutical sectors in Quebec and Ontario and she has been a member of its Audit Committee since January 30, 2018. She is also a member of the Human Resources Committee and vice-chair of the Social Responsibility Advisory Committee of McGill University's board of governors. Additionally, she has been a member of the Board of Directors of National Bank Trust Inc. since 2016, and since February 2018, Chair of its Ethics Committee as well as a member of the Board of National Bank Life Insurance Company and of its Ethics Committee, two Bank subsidiaries. From January to June 2017, Maryse Bertrand was a member of the board of directors of Caisse de dépôt et placement du Québec and served on its Audit Committee, Governance and Ethics Committee, Investment and Risk Management Committee, and Human Resources Committee. From 2016 to January 2017, she was a strategic advisor and counsel for law firm Borden Ladner Gervais LLP. Additionally, she was Vice-President – Real Estate, Legal Services and General Counsel with CBC/Radio Canada from 2009 to 2015. She also chaired the board of directors of ARTV Inc. from 2011 to 2015. 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 a law degree from McGill University, where she also studied accounting at the Faculty of Management. She also has a Master's of Risk Management from the Stern School of Business at New York University. She has taken various executive management courses at Harvard Business School. Maryse Bertrand is a member of the Quebec Bar.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Chair and member of the CRGC	5/5	100%
Member of the RMC <sup>(7)</sup>	10/10	100%
Member of the HRC <sup>(7)</sup>	4/4	100%
<b>Total</b>	<b>34/34</b>	<b>100%</b>

Public corporations		Role on boards and committees
Director (in the past five years)		(as at October 31, 2017)
Metro Inc.	2015 to date	<ul style="list-style-type: none"> <li>• Member of the Corporate Governance and Nominating Committee</li> </ul>

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/DSUs	
2017	5,226	13,821	19,047	63.76	1,214,436	500,000	7,842	242.8% Yes
2016	5,080	10,599	15,679	57.83	906,716	500,000	8,646	181.3% Yes

## PIERRE BLOUIN



## Independent

60  
Montreal, Quebec, Canada

- Director since September 2016
- Voting results in 2017: 98.80% FOR

## CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Human Resources / Compensation
- Information and Digital Technologies
- Marketing

Pierre Blouin is a corporate director, including at Fortis Inc., a North American company operating in the electricity and gas sector. He is also a member of Fortis Inc.'s Human Resources Committee and Governance and Nomination Committee. He was Chief Executive Officer of Manitoba Telecom Services Inc. <sup>(8)</sup> from 2005 to 2014. Prior to that, he worked for more than 20 years at BCE Group where he held positions of increasing responsibility, including that of President and Chief Executive Officer of Bell Mobility Inc. from 2000 to 2002, Chief Executive Officer of BCE Emergis Inc. from 2002 to 2003, and Group President, Consumer Markets, Bell Canada from 2003 to 2005. Since 2015, he has been serving on the board of directors of the Montreal Heart Institute Foundation. Pierre Blouin holds a B.A. in Business Administration with a specialization in finance and marketing from HEC Montréal and is a Fellow of the Purchasing Management Association of Canada.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the AC <sup>(6)</sup>	3/3	100%
Member of the HRC	8/8	100%
<b>Total</b>	<b>26/26</b>	<b>100%</b>

Public corporations		Role on boards and committees
Director (in the past five years)		(as at October 31, 2017)
Fortis Inc.	2015 to date	<ul style="list-style-type: none"> <li>• Member of the Governance and Nomination Committee</li> <li>• Member of the Human Resources Committee</li> </ul>
Manitoba Telecom Services Inc. <sup>(8)</sup>	2006 - 2014	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/DSUs	
2017	0	3,392	3,392	63.76	216,273	500,000	7,842	43.2% – <sup>(10)</sup>
2016	0	970	970	57.83	56,095	500,000	8,646	11.2% – <sup>(10)</sup>

## PIERRE BOIVIN



## Independent

64  
Montreal, Quebec, Canada  

- Director since April 2013
- Voting results in 2017: 98.39% FOR

## CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Information and Digital Technologies
- Human Resources / Compensation
- Social Responsibility

Pierre Boivin has been President and Chief Executive Officer of private equity firm Claridge Inc. since 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 was a member of the board of directors of Questerre Energy Corporation from 2008 to 2012 and a member of its Audit Committee in 2011 and 2012. From 1999 to 2011, Pierre Boivin was President and Chief Executive Officer of the Club de hockey Canadien, Inc. and L'Aréna des Canadiens Inc. During this period, he was also a member of the board of governors of the National Hockey League. He is Chairman of the board of the Montreal Canadiens Children's Foundation, which he created in 2000. From 2009 to 2012, Pierre Boivin served as Vice-Chairman of the board of directors and member of the Executive Committee of the Quebec Oil and Gas Association. He studied commerce at McGill University. He has been awarded an honorary Doctorate by the Université de Montréal and has been appointed Officer of the Order of Canada.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Chair and member of the AC <sup>(1)</sup>	2/2	100%
Member of the RMC <sup>(2)</sup>	9/10	90%
Chair and member of the HRC <sup>(3)</sup>	8/8	100%
<b>Total</b>	<b>34/35</b>	<b>97.1%</b>

Public corporations	Role on boards and committees	
Director (in the past five years)	(as at October 31, 2017)	
Canadian Tire Corporation, Ltd.	2013 to date	<ul style="list-style-type: none"> <li>• Member of the Audit Committee</li> <li>• Member of the Management Resources and Compensation Committee</li> </ul>
Sirius XM Canada Holdings Inc.	2005 - 2014	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/ DSUs	
2017	14,685	8,531	23,216	63.76	1,480,252	500,000	7,842	296.0% Yes
2016	14,581	5,493	20,074	57.83	1,160,879	500,000	8,646	232.1% Yes

## GILLIAN H. DENHAM



## Independent

57  
Toronto, Ontario, Canada  

- Director since October 2010
- Voting results in 2017: 98.42% FOR

## CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Human Resources / Compensation
- Financial Markets and Services
- Marketing

Gillian H. Denham is a corporate director. Since October 2015, she has chaired the board of directors of Morneau Shepell Inc., a company that provides human resource consulting and technology services. Prior to becoming Chair, she was a member of that company's Audit Committee from 2008 to 2015. Since 2016, she also serves on the boards of directors of Kinaxis Inc. and Canadian Pacific Railway Limited. Since 2012, she has been a member of the board of directors, which she currently chairs, and of the Audit and Review committees and the Investment Committee, which she has chaired since 2013, of Munich Reinsurance Company of Canada and Temple Insurance Company. She served on the board of directors of Penn West Petroleum Ltd. from 2012 to June 2016. During that time, Gillian H. Denham sat on the Governance Committee, the Audit Committee, and the Human Resources and Compensation Committee, chairing the latter from 2014 to 2015. From 2013 to July 2016, she served on the board of directors and the Governance Committee, Human Resources Committee, and Compensation Committee of Markit Ltd. Gillian H. Denham holds an Honours Business Administration (HBA) degree from the Ivey Business School at Western University and an MBA from Harvard Business School.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the HRC	8/8	100%
<b>Total</b>	<b>23/23</b>	<b>100%</b>

Public corporations	Role on boards and committees	
Director (in the past five years)	(as at October 31, 2017)	
Canadian Pacific Railway Limited	2016 to date	<ul style="list-style-type: none"> <li>• Member of the Audit Committee</li> <li>• Member of the Finance Committee</li> </ul>
Kinaxis Inc.	2016 to date	<ul style="list-style-type: none"> <li>• Member of the Audit Committee</li> <li>• Member of the Nominating and Governance Committee</li> </ul>
Morneau Shepell Inc.	2011 to date	<ul style="list-style-type: none"> <li>• Chair of the Board of Directors</li> <li>• Chair of the Governance and Nominating Committee</li> </ul>
Markit Ltd.	2013 - 2016	–
Penn West Petroleum Ltd.	2012 - 2016	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/ DSUs	
2017	13,337	2,930	16,267	63.76	1,037,183	500,000	7,842	207.4% Yes
2016	13,337	1,766	15,103	57.83	873,406	500,000	8,646	174.6% Yes

## RICHARD FORTIN



## Independent

69  
Boucherville, Quebec, Canada

- Director since August 2013
- Voting results in 2017:  
99.77% FOR

## CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Entrepreneurship
- Marketing
- Risk Management

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 position of Executive Vice-President and Chief Financial Officer until he retired in 2008. He then became Chairman of the board of directors until 2011. Since 2009, he has been the Lead Director of Transcontinental Inc. and has been a member of its board of directors and its Audit Committee since 2004 and Committee Chair since 2008. In addition, since 2005, Richard Fortin has been a member of the Board of Directors and the Audit Committee of National Bank Life Insurance Company, a Bank subsidiary, serving as 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 holds a Licence in Administration (option Finance) from Université Laval.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Chair and member of the RMC	20/20	100%
Member of the AC	5/5	100%
<b>Total</b>	<b>40/40</b>	<b>100%</b>

Public corporations	Role on boards and committees	
Director (in the past five years)	(as at October 31, 2017)	
Alimentation Couche-Tard Inc.	1988 to date	–
Transcontinental Inc.	2004 to date	• Lead Director • Chair of the Audit Committee
Rona Inc.	2009-2013	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/ DSUs	
2017	151,399	13,336	164,735	63.76	10,503,503	500,000	7,842	2,100.7% Yes
2016	61,399	9,687	71,086	57.83	4,110,903	500,000	8,646	822.1% Yes

## JEAN HOUDE



## Independent

72  
Montreal, Quebec, Canada

- Director since March 2011
- Voting results in 2017:  
99.52% FOR

## CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Financial Markets and Services
- Governance
- Human Resources / Compensation

Jean Houde has served as Chairman of the Board since April 10, 2014. He is also Chairman of the board of directors of Énergir Inc.<sup>(1)(2)</sup> and a member of its Human Resources and Corporate Governance Committee, which he chaired from 2012 to December 2017. From 2010 to 2014, he was Chairman of the board of directors of Finance Montréal – La grappe financière du Québec and from 2012 to 2014, he was Vice-Chairman of the board of directors of JOA Groupe Holding and a member of the Audit and Human Resources committees. From 2010 to January 2011, he was a business development advisor at accounting firm Samson Bélair/Deloitte & Touche LLP. From 2005 to 2009, he was the Deputy Minister of Finance of Quebec. Before that, he was the Chairman of the board of directors and CEO of Investissement Québec. From 1990 to 2003, he held several positions at the Bank, which he joined as Senior Vice-President – Human Resources; when he left, he was Senior Vice-President – Corporate Affairs. He has a law degree and an MBA from Université Laval. Jean Houde is a member of the Quebec Bar.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Chairman and member of the Board	15/15	100%
Member of the CRGCG	5/5	100%
<b>Total</b>	<b>20/20</b>	<b>100%</b>

Public corporations	Role on boards and committees	
Director (in the past five years)	(as at October 31, 2017)	
–	–	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/ DSUs	
2017	14,738	3,696	18,434	63.76	1,175,351	500,000	7,842	235.0% Yes
2016	14,578	2,049	16,627	57.83	961,539	500,000	8,646	192.3% Yes

## KAREN KINSLEY



## Independent

61  
Ottawa, Ontario, Canada

- Director since December 2014
- Voting results in 2017: 98.78% FOR

## CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Financial Markets and Services
- Human Resources / Compensation
- Risk Management

Karen Kinsley is a corporate director. Since May 2015, she has been serving on the board of directors of Saputo Inc., a dairy processor, and, since May 2017, on the board of directors of Canadian Real Estate Investment Trust. Throughout her 25-year career with Canada Mortgage and Housing Corporation, Canada's housing authority, she held positions of growing responsibility, up to President and Chief Executive Officer from 2003 to 2013. Karen Kinsley has a Bachelor's degree in Commerce from the University of Ottawa. She is a Fellow of the Chartered Professional Accountants of Ontario and has received the Certified Director designation (ICD.D) from the Institute of Corporate Directors.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Chair and member of the AC <sup>(13)</sup>	5/5	100%
Member of the RMC	20/20	100%
Member of the HRC <sup>(13)</sup>	4/4	100%
<b>Total</b>	<b>44/44</b>	<b>100%</b>

Public corporations	Role on boards and committees	
Director (in the past five years)	(as at October 31, 2017)	
Canadian Real Estate Investment Trust	2017 to date	<ul style="list-style-type: none"> <li>• Member of the Audit Committee</li> <li>• Member of the Investment Committee</li> </ul>
Saputo Inc.	2015 to date	<ul style="list-style-type: none"> <li>• Member of the Audit Committee</li> </ul>

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/DSUs	
2017	9,078	7,065	16,143	63.76	1,029,277	500,000	7,842	205.8% Yes
2016	9,078	5,306	14,384	57.83	831,826	500,000	8,646	166.3% Yes

## REBECCA MCKILLICAN



## Independent

38  
Oakville, Ontario, Canada

- Director since October 2017
- Voting results in 2017: –

## CAREER PROFILE

Main areas of expertise:

- Entrepreneurship
- Human Resources / Compensation
- Information and Digital Technologies
- Marketing

Rebecca McKillican has been the President and Chief Executive Officer of Well.ca Inc., a large online retailer of health, wellness, baby and beauty products, since March 2013. From 2007 to 2012, she held the position of Principal in the retail and consumer group of private equity firm Kohlberg, Kravis & Roberts & Co. L.P. From 2003 to 2005, Rebecca McKillican worked at McKinsey & Company as a business analyst, examining various business challenges. She has a Bachelor of Business Administration (HBA) from the Ivey Business School, a Bachelor of Software Engineering from Western University and an MBA from Harvard Business School.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	2/2	100%
Member of the HRC <sup>(14)</sup>	1/1	100%
<b>Total</b>	<b>3/3</b>	<b>100%</b>

Public corporations	Role on boards and committees	
Director (in the past five years)	(as at October 31, 2017)	
–	–	

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/DSUs	
2017	0	672	672	63.76	42,846	500,000	7,842	8.5% – <sup>(15)</sup>

## ROBERT PARÉ



Independent  
63  
Westmount, Quebec, Canada

- New nominee
- Voting results in 2017:  
–

## CAREER PROFILE

Main areas of expertise:

- Financial Markets and Services
- Governance
- Human Resources / Compensation
- Legal and Regulatory Affairs

Since February 2018, Robert Paré has been a Strategic Advisor for the firm Fasken Martineau DuMoulin LLP, where he had previously held a position of Senior Partner specializing in governance and corporate and commercial law. He also serves on the boards of directors of Quebecor Inc. since June 2014, the Institute of Corporate Directors, Québec Chapter, since June 2010 and ADF Group Inc. since December 2009. He has been a director for several other companies, including Essilor Group Canada Inc., Groupe BMTIC Inc., and Rona Inc., where he served on the Nominating and Governance Committee from April 2009 to May 2016 and on the Human Resources and Compensation Committee from May 2012 to May 2016. Robert Paré has a Bachelor's degree in Law from Université Laval. He is a member of the Quebec Bar.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)
New nominee	–

Public corporations	Role on boards and committees
Director (in the past five years)	(as at October 31, 2017)
Quebecor Inc. 2014 to date	–
ADF Group Inc. 2009 to date	• Member of the Compensation, Nominating and Corporate Governance Committee
Rona Inc. 2009 - 2016	–
Groupe BMTIC Inc. 1989 - 2015	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/ DSUs	
2017	8,461	0	8,461	63.76	539,473	500,000	7,842	107.8% Yes

## LINO A. SAPUTO, JR.



Independent  
51  
Montreal, Quebec, Canada

- Director since April 2012
- Voting results in 2017:  
99.45% FOR

## CAREER PROFILE

Main areas of expertise:

- International Markets
- Marketing
- Risk Management
- Social Responsibility

Since 2004, Lino A. Saputo, Jr. has been Chief Executive Officer of Saputo Inc., one of the world's largest dairy processors (12,875 employees) and, since 2017, Chairman of its board of directors. He was a member of the board of directors of Transcontinental Inc. from 2008 to 2017, its Human Resources and Compensation Committee from 2011 to 2017, and its Corporate Governance Committee from 2008 to 2011. He is involved with a number of charitable organizations, and in 2011 he co-founded the Amelia & Lino Saputo Jr. Foundation. Since November 2017, he has been Co-chair of the Campaign for Concordia. He holds a Bachelor's degree in Political Science from Concordia University.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)
Member of the Board	14/15 93.3%
Member of the RMC	19/20 95%
<b>Total</b>	<b>33/35 94.3%</b>

Public corporations	Role on boards and committees
Director (in the past five years)	(as at October 31, 2017)
Saputo Inc. 2001 to date	• Chairman of the Board of Directors
Transcontinental Inc. 2008 - 2017	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/ DSUs	
2017	35,550	11,173	46,723	63.76	2,979,058	500,000	7,842	595.8% Yes
2016	15,409	8,642	24,051	57.83	1,390,869	500,000	8,646	278.1% Yes

## ANDRÉE SAVOIE



**Independent**  
46  
Dieppe, New Brunswick, Canada

- Director since April 2015
- Voting results in 2017:  
99.56% FOR

## CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Entrepreneurship
- Marketing
- Social Responsibility

Andrée Savoie has been President and Chair of the board of directors of Acadian Properties Ltd., a commercial real estate developer and property management company in the Maritimes, since June 2016, and for which she was previously the Managing Director. From 2007 to 2015, she was President and Managing Director of Acadian Construction (1991) Ltd. Since 2011, she has been a member of the board of directors and of the Investment Committee of Assumption Mutual Life Insurance Company. She has also been a member of its Human Resources Committee since February 2016, and from 2011 to 2015 she served on its Audit and Review committees. Since 2015, she has sat on the board of directors of the Greater Moncton YMCA Foundation Inc. Andrée Savoie is highly involved in her community: she is a member of the Université de Moncton Evolution campaign office, and she is Co-Founder of Crossroads 250, an annual fundraising event for a shelter for women and children who are victims of domestic violence. She has a Bachelor's degree in Chemical Engineering from McGill University and a Master's degree in Applied Sciences from the University of Ottawa. She has received the Certified Director designation (CD.D) from the Institute of Corporate Directors.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the AC	5/5	100%
Member of the CRCGC <sup>(48)</sup>	1/1	100%
<b>Total</b>	<b>21/21</b>	<b>100%</b>

Public corporations	Role on boards and committees
Director (in the past five years)	(as at October 31, 2017)
–	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/ DSUs	
2017	3,225	5,757	8,982	63.76	572,692	500,000	7,842	114.5% Yes
2016	2,533	3,356	5,889	57.83	340,560	500,000	8,646	68.1% – <sup>(7)</sup>

## PIERRE THABET



**Independent**  
60  
St-Georges, Quebec, Canada

- Director since March 2011
- Voting results in 2017:  
99.79% FOR

## CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Entrepreneurship
- Marketing
- Risk Management

Pierre Thabet has been President of Boa-Franc Inc., a Canadian manufacturer of pre-finished hardwood floors, since 1983. He has also been the President of Prolam Limited Partnership, a manufacturer of trailer floors, since 1997. He is a Family Wealth Manager who invests in various sectors of the economy. From 2006 to 2017, he sat on the board of directors of Canam Group Inc. and also served on its Audit Committee from 2011 to 2017 and its Human Resources Committee from 2006 to 2010. Pierre Thabet is involved in various social and economic organizations in his area. In 2010, he became an entrepreneur coach at the École d'Entrepreneurship de Beauce, a school dedicated to training entrepreneurs in all industries. He has a Bachelor's in Administration, specializing in Accounting, from the Université de Moncton.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the RMC	19/20	95%
<b>Total</b>	<b>34/35</b>	<b>97.1%</b>

Public corporations	Role on boards and committees
Director (in the past five years)	(as at October 31, 2017)
Canam Group Inc.	2006 - 2017
–	–

## Securities held

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Total DSUs <sup>(3)</sup>	Total Common Shares and DSUs	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors <sup>(5)</sup>
						(\$)	Shares/ DSUs	
2017	197,798	12,870	210,668	63.76	13,432,191	500,000	7,842	2,686.4% Yes
2016	183,835	10,273	194,108	57.83	11,225,265	500,000	8,646	2,245.0% Yes

## LOUIS VACHON



**Non-independent (officer)**  
55  
Beaconsfield, Quebec, Canada

- Director since August 2006
- Voting results in 2017: 99.41% FOR

## CAREER PROFILE

Main areas of expertise:

– Audit / Finance – International Markets  
– Financial Markets and Services – Risk Management

Louis Vachon has been President and Chief Executive Officer of the Bank since 2007. He was the Bank's Chief Operating Officer in 2006 and 2007. He was Chairman of the Board of Directors of Natcan Investment Management Inc. from 2004 to 2006. In 2005 and 2006, he also served as Chairman of the Board and President and Chief Executive Officer of NBF. 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. Louis 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 of the Bank. Louis Vachon is a member of the Board of Directors of the following Bank subsidiaries: National Bank Group Inc. and National Bank Acquisition Holding Inc. He has a Bachelor's degree in Economics from Bates College and a Master's degree in International Finance from the Fletcher School (Tufts University). He is also a CFA. He was awarded an honorary doctorate by the University of Ottawa and by Bishop's University. In 2014, he was named CEO of the Year by *Canadian Business* magazine, and Financial Personality of the Year by the business publication *Finance et Investissement* in 2012 and 2014. He received the Global Citizens Award from the United Nations Association in Canada and is a Member of the Order of Canada.

Role on the Bank's Board and its committees	Committee meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
<b>Total</b>	<b>15/15</b>	<b>100%</b>

Public corporations		Role on boards and committees
Director (in the past five years)		(as at October 31, 2017)
Molson Coors Brewing Company	2012 to date	• Chair of the Finance Committee
Fiera Capital Corporation	2012 - 2017	-

Securities held <sup>(18)</sup>

Year <sup>(1)</sup>	Total Common Shares <sup>(2)</sup>	Share price <sup>(4)</sup> (\$)	Total market value of Common Shares and DSUs (\$) <sup>(3)</sup>	Meets the Bank's share ownership requirements for directors <sup>(19)</sup>
2017	157,611	63.76	10,049,277	Yes
2016	154,086	57.83	8,910,793	Yes

## Notes on the tables of director nominees

- (1) This information reflects the situation as at February 23, 2018 (for fiscal 2017) and as at February 24, 2017 (for fiscal 2016).
- (2) This number includes Common Shares directly or indirectly beneficially owned or controlled, including Common Shares held by a company controlled by a director but excluding Common Shares under a director's control for the benefit of a third party.
- (3) For more information on the compensation paid to directors in the form of deferred share units, refer to **Section 5** of the Circular.
- (4) These amounts represent the share price of the Bank's Common Shares on the Toronto Stock Exchange, at the close of trading on February 23, 2018 (for fiscal 2017) and at the close of trading on February 24, 2017 (for fiscal 2016).
- (5) For more information, refer to "**Share ownership requirements**" in **Section 5** of the Circular.
- (6) Raymond Bachand has a five-year grace period from the date of his appointment as a Bank director on October 29, 2014 to meet the share ownership requirements for directors.
- (7) On April 21, 2017, Maryse Bertrand ceased to be a member of the Risk Management Committee and was appointed a member of the Human Resources Committee.
- (8) Manitoba Telecom Services Inc. has been operating under the corporate name Bell MTS Inc. since March 2017.
- (9) Pierre Blouin was appointed a member of the Audit Committee on April 21, 2017.
- (10) Pierre Blouin has a five-year grace period from the date of his appointment as a Bank director on September 1, 2016 to meet the share ownership requirements for directors.
- (11) Pierre Boivin is no longer the Chair or a member of the Audit Committee since April 21, 2017, the date on which he was appointed a member of the Risk Management Committee and Chair of the Human Resources Committee.
- (12) Gaz Métro Inc. has been operating under the corporate name Énergir Inc. since November 2017.
- (13) Karen Kinsley is no longer a member of the Human Resources Committee since April 21, 2017, the date on which she was appointed Chair of the Audit Committee.
- (14) Rebecca McKillican was appointed a member of the Human Resources Committee on October 1, 2017.
- (15) Rebecca McKillican has a five-year grace period from the date of her appointment as Bank director on October 1, 2017 to meet the share ownership requirements for directors.
- (16) Andrée Savoie was appointed a member of the Conduct Review and Corporate Governance Committee on October 1, 2017.
- (17) Andrée Savoie has a five-year grace period from the date of her appointment as a Bank director on April 15, 2015 to meet the share ownership requirements for directors.
- (18) 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 Louis Vachon's compensation, including the values of his PSUs, RSUs and options, refer to **Section 7** of the Circular.
- (19) For more information, refer to "**Share ownership requirements**" in **Section 7** of the Circular.

### Additional information about the director nominees

To the knowledge of the Bank, no director nominee of the Bank 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 any of the following orders in effect for more than 30 consecutive days, namely, any cease trade or similar order or any order that denied access to any exemption under securities legislation, except for the following individual:

- Gillian H. Denham, who, from June 13, 2012 to June 23, 2016 was a member of the board of directors of Penn West Petroleum Ltd., a company that was subject to cease trade orders on its securities subsequent to the announcement in July 2014 of a review of its accounting practices and restatement of its financial statements. Those cease trade orders are no longer in effect as of September 23, 2014.

To the knowledge of the Bank, no director nominee of the Bank 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 that filed a commercial proposal with its creditors on April 30, 2010. On August 3, 2010, Toptent Inc. was discharged from the proposal; and
- Richard Fortin, who, until August 6, 2015, was a board member of Les Jardins Val-Mont Inc., a corporation that filed a proposal with its creditors on July 8, 2016. On September 8, 2016, the court approved the proposal.

In addition, to the knowledge of the Bank, no director nominee of the Bank has, in 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.

## 4. GOVERNANCE PRACTICES

The Board believes that corporate governance is an effective tool that enhances its influence, effectiveness and independence and that sound governance provides the foundation for good business and benefits the Bank's clients, employees and shareholders.

### EFFECTIVE STRUCTURES

The Bank's corporate governance consists of a set of structures, policies and programs that are compliant with applicable regulations. One of those structures is the Board. Through its policies and procedures, the Board achieves its objective of sound corporate governance and ensures compliance with the requirements of authorities that regulate the Bank, including OSFI, the CSA and the Toronto Stock Exchange.

### BOARD OF DIRECTORS

#### Roles and responsibilities

The Board's main duties are to set the Bank's direction, monitor its management and operations, safeguard its assets, and ensure its viability, profitability and development. The Board communicates this direction to management, which carries out the everyday operations under the President and Chief Executive Officer of the Bank, who ensures implementation.

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

- legislative and regulatory framework
- internal policies and procedures
- charter of Expectations for Directors
- mandates of the Board and Board committees
- governance practices
- Bank's by-laws

The Board's main responsibilities		
Review and approve objectives, strategy and operating plans	Promote commercial integrity and ethical behaviour	Ensure compliance with relevant legislation and regulations and sound governance
Ensure risks are effectively managed	Oversee management	Plan and develop management succession
Ensure transparent and diligent reporting and disclosure of financial information	Develop a compensation approach that maximizes the Bank's competitiveness and supports achievement of its objectives	Ensure Officers and material risk takers comply with ethics and share ownership requirements

The Board develops and approves its own mandate and that of its Chairman. It assesses and reviews them periodically to ensure they remain compliant with applicable legislation and adequately reflect the duties and responsibilities of the Board and its Chairman. Changes to these mandates are submitted to the Board for approval.

The various mandates of the Board, Chairs and committees are published in the Governance subsection, under "About Us" on the [nbc.ca](http://nbc.ca) website. The Board's mandate is also available on the [sedar.com](http://sedar.com) website and incorporated by reference in this Circular.



### **Commercial integrity and ethical behaviour within the Bank**

The Board promotes commercial integrity and ethical behaviour within the Bank, specifically the duty to act with honesty and integrity, abide by the law, treat others with respect, protect the confidentiality of information, and avoid conflicts of interest.

It ensures that the rules of conduct and ethics are maintained, particularly through the adoption and updating of the Code of Conduct and Ethics. The Board also ensures that the Bank has an appropriate and effective process permanently in place to ensure compliance with these rules, in particular through the annual commitment signed by the Bank's directors, Officers and employees to comply with the Code of Conduct and Ethics. It ensures that any material breach of the rules of the Code by a director or Executive Officer is disclosed in accordance with the continuous disclosure obligations in effect. Acting through the Conduct Review and Corporate Governance Committee, the Board also reviews the findings of the annual report on the application of the Code.

Lastly, the Board ensures that the Code of Conduct and Ethics is filed with the CSA and is available on the [nbc.ca](http://nbc.ca) website.

