ANNUAL MEETING OF SHAREHOLDERS

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

–

Management Proxy Circular

April 15, 2015

NATIONAL BANK

Terms and abbreviations used ➜

Use the table overleaf to facilitate reading.

Remember to vote.
Your vote is important.

2014 Annual Information Form: The Bank's Annual Information Form dated December 4, 2014 and posted on the Bank's website (nbc.ca) and on the SEDAR website (sedar.com)

2014 Annual Report: The Bank's Annual Report filed on December 5, 2014 and posted on the Bank's website (nbc.ca) and on the SEDAR website (sedar.com), including the consolidated financial statements for the fiscal year ended October 31, 2014 as well as Management's Discussion and Analysis and the independent auditor's report thereon

AC: Audit Committee of the Board

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

Bank: National Bank of Canada

Board: Board of Directors of the Bank

Circular: Management Proxy Circular for the Meeting

Computershare: Computershare Trust Company of Canada

CRCGC: Conduct Review and Corporate Governance Committee of the Board

CSA: Canadian Securities Administrators

Deloitte: Deloitte LLP

DSU: Deferred stock unit

EDT: Eastern Daylight Time

ESOP: Employee Share Ownership Plan of the Bank

EST: Eastern Standard Time

Executive Officers (as at October 31, 2014): 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, Chairman of the Board, President and Chief Executive Officer, NBF Ltd. and Co-Chairman of the Board, Co-President and Co-Chief Executive Officer, NBF Inc.;
- the Executive Vice-President – Risk Management;
- the Executive Vice-President – Financial Markets;
- the Executive Vice-President – Marketing and Corporate Strategy;
- the Executive Vice-President – Operations and Strategic Initiatives Office;
- the Executive Vice-President – Personal and Commercial Banking;
- the Executive Vice-President – Human Resources and Corporate Affairs; and
- the Executive Vice-President – Information Technology.

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

FSB: Financial Stability Board

HRC: Human Resources Committee of the Board

ICP: Annual Incentive Compensation program of the Bank

Meeting: Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on Wednesday, April 15, 2015 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, Executive Vice-President – Financial Markets;
Luc Paiement, Executive Vice-President – Wealth Management, Chairman of the Board, President and Chief Executive Officer, NBF Ltd. and Co-Chairman of the Board, Co-President and Co-Chief Executive Officer, NBF Inc.; and
Diane Giard, Executive Vice-President – Personal and Commercial Banking.

NBF: National Bank Financial

NCIB: Normal course issuer bid of the Bank

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

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

PRAP: Post-Retirement Allowance Program

PSU: Performance share unit of the Bank

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

RMC: Risk Management Committee of the Board

RSU: Restricted share unit

SAR: Stock appreciation right of the Bank

SEDAR: System for Electronic Document Analysis and Retrieval

Stock Option Plan: Stock Option Plan of the Bank

TSR: Total shareholder return

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

The information contained in the Circular takes into account the splitting of the Common Shares of the Bank by way of a two-for-one share dividend paid on February 13, 2014.

Montreal, February 20, 2015

Dear Shareholder,

We cordially invite you to join the members of the Board of Directors and management for the Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held at 10:00 a.m. (EDT) on Wednesday, April 15, 2015 at Drummondville Expocenter, 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 for you to voice your opinion on the matters put to a vote, and ask questions.

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

The Bank's Circular and 2014 Annual Report are available on the Bank's website (nbc.ca).

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

A live webcast of the Annual Meeting will be available 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

NATIONAL BANK

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

Date: **Wednesday April 15, 2015**
Time: **10:00 a.m. (EDT)**
Place: **Drummondville Expocenter**
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, 2014 and the independent auditor's report thereon;
2. To elect the directors;
3. To consider an advisory resolution to accept the approach taken by the Board of Directors of National Bank of Canada (the "Bank") with respect to executive compensation;
4. To appoint Deloitte LLP as independent auditor;
5. To consider the shareholder proposal set out in Schedule A to the Circular; and
6. To transact any other business which may properly come before the meeting.

By order of the Board of Directors,

NATIONAL BANK OF CANADA

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

Montreal, February 20, 2015

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 20, 2015 at 5:00 p.m. (EST), are entitled to receive notice of the Annual Meeting of the Holders of Common Shares of the Bank (the "Meeting") and to cast one vote per Common Share held, subject to the restrictions set out in the *Bank Act* (Canada) (the "Act").

Common Shares outstanding on the record date
On the record date for the Meeting, namely, February 20, 2015, 329,118,401 Common Shares of the Bank were outstanding and eligible to be voted at the Meeting, subject to the restrictions set out in the Act.

Exercising voting rights
Registered holders of Common Shares may exercise their voting rights by attending the Meeting or by completing a form of proxy. Registered holders of Common Shares who are unable to attend the Meeting are asked to complete, date and sign the enclosed form of proxy. Proxies can be returned by mail (i) using the pre-addressed, postage-paid envelope provided or (ii) to Computershare Trust Company of Canada at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, or by fax to 1-866-249-7775. To be valid, the form of proxy must be received by Computershare Trust Company of Canada no later than 5:00 p.m. (EDT) on Monday, April 13, 2015.

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

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

Caution regarding forward-looking statements

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the "Major Economic Trends" and "Outlook for National Bank" sections of the 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 2015 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 2015 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends readers not to place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in these forward-looking statements. These factors include strategic risk, credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputational risk and environmental risk, which are described in more detail in the "Risk Management" section beginning on page 61 of the Annual Report, and in particular, the general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business, capital and liquidity; the situation with respect to the restructured notes of the master asset vehicle (MAV) conduits, in particular the realizable value of underlying assets; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the 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 changes in the risks related to cyber attacks.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the "Risk Management" and "Other Risk Factors" sections of the 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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Items submitted to shareholder vote

Item	Recommendation of the Board and of management	Pages
Election of directors	For each nominee	6
Advisory vote on the approach to executive compensation	For	6
Appointment of the independent auditor	For	7
Shareholder proposal	Against	7, 95, 96

Director nominees at a glance

You are invited to elect the 16 directors making 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, please refer to Sections 3 and 4 of this Circular.

Director nominee	Age	Director since	Occupation	Independent	Committee (1)	Board and committee attendance in 2014	Other directorships in reporting issuers and public and parapublic corporations
Raymond Bachand	67	October 2014	Strategic Advisor, Norton Rose Fulbright Canada LLP	Yes	RMC	100%	• Transat A.T. Inc.
Maryse Bertrand	55	April 2012	Vice-President – Real Estate, Legal Services and General Counsel, CBC/Radio-Canada	Yes	RMC, CRCGC	97.7%	• Metro Inc.
Lawrence S. Bloomberg	72	August 1999	Advisor, National Bank Financial	No	–	100%	–
Pierre Boivin	61	April 2013	President and Chief Executive Officer, Claridge Inc.	Yes	AC(2), HRC	94.6%	• Canadian Tire Corporation, Limited
André Caillé	71	October 2005	Corporate director	Yes	HRC(2), AC, CRCGC	100%	• Junex Inc.
Gillian H. Denham	54	October 2010	Corporate director	Yes	HRC	100%	• Markit Ltd. • Morneau Shepell Inc. • Penn West Petroleum Ltd.
Richard Fortin	66	August 2013	Corporate director	Yes	RMC(2), AC	100%	• Alimentation Couche-Tard inc. • Transcontinental Inc.
Jean Houde	69	March 2011	Chairman of the Board	Yes	CRCGC	100%	• Gaz Métro inc.
Karen Kinsley	58	December 2014	Corporate director	Yes	–	–	–
Louise Laflamme	62	November 2008	Corporate director	Yes	AC, RMC	97.7%	–
Julie Payette	51	April 2014	Director, Montréal Science Centre	Yes	–	100%	–
Roseann Runte	67	April 2001	President and Vice-chancellor, Carleton University, Ottawa	Yes	CRCGC	100%	–
Lino A. Saputo, Jr.	48	April 2012	Chief Executive Officer and Vice-Chairman of the Board of Directors, Saputo Inc.	Yes	HRC	100%	• Saputo Inc. • Transcontinental Inc. • Warrnambool Cheese and Butter Factory Company Holdings Limited(3)
Andrée Savoie	43	New nominee	President, Acadian Construction (1991) Ltd.	Yes	–	–	–
Pierre Thabet	57	March 2011	President, Boa-Franc inc.	Yes	RMC	94.6%	• Canam Group Inc.
Louis Vachon	52	August 2006	President and Chief Executive Officer of the Bank	No	–	100%	• Fiera Capital Corporation(4) • Molson Coors Brewing Company

(1) Gérard Coulombe is the Chair of the CRCGC. He will not stand for re-election as director.

(2) Chair of the Committee.

(3) Warrnambool Cheese and Butter Factory Company Holdings Limited is under Saputo Inc. majority ownership and control.

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

Data points on the director nominees

Main areas of expertise

Business and activity sectors

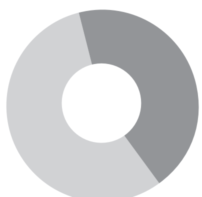
- Academia (1)
- Corporate/public sector management (13)
- Financial markets and services (8)
- Industry/manufacturing (3)
- International markets (7)
- Natural resources (4)
- Public policy (4)
- Real estate (5)
- Regional markets (6)
- Retail trade (4)
- Science/information technology (1)
- Telecommunications and media (3)

Experience related to the position

- Commercial and corporate law (1)
- Corporate governance (9)
- Entrepreneurship (7)
- Finance (16)
- Human resources/compensation (8)
- President/Chief Executive Officer/Executive Officer (16)
- Risk management (14)
- Social responsibility (11)

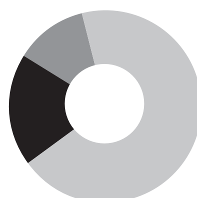
Male/female representation on the Board

- Female (7) – 44%
- Male (9) – 56%



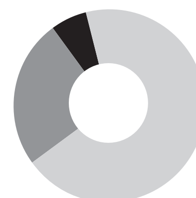
Years of service as director

- 0 – 5 years (11) – 69%
- 6 – 10 years (3) – 19%
- 11 – 15 years (2) – 12%



Geographic representation

- Québec (11) – 69%
- Ontario (4) – 25%
- Atlantic Canada (1) – 6%



Key governance practices

		Pages
Size of the Board (number of directors)	✓	23
Average age of directors	✓	23
Diversity Statement adopted by the Board	✓	30
Representation of women on the Board (44%) and in management (42%)	✓	30
Independent directors	✓	24
All committee members are independent	✓	24
Limited number of years as director	✓	28
All directors are financially literate	✓	24
Number of Board meetings in fiscal 2014	✓	25
Number of Board committee meetings in fiscal 2014	✓	25
Meeting attendance requirements are met	✓	25, 26
Chairman and President and Chief Executive Officer roles are separate	✓	22
Directors are elected annually and individually	✓	6, 28
A majority voting policy for the election of directors	✓	28
The Code of Conduct and Ethics is signed and upheld by directors	✓	20, 21, 24
Annual advisory vote on executive compensation	✓	6
A formal Board assessment process has been established	✓	27
A guidance program for new directors has been implemented	✓	29
A continuing education program for directors has been implemented	✓	29

Key principles of our Executive Officer compensation policy

1. Compensation based on performance

- Officer compensation comprising mainly variable compensation based on financial and stock market performance
- Significant portion of variable compensation subject to performance
- Annual bonus capping under the incentive compensation program (ICP)

2. Promote sound risk-taking

- Variable compensation aligned on short-, medium- and long-term risk horizons
- Compensation governance by the Board and the Compensation Risk Oversight Working Group
- Policy allowing cancellation and recovery of previously granted variable compensation

3. Recognize contribution

- Peer group established using best practices
- Target compensation determined by a downward adjustment of the peer group median to account for the Bank's relative size
- Compensation based on level of responsibility, expertise, skill and experience

4. Align the vision to that of shareholders

- Advisory vote on the approach to executive compensation
- Minimum share ownership requirements and anti-hedging policy
- Robust governance practices for deferred compensation plans, including the Stock Option Plan

For more information on our compensation policy, please refer to Section 7 of the Circular.

This Circular is being sent to you in connection with the solicitation of proxies by management of the Bank, for the purposes set forth in the Notice of Meeting, for use at the Meeting to be held at 10:00 a.m. (EDT) on Wednesday, April 15, 2015, at Drummondville Expocenter, located at 550 Saint-Amant Street, Drummondville, Quebec, Canada, and, if adjourned, at any reconvening thereof.

Unless otherwise indicated, the information in this Circular is as at February 20, 2015.

Who can vote

Holders of Common Shares of the Bank whose shares are listed in the Bank's register in their name, the name of a securities broker or other intermediary, or the name of a duly authorized agent, on February 20, 2015 at 5:00 p.m. (EST), are entitled to receive notice of the Meeting and to cast one vote per Common Share held, subject to the restrictions set out in the Act.

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

On the record date for the Meeting, namely, February 20, 2015, 329,118,401 Common Shares of the Bank were outstanding and eligible to be voted at the Meeting, subject to the restrictions set out in the Act.

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

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

In addition, no person and no entity controlled by any person may cast votes in respect of any shares beneficially owned by the person or the entity that represent, in the aggregate, more than 20% of the eligible votes. To the knowledge of the directors and Executive Officers of the Bank, and according to the latest data available, no person beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares of the Bank.

How to vote

Registered holders

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

Beneficial owners

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

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

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

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

Appointment of proxyholders

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

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

To be valid, the form of proxy must be returned by mail (i) in the pre-addressed, postage-paid envelope provided or (ii) to Computershare Trust Company of Canada at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, or by fax to 1-866-249-7775, and received no later than 5:00 p.m. (EDT) on Monday, April 13, 2015.

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

Exercising voting rights

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

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

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

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

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

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

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

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

– the Head Office of the Bank, c/o Corporate Secretary's Office, National Bank of Canada, 600 De La Gauchetière Street West, 4th Floor, Montreal, Quebec, Canada H3B 4L2, no later than 5:00 p.m. (EDT) on the last business day preceding the date of the Meeting, namely, Tuesday, April 14, 2015, or prior to any reconvening thereof in case of an adjournment; or
– the Chairman of the Meeting on the day of the Meeting, or, if adjourned, any reconvening thereof; or

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

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

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

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

Solicitation of proxies

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

Electronic delivery of documents

+ Faster + Greener + More economical

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

How to sign up for e-delivery

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

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

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

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

The consolidated financial statements of the Bank for the fiscal year ended October 31, 2014 and the independent auditor's report thereon are an integral part of the Bank's 2014 Annual Report, which is available on its website (nbc.ca) and on the SEDAR website (sedar.com).

2. Election of directors

The number of directors to be elected at the Meeting is 16. Directors are elected individually each year. Gérard Coulombe will not be seeking to renew his mandate as director. All of this year's director nominees are currently Bank directors, with the exception of Andrée Savoie.

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

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

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

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

The director nominee election results from the April 10, 2014 Annual Meeting are available and included under "Majority vote" in Section 4 of the Circular as well as in the Bank's website (nbc.ca) and on the SEDAR website (sedar.com).

3. Advisory vote on the approach to executive compensation

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

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

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

The 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 2015."

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

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, please refer to Sections 7 and 8 of this Circular.

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

(1) As defined in Canadian securities legislation, a reporting issuer is an issuer that has made a distribution of securities to the public.

4. Appointment of the independent auditor

During fiscal 2014, the Audit Committee conducted the annual assessment of the quality of the services and the performance of professional accounting firm Deloitte as independent auditor of the Bank. This assessment was based, among other things, on the audit plan tabled, the risk areas identified, the nature of the interventions by Deloitte and the reports presented to the Committee.

Given the satisfactory results of this assessment, the Audit Committee and the Board recommend voting **FOR** the appointment of Deloitte as independent auditor of the Bank for the fiscal year starting November 1, 2014 and ending October 31, 2015.

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

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

For information on the Guidelines for the Management of Services Provided by the Independent Auditor, please refer to "Information on the Audit Committee" in the 2014 Annual Information Form.

Fees of the independent auditor

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

	2014 ($)	2013 ($)
Audit fees[(1)]	4,930,066	4,933,902
Fees for audit-related services[(2)]	1,383,218	957,547
Fees for taxation services[(3)]	104,092	168,936
Other fees[(4)]	260,957	134,626
Total	6,678,333	6,195,011

(1) Audit fees include fees for services related to the audit of the consolidated financial statements of the Bank and the financial statements of its subsidiaries or other services normally provided by the independent auditor in connection with statutory or regulatory filings or engagements required by applicable legislation. They also include review of the Bank's condensed interim consolidated financial statements, 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.

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

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

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

5. Voting on a shareholder proposal

One of the proposals submitted by the Mouvement d'éducation et de défense des actionnaires (MÉDAC) is to be voted on by the holders of Common Shares. The full text of the proposal is set out in Schedule A to this Circular.

The Board and the Bank's management recommend voting **AGAINST** this proposal for the reasons appearing after the text of the proposal.

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

The deadline by which the Bank must receive proposals from its shareholders for presentation at the Annual Meeting of the Holders of Common Shares to be held in 2016 is Monday, November 23, 2015 at 5:00 p.m. (EST).

DIRECTOR NOMINEES

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

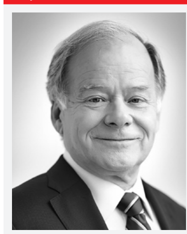
This information also includes a description of their Bank shareholdings in accordance with the share ownership requirements for directors.

Total shareholdings of director nominees

	February 20, 2015	February 21, 2014
Common Shares	493,366	521,028
Deferred stock units	97,212	138,884
Value ($)	**28,111,513**	**28,706,172**

The total value of Common Shares and deferred stock units held by director nominees is calculated by multiplying the number of Common Shares and deferred stock units held by each nominee as of February 21, 2014 and February 20, 2015, by the closing price of the Common Shares of the Bank on the Toronto Stock Exchange at the close of business on February 21, 2014 and February 20, 2015, which was $43.50 and $47.60.

Raymond Bachand



Independent
67
Montreal, Quebec, Canada

Director since October 2014

Main areas of expertise:
- Corporate/public sector management
- Finance
- Public policy
- Risk management

Career profile

Raymond Bachand has been Strategic Advisor to law firm Norton Rose Fulbright Canada LLP since January 2014, and President of the Institut du Québec, a joint venture of The Conference Board of Canada and HEC Montréal, since February 2014. He also serves on the board of directors of Transat A.T. Inc. and as Chairman of the board of directors of Tourism Montréal. Mr. Bachand was the Member of the Assemblée nationale du Québec for the Outremont riding from 2005 to 2013. During this period, he served as Minister of Economic Development, Innovation and Export Trade from February 2006 to June 2009, Minister of Tourism from April 2007 to December 2008, Minister responsible for the Montreal region from April 2007 to September 2012, Minister of Finance from April 2009 to September 2012, Minister of Revenue from August 2010 to September 2012 and Official Opposition Finance Critic from September 2012 to September 2013. Throughout his career, Raymond Bachand has held several senior positions in the private sector, including Vice-President, Planning and Development at Métro-Richelieu inc., Vice-President of Culinar Inc. and President and Chief Executive Officer of Fonds de solidarité des travailleurs du Québec (F.T.Q.) and 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 was called to the Quebec Bar in 1970. He was named MBA of the year by the Association des MBA du Québec in November 1997, and received the Dimensions Award at the Gala of the Ordre des administrateurs agréés du Québec in May 2000.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member[1]	2/2	100%
Member of the RMC[1]	1/1	100%
Total	**3/3**	**100%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Transat A.T. Inc.	2014 to date	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	330	390	720	47.60	34,272	450,000	9,454	7.6%	Five-year grace period after taking office to meet requirements[7]

Maryse Bertrand

Independent
55
Montreal, Quebec, Canada

Director since 2012

Main areas of expertise:
– Commercial and corporate law
– Corporate governance
– Real estate
– Risk management

Career profile

Maryse Bertrand has been Vice-President – Real Estate, Legal Services and General Counsel with CBC/Radio-Canada, Canada's national public broadcaster, since September 2009. She sits on the board of directors of Metro Inc. since January 2015 and is a member of its Corporate Governance and Nominating Committee. She also chairs the board of directors of ARTV Inc. and serves on the board of directors of the Cinemania Film Festival. From 1989 to 2009, she was a partner with the law firm Davies Ward Phillips & Vineberg LLP, where she sat on the National Management Committee and played a key role in many cross-border and pan-Canadian acquisition and financing operation transactions. She also served on the board of directors of La Senza Corporation, a retailer with operations in Canada and many other countries, for over 10 years, chaired its Corporate Governance Committee and was a member of its Audit Committee. Involved with a number of charitable organizations, she was Co-President of the McGill University Health Centre's Women's Health Mission from 2005 to 2009. She has received many awards and honours, including the title of *Advocatus Emeritus* from the Quebec Bar in 2007, in recognition of her exceptional contribution to the legal profession. She has written many articles and given numerous presentations on corporate financing and securities law. She has a law degree from McGill University, where she also studied accounting at the Faculty of Management. She has participated in various executive management courses at Harvard Business School. Ms. Bertrand was called to the Quebec Bar in 1981 and is also a member of the Canadian Bar Association and the American Bar Association.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Member of the RMC	18/19	94.7%
Member of the CRCGC	6/6	100%
Total	**42/43**	**97.7%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Metro Inc.	2015 to date	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	4,033	4,450	8,483	47.60	403,791	450,000	9,454	89.7%	Five-year grace period after taking office to meet requirements[8]
2013	3,061	2,931	5,992	43.50	260,652	450,000	10,344	57.9%	Five-year grace period after taking office to meet requirements[8]

Lawrence S. Bloomberg

Non-independent
72
Toronto, Ontario, Canada

Director since August 1999

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

Career profile

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

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Total	**18/18**	**100%**

Reporting issuers and public and parapublic corporations	
Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2014)*
–	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	74,091	–	74,091	47.60	3,526,732	450,000	9,454	783.7%	Yes
2013	73,533	–	73,533	43.50	3,198,686	450,000	10,344	710.8%	Yes

Pierre Boivin

Independent
61
Montreal, Quebec, Canada

Director since April 2013

Main areas of expertise:
– Corporate/public sector management
– Finance
– Human resources/compensation
– Telecommunications and media

Career profile

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

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Chair and member of the AC(9)	4/4	100%
Member of the RMC(9)	6/8	75%
Member of the HRC	7/7	100%
Total	**35/37**	**94.6%**

Reporting issuers and public and parapublic corporations

Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Canadian Tire Corporation, Limited	2013 to date	• Member of the Audit Committee • Member of the Management Resources and Compensation Committee
Sirius XM Canada Holdings Inc.	2005 – 2014	–
Questerre Energy Corporation	2008 – 2012	–

Securities held

Year(2)	Common Shares(3)	DSUs(4)	Total Common Shares and DSUs	Share price(5) ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors(6)	
2014	13,579	–	13,579	47.60	646,360	450,000	9,454	143.6%	Yes
2013	12,705	–	12,705	43.50	552,668	450,000	10,344	122.8%	Yes

André Caillé

Independent
71
Lac-Brome, Quebec, Canada

Director since October 2005

Main areas of expertise:
– Human resources/compensation
– Natural resources
– Risk management
– Social responsibility

Career profile

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

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Chair and member of the HRC	7/7	100%
Member of the AC	6/6	100%
Member of the CRCGC	6/6	100%
Total	**37/37**	**100%**

Reporting issuers and public and parapublic corporations

Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Junex Inc.	2008 to date	• President of the Compensation Committee

Securities held

Year(2)	Common Shares(3)	DSUs(4)	Total Common Shares and DSUs	Share price(5) ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors(6)	
2014	12,113	30,937	43,050	47.60	2,049,180	450,000	9,454	455.3 %	Yes
2013	10,583	27,924	38,507	43.50	1,675,055	450,000	10,344	372.2%	Yes

Gillian H. Denham

Independent
54
Toronto, Ontario, Canada

Director since October 2010

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

Career profile

Gillian H. Denham, who is a Corporate Director, sits on a number of boards including Morneau Shepell Inc., a provider of human resource consulting and outsourcing services. Since 2012 she has been a member of the board of directors of Penn West Petroleum Ltd., one of Canada's largest producers of conventional oil and natural gas, and since 2013, a member of its Human Resources and Compensation Committee, which she has chaired since June 2014, and a member of its Governance Committee. She was also a member of the Audit Committee from January 2013 to June 2014. From December 2013 to June 2014, she served on the board of directors and Governance and Human Resources committees of Markit Group Holdings Limited. Since June 2014, she has served on the board of directors and the Appointment and Governance Committee, and Human Resources and Compensation Committee of Markit Ltd., a financial information service provider. Since September 2012, she has also been a member of the board of directors and the Audit and Review committees and the Investment Committee, which she has chaired since February 2013, of Munich Reinsurance Company of Canada and Temple Insurance Company. From 2001 to 2005, she was Vice Chair, Retail Markets at Canadian Imperial Bank of Commerce (CIBC). Ms. Denham joined Wood Gundy in 1983, subsequently acquired by CIBC, as an Assistant Vice-President in Corporate Finance. Throughout her career at CIBC, she held progressively more senior roles. From 2006 to 2010, she was a member of the board of directors and Chair of the Human Resources and Compensation Committee of the Ontario Teachers' Pension Plan. Gillian H. Denham is a member of the Board of Governors and the Finance & Audit Sub-Committee of Upper Canada College. She holds an Honours Business Administration (HBA) degree from the University of Western Ontario School of Business and an MBA (Baker Scholar) from Harvard Business School.

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

Reporting issuers and public and parapublic corporations

Director/Trustee *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Markit Ltd.	2014 to date	• Member of the Appointment and Governance Committee • Member of the Human Resources and Compensation Committee
Penn West Petroleum Ltd.	2012 to date	• Chair of the Human Resources and Compensation Committee • Member of the Governance Committee
Morneau Shepell Inc.[10]	2011 to date	• Member of the Audit Committee
Calloway Real Estate Investment Trust	2011 – 2012	–
Morneau Sobeco Income Fund[10]	2008 – 2011	–
Ontario Teachers' Pension Plan	2006 – 2010	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	12,787	135	12,922	47.60	615,087	450,000	9,454	136.6%	Yes
2013	12,121	130	12,251	43.50	532,919	450,000	10,344	118.4%	Yes

Richard Fortin

Independent
66
Boucherville, Quebec, Canada

Director since August 2013

Main areas of expertise:
– Entrepreneurship
– Finance
– Retail trade
– Risk management

Career profile

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

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Chair and member of the RMC[11]	19/19	100%
Member of the AC	6/6	100%
Total	**43/43**	**100%**

Reporting issuers and public and parapublic corporations

Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Alimentation Couche-Tard inc.	1988 to date	–
Transcontinental Inc.	2004 to date	• Lead Director • Chairman of the Audit Committee
Rona Inc.	2009 – 2013	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	5,205	2,519	7,724	47.60	367,662	450,000	9,454	81.7%	Five-year grace period after taking office to meet requirements[12]
2013	3,939	781	4,720	43.50	205,320	450,000	10,344	45.6%	Five-year grace period after taking office to meet requirements[12]

Jean Houde

Independent
69
Montreal, Quebec, Canada

Director since March 2011

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

Career profile

Jean Houde has served as Chairman of the Board since April 10, 2014. He is also Chairman of the board of directors of Gaz Métro inc., a distributor of natural gas. From November 2010 to March 2014, he was Chairman of the board of directors of Finance Montréal – La grappe financière du Québec and from April 2012 to October 2014, Vice-Chairman of the board 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 s.e.n.c.r.l. From 2005 to 2009, he was Deputy Minister of Finance of Quebec. Prior to that, he was Chairman of the board of directors and President and Chief Executive Officer of Investissement Québec. From 1990 to 2003, he held several positions at the Bank, which he joined as Senior Vice-President – Human Resources and when he left, he was Senior Vice-President – Corporate Affairs. He has a law degree and an MBA from Université Laval. Mr. Houde was called to the Quebec Bar in 1971.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Chairman and member of the Board[13]	18/18	100%
Chair and member of the AC[13]	2/2	100%
Member of the RMC[13]	8/8	100%
Member of the CRCGC	6/6	100%
Total	**34/34**	**100%**

Reporting issuers and public and parapublic corporations

Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Gaz Métro inc.	2010 to date	• Chairman of the Board of Directors • Chair of the Human Resources and Corporate Governance Committee

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	13,770	–	13,770	47.60	655,452	450,000	9,454	145.6%	Yes
2013	13,016	–	13,016	43.50	566,196	450,000	10,344	125.8%	Yes

Karen Kinsley

Independent
58
Ottawa, Ontario, Canada

Director since December 2014

Main areas of expertise:
– Corporate governance
– Corporate/public sector management
– Finance
– Real estate

Career profile

Karen Kinsley is a Corporate Director. In 1987, she joined Canada Mortgage and Housing Corporation (CMHC), Canada's national housing agency. Throughout her 25-year career with CMHC, she held positions of growing responsibility, including President and Chief Executive Officer from 2003 to 2013. From 2003 to 2007, Ms. Kinsley also served on the board of directors and Audit Committee of Tarion Warranty Corporation, the regulator of new home builders in Ontario. Karen Kinsley has a Bachelor of Commerce from the University of Ottawa. Ms. Kinsley has been a member of the Chartered Professional Accountants of Ontario since 1979 and was named a *Fellow* in 2009. In 2010, she received the Certified Director designation (ICD.D) from the Institute of Corporate Directors. Ms. Kinsley has received many awards and distinctions, including the Maple Leaf Award from the Canadian Home Builders' Association in March 2013, in recognition for her outstanding contribution to the Canadian housing industry. She was named CEO of the Year in 2009 by the *Ottawa Business Journal* and in 2011, was inducted into the Top 100 Hall of Fame of the WXN Women's Executive Network, in recognition for her achievements at the executive level in the public service.

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

Reporting issuers and public and parapublic corporations

Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2014)*
–	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	5,949	157	6,106	47.60	290,646	450,000	9,454	64.5%	Five-year grace period after taking office to meet requirements[14]

Louise Laflamme

Independent
62
Rosemère, Quebec, Canada

Director since November 2008

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

Career profile

Louise Laflamme is a Corporate Director. She was Executive Vice-President and Advisor to the President and Chief Executive Officer of the Montréal Exchange Inc.[15] until her departure in June 2008, after 11 years with this institution dedicated to the development of the Canadian derivatives market. Among others, she served as Chief Financial Officer and was also responsible for human resources and administration. She also worked for 12 years at accounting firm Raymond, Chabot, Martin, Paré & Associés. Ms. Laflamme has worked for a number of well-known companies where she has held various positions, in particular in internal audit and financial management. Ms. Laflamme has been a member of the Ordre des comptables professionnels agréés du Québec since 1977.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Member of the AC	6/6	100%
Member of the RMC	18/19	94.7%
Total	**42/43**	**97.7%**

Reporting issuers and public and parapublic corporations

Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2014)*
–	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	17,396	11,201	28,597	47.60	1,361,217	450,000	9,454	302.4%	Yes
2013	16,563	9,719	26,282	43.50	1,143,267	450,000	10,344	254.0%	Yes

Julie Payette

Independent
51
Montreal, Quebec, Canada

Director since April 2014

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

Career profile

Since July 2013, Julie Payette has been director of the Montréal Science Centre, a museum entirely devoted to science and technology. She is also Vice-President CSM of the Canada Lands Company, a federal Crown corporation that optimizes the financial and community value of strategic properties that are no longer required by the Government of Canada. Since December 2013, Julie Payette has served on the board of directors of Partnership for a Drug Free Canada Inc. Since June 2010, she has also served on the board of directors of Own the Podium, an independent organization that determines and prioritizes investment strategies in high-performance sport, to increase Canada's chances of Olympic podium results. Since November 2013, she also sits on the board of directors of First Robotics Québec, a company that inspires young people to explore careers in engineering and science through a vast annual robotics competition. From September 2011 to July 2014, Julie Payette served on the board of directors of Université Laval's Collège des administrateurs de sociétés. An engineer by training, Julie Payette was selected to become an astronaut in 1992 and joined NASA's Astronaut Corps in 1996, where, among others, she held the position of CAPCOM (Capsule Communicator) at Mission Control Center in Houston. Julie Payette has flown on two space shuttle missions, *Discovery* (1999) and *Endeavour* (2009), logging over 611 hours in space. She was the Chief Astronaut for the Canadian Space Agency from 2000 to 2007, a fellow at the prestigious Woodrow Wilson International Center for Scholars in Washington, D.C. from January 2011 to August 2011 and the scientific authority for Quebec in the United States from 2011 to 2013. Julie Payette is a member of the Ordre des ingénieurs du Québec and the International Academy of Astronautics. She obtained an International Baccalaureate from the United World College of the Atlantic, UK, a Bachelor of Electrical Engineering from McGill University, and a Master of Applied Science from the University of Toronto and has the ASC certification from the Collège des Administrateurs. Julie Payette is the recipient of several awards and honours. She was inducted into the Canadian Aviation Hall of Fame and was awarded the NASA Exceptional Service Medal in 2010. She is an Officer of the Order of Canada and a Knight of the Ordre national du Québec.

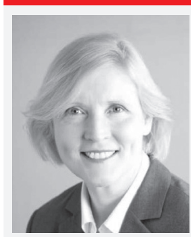
Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member[16]	10/10	100%
Total	**10/10**	**100%**

Reporting issuers and public and parapublic corporations	
Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2014)*
–	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	630	763	1,393	47.60	66,307	450,000	9,454	14.7%	Five-year grace period after taking office to meet requirements[17]
2013	–	–	–	43.50	–	450,000	10,344	–%	Five-year grace period after taking office to meet requirements[17]

Roseann Runte



Independent
67
Ottawa, Ontario, Canada

Director since 2001

Main areas of expertise:
- Academia
- Corporate governance
- Corporate/public sector management
- International markets

Career profile

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

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Member of the CRCGC	6/6	100%
Total	**24/24**	**100%**

Reporting issuers and public and parapublic corporations	
Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2014)*
–	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	14,125	37,399	51,524	47.60	2,452,542	450,000	9,454	544.9%	Yes
2013	13,011	34,829	47,840	43.50	2,081,040	450,000	10,344	462.4%	Yes

Lino A. Saputo, Jr.

Independent
48
Montreal, Quebec, Canada

Director since April 2012

Main areas of expertise:
- Corporate/public sector management
- Industry/manufacturing
- International markets
- Social responsibility

Career profile

Lino A. Saputo, Jr. has been Chief Executive Officer since 2004 of Saputo Inc., one of the largest dairy processors in the world with 12,000 employees, as well as Vice-Chairman of the board of directors since 2011. Since May 2014, he has served on the board of directors of Warrnambool Cheese and Butter Factory Company Holdings Limited[18], as well as on the Audit and Risk Committee and the Appointment and Compensation Committee of this Australian company. Since 2008, he has also been a member of the board of directors of Transcontinental Inc., a provider of web solutions and marketing communications and Canada's leading consumer magazine publisher, and has served on its Human Resources and Compensation Committee since 2011. From 1993 to 2004, he held various positions at Saputo Inc., including that of President and Chief Operating Officer of Saputo Inc.'s Dairy Products Division (USA). He is involved with a number of charitable organizations, and in 2011 he co-founded the Amelia & Lino Saputo Jr. Foundation. He is also actively involved in a number of fundraising campaigns as Co-Chair, including the Hôpital Marie-Clarac Palliative Care Unit campaign and Centraide of Greater Montréal campaign, where he has held a number of positions in recent years. Lino A. Saputo, Jr. holds a Bachelor of Political Science from Concordia University.

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

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Saputo Inc.	2001 to date	• Vice-Chair of the Board of Directors
Transcontinental Inc.	2008 to date	• Member of the Human Resources and Compensation Committee
Warrnambool Cheese and Butter Factory Company Holdings Limited[18]	2014 to date	• Chairman of the Board • Member of the Audit and Risk Committee • Member of the Appointment and Compensation Committee

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	14,534	3,883	18,417	47.60	876,649	450,000	9,454	194.8%	Yes
2013	13,655	2,635	16,290	43.50	708,615	450,000	10,344	157.4%	Yes

Andrée Savoie

Independent
43
Dieppe, New Brunswick, Canada

New nominee

Main areas of expertise:
- Entrepreneurship
- Real estate
- Regional markets
- Social responsibility

Career profile

Andrée Savoie has been President and Managing Director of Acadian Construction (1991) Ltd., a company that offers contracting and project management services to clients in the institutional, commercial and industrial sectors, since January 2007. From 1999 to 2007, she held progressively more senior roles within the company, including Managing Director. Andrée Savoie is also Managing Director of Acadian Properties Ltd., a commercial real estate developer and property management company in the Atlantic Provinces. Since 2011, she has been a member of the board of directors and of the Audit, Review and Investment committees of Assumption Mutual Life Insurance Company. She has also been a member of the board of directors of the YMCA of Greater Moncton, since March 2009. Involved in her community, she has been a member of the *One for Youth* Committee of the Bank for Atlantic Canada, since September 2013 and is Co-Founder and Co-President of Crossroads 250, an annual fundraising event for a shelter for women and children victims of domestic violence. In 2014, she completed her term on the board of directors of the Wallace McCain Institute of Entrepreneurship at the University of New Brunswick. She has a Bachelor's degree in Chemical Engineering from McGill University and a Master's degree in Applied Sciences from University of Ottawa. Andrée Savoie is recipient 2010 of the Ernst & Young Entrepreneur of the Year Award for Atlantic Canada, in the Products and Services Category.

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

Reporting issuers and public and parapublic corporations	
Director *(during the past five years)*	Role on boards and committees *(as at October 31, 2014)*
–	–

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	–	–	–	47.60	–	450,000	9,454	–%	Five-year grace period after taking office to meet requirements[19]

Pierre Thabet

Independent
57
St-Georges, Quebec, Canada

Director since March 2011

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

Career profile

Pierre Thabet has been President of Boa-Franc inc., a Canadian manufacturer of pre-finished hardwood floors, since 1983. He also sits on the board of Canam Group Inc., which operates plants specializing in the design and manufacture of construction products and solutions, where he served on the Human Resources Committee from 2006 to 2010. Mr. Thabet is involved in local economic and social organizations. In 2010, he became an entrepreneur coach at the École d'entrepreneurship de Beauce, a school dedicated to training entrepreneurs in all industries. He was the honorary chair of the 2007-2008 fundraising campaign for the Fondation Centre hospitalier Beauce-Etchemin, the 2012 fundraising campaign of the Maison Catherine de Longpré and of the 22nd Gala de l'entreprise beauceronne. He has a Bachelor's in Administration, specializing in Marketing and Accounting, from the Université de Moncton. In December 2013, Pierre Thabet received the Lifetime Achievement Award from the North American Association of Floor Covering Distributors (NAFCD) for his exceptional leadership and outstanding contribution that have led to expanding the vision of the floor covering distribution industry.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Member of the RMC	17/19	89.5%
Total	**35/37**	**94.6%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Canam Group Inc.	2006 to date	• Member of the Audit Committee

Securities held

Year[2]	Common Shares[3]	DSUs[4]	Total Common Shares and DSUs	Share price[5] ($)	Total market value of Common Shares and DSUs ($)	Minimum required ($)	Minimum required Shares/DSUs	Meets the Bank's share ownership requirements for directors[6]	
2014	173,770	5,378	179,148	47.60	8,527,445	450,000	9,454	1,894.9%	Yes
2013	166,457	4,021	170,478	43.50	7,415,793	450,000	10,344	1,648.0%	Yes

Louis Vachon

Non-independent
52
Beaconsfield, Quebec, Canada

Director since August 2006

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

Career profile

Louis Vachon has been President and Chief Executive Officer of the Bank since June 2007. He is responsible for the strategies, direction and development of the Bank and its subsidiaries. From August 2006 to May 2007, he held the position of Chief Operating Officer of the Bank responsible for all its operating units. He was Chairman of the board of directors of Natcan Investment Management Inc. from November 2004 to September 2006 and of National Bank Financial from January 2005 to September 2006. From September 2005 to September 2006, he also held the position of President and Chief Executive Officer of National Bank Financial Inc. Louis Vachon began his career in 1985 with Citibank Canada and in 1986 joined Lévesque Beaubien Geoffrion inc., now National Bank Financial Inc., where he served as Vice-President until 1990. From 1990 to 1996, he was employed by BT Bank of Canada, the Canadian subsidiary of Bankers Trust, where he served as President and Chief Executive Officer from 1994 to 1996. Mr. Vachon returned to the Bank in 1996, first as President and Chief Executive Officer of Innocap Investment Management Inc. and then in 1998, was appointed Senior Vice-President – Treasury and Financial Markets of the Bank. He is a member of the boards of the following Bank subsidiaries: National Bank Group Inc. and National Bank Acquisition Holding Inc. He has a Bachelor's in Economics from Bates College and a Master's in International Finance from The Fletcher School. He has been a CFA charterholder since 1990. He was named *Canadian Business* 2014 CEO of the Year, 2012 and 2014 Financial Personality of the Year by the business publication *Finance et investissement* and one of Canada's Top 40 Under 40™ in 2001.

Role on the Board of Directors of the Bank and its Committees	Meetings attended *(during the past fiscal year)*	
Board member	18/18	100%
Total	**18/18**	**100%**

Reporting issuers and public and parapublic corporations		
Director *(during the past five years)*		Role on boards and committees *(as at October 31, 2014)*
Fiera Capital Corporation[A]	2012 to date	–
Molson Coors Brewing Company	2012 to date	• Chair of the Finance Committee

Securities held [20]

Year[2]	Common Shares[3]	Share Price[5] ($)	Total market value of Common Shares ($)	Meets the Bank's share ownership requirements[21]
2014	131,054	47.60	6,238,170	Yes
2013	131,054	43.50	5,700,849	Yes

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

Notes to the tables of director nominees

(1) Raymond Bachand was appointed a member of the Board and the Risk Management Committee on October 29, 2014.

(2) This information reflects the situation as at February 20, 2015 for 2014 and as at February 21, 2014 for 2013.

(3) 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.

(4) For more information on director compensation paid in the form of deferred share units, see "Compensation of the directors of the Bank and its subsidiaries for the fiscal year ended October 31, 2014" in Section 5 of this Circular.

(5) These amounts represent the price of Common Shares of the Bank on the Toronto Stock Exchange, at the close of trading on February 20, 2015 for 2014, and at the close of trading on February 21, 2014 for 2013.

(6) For more information, see "Share ownership requirements" in Section 5 of this Circular.

(7) Raymond Bachand has a five-year grace period from the date of his appointment as Bank director on October 29, 2014 to meet share ownership requirements for directors.

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

(9) Pierre Boivin ceased to be a member of the Risk Management Committee and was appointed a member and Chair of the Audit Committee on April 10, 2014.

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

(11) Richard Fortin was appointed Chair of the Risk Management Committee on April 10, 2014.

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

(13) Jean Houde ceased to be a member and Chair of the Audit Committee and a member of the Risk Management Committee and was appointed Chairman of the Board on April 10, 2014.

(14) Karen Kinsley has a five-year grace period from the date of her appointment as Bank director on December 3, 2014 to meet share ownership requirements for directors.

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

(16) Julie Payette was appointed a member of the Board on April 10, 2014.

(17) Julie Payette has a five-year grace period from the date of her appointment as Bank director on April 10, 2014 to meet share ownership requirements for directors.

(18) Warrnambool Cheese and Butter Factory Company Holdings Limited is under Saputo Inc. majority ownership and control.

(19) If elected at the Meeting, Andrée Savoie will have a five-year grace period from the date of her appointment as a Bank director on April 15, 2015 to meet share ownership requirements for directors.

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

(21) For more information, see "Share ownership requirements" in Section 7 of this 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 one of the following orders that was in effect for more than 30 consecutive days, namely, any cease trade or similar order or any order that denied it access to any exemption under securities legislation, except for the following individual:

– Gillian H. Denham, who has served since June 2012 on the board of directors of Penn West Petroleum Ltd., which was subject to cease trade orders on its securities subsequent to the announcement in July 2014 of the 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 which filed a commercial proposal with its creditors on April 30, 2010. On August 3, 2010, TopTent Inc. was discharged from the proposal; and

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

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, except for the following disclosure:

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

INTRODUCTION

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

The Bank's corporate governance consists in a rigorous articulation of relevant regulations combined with a set of structures, policies and procedures. The first of these structures is the Board, which is supported by four standing committees: the Audit Committee, the Risk Management Committee, the Conduct Review and Corporate Governance Committee, and the Human Resources Committee.

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

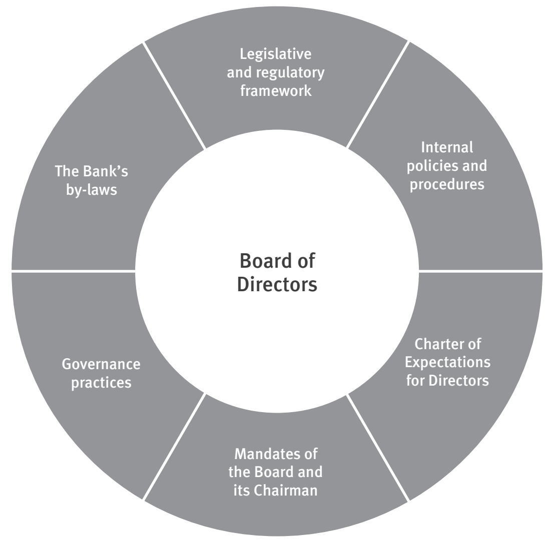
The Board's corporate governance policies and procedures enable it to achieve its objective of sound corporate governance and comply with the requirements of authorities that regulate the Bank, including the Office of the Superintendent of Financial Institutions (Canada), the CSA and the Toronto Stock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

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

BOARD OF DIRECTORS

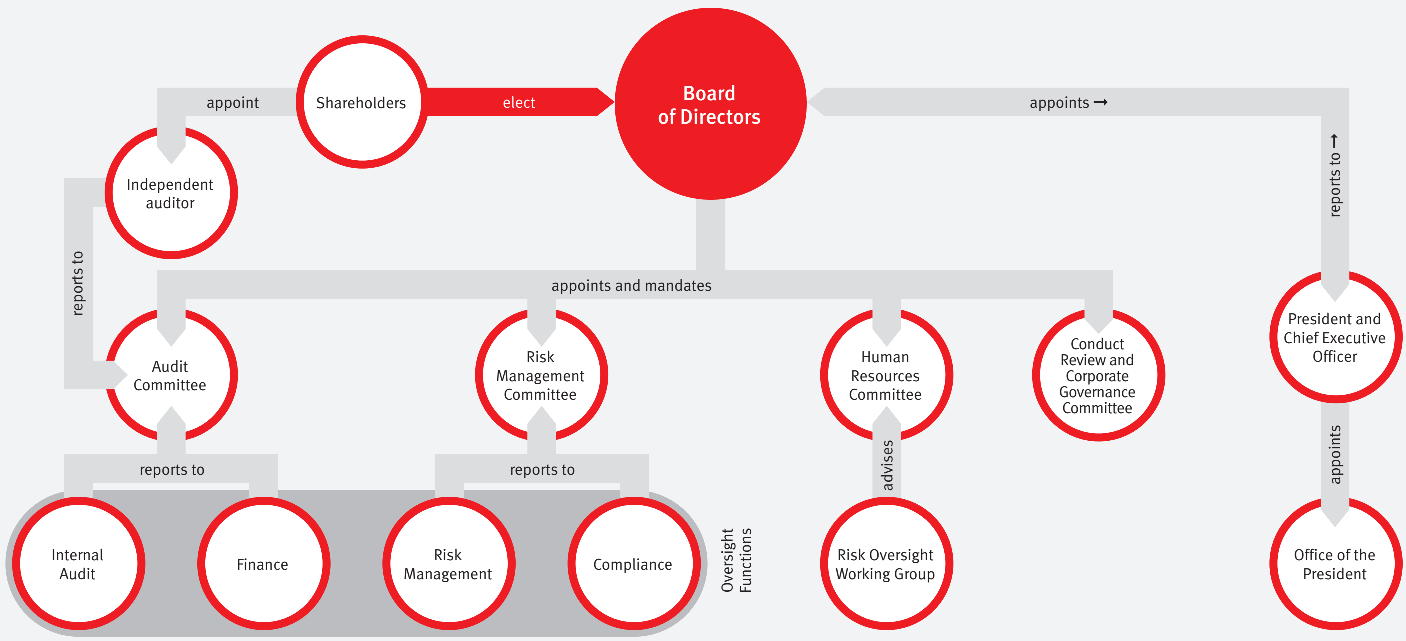
Framework

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



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

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



Roles and responsibilities

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

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

The nine core responsibilities of the Board

1. Review and approve objectives, strategy and operating plans

The Board periodically reviews, assesses and approves management's strategic plan setting out the Bank's mission, vision, business objectives and strategy, taking into account business opportunities and the main risks to which the Bank is exposed.

The approval process provides for discussions among the Board members as well as with members of the Bank's management. The Board proposes such amendments to the strategic plan as it deems appropriate before approving it. Management implements the strategy as approved and makes progress reports to the Board.

The Board examines and approves the business plans for the Bank's main operations and regularly reviews them to ensure they remain adequate and prudent given, in particular, the Bank's economic and business environment, its resources and its results. The Board also attends quarterly presentations by those responsible for the various business lines to ensure implementation of the strategic plan across the Bank.

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

2. Promote integrity and ethical behaviour

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

It ensures that the rules of conduct and ethics are maintained, in particular by adopting and updating a Code of Conduct and Ethics for Directors, Officers and employees of the Bank and its subsidiaries (the "Code of Conduct and Ethics"). In addition, it confirms that the Bank has an appropriate and effective process permanently in place to ensure compliance with these rules, in particular through annual commitments signed by the Bank's directors, Officers and employees to comply with the Code of Conduct and Ethics. Moreover, the Board ensures that any material breach of the rules of the Code of Conduct and Ethics by a Director or Executive Officer is disclosed in accordance with 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 of Conduct and Ethics.

Lastly, the Board ensures that the Code of Conduct and Ethics is filed with the CSA and available on the Bank's website (nbc.ca).

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

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

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

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

4. Ensure risks are effectively managed

The Board is responsible for reviewing and approving the overall risk philosophy and risk appetite of the Bank, recognizing and understanding the major risks to which the Bank is exposed and ensuring that appropriate systems are in place to effectively identify, control and manage those risks. The Board delegates responsibility for executing certain elements of the risk oversight program to the Risk Management Committee.

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

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

5. Oversee management

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

6. Plan and develop management succession

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

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

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

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

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

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

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

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

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

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

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

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

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

External consultants

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

CHAIRMAN OF THE BOARD OF DIRECTORS

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

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

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

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

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

COMMITTEES CREATED BY THE BOARD

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

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

The Chairman of the Board may, as an invited guest, attend the meetings of each committee of which he is not a member.

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

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

SELECTION OF DIRECTOR NOMINEES, ELECTION AND OVERSIGHT

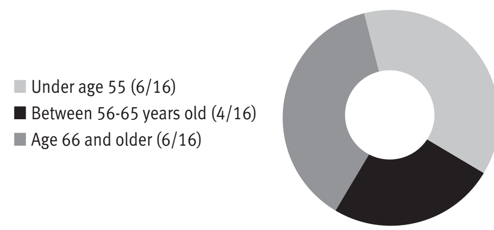
The Board expects directors to devote the necessary time and energy to fully assume their responsibilities to the Bank. Directors are expected to show leadership and initiative, be proactive and prepare thoroughly in order to actively participate in deliberations during meetings of the Board and any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

Size and composition of the Board

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

Directors must meet all the eligibility criteria set out in the Act, any other legislation applicable to the Bank, and any internal rules established by the Board. All the directors are Canadian residents.