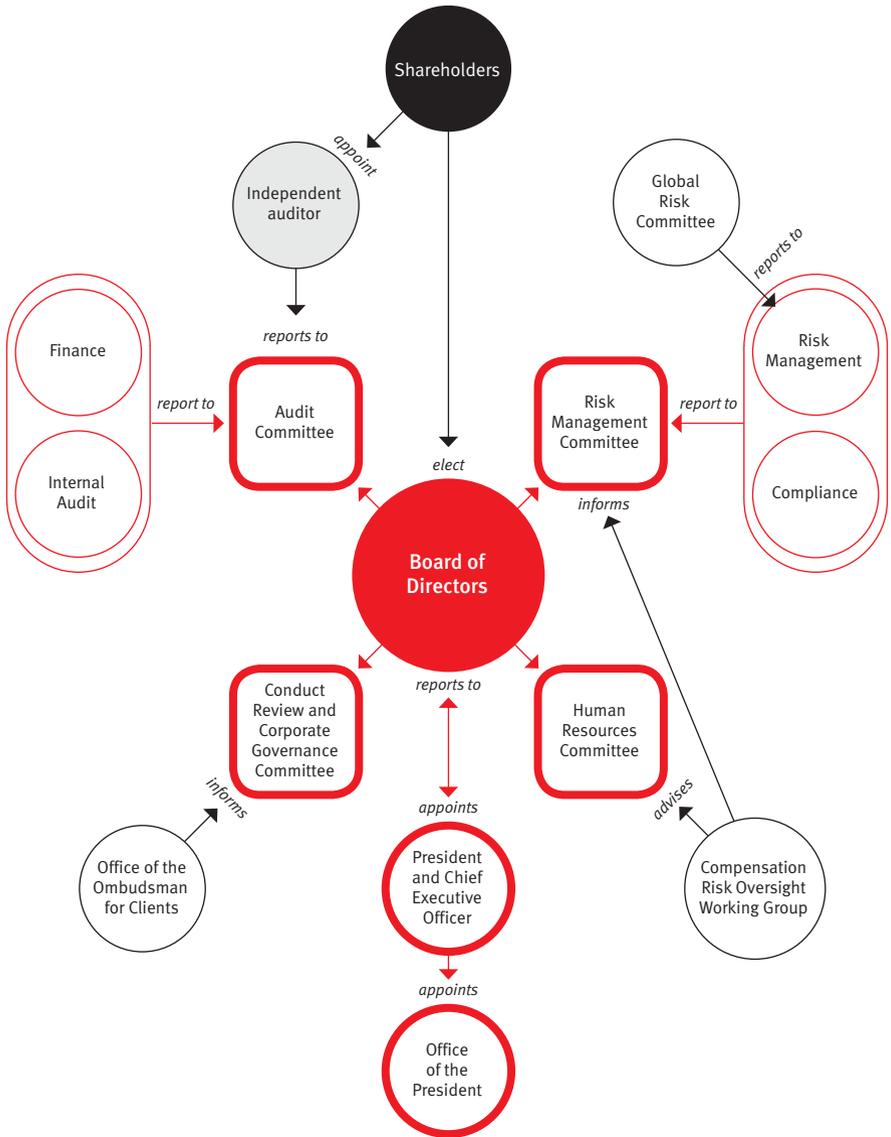
### **Committees, oversight functions and external consultants supporting the Board**

To fulfill its mandate, the Board is supported by four committees: the Audit Committee, the Conduct Review and Corporate Governance Committee, the Risk Management Committee, and the Human Resources Committee. It also relies on recommendations made by the four oversight functions (Internal Audit, Risk Management, Compliance, and Finance) to verify the effectiveness of the controls within the operating units and to ensure that activities, results and risk exposure are reliably reported.

The Board and its committees may hire legal counsel or other independent external consultants. They can define their mandate and set their compensation, which is paid by the Bank. Before hiring such consultants, the Board or committee concerned assesses the nature of any other mandates to be awarded by the Bank to verify that the consultants' independence is not impaired.

In exceptional circumstances, the Chairman of the Board or the Chair of a committee may himself assess the independence of the consultants, define their mandates and proceed with hiring, which is ratified following an assessment of the consultants' independence made by the Board or the committee concerned. When the Board or a committee retains the services of such consultants for an indefinite period, it must annually approve the list of mandates that the Bank intends on awarding to the consultants to ensure that those mandates do not impair their independence.

The following chart shows the interactions between the committees, the oversight functions and the Board.



The Board's corporate governance practices are set out in a document available in the Governance subsection under "About Us" on the [nbc.ca](http://nbc.ca) website.



## CHAIRMAN OF THE BOARD

The Chairman of the Board is independent within the meaning defined by the CSA. He leads the Board and its activities in the best interests of the Bank, its shareholders and its clients. He does not have a deciding vote in the event of equality among Board member votes.

The Chairman of the Board promotes the highest standards of integrity and ethical conduct within the Board as well as rigorous corporate governance standards, and he ensures that the Bank complies with applicable regulatory requirements. Furthermore, he:

- ensures that the Board effectively and independently performs its duties and responsibilities and assigns tasks to Board members
- 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
- ensures that the Board has the necessary resources and information to fulfill its mandate and responsibilities
- ensures that the independent directors meet at the end of each Board meeting without the Bank's management being present, and chairs these proceedings in camera
- assists the Conduct Review and Corporate Governance Committee in overseeing the process of evaluating Board, committee and director performance

## COMMITTEES CREATED BY THE BOARD

The Board delegates some of its powers to committees that it creates in accordance with relevant legislative requirements and according to its needs. It appoints committee members and Chairs from among its directors, who must meet all applicable legislative eligibility criteria as well as independence standards.

Based on the recommendations of the Conduct Review and Corporate Governance Committee, the Board develops and approves the mandates of its committees as well as those of the committee Chairs. Each year, the Bank discloses the membership of each committee in its annual Management Proxy Circular. The committees:

- meet without the presence of the Bank's executives, who are invited to attend committee meetings from time to time
- report regularly to the Board about their activities
- regularly review their respective mandates and the mandates of their Chair and recommend them for approval to the Board to ensure that they adequately reflect how the committee functions, its activities and responsibilities, and the activities and responsibilities of its Chair, all while complying with current legislation

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For more information about the Board's standing committees, refer to [Section 6 of the Circular](#) or the [Governance subsection under "About Us"](#) on the [nbc.ca](#) website.



## SELECTION OF DIRECTOR NOMINEES, ELECTIONS AND OVERSIGHT

### Board composition

The Board, together with the Conduct Review and Corporate Governance Committee, periodically reviews its size and composition to verify its effectiveness, doing so within the limits set out in the relevant legislation and the Bank's by-laws.

### Competencies and selection criteria

The Board is composed of directors who are Canadian residents and who possess extensive complementary knowledge and competencies as well as the expertise needed to make active, informed and positive contributions to the management of the Bank, the conduct of its business, and its strategic direction.

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.

When nominating a new director for election or an existing director for re-election, the sought-after abilities are determined by the Conduct Review and Corporate Governance Committee and approved by the Board. For the directors as a whole, a complementary mix of knowledge and expertise is required to ensure that the Board can effectively fulfill its role in all areas. The Board believes that all of its director nominees bring and uphold the knowledge, competencies, expertise, geographic representation, diversity and number of directors required for informed decision-making, creating committees and succession planning.

#### Selection requirements and criteria

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>✓ Show leadership, initiative and proactivity</li> <li>✓ Prepare thoroughly in order to actively participate in deliberations during meetings of the Board and of any committees on which they serve</li> <li>✓ 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 director and officer codes of conduct of any corporation where they serve as a director or officer</li> <li>✓ Devote the necessary time and energy to fully assume their responsibilities to the Bank</li> </ul> | <ul style="list-style-type: none"> <li>✓ Keep their financial literacy up to date</li> <li>✓ Have adequate financial literacy given the scope and complexity of the Bank's business</li> <li>✓ Demonstrate solid business judgment</li> <li>✓ Have a proven track record for reactive, objective and informed decision-making, a sense of initiative and independent judgment, and the capacity to assume responsibilities on Board committees</li> <li>✓ 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</li> </ul> |
|--|---|

For more information about the director nominees, refer to the [Summary](#) and [Section 3 of the Circular](#).



### Director independence

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

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.

- ✓ Other than the President and Chief Executive Officer of the Bank, all Board members are independent within the meaning defined by the CSA
- ✓ All members of Board committees are also independent
- ✓ The roles of Chairman of the Board and of President and Chief Executive Officer are separate
- ✓ The directors also comply with *the Affiliated Persons (Banks) Regulations* (Canada) pursuant to the Act
- ✓ During fiscal 2017, the independent directors met in camera, without the Bank's management, at each Board meeting or Board committee meeting, as stated in the agenda of each meeting

Until their departure from the Board on October 1, 2017, André Caillé and Julie Payette acted as independent directors within the meaning defined by the CSA.

### Integrity of directors

The directors of the Bank act with integrity and exercise independent judgment in discharging their duties and responsibilities. Directors are bound by the provisions of the Bank's Code of Conduct and Ethics and by other rules of conduct and ethics applicable to directors, Officers and employees of the Bank, and each year they commit, in writing, to comply with the Code of Conduct and Ethics.

All director nominees must:

- Have a reputation for acting with integrity and honesty,
- Have a track record for fulfilling their fiduciary duty toward the companies for which they serve or have served as directors, and
- 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 for all director nominees. It does so before they are elected and at least every five years thereafter in accordance with guidelines issued by OSFI. On an annual basis, directors confirm in writing that they do not have a criminal record.

Also on an annual basis, directors agree, in writing, to comply with the Bank's conflict-of-interest standards. 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, in accordance with applicable legislation, disclose the nature and scope of their interest to the Chairman of the Board or to the Chair of the Conduct Review and Corporate Governance Committee as soon as possible. They 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.

To ensure full disclosure, the Corporate Secretary regularly receives confirmation from the directors as to whether or not any conflicts of interest exist.

### Availability of directors

The Board expects directors to attend the meetings to which they are called and to remain present throughout. 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 to subsequently contact them to obtain an overview 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. In such cases, the Board may re-evaluate their ability to act effectively as directors of the Bank.

During fiscal 2017, the average attendance rate of nominee directors at Board meetings was 99.5% while the average attendance rate at committee meetings was 97.9%, and every nominee director attended at least 90% of the meetings to which they were called.

The table below shows the attendance of directors who ceased being Board and committee members during fiscal 2017.

Members <sup>(1)</sup>	Board		AC	CRCGC	HRC	Total for committees		Combined total	
André Caillé	13/13	100%	4/4	4/4	4/4	12/12	100%	25/25	100%
Julie Payette	11/12	91.7%	2/2	1/2	1/3	4/7	57.1%	15/19	79%
Average attendance rate at all meetings		96%	100%	83.3%	71.4%		84.2%		90.1%

(1) André Caillé and Julie Payette have ceased to be Board members on October 1, 2017.

For more information about the attendance rate of director nominees at meetings of the Board and its committees in fiscal 2017, refer to [Section 3](#) of the Circular.

### Outside directorships

Directors must inform the Chair of the Conduct Review and Corporate Governance Committee or the Chairman of the Board before accepting any invitation to serve on a board of directors other than the Bank's 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, potential, or apparent conflict of interest and whether the director's ability to discharge his or her responsibilities as a director of the Bank would be affected.

None of the nominee directors sit on more than four boards of directors of public corporations in addition to the Bank's Board.

The President and Chief Executive Officer serves on the board of directors of only one other public corporation.

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

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 public corporations on whose boards the director nominees currently serve or have served in the past five years.

The table below identifies a public corporation that has more than one of the Bank's director nominees serving on its board of directors and, where applicable, on one of its committees:

Public corporation	Director	Public corporation committee(s) of which the director nominee is a member or position(s) held by the director
Saputo Inc.	Karen Kinsley	Member of the Audit Committee
	Lino A. Saputo, Jr.	Chairman of the Board of Directors

The Board has determined that these relationships do not impair the ability of these directors to exercise independent judgment.

### Change of status

Directors must notify the Chairman of the Board or Chair of the Conduct Review and Corporate Governance Committee as promptly as possible of any change in their professional or personal circumstances that may impact their role as a director or create any conflict of interest. The Chairman of the Board or the Chair of the Conduct Review and Corporate Governance Committee then reports to the Board and presents appropriate recommendations.

## DIVERSITY AND REPRESENTATION OF WOMEN ON THE BOARD AND IN MANAGEMENT

### Board

The Board believes that diversity among its members enriches discussion. It understands the importance of having a representation among its directors that reflects the diversity of the Bank's clients, employees and shareholders, particularly regarding representation of women on the Board. The diversity statement adopted by the Board requires the Conduct Review and Corporate Governance Committee to recommend Board nominees who, in addition to meeting the criteria determined by the Board and presented in this Circular, reflect the gender, age, cultural, geographical and other characteristics of the communities in which the Bank is present and does business.

When seeking and selecting director nominees, the Board considers the representation of women on the Board. The diversity statement also includes the Bank's commitment to achieving gender parity among directors and to having women account for at least one-third of Board directors by requiring women candidates to make up half the nominees for director positions that become vacant.

It is within such a context that the Bank renewed its support of the Agreement instituted by Catalyst, an organization that works with many large companies with the aim of increasing the number of women directors on boards of directors in Canada (at least 30% by 2022).

At the date of this Circular, 38% of the Board's members were women (i.e., 5/13), thereby exceeding the target set by the Conduct Review and Corporate Governance Committee to have women account for at least one-third of Board directors.

To reach its diversity goals, the Board is supported by tools and processes that were created by the Conduct Review and Corporate Governance Committee during the Board succession planning process. As described above, the Board maintains a list of potential director nominees who satisfy the Board's selection criteria and the diversity statement principles, including the target for women representation on the Board. The Board can also hire external recruitment consultants to help find candidate profiles that can help reach the diversity targets set by the Board. It draws from this list of potential nominees when a director position becomes vacant.

The chart below shows the evolution of the women/men representation ratio among the Bank's director nominees up for election. Since 2015, this ratio has remained stable, sitting between 36% and 38%. This is a result of the Board's constant commitment and the strategies it has deployed over the years.

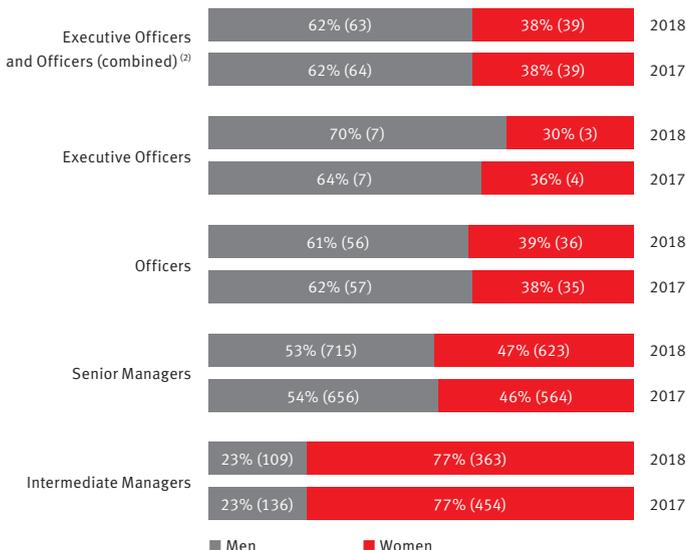


The Board's diversity statement can be found in the Governance subsection under "[About Us](#)" on the [nbc.ca](#) website.

#### Senior management and management <sup>(1)</sup>

When appointing candidates to executive positions, the Bank considers the representation of women. Women currently account for 30% (i.e., 3/10) of the Bank's Executive Officers. They also occupy 38% of the Bank's Executive Officer and Officer positions.

The following chart illustrates the representation of women and men who held Executive Officer, Officer, and manager positions at the Bank:



(1) As at January 31, 2018.

(2) Including the officers and executives of its subsidiary (NBF), the representation would be 36% (39/108).

For several years, our National Bank Financial subsidiary has been deploying strategies aimed at improving the representation of women in its workforce and at providing a more reflective portrait of the population.

Specifically, with respect to financial markets, efforts are focusing mainly on sales functions (Producer), namely the roles of analyst, vice-president and directors, as well as heads of departments and Managing Directors (MD) functions. For these three function categories, the representation of women has been growing for the past three years.

In wealth management, strategies to improve the representation of women are focusing on the pool of investment advisers. What's more, the proportion of young women as new hires is trending upward, representing over one-third of the new hires in 2017.

The Bank has established a three-year diversity plan for reaching its women representation objectives. It regularly monitors the evolution of the number of women in management and executive positions; works to identify, evaluate and analyze any potential gaps and representation goals in each business sector; and deploys targeted strategies to maintain fair representation of women throughout the organization at all times.

The overall target for representation of women among the Officers of the Bank is 40%. The Bank is focusing its efforts to achieve and maintain this target as part of the 2019 three-year diversity plan. The Bank has not established a target for senior management, as there are too few Executive Officers for a realistic target to be set. However, the succession plan is being monitored to ensure the fair representation of women among this group. The 2017–2019 three-year diversity plan was adopted in fiscal 2017.

To ensure that all these strategies produce the desired results, the Bank has also built tracking indicators into dashboards that provide a semi-annual snapshot of the situation at the Bank and in each business sector. In this respect, Executive Officers participate in the completion of diversity plans in their respective sectors. Every year, a diversity status report is provided to them as well as to the Human Resources Committee so they can see the change in the representation of women at the Bank and in all its business sectors.

In addition, a working group on diversity, comprised of Officers from all sectors of the Bank and chaired by an Executive Officer, has been set up to encourage each sector to undertake diversity challenges and to help maintain an organizational culture where diversity is a daily reality for all.

While the Bank does not favour imposing quotas as part of its approach on equal representation of women, it ensures at all times that its human resources practices consider the diversity of the population and of its employees, and takes care to maintain a respectful work environment that is open to differences. The Bank has a range of initiatives in this respect. Here are some examples:

- The Bank partners with external recruitment firms to ensure that it has pools of candidates that are competent and sufficiently diverse to fill the Officer positions;
- The Bank examined the effects of unconscious bias in the area of talent management and launched workshops on the matter with officers and human resources professionals;
- The Bank, including all of its business sectors, looks at the representation of women in its pool of “high potential” employees who are likely to hold management or executive positions. This annual exercise provides an up-to-date snapshot of the future leaders of the Bank;
- At the Bank, there are a number of employee affinity groups set up in order to network and share experiences from inspiring leaders. In addition, the Bank’s Women’s Leadership Network, which supports women of the Bank and its subsidiaries, has local chapters in many Canadian cities. In April 2016, this very network received an award from the Association of Quebec Women in Finance (AFFQ) for the best initiative for promoting women;
- Formal coaching and mentoring programs are offered to the Bank’s senior managers and Officers. Particular focus is on valuing different leadership types but also on women’s participation in these programs;
- The Bank has a program to raise the proportion of women in the pool of investment advisers. This program, which has existed since September 2016, addresses three key issues: the presence of women in the profession, the reconciliation of work-family life, and customer service for women investors. In April 2018, National Bank Financial will receive the prix de l’Association des femmes en finances du Québec (AFFQ) for the best initiative for promoting women.

In the Financial Markets sector, two programs have been implemented to increase the number of women:

- A bursary program for women created in 2012. This initiative encourages skilled and talented women to continue their postgraduate university education in a finance-related area while learning more about the organization. Selected candidates receive a bursary as well as advice from a mentor provided by a manager in our financial markets group;
- A rotational program whereby nominees learn, in the span of one year, all types of Financial Markets desks. This program helps to establish the best alignment between an employee’s talent and the organization’s needs. The participation of women in this program merits particular attention.

Finally, for many years the Bank has lent financial support to organizations that raise awareness among businesses regarding the reality and the promotion of women at all organizational levels, including the Association of Quebec Women in Finance (AFFQ), the Women’s Executive Network (WXN) and Women in Capital Markets.

### Identifying, evaluating and nominating directors

The Board oversees the director succession planning process implemented by the Conduct Review and Corporate Governance Committee. The Committee is responsible for selecting director nominees for vacant positions and for determining whether it is appropriate to re-elect each current director.

To do so, the Conduct Review and Corporate Governance Committee:

#### Identifying

1. Establishes the criteria used to select directors and periodically reviews them to ensure that the directors remain in compliance with legislative and regulatory requirements, the Charter of Expectations, and the Board's current and future needs
2. Compiles and annually reviews an evergreen list of potential director nominees who meet the Board's selection criteria. The committee invites suggestions from other directors, management and shareholders; if deemed appropriate, the Committee may also hire an external recruitment consultant

#### Evaluating

3. Before recommending a new director nominee to the Board, it evaluates the nominee's aptitudes, knowledge and competencies, the extent to which his background complements those of the other directors, and the extent to which the candidate meets the Board's selection criteria and needs, all while considering the Board's diversity statement
4. Organizes one or more meetings between the candidate and certain Board members in order to obtain all the relevant information required to evaluate the candidate
5. Examines each candidate's integrity and suitability by obtaining references, verifying educational background, conducting a security check and assessing any potential conflicts or independence concerns
6. Regularly considers potential candidates even when the Board does not have an immediate vacancy

#### Nominating and re-electing

7. Submits, upon completion of the process, its recommendations to the Board, which examines the candidacy and approves all new director nominees
8. Annually assesses the eligibility and availability of directors nominated for re-election
9. Gives particular consideration to the past performance assessments of directors, their attendance at meetings of the Board and of the committees on which they serve, their independence, their competencies and their length of service
10. Submits its recommendations to the Board after it has completed the assessment process

### Director nomination by shareholders

To promote the ability of shareholders to influence the submission of director nominees for Board election, the Board has developed a proxy access policy. This policy specifies how eligible shareholders (as defined in the policy) may submit candidates for Board election and have them included in the Bank's management proxy circular and form of proxy. It resembles the model policy most widely used in the U.S. and has been adapted to the Canadian legal and regulatory framework. The Bank's proxy access policy stipulates that a group:

- consisting of up to 20 shareholders; and
- holding not less than 5% of the outstanding Common Shares for the last three years (as a registered holder or beneficial owner)

may present candidates, before the deadline for submitting a shareholder proposal indicated in the management proxy circular, for up to (i) two candidates or, if it is more, (ii) a number not to exceed 20% of the total number of directors of the Bank (the "maximum number").

The notice of nomination must include certain information set out in the policy about the shareholder proponent and the candidate.

According to the policy, the Bank is not required to include a number of nominees in excess of the maximum number in the management proxy circular or the form of proxy. If the number of candidates put forth under the terms of the policy for an annual shareholder meeting exceeds the maximum number, each shareholder proponent will select the candidate that he wishes to include in the management proxy circular, with the order of selection determined by size of participation (from the largest participation to the least participation) indicated in the notice of nomination of each shareholder proponent, and so forth after each proponent shareholder has chosen a candidate, until the maximum number has been attained.

This description of the proxy access policy is only a summary, is not meant to be exhaustive, is subject to the provisions of the policy and is presented subject to the full text thereof, a copy of which can be found in the Governance subsection under “[About Us](#)” on the [nbc.ca](#) website. Investors interested in submitting candidates under the policy should read the full text of the policy.

In accordance with the Act, shareholders holding in the aggregate not less than 5% of the Bank’s outstanding Common Shares for the minimum period of time set out by the Act may submit a formal proposal to have candidates nominated for election as directors. Shareholders wishing to make such a formal proposal should refer to the relevant provisions of the Act to learn about the applicable procedure. The Bank’s proxy access policy will not apply to a management circular if a shareholder proposal including director candidates is presented in accordance with the provisions of the Act.

Shareholders who do not meet the minimum criteria for making an official proposal, or who choose not to do so, may still at any time recommend candidates for election to the Board. The names of these candidates and the supporting information must be submitted to the attention of the Corporate Secretary of National Bank at [600 De La Gauchetière Street West, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2](#).

### **Director tenure and Board vacancies**

The Board has adopted guidelines according to which:

- A director’s term usually expires at the close of the annual meeting of the holders of Common Shares of the Bank that follows their election
- Regardless of the director’s age, he or she may not renew their mandate past the 12<sup>th</sup> annual meeting after they were first elected
- On the recommendation of the Conduct Review and Corporate Governance Committee, however, the Board may decide, given exceptional circumstances, that it is in the Bank’s best interest for a director who has reached this limit to be able to stand for election once more, for an additional one-year term, up to three additional terms. Such exceptional circumstances have never occurred since these guidelines were adopted

In accordance with the Act, the Bank’s President and Chief Executive Officer must serve on the Board as long as he holds the position.

## Performance assessment

The Board regularly assesses its own performance and effectiveness. The Conduct Review and Corporate Governance Committee is responsible for creating and overseeing a process whereby each director can assess the effectiveness and contribution of the Board and its Chairman and of the Board committees and their respective Chairs, their own contributions as a Board member and as a member of one or more committees, and the contributions of their peers. Provided below are the steps involved in this self-assessment process:

### Questionnaire

1. The directors receive a self-assessment and assessment questionnaire to evaluate the performance of the Board, its committees, the Chairman of the Board, and the Chairs of the committees as well as the contributions of peers
2. Members of the Office of the President receive an assessment questionnaire to evaluate the performance of the Board
3. Once the questionnaires are completed, the Chair of the Conduct Review and Corporate Governance Committee receives the results of the performance assessments of the Chairman of the Board and of the Chairs of the committees, except the assessment of her performance. The Chairman of the Board receives all other results



### Meetings

4. The Chairman of the Board meets each director one-on-one to discuss his observations
5. When meeting with the Chairman of the Board, the President and Chief Executive Officer shares with him the comments made by the members of the Office of the President regarding the Board's performance
6. The Chair of the Conduct Review and Corporate Governance Committee, if necessary, meets the members of the committees one-on-one (with the exception of the members of the Conduct Review and Corporate Governance Committee)
7. The Chairman of the Board and the Chair of the Conduct Review and Corporate Governance Committee then meet to review the results, which are subsequently presented to the Conduct Review and Corporate Governance Committee



### Action plan and report to the Board

8. The Conduct Review and Corporate Governance Committee holds a meeting during which members discuss and review the assessment results. It then examines the appropriateness of making changes or improvements to the performance of the Board, its committees, the Chairman of the Board and the Chairs of the Board committees
9. The Conduct Review and Corporate Governance Committee also reviews the individual performance of each director and determines whether it is appropriate for them to stand for re-election at the Bank's next annual shareholders' meeting
10. If appropriate, the Conduct Review and Corporate Governance Committee draws up an action plan after these discussions
11. The Chairman of the Board and the Chair of the Conduct Review and Corporate Governance Committee submit the results of the assessments to the Board and, if appropriate, present the action plan drawn up by the Conduct Review and Corporate Governance Committee. The Board monitors the execution of any action plan

The conclusion of the fiscal 2017 performance assessment was that the Board and its committees operate effectively and that their members, the Chairman of the Board, and the Chairs of the committees have the necessary knowledge and devote the required time to accomplish their tasks. The assessment process was carried out in accordance with the respective mandates of the Board and the Conduct Review and Corporate Governance Committee.

## Guidance and continuing education of directors

Directors must constantly be broadening their knowledge and understanding of the Bank's operations and regulatory framework. To support them, a guidance and continuing education program that takes into account the knowledge and various needs of the current directors is in place.

### A guidance program for new directors

The Board created a guidance program for new directors following recommendations made by the Conduct Review and Corporate Governance Committee. The program provides new directors with an overview of the Bank to help them better understand its inner operation, activities, and key challenges. 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 areas of activity, its business challenges, its internal audit and control system, its human resources and its client base. They also receive a copy of the Code of Conduct and Ethics to which they must adhere.

Recently appointed directors are invited to attend a meeting of each Board committee on which they are not a member to further familiarize themselves with the issues facing the Bank.

They may also, following appointment to their position, take part in additional information meetings with the Chairman of the Board, the Chair of the Conduct Review and Corporate Governance Committee, the President and Chief Executive Officer, and Executive Officers of the Bank to further familiarize themselves with the issues facing the Board and the Bank.

### Directors' handbook

Directors receive a handbook that contains a series of reference documents outlining their duties and the scope of their responsibilities.

### Continuing education program for directors

During Board or committee meetings, directors regularly attend presentations and in-depth sessions ("deep dives") given by Bank representatives (or occasionally external consultants) in order to further enhance their knowledge of areas related to their duties. At least 10% of the time designated annually for regular meetings of the Board is devoted to continuing education. During the year, directors attend presentations given by the heads of each business segment about their strategic issues and business plans. Directors visit branches, business centres or operations centres. They are also given opportunities to periodically sit in on meetings of each committee of which they are not members.

Furthermore, the Bank encourages directors to participate in professional development programs offered by various organizations. The Corporate Secretary provides directors with updated schedules of training activities, and 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 for such programs.

All of the Bank's directors are members of the Institute of Corporate Directors.

To help directors stay current with recent developments in the areas of audit, risk management, human resources and governance, they always have access to documentation submitted to Board committees on which they are not members. The directors are also invited to participate in meetings with business lines and to visit operations sites, branches, and the new dynamic work spaces at the Bank's head office. In addition, the Corporate Secretary from time to time provides them with various articles and publications relevant to the performance of their duties.

The following table lists the training sessions provided by the Bank as well as those offered by recognized organizations (in particular, recognized training programs given by their professional associations) that several directors attended and that are relevant to their positions as directors.

Training provided by the Bank	Date	Participants
Technology risk and cyber-risk	Quarterly	RMC
Oil and natural gas sector	Quarterly	RMC
Perspectives of a major shareholder	February 2017	Board
IT security standards and policies	March 2017	Board
Financial Markets – Corporate Client Risk Management	May 2017	RMC
IFRS 9	May 2017	Board
Governance of subsidiaries	May and November 2017	RMC
Trends in executive compensation	August 2017	HRC
Financial Markets – Risk Management – Institutional and Government Clients	August 2017	RMC
Canadian bail-in regime	August 2017	Board
Shareholder activism	October 2017	CRCCG
Risk-adjusted return on capital (RAROC)	October 2017	RMC
Artificial intelligence	October 2017	Board
Breach of confidentiality	November 2017	RMC
Investor relations	December 2017	Board

Training provided by recognized organizations	
<ul style="list-style-type: none"> <li>• Economic development, governance and risk management</li> <li>• Dialogue between shareholders and issuers</li> <li>• Executive compensation</li> <li>• Ethics and issues related to technology and artificial intelligence</li> </ul>	<ul style="list-style-type: none"> <li>• Current issues for the Audit Committee</li> <li>• Role of the Board in crisis management</li> <li>• Navigating in a changing economic climate</li> <li>• Changes in the role of director</li> </ul>

## SOCIAL RESPONSIBILITY

The Bank is committed to effectively meeting the expectations of its stakeholders and building long-term relationships with them based on trust. Its social responsibility strategy is founded on the following six fundamental pillars.

### The six pillars of social responsibility



The Board has many directors with expertise in these areas, particularly in the areas of social and environmental responsibility.

The Bank is committed to promoting the well-being of the communities it serves, in particular through a well-defined donations and sponsorships program, successful fundraising efforts, and teams of current and retired employee volunteers who are determined to make a difference. The Bank is attentive to the needs of its employees and seeks to provide them with a stimulating work environment conducive to building a stable, dedicated and talented team.

Finally, to demonstrate leadership by example, the Board, through its Human Resources Committee, ensures that the President and Chief Executive Officer's annual performance review includes objectives that encourage the Bank's active participation in community associations and causes and that promote an ecologically responsible brand.

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The Bank's Social Responsibility Report, published annually, is available in the Social Responsibility subsection under "About Us" on the [nbc.ca](http://nbc.ca) website.

The various initiatives endorsed by the Bank are also presented on a dedicated page on its website ([www.commitment.nationalbank.ca](http://www.commitment.nationalbank.ca)).



## COMMUNICATIONS WITH SHAREHOLDERS AND STAKEHOLDERS

The Board believes in the importance of giving Bank shareholders and clients and any other person opportunities to comment on Bank-related matters. It therefore makes sure to implement measures designed to gather comments, fully understand concerns expressed, and respond as required.

The Bank responds to questions from shareholders, investors, financial analysts and the media through its Investor Relations Department, its Public Affairs Department, its Corporate Secretary and Computershare, its registrar and transfer agent. The Corporate Secretary is responsible for ensuring effective communication between the Board, the Bank's management and shareholders.

As part of these efforts to promote dialogue with shareholders, in fiscal 2017 the Chairman of the Board met with several institutional investors to discuss various matters of mutual interest, in particular the Board's approach to Executive Officer compensation, Board governance practices, Board succession planning, and Board oversight of strategy and risk management. Members of the Bank's management, at the Board's request, also met with representatives of institutional investors, shareholder groups, proxy voting consultants and corporate governance advocacy groups.

In addition, the Bank's annual advisory vote allows shareholders to express their position on the executive compensation approach presented in the Circular. Over the past few years, several institutional investors, proxy voting consultants and corporate governance advocacy groups, such as Institutional Shareholder Services Inc. (ISS), Glass Lewis & Co., and Global Governance Advisors, made positive statements about the performance-compensation relationship at the Bank as part of their analyses.

The table below summarizes the activities through which the Bank interacts with its shareholders and other stakeholders.

Type of activity	Speakers of the Bank	Attendees, frequency and purpose
Presentations without transactions, meetings, calls or discussions	Directors and Executive Officers	Attended by institutional investors, throughout the year, wherein the Bank provides publicly available information about its activities, operations, and initiatives and obtains feedback on its governance processes and management compensation
Quarterly conference calls and webcasts	Executive Officers	Attended by investors and analysts wherein the Bank presents and comments on the latest published operating and financial results
Press releases	Executive Officers	Press releases issued to the media throughout the year to report any major change involving the Bank
Broker-sponsored conferences	Executive Officers	Presentations made during conferences attended by institutional investors and analysts and covering publicly available information about the Bank and its operations
Investor Day	Executive Officers	Attended by a group of investors and analysts upon invitation; live webcasts and presentations are made available on the <a href="http://nbc.ca">nbc.ca</a> website
Meetings, calls and discussions	The Bank's Investor Relations department	Attended by brokers, institutional and retail investors, and analysts wherein the Bank provides publicly available information about its financial results

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 to [boardofdirectors@nbc.ca](mailto:boardofdirectors@nbc.ca) or by mail c/o the Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.



## PROCEDURE FOR REPORTING IRREGULARITIES

The Audit Committee has adopted a policy for reporting irregularities relating to accounting and internal controls concerning the Bank's accounting and auditing activities and oversees the implementation of the policy. The policy governs how complaints and concerns, by any person or Bank employee, regarding accounting or auditing matters are received, retained and handled, and ensures that they are communicated anonymously and confidentially.

This policy can be found in the Governance subsection under "About Us" on the [nbc.ca](http://nbc.ca) website.



## 5. DIRECTOR COMPENSATION

The Board aims to offer compensation that reflects the increasing complexity of the Bank's operations, which helps the Bank to recruit and retain qualified individuals and align their interests with those of the Bank's shareholders.

The compensation program is structured to achieve the following two objectives:

### Recruit and retain qualified directors

- Offer compensation that reflects the increasing complexity of the Bank's operations and the importance of the role of director
- Offer compensation that is competitive when compared to the peer group, which is described in [Section 7](#) of the Circular

### Align the interests of the directors with those of shareholders

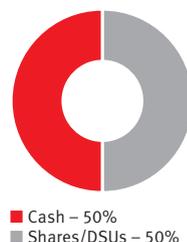
- Pay annual fees entirely in the form of Common Shares or DSUs until the director has satisfied the share ownership requirements

## THE BANK'S COMPENSATION PROGRAM

On April 15, 2016, the Board adopted the current compensation program, the components of which are described in the table below.

Total Compensation				
Base salary		Additional compensation		
	Cash (\$) <sup>(1)</sup>	Shares or DSUs (\$)	Cash, shares or DSUs (choice of) (\$) <sup>(2)</sup>	
Board member, including participation in a committee	62,500	62,500	15,000 (per committee)	
			225,000	
			25,000 (AC and RMC)	
			20,000 (CRCGC and HRC)	
Total		125,000		

Breakdown of director compensation<sup>(5)</sup>



- (1) Aside from the portion of their base salary that must be paid in Common Shares or deferred share units, directors may elect to receive the cash portion of their compensation in the form of cash, Common Shares, DSUs or a combination of all three, provided the share ownership requirements are met.
- (2) The compensation payable to committee members and Chairs may, by choice, be paid in cash, Common Shares, DSUs or a combination of all three, provided the share ownership requirements are met.
- (3) The Chairman of the Board and the Chairs of the committees receive compensation in their roles as Board and committee members and also as Chairman and Chair, respectively.
- (4) 25% of the total compensation paid to the Chairman of the Board must be in the form of Common Shares or DSUs, whichever he prefers.
- (5) The chart shows the breakdown of director compensation for fiscal 2017.

## COMPENSATION PROGRAM FOR SUBSIDIARIES

From November 1, 2016 to October 31, 2017, Bank directors who also serve on a board of directors of a Bank subsidiary received the following compensation:

Bank subsidiaries		
	National Bank Life Insurance Company (\$) <sup>(2)</sup>	National Bank Trust Inc. (\$) <sup>(2)</sup>
Director	17,000	12,000
Committee member	3,000	2,000
Committee Chair <sup>(1)</sup>	1,500	1,000

(1) The Chairman of the Board and the committee Chairs receive compensation both as Board and committee members and as Chairman and Chair, respectively.

(2) The cash portion of compensation may, by choice, be paid in the form of cash, Common Shares, DSUs or a combination of all three.

## DISCLOSURES REGARDING THE BANK AND ITS SUBSIDIARIES

The Bank and its subsidiaries reimburse directors for the expenses incurred to attend meetings. The Bank reimburses the Chairman of the Board for these expenses, in addition to disbursements and accommodation expenses incurred for his business promotion activities on behalf of the Bank.

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

Directors do not receive stock options and do not participate in any other share-based compensation mechanism or pension plan of the Bank, except for the President and Chief Executive Officer, who is compensated for his duties as an Executive Officer of the Bank. They are not entitled to any product or service at preferred rates or reduced fees due solely to their status as director.

### What is a deferred share unit or DSU?

A deferred share unit is a right, the value of which equals the market value of a Common Share of the Bank on 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
- DSUs may be cashed only when the director leaves all the positions he or she held as a director of the Bank or any of its subsidiaries
- The units must be cashed no later than the end of the calendar year following the year in which the director leaves his or her duties

Compensation paid to the directors for the fiscal year ended October 31, 2017 <sup>(1)</sup>

Name	Fees earned (\$) <sup>(2)</sup>		Share-based awards (\$) <sup>(3)</sup>				Total compensation for Board and committee activities (\$)	Other compensation (\$)	Total compensation (\$)	Breakdown of compensation payable in cash for activities of the Board and its committees <sup>(5)</sup>
	As a Board member <sup>(4)</sup>	As a committee member <sup>(6)</sup>	As a Board member <sup>(4)</sup>		As a committee member <sup>(6)</sup>					
	Cash	Cash	Common Shares	DSUs	Common Shares	DSUs				
Raymond Bachand 				125,000		15,000	140,000		140,000	100% in DSUs
Maryse Bertrand <sup>(7)</sup>  P				125,000		35,000 <sup>(8)</sup>	160,000	12,000 <sup>(9)</sup>	172,000	100% in DSUs
Pierre Blouin <sup>(10)</sup> 				125,000		7,921	132,921		132,921	100% in DSUs
Pierre Boivin <sup>(11)</sup>  P				125,000		37,360 <sup>(8)</sup>	162,360		162,360	100% in DSUs
André Caillé <sup>(12)</sup>  	20,720	2,486 <sup>(8)</sup>		93,750		27,767 <sup>(8)</sup>	144,723		144,723	27% in cash and 73% in DSUs
Gillian H. Denham 	62,500			62,500			125,000		125,000	100% in cash
Richard Fortin  P				125,000		40,000 <sup>(7)</sup>	165,000	21,500 <sup>(13)</sup>	186,500	100% in DSUs
Jean Houde Chairman of the Board 	260,500 <sup>(14)</sup>			89,500			350,000		350,000	100% in cash <sup>(15)</sup>
Karen Kinsley <sup>(16)</sup>  P	31,250	20,000		93,750		15,281	160,281		160,281	52% in cash and 48% in DSUs
Rebecca McKillican <sup>(17)</sup> 				10,530		10,530	10,530		10,530	100% in DSUs
Julie Payette <sup>(18)</sup>  	20,720	2,487		93,750		4,171	121,128		121,128	36% in cash and 64% in DSUs
Lino A. Saputo, Jr. 				125,000			125,000		125,000	100% in DSUs
Andrée Savoie <sup>(19)</sup>  				125,000		1,264	126,264		126,264	100% in DSUs
Pierre Thabet 				125,000			125,000		125,000	100% in DSUs
Louis Vachon <sup>(20)</sup>	-		-	-			-		-	-
<b>Total</b>							<b>2,048,207</b>			

 Audit Committee

P Committee Chair

 Conduct Review and Corporate Governance Committee Human Resources Committee Risk Management Committee

- (1) This table presents the compensation paid to the Bank's directors for serving on the Board of Directors and on the Board committees of the Bank and its subsidiaries.
- (2) For the purposes of this table, the term "fees" includes all fees awarded, earned, paid, or payable in cash, in particular annual compensation, fees for participating on a Board committee, for chairing the Board or a Board committee, and attendance fees.
- (3) For the purposes of this table, the term "share-based awards" includes the portion of director compensation paid in Common Shares or deferred share 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, i.e., \$57.9000 on February 15, 2017, \$53.2414 on May 15, 2017, \$55.8072 on August 15, 2017 and \$62.7600 on November 15, 2017. The number of deferred share units granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, i.e., \$58.1400 on February 15, 2017, \$53.1100 on May 15, 2017, \$55.4700 on August 15, 2017 and \$62.7900 on November 15, 2017.
- (4) For the year ended October 31, 2017, the annual compensation paid for service on the Board of Directors totalled \$125,000, of which \$62,500 was paid in the form of Common Shares or deferred share units, and \$62,500 was paid, at the director's choice, in the form of cash, Common Shares, deferred share units or a combination of all three. Furthermore, the annual compensation paid for Board service also includes the participation on a committee. For additional information on this topic, refer to "[The Bank's Compensation Program](#)" section in this part of the Circular.
- (5) Aside from the portion of director compensation that must be paid in the form of Common Shares or deferred share units for Board and committee activities, directors may elect to receive the cash portion of their compensation in the form of cash, Common Shares, deferred share units or a combination of all three. This column shows the election made by each director when they received payment during the fiscal year ended October 31, 2017 of compensation payable for Board and committee activities.
- (6) The annual compensation paid to Board committee members is additional compensation paid for serving on more than one Board committee. For additional information, refer to the "[The Bank's Compensation Program](#)" in this section of the Circular.
- (7) Maryse Bertrand ceased to be a member of the Risk Management Committee on April 21, 2017, which is the date on which she was appointed to the Human Resources Committee. Her compensation has been prorated accordingly.
- (8) Includes compensation as Committee Chair.
- (9) Maryse Bertrand received \$12,000 in cash as a member of the Board of Directors of National Bank Trust Inc.
- (10) Pierre Blouin was appointed a member of the Audit Committee on April 1, 2017. His compensation was therefore prorated.
- (11) Pierre Boivin has not been the Chair or a member of the Audit Committee since April 21, 2017, the date on which he was appointed to the Risk Management Committee and appointed Chair of the Human Resources Committee. His compensation has been prorated accordingly.
- (12) André Caillé ceased being the Chair and a member of the Human Resources Committee on April 21, 2017 and ceased being a member of the Board, of the Audit Committee, and of the Conduct Review and Corporate Governance Committee on October 1, 2017. His compensation has been prorated accordingly.
- (13) Richard Fortin received \$17,000 in the form of deferred share units for serving on the Board of Directors of National Bank Life Insurance Company, \$3,000 in the form of deferred share units for serving on the Audit Committee, and \$1,500 in the form of deferred share units for serving as Chair of the Audit Committee of this Bank subsidiary.
- (14) Includes compensation as Chairman of the Board.
- (15) Jean Houde elected to receive the cash portion of his compensation for Board and committee activities in the form of cash while also meeting his obligation, as Chairman of the Board, to receive 25% of his total compensation in the form of, at his discretion, Common Shares or deferred share units.
- (16) Karen Kinsley is no longer a member of the Human Resources Committee as of April 21, 2017, the date on which she was appointed Chair of the Audit Committee. Her compensation has been prorated accordingly.
- (17) Rebecca McKillican was appointed to the Human Resources Committee on October 1, 2017. Her compensation has been prorated accordingly.
- (18) Julie Payette ceased being a member of the Audit Committee on April 21, 2017, the date on which she was appointed to the Human Resources Committee and the Conduct Review and Corporate Governance Committee. She ceased being a member of the Board, of the Human Resources Committee, and of the Conduct Review and Corporate Governance Committee on October 1, 2017. Her compensation has been prorated accordingly.
- (19) Andrée Savoie was appointed to the Conduct Review and Corporate Governance Committee on October 1, 2017.
- (20) 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 share units and options, refer to [Section 7](#) of the Circular.

## Share ownership requirements

Certain requirements were implemented to ensure that director interests are aligned with those of shareholders and to maintain the trust of shareholders.

Specifically, all directors are required to hold Common Shares or DSUs with a total value equal to or greater than **eight times the base compensation** payable to the directors in the form of Common Shares or DSUs. Directors have **five years from the date they take office** to meet these requirements.

Furthermore, directors may cash their deferred share units only after leaving all director positions at the Bank or any of its subsidiaries.

Once the requirement has been met, directors may elect to receive their compensation in the form of cash, Common Shares or DSUs, subject to the portion that must be paid in Common Shares or DSUs. A portion of the directors' compensation, as well as a portion of the fees paid to committee members and committee Chairs, must be paid in the form of Common Shares or deferred share units, even when the minimum requirements have been met.

REQUIREMENTS	MINIMUM REQUIRED
Eight times the base compensation payable to the directors in the form of Common Shares or DSUs	$8 \times \$62,500 = \$500,000$
Minimum share ownership requirement based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on February 23, 2018	$\$500,000 / \$63.76 = 7,842$ Common Shares or DSUs

For more information, refer to [Section 3](#) of the Circular, which provides a description of each director's shareholdings in accordance with share ownership requirements.

## Restrictions on trading and hedging of Bank securities

Under a policy adopted by the Board, no director, officer or employee of the Bank or its subsidiaries may:

- knowingly sell, directly or indirectly, a security of the Bank or of any of the Bank's affiliates if he does not own such security or has not fully paid for the security to be sold (short sale);
- knowingly buy or sell, directly or indirectly, a call or put on a security of the Bank or of any of the Bank's affiliates;
- 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.

## 6. COMMITTEES OF THE BOARD

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. 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 that set out the roles and responsibilities of each committee.

### Characteristics of Board committees

Each Board committee:

- is made up exclusively of independent directors, as defined by the CSA
- has implemented procedures to ensure that it is independent from the Bank's management and has access to the information needed to carry out its mandate
- has met in camera, without the Bank's management being present, at each of its meetings
- may inquire about any matter it deems relevant and, to that end, has full access to the Bank's books, records, facilities, premises, members of management and employees
- may invite other individuals to attend all or part of its meetings (these individuals do not have the right to vote)
- periodically reviews its own mandate and approves its activity schedule

### Chairman of the Board

The Chairman of the Board:

- may attend any committee meeting (for which he is not a member) as a guest and, as such, may not vote on any item
- may, at the request of a committee Chair, serve as a member of the committee and have the right to vote if quorum could not be otherwise attained at a meeting
- may chair the meetings of a Board committee when needed

### Experience and competencies of committee members

Each committee member:

- has the required competencies and experience to effectively contribute to the mandate of the committee(s) on which he serves, or is able to acquire the necessary knowledge and expertise within a reasonable length of time following his appointment
- has acquired the experience and knowledge needed to adequately fulfill his duties as a result of positions he currently occupies—or has occupied—including from having served as a chief executive officer or a senior officer at other major corporations or as a member of boards of directors, or through his background

Certain directors serve on more than one committee, which helps the committees gain a better overall understanding of the other committee mandates and the challenges facing the Bank's various business lines. For more information about the members of the Board's standing committees during the fiscal year ended October 31, 2017, refer to [Section 3](#) of the Circular.

All four committees are confident that, for fiscal 2017, they have fulfilled their responsibilities to the best of their members' abilities and in accordance with their mandates.

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### For more information

The duties and responsibilities of each committee are described more fully in their respective mandates. The mandate of each committee and its Chair can be found in the Governance subsection under "About Us" on the [nbc.ca website](#).

[Section 4](#) of this Circular provides additional information about the concepts of "independent director" and "conflict of interest" as well as about the Board committees, in particular their power to retain legal counsel or other independent consultants.



## AUDIT COMMITTEE

### Members<sup>(1)</sup>



Karen Kinsley,  
Chair



Pierre Blouin



Richard Fortin



Andrée Savoie

### Mandate

The members of the Audit Committee met five times this past fiscal year to fulfill their mandate, which consists of:

- reviewing the financial statements and Management's Discussion and Analysis and overseeing their integrity
- monitoring the work of the independent auditor and assessing its performance
- assessing the performance of the Internal Audit oversight function
- assessing the performance of the Finance oversight function
- reviewing the effectiveness of internal control policies and procedures

Every member of the Audit Committee is "financially literate" as required by *Regulation 52-110 respecting Audit Committees* (R.R.Q., c. V-1.1 r. 28).

For more information on the expertise and education of each member of the Audit Committee, refer to the "Information on the Audit Committee" section of the 2017 Annual Information Form.



(1) On April 21, 2017, Karen Kinsley was appointed Chair of the Committee and Pierre Boivin ceased to be a member of the Committee. On October 1, 2017, André Cailé and Julie Payette ceased to be members of the Committee.

### Main responsibilities and achievements

We have:

- ✓ reviewed and approved the mandates of the Finance oversight function and the Internal Audit oversight function, the nature and scope of their work as well as the annual audit plan
- ✓ regularly met with the Chief Financial Officer and Executive Vice-President – Finance and Treasury as well as with the Senior Vice-President – Internal Audit without the presence of management
- ✓ assessed the performance of the Chief Financial Officer and Executive Vice-President – Finance and Treasury as well as that of the Senior Vice-President – Internal Audit and sent our resulting compensation recommendations to the Human Resources Committee and the Board
- ✓ reviewed and recommended that the Board approve the interim condensed 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 the reports on the Bank's compliance with regulatory capital ratios
- ✓ reviewed the independent auditor's conclusions on the annual consolidated financial statements and discussed the annual and interim condensed consolidated financial statements with the independent auditor
- ✓ reviewed the proposals to increase dividends and made recommendations to the Board
- ✓ reviewed the proposal for a normal course issuer bid and made recommendations to the Board
- ✓ reviewed and approved the revised Information Disclosure Policy
- ✓ reviewed the reports of the Senior Vice-President – Internal Audit and ensured that necessary follow-up measures had been taken in response to the main recommendations in these reports
- ✓ reviewed the report on internal controls over financial reporting
- ✓ recommended the appointment and compensation of the independent auditor
- ✓ reviewed and approved the independent audit plan for the fiscal year ending October 31, 2017
- ✓ carried out the annual assessment of the effectiveness and contribution of Deloitte, including its competencies, resources and degree of autonomy, verified its independence, and recommended to the Board that its services as independent auditor be proposed again for the fiscal year ending October 31, 2017
- ✓ monitored the application of the guidelines for managing the services provided by the independent auditor and the pre-approval of certain mandates
- ✓ reviewed the annual report of the Senior Vice-President and Chief Compliance Officer, as well as her annual report regarding anti-money laundering.

## RISK MANAGEMENT COMMITTEE

### Members<sup>(1)</sup>



Richard Fortin,  
Chair



Raymond  
Bachand



Pierre  
Boivin



Karen  
Kinsley



Lino A.  
Saputo, Jr.



Pierre  
Thabet

### Mandate

The members of the Risk Management Committee met 20 times this past fiscal year to fulfill their mandate, which consists of:

- monitoring the management of the main risks to which the Bank is exposed, including credit risk, market risk, liquidity and funding risk, operational risk, risk of regulatory non-compliance, reputational risk, strategic risk, environmental risk, as well as emerging risks, such as cyber-security
- reviewing and approving the Bank's risk appetite framework
- overseeing capital, liquidity and funding management
- assessing the performance of the Risk Management oversight function
- assessing the performance of the Compliance oversight function

### Main responsibilities and achievements

We have:

- ✓ reviewed and approved the mandate of the Risk Management oversight function and the Compliance oversight function as well as the nature and scope of their work
- ✓ obtained assurance regarding the independence and effectiveness of the Risk Management and Compliance oversight functions, made sure that they have sufficient resources to fulfill their mandates and responsibilities, and approved their budgets
- ✓ regularly met with the Executive Vice-President – Risk Management and the Chief Compliance Officer without the presence of management
- ✓ assessed the performance of the Executive Vice-President – Risk Management and the Chief Compliance Officer and sent our resulting compensation recommendations to the Human Resources Committee and the Board
- ✓ reviewed and approved the Bank's risk appetite framework and required the Bank's management to implement appropriate processes to effectively manage risks
- ✓ reviewed the integrated risk management report each quarter
- ✓ performed a quarterly review of technological risk, including cyber risks and cyber crime
- ✓ reviewed the various sensitivity analyses related to credit risk
- ✓ reviewed the methodology for determining the collective allowance for credit risk
- ✓ reviewed and approved the mandate of the Global Risk Committee
- ✓ reviewed the annual report on litigation against the Bank and its subsidiaries that could constitute a material risk
- ✓ reviewed, updated as necessary, and approved risk management policies, including risk appetite statements, measurements and targets
- ✓ reviewed the governance structures of the Bank's subsidiaries
- ✓ reviewed and approved the contingency and business recovery plan
- ✓ reviewed various client credit files in accordance with the Board's credit approval policies
- ✓ reviewed and approved the assumptions used for capital stress-testing scenarios
- ✓ reviewed the implementation of requirements set out in the Basel Accords
- ✓ reviewed and recommended that the Board approve the capital plan
- ✓ reviewed the liquidity management report
- ✓ reviewed and updated, as applicable, and recommended to the Board policies concerning capital, liquidity and funding management
- ✓ reviewed the interim and annual reports produced by the Bank's Chief Compliance Officer regarding the compliance status of the Bank and its subsidiaries, submitted a compliance report to the Board and recommended that it approve the regulatory compliance management policy and program
- ✓ received information on key changes made to laws, regulations and other rules as well as on material regulatory non-compliance risks
- ✓ reviewed the interim and annual reports and annual self-assessment of the Senior Vice-President and Chief Compliance Officer regarding anti-money laundering and approved the policy on that subject, as well as the anti-corruption policy

(1) On April 21, 2017, Pierre Boivin was appointed a member of the Committee and Maryse Bertrand ceased to be a member of the Committee.

## CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

### Members<sup>(1)</sup>



Maryse  
Bertrand,  
Chair



Raymond  
Bachand



Jean  
Houde



Andrée  
Savoie

### Mandate

The members of the Conduct Review and Corporate Governance Committee met five times this past fiscal year to fulfill their mandate, which consists of:

- the composition and operation of the Board and its committees
- the oversight of governance matters
- the assessment of the Board, its committees and directors
- the succession planning for the directors and Chairman of the Board
- management's implementation of mechanisms to ensure compliance with the provisions of the Act regarding related party transactions

### Main responsibilities and achievements

We have:

- ✓ 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 and his compensation, the composition of the Board committees, and the appointment of committee members
- ✓ reviewed the composition of the Board, Board diversity, the term of office of a directorship, the skills and experience of the Board, and assessed potential nominee directors, including those of Rebecca McKillican and Robert Paré
- ✓ recommended the appointment of Rebecca McKillican as director
- ✓ confirmed that each director complies with the Code of Conduct and Ethics, understands the Bank's conflict-of-interest standards and is not in a conflict-of-interest situation
- ✓ reviewed and recommended that the Board approve the Management Proxy Circular (including replies to the shareholder proposals received and the form of proxy) for the Annual Meeting of the Holders of Common Shares of the Bank held on April 21, 2017
- ✓ reviewed the annual report on complaints received from Bank and subsidiary clients prepared by the Bank's Office of the Ombudsman
- ✓ reviewed the report on the application of the Code of Conduct and Ethics
- ✓ reviewed changes to the Code of Conduct and Ethics and recommended them for Board approval
- ✓ reviewed the governance structures of the Bank's subsidiaries
- ✓ reviewed the key issues addressed in the Social Responsibility Report
- ✓ reviewed the reports and policies on the monitoring of the Bank's related party transactions
- ✓ reviewed the updates made to recent regulatory and governance changes and recommended to the Board changes to the Bank's governance practices and to the mandates of the Board and its committees
- ✓ ensured application of the guidance and continuing education programs for directors and suggested training
- ✓ supervised the communication process with the Bank's shareholders
- ✓ reviewed and approved various proposals regarding the functioning of the Board and its committees with a view to improving their effectiveness
- ✓ reviewed and approved changes to the quorum for all shareholder meetings
- ✓ reviewed and approved the revised Information Disclosure Policy
- ✓ reviewed and recommended that the Board approve the proxy access policy

(1) On October 1, 2017, Andrée Savoie was appointed a member of the Committee and André Caillé ceased to be a member of the Committee.