Nominee age is reflected in the chart below:



The following table details the key skills and expertise of the proposed nominees for election as directors of the Bank.

	Business sectors and industries												Experience related to the position							
Director nominee	Academia	Corporate/ public sector management	Financial markets and services	Industry/ manufacturing	International markets	Natural resources	Public policy	Real estate	Regional markets	Retail trade	Science/ information technology	Telecommunications and media	Commercial and corporate law	Corporate governance	Entrepreneurship	Finance	Human resources/ compensation	President/Chief Executive Officer/ Executive Officer	Risk management	Social responsibility
Raymond Bachand		✓					✓		✓	✓				✓	✓	✓		✓	✓	
Maryse Bertrand		✓	✓					✓		✓		✓	✓	✓		✓		✓	✓	✓
Lawrence S. Bloomberg			✓		✓										✓	✓		✓	✓	✓
Pierre Boivin		✓				✓						✓				✓	✓	✓	✓	✓
André Caillé		✓				✓	✓							✓		✓	✓	✓	✓	✓
Gillian H. Denham		✓	✓			✓			✓	✓				✓		✓	✓	✓	✓	
Richard Fortin		✓	✓		✓					✓					✓	✓		✓	✓	
Jean Houde		✓	✓	✓		✓	✓							✓		✓	✓	✓	✓	
Karen Kinsley		✓	✓		✓		✓	✓	✓					✓		✓		✓	✓	✓
Louise Laflamme		✓	✓													✓	✓	✓	✓	
Julie Payette		✓			✓			✓			✓			✓		✓		✓	✓	✓
Roseann Runte	✓	✓			✓									✓	✓	✓	✓	✓		✓
Lino A. Saputo, Jr.		✓		✓	✓							✓			✓	✓	✓	✓	✓	✓
Andrée Savoie								✓	✓					✓	✓	✓		✓		✓
Pierre Thabet				✓				✓	✓						✓	✓		✓	✓	✓
Louis Vachon		✓	✓		✓				✓							✓	✓	✓	✓	✓
Total	1	13	8	3	7	4	4	5	6	4	1	3	1	9	7	16	8	16	14	11

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

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

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

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

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

Independence
A majority of Board members and all Board committee members are independent, as defined by the CSA. The directors also comply with the *Affiliated Persons (Banks) Regulations* (Canada) pursuant to the Act.

The Board, either directly or through one of its committees, adopts structures and procedures to ensure the Board functions independently of the Bank's management.

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

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

During the fiscal year ended October 31, 2014, Jean Douville (Chairman of the Board), Paul Gobeil (Chair of the Risk Management Committee and member of the Audit Committee), Bernard Cyr (member of the Audit Committee) and Gérard Coulombe (Chair of the Conduct Review and Corporate Governance Committee and member of the Human Resources Committee) were independent directors as defined by the CSA. Their names do not appear in the above table because Jean Douville and Paul Gobeil ceased to be members of the Board and its committees on April 10, 2014, Bernard Cyr ceased to be a member of the Board and its committees on August 15, 2014, and Gérard Coulombe will not be seeking to renew his mandate and will cease being a member of the Board on April 15, 2015.

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

In fiscal 2014, the independent directors met in camera, without any members of the Bank's management or the non-independent directors being present, at each Board and committee meeting for which an in camera session was planned in the agenda.

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

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

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

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

Conflicts of interest

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

Availability

The Board expects directors to attend and remain throughout the meetings to which they are called. However, directors unable to do so are required to inform the Chairman of the Board or chair of the committee in question as soon as possible, and contact him or her to obtain 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 which event the Board may re-evaluate their availability to act effectively as directors of the Bank.

In fiscal 2014, the attendance rate for director nominees at Board meetings was 100% while the average attendance rate for committee meetings was 96.4%. Each director attended at least 89.5% of the meetings to which he or she was called.

The following table shows the total number of Board and Board committee meetings held during the fiscal year ended October 31, 2014 and the attendance of director nominees standing for re-election at all said meetings.

Members	Board		AC	RMC	CRCGC	HRC	Total for committees		Combined total	
Raymond Bachand	2/2 (1)	100%		1/1 (1)			1/1	100%	3/3	100%
Maryse Bertrand	18/18	100%		18/19	6/6		24/25	96.0%	42/43	97.7%
Lawrence S. Bloomberg	18/18	100%							18/18	100%
Pierre Boivin	18/18	100%	4/4 (2)	6/8 (2)		7/7	17/19	89.5%	35/37	94.6%
André Caillé	18/18	100%	6/6		6/6	7/7	19/19	100%	37/37	100%
Gillian H. Denham	18/18	100%				7/7	7/7	100%	25/25	100%
Richard Fortin	18/18	100%	6/6	19/19			25/25	100%	43/43	100%
Jean Houde	18/18	100%	2/2 (3)	8/8 (3)	6/6		16/16	100%	34/34	100%
Louise Laflamme	18/18	100%	6/6	18/19			24/25	96.0%	42/43	97.7%
Julie Payette	10/10 (4)	100%							10/10	100%
Roseann Runte	18/18	100%			6/6		6/6	100%	24/24	100%
Lino A. Saputo, Jr.	18/18	100%				7/7	7/7	100%	25/25	100%
Pierre Thabet	18/18	100%		17/19			17/19	89.5%	35/37	94.6%
Louis Vachon	18/18	100%							18/18	100%
Average attendance for all meetings		100%	100%	93.5%	100%	100%		96.4%		98.5%

(1) Raymond Bachand was appointed a member of the Board and the Risk Management Committee on October 29, 2014.

(2) Pierre Boivin ceased to be a member of the Risk Management Committee and was appointed a member and Chair of the Audit Committee on April 10, 2014.

(3) Jean Houde ceased to be a member and Chair of the Audit Committee and a member of the Risk Management Committee, and was appointed Chair of the Board on April 10, 2014.

(4) Julie Payette was appointed a member of the Board on April 10, 2014.

The following table details the attendance of the directors who ceased being members of the Board and its committees during fiscal 2014 or will cease being members of the Board and its committees on April 15, 2015.

Members	Board		AC	RMC	CRCGC	HRC	Total for committees		Combined total	
Gérard Coulombe	18/18	100%			6/6	7/7	13/13	100%	31/31	100%
Bernard Cyr	12/12[(1)]	100%	3/3[(1)]	8/8[(1)]			11/11	100%	23/23	100%
Jean Douville	8/8[(2)]	100%							8/8	100%
Paul Gobeil	7/8[(3)]	87.5%	2/2[(3)]	8/8[(3)]			10/10	100%	17/18	94.4%
Average attendance for all meetings		97.8%	100%	100%	100%	100%		100%		98.8%

(1) Bernard Cyr was appointed a member of the Risk Management Committee on April 10, 2014 and ceased to be a member of the Board and the Audit and Risk Management committees on August 15, 2014.

(2) Jean Douville ceased to be a member and Chairman of the Board on April 10, 2014.

(3) Paul Gobeil ceased to be a member of the Board, a member and Chair of the Risk Management Committee, and a member of the Audit Committee on April 10, 2014.

Outside directorships

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

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

None of the director nominees serves on more than four boards of directors of reporting issuers or public or parapublic corporations.

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

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

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

The Board has determined that this relationship does not impair the ability of these directors to exercise independent judgment.

Change in status

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

Board succession planning

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

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

In fiscal 2014, the Conduct Review and Corporate Governance Committee retained Spencer Stuart & Associates (Canada) Ltd. to assist with the identification of potential nominees for the Board of Directors, primarily to establish a list of potential director nominees, solicit nominees and verify all candidates identified.

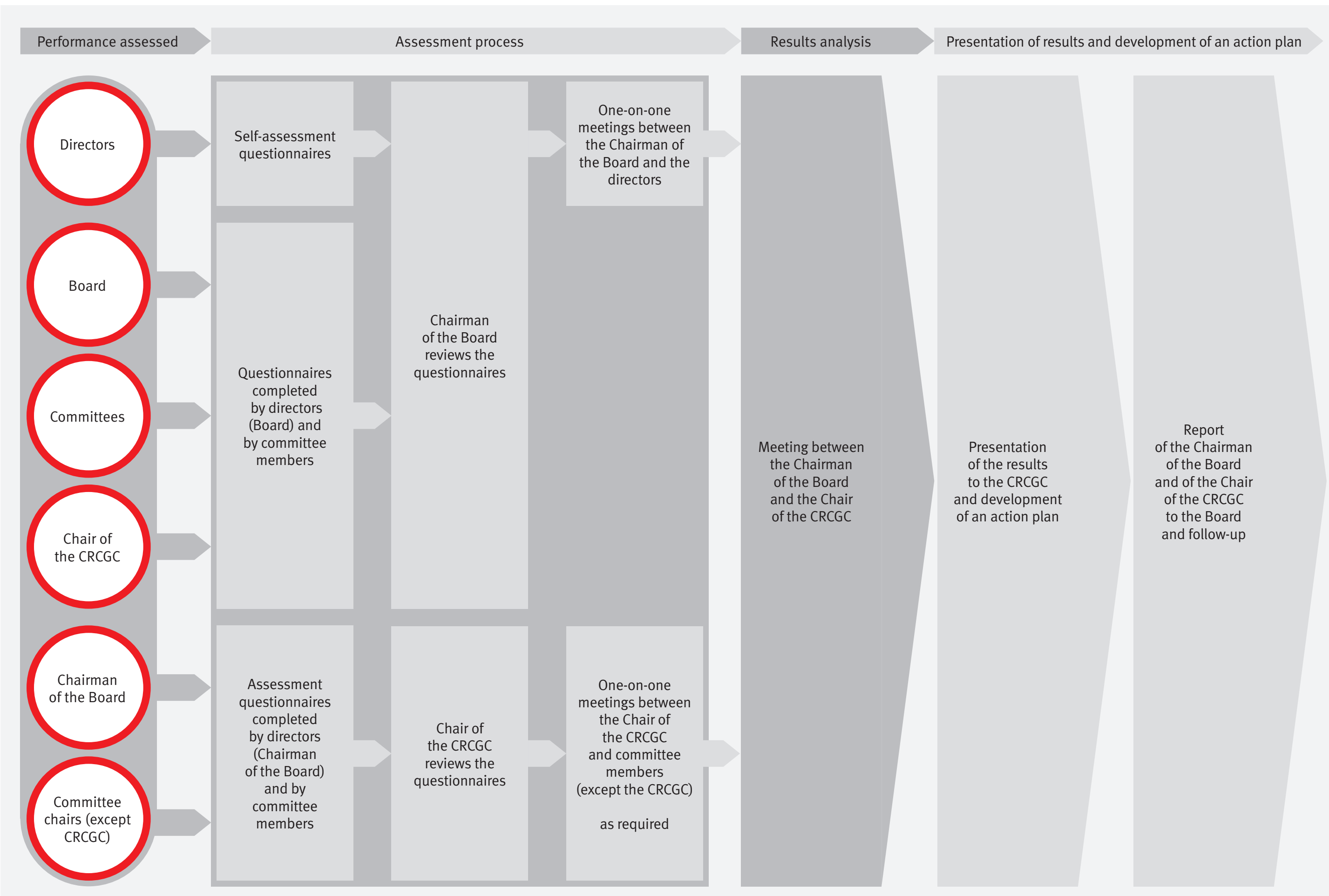
During the same period, the directors had several discussions about Board succession planning and added to the evergreen list of potential candidates compiled by the Conduct Review and Corporate Governance Committee.

Performance assessment

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

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

The assessment process begins with an assessment questionnaire and a self-assessment questionnaire prepared by the Bank's Corporate Secretary's Office and approved by the Conduct Review and Corporate Governance Committee. The questions in the assessment questionnaire cover, in particular, the Board's responsibilities, its relationship with management, its activities and its composition, the structure and activities of the committees, the material prepared for Board and committee meetings and the timeliness of their distribution to directors. The Chairman of the Board then meets with each director individually. The following chart shows the various components of the assessment and self-assessment process.



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

In 2014, the assessment process was carried out in accordance with the respective mandates of the Board and the Conduct Review and Corporate Governance Committee.

Election and re-election

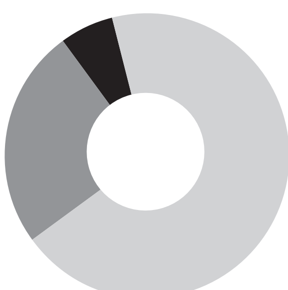
The Board has delegated to the Conduct Review and Corporate Governance Committee the responsibility of selecting director nominees for vacant positions and determining whether it is appropriate to re-elect each existing director.

Election

The Conduct Review and Corporate Governance Committee:

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

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



Re-election

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

Majority voting

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

The following table shows the results obtained by the director nominees at the April 10, 2014 Annual Meeting. These results are also available on the Bank's website (nbc.ca) and on the SEDAR website (sedar.com).

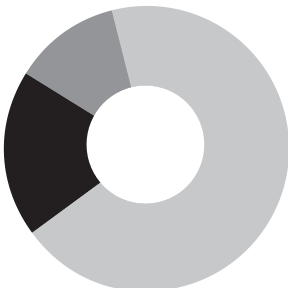
Nominee	% For	% Withheld
Maryse Bertrand	99.16	0.84
Lawrence S. Bloomberg	99.34	0.66
Pierre Boivin	99.37	0.63
André Caillé	99.06	0.94
Gérard Coulombe	98.93	1.07
Bernard Cyr	99.39	0.61
Gillian H. Denham	99.04	0.96
Richard Fortin	99.41	0.59
Jean Houde	98.89	1.11
Louise Laflamme	99.79	0.21
Julie Payette	99.67	0.33
Roseann Runte	99.33	0.67
Lino A. Saputo, Jr.	96.32	3.68
Pierre Thabet	99.78	0.22
Louis Vachon	99.27	0.73

Term of a director and Board vacancies

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

In addition, a director may not seek to renew his or her mandate more than 15 times unless the Board, on the recommendation of the Conduct Review and Corporate Governance Committee, decides that because of exceptional circumstances, it is advisable for said director to stand for re-election once more.

The following chart shows the years of service on the Board of the director nominees.



Guidance and continuing education of directors

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

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

Recently appointed directors can, on invitation, during an 18-month period, attend a meeting of each of the Board committees of which they are not members to further familiarize themselves with the issues facing the Bank.

Beyond the meetings provided for under the guidance program for new directors, new directors can, following appointment, take part in additional information meetings with the Chairman of the Board, the President and Chief Executive Officer and Executive Officers of the Bank to further familiarize themselves with the issues facing the Board of Directors and the Bank.

Directors' Handbook
A handbook is available for directors, containing a series of reference documents outlining, in particular, their duties and the scope of their responsibilities.

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

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

All directors are members of the Institute of Corporate Directors.

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

Training provided by the Bank	Date	Participants
Fight against Money Laundering and Terrorist Financing Activities (AMLTF)	December 2013	Board
Investor Relations	December 2013	Board
The management of risks related to information technology	February 2014	RMC
Information technology strategy	February 2014 October 2014	Board
Oil and gas industry	April 2014	Board
Total compensation and compensation governance practices	May 2014	Board
Basel Committee on Banking Supervision guidance regarding the Audit Committee's external audit oversight role	May 2014	AC
Integrated risk management	August 2014	RMC
Credit risk management	October 2014	RMC
Trends in executive compensation	October 2014	HRC

In addition to the above-listed training provided by the Bank, several directors on an individual basis received from recognized organizations training – mainly within the continuing education programs offered by their professional order, as applicable – related to their functions as directors in the following areas:

- Negotiation and strategy
- Best practices of the Board
- Issues of interest to members of the Nomination and Corporate Governance committees
- Board role in risk management
- Sound governance of public and private companies
- Main trends in the financial services industry
- Director recruitment and compensation
- Participatory justice
- Bankruptcy and tax laws
- Directors' liability

In order for directors to stay current with recent developments in audit, risk management, human resources and governance, the Corporate Secretary's Office from time to time provides them with various articles and publications relevant to the performance of their responsibilities.

During fiscal 2014, the Corporate Secretary's Office made available to directors texts covering the following topics, among others:

– Expectations of boards in regard to risk oversight
– Relationships between boards of directors of financial institutions and supervisory bodies
– Audit Committee oversight and assessment of the independent auditor
– Trends in shareholder communications
– Trends in governance
– Risk management
– Governance and cyber risk
– Representation of women on boards of directors
– Excessive short-termism

DIVERSITY AND REPRESENTATION OF WOMEN ON THE BOARD AND IN MANAGEMENT

Board of Directors

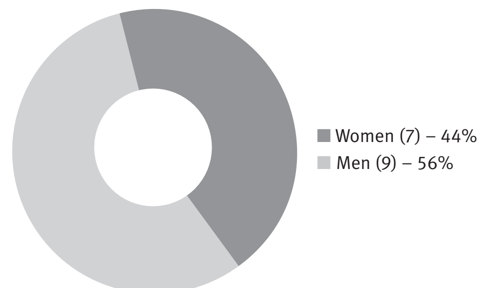
The Board considers that diversity among its members enriches discussion and acknowledges the importance of diverse representation among its directors reflecting the diversity of the Bank's clients, employees and shareholders, particularly regarding representation of women on the Board. The Board adopted a diversity statement providing that the Conduct Review and Corporate Governance Committee recommends director nominees who, in addition to meeting the criteria determined by the Board and set out in this Circular, reflect the gender, age, cultural and geographic representation and other characteristics of the communities in which the Bank operates and does business.

This statement indicates that the Bank strives toward achieving gender parity between directors and that at least one-third of the Board directors be women by requiring that, in future, women make up half the nominees for director positions that become vacant.

The target set by the Conduct Review and Corporate Governance Committee of at least one-third of directorships be held by women was reached during fiscal 2014 and should be exceeded in fiscal 2015, as women currently represent 44% of director nominees.

To reach these goals, the Board relies upon the tools and processes implemented by the Conduct Review and Corporate Governance Committee in connection with the Board succession planning. As described above, the Board maintains a list of potential director nominees who meet the selection criteria identified by the Board and the principles described in the diversity statement, including the Board's representation of women target. The Board may also engage external recruitment consultants to assist it in finding nominees who will contribute to meet the Bank's diversity objectives set by the Board, as was the case in fiscal 2014 when the Conduct Review and Corporate Governance Committee retained the services of the firm Spencer Stuart to this end. It draws from this list of potential nominees for vacant director positions.

The following chart shows the representation of women and men ratio on the slate of director nominees for election on the Board.



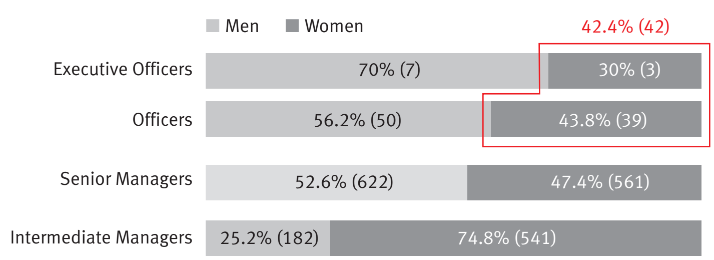
This outcome is the result of the Board's ongoing commitment and the strategies it has deployed over the years. With this in view, the Bank has joined forces with several large organizations and signed the Catalyst Accord with a target to increase the number of women on boards of directors in Canada.

The Board diversity statement can be found in the Governance subsection under "About Us," under "Diversity of the Board" on the Bank's website (nbc.ca).

Senior management and management

Women represent 42% of Executive Officers and Officers of the Bank. The increase in representation of women of more than 33% over 10 years is the result of the ongoing commitment by the Office of the President in this regard, in addition to various initiatives and efforts over the years.

The following chart illustrates the representation of women and men as Executive Officers, Officers and managers at the Bank:



To reach its objectives regarding representation of women within the organization, the Bank has established a three-year diversity plan and regularly monitors the evolution of the number of women in officer and management positions. It also works to identify, evaluate and analyze any potential gaps and representation goals by business segments, and deploy targeted strategies to maintain fair representation of women throughout the organization at all times.

The global target for representation of women among the Bank's Executive Officers and Officers is currently 40%. The Bank focuses its efforts to reach and maintain this target as part of its 2016 three-year diversity plan. The Bank has not established any targets for Executive Officers, since they are too few for a target to be realistically set. However, the Bank oversees the succession group to ensure that fair representation of women is maintained.

Further, to ensure that all these strategies produce the desired results, the Bank has also adopted integrated monitoring indicator dashboards that capture a quarterly snapshot of the situation at the Bank, and in each business segment. In this respect, Executive Officers participate in the completion of diversity plans within their respective segments. Every year, a diversity status report is provided to them, as well as to the Human Resources Committee, illustrating the change in representation of women at the Bank and in all its business segments.

In addition, a working group on diversity, consisting of Officers from all sectors of the Bank and chaired by an Executive Officer, has been established to foster engagement in diversity challenges for each sector and 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 take into consideration the diversity of the population and of its employees and to maintain a respectful work environment that is open to differences. The Bank's initiatives in this respect are varied. Here are some examples:

- The Bank increases awareness among headhunters it works with by mentioning the importance of referring to the Bank women nominees for Executive Officer positions to be filled;
- The Bank, as well as all of its business segments, oversees the representation of women within the pool of "high potential" employees likely to hold management or officer positions. This annual exercise provides a current snapshot of the future leaders of the Bank;
- At the Bank, there are a number of employee affinity groups which come together to network and share experiences from inspiring leaders. The Women's Leadership Network, supporting women of the Bank and its subsidiaries, heads up local chapters in many Canadian cities;
- Formal mentorship and coaching programs are offered to senior managers and Officers at the Bank. Particular focus is on valuing different leadership types but also on women's participation in these programs;
- The Quality of Life in the Workplace program helps employees who would benefit from special workplace arrangements, within certain parameters; and
- Specifically in the Financial Markets sector, two programs have been implemented to increase the number of women working in the sector:
  - A bursary program for women, established in 2012;
  - A rotational program allowing nominees to discover, over one year, all types of Financial Markets desks and establish the best alignment between an employee's talent and the organization's needs. Particular attention is paid to women's participation in the program.

Finally, for many years, the Bank has supported bodies raising awareness among organizations regarding the reality and the promotion of women at all organizational levels, including the Association of Québec Women in Finance (AFFQ), the Women's Executive Network (WXN) and Women in Capital Markets (WCM).

SOCIAL RESPONSIBILITY

The Bank is committed to effectively meeting the expectations of its stakeholders and building with them long-term relationships based on trust. Its corporate social responsibility strategy rests on six fundamental pillars: its clients, its employees, the community, the environment, governance and its contribution to the economy.

The Bank is committed to promoting the well-being of the communities it serves 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. Among its efforts, it is proud of the *One for Youth* program, launched in 2012, which provides support for the youth initiatives of more than 100 organizations across Canada each year.

The Bank is concerned by society's impact on the environment, particularly the effects of climate change, and is actively involved in implementing various initiatives to reduce our environmental footprint, including our energy efficiency program, a process for screening our suppliers' practices in order to ensure a more sustainable and responsible approach to sourcing, achieving carbon neutrality in 2011 and managing environmental risks when granting loans to its clients. In 2014, for the third consecutive year, the Bank was named one of the 20 leading banks in the world for its environmental performance, according to the latest ranking of The World's Greenest Banks by internationally renowned *Bloomberg Markets* magazine.

The Bank is attentive to employees' needs and seeks to provide them with a stimulating environment with a view to building a stable dedicated and talented team. As previously described in this section of the Circular, the Bank promotes diversity within all its business units. It has also implemented various special programs to foster new talent. The Bank also made the 2014 list of the 50 Best Employers in Canada for the tenth year.

The Board counts many members with experience directly related to one or another of these pillars and, more importantly, to social and environmental responsibility. For example, for many years, Louis Vachon has been personally involved with a multitude of charitable organizations, using his expertise and network for the good of the community. Firmly committed to promoting entrepreneurial revival, he helps showcase the essential contribution of our companies to the Quebec and Canadian economies by giving talks on entrepreneurship and by mobilizing various stakeholders in the field. Also of mention is André Caillé's expertise gained as Deputy Minister of the Environment of Quebec, then as President and Chief Executive Officer of Hydro-Québec, a supplier of clean and renewable energy, with energy saving and sustainable development at the core of its mission. The social and community engagement demonstrated by Lino A. Saputo, Jr. is also noteworthy, in his involvement in the fundraising campaigns of Centraide of Greater Montréal and the Palliative Care Unit at Hôpital Marie-Clarac, and through the Amelia and Lino Saputo Jr. Foundation, which he created in 2011. Andrée Savoie is also highly involved in her community both through community organizations such as the YMCA of Greater Moncton and Crossroads 250, an annual event for which she is Co-Founder and Co-President and whose mission is to raise funds for a shelter for women and children victims of domestic violence, in addition to the Wallace McCain Institute of Entrepreneurship at the University of New Brunswick. For more information, please refer to "Director Nominees" in Section 3 of this Circular.

Moreover, wishing to provide an example at the highest level of the institution, the Board, through the Human Resources Committee, ensures that objectives that encourage the Bank's active participation with community associations and causes and promote an ecologically responsible brand image are included in the annual performance assessment of the President and Chief Executive Officer.

Each year, the Bank publishes a *Social Responsibility Report* to discuss in greater detail all of the projects carried out in this area. The Board reviews and studies the document prior to its publication.