## HUMAN RESOURCES COMMITTEE

### Members<sup>(1)</sup>



Pierre Boivin,  
Chair



Maryse  
Bertrand



Pierre  
Blouin



Gillian H.  
Denham



Rebecca  
McKillican

### Mandate

The members of the Human Resources Committee met eight times this past fiscal year to fulfill their mandate, which consists of:

- oversight of compensation policies, programs and practices
- performance and compensation management of the President and Chief Executive Officer
- performance and compensation management of the Other Executive Officers and of the heads of the oversight functions
- review of the Officers' succession and development plan as well as talent engagement, development, and acquisition strategies
- oversight of the pension plans and Pool Fund
- communications with shareholders and compliance with compensation governance standards

With the support of the Compensation Risk Oversight Working Group, the Committee notably ensures that the implemented compensation policies and programs are conducive to achieving the Bank's strategic and financial objectives, without compromising its viability, solvency or reputation.

### Main responsibilities and achievements

We have:

- ✓ discussed changes to the mandate of the Committee to include, among others, additional discussions on the talent management strategies such as talent engagement, development, and acquisition
- ✓ reviewed and discussed the total compensation and talent management strategies
- ✓ approved the salary increase budget of the Bank and its subsidiaries
- ✓ reviewed, and recommended for Board approval, the changes that will be made to the annual Incentive Compensation Program for fiscal 2018
- ✓ reviewed and approved the changes that will be applied in 2018 to the variable compensation programs applicable to the Bank's business segments, mainly in the Personal and Commercial segment and the Wealth Management segment
- ✓ reviewed and approved changes to certain mid- and long-term compensation plans
- ✓ approved the short-, mid- and long-term variable compensation envelopes for all employees
- ✓ approved the variable compensation program performance targets applicable to the President and Chief Executive Officer, Other Executive Officers, Officers and most employees
- ✓ reviewed and approved the partial replenishment of the share reserve for issuance under the Stock Option Plan
- ✓ assessed the President and Chief Executive Officer's performance based on financial results, annual objectives and key performance indicators, as well as the prudence with which he managed the Bank's operations and the risks to which the Bank is exposed, and reported to the Board
- ✓ received the President and Chief Executive Officer's report on the performance of the Other Executive Officers, the prudence with which they managed the Bank's operations and the risks to which the Bank is exposed
- ✓ reviewed the competitiveness of the target total direct compensation of the President and Chief Executive Officer and of the Executive Officers, and subsequently recommended that the Board approve the adjustments deemed necessary
- ✓ reviewed, in collaboration with the Audit and Risk Management committees, the competitiveness of the target total direct compensation of the heads of the oversight functions and subsequently recommended that the Board approve their compensation
- ✓ discussed the transformation of the Human Resources function in line with the Bank's cultural evolution
- ✓ reviewed the succession plan for Executive Officers, heads of the oversight functions and Officers of the Bank and its subsidiaries
- ✓ reviewed a summary of the results of *Taking a Look at Our Organization*, the Bank's survey on employee engagement
- ✓ reviewed the Bank's workforce diversity assessment
- ✓ reviewed a summary of the results of the Bank's 360-degree feedback on leadership development
- ✓ approved the appointment of members of the Pensions Committee
- ✓ reviewed a report on the performance and risk-taking of the Pool Fund and on the application of the investment policy for the Bank's pension plans
- ✓ reviewed and approved the compensation-related sections included in the Bank's Management Proxy Circular relating to the April 21, 2017 Annual Meeting of Shareholders

For more information on the education and experience of the Human Resources Committee members, refer to [Section 7](#) of the Circular.



### Main responsibilities and achievements (cont.)

We have:

- ✓ reviewed the progression and completion of the action plan resulting from OSFI's audit of the Bank's compensation practices
- ✓ requested that the Chairman of the Board or certain Executive Officers and Officers meet with representatives of institutional investors, shareholder groups, proxy voting consultants, and corporate governance advocacy groups to discuss various matters of interest, in particular the Board's approach to Executive Officer compensation
- ✓ reviewed the Bank's Internal Audit oversight function's report on total compensation policies, programs and practices
- ✓ confirmed that all Executive Officers and heads of the oversight functions were compliant with the Bank's Code of Conduct and Ethics and with its conflict of interest standards

(1) On April 21, 2017, Maryse Bertrand and Julie Payette were appointed as members of the Committee, Pierre Boivin was appointed Chair, and André Caillé ceased to be a member of the Committee. On October 1, 2017, Rebecca McKillican was appointed as member of the Committee, while Julie Payette ceased to be a member following her appointment to the position of Governor General of Canada.

## 7. EXECUTIVE OFFICER COMPENSATION

### LETTER TO SHAREHOLDERS

We believe it is important to provide Bank shareholders with all the information needed to fully understand our approach to compensation.

The ultimate goal of our Executive Officer compensation approach, described in detail in the following pages, is to ensure value creation for shareholders.

We would like to share some highlights of the past fiscal year to help you appreciate our financial results and understand the total compensation of Executive Officers and the rationale for our compensation-related decisions during the past fiscal year.

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Compensation of Named Executive Officers .....	71

### Excellent performance across all business lines

This past fiscal year, the Bank generated record net income of \$2 billion, driven by strong performance across all business lines, effective cost management, and a prudent approach to risk. Reflecting an acceleration of our organizational transformation, our efficiency ratio improved significantly and our operating leverage was positive. Our return on equity was over 18%, which is among the highest in the industry. During the year, we raised our dividend twice for a combined increase of 5% and returned additional capital to shareholders by carrying out Common Share repurchases. At 36.2% and 13.6% for the one- and ten-year periods ended October 31, 2017, the Bank's total shareholder return was one of the best in the industry. Lastly, the Bank met all of its medium-term objectives, even significantly exceeding its growth target for diluted earnings per share excluding specified items.

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

Results <sup>(1)</sup>	2017	2016
Total revenues on a taxable equivalent basis and excluding specified items	\$6,864M	\$6,279M
Net income excluding specified items	\$2,049M	\$1,613M
Diluted earnings per share excluding specified items	\$5.45	\$4.35
Return on common shareholders' equity excluding specified items	18.3%	15.5%
Efficiency ratio on a taxable equivalent basis and excluding specified items	55.9%	58.2%
Capital ratios under Basel III – Common Equity Tier 1 (CET1)	11.2%	10.1%
Dividends declared per common share	\$2.28	\$2.18

(1) For more detailed information, refer to page 10 of the [2017 Annual Report](#).

## Compensation of the President and Chief Executive Officer

After review, both the Board and the Human Resources Committee made no changes to the target total direct compensation of the President and Chief Executive Officer for fiscal 2017. Considering the Bank's excellent fiscal 2017 performance, which delivered a 27.0% increase in net income and a 36.2% increase in total shareholder return, the President and Chief Executive Officer was granted above-target direct compensation that represents a 13.6% increase when compared to 2016.

As a significant portion of the President and Chief Executive Officer's direct compensation is conditional on the Bank's financial and stock market performance, we are maintaining a close correlation between his compensation and total shareholder return, as shown on [page 79](#) of the Circular. In fact, the average actual value of every \$100 granted annually to Louis Vachon in the form of direct compensation over the past ten years as President and Chief Executive Officer was \$203 on December 31, 2017. By comparison, from a shareholder's viewpoint, the average value of a \$100 annual investment in Common Shares of the Bank over the same period was \$238. We are therefore satisfied that the Bank's compensation approach is conducive to creating long-term value for shareholders.

## Changes in variable compensation programs

In keeping with our goal of always seeking to better align the Bank's performance with the performance of all employee groups covered by the variable compensation programs, we make sure that program parameters are constantly evolving to incorporate measures that are adapted to our business strategy. By constantly evolving the program parameters, we better align our compensation programs with best practices and ensure compliance with the guidance of regulatory authorities.

- All of the Bank's business lines deployed considerable effort to ensure that the existing programs maximize the direct link between the organizational transformation and the variable compensation awarded.
- In 2017, we added a second metric to the formula used in calculating the annual ICP, which covers most employees. Specifically, we added a metric that captures improvements to the Bank's efficiency ratio to the existing metric, Available net income attributable to holders of Common Shares ("ANI"). In 2018, a third metric, a client experience assessment, will be added to the ICP formula.
- Changes to the mid- and long-term compensation plans were also approved in 2017. In particular, a clause was added whereby the Board may exercise discretionary power to adjust the payout value of performance share units downward and to reduce it to \$0 for awards granted as of December 2018.

To support the organizational transformation and recognize client satisfaction, a third metric was added to the annual Incentive Compensation Program (ICP) for 2018.

## **Risk management: the centrepiece of our business model and our compensation approach**

The Human Resources Committee and the Compensation Risk Oversight Working Group 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, thereby ensuring that the Bank is aligned with best practices and compliant with the guidance set out by regulatory authorities. This past fiscal year, the Human Resources Committee and the Compensation Risk Oversight Working Group paid particular attention to sales practices and to changes to compensation programs for 2018.

## **Building the future**

To meet the evolving needs of its clients, the Bank embarked on a profound transformation of its processes. Of all the changes taking place, the cultural evolution of our organization is one of the top priorities. Management and the Board believe that the transition to a workplace focused on innovation, agility and the power to act is one of the pillars of the Bank's future success. As part of its evolving mandate, the Human Resources Committee will continue to oversee transformation efforts to ensure that the quality of our human capital remains our main differentiating factor.

## **Conclusion**

The Bank appreciates receiving feedback from shareholders and regularly communicates with its investors, shareholder associations 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 achieve the right balance between earning the loyalty of talented and qualified Officers, tying compensation closely to performance, and promoting sound risk taking. For additional information about the Bank, in particular information on Executive Officer compensation, we refer you to the following pages of the Circular.

In 2017, we positioned the Bank for long-term success by focusing our investments and efforts on our organizational transformation and on business growth. We thank you for your positive response to these initiatives and for conducting business with us. We are confident that the Bank's future is in good hands and that our Executive Officers, Officers and all of our employees are committed to aligning the interests of the Bank's clients, employees and shareholders.

*(s) Jean Houde*  
Chairman of the Board of Directors

*(s) Pierre Boivin*  
Chair of the Human Resources  
Committee

## GUIDING PRINCIPLES FOR COMPENSATION

The compensation policy developed by the Bank and its Human Resources Committee is based on the four guiding principles described below.

1. Offer compensation based on the Bank's financial and stock market performance, considering different performance periods	2. Promote sound risk taking	3. Reward the contributions of Executive Officers and Officers	4. Align the vision of Executive Officers, Officers and material risk takers with that of shareholders
<ul style="list-style-type: none"> <li>Reward Executive Officers and Officers for their particular contribution to annual results and motivate them to maintain their performance over time and grow long-term shareholder value.</li> <li>Offer short-, mid- and long-term variable compensation programs, based on various complementary financial metrics.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Include specific measures to balance risk and return in order to meet regulatory and prescriptive requirements as well as to ensure the Bank's sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure competitive total compensation relative to that offered by organizations that make up the Bank's peer group.</li> <li>Ensure that total compensation reflects the level of responsibility, expertise, competence and experience.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that a significant portion of the variable compensation of Executive Officers, Officers and material risk takers is share-based.</li> <li>Ensure that Executive Officers, Officers and material risk takers meet the Bank's minimum share ownership requirements.</li> </ul>

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

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

The Bank's goal is to be a leader in Executive Officer compensation programs and in sound compensation governance practices. Below is an overview of the compensation practices that the Bank applies or does not apply.

### 1. Pay for performance

What we do 	What we do not do 
<ul style="list-style-type: none"> <li>✓ We compensate Executive Officers based on the Bank's financial and stock market performance</li> <li>✓ We assess Executive Officer performance by examining financial results, the demonstration of prudent risk management, growth in client loyalty, and level of employee engagement</li> <li>✓ We make sure that a significant proportion of compensation is conditional on performance</li> <li>✓ We offer short-, mid- and long-term variable compensation programs, based on complementary financial metrics</li> <li>✓ We cap the creation of the ICP envelope at 200% of the target applicable to most employees</li> <li>✓ We set performance criteria that are consistent with the strategic plan approved by the Board</li> <li>✓ We make sure that the variable compensation programs maximize the benefits of the organizational transformation</li> </ul>	<ul style="list-style-type: none"> <li>✗ We do not grant Executive Officers target total direct compensation that has a significant fixed compensation component (fixed compensation represents less than 25% of total direct compensation)</li> <li>✗ We do not offer variable compensation that is not proportional to the performance achieved</li> <li>✗ We do not implement compensation programs without first running simulations on various scenarios of the Bank's performance</li> </ul>

### 2. Promote sound risk taking

What we do 	What we do not do 
<ul style="list-style-type: none"> <li>✓ We ensure that the Bank maintains an appropriate and coherent balance between expected performance, prudent risk management and compensation awarded</li> <li>✓ We implement compensation policies and practices aligned with the Principles and Standards for Sound Compensation Practices published by the Financial Stability Board</li> <li>✓ We make sure that a significant portion of Executive Officer variable compensation is deferred to make them accountable for decisions that may entail greater long-term risk</li> <li>✓ We have a policy that bestows the right to cancel and claw back previously awarded variable compensation</li> <li>✓ We reduce or cancel payments to material risk takers if they fail to consider the Bank's risk tolerance limits</li> <li>✓ We maintain a capital management policy whereby annual bonus envelopes can be reduced if the Bank's minimum regulatory capital level required by the regulatory authorities is not achieved</li> <li>✓ We make sure that the compensation paid to the heads of oversight functions is structured in such a way as to ensure their independence in the exercise of their duties and that it does not depend on the performance of the business lines they oversee</li> </ul>	<ul style="list-style-type: none"> <li>✗ We do not offer compensation programs that unduly induce material risk takers to take risks that would exceed the tolerance limits defined by the Bank</li> <li>✗ We do not implement compensation programs applicable to material risk takers without having those programs first examined and approved by the Compensation Risk Oversight Working Group, which is supervised by both the Human Resources and the Risk Management committees</li> </ul>

### 3. Reward contribution

What we do 	What we do not do 
<ul style="list-style-type: none"> <li>✓ We use a peer group consisting of Canadian financial institutions to establish the value of the target total direct compensation of Executive Officers</li> <li>✓ We determine the value of the target total direct compensation by adjusting the peer group's median downward to reflect the relative size of the Bank</li> <li>✓ We make sure that the Human Resources Committee may use independent external consultants to obtain necessary information about trends and best practices on compensation policies and programs</li> <li>✓ Our benchmarking approach corresponds to best compensation practices. Furthermore, vertical pay ratios are submitted to the Human Resources Committee annually</li> <li>✓ We implement practices that ensure equitable compensation for all employees</li> </ul>	<ul style="list-style-type: none"> <li>✗ We do not identify a peer group that represents an ideal or whose profile differs from that of the Bank</li> </ul>

### 4. Align vision with that of shareholders

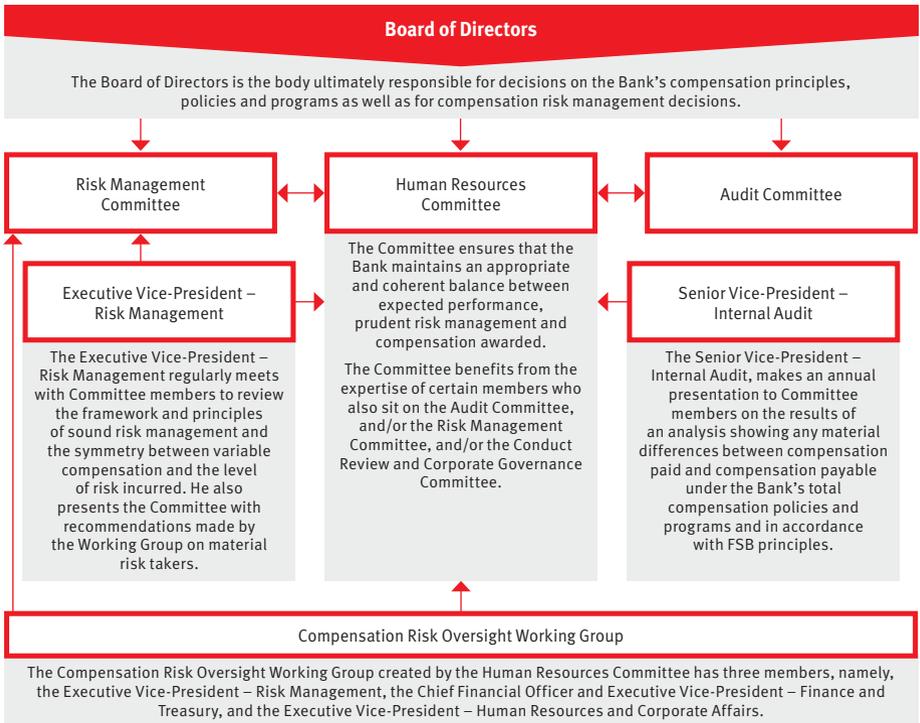
What we do 	What we do not do 
<ul style="list-style-type: none"> <li>✓ We apply share ownership guidelines that align the interests of Executive Officers, Officers and material risk takers with the Bank's long-term performance</li> <li>✓ We offer Executive Officers and Officers the possibility of receiving up to 30% of their long-term variable compensation in the form of DSUs, redeemable only upon retirement or termination of employment, thus strengthening the alignment between their individual interests and shareholder interests</li> <li>✓ We invite shareholders to participate in an advisory vote on the Board's approach to Executive Officer compensation ("say on pay")</li> <li>✓ We implemented a process for collecting and handling questions, comments and suggestions from shareholders or shareholder associations</li> <li>✓ We communicate regularly with institutional investors, proxy voting consultants and corporate governance advocacy groups on issues raised by them</li> <li>✓ We implemented several measures that ensure sound management of the Stock Option Plan</li> </ul>	<ul style="list-style-type: none"> <li>✗ We do not permit Executive Officers to take gains from exercised stock options without keeping Common Shares of the Bank of a value equal to such gains, until the applicable share ownership requirements are met</li> <li>✗ We do not allow employees to hedge their equity-based compensation</li> <li>✗ We do not grant stock options at a price below the price of the Bank's Common Shares on the Toronto Stock Exchange, and we do not permit the price of existing stock options to be reduced</li> </ul>

## COMPENSATION GOVERNANCE

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. This means striking a healthy balance between risk and return.

In the normal course of business, the Bank is primarily exposed to credit, market, liquidity, financing, operational, regulatory non-compliance, reputational, strategic 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 Human Resources Committee fulfills this significant role with the support of various stakeholders, including the Compensation Risk Oversight Working Group. The Committee also ensures that the Bank complies with the principles of the Financial Stability Board. The figure below depicts the compensation risk management framework:



## Human Resources Committee

With respect to compensation governance, the role of the Committee is to:

- review the various components of total compensation, either when policies and programs are being developed or when they are being applied, while ensuring compliance with compensation governance principles;
- recommend that the Board approve new compensation programs or material changes to existing programs;
- ensure that the Bank's compensation policies and programs comply with in-force regulations and standards;
- verify that the Bank complies with the Guideline on Corporate Governance released by OSFI and with the Principles and Standards for Sound Compensation Practices issued by the FSB, the implementation of which are monitored by OSFI in Canada;
- consider expectations of other governance organizations;
- ensure that the Bank's compensation policies and programs promote sound risk management and closely tie compensation paid to the Bank's financial performance and total shareholder return; and
- exercise its discretion, as it deems necessary, to adjust the annual variable compensation envelopes.

### Competencies of Committee Members

All Committee members have human resources, compensation, and risk management competencies. These competencies were gained from the experience they acquired in current or former positions, in particular in their capacities as chief executive officers or senior officers at other major corporations or as members of boards of directors or through their educational background. Below is an overview of these competencies:

- Human resources and compensation: knowledge and experience with managing compensation programs, pension plans, and employee benefits programs, and understanding of principles and practices related to human resources
- Risk management: knowledge and experience in risk management, risk assessment and risk communication
- Leadership: experience in a senior position in a major company or institution

The following table outlines the experience and competencies of each Committee member.

	Maryse Bertrand	Pierre Blouin	Pierre Boivin (Chair)	Gillian H. Denham	Rebecca McKillican
<b>Competencies and experience</b>					
Human resources and compensation	✓	✓	✓	✓	✓
Leadership	✓	✓	✓	✓	✓
Risk management	✓	✓	✓	✓	✓

Pierre Boivin, Maryse Bertrand and Pierre Blouin serve on some of the Bank's other Board committees, which helps the Committee make more informed decisions on the alignment of compensation policies and practices within the Bank. The Bank also benefits from Pierre Blouin's and Pierre Boivin's experience as members or chairs of human resources committees in other businesses and institutions.

The Committee members benefit from continuing education programs designed to meet their needs regarding prudent risk management. At its discretion, the Committee may also call on the expertise of various sectors within the Bank, such as Total Compensation, Finance, Internal Audit, and Risk Management, which work together to design and review compensation programs. Each year, the Human Resources Committee receives a letter signed by three Officers tasked with overseeing the variable compensation programs and the financial results used to calculate the bonus envelopes for Executive Officers, Officers, Financial Markets specialists, and all other Bank employees.

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

For additional information, refer to [Section 3](#) of the Circular, which presents the biographies of the directors who are members of the Committee, and to the “[Human Resources Committee](#)” section in [Section 6](#) of the Circular for information about the Committee and its activities this past fiscal year.

### **Compensation Risk Oversight Working Group**

The Compensation Risk Oversight Working Group created by the Human Resources Committee has three members, namely, 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. As part of its mandate, this Working Group:

- reviews the Bank’s policies and key variable compensation programs at the design, review and implementation stages to ensure that they are consistent with the Bank’s risk management framework;
- ensures that the Bank’s compensation policies, programs and practices are conducive to its business objectives without compromising its viability, solvency or reputation;
- ensures that the compensation programs and policies support the Bank’s corporate values and standards of ethical conduct and are applied so as to provide an appropriate framework for sales practices;
- verifies that the Bank’s compensation policies, programs and practices comply with applicable standards and regulations;
- reviews the annual objectives and performance targets of the main variable compensation programs to ensure they are consistent with the Bank’s risk management framework;
- assesses the levels of the various risks incurred during the year by the Bank’s material risk takers and, if deemed necessary, advises the Human Resources Committee to adjust the annual bonus envelopes downward;
- assesses the levels of the various risks incurred during the performance periods applicable to deferred variable compensation and, if deemed necessary, advises the Human Resources Committee to adjust payments downward;
- assesses whether circumstances warrant a clawing back of variable compensation; and
- annually reviews the criteria used to define material risk takers.

## Monitoring implementation of compensation policies and programs

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

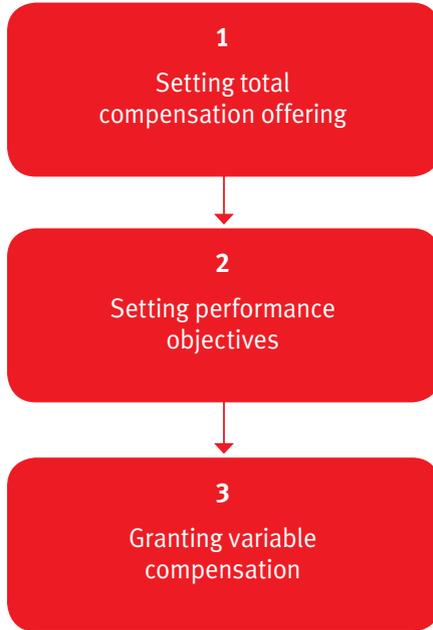
Additional measures are taken to balance risks and return, to adequately satisfy regulatory and prescriptive requirements, and to ensure the Bank's sustainability. More specifically, the various programs for Executive Officers, Officers and material risk takers provide for the following controls:

- a policy prohibiting Officers and employees from purchasing financial instruments, particularly prepaid variable forward agreements, equity swaps, collars, or units of exchange-traded funds designed to hedge or offset a decrease in market value of equity securities granted as compensation or held directly or indirectly by the Officer or employee;
- 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 entitling 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 in specific circumstances, i.e., when any of the following scenarios arises:
  - an employee has engaged in dishonest actions or unethical behaviour in the course of his/her employment;
  - an employee has 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 materially restated and reissued and employee compensation is based on those results.

In addition, each year, Internal Audit submits to the Compensation Risk Oversight Working Group and the Human Resources Committee the results of its 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. Furthermore, the Internal Audit oversight function's analysis aims to detect any material differences between compensation paid and compensation payable under the Bank's total compensation policies and programs.

## COMPENSATION DECISION-MAKING

A rigorous process is used to determine the compensation of the President and Chief Executive Officer, Executive Officers, and Officers. The process is broken down into the major steps described below.



The Human Resources sector and Human Resources Committee set the total compensation offering, ensure that performance and variable compensation are well-aligned, and ensure that the compensation practices satisfy the previously discussed principles of sound governance.

## 1. Setting the total compensation offering

The Bank's compensation offering is made up of direct compensation components, such as base salary and variable compensation programs, as well as indirect compensation components such as employee benefits that support the well-being of all employees and of their families.

The table below presents the components of the total compensation programs as well as their respective features, risk/financial performance relationships and time horizons. A summary of the variable compensation programs is provided under "[Compensation of Named Executive Officers](#)" in this section of the Circular.

	Components (time horizon)	What are the main features?	Why do we offer this component?	How do we determine the value of this component?	What is the risk/financial performance relationship?
<b>Fixed compensation</b>	Base salary (ongoing)	Fixed compensation component, payable in cash. Revised annually and adjusted as necessary	Rewards level of responsibility, expertise, competence and experience	Based on extent of responsibilities, peer group practices, experience and individual performance	–
<b>Variable compensation (at-risk)</b>	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 start of the fiscal year
	Mid-term (3 years)	Variable compensation component granted in PSUs or RSUs	Rewards the creation of sustainable value for shareholders	Based on extent of responsibilities, 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 Officers, relative total shareholder return
	Long-term (10 years)	Variable compensation component awarded in the form of stock options with a four-year vesting period, at 25% a year, and expiring after 10 years	Rewards sustained long-term growth in Common Share price	Based on extent of responsibilities, peer group practices and individual performance. Expressed as a % of base salary	Value at maturity is at-risk as it depends on the increase in Common Share price over a maximum 10-year period
<b>Indirect compensation</b>	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	Based on peer group practices and the Bank's employer/employee cost allocation policy	–
		Vehicle, parking and financial or tax 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	–

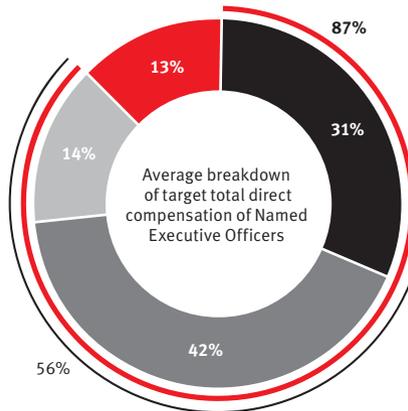
### Ensuring that variable compensation is closely tied to financial performance

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

Variable compensation represents a significant portion of Executive Officer compensation. It includes the annual bonus, which value-at-creation ranges from 0% to 200% of the target bonus, and 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 contingent on the future value or future appreciation of the Bank's Common Share. This variable compensation is considered at-risk and represents a significant portion of target total direct compensation: 87% on average for Named Executive Officers.

The following graph shows the average breakdown, as a percentage, of the target total direct compensation of the Named Executive Officers, notably the mid- and long-term components.



- Base salary
- Short-term compensation
- Mid-term compensation
- Long-term compensation
- Total variable compensation (at-risk compensation)
- Total deferred compensation

The variable compensation programs are designed to reward Executive Officers and Officers for their specific contributions to annual results, to motivate them to maintain their performance over time, and to grow long-term shareholder value.