The Bank's *Social Responsibility Report* can also be found in the social responsibility subsection under "About Us" on the Bank's website (nbc.ca). The various initiatives the Bank endorses are also presented on a dedicated page on its website (www.commitment.nationalbank.ca).

MEASURES FOR COLLECTING FEEDBACK AND COMMUNICATION

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

In fiscal 2014, at the Board's request, Bank management met with representatives of institutional investors, shareholder groups, proxy voting consultants and corporate governance advocacy groups to discuss with them various matters of interest, including the Board's approach to compensation of the Bank's Executive Officers.

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

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

PROCEDURE FOR REPORTING IRREGULARITIES

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

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

Purpose

Recruit and retain qualified directors

Levers

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

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

Purpose

Align directors' interests with those of shareholders

Levers

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

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

The Board has adopted, on the recommendation of the Conduct Review and Corporate Governance Committee, a compensation program that is reviewed periodically to ensure that compensation is adequate, particularly compared with the compensation awarded to the chairman of the board and committee chairs and directors of each of the companies that make up the peer group as identified by the Bank's Human Resources Committee, in establishing Executive Officer compensation. The aggregate compensation that may be paid to directors for serving on the Board and its committees during a fiscal year may not exceed the aggregate amount specified in the By-Law approved by the Bank's shareholders.

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

A deferred stock unit is a right whose value corresponds to the market value of a Common Share of the Bank as at the date the units are credited, every quarter, to an account in the director's name. Additional units are credited to the director's account in an amount equal to the dividends paid on the Common Shares. The units may only be cashed when the director leaves all the positions he or she held as a director of the Bank or any of its subsidiaries. The units must be cashed no later than the end of the calendar year following that in which the director leaves his or her duties.

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

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

The Bank and its subsidiaries reimburse directors for the expenses incurred to attend meetings, including transportation and accommodation expenses. The Bank 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.

Share ownership requirements

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

Requirements	Minimum required
Five times the annual retainer payable to Board members	5 X $90,000 = $450,000
Minimum share ownership requirement based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on February 20, 2015	$450,000 / $47.60 = 9,454 Common Shares

Share ownership requirements (as at February 20, 2015)

Director nominees	Securities held	Achievement of minimum requirement	Requirements met
Raymond Bachand	720	7.6%	– (1)
Maryse Bertrand	8,483	89.7%	– (2)
Lawrence S. Bloomberg	74,091	783.7%	✓
Pierre Boivin	13,579	143.6%	✓
André Caillé	43,050	455.3%	✓
Gillian H. Denham	12,922	136.6%	✓
Richard Fortin	7,724	81.7%	– (3)
Jean Houde	13,770	145.6%	✓
Karen Kinsley	6,106	64.5%	– (4)
Louise Laflamme	28,597	302.4%	✓
Julie Payette	1,393	14.7%	– (5)
Roseann Runte	51,524	544.9%	✓
Lino A. Saputo, Jr.	18,417	194.8%	✓
Andrée Savoie	–	–%	– (6)
Pierre Thabet	179,148	1,894.9%	✓
Louis Vachon	–	–%	✓ (7)

(1) Raymond Bachand has a five-year grace period from the date of his appointment as Bank director on October 29, 2014 to meet share ownership requirements for directors.

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

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

(4) Karen Kinsley has a five-year grace period from the date of her appointment as Bank director on December 3, 2014 to meet share ownership requirements for directors.

(5) Julie Payette has a five-year grace period from the date of her appointment as Bank director on April 10, 2014 to meet share ownership requirements for directors.

(6) If elected at the Meeting, Andrée Savoie will have a five-year grace period from the date of her appointment as Bank director on April 15, 2015 to meet share ownership requirements for directors.

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

Restrictions on trading and hedging of Bank securities

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

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

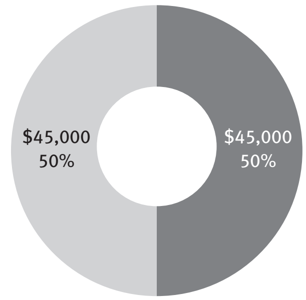
Compensation of the directors of the Bank and its subsidiaries for the fiscal year ended October 31, 2014

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

During the fiscal year ended October 31, 2014, no amendments were made to directors' compensation.

Breakdown of annual retainer

Cash
Shares



Annual compensation of the directors of the Bank and its subsidiaries for the fiscal year ended October 31, 2014

Bank	Board		AC and RMC		CRCGC and HRC	
	Cash[(1)] ($)	Common Shares ($)	Cash[(1)] ($)	Common Shares ($)	Cash[(1)] ($)	Common Shares ($)
Member	45,000	45,000	12,500	7,500	10,000	5,000
Chair or Chairman[(2)]	225,000		15,000	10,000	12,500	7,500

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

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

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

Compensation paid to the directors for the fiscal year ended October 31, 2014

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

Name	Fees earned ($)[1]		Share-based awards ($)[2]				Total compensation for activities of the Board and its committees ($)	All other compensation ($)	Total compensation ($)	Breakdown of cash compensation for activities of the Board and its committees[4]
	Board retainer[3]	AC, RMC, CRCGC or HRC retainer	Board retainer[3]		AC, RMC, CRCGC or HRC retainer					
	Cash	Cash	Common Shares	DSU	Common Shares	DSU				
Raymond Bachand[5] (RMC)			3,750	3,750	625	1,042	9,167		9,167	100% in DSUs
Maryse Bertrand (CRCGC, RMC)			45,000	45,000	12,500	22,500	125,000		125,000	100% in DSUs
Lawrence S. Bloomberg	45,000		45,000				90,000	250,300[6]	340,300	100% in cash
Pierre Boivin[7] (AC Chair, HRC)	45,000	32,292[8]	45,000		18,958[8]		141,250		141,250	100% in cash
André Caillé (HRC Chair, AC, CRCGC)			45,000	45,000	25,000[9]	45,000[9]	160,000		160,000	100% in DSUs
Gérard Coulombe (CRCGC Chair, HRC)	45,000	32,500[10]	45,000		17,500[10]		140,000	32,500[11]	172,500	100% in cash
Bernard Cyr[12] (AC, RMC)			75,000		25,000		100,000		100,000	100% in Common Shares
Gillian H. Denham (HRC)	45,000	10,000	45,000		5,000		105,000		105,000	100% in cash
Jean Douville[13] (Chairman of the Board)	122,500[14]		22,500				145,000		145,000	100% in cash
Richard Fortin[15] (RMC Chair, AC)			45,000	45,000	20,833[16]	33,750[16]	144,583	21,500[17]	166,083	100% in DSUs
Paul Gobeil[18] (RMC Chair, AC)	22,500	20,000[19]	22,500		12,500[19]		77,500		77,500	100% in cash
Jean Houde[20] (Chairman of the Board, CRCGC)	176,250[21]	30,000[22]	45,000		17,500[22]		268,750		268,750	100% in cash
Louise Laflamme (AC, RMC)			45,000	45,000	15,000	25,000	130,000		130,000	100% in DSUs
Julie Payette[23]			26,250	26,250			52,500		52,500	100% in DSUs
Roseann Runte (CRCGC)			45,000	45,000	5,000	10,000	105,000		105,000	100% in DSUs
Lino A. Saputo, Jr. (HRC)			45,000	45,000	5,000	10,000	105,000		105,000	100% in DSUs
Pierre Thabet (RMC)			45,000	45,000	7,500	12,500	110,000		110,000	100% in DSUs
Louis Vachon[24]	–		–	–			–		–	–
Total							**2,008,750**			

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

(2) For the purposes of this table and in accordance with paragraph 3.1 of Item 3 of Form 51-102F6 of Regulation 51-102, share based awards include the portion of director compensation paid in Common Shares and deferred stock units, as the case may be. The number of shares granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, which was $44.0016 on February 18, 2014, $45.7901 on May 15, 2014, $48.6139 on August 15, 2014 and $54.5445 on November 14, 2014. The number of deferred stock units granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, which was $43.4300 on February 18, 2014, $45.7700 on May 15, 2014, $48.8400 on August 15, 2014 and $54.6100 on November 14, 2014.

(3) For the year ended October 31, 2014, the annual retainer paid for service on the Board of Directors totalled $90,000, of which $45,000 was paid in the form of Common Shares and $45,000 in the form of cash, Common Shares, deferred stock units or a combination of all three, as elected by the director.

(4) Excluding the part of director compensation that must be paid in the form of Common Shares for their role on the Board and its committees, directors may elect to receive the portion of their compensation considered payable in cash in the form of cash, Common Shares, deferred stock units or a combination of all three. This column presents the election made by each director where they received payment during the fiscal year ended October 31, 2014 of compensation payable in cash for activities of the Board and its committees.

(5) Raymond Bachand was appointed a member of the Board and the Risk Management Committee on October 29, 2014. As a result, his compensation was prorated.

(6) Under a service contract entered into in November 2004 with National Bank Financial Inc., Lawrence S. Bloomberg acts as an advisor to National Bank Financial Inc. and National Bank Financial Ltd. As such, he receives an annual retainer, commissions, a business development allowance and reimbursement of various administrative fees incurred in carrying out his duties. For the fiscal year ended October 31, 2014, Lawrence S. Bloomberg received a total of $250,300.

(7) Pierre Boivin ceased to be a member of the Risk Management Committee and was appointed a member and Chair of the Audit Committee on April 10, 2014. As a result, his compensation was prorated.

(8) Includes a $14,583.33 retainer for the Chair of the Audit Committee as of April 10, 2014.

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

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

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

(12) Bernard Cyr was appointed a member of the Risk Management Committee on April 10, 2014 and ceased to be a member of the Board and the Audit and Risk Management committees on August 15, 2014. As a result, his compensation was prorated.

(13) Jean Douville ceased to be a member and Chairman of the Board on April 10, 2014. As a result, his compensation was prorated.

(14) Includes a $100,000 retainer for the Chairman of the Board up to April 10, 2014.

(15) Richard Fortin was appointed Chair of the Risk Management Committee on April 10, 2014. As a result, his compensation was prorated.

(16) Includes a $14,583.33 retainer for the Chair of the Risk Management Committee as of April 10, 2014.

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

(18) Paul Gobeil ceased to be a member of the Board, a member and Chair of the Risk Management Committee and a member of the Audit Committee on April 10, 2014. As a result, his compensation was prorated.

(19) Includes a $12,500 retainer for the Chair of the Risk Management Committee until April 10, 2014.

(20) Jean Houde ceased to be a member and Chair of the Audit Committee and a member of the Risk Management Committee and was appointed Chairman of the Board on April 10, 2014. As a result, his compensation was prorated.

(21) Includes a $131,250 retainer for the Chairman of the Board as of April 10, 2014.

(22) Includes a $12,500 retainer for the Chair of the Audit Committee until April 10, 2014.

(23) Julie Payette was appointed a member of the Board on April 10, 2014. As a result, her compensation was prorated.

(24) 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, see Section 8 of this Circular.

In performing its duties, the Board is assisted by four standing committees: the Audit Committee, the Risk Management Committee, the Conduct Review and Corporate Governance Committee and the Human Resources Committee. The Board may also create *ad hoc* committees to address specific purposes, whenever the situation so requires.

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

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

To promote an overall understanding of committee Mandatees and the challenges faced in the different business lines of the Bank, certain directors serve on more than one committee. The membership of the Board's standing committees for the fiscal year ended October 31, 2014 is detailed in the following table.

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

(1) Raymond Bachand was appointed a member of the Board and the Risk Management Committee on October 29, 2014.
(2) Pierre Boivin ceased to be a member of the Risk Management Committee and was appointed a member and Chair of the Audit Committee on April 10, 2014.
(3) Bernard Cyr was appointed a member of the Risk Management Committee on April 10, 2014 and ceased to be a member of the Board and the Audit and Risk Management committees on August 15, 2014.
(4) Jean Douville ceased to be a member of the Board on April 10, 2014.
(5) Richard Fortin was appointed Chair of the Risk Management Committee on April 10, 2014.
(6) Paul Gobeil ceased to be a member of the Board, a member and Chair of the Risk Management Committee, and a member of the Audit Committee on April 10, 2014.
(7) Jean Houde ceased to be a member and Chair of the Audit Committee and a member of the Risk Management Committee, and was appointed Chairman of the Board on April 10, 2014.
(8) Julie Payette was appointed a member of the Board on April 10, 2014.

Each committee has included below a report setting out its composition, responsibilities and main activities carried out during fiscal 2014. All four committees believe that they fulfilled their responsibilities to the best of their members' abilities during fiscal 2014, in accordance with their Mandatees.

AUDIT COMMITTEE

Members(1)

Pierre Boivin
Chair

André Caillé

Richard Fortin

Louise Laflamme

(1) Pierre Boivin was appointed a member and Chair of the Audit Committee on April 10, 2014. Bernard Cyr ceased to be a member of the Board and the Audit Committee on April 15, 2014. Paul Gobeil ceased to be a member of the Board and the Audit Committee on April 10, 2014. Jean Houde ceased to be a member and Chair of the Audit Committee on April 10, 2014.

Mandate

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

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

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

Frequency of meetings and achievements

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

Financial disclosure

We:

- ✓ Reviewed and approved the mandate, and the nature and scope of the Finance oversight function;
- ✓ Confirmed the independence and effectiveness of the Finance oversight function, ensured that sufficient resources were available for the Finance oversight function to fulfill its mandate and responsibilities, and approved its budget;
- ✓ Examined the conclusions of the independent review of the Finance oversight duties performed by Deloitte;
- ✓ Regularly met with the Chief Financial Officer and Executive Vice-President – Finance and Treasury, without the presence of management;
- ✓ Assessed the performance of the Chief Financial Officer and Executive Vice-President – Finance and Treasury and sent our recommendations to the Human Resources Committee and the Board regarding his compensation;
- ✓ 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 compliance reports with regulatory capital ratios;
- ✓ Reviewed the conclusions of the independent auditor concerning the annual consolidated financial statements and discussed with the independent auditor the annual and interim condensed consolidated financial statements;
- ✓ Reviewed proposals to increase dividends and to split the Common Shares of the Bank by way of dividends and made recommendations to the Board accordingly; and
- ✓ Reviewed and updated, as applicable, financial information policies.

Internal Audit and independent auditor

We:

- ✓ Reviewed and approved the mandate, and the nature and scope of the Internal Audit oversight function and annual audit plan;
- ✓ Confirmed the independence and effectiveness of the Internal Audit oversight function, ensured that sufficient resources were available for the Internal Audit oversight function to fulfill its mandate and responsibilities, and approved its annual budget;

- ✓ Regularly met with the Senior Vice-President – Internal Audit, without the presence of management;
- ✓ Assessed the performance of the Senior Vice-President – Internal Audit, and sent our recommendations to the Human Resources Committee and the Board regarding his compensation;
- ✓ Reviewed the reports of the Senior Vice-President – Internal Audit and satisfied ourselves that the necessary measures have been taken to follow up on the main recommendations contained in these reports;
- ✓ Reviewed the report on internal control 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, 2014;
- ✓ Reviewed the results of the assessment of the work of Deloitte, verified its independence, and recommended to the Board that Deloitte be reappointed as independent auditor for the fiscal year ending October 31, 2014;
- ✓ Monitored the application of the guidelines for managing the services provided by the independent auditor and the pre-approval of some mandates; and
- ✓ Reviewed and updated, as applicable, audit policies.

Other matters

We:

- ✓ Reviewed the Chief Compliance Officer's annual report; and
- ✓ Reviewed the Chief Anti-Money Laundering Officer's annual report.

Functioning of the Committee

We:

- ✓ Reviewed the impact on the Committee of the Basel Committee on Banking Supervision's supervisory document, *External audits of banks*, which provides guidance regarding the Committee's external audit oversight duties for the Bank.

Competencies of members

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

  For more information on the expertise and experience of each member, please refer to the "Information on the Audit Committee" section of the 2014 Annual Information Form.

Independence of members and the Committee

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

RISK MANAGEMENT COMMITTEE

Members(1)


Raymond Bachand


Maryse Bertrand


Richard Fortin
Chair


Louise Laflamme


Pierre Thabet

(1) Raymond Bachand was appointed a member of the Risk Management Committee on October 29, 2014.
Pierre Boivin ceased to be a member of the Risk Management Committee on April 10, 2014.
Bernard Cyr was appointed a member of the Risk Management Committee on April 10, 2014 and ceased to be a member of the Board and the Committee on August 15, 2014.
Richard Fortin was appointed Chair of the Risk Management Committee on April 10, 2014.
Paul Gobeil ceased to be a member of the Board and a member and Chair of the Risk Management Committee on April 10, 2014.
Jean Houde ceased to be a member of the Risk Management Committee on April 10, 2014.

Mandate

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

The Committee assists the Board in exercising its duties relating to risk management, namely (i) monitoring the management of the main risks to which the Bank is exposed, including the strategic risk, credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputational risk and environmental risk, (ii) reviewing and approving the risk appetite framework, (iii) monitoring capital, liquidity and funding management, (iv) assessing the performance of the Risk Management oversight function, and (v) assessing the performance of the Compliance oversight function.

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

Frequency of meetings and achievements

The members of the Committee met 19 times during the past fiscal year to fulfill their mandate, dealing mainly with the following issues:

Risk management

We:

- ✓ Reviewed and approved the mandate, and the nature and scope of the Risk Management oversight function;
- ✓ Confirmed the independence and effectiveness of the Risk Management oversight function, ensured that sufficient resources were available for the Risk Management oversight function to fulfill its mandate and responsibilities, and approved its annual budget;
- ✓ Regularly met with the Executive Vice-President – Risk Management, without the presence of management;
- ✓ Assessed the performance of the Executive Vice-President – Risk Management, and sent our recommendations to the Human Resources Committee and the Board regarding his compensation;
- ✓ Reviewed and approved the Bank's risk appetite framework and required the Bank's management to implement appropriate processes to effectively monitor risks;
- ✓ Reviewed each quarter the integrated risk management report and focused more specifically on cyber risk management;
- ✓ 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 and the mandate of the Risk Management oversight function;
- ✓ Reviewed the annual report on litigation against the Bank and its subsidiaries that could constitute a significant risk;
- ✓ Reviewed, updated and approved, as applicable, risk management policies, namely statements, measures and overall targets for risk appetite;
- ✓ Reviewed the annual report for compliance with the Policy on New Products and Activities;
- ✓ Reviewed and recommended that the Board adopt a contingency and business recovery plan; and
- ✓ Reviewed various client credit files in accordance with the Board's policies for approving credits.

Capital, liquidity and funding management

We:

✓ Reviewed and approved the assumptions retained for the capital stress-testing scenarios;

✓ Reviewed the implementation of requirements set out in the Basel Accords;

✓ Reviewed and recommended that the Board approve the capital plan;

✓ Reviewed the liquidity management report; and

✓ Reviewed and updated, as applicable, and recommended to the Board policies concerning capital, liquidity and funding management.

Compliance

We:

✓ Reviewed and approved the mandate, and the nature and scope of the Compliance oversight function;

✓ Confirmed the independence and effectiveness of the Compliance oversight function, ensured that sufficient resources were available for the Compliance oversight function to fulfill its mandate and responsibilities, and approved its annual budget;

✓ Regularly met with the Chief Compliance Officer, without the presence of management;

✓ Assessed the performance of the Chief Compliance Officer, and sent our recommendations to the Human Resources Committee and the Board regarding his compensation;

✓ Reviewed the annual report of the Chief Compliance Officer and recommended that the Board approve the Regulatory Compliance Program;

✓ Approved and recommended that the Board approve the appointment of a new Chief Compliance Officer following the retirement of the previous Chief Compliance Officer;

✓ Reviewed and approved the changes to Chief Compliance Officer's responsibilities, including optimizing the structure of compliance activities for the Bank and its subsidiaries;

✓ Assessed the governance of the Bank's subsidiaries;

✓ Followed up on OSFI recommendations regarding the Operational and Reputational Risk sector; and

✓ Reviewed the annual report of the Chief Anti-Money Laundering Officer and approved the program.

Competencies of members

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

Independence of members and the Committee

– The Committee is composed exclusively of independent directors, as defined by the CSA.

– The Committee has put procedures in place to ensure its independence from the Bank's management and to have access to relevant information to carry out its mandate. Per its mandate, at each of its meetings the Committee also met in camera, without the presence of Bank's management.

– The Committee may communicate directly with the Executive Vice-President – Risk Management, the Chief Compliance Officer, and any other member of Management or employee of the Bank.

– The Committee may also inquire about any matter it deems relevant and, to that end, has full access to the Bank's books, records, facilities, premises, members of management and employees.

– Although the Chairman of the Board is invited, as a guest, to attend each Committee meeting, he is not entitled to vote on any item. However, if quorum is not attained at a meeting of the Committee, the Chairman of the Board may, at the request of the Chair of the Committee, serve as a member of the Committee for that meeting and have the right to vote. The Committee may also invite other individuals to attend, without the right to vote, all or part of its meetings.

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

Members

Maryse Bertrand

André Caillé

Gérard Coulombe
Chair

Jean Houde

Roseann Runte

Mandate

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

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

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

Frequency of meetings and achievements

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

Composition and function of the Board and its committees

We:

- ✓ Verified the independence, eligibility, availability and financial competencies of the Board members;
- ✓ Reviewed and recommended to the Board the appointment of the Chairman of the Board and his compensation, the composition of the Board committees and the appointment of Committee members;
- ✓ Reviewed Board succession matters taking into account inter alia the selection criteria and the Board Diversity Statement; retained Spencer Stuart & Associates (Canada) Ltd. to assist with the identification of potential nominees for the Board, primarily to establish a list of potential director nominees, solicit nominees and assess the candidates identified; and selected the potential nominees subsequent to the resignation of Bernard Cyr and in preparation for the end of Gérard Coulombe's term in 2015;
- ✓ Recommended the appointment of Raymond Bachand as director and member of the Risk Management Committee;
- ✓ Recommended the appointment of Karen Kinsley as director;
- ✓ Reviewed Board members compensation to ensure it is competitive and adequately reflects directors' roles and responsibilities;
- ✓ Confirmed that each director complies with the Code of Conduct and Ethics, understands the Bank's 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 in 2014;
- ✓ Reviewed the director selection criteria; and
- ✓ Reviewed and recommended that the Board approve the amended Charter of Expectations for directors.

Oversight of governance matters

We:

- ✓ Reviewed the annual report on complaints from clients of the Bank and its subsidiaries prepared by the Bank's Mediation Department and the Office of the Client Ombudsman;
- ✓ Reviewed and recommended that the Board adopt the Board Diversity Statement reflecting the importance of diverse representation among directors, particularly with respect to the representation of women;
- ✓ Reviewed the report on the application of the Code of Conduct and Ethics;
- ✓ Reviewed the key issues addressed by the Social Responsibility Report;
- ✓ Reviewed the issues regarding committee chair term length, and outside and cross directorships;
- ✓ Reviewed the reports and policies on the monitoring of related party transactions of the Bank;
- ✓ Revised the guidance program for new directors and the continuing education program for directors;
- ✓ Reviewed and recommended that the Board adopt the amended information disclosure policy; and
- ✓ Reviewed and recommended that the Board adopt the amended background check policy for directors and certain Officers of the Bank.

Assessment of the Board, its committees and directors

We:

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

Competencies of members

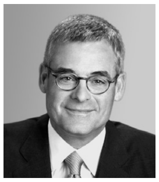
- All the members of the Committee have the experience and knowledge required to contribute effectively to the performance of the Committee's mandate. All Committee members have acquired the necessary experience and knowledge to adequately fulfill their duties as Committee members from having served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

Independence of members and the Committee

- The Committee is composed exclusively of independent directors, as defined by the CSA.
- The Committee has put procedures in place to ensure its independence from the Bank's management and to have access to relevant information to carry out its mandate. Per its mandate, at each of its meetings the Committee also met in camera, without the presence of management.
- If necessary, the Committee may communicate directly with the Vice-President – Legal Affairs and Corporate Secretary, or any other member of management or employee of the Bank.
- The Committee may also 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.

HUMAN RESOURCES COMMITTEE

Members


Pierre Boivin


André Caillé
Chair


Gérard Coulombe


Gillian H. Denham


Lino A. Saputo, Jr.

Mandate

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

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

The Committee's mandate comprises six key areas:

(i) Compensation policies, programs and practices;

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

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

(iv) Succession planning;

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

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

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

Frequency of meetings and achievements

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

Compensation policies, programs and practices

We:

✓ Approved an increase in the shareholding multiples required under share ownership guidelines and adopted a holding period for the President and Chief Executive Officer following retirement;

✓ Reviewed the internal report on compliance with share ownership guidelines;

✓ Approved the short-, mid- and long-term variable compensation envelopes for all employees;

✓ Approved the variable compensation program performance targets for the President and Chief Executive Officer, other Executive Officers, Officers and most employees;

✓ Approved the salary policy for the Bank and its subsidiaries;

✓ Approved the compensation of Executive Officers;

✓ Reviewed and recommended that the Board approve the administrative updating of the documents of the mid- and long-term compensation programs, including the two-for-one split of the Common Shares of the Bank via a stock dividend payment made on February 13, 2014;

✓ Approved the compensation-related mandates (particularly benchmarking) entrusted to independent external consultants; and

✓ Reviewed a summary of the results of the Bank's *Taking a Look at Our Organization* survey on employee engagement as well as 360-degree feedback on leadership development.

Performance and compensation of the President and Chief Executive Officer

We:

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

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

We:

- ✓ Received the report of the President and Chief Executive Officer on the performance of the other Executive Officers and the prudence with which they have managed the Bank's operations and the risks to which the Bank is exposed;
- ✓ Reviewed the competitiveness of the target total direct compensation of the Executive Officers and subsequently recommended that the Board approve adjustments for certain Executive Officers;
- ✓ In collaboration with the Audit and Risk Management committees, reviewed the competitiveness of the target total direct compensation of individuals in charge of oversight functions and subsequently recommended that the Board approve adjustments for certain individuals; and
- ✓ Recommended that the Board approve their short-, mid- and long-term variable compensation.

Succession planning

We:

- ✓ Updated the succession plan of the President and Chief Executive Officer of the Bank in the event of an emergency; and
- ✓ Reviewed the succession plan for other Executive Officers and Officers of the Bank and its subsidiaries in light of their competency profiles.

Oversight of the pension plans and Pool Fund

We:

- ✓ Approved the appointment of a new member to the Retirement Committee;
- ✓ Monitored the implementation of the approved amendments to the pension plans offered to Executive Officers, Officers and eligible employees that came into effect on January 1, 2014 and approved the resulting required amendments to plan documents;
- ✓ Periodically reviewed the Retirement Committee's activities;
- ✓ Reviewed and approved the findings of the actuarial valuations of the different pension plans;
- ✓ Reviewed a report on the performance and risk-taking of the Pool Fund and the application of the investment policy for the pension plans of the Bank; and
- ✓ Reviewed the performance of the Pool Fund of the Bank's pension plans.

Communications with shareholders and compliance with governance standards

We:

- ✓ Reviewed and approved the Report of the Human Resources Committee in Section 6 as well as Sections 7 and 8 of the Management Proxy Circular for the Annual Meeting held on April 10, 2014;
- ✓ Reviewed and approved the disclosure of aggregate quantitative information on compensation in accordance with the Basel II Pillar 3 compensation disclosure requirements;
- ✓ Supervised and reviewed the work done by the Compensation Risk Oversight Working Group to ensure our policies and programs align with best practices and the guidelines issued by the regulators;
- ✓ Received a report on the three-year plan relating to employment diversity;
- ✓ Directed certain Executive Officers to meet with representatives of institutional investors, shareholder groups, proxy voting consultants and corporate governance advocacy groups to discuss various matters of interest with them, including the Board's approach to Executive Officers' compensation;
- ✓ Reviewed the report of the Bank's Internal Audit Oversight Function on total compensation policies, programs and practices;
- ✓ Validated that each of the Executive Officers and individuals in charge of oversight functions are in compliance with the Code of Conduct and Ethics and conflict of interest standards of the Bank; and
- ✓ Approved the Committee's mandate and meeting schedule for the upcoming year.

Competencies of members

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

  More specifically:

  - ✓ Pierre Boivin has been President and Chief Executive Officer of private equity firm Claridge Inc. since September 2011. Since October 2013, he has been a member of the Management Resources and Compensation Committee of Canadian Tire Corporation, Limited and was a member of the Compensation Committee of Sirius XM Canada Holdings Inc. from December 2005 until January 2014;
  - ✓ André Caillé has chaired the Compensation Committee of Junex Inc. since September 2008;
  - ✓ Gérard Coulombe has been a member of the Compensation Committee of Cominar Real Estate Investment Trust since March 2007 and its chair since May 2009;
  - ✓ Gillian H. Denham has been a member of the Human Resources and Compensation Committee of Penn West Petroleum Ltd. since January 2013 and its Chair since June 2014. Since June 2014, she has also served on the Human Resources and Compensation Committee of Markit Ltd., and from December 2006 to October 2010 she chaired the Human Resources and Compensation Committee of the Ontario Teachers' Pension Plan;
  - ✓ Lino A. Saputo, Jr. has been Chief Executive Officer, since March 2004, and Vice-Chairman of the Board of Directors, since August 2011, of Saputo Inc. He has also served on the Human Resources and Compensation Committee of Transcontinental Inc. since February 2011.

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

Independence of members and the Committee

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

Independent external consultants

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

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

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

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

<u>Hay Group:</u>

– Is the Committee's designated service provider regarding Executive Officer compensation matters since the early 2000s;
– Validated, over the past fiscal year, the competitiveness of the target total direct compensation (base salary and variable compensation) of Executive Officer positions with that paid by companies in the Bank's peer group;
– Adjusted the peer group data downward to reflect the Bank's relative size and differences in the level of responsibility associated with the Bank's positions compared to peer group positions;
– Presented to the Committee the market positioning of Executive Officer compensation as well as market trends and developments in executive compensation, governance and regulation; and
– Helped the Committee review the composition of the peer group which remains appropriate.

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

<u>Morneau Shepell:</u>

– Has provided actuarial and administration services for the pension plans of the Bank since the early 1980s;
– Has also been the Bank's service provider for its Employee and Family Assistance Program since January 2011; and
– Assessed, over the past fiscal year, the value of pension plans of certain Executive Officers for disclosure purposes.

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

Independent external consultants	For fiscal year 2014			For fiscal year 2013		
	Fees for executive compensation matters	Other fees	Total	Fees for executive compensation matters	Other fees	Total
Hay Group						
($)	105,145	40,902(1)	146,047	92,252	40,644(1)	132,896
(%)	72	28	100	69	31	100
Morneau Shepell						
($)	15,384	4,214,045(2)	4,229,429	15,033	3,914,226(2)	3,929,259
(%)	0.4	99.6	100	0.4	99.6	100
Total ($)	120,529	4,254,947	4,375,476	107,285	3,954,870	4,062,155

(1) Total costs related to the Bank's participation in compensation surveys for employees who are not Officers.

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

LETTER TO SHAREHOLDERS

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

Our Executive Officer compensation approach, detailed in the pages that follow, is first aimed at creating value for our shareholders. We would like to share some highlights of the past fiscal year to help you appreciate our fiscal 2014 financial results and understand the total compensation of the President and Chief Executive Officer as well as the rationale for our compensation-related decisions in fiscal year 2014.

Compensating absolute and relative performance

One of the guiding principles of our Executive Officer compensation policy is to align variable compensation with the Bank's financial and stock market performance, considering different performance periods, while encouraging sound risk-taking.

Excellent financial results and superior shareholder returns for fiscal year 2014

Once again this year, the Bank set itself apart with sustained business growth, resulting primarily from greater and balanced diversification of its activities. Excluding specified items, total revenues for fiscal 2014 grew 8% to $5,638 million. Diluted earnings per share excluding specified items rose 11%, bringing the total amount for the year to $4.48.

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

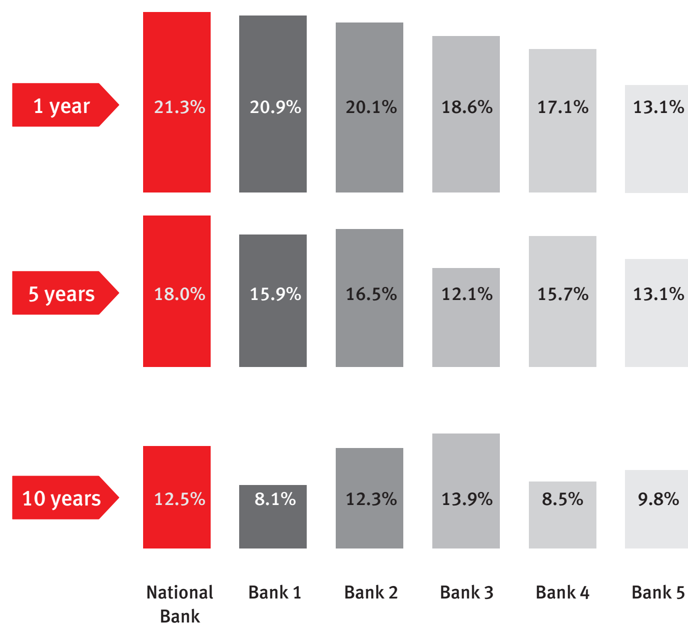
Results	2014	2013(2)
Total revenues(1)	$5,638 M	$5,230 M
Net income(1)	$1,593 M	$1,423 M
Return on common shareholders' equity(1)	18.5 %	18.9 %
Diluted earnings per Common Share(1)	$ 4.48	$ 4.04
Capital ratios under Basel III – Common Equity Tier 1 (CET1)	9.2 %	8.7 %
Share price as at October 31	$52.68	$45.24
Total shareholder return (1 year)	21 %	22 %

(1) Excluding specified items, as described on page 12 of the 2014 Annual Report.

(2) Restated data.

Considering the rise in value of the Bank's shares and the dividends paid, the Bank represented the best investment among the leading Canadian banks in 2014 with a total shareholder return of over 21%. This distinctive performance has also been demonstrated over longer investment horizons, as shown by the average total return generated over the past five- and ten-year periods. Accordingly, with the recent announcement of an increase in the dividend for the ninth time since 2010, the Bank is well placed to maintain its position as leader in the Canadian banking sector for shareholder return.

Total shareholder return (as at October 31, 2014)



Our approach to value creation and our super-regional model have allowed us to deliver excellent shareholder returns. Louis Vachon's leadership and his ability to engage Executive Officers, Officers and employees continue to drive customer and employee satisfaction. As a result, the Bank was named one of the 50 Best Employers in Canada for the tenth year in Aon Hewitt's annual ranking. The Bank's Client Value Proposition – to be the financial institution that truly takes care of its clients – continues to be renewed based on three guiding principles: accessibility, convenience and proactivity. To carry out this proposition, the Bank continues to deploy its multi-channel strategy that aims, notably, to capitalize on digital technologies and reinvent its branch services. The new mobile transaction application for iPad is an excellent example of the new generation of services implemented by the Bank in recent months.

In 2014, the Bank also demonstrated strong continuity in its revenue diversification strategy. Accordingly, the Wealth Management segment considerably grew its portfolio by $39 billion and 133,000 client accounts with the acquisition of TD Waterhouse's Institutional Services. The Bank's expansion abroad was also bolstered by subsidiary Credigy Ltd. as well as gradual acquisitions of interests in banks in emerging countries. We are looking ahead with optimism for further gains in 2015.

Compensation of the President and Chief Executive Officer strongly tied to the Bank's performance

At the close of fiscal 2014, the diversification of the Bank's operations reached a historic high. From 2011 to 2014, the percentage of revenues outside Quebec rose to 39.7% from 33.5%, positioning the Bank as a financial group with a strong presence in numerous Canadian urban centres. Fiscal 2014 ended with robust financial results, as the Bank's transformation toward a fully multi-channel offering gathered pace. The number of clients doing business with the Bank is growing steadily and employee engagement remains as solid as ever. The numerous initiatives launched have garnered recognition from *Canadian Business*, which named Louis Vachon 2014 CEO of the Year. Underscoring the slate of acquisitions completed in recent years and the Bank's creative strategies as the key reasons for granting the prize, *Canadian Business* portrays Louis Vachon as a driving force behind the Bank's success. In consideration of the above, the Human Resources Committee reviewed Louis Vachon's total compensation to bring it more closely in line with the market and to tie it to the Bank's relative performance.

Market data from Hay Group, an independent advisor to the Human Resources Committee on executive compensation matters, confirmed a compensation shortfall relative to CEOs of other Canadian financial institutions even after the adjustment to the data to reflect the Bank's relative size vis-à-vis its peer group. That shortfall was noted in the past few years, but no adjustment had been made since 2011. In light of his excellent performance and positioning in relation to the market, the Board opted to increase Louis Vachon's annual salary from $1,000,000 to $1,125,000. Furthermore, a portion of his compensation that was previously granted in stock options has been reduced and will now be granted in the form of performance share units, in the aim of further strengthening the tie-in with the Bank's relative performance to its peers. We believe this adjustment closely reflects Louis Vachon's level of contribution and responsibility.

Reduction of stock options in favour of performance share units

The Board and the Human Resources Committee studied the medium- and long-term allocation of the compensation of Officers and Executive Officers. The purpose was to determine whether the current allocation of the value of medium- and long-term compensation was aligned with the Bank's financial and operational objectives over multiple time horizons. Following this review, it was agreed that the current allocation adequately met the Bank's objectives. However, to implement medium-term compensation (subject to performance) for all Officers, they will have a portion of their long-term compensation, consisting of stock options, reduced and replaced with performance share units as of the annual grants of December 2015. In this manner, all Officers will be rewarded in part based on the Bank's TSR performance in relation to the TSR of other Canadian banks, which is in line with the Bank's growth objective consisting of expanding its market share. Note that this change has no impact on the value of compensation granted to Officers. In addition, the reduction in the number of stock options granted will decrease the dilutive effect arising from exercising options.

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

Building on its track record for prudent risk management and one of the lowest doubtful accounts ratios in the industry, the Bank also strives to more closely align the compensation of Executive Officers and Officers with their risk-taking. In fiscal 2014, the Compensation Risk Oversight Working Group continued supporting the Human Resources Committee under its mandate to ensure the Bank's compensation approach is appropriately aligned with its risk management framework, and is in accordance with best practices and the guidelines issued by regulators. As part of that undertaking, the Working Group ensured that the Bank's compensation policies, programs and practices supported the attainment of the Bank's business objectives without compromising its sustainability, solvency or reputation, while meeting the regulations and standards in effect.

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

Conclusion

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

We believe that our compensation approach on which you are invited to vote and our compensation-related decisions allow us to strike the right balance between earning the loyalty of talented and qualified Officers, a compensation plan closely tied to performance, and sound risk-taking. We are very grateful for your support at the last annual meeting of shareholders, where 95.3% of shareholders voted in favour of our approach with respect to Executive Officer compensation.

We suggest that shareholders refer to Sections 7 and 8 of the Circular for more information on the Bank, particularly with respect to Executive Officer compensation.

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

(s) Jean Houde
Chairman of the Board of Directors

(s) André Caillé
Chairman of the Human Resources Committee

COMPENSATION ANALYSIS

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

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

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

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

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

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

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

Compensation policy

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

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

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

2. Promote sound risk-taking

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

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

3. Reward the contributions of Executive Officers and Officers

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

Ensure total compensation reflects the level of responsibility, expertise, skill and experience.

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

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

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

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

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

Key compensation policies and practices		Pages
1. Pay for performance		
Performance-based compensation	– Performance of Executive Officers is assessed taking into account financial results, the demonstration of prudent risk management, growth in client loyalty and the level of employee engagement.	61, 63, 64
Significant portion of pay at-risk and subject to performance	– For Executive Officers, 75%–92% of target total direct compensation is "at-risk" and 54%–75% of variable compensation is deferred. This mix provides a strong pay-for-performance relationship.	60, 61
Mid- and long-term variable compensation subject to performance	– The final value of variable mid-term compensation awarded to Executive Officers is tied to the Bank's relative TSR metric and the price of the Common Shares of the Bank. Payment of PSUs is capped at 125% of the final value of units.	68
	– The final value of variable long-term compensation awarded to Executive Officers is tied to growth in the price of the Common Shares of the Bank.	60
Annual bonus caps	– The maximum value of the annual bonus of Executive Officers, Officers and employees eligible for the ICP is capped at 200% of their target annual bonus.	64-66
Performance metrics and stress testing	– Special attention is given to the selection of financial indicators when designing and reviewing variable compensation programs. Each variable compensation program must take into account diverse complementary performance metrics. Variable compensation program simulation testing is carried out taking into account various Bank performance scenarios: namely, expected, exceptional and weak.	61, 68
2. Promote sound risk-taking		
Governance oversight	– Reporting to the Human Resources Committee, the Compensation Risk Oversight Working Group ensures that the Bank maintains an appropriate and coherent balance between expected performance, prudent risk management and the compensation awarded. The Working Group further ensures that the compensation policies and programs do not unduly induce material risk takers to take risks that would exceed the Bank's risk tolerance limits.	55, 57
	– In addition, the Executive Vice-President – Risk Management meets regularly with the Human Resource Committee members to present a summary of the Working Group's work pertaining in particular to the risk appetite framework, the principles of sound risk management and symmetry between variable compensation and the level of risk incurred.	56
Alignment with FSB principles and standards	– The Bank's compensation policies and practices are rigorously monitored and aligned with the *Principles and Standards for Sound Compensation Practices* issued by the Financial Stability Board (FSB).	57, 59
Compensation aligned with risk time horizons	– A significant portion of Executive Officers' variable compensation is deferred to make them accountable for decisions with longer risk tails over various horizons, and responsible for longer-term value creation.	60, 61
	– A significant portion of the annual bonus of Officers and Financial Markets specialists is deferred to make them more accountable for decisions with longer risk tails over various horizons.	66, 67

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

Key compensation policies and practices (cont.)		Pages
2. Promote sound risk-taking (cont.)		
Cancellation and clawback of previously awarded variable compensation	– A policy entitles the Bank to cancel and claw back variable compensation previously awarded to Executive Officers, Officers and Financial Markets specialists in specific circumstances.	56, 64, 66-72
Double trigger change in control	– Two events must occur for equity awards to vest on an accelerated basis: a change in control followed by termination of employment.	90
3. Reward contribution		
Target compensation positioning relative to peer group	– The value of Executive Officers' target total direct compensation is determined via downward adjustment to the peer group's target total compensation median to reflect the Bank's relative size, in particular.	61, 62, 65
Peer group definition	– The Bank refers to a peer group consisting of Canadian financial institutions in establishing the value of the target total direct compensation of Executive Officers. – The Bank's approach consists of benchmarking best practices as determined by Meridian Compensation Partners.	62
Independent external consultants	– The Human Resources Committee retains independent external consultants to provide it with the necessary information on trends and best practices in the Bank's peer group regarding compensation policies and programs as well as on the competitiveness of Executive Officer compensation.	22, 49
4. Align vision with that of shareholders		
Adoption of "say on pay"	– The Bank was the first Canadian bank to voluntarily adopt "say on pay" in 2009. At the last annual meeting of shareholders, over 95% of shareholders voted in favour of our approach to Executive Officer compensation.	2, 6, 64
Share ownership minimum requirements	– Share ownership guidelines are designed to align the interests of Executive Officers, Officers and material risk takers with the Bank's long-term performance. – The Board approved amendments to its share ownership guidelines effective December 31, 2014. The Committee increased the minimum share ownership amount for the President and Chief Executive Officer, other Executive Officers, Senior Vice-Presidents as well as Officers in the Financial Markets sector. In addition, the President and Chief Executive Officer will be required to continue complying with those guidelines for one year after retiring. – Following an exercise of options, each Executive Officer must keep at all times Common Shares of the Bank with a value equal to the gain resulting from the exercise of vested options, until the share ownership requirements applicable to that individual have been met.	76, 88
Opportunity to receive DSUs in lieu of options	– Executive Officers and Officers may elect to receive up to 30% of their long-term variable compensation in the form of DSUs, redeemable for cash only on retirement or termination of employment, thereby strengthening the intended alignment between individual and shareholder interests.	72
Anti-hedging policy	– A policy prohibits Executive Officers, Officers and employees from hedging their equity-based compensation in order to maintain the alignment between individual and shareholder interests.	34, 64

Equitable compensation and other socially responsible practices

It is critical for the Board and its Human Resources Committee that Officer compensation be granted in a fair and equitable spirit. With that goal in mind, it is extremely important that all levels of compensation be appropriate when Officers are compared among themselves, but the same must also be true of the other Bank employees. Several mechanisms are also in place to ensure that Officers receive compensation that appropriately reflects their performance. Lastly, the Bank strives to continue its operations and grow in a responsible and ethical manner. The following section provides an overview of the practices and processes in place to ensure those objectives are met.

Practices ensuring equitable compensation

- Well-identified salary scales taking into account the importance of each function, the level of the position, the knowledge and skills required, the number of direct reports and the potential impact on the Bank's business.
- Best practices in compensation in accordance with the recommendations of the Meridian Compensation Partners report[1] (horizontal benchmarking, governance, peer group, etc.). Furthermore, vertical pay ratios are also submitted to the Board for information purposes.
- Adjustment of market data used for benchmarking purposes to reflect the Bank's relative size as compared to its peer group.
- Similar performance measures for Officers and employees in connection with the incentive compensation plan, thereby ensuring relatively proportionate payments.
- Benefit and pension plans offered to all permanent employees of the Bank.
- Employee Share Ownership plan, to which the Bank contributes on a consistent basis for all levels of employment, offered to all employees in Canada.
- Banking benefits offered to all employees of the Bank.
- Alignment of compensation policies and practices with the principles and standards of the Financial Stability Board.
- Employee engagement is used to measure Officer performance.
- Policy entitling the Bank to cancel and claw back variable compensation previously awarded to Executive Officers, Officers and Financial Markets specialists in specific circumstances.

Other socially responsible practices

- Carbon-neutral footprint since 2011, the Bank was also ranked among the Top 20 greenest banks in the world for the third consecutive year by Bloomberg.
- Creation of the internal Women's Leadership Network to support women seeking advancement in the organization as managers. With currently 42% of management positions held by women, the Bank is an industry leader.
- Creation of the internal IDEO network in support of the lesbian, gay, bisexual and transgender community.
- The *One for Youth* donations and sponsorships program which supports young people at all stages of their development, notably through the Breakfast Club of Canada, the Fondation Tel-Jeunes and the National Bank One for Youth Bicycle Tour.
- Support for local Quebec entrepreneurship through programs such as Junior Achievement and the Fondation de l'entrepreneurship.
- 20th anniversary of the SME Awards program of the Bank which celebrates excellence among Quebec businesses.
- Leader in the fight against money laundering and terrorist financing activities.

Successful practices

- National Bank was nominated as one of AON Hewitt's 50 Best Employers in Canada for the tenth year.
- In 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., Ontario Teachers' Pension Plan and Global Governance Advisors, have issued favourable opinions following their analysis of the tie-in between compensation and the Bank's performance.
- Louis Vachon was recognized as a *Grand Philanthrope* by The Portage Foundation.

Compensation-related risk appetite framework

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

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

As part of its compensation risk oversight role, the Human Resources Committee must ensure that compensation policies and programs do not unduly induce Executive Officers, Officers, material risk takers and employees in general to take risks that exceed the Bank's risk tolerance limits. The Committee is supported by various stakeholders in fulfilling this significant role, including the Compensation Risk Oversight Working Group. The Committee also ensures that it effectively complies with the principles of the Financial Stability Board. The figure on the following page depicts the compensation risk management framework:

(1) *Review of Horizontal Benchmarking and Its Impact on CEO Compensation and Pay Disparity*, 2013

Board of Directors

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

Risk Management Committee

Human Resources Committee

Audit Committee

Executive Vice-President – Risk Management

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

Human Resources Committee

- The Committee ensures that the Bank maintains an appropriate and coherent balance between expected performance, prudent risk management and the compensation awarded.
- The Committee can draw on the expertise of certain Committee members who also serve on the Audit Committee.

Senior Vice-President – Internal Audit

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

Compensation Risk Oversight Working Group

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

- review the policies and key programs constituting the Bank's variable compensation, at the design, review and implementation stages, to ensure their compatibility with the Bank's risk management framework;
- ensure that the Bank's compensation policies, programs and practices support the attainment of the Bank's business objectives without compromising its viability, solvency or reputation;
- verify whether the Bank's compensation policies, programs and practices are in compliance with the regulations and standards in effect;
- review the annual objectives and the performance targets for the variable compensation programs to ensure their compatibility with the Bank's risk management framework;
- review the various risks incurred during the year by the Bank's material risk takers, and make recommendations to the Committee when the annual bonus envelopes need to be adjusted downward;
- review the various risks incurred during the deferred variable compensation performance periods and make recommendations to the Committee when payments need to be adjusted downward;
- assess whether circumstances justify the application of the variable compensation clawback policy; and
- perform an annual review of the criteria defining material risk takers.

Human Resources Committee

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

The Committee ensures that the Bank's compensation policies and programs comply with regulations and standards in effect. Accordingly, the Committee verifies that the Bank complies with the *Guideline on Corporate Governance* released by OSFI and the *Principles and Standards for Sound Compensation Practices* issued by the FSB, the implementation of which is monitored by OSFI in Canada. The Committee also considers expectations of other corporate governance advocacy organizations.

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

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

Committee members benefit from continuing education programs designed to meet their needs regarding prudent risk management. The Committee can also draw on the expertise of certain Committee members who also serve on the Audit Committee. At its discretion, the Committee may also call on the expertise of various groups at the Bank, such as Total Compensation, Finance, Internal Audit and Risk Management, which take part in the compensation program design and review process. Each year, the Committee receives a letter signed by three Officers serving in internal control capacities, confirming the accuracy of the application of variable compensation programs and the financial results used to calculate the bonus envelopes for Executive Officers, Officers, Financial Markets specialists and other employees of the Bank.

In 2014, the Compensation Risk Oversight Working Group updated the risk management responsibilities within the management mandates of the key material risk takers, in accordance with corporate governance best practices and the principles issued by the regulators.