## Establishing the compensation policy

The compensation policy for Executive Officers aims to position their target total compensation at the peer group median (the 50<sup>th</sup> percentile) when results meet expectations. Moreover, the target total compensation of the peer group is adjusted downward to reflect the Bank's specific characteristics, notably its relative size. The peer group used to establish the compensation value varies according to the Bank's business lines. For Executive Officers, the peer group for 2017 is unchanged from the one used in 2016. It consists of the following companies:

Selection criteria		Peer group
Head office location	Canada	
Industry	Banks with diversified operations and other financial institutions	
Characteristics	Serve a comparable clientele Attract a similar employee profile Have a large number of shareholders	
		<ul style="list-style-type: none"> <li>– Bank of Montreal</li> <li>– Canadian Imperial Bank of Commerce</li> <li>– Great-West Lifeco Inc.</li> <li>– Industrial Alliance Insurance and Financial Services Inc.</li> <li>– Manulife Financial Corporation</li> <li>– Power Financial Corporation</li> <li>– Royal Bank of Canada</li> <li>– Sun Life Financial Inc.</li> <li>– The Bank of Nova Scotia</li> <li>– The Toronto-Dominion Bank</li> </ul>

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

Members of the peer group	Revenues (\$M)	Net income attributable to holders of Common Shares (\$M)	Net income / revenue ratio	Market capitalization (\$M)	Number of employees (thousands)
Bank of Montreal <sup>(1)</sup>	20,722	5,164	25%	63,963	45.2
Canadian Imperial Bank of Commerce <sup>(1)</sup>	16,280	4,647	29%	49,888	44.9
Great-West Lifeco Inc. <sup>(2)</sup>	11,706	2,641	23%	34,936	24.3
Industrial Alliance Insurance and Financial Services Inc. <sup>(2)</sup>	3,183	537	17%	5,670	5.4
Manulife Financial Corporation <sup>(2)</sup>	19,203	2,796	15%	47,222	35.0
Power Financial Corporation <sup>(2)</sup>	14,447	1,919	13%	23,938	26.9
Royal Bank of Canada <sup>(1)</sup>	37,616	11,128	30%	146,554	78.2
Sun Life Financial Inc. <sup>(2)</sup>	12,165	2,485	20%	31,631	32.9
The Bank of Nova Scotia <sup>(1)</sup>	27,155	7,876	29%	87,065	88.6
The Toronto-Dominion Bank <sup>(1)</sup>	33,903	10,203	30%	134,915	82.6
<b>National Bank of Canada <sup>(1)</sup></b>	<b>6,609</b>	<b>1,855</b>	<b>28%</b>	<b>16,186</b>	<b>20.6</b>

(1) The information is as at October 31, 2017.

(2) The information is as at December 31, 2016.

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

The Bank's compensation policy, which covers most other functions, also aims at positioning the target total direct compensation of employees at the peer group median (the 50<sup>th</sup> percentile) when results meet expectations. To achieve this, market studies conducted by external consultants are used. 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 countries where the Bank provides its services.

### **Independent external consultants**

The Human Resources Committee has the power to retain, when it deems appropriate, the services of independent external consultants to assist in performing its duties and provide it with 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 sound governance practices, the Human Resources Committee sets guidelines for awarding mandates to external consultants. These guidelines notably require external consultants to be independent from Executive Officers. They also enable the Committee to select the external consultant it considers the most qualified to carry out the mandates.

All contracts awarded for Executive Officer compensation work is approved in writing by the Chair of the Human Resources Committee, provided that such work does not compromise the independence of the external consultant.

At the start of the fiscal year, the Human Resources Committee members also review the performance and independence of the external consultants and approve the planned mandates to be awarded by the Bank's management during the fiscal year. When their services are retained, external consultants are informed of these guidelines and must undertake to follow them.

### **Hay Group:**

- has been advising the Human Resources Committee on Executive Officer compensation matters for many years;
- confirmed, this past fiscal year, that the target total direct compensation (base salary and variable compensation) of the positions held by Executive Officers as well as the heads of the oversight functions is competitive 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;
- presented to the Human Resources Committee the market positioning of Executive Officer compensation as well as market trends and developments in executive compensation, governance and regulation;
- helped the Human Resources Committee review the composition of the peer group, which remains appropriate; and
- conducted the compensation surveys, in which the Bank participates each year, on market practices and compensation levels for Officers and management positions.

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

Independent external consultants	Fiscal 2017			Fiscal 2016		
	Executive compensation – Related fees	Other fees	Total	Executive compensation – Related fees	Other fees	Total
Hay Group	\$123,909 51%	\$118,759 <sup>(1)</sup> 49%	\$242,667 100%	\$114,809 61%	\$74,738 <sup>(1)</sup> 39%	\$189,547 100%

(1) Total costs related to the Bank's participation in compensation surveys for employees who are not Officers as well as the costs related to a project to review the job evaluation system completed in 2017.

## 2. Setting performance objectives

At the beginning of each fiscal year, and in line with the Bank's business plan, the Human Resources Committee sets—and the Board approves—the performance objectives of the President and Chief Executive Officer. These objectives support the financial and non-financial indicators used to balance the interests of the Bank's various stakeholders: shareholders, employees, clients and the community. The President and Chief Executive Officer sets objectives for each Executive Officer based on the same categories that apply to him and considering their individual roles and responsibilities. These objectives are also aligned with the business plan, which is approved by the Board.

The Bank is constantly developing its approach to performance management to ensure that it is continuous and remains aligned with the organizational transformation and best market practices.

To this end, the Bank's Executive Officers are expected to be continually engaged in discussions with the Board, to keep it informed on the changes and the performance of their segments as well as the strategic initiatives they oversee.

## 3. Granting variable compensation

### Creation of envelopes

The creation of short-, mid- and long-term variable compensation envelopes is based on a pre-set target compensation level for each Executive Officer.

With respect to short-term variable compensation, the envelopes created depend on the degree to which the Bank has achieved its annual financial objectives. They are established based on the following parameters:



For fiscal 2017, two metrics were used to determine the Bank's performance factor.

Characteristics	Performance metrics	
	Available net income attributable to holders of Common Shares ("ANI")	Efficiency ratio
Description	Net income less dividends on preferred shares and the non-controlling interest amount.	Ratio that expresses non-interest expenses as a percentage of total revenue and measures the efficiency of the Bank's operations.
Weighting	85%	15%
Envelope creation	0% - 200%	
Board discretionary power	The Board has discretionary power to adjust variable compensation envelopes upward or downward as it deems necessary. Such adjustments would be necessary if the result of the bonus formula did not reflect all relevant factors, such as performance, risks, or any unforeseen situation during the year.	

To support the organizational transformation and recognize client satisfaction, the Human Resources Committee approved, in addition to the efficiency ratio metric adopted in 2017, the inclusion of a third metric for 2018: the client experience metric. The creation of the bonus envelope is now based on three metrics that are clearly aligned with our strategic priorities, i.e., to reach a high level of profitability, efficiency and client satisfaction.

### 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 material risk takers from all other sectors of the Bank, as required by the FSB and OSFI. Like other major Canadian banks, the Bank provides the Human Resources Committee with discretionary power to adjust, as it deems necessary, the annual variable compensation envelopes downward. In order to better support primarily judgment-based decisions, the Compensation Risk Oversight Working Group uses a scoring grid, jointly developed by the Internal Audit, Risk Management, and Compliance sectors, that flags the main potential sources of significant risk, both internal (related to decision making) and external (related to business conditions). The assessment takes into account credit, market, liquidity, financing, operational, regulatory non-compliance, reputational, strategic and environmental risks.

In addition, a mechanism provides for referring to the Basel III Accord guidelines to reduce the size of annual bonus envelopes if the Bank does not meet the minimum regulatory capital required by regulatory authorities. These guidelines dictate the elements to be reduced (share redemptions, dividends and annual bonuses) and the weightings of such reductions; The mechanism applies to all short-term variable compensation programs and to the programs offered to Executive Officers, Officers, and all other employees of the Bank and its subsidiaries.

### Assessing performance and approving awards

Following the creation of these envelopes, the final step in the award process consists of an individual and sectoral performance evaluation of the Executive Officers against the objectives set out at the beginning of the fiscal year. After considering the recommendations made by the Human Resources Committee and the President and Chief Executive Officer for the other Named Executive Officers, the Board approves the annual short-, mid- and long-term variable compensation awards. The fiscal 2017 awards approved for each Named Executive Officer are presented on [pages 77 to 83](#) of the Circular.

## COMPENSATION OF NAMED EXECUTIVE OFFICERS

This section presents information on the compensation awarded to Named Executive Officers for the fiscal year ended October 31, 2017.

### Named Executive Officers

#### Louis Vachon

President and Chief Executive Officer

#### Ghislain Parent

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

#### Ricardo Pascoe

Chief Transformation Officer and Executive Vice-President

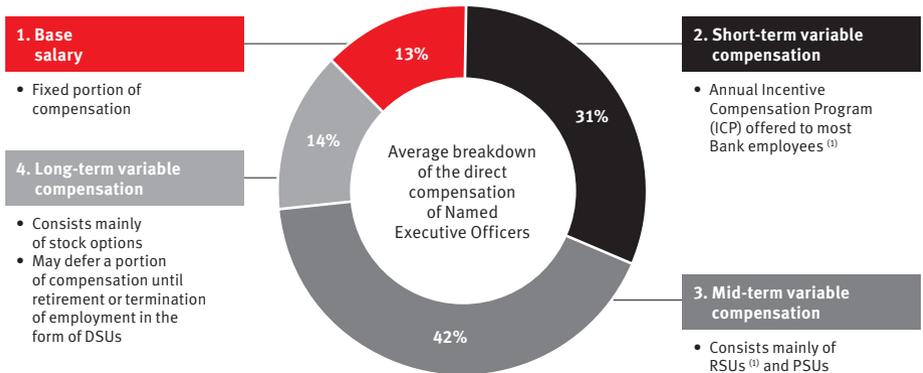
#### Denis Girouard

Executive Vice-President – Financial Markets

#### Diane Giard

Executive Vice-President – Personal-Commercial Banking and Marketing

## Components of target total direct compensation



	2017 Target total direct compensation				2017 Compensation granted	2016 Compensation granted	
Louis Vachon	14.3%	21.4%	42.9%	21.4%	\$7,875,000	\$8,600,641	\$7,571,294
Ghislain Parent	20.4%	26.5%	32.7%	20.4%	\$2,205,000	\$2,425,757	\$1,728,027
Ricardo Pascoe	7.2%	36.7%	48.9%	7.2%	\$6,255,000	\$7,241,875	\$6,264,727
Denis Girouard <sup>(1)</sup>	7.2%	37.1%	48.5%	7.2%	\$6,250,000	\$6,724,153	\$7,376,693
Diane Giard	15.7%	33.1%	35.4%	15.7%	\$3,016,250	\$3,445,318	\$2,836,720

■ Base salary ■ Short-term compensation ■ Mid-term compensation ■ Long-term compensation

(1) A portion of the annual bonus offered to Denis Girouard is based on the results in his business segment. However, a significant portion of his annual bonus is deferred over a three-year period in the form of RSUs.

## 1. BASE SALARY

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

### Features / reasons for payment

- Constitutes the fixed portion of total compensation
- Established by taking into account the responsibility level of the position and the total compensation value to ensure an appropriate balance between fixed and variable compensation
- Compared annually to the median salary of the Bank's peer group taking into account the relative size of the Bank and the differences between the responsibilities associated with the Bank's positions and those of comparable peer group positions

## 2. SHORT-TERM VARIABLE COMPENSATION

In accordance with the Bank's compensation policies, the purpose of short-term variable compensation is to recognize annual financial performance. The individual annual bonus granted takes into account the prudence demonstrated in risk management. A portion of this bonus may be deferred to reflect the risk horizons involved.

### ANNUAL INCENTIVE COMPENSATION PROGRAM (ICP)

Features / reasons for payment	<ul style="list-style-type: none"> <li>• For Executive Officers and most Officers and employees, the ICP is designed to:               <ul style="list-style-type: none"> <li>– Strengthen the value of cooperation among all sectors</li> <li>– Encourage employees to:                   <ul style="list-style-type: none"> <li>› generate sustained and growing earnings, year after year</li> <li>› accelerate the organizational transformation</li> </ul> </li> <li>– Share part of that success with employees</li> <li>– Recognize and reward employees whose performance exceeds expectations</li> </ul> </li> </ul>
Financial indicators	<ul style="list-style-type: none"> <li>• Growth in net income attributable to holders of Common Shares</li> <li>• Improvement to the efficiency ratio</li> </ul>
Grant	<ul style="list-style-type: none"> <li>• Individual bonuses are awarded based on:               <ul style="list-style-type: none"> <li>– the extent to which the Bank meets its financial objectives</li> <li>– position level</li> <li>– individual results attained</li> <li>– an assessment of leadership behaviour and adherence to the Bank's values</li> <li>– compliance with the Bank's risk appetite in achieving results</li> </ul> </li> </ul>
Payment	<ul style="list-style-type: none"> <li>• Bonuses are paid annually in cash and reflect performance metric results as well as grant criteria. Envelope creation can range between 0% and 200%</li> <li>• The Board has discretionary power to adjust variable compensation envelopes upward or downward as it deems necessary. Such adjustments would be necessary if the result of the bonus formula did not reflect all relevant factors, such as performance, risks, or any unforeseen situation during the year.</li> <li>• The Compensation Risk Oversight Working Group reviews the levels of the various risks incurred during the year and, if deemed necessary, advises the Human Resources Committee to adjust the annual bonus envelopes downward.</li> </ul>
Clawback of variable compensation	<ul style="list-style-type: none"> <li>• In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in specific circumstances.</li> </ul>

### Calculating the short-term compensation (ICP) performance factor for fiscal 2017

Historically, the only metric used in calculating the ICP formula was available net income attributable to holders of Common Shares. In 2016, the Board approved an additional metric to the formula for fiscal 2017, i.e., the efficiency ratio. This metric is described on [page 70](#).

As shown in the table below, the results obtained for compensation purposes largely exceeded the targets set for 2017.

- **Available net income attributable to holders of Common Shares (ANI):** The target set for 2017 was a 6.2% increase over 2016 results. At \$1,862 million, the 2017 result falls between the 2017 target (\$1,748 million) and the top of the established range (\$2,098 million) and represents a 13.1% increase over 2016 (\$1,646 million).
- **Efficiency ratio:** The 2017 target ratio represents a 0.8% improvement from 2016 results. At 55.9%, the 2017 efficiency ratio largely exceeds the target and is at the top of the established range (55.9%). It represents an improvement of -2.3% compared to 2016 (58.2%).

The table below shows the weighting of each metric, the predetermined targets, and the results obtained against those targets.

Performance metric	Weighting	Target	Result for compensation purposes	Performance factor (weighting at 100%)
Available net income attributable to holders of Common Shares	85%	\$1,748M	\$1,862M <sup>(1)</sup>	133%
Efficiency ratio	15%	57.4%	55.9%	200%

- (1) In fiscal year 2017, the Bank reported available net income attributable to holders of Common Shares of \$1,855 million. However, for purposes of the annual bonus program, the Board approved a Human Resources Committee recommendation to exclude all specified items (mainly related to previous acquisitions), which resulted in a \$25 million, net of tax, upward adjustment to net income as well as a recommendation to exclude credit losses in the oil and gas sector, which were applied against the sectoral provision recorded in 2016, resulting in an \$18 million, net of tax, downward adjustment to net income. As a result, the final available net income attributable to holders of Common Shares used for compensation purposes was \$1,862 million.

For fiscal 2017, the Human Resources Committee approved the creation of annual bonus envelopes at 143% for all employees and Officers to whom the ICP formula applies.

Available net income attributable to holders of Common Shares  85% x 133%	+	Efficiency ratio  15% x 200%	=	Performance factor  143%
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No further adjustments were made as a result of the Board's use of its discretionary authority.

The approved fiscal 2017 annual bonuses for each Named Executive Officer are presented on [pages 77 to 83](#) of the Circular.

### 3. MID-TERM VARIABLE COMPENSATION

In accordance with the objectives of the Bank's 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 on a three-year horizon.

	Performance Share Units (PSUs)	Restricted Share Units (RSUs)								
Features / reasons for payment	<ul style="list-style-type: none"> <li>Designed to tie a portion of the value of compensation to the future value of the Bank's Common Shares and to the Bank's performance relative to its peers</li> </ul>	<ul style="list-style-type: none"> <li>Designed to tie a portion of the value of certain Officers' compensation to the future value of the Bank's Common Shares</li> </ul>								
Financial indicator	<ul style="list-style-type: none"> <li>Growth in the price of the Bank's Common Shares</li> <li>Growth in the Bank's TSR compared to growth in the S&amp;P/TSX Banks adjusted Sub-Index<sup>(1)</sup> (the "Relative TSR")</li> </ul>	<ul style="list-style-type: none"> <li>Growth in the price of the Bank's Common Shares</li> </ul>								
Grant	<ul style="list-style-type: none"> <li>The value granted to each Executive Officer is generally based on a pre-set target compensation level. However, the Bank also considers the Officer's consistent contribution over time, leadership potential and individual performance at the time of the award. Ultimately, the Human Resources Committee also has discretionary power over the value of annual awards</li> <li>The number of PSUs and RSUs granted is based on the average closing price of the Bank's shares over the 10 days preceding the sixth business day in December, as published by the Toronto Stock Exchange</li> <li>Additional PSUs and RSUs are credited to the participant's account in an amount proportional to the dividends paid on the Bank's Common Shares</li> </ul>									
Vesting	<ul style="list-style-type: none"> <li>After three years</li> </ul>	<ul style="list-style-type: none"> <li>There are two possible types of vesting for RSUs: Full vesting after three years and vesting in equal portions spread over three years</li> </ul>								
Payment <sup>(2)</sup>	<ul style="list-style-type: none"> <li>At vesting, the cash payment is equal to the number of PSUs vested, multiplied by the average closing price of the Bank's shares on the Toronto Stock Exchange for the 10 days preceding the sixth business day in December, and then adjusted upward or downward depending on relative TSR</li> </ul> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <math display="block">\frac{\text{Bank's TSR growth index over 3 years}}{\text{S\&amp;P/TSX Bank's adjusted TSR over 3 years}}</math> </div> <ul style="list-style-type: none"> <li>The adjustment to the payable value, based on the relative TSR, is established in a linear manner within the following limits:</li> </ul> <table border="1" style="margin: 10px 0;"> <thead> <tr> <th>Relative TSR result</th> <th>Adjustment range of payable value</th> </tr> </thead> <tbody> <tr> <td>≥ 1.25</td> <td>125%</td> </tr> <tr> <td>= 1.00</td> <td>100%</td> </tr> <tr> <td>≤ 0.75</td> <td>75%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Starting with the 2018 grants, the Board has discretionary power to adjust the amount to be paid out downward to as low as 0% if it considers that a significant event has occurred during the performance period that had an impact on the financial performance of the Bank or its peers</li> </ul>	Relative TSR result	Adjustment range of payable value	≥ 1.25	125%	= 1.00	100%	≤ 0.75	75%	<ul style="list-style-type: none"> <li>At vesting, the cash payment is equal to the number of RSUs vested, multiplied by the average closing price of the Bank's shares on the Toronto Stock Exchange for the 10 days preceding the sixth business day in December</li> </ul>
Relative TSR result	Adjustment range of payable value									
≥ 1.25	125%									
= 1.00	100%									
≤ 0.75	75%									
Clawback of variable compensation	<ul style="list-style-type: none"> <li>In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in specific circumstances</li> </ul>									

(1) Adjusted to exclude Genworth MI Canada, Home Capital Group and the Bank.

(2) The PSUs granted in 2014 and vested in 2017 by Executive Officers showed a relative TSR slightly below that of the S&P/TSX Banks Sub-Index. Consequently, a PSU payment of 97.7% was awarded to plan participants.

## 4. LONG-TERM VARIABLE COMPENSATION

In accordance with the objectives of the Bank's 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 on a long-term horizon, i.e., 10 years for stock options and up to retirement or departure for DSUs.

	Stock options	Deferred Share Units (DSUs)
Features / reasons for payment	<ul style="list-style-type: none"> <li>Designed to retain Executive Officers and eligible Officers and to encourage them to contribute to the Bank's success and to work towards growing the value of the investment of holders of Common Shares</li> <li>Each option entitles the participant 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</li> <li>The price of stock options already granted cannot be lowered, under any circumstances, to reflect changes in the price of the Bank's Common Shares, so that Executive Officers and Officers can only benefit from the stock options granted to them provided the Bank's Common Share price increases steadily over the long term</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>DSUs cannot be cashed as long as the participant is employed by the Bank</li> </ul>
Financial indicator	Growth in the price of the Bank's Common Shares	
Grant	<ul style="list-style-type: none"> <li>Each year, when granting stock options, the Human Resources Committee considers the number and term of previously granted stock options</li> <li>The number of stock options granted is based on: <div style="border: 1px solid black; padding: 10px; text-align: center; margin: 10px 0;"> <math display="block">\frac{\text{the dollar value of the grant}}{\text{the value determined using the Black-Scholes model}}</math> </div> </li> <li>Since the Stock Option Plan was adopted, the Bank has made only one grant per fiscal year, on a specific date (in December), regardless of any hire or appointment of Executive Officers and Officers during the fiscal year. This annual grant date has never been amended retroactively</li> </ul>	<ul style="list-style-type: none"> <li>Executive Officers and Officers may elect to receive up to 30% of their long-term compensation in the form of DSUs</li> <li>The number of DSUs granted is based on: <div style="border: 1px solid black; padding: 10px; text-align: center; margin: 10px 0;"> <math display="block">\frac{\text{the dollar value of the grant}}{\text{the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant}}</math> </div> </li> <li>Additional DSUs are credited to the account of the Executive Officer and the Officer in an amount proportional to the dividends paid on the Common Shares</li> </ul>
Vesting	25% per year, over a four-year period	

	Stock options	Deferred Share Units (DSUs)
Payment	<ul style="list-style-type: none"> <li>• No stock options may be exercised in the first year after the grant date</li> <li>• Vested stock options may be exercised: <ul style="list-style-type: none"> <li>– only during quarterly transaction periods, as established by the Bank’s Legal Affairs department, following the release of the financial statements</li> <li>– only by a participant or his or her estate (stock 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 participant’s death)</li> <li>– in whole or in part before the expiration date set by the Human Resources Committee at the time the stock options are granted; however, where the expiration date falls within or immediately after a black-out period, the expiration date of the stock 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</li> </ul> </li> <li>• Each Executive Officer must keep at all times, after the exercise of stock options, Common Shares of the Bank with a value equal to the gain resulting from the exercise of vested stock options, until the share ownership requirements applicable to that individual have been met</li> <li>• For information on the treatment of stock options according to the reason for departure, please refer to the table “<a href="#">Conditions applicable in the event of termination of employment</a>” in the Circular</li> </ul>	<ul style="list-style-type: none"> <li>• DSUs may be redeemed only upon termination of employment or retirement of the Executive Officer or Officer</li> <li>• A participant may redeem vested DSUs by filing redemption notices during a fixed period after termination of employment</li> </ul>
Clawback of variable compensation	<ul style="list-style-type: none"> <li>• In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in specific circumstances</li> </ul>	

## LOUIS VACHON

## CAREER PROFILE



President and  
Chief Executive  
Officer

Louis Vachon has been President and Chief Executive Officer of the Bank since June 2007. He is responsible for the strategies, orientations and development of the Bank and its subsidiaries. He is supported in this role by the Executive Officers who, with him, make up the Office of the President.

At the time of his appointment, Louis Vachon was Chief Operating Officer, a position he had held since 2006. From 2004 to 2006, he served as Chairman of the board of directors of Natcan Investment Management Inc. and, from 2005 to 2006, as Chairman of the board and President and Chief Executive Officer of NBF. Louis Vachon began his career in 1985 at Citibank and joined Lévesque Beaubien Geoffrion in 1986. From 1990 to 1996, he worked for Bankers Trust, where he was ultimately appointed President and Chief Executive Officer of the Canadian subsidiary, BT Bank of Canada. Louis Vachon rejoined the Bank in 1996, first as President and Chief Executive Officer of Innocap Investment Management and then, in 1998, he was named Senior Vice-President – Treasury and Financial Markets of the Bank. Louis Vachon serves on the board of directors of Molson Coors Brewing Company. He is involved with a number of social and cultural organizations.

Louis Vachon holds a Master's degree in International Finance from The Fletcher School (Tufts University). He has a Bachelor's degree in Economics from Bates College and is a Chartered Financial Analyst (CFA<sup>TM</sup>). Louis Vachon is a Member of the Order of Canada and recipient of the Global Citizen Award from the United Nations Association in Canada. He has also been awarded honorary doctorates by the University of Ottawa, Bishop's University and Ryerson University. Louis Vachon was appointed Lieutenant-Colonel (H) of Les Fusiliers Mont-Royal. He was named Canada's CEO of the Year 2014 by *Canadian Business* magazine as well as Financial Personality of the Year 2014 by Quebec business publication *Finance et Investissement*, a title he also received in 2012. He was recognized by the Portage Foundation as its Grand Philanthrope for 2014. Mr. Vachon was, moreover, one of Canada's Top 40 Under 40 in 2001.

## 2017 performance indicators and results

The Human Resources Committee evaluated Louis Vachon's 2017 performance by examining the Bank's results against its short-, medium- and long-term objectives, risk management as well as the strategic, organizational and operational priorities conducive to creating sustainable value for shareholders. The following table shows all of the results examined as part of his evaluation.

Performance indicators	Result obtained	Achievements
<b>Shareholder-related</b>		
Net earnings per share growth of at least 5% (excluding specified items)	25%	Through strong execution in fiscal 2017, the Bank achieved solid operating performance and record profitability. Its share price reached new highs, and it delivered industry-leading returns for its shareholders.
Revenue growth of at least 5% (excluding specified items)	9%	The Bank generated record net income of \$2 billion, driven by strong performance across all business lines, effective cost management, and a prudent approach to risk. Reflecting the acceleration of its organizational transformation, the efficiency ratio improved significantly and operating leverage was positive. While delivering these excellent results, the Bank continued to position itself for long-term success by focusing its investments and efforts on its organizational transformation and business growth.
Return on equity of over 15% (excluding specified items)	18.3%	
Efficiency ratio at 57.4% (on a taxable equivalent basis and excluding specified items)	55.9%	During the year, the Bank raised its dividend twice for a combined increase of 5% and returned additional capital to shareholders by resuming Common Share repurchases. The Bank also delivered industry-leading total shareholder returns of 36.2% and 13.6% over the one- and ten-year periods ended October 31, 2017.
CET1 capital ratio greater than 10%	11.2%	An important milestone in our fiscal 2017 performance was the strengthening of our Basel III Common Equity Tier 1 (CET1) ratio, which reached 11.2% as a result of disciplined capital management.
<b>Employee-related</b>		
Employee mobilization and engagement during the transformation arising from the <i>One client, one bank</i> approach	✓	As again demonstrated in the most recent organizational survey, adherence to the <i>One client, one bank</i> approach has clearly spread throughout the entire organization. The engagement index remains high, as does the commitment to the organizational transformation.  In 2017, the Bank continued to significantly transform the way it operates. It invested in digital technologies, implemented new internal processes, and drove a culture change throughout the Bank. The Bank is focusing its effort on building a high-performance and change-capable organization that values agility, innovation and collaboration.  Its employees can be assured that, of all the changes taking place at the Bank, the cultural evolution of our organization is senior management's top priority. The quality of people is the main differentiating factor in the industry.

## 2017 performance indicators and results (cont.)

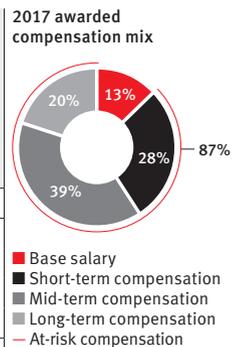
Performance indicators	Result obtained	Achievements
<b>Client-related</b>		
Continue deploying the strategy based on the <i>One client, one bank</i> approach	✓	<p>In a rapidly changing environment, many initiatives were undertaken in 2017 to ensure that the Bank remains the financial partner of choice for clients seeking to realize their ideas.</p> <ul style="list-style-type: none"> <li>• New branch concepts where advice to clients and technology converge</li> <li>• Leading-edge digital and mobile banking services</li> <li>• Redesigned website (nbc.ca)</li> <li>• New NBC mobile application for businesses, including remote depositing features</li> <li>• Interac transfers for businesses</li> <li>• Deployment of new ATMs in all branches</li> <li>• Numerous meetings with clients and members of the business community</li> </ul> <p>Emerging technologies are also offering new ways of engaging with clients to build and strengthen relationships. By adopting these new tools, the Bank is aiming to strike the right balance between technological innovation and a human touch.</p>
<b>Community-related</b>		
Active participation in community associations and causes	✓	<p>In 2017, the Bank actively participated in community associations and causes:</p> <ul style="list-style-type: none"> <li>• Millions of dollars were distributed to the community through donations, sponsorships and fundraising initiatives. Hundreds of organizations across the country received support</li> <li>• Louis Vachon took part in many events as chairman and co-chairman</li> <li>• The Bank continued to stand out within the business community through its sustained promotion of entrepreneurship</li> <li>• The Bank also actively supports women's causes, cultural communities, the LGBTQ community, and people with disabilities</li> </ul>

## Decisions on the target total compensation and compensation awarded in 2017

No adjustments were made to Louis Vachon's target total direct compensation for fiscal 2017. In determining Louis Vachon's variable compensation for fiscal 2017, the Human Resources Committee considered not only the Bank's strong operating performance and record profitability, but also the leadership that Louis Vachon demonstrated in the organizational transformation of the Bank's processes as well as his ability to motivate employees to build a high-performing, change capable organization.