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

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

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

FSB principles	Compensation policies and practices in effect at the Bank
1. The Firm's board of directors must actively oversee the compensation systems design and operation	✓ The Human Resources Committee consists of independent directors and assists the Board in carrying out its oversight role by approving the design and application of compensation policies and programs for Executive Officers, Officers and material risk takers, including cash compensation, equity compensation, pensions and share ownership requirements. ✓ Reporting to the Human Resources Committee, the Compensation Risk Oversight Working Group ensures that the application of compensation programs for material risk takers complies with the sound governance principles issued by the Board.
2. The Firm's board of directors must monitor and review the compensation system to ensure the system operates as intended	✓ At the beginning of the year, the Board approves the financial objectives and compares them with results at year-end. It approves the resulting bonus envelopes each year. ✓ The Board exercises its discretion, as it deems necessary, to make downward adjustments to variable compensation envelopes. ✓ The Board also has the discretion to make upward adjustments to annual bonuses under the ICP, by up to 15% of the value of the target bonuses, without however exceeding the maximum set at 200% of target bonuses, in order to take specific situations into account. ✓ The compensation of Executive Officers, Officers, individuals in charge of oversight functions and Financial Markets specialists is approved each year by the Committee. ✓ The Committee reviews the significant compensation programs in the normal course of updates made to them and ensures that they remain appropriate, competitive and that they promote compliance with the Bank's risk tolerance limits.
3. Staff engaged in financial and risk control must be independent, have appropriate authority, and be compensated in a manner that is independent of the business they oversee and commensurate with their key role in the firm	✓ Staff engaged in the four oversight roles at the Bank, namely, Internal Audit, Risk Management, Compliance and Finance, receive compensation determined according to the peer group median (the 50th percentile). Their compensation programs are structured to ensure their independence in carrying out their duties and the value of their variable compensation is linked to the Bank's results, not the results of the business lines for which services are performed. This variable compensation represents only a portion of their total compensation, in accordance with the Bank's compensation policy.
4. Compensation must be adjusted for all types of risk	✓ All major annual bonus programs have a discretionary element to take into account the risk when determining the size of annual bonus envelopes or individual bonuses. ✓ At fiscal year-end, the Executive Vice-President – Risk Management presents the recommendations of the Compensation Risk Oversight Working Group to the Human Resources Committee. The recommendations for material risk takers are based on the assessment carried out jointly by Risk Management, Compliance and Internal Audit that flags the key potential sources of significant risk, both internal (related to decision-making) and external (related to the business conditions). The assessment takes into account strategic, credit, market, liquidity, operational, regulatory, reputation and environmental risk. ✓ The final decisions regarding any required adjustments to the annual variable compensation envelopes of Executive Officers and material risk takers are submitted to the Human Resources Committee.

FSB principles (cont.)	Compensation policies and practices in effect at the Bank (cont.)
5. Compensation outcomes must be symmetric with risk outcomes	✓ A significant portion of total direct compensation for Executive Officers is variable and dependent on the Bank's financial and stock market performance and individual performance, and includes consideration of risks taken, versus the Bank's risk appetite framework. ✓ Different mechanisms have been put in place to ensure that compensation outcomes are symmetric with risk outcomes, in particular: – The funds earmarked for performance-based bonuses are mainly determined based on net income. A minimum net income threshold must be met to create annual bonus envelopes under the ICP; – One mechanism refers to Basel III Accord guidelines that call for reducing the size of annual bonus envelopes where the Bank's minimum regulatory capital required by regulatory authorities is not met. The guidelines dictate the elements to be reduced (share redemptions, dividends and annual bonuses) and the weight of their reductions; – A significant portion of variable compensation of material risk-takers is deferred over a period of at least three years; – A policy entitles the Bank to cancel and claw back variable compensation previously awarded to Executive Officers, Officers and Financial Markets specialists in specific circumstances; – The Human Resources Committee has the discretionary power to recommend to the Board, as it deems necessary, adjustments to annual bonus envelopes, particularly following recommendations of the Compensation Risk Oversight Working Group.
6. Compensation payout schedule must be sensitive to time horizon of risks	✓ A significant portion of Executive Officers' compensation is deferred. PSUs vest after three years. Stock options vest over four years at a rate of 25% per year and expire after 10 years. ✓ A significant portion of annual bonuses of Officers and Financial Markets specialists is deferred in the form of RSUs and vests annually and evenly over three years, and expires at the end of the third year. ✓ Deferred compensation payments may be adjusted downward in certain exceptional circumstances, particularly significant non-compliance with risk tolerance limits during the performance period. ✓ Executive Officers, Officers as well as material risk takers in the Financial Markets sector are subject to share ownership requirements to ensure their long-term interests are tied to those of shareholders and to discourage them from taking excessive risks. The President and Chief Executive Officer must also maintain his required shareholdings for one year following retirement.
7. The mix of cash, equity and other forms of compensation must be consistent with risk alignment	✓ The cash/equity mix of compensation varies based on the position or the ability to impact the risk of the Bank. The percentage awarded as equity increases with seniority and risk impact: – The target deferred compensation of the President and Chief Executive Officer represents 75% of his variable compensation; – At least 50% of the total direct compensation of the Executive Vice-President – Financial Markets must be deferred; – Financial Markets Officers eligible for the annual Officers bonus program receive a minimum of 40% of variable compensation in the form of RSUs; – The portion of annual bonuses of Financial Markets specialists awarded in RSUs is based on the amount of the bonus awarded.

Approval and management process for compensation policies and programs

1 Setting total compensation

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

2 Aligning performance and variable compensation

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

3 Ensuring governance of compensation practices

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

1 Setting total compensation

The Bank's compensation offering includes direct compensation components, such as base salary and variable compensation programs, as well as indirect compensation components such as employee benefits for supporting employee well-being and providing security for employees and their families in their personal and family lives.

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

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

Ensuring that variable compensation is closely tied to financial performance

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

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

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

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

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

The following table shows the breakdown, as a percentage, of the target total direct compensation of the Executive Officers. It further shows the recent changes in the medium- and long-term allocation of the compensation of Executive Officers.

	Breakdown as a percentage of target total direct compensation				Total variable compensation at-risk (as a % of total direct compensation)	Total deferred variable compensation (as a % of variable compensation)
	Fixed	Variable–at-risk				
		Award at-risk	Payment at-risk			
	Base salary	Short-term Annual bonus	Mid-term RSUs/PSUs	Long-term Options		
President and Chief Executive Officer	14%	21%	43%	21%	86%	75%
Other Executive Officers leading a business line	8% – 20%	25% – 42%	35% – 42%	8% – 20%	80% – 92%	54% – 69%
Other Executive Officers leading a corporate department	22% – 25%	22% – 25%	31% – 33%	19% – 22%	75% – 78%	67% – 71%

A portion of the long-term compensation, that is, consisting of stock options, of the President and Chief Executive Officer and certain Executive Officers, has been reduced and replaced by PSUs. Furthermore, as of the annual grants of December 2015, all Officers of the Bank will receive PSUs to replace a portion of the compensation value that was granted to them in stock options.

Establishing the compensation policy

The compensation policy for Executive Officers aims to position their target total compensation at the peer group median (the 50th percentile) when results meet expectations. Moreover, the target total compensation of the peer group continues to be adjusted downward to take into account the Bank's specific characteristics, notably its relative size.

The peer group used to establish the value of compensation varies according to the Bank's business lines. For Executive Officers, the peer group for 2014 is unchanged from 2013 and consists of the following companies:

Selection criteria

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

Peer group

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

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

Peer group member	Revenues ($ millions)	Net income attributable to holders of Common Shares ($ millions)	Ratio Net income/ Revenues	Market capitali-zation ($ millions)	Number of employees (thousands)
Bank of Montreal(1)	16,718	4,157	25%	53,047	46.8
Canadian Imperial Bank of Commerce(1)	13,376	3,131	23%	40,850	44.4
Great-West Lifeco Inc.(2)	8,635	2,278	26%	32,730	21.0
Industrial Alliance Insurance and Financial Services Inc.(2)	2,491	350	14%	4,664	4.5
Manulife Financial Corporation(2)	14,819	2,999	20%	38,734	28.0
Power Financial Corporation(2)	11,019	1,896	17%	25,602	29.3
Royal Bank of Canada(1)	30,535	8,697	28%	115,393	73.5
Sun Life Financial Inc.(2)	8,469	942	11%	22,900	28.5
The Bank of Nova Scotia(1)	23,604	6,916	29%	83,969	86.9
The Toronto-Dominion Bank(1)	27,128	7,633	28%	102,300	82.1
National Bank of Canada(1)	**5,464**	**1,429**	**26%**	**17,347**	**20.0**

(1) The information is as at October 31, 2014.

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

Each year, the Human Resources Committee reviews the competitiveness of Executive Officers' target total direct compensation. This compensation includes base salary, target annual bonus and mid-term and long-term variable compensation. The Committee examines the results of the compensation studies conducted by the independent external consultant it mandated. It receives the recommendations of the President and Chief Executive Officer, the Audit Committee and the Risk Management Committee for the compensation of other Executive Officers and individuals in charge of 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 of the other functions, also aims to position the target total direct compensation of employees at the peer group median (the 50th percentile) when results meet expectations. The Bank's compensation policy also applies to its Canadian and foreign subsidiaries. However, it is aligned with market practices by offering compensation components that may vary from one business line to another, and takes into account significant pay disparities that may exist among the large regions or the countries where the Bank provides its services.

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

2 Align performance and variable compensation

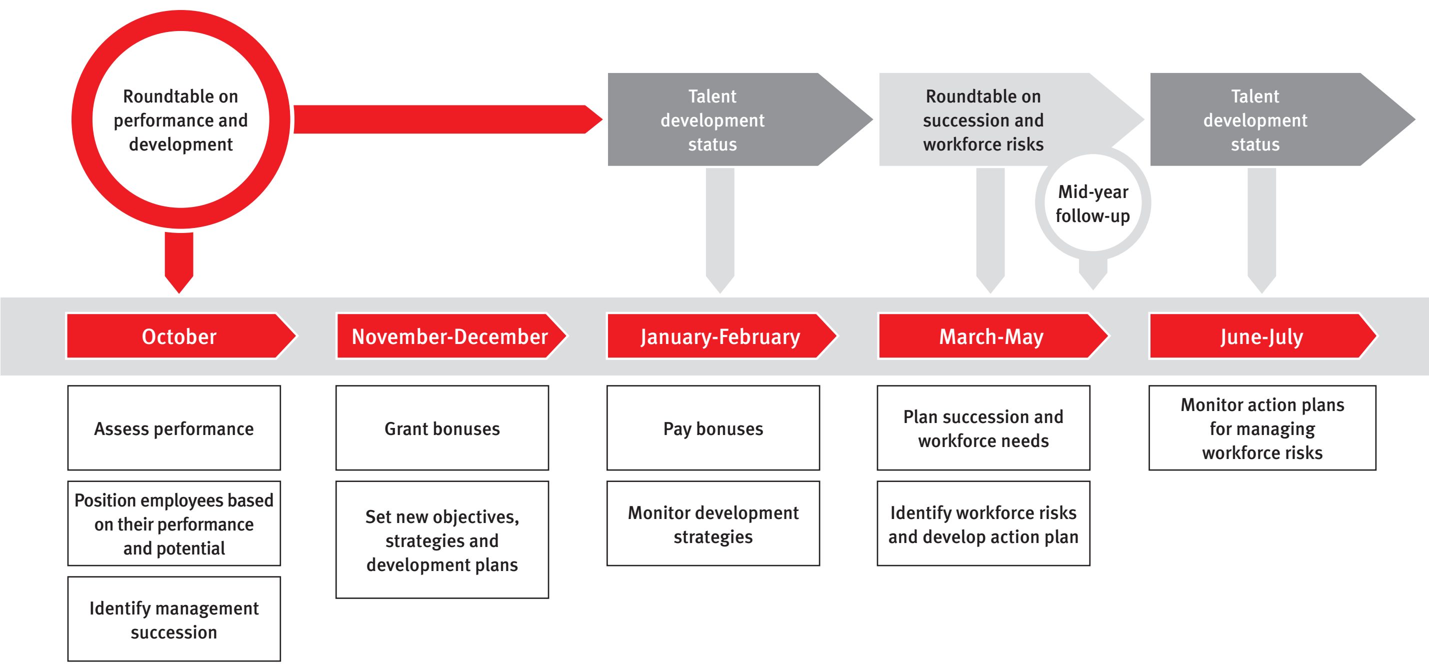
Setting annual objectives and managing performance and careers

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

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

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

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



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

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

Creating annual variable compensation envelopes

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

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

Determining the Bank's performance factor

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

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

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

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

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

Adjusting annual variable compensation envelopes as necessary

The Bank is always striving to further align the potential impact of all types of risks with the compensation of Executive Officers, Officers, Financial Markets specialists and other 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 make downward adjustments, as it sees fit, to the annual variable compensation envelopes. In order to better support primarily judgment-based decisions, the Compensation Risk Oversight Working Group uses a scoring grid, 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 the business conditions). Accordingly, the assessment takes into account strategic, credit, market, liquidity, operational, regulatory, reputational and environmental risks. Subsequent to this assessment, Working Group members recommend to the Executive Vice-President of the sector concerned, the President and Chief Executive Officer and the Human Resources Committee, if need be, that the appropriate adjustments be made to the annual variable compensation envelopes.

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

3 Ensuring governance of compensation practices

Monitoring compensation policies and programs implementation

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

Clawing back, as warranted, the previously awarded portion of variable compensation

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

- a policy prohibiting Officers and employees from purchasing financial instruments, including variable prepaid forward agreements, equity swaps, collars or units of listed funds, designed to hedge against a decline in the market value of equity securities awarded as compensation or that they hold directly or indirectly or to offset such a decline;
- a portion of the annual bonuses of Officers and Financial Markets specialists, who may have a considerable impact on the Bank's risk profile, is deferred over three years; and
- a policy 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, where one of the following scenarios arises:
  - an employee engaged in dishonest actions or unethical behaviour in the course of his or her employment;
  - an employee failed to comply with policies, rules or procedures during the fiscal year or thereafter (for up to three years); or
  - a unit's financial results must be materially restated and reissued and employee compensation is based on those results.

During fiscal 2014, and following validation by the Compensation Risk Oversight Working Group, no portion of previously awarded variable compensation was clawed back by the Bank

Receiving Internal Audit's annual report

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

Communication with shareholders

The Bank has implemented a process for collecting and handling questions, comments and suggestions from shareholders or shareholder associations, in order to give them the opportunity to make their concerns known or better understand the Board's approach to executive compensation. The Committee and Management also communicate with institutional investors, proxy voting consultants and corporate governance advocacy groups on issues raised by them.

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

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

DESCRIPTION OF PROGRAMS

The Bank's various compensation programs are summarized in the following tables. During fiscal 2014, the Board made administrative amendments to the mid- and long-term variable compensation plans in order to harmonize and update them in accordance with current market practices.

1. Base salary

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

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

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

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

Annual incentive compensation program (ICP)	
Eligibility	– Executive Officers and the majority of Officers and employees
Features/reasons for payment	– Designed to tie the annual compensation of Executive Officers, the majority of Officers and employees to the Bank's financial objectives and promote their buy-in to the *One client, one bank* approach based on the following guiding principles: • promote cooperation among the various business lines • improve the Bank's financial performance in absolute terms • provide an incentive to exceed the Bank's financial objectives • generate a minimum level of net income attributable to holders of Common Shares to justify the payment of bonuses
Financial indicator	– Growth in net income attributable to holders of Common Shares
Grant	– Individual bonuses are granted in relation to: • the extent to which the Bank's financial objectives are met • the employment level • individual results attained • the assessment of leadership behaviours and adherence to the Bank's values • compliance with the Bank's risk appetite in achieving results

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

Annual incentive compensation program (ICP) (cont.)	
Payment	– Bonuses are paid annually in cash and may range between 0% and 200% of the target bonus, depending on financial results and grant criteria – The Board has the power, on the Committee's recommendation, to increase annual bonuses by up to 15% of the value of the target bonuses, without however exceeding the maximum set at 200% of target bonuses, in order to take specific situations into account – The Compensation Risk Oversight Working Group reviews the levels of the various risks incurred during the year and makes recommendations to the Human Resources Committee when the annual bonus envelopes need to be adjusted downward
Clawback of variable compensation	– In accordance with the variable compensation clawback policy, payments made to staff subject to the policy may be clawed back in specific circumstances. For more information, please refer to "Ensuring governance of compensation practices" on page 64 of this section of the Circular

Annual bonus program for Officers of the Financial Markets sector	
Eligibility	– Officers in the Financial Markets sector
Features/reasons for payment	– Designed to reward group and individual contributions to the results of the Financial Markets sector
Financial indicator	– Financial Markets sector's income before taxes
Grant	– Individual bonuses are granted on a discretionary basis in relation to: • the degree of achievement of Financial Markets sector annual objectives • the demonstration of prudent risk management • the assessment of leadership behaviours and adherence to the Bank's values • the degree of achievement of financial, strategic and organizational objectives
Payment	– Bonuses are granted annually as follows: • 60% in cash • 40% in the form of RSUs (deferred payment), in accordance with FSB's governance practices. The value of these RSUs is equal to the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant – RSUs vest over a three-year period, in three equal annual portions, and expire at the end of such period – Additional RSUs are credited to the Officer's account in an amount proportional to the dividends paid on the Bank's Common Shares – The cash payment is equal to the number of vested RSUs, multiplied by the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the vesting date – 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 sector and makes recommendations to the Human Resources Committee when the annual bonus envelopes need to be adjusted downward
Clawback of variable compensation	– In accordance with the variable compensation clawback policy, payments made to staff subject to the policy may be clawed back in specific circumstances. For more information, please refer to "Ensuring governance of compensation practices" on page 64 of this section of the Circular

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

<table>
<tr><th colspan="2">Annual bonus program for specialists of the Financial Markets sector</th></tr>
<tr><td>Eligibility</td><td>– Specialists of the Financial Markets sector</td></tr>
<tr><td>Features/reasons for payment</td><td>– Designed to reward group and individual contributions to the financial results of the various business units of the Financial Markets sector</td></tr>
<tr><td>Financial indicator</td><td>– Financial results of each business unit of the sector</td></tr>
<tr><td>Grant</td><td>– The envelopes represent a proportion of the financial results of each business unit and are distributed, on a discretionary basis, as follows:
• 70% within the business unit; the value of individual bonuses is determined on a discretionary basis and takes into account individual contribution to revenue generating capacity, prudence demonstrated in risk management, business relationships with clients and the responsibility level assumed
• 30% to all business units in order to reward, on a discretionary basis, qualitative results that promote expected behaviours and upholding organizational values such as cooperation among business lines</td></tr>
<tr><td>Payment</td><td>– Bonuses are paid as follows:
• a portion in cash
• the other portion is deferred in the form of RSUs, in accordance with FSB’s governance practices. The deferred portion is established on the basis of the amount of the bonus granted:
<table>
<tr><th>Portion of annual bonus</th><th>Percentage deferred and granted in the form of RSUs</th></tr>
<tr><td>$0 – $100,000</td><td>0%</td></tr>
<tr><td>$100,000 – $400,000</td><td>30% of the portion</td></tr>
<tr><td>$400,000 – $1,000,000</td><td>35% of the portion</td></tr>
<tr><td>$1,000,000 and over</td><td>40% of the portion</td></tr>
</table>
– RSUs vest over a three-year period, in three equal annual portions, and expire at the end of such period
– Additional RSUs are credited to the account of specialists of the Financial Markets sector in an amount proportional to the dividends paid on the Bank’s Common Shares
– The cash payment is equal to the number of vested RSUs, multiplied by the average closing price of the Bank’s Common Shares on the Toronto Stock Exchange for the 20 days preceding the vesting date
– 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 sector and makes recommendations to the Human Resources Committee when the annual bonus envelopes need to be adjusted downward</td></tr>
<tr><td>Clawback of variable compensation</td><td>– In accordance with the variable compensation clawback policy, payments made to staff subject to the policy may be clawed back in specific circumstances. For more information, please refer to “Ensuring governance of compensation practices” on page 64 of this section of the Circular</td></tr>
</table>

3. Deferred compensation – Mid-term variable compensation programs

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

Performance Share Unit (PSU) Plan of the Bank	
Eligibility	– Executive Officers
Features/reasons for payment	– Designed to tie a portion of the value of compensation to the future value of the Bank's Common Shares and TSR
Financial indicator	– Growth in the price of the Bank's Common Shares – Growth in the Bank's TSR compared to growth in the S&P/TSX Banks adjusted sub-index(1) (the "Relative TSR")
Grant	– The total value to be granted in the form of PSUs is equal to a predetermined percentage of the base salary of the Executive Officer – The number of PSUs granted is based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant date – Additional PSUs are credited to the account of the Executive Officer in an amount proportional to the dividends paid on the Bank's Common Shares
Vesting	– After three years
Payment	– The cashable value is first based on the share price corresponding to the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the vesting date, then adjusted upward or downward depending on relative TSR $$\frac{\text{Bank's TSR growth index over 3 years}}{\text{S\&P/TSX Banks' adjusted TSR growth index}^{(1)}\text{ over 3 years}} = \text{Relative TSR}$$ – The adjustment to the payable value, based on the relative TSR, is established in a linear manner within the following limits: **Relative TSR** / **Adjustment range of payable value** ≥ 1.25 / 125% (maximum) = 1.00 / 100% ≤ 0.75 / 75% (minimum) – The Compensation Risk Oversight Working Group reviews the levels of the various risks incurred during the performance periods and makes recommendations to the Human Resources Committee when the amounts payable need to be adjusted downward
Clawback of variable compensation	– In accordance with the variable compensation clawback policy, payments made to staff subject to the policy may be clawed back in specific circumstances. For more information, please refer to "Ensuring governance of compensation practices" on page 64 of this section of the Circular

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

Beginning in 2015, a portion of the long-term compensation (i.e., stock options) granted to Bank Officers will be reduced and replaced with performance share units.

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

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

Restricted Share Unit (RSU) Plan of the Bank	
Eligibility	– Certain Officers of the Bank
Features/reasons for payment	– Designed to tie a portion of the value of certain Officers' compensation to the future value of the Bank's Common Shares
Financial indicator	– Growth in the price of the Bank's Common Shares
Grant	– The total value to be granted in the form of RSUs is equal to a predetermined percentage of the Officer's base salary – The number of RSUs granted is based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant – Additional RSUs are credited to the Officer's account in an amount proportional to the dividends paid on the Bank's Common Shares
Vesting	– After three years
Payment	– The cash payment is equal to the number of vested RSUs, multiplied by the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the vesting date – The Compensation Risk Oversight Working Group reviews the levels of the various risks incurred during the performance periods and makes recommendations to the Human Resources Committee when the amounts payable need to be adjusted downward
Clawback of variable compensation	– In accordance with the variable compensation clawback policy, payments made to staff subject to the policy may be clawed back in specific circumstances. For more information, please refer to "Ensuring governance of compensation practices" on page 64 of this section of the Circular

4. Deferred compensation – Long-term variable compensation programs

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

Stock Option Plan of the Bank	
Eligibility	– Executive Officers and the majority of Officers
Features/reasons for payment	– Designed to retain and encourage the Executive Officers and eligible Officers to contribute to the Bank's success, and foster growth in the value of the investment of holders of Common Shares – Each option entitles the holder to purchase one Common Share at a price equal to the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant – The price of options already granted cannot be 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 options granted to them provided the Bank's Common Share price increases steadily over the long term
Financial indicator	– Growth in the price of the Bank's Common Shares
Grant	– Each year, when granting options, the Committee takes into account the number and term of previously granted options – The number of options granted is based on: • the dollar value of the grant, divided by • the Black-Scholes value – Since the Stock Option Plan was adopted, the Bank has made only one grant per fiscal year, on a specific date (in December), without taking into account the Executive Officers and Officers hired or appointed during the fiscal year. This annual grant date has never been amended retroactively

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

<table>
<tr><th colspan="2">Stock Option Plan of the Bank (cont.)</th></tr>
<tr><td>Vesting</td><td>– 25% per year, over a four-year period</td></tr>
<tr><td>Payment</td><td>– No options may be exercised in the first year after the grant date
– Vested options may be exercised:
• only during quarterly transaction periods, as established by the Corporate Secretary’s Office of the Bank, following the release of the financial statements
• only by a plan member or his or her estate (options may not be sold to a third party but ownership may be transferred to a beneficiary or to a legal representative in the event of the option holder’s death)
• in whole or in part before the expiration date set by the Committee at the time the options are granted; however, where the expiration date falls within or immediately after a black-out period, the expiration date of the options is deferred, as applicable, (i) by 10 business days if the expiration date falls during the black-out period or (ii) by a number of business days equal to 10 business days less the number of business days elapsed between the end of the black-out period and the expiration date if such date falls no later than 10 business days after the end of the black-out period
– Each Executive Officer must keep at all times, after the exercise of options, Common Shares of the Bank with a value equal to the gain resulting from the exercise of vested options, until the share ownership requirement applicable to that individual has been met
– For information on the treatment of options according to the reason for departure, please refer to the table “Conditions applicable in the event of termination of employment” in Section 8 of this Circular</td></tr>
<tr><td>Cancellation of options</td><td>– Options expire on their expiry date, namely, 10 years after the grant date, or when the plan member’s employment at the Bank is terminated
– The expiry of the vested and non-vested options may be extended for up to 18 months if termination of employment results from the disposition by the Bank of a division or of one of its subsidiaries
– Vesting of options granted shall continue during the first 24 consecutive months of absence due to disability. All non-vested options shall be cancelled on the date of death or following 24 consecutive months of absence due to disability. A six-month period following the date of death or the date of the end of the 24 months disability period shall be granted for the exercise of already vested options. At the end of this period, all unexercised options are cancelled</td></tr>
<tr><td>Clawback of variable compensation</td><td>– In accordance with the variable compensation clawback policy, payments made to staff subject to the policy may be clawed back in specific circumstances. For more information, please refer to “Ensuring governance of compensation practices” on page 64 of this section of the Circular</td></tr>
<tr><td>Amendments to the Plan</td><td>– For a detailed list of amendments that can be made to the Stock Option Plan, please refer to “Additional Information regarding the Stock Option Plan” on page 87 of Section 8 of the Circular</td></tr>
</table>

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

Stock Appreciation Rights (SAR) Plan of the Bank	
Eligibility	– Officers who are non-residents of Canada
Features/reasons for payment	– Designed to meet the same objectives as the Stock Option Plan and subject to the same granting and exercise conditions
Financial indicator	– Growth in the price of the Bank's Common Shares
Grant	– The number of SARs granted is based on: • the dollar value of the grant, divided by • the Black-Scholes value – Only non-residents of Canada received SARs in fiscal year 2014
Vesting	– 25% per year, over a four-year period – SARs expire on their expiry date, namely, 10 years after the grant, or when the plan member's employment at the Bank is terminated
Payment	– The cash payment is equal to the number of SARs exercised, multiplied by the difference between the closing price of the Bank's Common Shares on the Toronto Stock Exchange the day before the exercise date and the closing price the day preceding the grant date
Clawback of variable compensation	– In accordance with the variable compensation clawback policy, payments made to staff subject to the policy may be clawed back in specific circumstances. For more information, please refer to "Ensuring governance of compensation practices" on page 64 of this section of the Circular

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

Deferred Share Unit (DSU) Plan of the Bank	
Eligibility	– Executive Officers and the majority of Officers
Features/reasons for payment	– Designed to tie a portion of the value of the compensation of Executive Officers and eligible Officers to the future value of the Bank's Common Shares – DSUs cannot be cashed as long as the holder is employed by the Bank
Financial indicator	– Growth in the price of the Bank's Common Shares
Grant	– Executive Officers and Officers may elect to receive up to 30% of their long-term compensation in the form of DSUs – The number of DSUs granted is based on: • the dollar value of the grant • the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant – Additional DSUs are credited to the account of the Executive Officer and the Officer in an amount proportional to the dividends paid on the Common Shares
Vesting	– 25% per year, over a four-year period
Payment	– DSUs may be cashed only upon termination of employment or retirement of the Executive Officer or Officer – A plan member may cash vested DSUs by filing redemption notices during a fixed period after termination of employment
Clawback of variable compensation	– In accordance with the variable compensation clawback policy, payments made to staff subject to the policy may be clawed back in specific circumstances. For more information, please refer to "Ensuring governance of compensation practices" on page 64 of this section of the Circular

NBF Deferred Compensation Plan	
Eligibility	– Certain Officers and employees of NBF Wealth Management
Features/reasons for payment	– Designed to promote growth in income and profitability as well as foster retention of key employees of this sector
Contribution	– Voluntary contribution by employees of up to 15% of their annual compensation until their retirement – Employer contribution based on net income attributable to holders of Bank's Common Shares – Employees may invest their contribution and the employer's contribution among thirteen investment vehicles and can modify the fund allocation among these, once a year – DSUs, the value of which is linked to the performance of the Bank's Common Shares, are one of the investment vehicles proposed
Grant	– Deferred compensation units are granted to the employees with the highest individual contributions as well as based on income generated
Vesting	– The amounts granted by the employer vest at the rate of 25% per year
Payment	– The value of the vested units is payable, under certain conditions, upon termination of employment or retirement

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

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

5. Employee benefit and perquisite programs

Eligibility	– Executive Officers, Officers and the majority of employees
Features/reasons for payment	– Aims to foster financial security of Executive Officers, Officers and the majority of employees while providing employee benefits to attract and retain required talent – Perquisites comparable to those of the competition
Plans offered	– Group insurance plan coverage offered: • medical and dental care • life and accident insurance • short- and long-term disability benefits • optional critical illness insurance – The total cost of basic coverage for the employee, a portion of the cost of basic medical and dental care coverage for dependants, and flexible credits allocated annually are all undertaken by the Bank. The employee may elect a more thorough coverage level by paying a premium, if the flexible credits are not sufficient – Perquisites according to set annual limits: • banking services at no charge or at reduced rates (offered to Executive Officers, Officers and the majority of employees) • use of a vehicle and a parking space (Executive Officers and Officers only) • annual medical exam and financial and fiscal planning service fees reimbursed (Executive Officers and Officers only) – These programs are taxable in accordance with the prescribed legislation in force

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

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

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

Pensionable earnings	– Average pensionable earnings consist of the average earnings for the 60 highest-paid consecutive months. Pensionable earnings include the base salary and the annual bonus, which is subject to limits that vary according to the level of the position
President and Chief Executive Officer	– The eligible annual bonus is capped at 100% of base salary
Other Executive Officers	– The proportion of the annual bonus recognized will increase gradually until 2017 to reach 100% of the annual bonus (up to 45% of base salary) – Average annual pensionable earnings are capped at $1,000,000 for a majority of Executive Officers. With the harmonization of the plans as at January 1, 2014, average annual pensionable earnings for all other Executive Officers will, gradually until 2017, be capped at $1,000,000
Contributions of Executive Officers	– 9% of pensionable earnings, up to $18,031 per year – At retirement, the accumulated amount exceeding the basic contributions is converted into a supplemental pension, subject to the limits imposed by legislation in force
Reduction for early retirement applicable to Executive Officers	– These plans allow for early retirement starting at age 55 – For pension plan membership years prior to January 1, 2014: • The applicable reduction for a plan member who has been a member of the pension plan for 10 years or more is the lesser of: – 4% for each year prior to age 60; or – 2% for each point before the sum of the age and years of service reaches 90 points – For pension plan membership years starting January 1, 2014: • The applicable reduction is 4% for each year prior to age 65 – The applicable reduction for a plan member who has been a member of the pension plan for less than 10 years is determined on an actuarial equivalent basis for plan membership years prior to January 1, 2014

Governance practices on pension plan administration

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

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

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

The Bank fulfills its financial disclosure requirements and is responsible for the integrity of the information provided, and ensuring its compliance with applicable accounting and disclosure standards. The financial statements undergo a rigorous audit by the Bank's independent auditor, appointed by Human Resources Committee at the beginning of the fiscal year.

Note 23 of the financial statements for the fiscal year ended October 31, 2014 shows that, from an accounting standpoint, the Bank's pension plans are in a surplus position.

SHARE OWNERSHIP REQUIREMENTS

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

Position	Multiple of the previous three years' average base salary
President and Chief Executive Officer*	7 times
Other Executive Officers	4 times
Officers and certain specialists in the Financial Markets sector	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

The compensation of the Named Executive Officers was established in accordance with the different variable compensation programs, taking into account the Bank's financial results compared with the targets set at the start of the fiscal year, as well as sound risk management and the individual contribution of each Named Executive Officer to fiscal year 2014 results. The Human Resources Committee presented its recommendations to the Board in accordance with the Bank's approval process and the management of its compensation policies and programs.

APPLICATION OF VARIABLE COMPENSATION PROGRAMS FOR FISCAL YEAR 2014

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

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

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

Application of the annual bonus program for fiscal year 2014

At the beginning of the fiscal year, the Board approved the financial objectives for fiscal year 2014, in accordance with the Human Resources Committee's recommendations. Net income attributable to holders of Common Shares stood at $1,411 million, up 6.8% from $1,321 million in restated net income for fiscal 2013 excluding the specific items.

In fiscal year 2014, the Bank reported available net income attributable to holders of Common Shares of $1,429 million. However, for the purposes of the annual bonus program, the Board approved the Committee's recommendation to adjust that net income amount by $55 million to exclude all of the specified items, including the favourable reversal related to restructured notes held. In that regard, since 2007, the amount of net income attributable to holders of Common Shares used for the annual bonus program of Named Executive Officers is calculated excluding the losses or gains related to holding commercial paper as well as other elements such as restructuring or acquisition charges, and fiscal provisions.

Available net income arising from the exclusion of the specific items amounted to $1,484 million, which represents a performance factor of 126%.

	2013	2014			
Financial objectives ($ millions)	**Restated result**	**Threshold**	**Target**	**Adjusted result**	**Maximum**
Available net income attributable to holders of Common Shares	$1,321	$1,129	$1,411	$1,484	$1,693
Performance factor		0%	100%	126%	200%

No further adjustments were made resulting from the Board's discretion.

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

1 Bank's performance factor 126%	X	2 % of target bonus	X	3 Base salary

Application of the PSU and option programs for fiscal 2014

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

Louis Vachon

President and Chief Executive Officer

Career profile

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

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

Louis Vachon has a Bachelor's in Economics from Bates College and a Master's in International Finance from The Fletcher School, a Tufts and Harvard University cooperative graduate program. He has been a CFA Charterholder since 1990. In 2014, he was named Canada's CEO of the Year by *Canadian Business* magazine. He was also named 2012 and 2014 Financial Personality of the Year by the business publication *Finance et investissement* and in 2001 was named one of Canada's Top 40 Under 40™. Mr. Vachon has also received many awards highlighting his economic and social involvement, including the University of Ottawa's Distinguished Canadian Leadership Award in 2011.

2014 Performance indicators and results

The Human Resources Committee assessed Louis Vachon's performance for 2014 taking into account the results associated with the Bank's short-, mid- and long-term objectives, risk management and the strategic, organizational and operational priorities conducive to creating sustainable value for shareholders. The following table presents all the results considered by the Committee in assessing Mr. Vachon's performance.

Performance indicators	Result obtained	
Shareholder-related		
Increase net earnings per share by more than 6.3% – Excluding specified items	11%	The Bank generated solid shareholder returns for fiscal year 2014. Excluding specified items, net income amounted to $1,593 million, up 12% from fiscal year 2013. Diluted income per share rose 11% to $4.48. Excluding specified items, total revenues for fiscal year 2014 climbed 8% to $5,638 million. Fiscal 2014 is the 12th consecutive year of growth for these three financial performance metrics. The Bank's shareholders benefited from an increase in dividend—the 9th since 2010, as well as significant capital growth. This resulted in a total shareholder return of 21.3%, the highest level among Canada's major banks in 2014. The fact that Louis Vachon was named 2014 CEO of the Year by *Canadian Business* magazine speaks highly of the quality of his leadership at the Bank.
Deliver return on equity of over 15% – Excluding specified items	18.5%	
Revenue growth of at least 5% – Excluding specified items	8%	
Keep revenue growth above or in line with expense growth	✓	
Employee-related		
Further improve employee engagement in the transformation linked to the *One client, one bank* approach	✓	The 2014 *Taking a Look at Our Organization* survey once again showed a high level of employee engagement, confidence and commitment to the Bank's transformation. In 2014, the Bank made Aon Hewitt's annual ranking of the 50 Best Employers in Canada for the tenth year. The Bank has been Québec's most often recognized business on the list of Best Employers in Canada since its inception. The Bank has women in 42% of Officer positions, which makes it a gender equity leader among Canada's major banks.
Maintain voluntary external turnover rate of employees at or below target	✓	Supported by effective continuing education, coaching and leadership, the Bank strives to create a stimulating workplace in which its employees can grow and realize their full potential. As a result of those efforts, voluntary external turnover among employees was 15% lower than the target set at the beginning of the year.

2014 Performance indicators and results (cont.)

Performance indicators	Result obtained	
Client-related		
Continue deployment of strategy rooted in the *One client, one bank* approach	✓	During fiscal 2014, several initiatives were deployed to ensure the Bank increasingly lives up to its promise to be “the Bank that truly takes care of its clients”, including: – Further enhancements to our mobile solutions with growth of 35% in the number of users and design of a better banking application than that used in the industry – Stepped up social media presence. The Bank has the industry’s highest Facebook contacts/clients ratio – Continued deployment of IP telephony through a project targeting enhanced multi-channel telephony – An investment in branches to support major upgrade projects, and – Substantial improvements in the quantity and quality of marketing campaigns that resulted in significant revenue growth noted by financial analysts following the Bank
Community-related		
Active participation in community associations and causes	✓	During fiscal 2014, the Bank continued to actively collaborate with leading entrepreneurial advocates. The Bank also held true to its outstanding commitment to youth development. On a personal level, Louis Vachon chaired or co-chaired five charitable campaigns and events involved in various causes as well as receiving the Grand Philanthrope award from Portage.
Promote an environmentally responsible brand image	✓	In 2014, *Bloomberg Markets* ranked the Bank among its Top 20 Greenest Banks in the World for the third consecutive year. The ranking is based on several key criteria, including efforts to reduce the impact of activities on the environment. Carbon neutral since 2011, the Bank has contributed actively to protecting the planet, incorporating environmentally friendly design practices into its branch renovation projects and assessing its suppliers through a sharper lens to promote more sustainable business practices.

Decisions on the 2014 target total compensation and compensation paid

In 2014, the Human Resources Committee noted that, as in 2013, Louis Vachon’s target total direct compensation remained below the downward-adjusted peer group median, which factors in the Bank’s relative size. This analysis was carried out at the Committee’s request by Hay Group.

In determining Louis Vachon’s variable compensation for fiscal 2014, the Committee considered the Bank’s solid financial and operational performance, his leadership in the continuing deployment of the *One client, one bank* approach, the client satisfaction levels, and his ability to engage Executive Officers, Officers and employees.

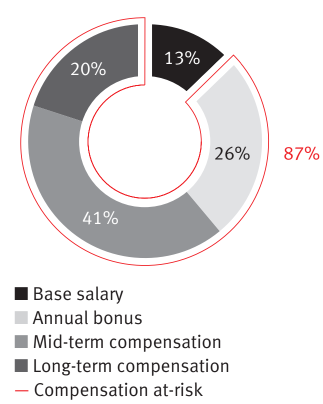
Therefore, the Board approved the following compensation, in accordance with the Human Resources Committee’s recommendation:

		Target variable compensation	Target total direct compensation	Total direct compensation granted	
	Form	% of salary	($)	($)	(%)
Base salary	Cash	n/a	1,125,000 (1)	1,050,354	13
Annual bonus	Cash	150	1,687,500	2,126,250	26
Mid-term compensation	PSUs (2)	300	3,375,000	3,375,000	41
Long-term compensation	Options (2)	150	1,687,500	1,687,536	20
Total			7,875,000	8,239,140	100

(1) In force as of June 2, 2014

(2) Louis Vachon’s mid-term PSU compensation target was increased from 250% to 300% of base salary, while his long-term compensation stock options target was reduced from 200% to 150% of base salary. The changes took effect at the time of the December 2014 grant.

2014 granted compensation mix



Ghislain Parent

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

Career profile

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

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

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

Achievements and decisions on the 2014 target total compensation and compensation paid

In determining Ghislain Parent's variable compensation for fiscal 2014, the Human Resources Committee factored in the following achievements:

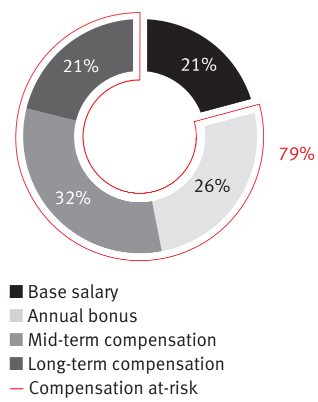
- The Bank's financial performance. The Bank is targeting a 5% to 10% annual growth in earnings per share. In 2014, this indicator grew by 11%, excluding specified items.
- Solid capital ratios. In 2014, the Bank maintained its prudent capital management approach to protect itself against potential market deterioration and to foster sound business growth. As at October 31, 2014, the Bank's CET1, Tier 1 and total capital ratios were, respectively, 9.2%, 12.3% and 15.1%, above regulatory requirements, compared to ratios of, respectively, 8.7%, 11.4% and 15.0% a year earlier.
- Compliance with liquidity management requirements. In 2014, the Bank successfully completed a major capital project in order to comply with the requirements announced under the Basel III accords with respect to prudent liquidity management and to the disclosure of relevant information with the stipulated frequency.
- Increased productivity. The Bank's focus on sustained productivity gains is one of its levers of financial performance. The Bank reviews how work is executed in key areas of its activities, seeking to reduce or limit cost increases and promote greater agility. The Bank's productivity ratio (total costs on total revenues, excluding specified items) reached 58.6% in 2014, an increase of 1.6% compared to fiscal 2013.
- The design and operation of financial disclosure controls and procedures. During the last fiscal year, the effectiveness of these elements was measured in accordance with securities regulations, with results considered satisfactory.

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

		Target variable compensation	Target total direct compensation	Total direct compensation granted	
	Form	% of salary	($)	($)	(%)
Base salary	Cash	n/a	400,000	400,008	21
Annual bonus	Cash	100	400,000	504,000	26
Mid-term compensation	PSUs[(1)]	150	600,000	600,000	32
Long-term compensation	Options	100	400,000	400,002	21
Total			1,800,000	1,904,010	100

(1) Ghislain Parent's mid-term PSU compensation target was increased from 100% to 150% of base salary, as of the December 2014 grant, to align his target total direct compensation with the median for the peer group.

2014 granted compensation mix



Ricardo Pascoe

Executive Vice-President –
Financial Markets

Career profile

Ricardo Pascoe has been Executive Vice-President – Financial Markets since September 2008. In this capacity, he is responsible for activities related to institutional equities and fixed-income securities, derivatives, corporate finance, U.S. operations and proprietary trading. He is also Chairman of the board of directors of Innocap Investment Management Inc. He joined the Bank in 2003 as Senior Vice-President – Treasury and Financial Markets. Mr. Pascoe is a member of the Office of the President. He also held the positions of Co-President and Co-Chief Executive Officer of NBF from September 2006 until April 2014.

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

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

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

Achievements and decisions on the 2014 target total compensation and compensation paid

In determining Ricardo Pascoe's variable compensation for fiscal 2014, the Human Resources Committee factored in the following achievements:

- In the Financial Markets segment, net income amounted to $600 million for fiscal 2014, up $67 million or 13% from 2013. Excluding specified items, net income of the segment rose $76 million or 14% to $609 million in 2014, compared with $533 million in 2013. On a taxable equivalent basis, total revenues from the Financial Markets segment amounted to $1,527 million, up $149 million from 2013. The increase is attributable across all categories of income.
- Higher revenues across all business lines compared to the previous year, 72% of which was generated outside Quebec. Consistency in the performance of this business has been achieved through the years, a fact that is now being recognized by investors and shareholders alike. This results from the focus on client-driven activities, relationships and building diversified revenue streams.
- Financial Markets segment leadership in government debt underwriting and public-private partnership financing in Canada, with a strong position in equity underwriting across the country, recognized expertise in structured products and overall leadership in the Quebec market.
- The growing profitability of Credigy Ltd., the Bank's specialty finance subsidiary that operates in the U.S., Brazil and Europe. In 2014, this subsidiary accounted for 10% of Financial Markets' net income and 15% of its revenues.
- The *One client, one bank* approach has remained central to the Financial Markets segment's drive to deliver the Bank's full capabilities to all its clients. It achieves this by employing a collaborative, partnership approach among the Bank's business lines and the Wealth Management and Personal and Commercial segments and corporate functions. Throughout fiscal year 2014, the segment successfully leveraged its strengths to build and grow its leadership position in its chosen areas of focus.

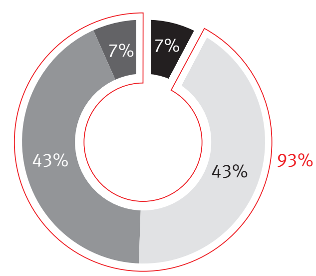
Therefore, the Board approved the following compensation, in accordance with the Human Resources Committee's recommendation:

		Target variable compensation	Target total direct compensation	Total direct compensation granted	
	Form	% of salary	($)	($)	(%)
Base salary	Cash	n/a	450,000	450,006	7
Annual bonus (1)	Cash	n/a	2,450,000	2,797,879	43
	RSUs		1,482,500 (2)	1,830,380	28
Mid-term compensation	PSUs	215	967,500	967,500	15
Long-term compensation	Options	100	450,000	450,034	7
Total			5,800,000	6,495,799	100

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

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

2014 granted compensation mix



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

Luc Paiement

Executive Vice-President – Wealth Management, Chairman of the Board, President and Chief Executive Officer, NBF Ltd. and Co-Chairman of the Board, Co-President and Co-Chief Executive Officer, NBF Inc.

Career profile

Luc Paiement was appointed Chairman of the Board, President and Chief Executive Officer of NBF Ltd. as well as Co-Chairman of the Board, Co-President and Co-Chief Executive Officer of NBF Inc. in April 2014 and Executive Vice-President – Wealth Management in September 2008. In this capacity, he is responsible for all operations related to wealth management at the Bank and its subsidiaries. He is also Co-Chairman of the Board of NBF and Chairman of the Board of National Bank Direct Brokerage Inc., National Bank Investments Inc. and National Bank Trust Inc. Mr. Paiement is a member of the Office of the President.

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

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

Achievements and decisions on the 2014 target total compensation and compensation paid

In determining Luc Paiement's variable compensation for fiscal year 2014, the Human Resources Committee factored in the following achievements:

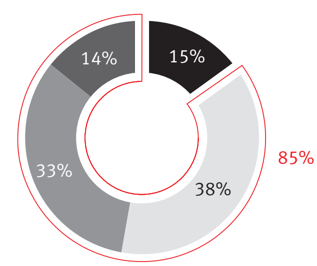
- In the Wealth Management segment, net income excluding specified items totalled $308 million in 2014 versus $225 million in 2013, a strong 37% increase owing primarily to favourable synergies achieved from the segment's recent transactions as well as to growth in assets under administration and under management.
- The segment's total revenues (excluding specified items) amounted to $1,332 million in 2014, representing a 16% growth from $1,150 million in 2013. Accounting for 29% of this revenue growth was the acquisition of TD Waterhouse Institutional Services (TDWIS) completed in the first quarter of 2014, while all of the segment's other businesses made gains, particularly National Bank Financial – Wealth Management and Private Wealth 1859.
- At $338.3 billion, assets under administration and under management posted a 31% growth.
- Non-interest expenses (excluding specified items) stood at $913 million in 2014, a 9% increase from $841 million in 2013.
- A significant improvement of the efficiency ratio from 73.1% to 68.5% and an operating leverage of 7.4%.
- The November 2013 acquisition of TDWIS, its successful integration, and the financial results arising from the transaction strongly contributed to showcase the Wealth Management segment and give the Bank important visibility from coast to coast.

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

		Target variable compensation	Target total direct compensation	Total direct compensation granted	
	Form	% of salary	($)	($)	(%)
Base salary	Cash	n/a	475,000	475,015	15
Annual bonus	Cash	210	997,500	1,256,850	38
Mid-term compensation	PSUs	225	1,068,750	1,068,750	33
Long-term compensation	Options	100	475,000	332,515	10
	DSUs	–	–	142,500[1]	4
Total			3 016 250	3 275 630	100

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

2014 granted compensation mix



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

Diane Giard

Executive Vice-President – Personal and Commercial Banking

Career profile

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

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

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

Ms. Giard was awarded the 2007 B'nai Brith Canada Award of Merit and the 2008 Prix Performance by UQÀM's School of Management, in the Manager category. In 2012, she received the Queen Elizabeth II Diamond Jubilee Medal. In 2014, she was recognized by the WXN Women's Executive Network as one of Canada's 100 most powerful women.

Achievements and decisions on the 2014 target total compensation and compensation paid

In determining Diane Giard's variable compensation for fiscal 2014, the Human Resources Committee factored in the following achievements:

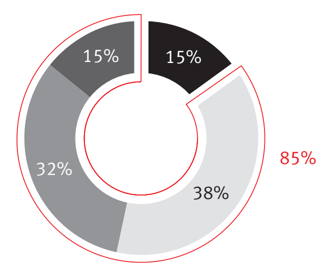
- In the Personal and Commercial segment, net income totalled $698 million in 2014, up 6% from $661 million in 2013. The segment's total revenues increased by $101 million or 4%, largely from growth in net interest income, which was up $84 million, with non-interest income growing by $17 million. The net interest income increase was driven mainly by growth in personal and commercial loan and deposit volumes.
- The 5% growth in Personal Banking's revenues, amounting to $1,711 million compared to $1,634 million in 2013, an increase driven partly by loan volume growth, in particular mortgage loans and home equity lines of credit, whose volumes were up 7%.
- The Bank laying the groundwork for an evolving advisory model in the branch network. This model literally rolls out the red carpet for clients, delivering on the Bank's commitment to accessibility, proactivity and convenience. Intent on providing clients with personalized financial advice, the Bank has developed specialized teams that are established and recognized in the market, a strategy it consolidated in several ways in 2014.
- For commercial clients, the Bank has advisors across Canada specializing in agriculture and agro-industry, business transfers and international trade. The Bank enhanced its offering for this clientele in 2014 with sophisticated financing, merger and acquisition, and import-export solutions.
- The Bank has continued the technological modernization of its distribution network with a gradual upgrading of its Internet banking platform to enhance client experience and deliver on its promise of convenience. At the same time, the Bank implemented a multi-initiative program to optimize process efficiency and achieve productivity gains.

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

		Target variable compensation	Target total direct compensation	Total direct compensation granted	
	Form	% of salary	($)	($)	(%)
Base salary	Cash	n/a	475,000	475,015	15
Annual bonus	Cash	210	997,500	1,256,850	38
Mid-term compensation	PSUs	225	1,068,750	1,068,750	32
Long-term compensation	Options	100	475,000	356,274	11
	DSUs	–	–	118,750 (1)	4
Total			3,016,250	3,275,639	100

(1) Diane Giard elected to receive 25% of her long-term compensation in the form of DSUs.