Given the Bank's excellent performance in 2017 and the creation of the Incentive Compensation Program envelope at 143%, the Board approved the following compensation in accordance with the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	
	% of salary	(\$)	(\$)	(%)
Base salary	n/a	1,125,000	1,125,015	13
Short-term compensation	150	1,687,500	2,413,125	28
Mid-term compensation (PSUs)	300	3,375,000	3,375,000	39
Long-term compensation (Options)	150	1,687,500	1,687,501	20
<b>Total</b>		<b>7,875,000</b>	<b>8,600,641</b>	<b>100</b>

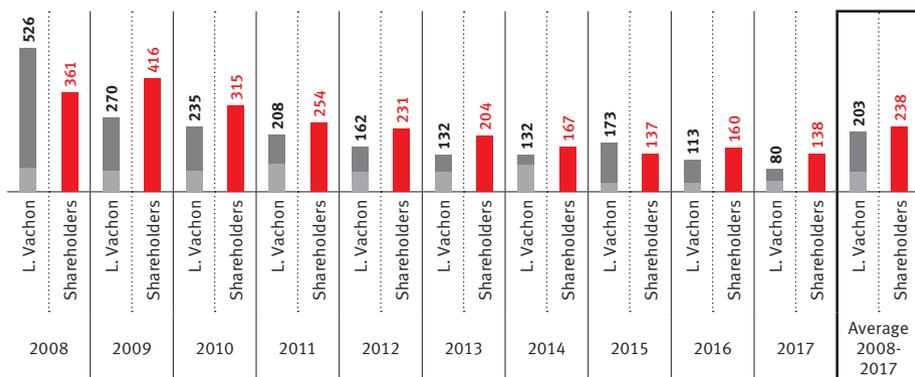


## Link between performance and compensation for the President and Chief Executive Officer

As a significant portion of the President and CEO's direct compensation is conditional on the Bank's financial and stock market performance, the Board sees a close correlation between this performance and total shareholder return. In fact, the average actual value of every \$100 granted annually to Louis Vachon in the form of direct compensation over the past ten years as President and Chief Executive Officer stood at \$203 on December 31, 2017. By comparison, from a shareholder's viewpoint, the average value of every \$100 invested on the first day of each fiscal year in the Bank's Common Shares over the same period amounted to \$238. The Board is therefore satisfied that the Bank's compensation policy is conducive to long-term value creation for shareholders.

The following chart shows the historical link between the direct compensation granted to the President and CEO and the total return to the Bank's shareholders since 2008. For each fiscal year, we present:

- Value on December 31, 2017 of \$100 paid as direct compensation to Louis Vachon for each fiscal year
  - Realized compensation <sup>(1)</sup>
  - Realizable compensation (at-risk) <sup>(2)</sup>
- Value on December 31, 2017 of \$100 invested in Common Shares of the Bank on the first day of each fiscal year



A significant portion of the compensation granted in 2008 has not yet been realized and is still conditional on the Bank's stock market performance, as Louis Vachon has not exercised the stock options granted to him during that year.

The table below more precisely illustrates the direct compensation awarded to Louis Vachon for each fiscal year and the actual value of the direct compensation as at December 31, 2017.

Year	Value of direct compensation at time of award (\$M)	Value of actual direct compensation <sup>(3)</sup> as at December 31, 2017 (\$M)	Period	Value of \$100	
				Louis Vachon	Bank shareholders
2008	4.74	25.36	Oct. 31, 2007 - Dec. 31, 2017	526	361
2009	5.61	15.43	Oct. 31, 2008 - Dec. 31, 2017	270	416
2010	5.21	12.51	Oct. 31, 2009 - Dec. 31, 2017	235	315
2011	7.25	15.30	Oct. 31, 2010 - Dec. 31, 2017	208	254
2012	7.15	11.78	Oct. 31, 2011 - Dec. 31, 2017	162	231
2013	7.14	9.57	Oct. 31, 2012 - Dec. 31, 2017	132	204
2014	8.24	11.05	Oct. 31, 2013 - Dec. 31, 2017	132	167
2015	7.82	13.87	Oct. 31, 2014 - Dec. 31, 2017	173	137
2016	7.57	8.83	Oct. 31, 2015 - Dec. 31, 2017	113	160
2017	8.60	6.91	Oct. 31, 2016 - Dec. 31, 2017	80	138
<b>Average 2008 - 2017</b>				<b>203</b>	<b>238</b>

- (1) Realized compensation: salary, annual bonus paid, paid RSUs and PSUs and exercised stock options
- (2) Realizable compensation: actual value of non-vested PSUs and unexercised stock options
- (3) Represents the total of realized and realizable compensation

## GHISLAIN PARENT

## CAREER PROFILE



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

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, sourcing, merger and acquisition, international development, and internal audit operations, including liquidity management, capital management, taxation, investor relations and financial governance. Ghislain Parent is a member of the Bank's Office of the President.

Until August 2011, Ghislain Parent served as Senior Vice-President – Internal Audit, a position he had held since July 2010. Before joining the Bank, he held the positions of 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, Ghislain Parent also served as Vice-President – Internal Audit and Security and as 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. In addition to his professional activities, Ghislain Parent is involved in several organizations. He was Chairman of the board of directors of Quartier International de Montréal from 2003 to 2008 and was involved with the Quebec CPA Order from 2008 to 2010. Since 2012, Ghislain Parent and his team have also been actively involved with Accueil Bonneau, an outreach organization that works toward social reintegration. From 2015 to 2017, Ghislain Parent was honorary co-chair of the benefit events for Intégration Jeunesse du Québec, an organization that offers training programs, stay-in-school programs, job placement services and employment assistance services to young people. He was also involved in the 2017 campaign office of Centraide of Greater Montréal.

Ghislain Parent has a Bachelor's degree in Business Administration and Accounting from Université du Québec en Abitibi-Témiscamingue. He is also a Fellow of the Quebec CPA Order (FCPA).

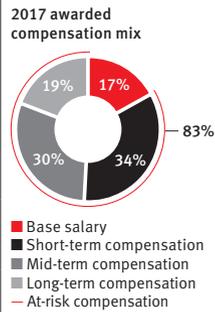
## Achievements and decisions on the target total compensation and compensation awarded in 2017

The Human Resources Committee reviewed the overall performance and the following achievements to set Ghislain Parent's fiscal 2017 variable compensation.

- Through strong execution in fiscal 2017, the Bank achieved solid operating performance and record profitability. Its share price reached new highs, and it delivered industry-leading returns for its shareholders. While delivering these excellent results, the Bank positioned itself for long-term success by focusing its investments and efforts on its organizational transformation and business growth.
- At 11.2% as at October 31, 2017, and owing to disciplined capital management, the Basel III Common Equity Tier 1 capital ratio was a key component of the Bank's performance.
- For 2017, the Bank's results met or exceeded its annual and medium-term objectives, including a 25% year-over-year increase in diluted earnings per share excluding specified items (\$5.45 versus \$4.35).
- The efficiency ratio is one of the Bank's key financial performance drivers, with improvements to this ratio reflecting improvements to business productivity. The Bank's efficiency ratio (total expenses as a percentage of total revenues excluding specified items) was 55.9% in 2017 versus 58.2% in 2016.
- During the fiscal year, the Bank raised its dividend twice for a combined increase of 5%, and it returned additional capital to shareholders through share repurchases. The Bank delivered total shareholder returns of 36.2% and 13.6% over the one- and ten-year periods ended October 31, 2017, which stands as industry-leading performance in Canada.
- In 2017, the Bank also continued its prudent liquidity management in accordance with Basel III Accord requirements. For the quarter ended October 31, 2017, the Bank's liquidity coverage ratio was 132%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.
- The design and operation of internal controls over financial information and reporting were reviewed for compliance with securities regulations and were considered satisfactory.
- The Bank's major project to ensure compliance with new International Financial Reporting Standard 9 (IFRS 9) continued in 2017. When the new standard took effect on November 1, 2017, the project wrapped up on schedule and within budget.

The Board approved the following compensation in accordance with the short-term variable compensation program results and the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	2017 awarded compensation mix
	% of salary	(\$)	(\$)	(%)
Base salary	n/a	450,000 <sup>(1)</sup>	419,185	17
Short-term compensation <sup>(2)</sup>	130	585,000	836,550	34
Mid-term compensation (PSUs) <sup>(3)</sup>	160	720,000	720,000	30
Long-term compensation (Options) (DSUs)	100	450,000	315,022	13
	–	–	135,000 <sup>(4)</sup>	6
<b>Total</b>		<b>2,205,000</b>	<b>2,425,757</b>	<b>100</b>



(1) In effect since June 5, 2017.

(2) The target short-term compensation was increased from 100% to 130% of base salary (applicable for fiscal 2017).

(3) The target mid-term compensation in the form of PSUs was increased from 150% to 160% of base salary (applicable for the fiscal 2017 awards).

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

## RICARDO PASCOE

## CAREER PROFILE



Chief Transformation Officer and Executive Vice-President

As Chief Transformation Officer and Executive Vice-President, Ricardo Pascoe oversees the Bank's strategic initiatives portfolio and focuses on driving efficiency, simplicity, innovation and culture change throughout the organization. Ricardo Pascoe is a member of the Bank's Office of the President.

Ricardo Pascoe previously served as Executive Vice-President – Financial Markets and was responsible for the Bank's wholesale banking activities, including Corporate Financing, Equity, Fixed Income, Derivatives and Proprietary Trading. Ricardo Pascoe joined the Bank in 2003 as Senior Vice-President – Capital Markets. In this capacity, he was primarily responsible for foreign exchange operations, commodities, proprietary trading and alternative investments, and supervised teams in Montreal, Toronto, Calgary, Vancouver, New York and London. In 2015, Ricardo Pascoe was named one of the 10 Most Influential Hispanic Canadians, a ranking which recognizes the exceptional contributions of members from this community Canada-wide. Prior to joining the Bank, he held various strategic executive positions in London and New York with international financial institutions specializing in capital markets, derivatives, and portfolio management.

Ricardo Pascoe has a Bachelor's degree in Economics from Queen's University, a Master's degree in Economics from Columbia University in New York, and an MBA from the University of Western Ontario.

### Achievements and decisions on the target total compensation and compensation awarded in 2017

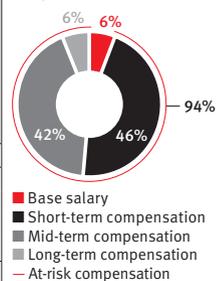
The target total compensation for Ricardo Pascoe was determined at the time of his transfer, at the Bank's request, from his position as Executive Vice-President, Financial Markets to that of Chief Transformation Officer. In this regard, the Human Resources Committee considered his unique experience as well as his career path in the Financial Markets segment. To establish the fiscal 2017 variable compensation, the Human Resources Committee reviewed the overall performance and the following achievements.

- The Bank is significantly transforming the way it operates. The team at the Transformation Office has helped the Bank to integrate projects even more efficiently at a time of accelerating change, and the Bank-wide transformation efforts are generating ever greater results.
- While delivering excellent results, the Bank continued to position itself for long-term success by focusing its investments and efforts on its organizational transformation and business growth. In this respect, the internal rate of return on the strategic initiatives portfolio greatly exceeded the target set at the beginning of the year.
- The Bank's efficiency ratio (total cost as a percentage of total revenue excluding specified items) was 55.9% in 2017 compared to 58.2% in 2016, which is testament to the continuous improvement in efficiency.
- Internally, the rate of satisfaction with the Transformation Office exceeded expectations and speaks to the impact of Ricardo Pascoe's team to help drive effectiveness, simplicity, innovation and cultural change throughout the organization.
- The Bank continued to invest in digital technologies, implementing new internal processes and effecting a change in the organizational culture. Tangible progress has been made in every aspect of the digital transformation.
- The Bank deployed several initiatives. More than 25 enhancements and added features to its mobile applications were deployed for retail clients, and the Bank also launched its first mobile application for businesses and rolled out a new fleet of ATMs with enhanced functionality.
- In 2017, the Transformation Office focused more on advances in artificial intelligence (AI), creating a team dedicated to AI strategy and participating more in market initiatives and discussions of the topic.
- The Transformation Office also contributed to a review of work methods and environments (aligned teams that are empowered to act, networked work organization, dynamic new work environment, and collaborative tools).

The Board approved the following compensation in accordance with the short-term variable compensation programs' results and the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	
	% of salary	(\$)	(\$)	(%)
Base salary	n/a	450,000	450,006	6
Short-term compensation <sup>(1)</sup>	510	2,295,000	3,281,850	46
Mid-term compensation (PSUs)	680	3,060,000	3,060,000	42
Long-term compensation (Options)	100	450,000	450,019	6
<b>Total</b>		<b>6,255,000</b>	<b>7,241,875</b>	<b>100</b>

2017 awarded compensation mix



- (1) The applicable annual bonus includes a portion that reflects the outcome of the Bank's annual bonus program and a portion linked to the results of the Transformation Office.

## DENIS GIROUARD

## CAREER PROFILE



Executive  
Vice-President –  
Financial Markets

As Executive Vice-President – Financial Markets, Denis Girouard is responsible for the Bank's wholesale banking activities, including Investment Banking, Corporate Banking, Equity, Fixed Income, Derivatives and Proprietary Trading. Denis Girouard is a member of the Bank's Office of the President.

Denis Girouard began his career in 1982 as a bond market trader at the Caisse de dépôt et placement du Québec. In 1990, he joined National Bank Financial, where he has held various strategic executive positions. At the time of his appointment, Denis Girouard was Executive Vice-President, Managing Director, Co-Head of Fixed Income and Deputy Head of Financial Markets at NBF. During his career in financial markets, Denis Girouard held various appointments and gained in-depth knowledge of this sector's activities. Under his stewardship, the Bank has notably positioned itself as a leader in government financing in Canada. In addition to his professional activities, Denis Girouard has served on several boards within the business community. He is currently a member of the CanDeal board of directors.

Denis Girouard has a Bachelor's degree in Finance from HEC Montréal. He is a Chartered Financial Analyst, CFA™.

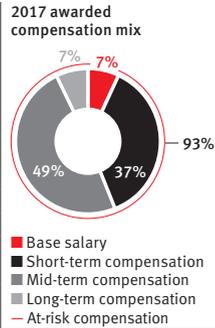
## Achievements and decisions on the target total compensation and compensation awarded in 2017

The Human Resources Committee reviewed the overall performance and the following achievements to set Denis Girouard's fiscal 2017 variable compensation.

- In the Financial Markets segment, net income totalled \$712 million in fiscal 2017, up \$227 million or 47% from fiscal 2016. Excluding the write-off of the Bank's equity interest in associate Maple recorded in 2016, the segment's 2017 net income excluding specified items rose 13% when compared to 2016.
- The segment's 2017 total revenues on a taxable equivalent basis amounted to \$1,630 million compared to the \$1,313 million in 2016, a \$317 million year-over-year increase that was driven by all types of revenues, in particular the Other revenue category, which in 2016 had included the \$164 million write-off of the Bank's equity interest in associate Maple.
- At 40.4%, the segment's 2017 efficiency ratio on a taxable equivalent basis and excluding specified items improved by 1.2 percentage points when compared to 41.6% in 2016.
- The Financial Markets segment has prioritized servicing Canadian corporate clients through capital raising, advisory services and risk management solutions. Many major transactions were completed during the past fiscal year.
- The segment continued to leverage its derivatives trading and structuring expertise to reach a broader group of clients. Its innovative risk management solutions, which help clients manage risks across all asset classes, have expanded to cover an additional 32% of clients over the last five years, with most of them using multiple risk management products.
- The Financial Markets segment maintained its leadership position in fixed-income securities. The segment ranked first in Canada for debt underwriting, excluding self-funded deals, in the first nine months of 2017. It raised a total of \$16.5 billion during this period, leading the market in all debt raised.
- As in the previous two years, the segment did not record any provision for credit losses in fiscal 2017.
- Investments in our research team were rewarded, as evidenced by our 3rd overall ranking and 11 top analysts in the latest Thomson Reuters Analyst Awards.

The Board approved the following compensation in accordance with the short-term variable compensation programs' results and the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	
	% of salary	(\$)	(\$)	(%)
Base salary	n/a	450,000	450,006	7
Short-term compensation <sup>(1)</sup>	–	2,320,000	2,509,651	37
Deferred portion (RSUs) <sup>(2)</sup>	–	2,062,500	2,346,977	35
Mid-term compensation (PSUs)	215	967,500	967,500	14
Long-term compensation (Options)	100	450,000	450,019	7
<b>Total</b>		<b>6,250,000</b>	<b>6,724,153</b>	<b>100</b>



- (1) The annual bonus applicable to the position of Executive Vice-President – Financial Markets includes a portion derived from the Bank's annual bonus program and a portion based on the results of the Financial Markets segment.
- (2) A portion of Denis Girouard's annual bonus is deferred in the form of RSUs. Its value was determined based on his awarded mid- and long-term compensation, as at least 60% of variable compensation must be deferred.

## DIANE GIARD

## CAREER PROFILE



Executive Vice-President – Personal-Commercial Banking and Marketing

As Executive Vice-President – Personal-Commercial Banking and Marketing, Diane Giard oversees all personal and commercial banking operations in Canada and internationally. She is also responsible for developing and managing banking products, portfolio pricing and risk modelling, marketing strategies, and developing the digital ecosystem. She is a member of the Bank's Office of the President. Diane Giard joined the Bank in 2011 as Executive Vice-President – Marketing. Less than a year later, she became responsible for Personal and Commercial Banking. Since 2017, she oversees both functions. Diane Giard has more than 30 years' experience in the banking industry.

In addition to her professional activities, Diane Giard has always been actively committed to the Montreal community. She has served on the boards of directors of Université du Québec à Montréal (UQAM), the Board of Trade of Metropolitan Montreal, the Montréal Children's Hospital Foundation, and Pointe-à-Callière Museum, the Montréal Archaeology and History Complex. Diane Giard currently serves on the boards of directors of Fondation Virage, GoodnessTV and Bombardier. She is a member of the Council of Governors of HEC Montréal. Since 2015, she has been involved with L'effet A, an innovative initiative aimed at sparking ambition among women, and she is currently co-chairing the first fundraising campaign for FitSpirit.

Diane Giard has a Bachelor's degree in Economics from the Université de Montréal and an MBA from UQAM. She was awarded the 2007 B'nai Brith Canada Award of Merit. In 2008, she received the Prix Performance from UQAM's School of Management in the Manager category. Diane Giard has also received the Queen Elizabeth II Diamond Jubilee Medal in recognition of her contribution to the community. She has been ranked among the Top 25 of Quebec's financial industry seven times and was named one of Canada's Most Powerful Women: Top 100 by the Women's Executive Network in 2014 and 2015.

## Achievements and decisions on the target total compensation and compensation awarded in 2017

In February 2017, the Marketing sector was added to the Personal and Commercial Banking segment already under Diane Giard's leadership. The Human Resources Committee reviewed Diane Giard's overall performance, additional responsibilities and the following achievements to set her fiscal 2017 variable compensation.

- In the Personal and Commercial segment, net income totalled \$925 million in 2017, up 66% from \$557 million in 2016. Net income excluding the sectoral provision on non-impaired loans recorded for the oil and gas producer and service company loan portfolio totalled \$896 million, up 21% year over year.
- The segment's 2017 total revenues rose \$161 million or 6% year over year, as net interest income grew \$116 million while non-interest income was up \$45 million. The higher net interest income came primarily from growth in personal and commercial loan and deposit volumes and from a higher net interest margin, which was 2.26% in 2017 versus 2.24% in 2016.
- In 2017, revenue from Personal Banking amounted to \$1,942 million, up 6% from \$1,840 million in 2016. This increase came mainly from 5% growth in loan volumes (mainly mortgage loans and outstanding credit card balances) and 4% growth in deposit volumes.
- For fiscal 2017, Commercial Banking's revenues amounted to \$1,119 million, rising 6% from \$1,060 million in fiscal 2016. Net interest income was up, driven essentially by growth in loan and deposit volumes of 3% and 21%, respectively, and by a higher net interest margin.
- Process automation and streamlining combined with a simplification of product lines and investment solutions resulted in greater year-over-year efficiency. In fact, the segment's efficiency ratio improved by 3.5 percentage points to reach 53.8% for fiscal 2017 compared to 57.3% in 2016.
- To support business growth, raise efficiency and improve client experience, in fiscal 2017 the Bank selectively invested in its digital strategy and deployed several initiatives. More than 25 enhancements and added features to its mobile applications were deployed for retail clients, and the Bank also launched its first mobile application for businesses.
- As at October 31, 2017, over 90% of our client-facing employees and their supervisors had completed a skills certification under a training program designed to ensure that our people are ready to meet the changing expectations of our clients.

The Board approved the following compensation in accordance with the short-term variable compensation program results and the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded		2017 awarded compensation mix
	% of salary	(\$)	(\$)	(%)	
Base salary	n/a	475,000	475,015	14	<p>86%</p> <ul style="list-style-type: none"> <li>■ Base salary</li> <li>■ Short-term compensation</li> <li>■ Mid-term compensation</li> <li>■ Long-term compensation</li> <li>— At-risk compensation</li> </ul>
Short-term compensation	210	997,500	1,426,525	41	
Mid-term compensation (PSUs)	225	1,068,750	1,068,750	31	
Long-term compensation (Options)	100	475,000	475,028	14	
<b>Total</b>		<b>3,016,250</b>	<b>3,445,318</b>	<b>100</b>	

## Summary of compensation of Named Executive Officers

The following table, prepared in accordance with Canadian securities legislation, details the total compensation awarded by the Bank and its subsidiaries to each Named Executive Officer over the past three fiscal years.

When specifically examining total direct compensation awarded to Louis Vachon (which excludes pension value and other compensation), it stood at

- \$8,600,641 for fiscal 2017 versus
- \$7,571,294 for fiscal 2016.

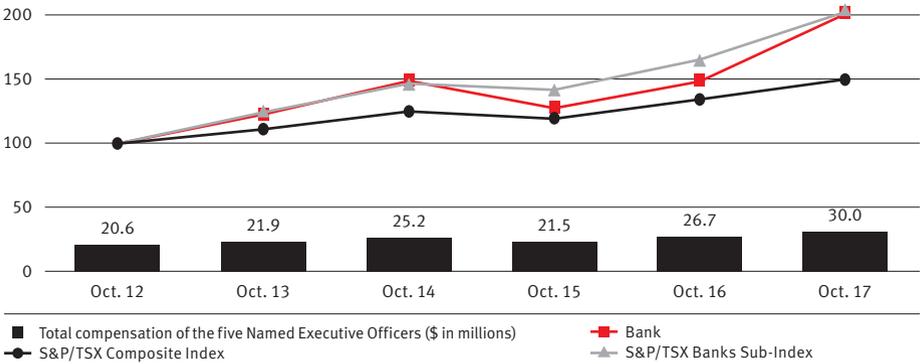
The total direct compensation awarded to the other Named Executive Officers is presented on [page 71](#) of the Circular.

Name and principal position	Year	Salary (\$)	Share-based awards (\$) <sup>(1)(2)(3)(4)</sup>	Option-based awards (\$) <sup>(1)(5)</sup>	Non-equity incentive plan compensation		Pension value (\$) <sup>(7)</sup>	All other compensation (\$) <sup>(8)</sup>	Total compensation (\$)
					Annual incentive plans (\$) <sup>(6)</sup>	Long-term incentive plans (\$) <sup>(6)</sup>			
<b>Louis Vachon</b> President and Chief Executive Officer	2017	1,125,015	3,375,000	1,687,501	2,413,125	–	740,000	5,233	9,345,874
	2016	1,125,015	3,375,000	1,687,529	1,383,750	–	539,000	4,889	8,115,183
	2015	1,125,015	3,375,000	1,687,502	1,636,875	–	(1,273,000) <sup>(10)</sup>	3,761	6,555,153
<b>Ghislain Parent</b> Chief Financial Officer and Executive Vice-President – Finance and Treasury	2017	419,185	855,000	315,022	836,550	–	280,000	1,259	2,707,016
	2016	400,008	720,000	280,019	328,000	–	97,000	1,059	1,826,086
	2015	400,008	600,000	400,005	388,000	–	106,000	642	1,894,655
<b>Ricardo Pascoe</b> Chief Transformation Officer and Executive Vice-President	2017	450,006	3,060,000	450,019	3,281,850	–	120,000	4,494	7,366,369
	2016	450,006	2,682,356	450,010	2,682,355	–	92,000	4,236	6,360,963
	2015	450,006	2,911,778	450,012	2,911,777	–	101,000	3,455	6,828,028
<b>Denis Girouard</b> <sup>(9)</sup> Executive Vice-President – Financial Markets	2017	450,006	3,314,477	450,019	2,509,651	–	220,000	975	6,945,128
	2016	333,691	4,896,875	260,440	1,885,687	–	82,000	1,140	7,459,833
<b>Diane Giard</b> Executive Vice-President – Personal-Commercial Banking and Marketing	2017	475,015	1,068,750	475,028	1,426,525	–	180,000	4,669	3,629,987
	2016	475,015	1,211,250	332,505	817,950	–	150,000	4,244	2,990,964
	2015	475,015	1,211,250	332,502	967,575	–	161,000	3,055	3,150,397

- (1) The share-based and options-based awards listed in the summary compensation table represent the most recently approved awards.
- (2) The Named Executive Officers are eligible for mid-term share-based variable compensation. This compensation was paid in the form of PSUs. The value of each PSU was determined based on an award price corresponding to the average stock market price for the 10 trading days preceding the sixth business day of December (December 11, 2017), namely, \$63.57. The fair value of the award is equal to the fair book value, amortized over a three-year period on a declining basis. PSUs awarded in December 2017 totalled 53,091 for Louis Vachon, 11,326 for Ghislain Parent, 48,136 for Ricardo Pascoe, 15,219 for Denis Girouard, and 16,812 for Diane Giard.
- (3) Ghislain Parent elected to receive a portion, i.e., 30%, of his long-term variable compensation in the form of DSUs. The value of each DSU was determined based on the award price as at December 11, 2017, i.e., \$64.14. The fair value of the award is equal to the fair book value, amortized over a four-year period on a declining basis. DSUs awarded to Ghislain Parent in December 2017 totalled 2,105.
- (4) A portion of Denis Girouard's short-term compensation was awarded in the form of RSUs to comply with the deferred compensation requirement. The value of each RSU was determined based on an award price corresponding to the average stock market price for the 10 trading days preceding the sixth business day of December (December 11, 2017), namely \$63.57. The fair value of the award is equal to the fair book value, amortized over a three-year period on a declining basis. RSUs awarded to Denis Girouard in December 2017 totalled 36,920.
- (5) The Named Executive Officers are eligible for long-term variable compensation in the form of stock options. The value of the stock options awarded in 2017 was estimated at \$7.70, or 12% (representing the average estimated percentages from 2015 to 2017 according to the Black-Scholes model) of the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant date (December 11, 2017), i.e., \$64.14, and using a 10-year life assumption.  
 In addition, the assumptions used to determine the award fair value for compensation purposes differ from those used in the notes to the Bank's financial statements. Under International Financial Reporting Standards, stock options must be treated as an expense in the financial statements. Accordingly, different assumptions are used to determine an appropriate Black-Scholes factor, including, in particular, an expected life of the option of seven years (instead of ten years), which reflects the exercise history of participants and the rate of cancellation due to departure. As a result, the carrying amount of an option awarded in December 2017 was determined at 11.58% of the share price (\$64.14), which is \$0.27 less per option compared with the value shown in the table.
- (6) The amounts in this column include the annual bonuses earned during each fiscal year ended October 31 and paid in cash.
- (7) 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, refer to the "[Defined benefit pension plans](#)" table in this section of the Circular.
- (8) The amounts represent the value of perquisites on banking products and insurance premiums as well as contributions paid by the Bank into the Employee Share Ownership Plan (ESOP). Named Executive Officers are members of the ESOP on the same terms as other employees where the employer's contribution is equal to 25% of the employee's contribution, to a maximum of \$1,500 per year. The value of other taxable benefits is not shown as they total less than \$50,000 and 10% of each Named Executive Officer's salary.
- (9) No historical data prior to 2016 has been included for Denis Girouard, who became an Executive Officer of the Bank upon his appointment to Executive Vice-President – Financial Markets in 2016.
- (10) Louis Vachon's pension was capped at \$1,500,000 million. This cap was adopted during fiscal 2015 and reduced the value of Louis Vachon's pension plan, which largely explains the change in his total compensation between 2015 and 2016.

## 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, 2012, 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.



From 2012 to 2017, the compensation of Named Executive Officers rose by approximately 7.8% each year compared to an annualized increase in total shareholder return of approximately 15.1%.

Since the end of fiscal 2016, the compensation of Executive Officers increased by 12%, while the Bank's total cumulative return grew 36% and the return of the S&P/TSX Banks Sub-Index rose by 23% during the same period.

## Total cumulative return on a \$100 investment

	Oct. 2012	Oct. 2013	Oct. 2014	Oct. 2015	Oct. 2016	Oct. 2017
Bank	\$100.00	\$122.04	\$148.48	\$127.56	\$148.26	\$201.86
S&P/TSX Banks Sub-Index	\$100.00	\$124.33	\$146.75	\$141.84	\$165.50	\$203.60
S&P/TSX Composite Index	\$100.00	\$111.00	\$124.95	\$119.18	\$134.33	\$149.75

The preceding performance graph shows that the Bank's share generated a 201.86% total cumulative return between 2012 and 2017. The return on the Bank's share is essentially the same as that of the S&P/TSX Banks Sub-Index (\$203.60) and far surpasses that of the S&P/TSX Composite Index (\$149.75).

## Total compensation awarded to the Named Executive Officers

	Oct. 2012	Oct. 2013	Oct. 2014	Oct. 2015	Oct. 2016	Oct. 2017
Total compensation of the five Named Executive Officers (\$M)	20.6	21.9	25.2	21.5	26.7	30.0

The bar chart shows the total compensation awarded to the serving Named Executive Officers at the end of each fiscal year. In 2016, the position of Chief Transformation Officer, held by Ricardo Pascoe, was created to support the Bank's organizational transformation efforts. Denis Girouard was subsequently named Executive Vice-President – Financial Markets to replace Ricardo Pascoe. These changes explain the growth in total compensation relative to that of the five Named Executive Officers presented in the Circular between 2015 and 2016. In 2017, the increase in compensation is primarily explained by the high achievement level of the ICP (143%).

## Share ownership requirements

Share ownership guidelines aim to align the interests of Executive Officers, Officers and material risk takers with the Bank's long-term stock market performance.

<b>Covered Positions</b>	<ul style="list-style-type: none"> <li>Executive Officers, Officers and certain specialists in the Financial Markets segment</li> </ul>												
<b>Features</b>	<ul style="list-style-type: none"> <li>Designed to tie the long-term interests of the incumbents in Covered Positions to those of holders of Common Shares and to discourage them from taking undue and excessive risks</li> <li>The incumbents in the Covered Positions must maintain minimum holdings of Common Shares of the Bank, including non-vested RSUs, non-vested PSUs, vested and non-vested DSUs, and the increase in value of vested (but unexercised) in-the-money stock options, proportional with compensation received and the position held</li> <li>The Human Resources Committee regularly monitors share ownership to ensure that these minimum requirements are met</li> </ul>												
<b>Minimum ownership requirements</b>	<ul style="list-style-type: none"> <li>The minimum holding amount represents a multiple of the previous three years' average base salary</li> </ul>												
	<table border="1"> <thead> <tr> <th>Position</th> <th>Multiple of previous three years' average base salary</th> </tr> </thead> <tbody> <tr> <td>President and Chief Executive Officer*</td> <td>7 times</td> </tr> <tr> <td>Other Executive Officers</td> <td>4 times</td> </tr> <tr> <td>Officers and certain specialists in the Financial Markets segment</td> <td>2 to 3 times</td> </tr> <tr> <td>Senior Vice-Presidents (or equivalent)</td> <td>2 times</td> </tr> <tr> <td>Vice-Presidents (or equivalent)</td> <td>1 time</td> </tr> </tbody> </table>	Position	Multiple of previous three years' average base salary	President and Chief Executive Officer*	7 times	Other Executive Officers	4 times	Officers and certain specialists in the Financial Markets segment	2 to 3 times	Senior Vice-Presidents (or equivalent)	2 times	Vice-Presidents (or equivalent)	1 time
	Position	Multiple of previous three years' average base salary											
	President and Chief Executive Officer*	7 times											
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	Officers and certain specialists in the Financial Markets segment	2 to 3 times											
Senior Vice-Presidents (or equivalent)	2 times												
Vice-Presidents (or equivalent)	1 time												
* Moreover, the President and Chief Executive Officer must also maintain the share ownership requirements for a period of one year following his retirement													
<b>Period for meeting the requirements</b>	<ul style="list-style-type: none"> <li>All individuals have five years from the date of their hiring or promotion to meet these requirements</li> <li>All individuals must comply with the share ownership requirements at all times. If, for any reason, a shortfall occurs, the individuals must refrain from selling their Common Shares of the Bank and from exercising their vested stock options (unless the Common Shares are kept) until such time as the minimum requirements are once again met</li> </ul>												
<b>Valuation method</b>	<ul style="list-style-type: none"> <li>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</li> </ul>												

As of October 31, 2017, all of the Named Executive Officers were in compliance with the share ownership requirements. The table below shows the shareholdings of the Named Executive Officers on that date.

Name	Requirement	Share ownership <sup>(1)</sup>			Actual multiple	
		Securities held, appreciation in value of vested stock options, PSUs, DSUs and RSUs (\$)	Appreciation in value of non-vested stock options (\$)	Total value (\$)	Based on securities held, appreciation in value of vested stock options, PSUs, DSUs and RSUs	Based on the total value (including appreciation in value of non-vested stock options)
Louis Vachon	7 times	97,773,093	8,173,199	105,946,292	86.9	94.2
Ghislain Parent	4 times	7,472,623	1,718,039	9,190,662	16.6	20.4
Ricardo Pascoe	4 times	32,057,523	2,138,655	34,196,178	71.2	76.0
Denis Girouard	4 times	12,525,615	831,371	13,356,986	27.8	29.7
Diane Giard	4 times	10,196,088	1,599,372	11,795,460	21.5	24.8

(1) Values determined on October 31, 2017 based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$62.61.

## Outstanding share-based and option-based awards

The following table summarizes, for each Named Executive Officer, all awards outstanding at the end of the fiscal year ended October 31, 2017.

Name	Award date	Option-based awards				Share-based awards		
		Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money stock options (\$) <sup>(1)</sup>	Number of non-vested shares or share units (#)	Market or payout value of non-vested share-based awards (\$) <sup>(2)</sup>	Market or payout value of vested share-based awards (unpaid or undistributed) (\$)
Louis Vachon	Dec. 12, 2007	392,928	26.93	Dec. 12, 2017	14,021,636			-
	Dec. 10, 2008	458,720	17.44	Dec. 10, 2018	20,722,676			-
	Dec. 9, 2009	316,928	29.25	Dec. 9, 2019	10,574,303			-
	Dec. 8, 2010	283,840	34.34	Dec. 8, 2020	8,025,576			-
	Dec. 14, 2011	266,672	34.09	Dec. 14, 2021	7,606,819			-
	Dec. 12, 2012	248,296	38.36	Dec. 12, 2022	6,021,178			-
	Dec. 10, 2013	222,472	44.96	Dec. 10, 2023	3,927,743			-
	Dec. 10, 2014	185,240	47.93	Dec. 10, 2024	2,719,323	80,492	5,039,605	-
	Dec. 9, 2015	266,588	42.17	Dec. 9, 2025	5,449,059	84,952	5,318,866	-
	Dec. 12, 2016	220,304	54.69	Dec. 12, 2026	1,744,808	68,591	4,294,453	-
<b>Total</b>		<b>2,861,988</b>			<b>80,813,120</b>	<b>234,035</b>	<b>14,652,925</b>	<b>-</b>
Ghislain Parent	Dec. 8, 2010	15,296	34.34	Dec. 8, 2020	432,494			429,588
	Dec. 14, 2011	12,336	34.09	Dec. 14, 2021	351,884			759,111
	Dec. 12, 2012	34,768	38.36	Dec. 12, 2022	843,124			242,949
	Dec. 10, 2013	31,152	44.96	Dec. 10, 2023	549,989	794	49,709	149,127
	Dec. 10, 2014	43,908	47.93	Dec. 10, 2024	644,569	14,310	895,930	-
	Dec. 9, 2015	63,192	42.17	Dec. 9, 2025	1,291,644	15,103	945,576	-
	Dec. 12, 2016	36,556	54.69	Dec. 12, 2026	289,524	14,477	906,434	-
<b>Total</b>		<b>237,208</b>			<b>4,403,229</b>	<b>44,684</b>	<b>2,797,649</b>	<b>1,580,775</b>
Ricardo Pascoe	Dec. 12, 2007	85,440	26.93	Dec. 12, 2017	3,048,926			-
	Dec. 10, 2008	99,768	17.44	Dec. 10, 2018	4,507,019			-
	Dec. 9, 2009	113,864	29.25	Dec. 9, 2019	3,799,072			-
	Dec. 8, 2010	100,784	34.34	Dec. 8, 2020	2,849,668			-
	Dec. 14, 2011	60,000	34.09	Dec. 14, 2021	1,711,500			-
	Dec. 12, 2012	55,872	38.36	Dec. 12, 2022	1,354,896			-
	Dec. 10, 2013	50,056	44.96	Dec. 10, 2023	883,739			-
	Dec. 10, 2014	49,400	47.93	Dec. 10, 2024	725,192	66,728	4,177,840	-
	Dec. 9, 2015	71,092	42.17	Dec. 9, 2025	1,453,120	73,293	4,588,847	-
	Dec. 12, 2016	58,748	54.69	Dec. 12, 2026	465,284	54,514	3,413,112	-
<b>Total</b>		<b>745,024</b>			<b>20,798,417</b>	<b>194,534</b>	<b>12,179,799</b>	<b>-</b>
Denis Girouard	Dec. 8, 2010	5,420	34.34	Dec. 8, 2020	153,251			-
	Dec. 14, 2011	11,064	34.09	Dec. 14, 2021	315,601			-
	Dec. 12, 2012	19,864	38.36	Dec. 12, 2022	481,702			-
	Dec. 10, 2013	22,248	44.96	Dec. 10, 2023	392,788			-
	Dec. 10, 2014	21,956	47.93	Dec. 10, 2024	322,314	22,260	1,393,680	-
	Dec. 9, 2015	19,748	42.17	Dec. 9, 2025	403,649	53,908	3,375,171	-
	Dec. 12, 2016	34,000	54.69	Dec. 12, 2026	269,280	99,520	6,230,933	-
	<b>Total</b>		<b>134,300</b>		<b>2,338,585</b>	<b>175,687</b>	<b>10,999,785</b>	<b>-</b>
Diane Giard	Dec. 14, 2011	40,000	34.09	Dec. 14, 2021	1,141,000			830,278
	Dec. 12, 2012	44,232	38.36	Dec. 12, 2022	1,072,626			240,470
	Dec. 10, 2013	36,992	44.96	Dec. 10, 2023	653,094	943	59,029	177,088
	Dec. 10, 2014	39,108	47.93	Dec. 10, 2024	574,105	26,905	1,684,535	88,660
	Dec. 9, 2015	52,528	42.17	Dec. 9, 2025	1,073,672	29,672	1,857,771	57,821
	Dec. 12, 2016	43,408	54.69	Dec. 12, 2026	343,791	24,432	1,529,694	-
<b>Total</b>		<b>256,268</b>		<b>4,858,289</b>	<b>81,952</b>	<b>5,131,029</b>	<b>1,394,316</b>	

(1) The value of unexercised in-the-money stock 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, 2017, which was \$62.61, and the exercise price of the stock options multiplied by the number of unexercised stock 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 the Bank's Common Shares on the Toronto Stock Exchange as at October 31, 2017, which was \$62.61.

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

The following table shows the value of awards vested or earned during the fiscal year ended October 31, 2017.

Name	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share-based awards – Value vested during the year (\$) <sup>(2)</sup>	Non-equity incentive plan compensation – Value earned during the fiscal year (\$) <sup>(3)</sup>
Louis Vachon	1,812,281	3,198,931	2,413,125
Ghislain Parent	322,788	597,983	836,550
Ricardo Pascoe	437,430	3,183,587	3,281,850
Denis Girouard	153,275	3,572,746	2,509,651
Diane Giard	334,302	1,540,169	1,426,525

- (1) The amount represents the aggregate value that would have been realized had the stock options been exercised on the vesting date, calculated as the difference between the closing price of the Bank's Common Shares on the Toronto Stock Exchange and the exercise price. On the vesting date, the share price was \$50.83, while the exercise price of stock options ranged from \$38.36 to \$47.93.
- (2) The amount represents the value of the share units (PSUs, RSUs and DSUs) on the vesting date, based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the vesting date.
- (3) The amounts in this column include the annual bonuses earned during each fiscal year ended October 31 and paid in cash.

## Additional information about 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 previously granted stock options.

- 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 of the exercise price or purchase price, or any cancellation of stock options in order to issue new stock options
  - any extension of the term of an option beyond its initial term
  - an amendment to the class of eligible participants that would allow for introduction or reintroduction, at the Board's discretion, of non-employee directors of the Bank
  - an amendment allowing share-based payments granted under the Stock Option 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 at any time decide to suspend or terminate the Stock Option Plan in whole or in part, or amend it as the Board deems 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 participants 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 stock 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 cancelling stock options
- The Board may also amend features of an option granted to a participant (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 stock options already granted
  - the Board would have had prior authority to grant the amended Option
  - the amendment does not materially prejudice the rights of the participants affected by such amendment
- During fiscal 2017, the Board amended the Stock Option Plan to extend the period for exercising options up to the original expiry, in cases of retirement from January 1, 2018.

The table below is presented pursuant to Canadian securities legislation requirements and shows the status of the Stock Option Plan as at October 31, 2017.

### Information about equity-based compensation plans

- The number of Common Shares reserved for a participant may not exceed 5% of the total number of issued and outstanding Common Shares of the Bank.
- 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 shares issuable on the exercise of stock 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 shares issued on the exercise of stock options granted under the Stock Option Plan, cannot exceed 10% of the total number of issued and outstanding Common Shares of the Bank.

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 the securities reflected in column (a)) (c)
Equity-based compensation plan approved by securityholders	14,575,894	\$40.46	11,188,972

The information presented below reflects the new rules set out in the TSX Company Manual applicable for the fiscal year ended October 31, 2017.

	2017	2016	2015
Burn rate <sup>(1)</sup>	0.53%	0.63%	0.96%

- (1) The burn rate is equal to the number of options granted during the fiscal year divided by the weighted average number of shares outstanding during the applicable fiscal year. For fiscal 2017, the number of options granted in December 2016, i.e., 1,804,016, is divided by the weighted average number of shares outstanding during fiscal 2017, i.e., 340,809,071. For fiscal 2016, these numbers correspond to 2,140,420 and 337,460,213, and for fiscal 2015, they correspond to 3,170,260 and 329,790,444. Furthermore, the number of options granted in December 2017 is 1,836,348. The burn rate for this grant will be calculated by dividing by the weighted average number of shares outstanding during fiscal 2018.

## 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 (PRAP). The provisions of these plans are described in the following table:

Plan definition	<ul style="list-style-type: none"> <li>The defined benefit pension plan is contributory and subject to legislation governing pension plans under federal jurisdiction</li> <li>The PRAP aims to offset the impact of limits subject to the maximums prescribed under tax legislation with respect to pension benefits provided by a registered pension plan</li> <li>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</li> <li>The benefits accrued under the defined benefit pension plans and the PRAP form an integral part of the total compensation offered by the Bank</li> <li>Changes to the pension plans and to the PRAP came into effect January 1, 2014 (see details below)</li> </ul>
Features / reasons for payment	<ul style="list-style-type: none"> <li>Designed to encourage long-term retention of Executive Officers by rewarding their continued service at the Bank and by contributing to their retirement income</li> </ul>
Normal retirement age	<ul style="list-style-type: none"> <li>For membership years prior to January 1, 2014: age 60</li> <li>For membership years starting January 1, 2014: age 65</li> </ul>
Years of credited service	<ul style="list-style-type: none"> <li>President and Chief Executive Officer: <ul style="list-style-type: none"> <li>Recognition of five years of credited service on August 1, 2006 and an accumulated pension credit of 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, 2% of salary per year between August 1, 2017 and July 31, 2022, and in accordance with plans' provisions thereafter</li> <li>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</li> </ul> </li> <li>Other Executive Officers: <ul style="list-style-type: none"> <li>All other Executive Officers accumulate 1.5 years of credited service per year of membership up to a maximum of five additional years</li> </ul> </li> </ul>
Pension formula	<ul style="list-style-type: none"> <li>For membership years prior to January 1, 2014: <ul style="list-style-type: none"> <li>2% of average pensionable earnings for each year of credited service. As of age 60, the pension is reduced to take into account benefits payable under the Quebec Pension Plan or Canada Pension Plan</li> </ul> </li> <li>For membership years starting January 1, 2014: <ul style="list-style-type: none"> <li>1.7% of the average pensionable earnings for each year of credited service</li> </ul> </li> </ul>
Pensionable earnings	<ul style="list-style-type: none"> <li>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</li> <li>President and Chief Executive Officer: <ul style="list-style-type: none"> <li>The eligible annual bonus is capped at 150% of base salary</li> </ul> </li> <li>Other Executive Officers: <ul style="list-style-type: none"> <li>The eligible annual bonus has been capped at 45% of base salary since January 1, 2017</li> <li>Average annual pensionable earnings are capped at \$1,000,000</li> </ul> </li> </ul>
Maximum pension for the President and Chief Executive Officer	<ul style="list-style-type: none"> <li>The maximum annual pension payable is capped at \$1,500,000</li> </ul>
Contributions of Executive Officers	<ul style="list-style-type: none"> <li>9% of pensionable earnings, up to \$18,941 per year</li> <li>Upon retirement, the accumulated amount exceeding the basic contributions is converted into a supplemental pension, subject to the limits imposed by in-force legislation</li> </ul>

**Reduction for early retirement applicable to Executive Officers**

- Early retirement is permitted starting at age 55 <sup>(1)</sup>
- For membership years prior to January 1, 2014:
  - The applicable reduction for a plan member who has been a member of the pension plan for ten years or more is the lesser of:
    - > 4% for each year prior to age 60; or
    - > 2% for each point before the sum of the age and years of service reaches 90 points
  - 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 equivalence basis
- For membership years starting January 1, 2014:
  - The applicable reduction is 4% for each year prior to age 65

(1) Early retirement with reduced pension is permitted from age 50 for Executive Officers whose plan participation began prior to January 1, 2014 (reduction by actuarial equivalence between ages 50 and 55).

## Governance practices on pension plan administration

The Bank's pension plans are subject to the governance of the Board's Human Resources Committee, which acts as trustee of the pension plans, and are managed in accordance with best market practices. The 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 for Board approval any material changes deemed necessary to ensure plan continuity.

In 2001, the Human Resources Committee, on a voluntary and proactive basis, set up a Retirement Committee made up of external members (including two independent members) as well as Officers of the Bank who are experts in finance, treasury, risk management and human resources, and tasked with supporting it in its role as trustee and ensuring optimal asset management and control of inherent risks. 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.

Furthermore, the Bank periodically communicates with pension plan members, particularly through the Pensions Committee, which is comprised of Bank representatives as well as active and retired members. 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 other information.

The Bank fulfills its financial disclosure requirements and ensures the integrity of the information as well as its compliance with applicable accounting and disclosure standards. The financial statements undergo a rigorous audit by the Bank's independent auditor, appointed by the Human Resources Committee at the beginning of the fiscal year. Note 24 of the financial statements for the fiscal year ended October 31, 2017 shows that, from an accounting standpoint, the Bank's pension plans are in a deficit position.

The following table details, for each Named Executive Officer, the years of credited service as at October 31, 2017, annual benefits payable, and changes in the accrued benefit obligation between October 31, 2016 and October 31, 2017, including compensatory and non-compensatory changes with respect to their membership in pension plans for fiscal 2017.

It should be noted that the amounts in the table below 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, which could potentially render a comparison less relevant.

## Defined benefit pension plans <sup>(1)</sup> <sup>(2)</sup>

Name	Years of credited service <sup>(4)</sup>	Annual benefits payable <sup>(6)</sup> <sup>(7)</sup> <sup>(8)</sup>		Accrued benefit obligation at start of fiscal year (\$) <sup>(10)</sup>	Compensatory change (\$) <sup>(11)</sup>	Non-compensatory change (\$) <sup>(12)</sup>	Accrued benefit obligation at the end of the fiscal year (\$) <sup>(10)</sup>
		At fiscal year-end (\$) <sup>(9)</sup>	At age 65 (\$) <sup>(9)</sup>				
Louis Vachon	31.4	1,415,000	1,500,000 <sup>(13)</sup>	15,647,000	737,000	462,000	16,846,000
Ghislain Parent	10.3	104,000	242,000	1,201,000	285,000	37,000	1,523,000
Ricardo Pascoe	16.1	185,000	341,000	2,873,000	123,000	104,000	3,100,000
Denis Girouard <sup>(5)</sup>	4.5	18,900	80,000	196,000	218,000	34,000	448,000
Diane Giard	9.1	100,000	230,000	1,302,000	181,000	61,000	1,544,000

- (1) The amounts in the “Salary” column of the “[Summary of Compensation of Named Executive Officers](#)” table 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 150% of Louis Vachon’s base salary. For the other Executive Officers, the eligible bonus is capped at 45% of base salary, and average pensionable earnings are limited to the cap stated in Note 2 to this table.
- (2) Average pensionable earnings are capped at \$1,000,000 for Ghislain Parent, Ricardo Pascoe, Denis Girouard and Diane Giard.
- (3) Louis Vachon was granted five years of credited service on August 1, 2006. He earned a pension credit of 4% of salary for each year between August 1, 2006 and July 31, 2010, a credit of 2.5% of salary for each year between August 1, 2010 and July 31, 2017, and he will earn a credit of 2% of salary for each year between August 1, 2017 and July 31, 2022, and credits provided for under the Plan thereafter.
- (4) The years of credited service for Ghislain Parent, Denis Girouard, 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 for Ghislain Parent, September 26, 2011 for Diane Giard and June 1, 2016 for Denis Girouard. Ricardo Pascoe is accumulating 1.5 years of credited service over the 10-year period that started on January 1, 2014.
- (5) Denis Girouard’s membership years prior to June 1, 2016 are attributable to the employee pension plan of National Bank Financial Inc. After this date, membership years are recognized in the Bank’s designated employee pension plan.
- (6) The estimated pensions do not take into account the pension generated by additional contributions accumulated by the Named Executive Officer.
- (7) The pension is payable for life, but reduced to take into account benefits payable under the Canada or Quebec Pension Plans for the years prior to 2014. 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.
- (8) The pension includes a revalorization (at neutral cost) between age 60 and 65 for the pension granted for membership years accumulated prior to January 1, 2014 based on accounting assumptions. Pension revalorization after the normal retirement age was introduced on January 1, 2014, for all employees. It is calculated on an actuarial equivalence basis, which means that the actuarial value of the pension remains unchanged. This provision is necessary so as not to penalize employees who opt to retire after the normal retirement age.
- (9) The year-end pension is equal to the pension payable at the assumed retirement age, i.e., the age used to calculate the value of the obligation at year-end (age 60 for Denis Girouard, 61 for Louis Vachon, Ricardo Pascoe and Diane Giard, and 62 for Ghislain Parent) proportionately to the number of years of credited service at year-end.
- (10) The accrued benefit obligation represents the present value of the pension benefit for years of credited service up to October 31, 2016 or October 31, 2017. These values were calculated using the same assumptions as those used for the Bank’s consolidated financial statements, notably a discount rate of 3.60% as at October 31, 2016 and 3.65% as at October 31, 2017. These values also take into account the 3.75% discount rate for current service as at October 31, 2016. The value of benefits payable related to the Executive Officer’s additional contributions is included in the calculation of the accrued benefit obligation.
- (11) 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.
- (12) 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 Named Executive Officer, actuarial gains and losses other than those associated with compensation levels, and changes in actuarial assumptions.
- (13) Louis Vachon’s pension was capped at \$1,500,000.

## Termination and change of control benefits

### 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 both of the following events occur:

- "Change of control" of the Bank 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; 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 their wishes, during the two-year period following the change of control.

This policy is not applicable to cases of voluntary resignation, termination of employment for just cause, demotion or termination of employment based on unsatisfactory performance.

Pursuant to this policy, 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 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 2017.

## Conditions applicable in the event of termination of employment

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

Compensation component	Voluntary resignation	Termination of employment for just cause	Termination of employment without cause (lay-off)	Change of control and termination of employment within two years	Retirement
Salary	Cessation		Severance pay upon termination in the form of a lump sum or salary continuance	Severance benefits <sup>(1)</sup> paid for a period of 24 months until the normal retirement age	Cessation
Annual bonus	Cancellation		Calculated on a pro rata basis of the number of months worked		
PSUs/RSUs <sup>(2)</sup>			Vesting at termination date	Vest according to original time frame <sup>(3)</sup>	
Options	A 30-day period is granted to exercise vested stock options	Cancellation	A period is granted to exercise vested stock options during which vesting continues, if applicable. At the end of this period, vested but unexercised stock options and non-vested stock options are cancelled	Non-vested stock options vest immediately. A 12-month period is granted to exercise the stock options	Non-vested options continue to vest according to original time frame. A 5-year period is granted to exercise vested stock options <sup>(3) (4)</sup>
DSUs	Vested DSUs are paid out and non-vested DSUs are cancelled		A period is granted for vested DSUs to be redeemed, during which time DSUs continue to vest, if applicable	DSUs vest immediately upon the termination date, and a 12-month period is granted to redeem them	DSUs vest immediately upon retirement, and a delay is granted until December 1 of the calendar year following the year of retirement to redeem them
Employee benefits	Eligibility ends on voluntary resignation or termination date				Retiree benefits apply according to the program in effect
Pension plan	At termination date, the pension is paid at actuarial value or as a deferred benefit				Pension benefit paid monthly

- (1) Equals the base salary and the average annual bonus of the last three years.
- (2) Voluntary resignation and termination of employment without cause: The deferred portion of annual bonuses in the Financial Markets segment, awarded in RSUs, continues to vest in accordance with the same time frame and is payable in cash at the vesting date if the non-compete and non-solicitation conditions are met.
- (3) If the non-compete and non-solicitation conditions are met.
- (4) During fiscal 2017, the Board amended the Stock Option Plan to extend the period for exercising options up to the original expiry, in cases of retirement from January 1, 2018.

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

The employment contracts of Named Executive Officers include no individual agreement in the event of termination of employment. The actual amount that a Named Executive Officer might receive in the event of a termination of employment can be calculated only at the time of termination. Several factors could influence the amount of the benefits, and the amount actually paid could be higher or lower than those presented below.

The following table indicates the estimated incremental amounts that would have been paid to the Named Executive Officers if their employment had been terminated as at October 31, 2017. These amounts do not include the benefits that could be taken into account with respect to Common Law and Civil Law.

Name	Estimated incremental value by type of termination (\$) <sup>(1)</sup>		
	Retirement, voluntary resignation and termination of employment for cause	Termination of employment without cause (lay-off) <sup>(2)</sup>	Change of control and termination of employment <sup>(3)</sup>
Louis Vachon	0	–	\$5,681,280
Ghislain Parent	0	–	\$1,713,345
Ricardo Pascoe	0	–	\$6,494,686
Denis Girouard	0	–	\$8,057,137
Diane Giard	0	–	\$2,978,280

- (1) The estimated incremental value refers to the severance benefits that would have been paid. No incremental value from the pension plan would have been payable regardless of the reason for termination.
- (2) If a Named Executive Officer had their employment terminated on October 31, 2017 further to dismissal without cause, he or she would have been entitled to accelerated vesting of any share-based compensation (excluding DSUs) already granted in the fiscal years prior to 2017. Based on the Bank's share price on October 31, 2017, the value of such accelerated vesting would have been \$14,652,925 for Louis Vachon, \$2,604,964 for Ghislain Parent, \$12,179,799 for Ricardo Pascoe, \$10,999,785 for Denis Girouard, and \$4,640,093 for Diane Giard.
- (3) If a Named Executive Officer had had their employment terminated on October 31, 2017 further to a change of control, he or she would have been entitled to accelerated vesting of any option and share-based compensation already granted in the fiscal years prior to 2017. Based on the Bank's share price on October 31, 2017, the value of such accelerated vesting would have been \$22,826,124 for Louis Vachon, \$4,515,688 for Ghislain Parent, \$14,318,454 for Ricardo Pascoe, \$11,831,156 for Denis Girouard and \$6,730,401 for Diane Giard.

## OTHER INFORMATION

The Bank considers that it is important to disclose detailed information that shareholders can use to assess its compensation policies and practices. This section of the Circular discloses additional information about material risk takers, as required by the principles and standards for sound compensation practices published by the Financial Stability Board and in accordance with the disclosure obligations set out in the third pillar of the Basel Accord on banking supervision.

The criteria for identifying functions whose incumbents are considered material risk takers are set by the Human Resources Committee in accordance with the recommendations of the Compensation Risk Oversight Working Group based on FSB guidelines and on market practices. As a starting point, management has established that all individuals holding positions of Senior Vice-President or higher as well as Officers and certain specialists (primarily Managing Directors) in Financial Markets are considered material risk takers. Additionally, the Human Resources Committee considers all other individuals who, as part of their normal daily responsibilities, may make decisions that have a notable influence on the Bank's risk exposure.

### Compensation awarded in 2017

The following tables summarize the value of the compensation awarded to material risk takers for fiscal years 2016 and 2017. The value of deferred compensation (based on equity securities) is shown in relation to the projected value at time of grant.

Amounts are in millions of dollars.

Compensation granted	2017		2016	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
Number of employees	5	179	5	161
Fixed compensation				
• Cash (not deferred)	\$2.9	\$34.5	\$2.8	\$31.6
Variable compensation				
• Cash (not deferred)	\$10.5	\$120.1	\$7.1	\$103.5
• Share-based (deferred)	\$15.1	\$88.8	\$15.9	\$84.1
<b>Deferred compensation</b>				
Outstanding				
• Vested	\$101.7	\$91.3	\$56.3	\$63.2
• Non-vested	\$60.2	\$225.3	\$37.2	\$144.4
Paid in the fiscal year	\$17.3	\$89.2	\$10.9	\$60.9

All outstanding deferred compensation is subject to implicit adjustments (such as changes in share price) and explicit adjustments (such as the clawback of variable compensation). In fiscal 2017, no explicit adjustment of deferred compensation granted in a previous year was made.

### Other compensation

The following table shows the awards of cash and of deferred compensation granted at hiring, including minimum guaranteed bonuses under the variable compensation programs.

Other compensation	2017		2016	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
Bonus offered at hiring under the guaranteed bonuses policy				
• Number of employees	0	11	0	12
• Sign-on awards	0	\$3.9	0	\$5.0
• Guaranteed awards	0	\$8.6	0	\$10.7
Severance payments				
• Number of employees	0	10	0	7
• Severances	0	\$8.8	0	\$3.9

## Annual bonuses program for Officers and specialists in the Financial Markets segment

<b>Features / reasons for payment</b>	<ul style="list-style-type: none"> <li>• Designed to reward group and individual contributions to the financial results of the Financial Markets segment</li> </ul>
<b>Financial indicator</b>	<ul style="list-style-type: none"> <li>• Direct contribution <sup>(1)</sup> of the Financial Markets segment             <ul style="list-style-type: none"> <li>– The Bank reserves the right to adjust bonus envelopes at its discretion based on the Bank's overall performance, which includes compliance with the minimum regulatory capital required by the regulatory authorities</li> </ul> </li> </ul>
<b>Grant</b>	<ul style="list-style-type: none"> <li>• Individual bonuses are awarded on a discretionary basis according to:             <ul style="list-style-type: none"> <li>– expected behaviours, such as cooperation among business lines</li> <li>– business relationships with clients</li> <li>– respect for ethics and organizational values</li> <li>– prudence demonstrated in risk management</li> <li>– individual contribution to revenue growth, to the results of the team, and to the Financial Markets segment as a whole</li> </ul> </li> </ul>
<b>Payment</b>	<ul style="list-style-type: none"> <li>• Bonuses are granted annually as follows:             <ul style="list-style-type: none"> <li>– a portion in cash</li> <li>– the other portion is deferred in the form of RSUs in accordance with FSB governance practices</li> </ul>             The deferred portion is established based on the amount of the annual bonus awarded and job level:             <ul style="list-style-type: none"> <li>› Officers: the deferred portion of the annual bonus is established such that at least 50% of the variable compensation is deferred</li> <li>› Specialists: the deferred portion is established based on the amount of the annual bonus and a table of progressive rates</li> </ul> </li> <li>• RSUs vest over a three-year period, in three equal annual portions, and expire at the end of this period</li> <li>• Additional RSUs are credited to the Officer's account in an amount proportional to the dividends paid on the Common Shares</li> <li>• The cash payment is equal to the number of vested RSUs, multiplied by the average closing price of the Bank's shares on the Toronto Stock Exchange for the 10 days preceding the sixth business day of December</li> <li>• The Compensation Risk Oversight Working Group reviews the levels of the various risks incurred during the year by material risk takers in the Financial Markets segment and, if necessary, advises the Human Resources Committee to adjust the annual bonus envelopes downward</li> </ul>
<b>Clawback of variable compensation</b>	<ul style="list-style-type: none"> <li>• In accordance with the variable compensation clawback policy, payments may be clawed back in specific circumstances</li> </ul>

(1) Consists of the Financial Markets segment's revenues less its expenses.

## 8. OTHER INFORMATION

### Indebtedness of directors, executive officers and employees

#### Aggregate indebtedness

As at January 26, 2018, aggregate indebtedness <sup>(1)</sup> 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 <sup>(2)</sup> and employees of the Bank and its subsidiaries stood as follows:

Purpose	To the Bank or its subsidiaries (\$)	To another entity (\$)
Securities purchases	–	–
Other	\$18,789,090 <sup>(A)</sup>	–

(A) This amount consists of loans, 86% of which are secured by mortgages.

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

The following table presents the indebtedness <sup>(1)</sup> of each individual who is, or was, during the most recently completed fiscal year, a director or executive officer of the Bank as well as the indebtedness 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 the Bank or a Bank subsidiary	Largest amount outstanding during the fiscal year ended October 31, 2017 (\$)	Outstanding as at January 26, 2018 (\$)	Financially assisted securities purchases during fiscal year ended October 31, 2017	Security for indebtedness	Amount forgiven during the fiscal year ended October 31, 2017 (\$)
<b>SECURITIES PURCHASE PROGRAMS</b>						
–	–	–	–	–	–	–
<b>OTHER PROGRAMS</b>						
<b>GAGNON, Martin</b> Executive Vice-President – Wealth Management and Co-President and Co-Chief Executive Officer, NBF	Loans granted by the Bank	\$2,625,000 <sup>(3)</sup>	\$1,966,487 <sup>(3)</sup>	–	–	–
<b>PASCOE, Ricardo</b> Chief Transformation Officer and Executive Vice-President	Loans granted by the Bank	\$0 <sup>(4)</sup>	\$200,000 <sup>(4)</sup>	–	–	–

- (1) 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, 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) On February 19, 2018, this amount represents the balances of Bank-granted loans secured by a mortgage on the borrower's primary residence. This amount bears fixed-rate interest under the conditions applicable to clients, except that the posted interest rate less 2% applies for three-year terms and less 2.50% applies for five-year terms, which are the rates granted to Bank employees, all amortized over a 25-year period. This amount also represents a personal line of credit, named *All-in-One National Bank*, granted under the conditions applicable to clients, except that the interest rate is the one granted to Bank employees, i.e., prime rate less 0.5%, but not less than the prime rate divided by 2.
- (4) This amount represents the balance of a U.S.-dollar loan (equal to \$246,420 in Canadian dollars at a rate of 1.2321 on January 26, 2018) granted by the Bank for the purchase of a movable property and bearing interest at the current LIBOR rate, plus 1.20%, amortized over a 6-month period. The interest rate on such a loan is the rate applicable to clients.

### 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 \$125,000,000 with no deductible.

The annual premium for this insurance is \$546,000. The policy expires on September 1, 2018 and is renewable.

### Share repurchase program

On June 5, 2017, a new Normal Course Issuer Bid (NCIB) began and will end no later than June 4, 2018. Under this NCIB, and throughout the above-stated period, the Bank may repurchase a maximum of 6,000,000 Common Shares, which represents approximately 1.76% of its outstanding Common Shares. The price paid by the Bank for any Common Shares repurchased on the Toronto Stock Exchange is the market price of the Common Shares on the Toronto Stock Exchange on the repurchase date. The Common Shares may also be repurchased through other means permitted by the Toronto Stock Exchange and applicable regulations, including by way of private agreement or share repurchase programs pursuant to any exemption issued by securities regulatory authorities. A private purchase made pursuant to an exemption issued by a securities regulatory authority will be made at a discount from the market price in effect. In the Board's opinion, the repurchase of Common Shares under this NCIB gives the Bank additional flexibility to manage its capital and generate value for shareholders. As of February 23, 2018, the Bank had repurchased and cancelled 3,500,000 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, National Bank of Canada, 600 De La Gauchetière Street West, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.

### Minutes

The minutes of the Annual Meeting of the Holders of Common Shares of the Bank are posted on [sedar.com](http://sedar.com) and on the [nbc.ca](http://nbc.ca) website.

### Additional information

Financial information about the Bank can be found in the fiscal 2017 comparative consolidated financial statements and management's discussion and analysis reported in the [2017 Annual Report](#).

Upon request, the Bank will promptly provide any shareholder, free of charge, with a copy of the 2017 Annual Report, a copy of the 2017 Annual Information Form together with a copy of any document incorporated therein by reference, a copy of the annual consolidated financial statements for the fiscal year ended October 31, 2017 with the accompanying independent auditor's report, a copy of any subsequent quarterly 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, National Bank of Canada, 600 De La Gauchetière Street West, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.

These documents as well as additional information about the Bank may be obtained on the [nbc.ca](http://nbc.ca) and [sedar.com](http://sedar.com) websites.

In accordance with notice-and-access procedures, any shareholder who wishes to receive, free of charge, a printed copy of the Circular prior to the Meeting or in the year following the date that the Circular was posted, should follow the instructions provided in the “[How to obtain the Circular](#)” paragraph of [Section 1](#) of the Circular.

The following governance-related information can be found in the Governance subsection under “[About Us](#)” on the [nbc.ca](#) website:

- Mandates of the Board and Board committees
- Mandates of the Chairman of the Board and the committee Chairs
- Director Independence Policy
- The Bank’s Statement of Corporate Governance Practices
- The Board’s Diversity Statement
- 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 [nbc.ca](#) website.

The Bank is also very active on social media platforms such as [Facebook](#), [Twitter](#), [LinkedIn](#), [Instagram](#) and [YouTube](#), through which it can be contacted.

### **Trademarks**

The trademarks used in this Circular include National Bank of Canada, National Bank, National Bank Financial, *Powering your ideas*, *All-in-One National Bank*, *One client, one bank*, and their respective logos, which are trademarks of the Bank used under licence by authorized third parties. All other trademarks mentioned in this Circular that 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**

(s) *Dominic Paradis*  
Vice-President, Legal Affairs and Corporate Secretary

Montreal, February 23, 2018

## APPENDIX A – SHAREHOLDER PROPOSALS

The Mouvement d'éducation et de défense des actionnaires (MÉDAC), the head office of which is located at [82 Sherbrooke Street West, Montreal, Quebec, Canada H2X 1X3](#), sent four proposals to the Bank for inclusion in the Circular.

After discussions with the Bank, MÉDAC agreed to not submit any of the four proposals to a shareholder vote. In addition, the Bank and MÉDAC agreed to include these proposals in the Circular solely for information purposes. Below the Bank has reproduced the full text of these four proposals as well as its responses thereto.

### **Proposal No. 1 – Not submitted to shareholder vote**

#### **“Democratizing access to two director seats [translation]**

**It is proposed that the Board of Directors adopt a by-law paving the way for two director seats to be nominated by the public and elected by the shareholders, each for a term of one year or until a successor is elected or nominated.**

#### **Arguments**

Such a nomination process would broaden the pool of new director nominees while identifying new talent who might not have been considered based on traditional sources: referrals from management or from a director, selection by an executive or director recruitment firm, and referrals from influential shareholders who hold more than 5% of the Bank's shares.

To stand for election, nominees would have to meet the following criteria:

- Demonstrate their socio-economic involvement;
- Have the support of at least three groups representing the Bank's stakeholders;
- Serve as a director for a profit-oriented or non-profit organization;
- Meet the competency and experience requirements sought by the Bank for its directors;
- Ideally, be certified by an institute or college dedicated to corporate director training. For more than 10 years, several thousands of people across Canada have taken specific training to serve on boards of directors.

Interested candidates could express their interest following a public call for nominations, which would be announced in newspapers and posted on the Bank's website. Nominee suitability in relation to the stated requirements should be evaluated by the Bank's Nominating Committee. The selected nominees would be included in the management proxy circular, which would specify that they were nominated further to a public call for nominations. The two nominees with the most votes would then be elected. They would be eligible for re-election each year up to a maximum of 12 cumulative terms.

We would like to underscore that candidates other than those identified by management or members of the Board of Directors can in fact stand as nominees. Assuming that various individuals could stand as nominees, it was difficult for us to identify director profiles that vary from the traditional nomination paths and could contribute different added value. The annual activity report of the Bank's nominating committee could benefit from efforts to diversify the sources of candidates in order to identify the best talent to serve on the Board of Directors.

The purpose of this proposal is to develop a new source of nominees and provide candidates who can offer a different outlook on decision-making with the possibility of joining the board by reserving them two seats, provided they satisfy the selection criteria.

Such a process is currently used by the Fonds de solidarité FTQ and allows the objectives sought through this proposal to be achieved.”

### **The Bank’s position:**

The Board is confident that it applies a sound, robust process for identifying, evaluating and nominating directors. It oversees the succession planning process implemented by the Conduct Review and Corporate Governance Committee, and the Committee is responsible for selecting nominees for vacant director positions and determining the appropriateness of re-electing each current director.

The Committee establishes and periodically revises director selection criteria. The criteria seek a complementary mix of knowledge and expertise within the group of directors. As part of the selection process, the Committee also examines matters of director independence, integrity, and diversity.

The Committee prepares and annually reviews a standing list of director nominees and invites the other directors and Bank management to make suggestions. If deemed appropriate, the Committee may also hire an external recruitment consultant.

Before submitting recommendations to the Board, the Committee organizes one or more meetings between each nominee and certain Board members to obtain all the information needed to evaluate the nomination. It also verifies the integrity and aptitude of each nominee by obtaining references, confirming academic backgrounds, conducting security checks, and evaluating any independence-related conflicts or issues.

The Board has also developed a proxy access policy to support the ability of shareholders to have an influence on the submission of candidates for Board election. This policy specifies how eligible shareholders may submit candidates for Board election and have them included in the Bank’s management proxy circular and form of proxy. [Section 4](#) of the Circular provides a summary of this policy, and the full policy text can be found on the [nbc.ca](#) website.

Alternatively, in accordance with the Act, shareholders holding in the aggregate not less than 5% of the Bank’s outstanding Common Shares for the minimum period of time set out in the Act may also submit a formal proposal to have candidates nominated for election as directors.

Lastly, shareholders who do not meet the minimum criteria for making an official proposal, or who choose not to do so, may at any time still recommend candidates for election to the Board by submitting their names with supporting documents to the Bank’s Corporate Secretary, as described in the “[Director nominations by shareholders](#)” subsection of [Section 4](#) of the Circular.

For additional information on these topics, refer to [Section 4](#) of the Circular.

**As agreed with MÉDAC, this proposal is not being submitted to shareholder vote.**

## Proposal No. 2 — Not submitted to shareholder vote

### “Commitment to carbon neutrality [translation]

**It is proposed that the Bank publish annually a brief report that would allow its shareholders to assess its exposure to climate risk and its contribution to the transition towards a low-carbon economy. The recommendations of the TCFD should guide this disclosure.**

### Arguments

At a conference given in Montreal by a senior Bank of Canada official, Deputy Governor Timothy Lane stated that climate change will disrupt the Canadian economy. According to him, “adapting to a lower-carbon economy will likely mean more profound structural changes for Canada than for other countries. Canada is a major producer of fossil fuels and its manufacturing sectors—like automotive and aerospace—are closely linked to energy.”

We believe that the Bank, like the other Canadian banks, has a key role to play in this move to reduce carbon emissions.

Taking inspiration from the work of the Task Force on Climate-related Financial Disclosures (TCFD), we propose that the Bank file an annual disclosure of:

- its short-, medium- and long-term commitments in this area and the results achieved;
- its thoughts on the different scenarios considered in assessing the impacts of climate change on its operations and the steps taken to mitigate them.

Climate and environmental issues are becoming increasingly central to our organizations’ new governance. This disclosure should also address the means put in place by the Board of Directors to integrate environmental and social factors into its governance.”

### The Bank’s position:

As discussed in its Social Responsibility Report, the Bank is concerned about the consequences of human activity on the environment, particularly the effects of climate change.

The Bank is committed to understanding and minimizing the impact of its activities on the environment. Historically, the Bank has voluntarily launched measures aimed at calculating and reducing its greenhouse gas emissions, and it continues to actively deploy initiatives to reduce its environmental footprint. The Bank stays current with the evolution of its environmental footprint reduction activities and, among other initiatives, constantly strives to achieve greater energy efficiency. The Bank is known for its leadership in this area.

For additional information on the Bank’s initiatives, consult its Social Responsibility Report on the [nbc.ca](http://nbc.ca) website.

In addition, through its financing activities, the Bank has been actively supporting the energy transition that has been occurring across the country in the past few years. Green energy loans are up significantly. In the coming quarters, the Bank will publish more information on its energy-financing portfolio. The Bank believes that publishing such information falls within the spirit of the recommendations envisioned by the TCFD. The Bank is monitoring the TCFD’s work and will consider its recommendations when publishing climate change disclosures.

**As agreed with MÉDAC, this proposal is not being submitted to shareholder vote.**

### Proposal No. 3 — Not submitted to shareholder vote

#### **“Certification of sound business practices concerning the sale of financial products and services [translation]**

**It is proposed that the Board of Directors require a written statement from its senior executives concerning compliance with the principles of loyalty, integrity and honesty in their client relationships, and that such a document set out disciplinary measures in the event of a false statement.**

#### **Argument**

In 2017, close to 1,000 emails from employees of Royal Bank, Bank of Montreal, Canadian Imperial Bank of Commerce, Toronto-Dominion Bank and Scotiabank across Canada shared with Radio-Canada revealed the pressure that employees are under to reach sales targets and the excessive supervision to which they are subject. This prompted the Financial Consumer Agency of Canada (FCAC) to launch a review of the sales practices of financial institutions. The House of Commons’ Steering Committee on Finance also held hearings in this matter in June.

Aside from tarnishing the reputation of our banks, these revelations had an impact on the value of our shares, as was the case for TD Bank whose share price lost more than 5.5% when this situation was made public.

The banks’ shareholders and stakeholders expect them to comply with the principles of loyalty, integrity and honesty in their client relationships and take all necessary measures to control the risks of non-compliance with those principles.

Taking inspiration from the certification that executives must sign concerning the reliability of financial information, the purpose of this statement would be to reassure the Bank’s shareholders and clients that senior management has put in place policies governing the sale of products and services that comply with the principles of loyalty, integrity and honesty; that there are controls to give a reasonable assurance of compliance with those policies; and that disciplinary measures will be applied to deal with unacceptable behaviour with respect to the principles set out.

False or misleading statements by executives who have signed the statement should also be subject to sanctions.”

#### **The Bank’s position:**

As the Bank mentioned in its 2017 Annual Report, in 2017 the Financial Consumer Agency of Canada (FCAC) and the Office of the Superintendent of Financial Institutions launched an industry-wide review into the sales practices of systematically important Canadian financial institutions. The Bank takes allegations about the industry’s sales practices seriously. The Bank has fully cooperated with the FCAC and OSFI review process and is closely monitoring developments as well as the conclusions that will be reached by these agencies.

The Board also takes the promotion of ethical commercial behaviour seriously. For additional information, refer to subsection **“Commercial integrity and ethical behaviour within the Bank”** in **Section 4** of the Circular. For many years the values of honesty, trust, integrity and loyalty to clients have been front and centre in the Bank’s Code of Conduct and Ethics. In the interest of continued clarity, in June 2017 the Code was amended to illustrate the concept of respect for clients in the specific context of sales practices.

Each director, officer and employee must certify their compliance with the Code on an annual basis. The Code has corrective and disciplinary measures that may go as far as dismissal in the event of an offence.

The Bank’s Code of Conduct and Ethics is available on the [nbc.ca](http://nbc.ca) website.

**As agreed with MÉDAC, this proposal is not being submitted to shareholder vote.**

## Proposal No. 4 — Not submitted to shareholder vote

### “Disclosure of the equity ratio [translation]

It is proposed that the Bank disclose the equity ratio used by the Compensation Committee in setting compensation.

#### Argument

Since its creation, MÉDAC has been filing proposals to assure shareholders that the compensation of the Bank’s CEO is established based on the value he creates while being reasonable and socially acceptable. One of the tools used to inform shareholders about achieving such an objective is the equity ratio, which is the ratio of the CEO’s total compensation to median employee compensation. Our requests, and the possibility that the disclosure of this information could become mandatory in the United States, prompted Canada’s six largest banks to ask Meridian Compensation Partners to review their compensation-setting practices, which are mainly based on comparisons of compensation among peers of various companies. Although the conclusion of this study favoured maintaining recourse to this method, Meridian highlighted that using the equity ratio would allow for an even more informed judgement as to the suitability of executive compensation.

Since it is likely that your Compensation Committee uses the equity ratio as information for setting the CEO’s and senior executives’ compensation, we ask that the Board of Directors agree to disclose this information in the next management proxy circular. Like the information used to determine whether the CEO’s and main collaborators’ compensation is aligned with our financial interests, the information about the equity ratio would allow shareholders to assess whether employee compensation is moving in the same direction as that of the main executives, since employees other than executives also contribute to the organization’s performance. It would also help them determine whether the compensation granted to their management team is socially acceptable, and that it will not adversely affect its reputation.”

#### The Bank’s position:

The Board ensures that its current compensation policies and programs are competitive for both Bank Officers and employees while also serving the interests of shareholders and ensuring the Bank’s long-term prosperity. For the Board and its Human Resources Committee, the compensation paid to all employees must be established fairly and equitably. Over the years the Bank has therefore adopted many practices to ensure equitable compensation at every level of the organization, including salary scales that reflect the importance of each function, and similar performance measures are applied for Officers and all employees under the incentive compensation plan, thereby ensuring relatively proportionate payments.

The Bank believes that the disclosure of its policies, practices, and approach described in [Section 7](#) of the Circular adequately informs the Bank’s shareholders and employees about the rigorous and equitable compensation process established by the Board. The Board does not favour the disclosure of vertical comparison ratios, as the results of such measures can fluctuate significantly from one organization to another due to a series of factors (compensation components considered, employees identified, geographic area covered, cost of living in different areas, etc.) and can lead to significant biases in their interpretations. Still, a variety of ratios are submitted to the Human Resources Committee as complementary information.

Lastly, the Board is staying apprised of questions surrounding the equity ratio, particularly following the application of rules to disclose a compensation comparison ratio by U.S. companies. The Bank is also committed to continuing to share certain information, such as the number of full-time equivalent employees included in the Annual Report such that this type of ratio can be calculated if desired.

**As agreed with MÉDAC, this proposal is not being submitted to shareholder vote.**

## INFORMATION FOR SHAREHOLDERS

### Head Office

National Bank of Canada  
National Bank Tower  
600 De La Gauchetière Street West, 4<sup>th</sup> floor  
Montreal, Quebec, Canada H3B 4L2  
Telephone: 514-394-5000  
Website: [nbc.ca](http://nbc.ca)

### 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.

Computershare Trust Company of Canada  
1500 Robert-Bourassa Boulevard, 7<sup>th</sup> floor  
Montreal, Quebec, Canada H3A 3S8  
Telephone: 1-888-838-1407  
Fax: 1-888-453-0330  
E-mail: [service@computershare.com](mailto:service@computershare.com)  
Website: [computershare.com](http://computershare.com)

For all correspondence (mailing address):  
Computershare Trust Company of Canada  
100 University Avenue, 8<sup>th</sup> floor  
Toronto, Ontario, Canada M5J 2Y1

All other enquiries may be addressed to:  
Investor Relations  
National Bank of Canada  
National Bank Tower  
600 De La Gauchetière Street West, 7<sup>th</sup> floor  
Montreal, Quebec, Canada H3B 4L2  
Telephone: 1-866-517-5455  
E-mail: [investorrelations@nbc.ca](mailto:investorrelations@nbc.ca)  
Website: [nbc.ca/investorrelations](http://nbc.ca/investorrelations)

### 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 to [boardofdirectors@nbc.ca](mailto:boardofdirectors@nbc.ca) or by mail c/o the Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4<sup>th</sup> floor, Montreal, Quebec, Canada H3B 4L2.

## CODE OF PROCEDURE

The Annual Meeting of the Holders of Common Shares of National Bank of Canada (the “Bank”) is an opportunity for us to present the Bank’s results and current projects and to hear the opinions of shareholders on the proposals put to a vote – as indicated in the business of the meeting presented in the Management Proxy Circular – and to answer their questions.

By attending this meeting, each person agrees to follow this code of procedure.

**Registration** – Attendance at the meeting is limited to holders of Common Shares and beneficial owners of Common Shares as of the record date, and their proxyholders (hereinafter, respectively, “shareholders,” “beneficial owners” and “proxyholders”). All participants must confirm their presence and, as required, obtain ballots at the desk of the Bank’s transfer agent, which is located at the entrance of the hall. Invited guests of the Bank may also attend the meeting. They must confirm their presence with one of the Bank’s representatives posted at the entrance of the hall.

**Recording prohibited** – Photography and audio or video recordings of the meeting are prohibited.

**Chairman of the meeting** – The Chairman of the meeting is responsible for ensuring that the meeting is conducted in an orderly manner. He maintains order and exercises all the powers required to that end. The Chairman’s decisions are final and are not subject to appeal. Everyone attending must comply with the Chairman of the meeting’s directives. The Chairman of the meeting may, without limitation, interrupt to cut off any comments or questions that:

- Are not relevant to the Bank’s business;
- Concern an issue before a court;
- Are defamatory;
- Repeat in substance a question or discussion that has already been addressed during the meeting;
- Relate to personal grievances.

**Business of the meeting** – The meeting follows the order set out in the Notice of Meeting that was published and sent to shareholders. Shareholders, beneficial owners and proxyholders who wish to address the meeting are asked to limit their remarks to the subject at hand. Other subjects may be addressed during the question period.

**Eligible voters** – Only registered shareholders and proxyholders may participate in the vote. Beneficial owners may not vote at the meeting, unless they have named themselves as proxyholders.

**Shareholder proposals** – The shareholder who had proposals included in the Management Proxy Circular is welcome to present them personally or through a proxyholder. An additional period of time is allocated to him or her to present his or her arguments, and to present a reply, should he or she wish to reply before the vote is taken.

**Time allocation** – In order for the meeting and the question period to progress in an efficient manner and to ensure that each participant’s rights are respected, each shareholder, beneficial owner or proxyholder may speak for no more than 3 minutes. The Chairman of the meeting has discretion over the amount of time spent on each subject.

**Question period** – The questions from shareholders, beneficial owners and proxyholders may only address Bank-related subjects. Shareholders, beneficial owners or proxyholders who wish to ask a question must identify themselves and confirm their status as a shareholder, beneficial owner or proxyholder before asking their question. Shareholders, beneficial owners and proxyholders may ask a maximum of 3 questions each.





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