2014 granted compensation mix



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

SUMMARY OF COMPENSATION OF NAMED EXECUTIVE OFFICERS

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

Name and principal position	Year	Salary	Share-based awards (1) (2) (3) (4)	Option-based awards (1) (5)	Non-equity-based incentive plan compensation: Annual incentive plans (6)	Non-equity-based incentive plan compensation: Long-term incentive plans	Pension value (7)	All other compensation (8)	Total compensation
		($)	($)	($)	($)	($)	($)	($)	($)
Louis Vachon President and Chief Executive Officer	2014 2013 2012	1,050,354 1,000,009 1,000,009	3,375,000 2,500,000 2,500,000	1,687,536 2,000,023 2,000,000	2,126,250 1,635,000 1,650,000	– – –	1,517,000(9) 168,000 277,000	391,488 315,471 250,006	10,147,628 7,618,503 7,677,015
Ghislain Parent Chief Financial Officer and Executive Vice-President – Finance and Treasury	2014 2013 2012	400,008 400,008 400,008	600,000 520,000 520,000	400,002 280,056 280,000	504,000 436,000 440,000	– – –	109,000 81,000 110,000	105,620 70,979 41,335	2,118,630 1,788,043 1,791,343
Ricardo Pascoe Executive Vice-President — Financial Markets	2014 2013 2012	450,006 450,006 450,006	2,797,880 2,488,010 2,220,007	450,034 450,003 450,000	2,797,879 2,488,010 2,220,007	– – –	99,000 352,000 88,000	356,267 303,648 288,606	6,951,066 6,531,677 5,716,626
Luc Paiement Executive Vice-President – Wealth Management, Chairman of the Board, President and Chief Executive Officer, NBF Ltd. and Co-Chairman of the Board, Co-President and Co-Chief Executive Officer, NBF Inc.	2014 2013 2012	475,015 475,015 475,015	1,211,250 1,211,250 1,211,250	332,515 332,558 332,500	1,256,850 1,087,275 1,097,250	– – –	124,000 324,000 102,000	267,500 223,921 188,383	3,667,130 3,654,019 3,406,398
Diane Giard Executive Vice-President – Personal and Commercial Banking	2014 2013 2012	475,015 475,015 380,561	1,187,500 1,211,250 1,187,500	356,274 332,558 356,250	1,256,850 1,087,275 649,688	– – –	156,000 127,000 178,000	176,240 106,269 45,872	3,607,879 3,339,367 2,797,871

(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. The value in Bank shares for each Named Executive Officer is equal to a percentage of their respective base salary: 300% for Louis Vachon, 150% for Ghislain Parent, 215% for Ricardo Pascoe and 225% for Luc Paiement and Diane Giard. This compensation is paid in the form of PSUs. The value of each PSU was determined based on the award price, or $47.93 as at December 10, 2014. The fair value of the award is equal to the accounting fair value, amortized over a three-year period on a declining basis. PSUs awarded in December 2014 totalled 70,415 for Louis Vachon, 12,518 for Ghislain Parent, 20,186 for Ricardo Pascoe, and 22,298 for Luc Paiement and Diane Giard.

(3) Luc Paiement and Diane Giard elected to receive a portion of their variable long-term compensation in the form of DSUs, or 30% and 25%, respectively. The value of each DSU was determined based on the award price, or $47.93 as at December 10, 2014. The fair value of the award is equal to the accounting fair value, amortized over a four-year period on a declining basis. DSUs awarded in December 2014 totalled 2,973 for Luc Paiement and 2,478 for Diane Giard.

(4) Ricardo Pascoe received 40% of his annual bonus in the form of RSUs. The value of each RSU was determined based on the award price, or $47.93 as at December 10, 2014. The fair value of the award is equal to the accounting fair value, amortized over a three-year period on a declining basis. RSUs awarded to Ricardo Pascoe in December 2014 totalled 38,189.

(5) The Named Executive Officers are eligible for long-term variable compensation in the form of stock options. In 2014, the value of the options was estimated at 19% of the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant date (representing the average estimated percentages from 2009 to 2013 based on the Black-Scholes model).

In addition, the assumptions used to determine the award fair value for compensation purposes differ from those used in the notes to the financial statements of the Bank. 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 reflect the exercise history of plan members and the rate of cancellation due to departure. As a result, the carrying amount of an option granted in December 2014 was determined at 15.5% of the share price ($47.93), which is $1.67 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.

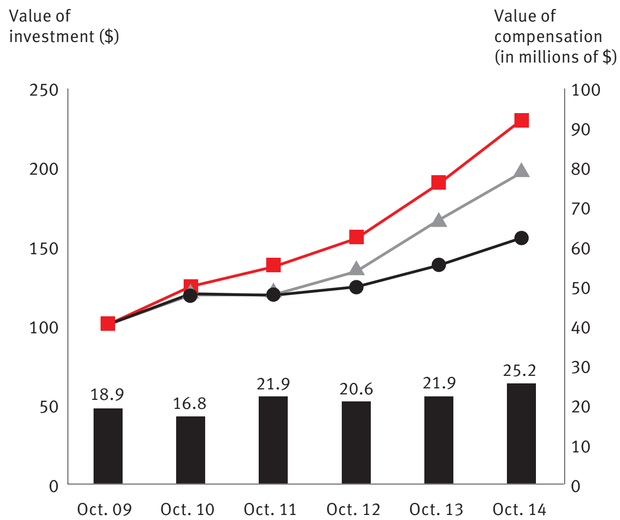
(7) Present value of the pension benefit vested during the fiscal year and any compensatory change during the fiscal year based on the assumptions used in the Bank's Annual Report for each of those years. For more information, please refer to the "Defined benefit pension plans" table in this section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

(8) The amounts shown in this column represent the dividends accumulated during the year and credited in the form of additional PSUs, DSUs, and RSUs under the PSU, DSU and RSU plans, the employer's contributions to the Employee Share Ownership plan and the payment of insurance premiums. The total value of indirect benefits and other taxable benefits provided to Named Executive Officers was not indicated, as the benefits amounted to less than $50,000 or 10% of the total salary of the Named Executive Officers, but they include use of a company car, reserved parking and financial planning services.

(9) This amount reflects the effect of the most recent salary increase on the year's value but also on all plan membership years. As soon as next year, this amount will be reduced to show only the recurring portion attributable to pension benefits vested during the year.

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, 2009, 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.



The Bank	100.00	124.03	136.41	154.20	188.80	228.96
S&P/TSX Banks	100.00	118.62	118.77	133.45	165.92	195.84
S&P/TSX Composite	100.00	119.45	118.46	123.76	137.37	154.63
Total compensation of the five Named Executive Officers (in millions of $)	18.9	16.8	21.9	20.6	21.9	25.2

The bar chart shows the total compensation (excluding compensation in the form of dividends earned during the fiscal year and credited in the form of additional restricted share units, performance share units and deferred share units under the restricted share unit, performance share unit and deferred share unit plans) paid to the Named Executive Officers in position at the end of each fiscal year.

The preceding performance graph shows that the Bank generated a 229% total cumulative return on the Bank's shares from 2009 to 2014. Beyond this strong cumulative growth over the past five years, the Bank's rate of return has outperformed the S&P/TSX Composite Index each year.

From 2009 to 2014, total compensation of Named Executive Officers rose by 6% annually compared to an annual growth of 18% in total shareholder return. In 2010, compensation decreased by 11% because the growth objective for net income attributable to holders of Common Shares set at the beginning of the year was only partially attained. However, the total cumulative return on the Bank's Common Shares increased by 23%. In 2011, the 30% increase in compensation resulted from structural adjustments made during the year to bring the total direct compensation of certain Named Executive Officers in line with the peer group median, adjusted downward to reflect the Bank's relative size. In 2012, total compensation fell nearly 6%, despite a strong 13% share appreciation. This decline resulted from the decrease in value of the pension plan of Louis Vachon and the appointment of Diane Giard as Executive Vice-President – Personal and Commercial Banking effective May 14, 2012. In 2013, the total shareholder return rose by 22.4% compared to a slight increase of 6% for the total compensation of Named Executive Officers caused by the value growth of the pension plans of Ricardo Pascoe and Luc Paiement compared with 2012, as well as a higher compensation for Diane Giard, who completed 12 months in her position as Executive Vice-President – Personal and Commercial Banking. In 2014, total shareholder return surged 21%, with total compensation also advancing, albeit at a slower pace of 15%. The increase in compensation resulted primarily from results triggering higher annual bonus payments.

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, 2014. For more information on the grant process, please refer to Section 7 of this Circular.

		Option-based grants				Share-based grants		
Name	Grant date	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options[1] ($)	Number of non-vested shares or share units (#)	Market or payout value of non-vested share-based awards[2] ($)	Market or payout value of vested share-based awards (unpaid or undistributed) ($)
Louis Vachon	December 7, 2005	74,800	30.72	December 7, 2015	1,642,608	–	–	–
	December 13, 2006	250,800	32.95	December 13, 2016	4,948,284	–	–	–
	December 12, 2007	392,928	26.93	December 12, 2017	10,119,861	–	–	–
	December 10, 2008	458,720	17.44	December 10, 2018	16,167,586	–	–	–
	December 9, 2009	316,928	29.25	December 9, 2019	7,427,208	–	–	–
	December 8, 2010	283,840	34.34	December 8, 2020	5,207,045	–	–	–
	December 14, 2011	266,672	34.09	December 14, 2021	4,958,766	82,864	4,365,270	–
	December 12, 2012	248,296	38.36	December 12, 2022	3,555,599	70,728	3,725,933	–
	December 10, 2013	222,472	44.96	December 10, 2023	1,718,596	57,879	3,049,080	–
Total		**2,515,456**			**55,745,552**	**211,471**	**11,140,282**	**–**
Ghislain Parent	December 8, 2010	15,296	34.34	December 8, 2020	280,605	1,501	79,051	237,153
	December 14, 2011	37,336	34.09	December 14, 2021	694,263	18,562	977,820	279,377
	December 12, 2012	34,768	38.36	December 12, 2022	497,878	13,862	730,269	44,706
	December 10, 2013	31,152	44.96	December 10, 2023	240,649	12,039	634,209	–
Total		**118,552**			**1,713,395**	**45,963**	**2,421,349**	**561,237**
Ricardo Pascoe	December 9, 2004	32,000	24.10	December 9, 2014	914,560	–	–	–
	December 7, 2005	26,800	30.72	December 7, 2015	588,528	–	–	–
	December 13, 2006	60,600	32.95	December 13, 2016	1,195,638	–	–	–
	December 12, 2007	85,440	26.93	December 12, 2017	2,200,507	–	–	–
	December 10, 2008	99,768	17.44	December 10, 2018	3,516,323	–	–	–
	December 9, 2009	113,864	29.25	December 9, 2019	2,668,403	–	–	–
	December 8, 2010	100,784	34.34	December 8, 2020	1,848,882	–	–	–
	December 14, 2011	60,000	34.09	December 14, 2021	1,115,700	72,178	3,802,351	–
	December 12, 2012	55,872	38.36	December 12, 2022	800,087	62,806	3,308,639	–
	December 10, 2013	50,056	44.96	December 10, 2023	386,683	57,602	3,034,456	–
Total		**685,184**			**15,235,311**	**192,586**	**10,145,446**	**–**
Luc Paiement	December 7, 2005	10,000	30.72	December 7, 2015	219,600	–	–	–
	December 13, 2006	42,400	32.95	December 13, 2016	836,552	–	–	293,632
	December 12, 2007	–	–	–	–	–	–	345,338
	December 10, 2008	–	–	–	–	–	–	507,855
	December 9, 2009	19,926	29.25	December 9, 2019	466,966	–	–	503,678
	December 8, 2010	60,472	34.34	December 8, 2020	1,109,359	2,636	138,842	416,527
	December 14, 2011	44,336	34.09	December 14, 2021	824,428	37,786	1,990,563	124,410
	December 12, 2012	41,288	38.36	December 12, 2022	591,244	33,259	1,752,094	53,086
	December 10, 2013	36,992	44.96	December 10, 2023	285,763	28,043	1,477,279	–
Total		**255,414**			**4,333,912**	**101,723**	**5,358,778**	**2,244,726**
Diane Giard	December 14, 2011	40,000	34.09	December 14, 2021	743,800	19,611	1,033,114	712,994
	December 12, 2012	44,232	38.36	December 12, 2022	633,402	32,756	1,725,587	44,250
	December 10, 2013	36,992	44.96	December 10, 2023	285,763	28,043	1,477,279	–
Total		**121,224**			**1,662,965**	**80,410**	**4,235,980**	**757,244**

(1) The value of unexercised in-the-money options at fiscal year-end is determined by calculating the difference between the closing price of the Common Shares of the Bank on the Toronto Stock Exchange as at October 31, 2014, which was $52.68, and the exercise price of the options, multiplied by the number of unexercised options.

(2) The market or payout value of share-based awards that have not vested is calculated by multiplying the number of share units by the closing price of Common Shares of the Bank on the Toronto Stock Exchange as at October 31, 2014, which was $52.68.

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

The following table indicates the value of the awards at vesting or the value earned during the fiscal year ended October 31, 2014. For more information on the grant process, please refer to Section 7 of this Circular.

Name	Option-based awards – Value vested during the year(1) ($)	AShare-based awards – Value vested during the year(2) ($)	Non-share-based incentive compensation – Value earned during the year(3) ($)
Louis Vachon	3,514,529	1,982,367	2,126,250
Ghislain Parent	229,330	222,587	504,000
Ricardo Pascoe	1,083,154	2,480,074	2,797,879
Luc Paiement	739,484	1,404,568	1,256,850
Diane Giard	210,477	338,594	1,256,850

(1) The amount represents the aggregate value that would have been realized had the options been exercised on the vesting date, calculated as the difference between the closing price of the Common Shares of the Bank on the Toronto Stock Exchange and the exercise price. On the vesting date, the share price was $46.33, while the exercise price of options ranged from $29.25 to $38.36.

(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 Common Shares of the Bank on the Toronto Stock Exchange on the vesting date and including dividend equivalents paid since the grant 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 REGARDING THE STOCK OPTION PLAN

In accordance with the special amendment procedure approved by the holders of Common Shares on March 7, 2007, certain material amendments to the Stock Option Plan require shareholder approval, while certain minor changes can be approved by the Board without having to obtain shareholder approval. Subject to certain conditions, the Board may also amend some features of the options already granted.

- The Board may not make the following amendments to the Stock Option Plan without shareholder approval:
  - an increase in the number of reserved shares
  - any downward revision in the exercise price or purchase price or any cancellation of options in order to issue new options
  - any extension of the term of an option beyond its initial term
  - an amendment to the class of eligible plan members allowing the introduction or reintroduction, at the discretion of the Board, of non-employee directors of the Bank
  - an amendment allowing share-based payments granted under the Plan to be transferable or assignable other than in connection with an estate settlement following a member's death
  - an amendment to the maximum amount issuable to insiders
- Subject to the foregoing, the Board may decide at any time to suspend or terminate the Stock Option Plan in whole or in part or amend it as the Board may deem appropriate without having to obtain shareholder approval
- Subject to other provisions of the Stock Option Plan, the Board shall be required to obtain the consent of the plan members in the event that the amendment, suspension or termination of the Stock Option Plan affects the entitlements and responsibilities resulting from an option already granted to such members under the Stock Option Plan
- Without limiting the scope of the foregoing, the Board may amend the Stock Option Plan for one or more of the following purposes, without having to obtain shareholder approval:
  - to amend the eligibility criteria and the limits for participating in the Stock Option Plan
  - to amend the conditions and rules for granting, vesting and exercising options
  - to make additions, amendments or deletions to the Stock Option Plan in order to comply with the legislation governing the Stock Option Plan or with the requirements of a regulatory authority or stock exchange
  - to correct or rectify any ambiguity, incorrect stipulation or omission in the text of the Stock Option Plan
  - to amend the provisions relating to the administration of the Stock Option Plan
  - to amend the reasons for canceling options
- The Board may also amend features of an option granted to a plan member (including the exercise price, the exercise conditions or the expiry date of an option) without having to obtain shareholder approval, provided the following conditions are met:
  - the amendments do not have the effect of reducing the exercise price of an option or extending the expiry date of options already granted
  - the Board had prior authority to grant the amended option
  - the amendment does not materially prejudice the rights of the plan members affected by such amendment

For more information relating to the Stock Option Plan, see "Description of Programs" in Section 7 of the Circular.

The following table is presented pursuant to Canadian securities legislation requirements and shows the status of the Stock Option Plan as at October 31, 2014.

Information about equity-based compensation plans

- The number of Common Shares reserved for a plan member may not exceed 5% of the total number of issued and outstanding Common Shares of the Bank
- The total number of shares that can be issued to insiders (as defined by the CSA), at any time, under all share-based compensation arrangements of the Bank, including the shares issued on the exercise of options granted under the Stock Option Plan, cannot exceed 10% of the total number of issued and outstanding Common Shares of the Bank
- The total number of shares issued to insiders, in any one-year period, under all share-based compensation arrangements of the Bank, including the shares issued on the exercise of options granted under the Stock Option Plan, cannot exceed 10% of the total number of issued and outstanding Common Shares of the Bank

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants or rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity-based compensation plans (excluding securities reflected in column (a)) (c)
Equity-based compensation plan approved by securityholders	14,676,191	$34.65	8,510,176

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

	Options granted in December[1]	Value at grant date ($)[2]	Total value of grant ($)	Options exercised during the fiscal year	Options outstanding at fiscal year-end[3]	Options available for future grants at fiscal year-end[1]	Total options outstanding and available at fiscal year-end
2014	3,170,260	9,11	28,881,069	2,944,507	14,676,191	8 510,176	23,186,367
2013	2,863,376	8,99	25,741,750	3,529,528	15,015,756	11,115,118	26,130,874
2012	3,225,392	8,06	25,980,533	3,412,162	15,588,436	14,071,966	29,660,402

(1) The number of options available for future grants at the end of fiscal 2014 represented 2.59% of the total number of Common Shares outstanding (328,672,785 Commons Shares). Of that number, 3,170,260 were granted in December 2014, which represented 0.96% of the total number of Common Shares outstanding at fiscal year-end.

(2) The compensation value of December 2014 awards represented $9.11 or 19% of the share price as at December 9, 2014, which was $47.93. This percentage is equal to the average estimated value of results based on the Black-Scholes model from 2009 to 2013.

(3) The number of options outstanding at the end of fiscal 2014 represented 4.47% of the total number of Common Shares outstanding at this date.

SHARE OWNERSHIP

As at October 31, 2014, all of the Named Executive Officers complied with share ownership requirements, which are described in Section 7 of this Circular. The table below shows the shareholdings of the Named Executive Officers at that date.

	Requirement	Share ownership[1]			Actual multiple	
Name	Multiple of previous three years' average base salary	Securities held, appreciation in value of vested options, PSUs, DSUs and RSUs ($)	Appreciation in value of non-vested options ($)	Total value ($)	Based on securities held, appreciation in value of vested options, PSUs, DSUs and RSUs	Based on the total value (including appreciation in value of non-vested options)
Louis Vachon	7 times	65,623,320	8,166,439	73,789,759	63.0	70.8
Ghislain Parent	4 times	3,980,720	1,031,340	5,012,060	10.0	12.5
Ricardo Pascoe	4 times	24,038,339	2,006,819	26,045,158	53.4	57.9
Luc Paiement	4 times	12,050,812	1,418,750	13,469,562	25.4	28.4
Diane Giard	4 times	5,633,155	1,132,715	6,765,870	11.9	14.2

(1) Value determined on October 31, 2014 based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, namely, $52.68.

PENSION PLANS FOR NAMED EXECUTIVE OFFICERS

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

The following table details, for each Named Executive Officer, years of credited service as at October 31, 2014, annual benefits payable, changes in the accrued benefit obligation between October 31, 2013 and October 31, 2014, including compensatory and non-compensatory changes with respect to their membership in pension plans for fiscal 2014.

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, potentially rendering comparisons less relevant.

Defined benefit pension plans(1) (2)

Name	Years of credited service (3) (4)	Annual benefits payable (5) (6) (7)		Defined benefit obligation at the start of the fiscal year (9) ($)	Compensatory change (10) ($)	Non-compensatory change (11) ($)	Defined benefit obligation at year-end (9) ($)
		At fiscal year-end (8) ($)	At age 65 ($)				
Louis Vachon	27.0	1,070,000	1,846,000	10,289,000	1,517,000	1,434,000	13,240,000
Ghislain Parent	5.8	54,000	196,000	484,000	109,000	82,000	675,000
Ricardo Pascoe	11.6	141,000	336,000	1,735,000	99,000	236,000	2,070,000
Luc Paiement	8.2	104,000	289,000	1,251,000	124,000	181,000	1,556,000
Diane Giard	4.6	50,000	201,000	410,000	156,000	109,000	675,000

(1) The amounts in the "Salary" column of the table "Summary of Compensation of Named Executive Officers" in this section of the Circular and annual bonuses paid are used to calculate average pensionable earnings. To this end, the eligible bonus is limited to 100% of base salary for Louis Vachon and 55% of the annual bonus is used for the other Named Executive Officers (up to 36% of base salary). The annual bonus granted is increasing gradually as of 2014 and will reach 100% in 2017 of the annual bonus (up to 45% of base salary in 2017). However, average pensionable earnings are subject to the caps set out in Note 2 to this table.

(2) Average maximum pensionable earnings are capped at $1,000,000 for Diane Giard and Ghislain Parent, and at $730,000 (increasing gradually to $1,000,000 in 2017) for Luc Paiement and Ricardo Pascoe.

(3) Louis Vachon was granted five years of credited service on August 1, 2006, earned a credit of 4% of salary for each year between August 1, 2006 and July 31, 2010, is earning a credit of 2.5% of salary for each year between August 1, 2010 and July 31, 2017, 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 and Diane Giard are calculated according to the PRAP for eligible Named Executive Officers of the Bank, that is, 1.5 years of credited service per year during the ten years following the date of designation by the Board. The dates of designation are August 29, 2011 and September 26, 2011 for Ghislain Parent and Diane Giard, respectively. Luc Paiement and Ricardo Pascoe are accumulating 1.5 years of credited service over the 10-year period that started on January 1, 2014.

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

(6) The pension is payable for life, but reduced to take into account the benefits payable under the Canada or Quebec Pension Plan 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.

(7) The pension includes a revaluation (at neutral cost) between age 60 and 65 for the pension granted for service accumulated prior to January 1, 2014 based on accounting assumptions. Revaluation of the pension after the normal retirement age was introduced on January 1, 2014 for all employees and is calculated on an actuarial equivalent 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.

(8) The year-end pension is equal to the pension payable at the assumed retirement age used to calculate the value of the obligation at year-end (61 for Louis Vachon, Ricardo Pascoe, Luc Paiement and Diane Girard, and 62 for Ghislain Parent) proportionately to the number of years of credited service at year-end.

(9) The defined benefit obligation represents the present value of the pension benefit for years of credited service up to October 31, 2013 or October 31, 2014. These values were calculated using the same assumptions as those used for the Bank's consolidated financial statements, notably a discount rate of 4.35% as at October 31, 2014 and 4.75% as at October 31, 2013. The value of benefits payable related to the Officer's contributions is included in the calculation of the accrued benefit obligation.

(10) 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.

(11) 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.

EMPLOYMENT CONTRACT

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

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

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

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

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

No amendments were made to the Termination of Employment Policy in fiscal 2014.

Conditions applicable in the event of termination of employment
The table below summarizes the conditions applicable to the Named Executive Officers in the event of termination due to a voluntary resignation, of a termination of employment with cause, of a termination of employment without cause (lay-off), change of control or retirement. During fiscal 2014, the Board made administrative amendments to the medium- and long-term variable compensation plans to harmonize and update them in accordance with market best practices. Certain provisions regarding termination of employment were affected.

Event	Conditions applicables
Voluntary resignation	– Base salary and employee benefit programs cease to apply – No annual bonus is paid – PSUs and RSUs are cancelled – The deferred portion of annual bonuses in the Financial Markets sector, paid in RSUs, continues to vest in accordance with the same timeframe had voluntary resignation not occured and are convertible into cash at the vesting date if the non-compete and non-solicitation conditions have been met – A 30-day period is granted to exercise the vested SARs and options, at the end of which, vested but not exercised and non-vested SARs and options are cancelled – Vested DSUs are paid out and non-vested DSUs are cancelled – Pension benefit is paid at its actuarial value or as a deferred benefit
Termination of employment for just cause	– Base salary and employee benefit programs cease to apply – No annual bonus is paid – PSUs and RSUs are cancelled – Vested but not exercised and non-vested SARs and options are cancelled – Vested DSUs are paid out and non-vested DSUs are cancelled – Pension benefit is paid at its actuarial value or as a deferred benefit
Termination of employment without cause (lay-off)	– Severance equal to three weeks of salary per year of service for up to 18 months plus an amount equal to the average annual bonus for the previous three years – Non-vested PSUs and RSUs vest immediately and are paid out at the average market price corresponding to the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the 20 days preceding the payment date – The deferred portion of annual bonuses in the Financial Markets sector, paid in RSUs, continues to vest in accordance with the prescribed time periods had the lay-off not occured and are paid out on the vesting date if the non-solicitation conditions have been met – A period is granted to exercise vested SARs and options during which vesting continues, if applicable. At the end of the period, vested but not exercised and non-vested SARs and options are cancelled – A period is granted for vested DSUs to be paid out during which time DSUs continue to vest, if applicable. At the end of the period, all non-vested DSUs are cancelled – Pension benefit is paid at its actuarial value or as a deferred benefit

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

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

The table below indicates the estimated additional amounts that would have been paid to the Named Executive Officers had their employment terminated on October 31, 2014.

	Estimated additional value(1) by type of termination ($)		
Name	Retirement, voluntary resignation and termination of employment for just cause	Termination of employment without cause (lay-off)(2)	Change of control and termination of employment(3)
Louis Vachon	0	2,883,180	5,423,581
Ghislain Parent	0	188,044	1,507,216
Ricardo Pascoe	0	2,588,120	8,046,635
Luc Paiement	0	2,338,012	3,125,913
Diane Giard	0	192,389	2,145,036

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

(2) If a Named Executive Officer had had his or her employment terminated on October 31, 2014 further to termination of employment without cause, he or she would have been entitled to accelerated vesting of any share-based compensation already granted in the fiscal years prior to 2014. For additional information on outstanding share-based awards, see this section of the Circular. Based on the Bank's share price on October 31, 2014, the value of such accelerated vesting would have been $11,140,282 for Louis Vachon and $10,145,446 for Ricardo Pascoe. For Ghislain Parent, Luc Paiement and Diane Giard, the value would have been less than that indicated in this section of the Circular, as they elected to receive a portion of their long-term compensation in the form of DSUs instead of options. Accordingly, the adjusted value would have been $2,421,349 for Ghislain Parent, $5,358,778 for Luc Paiement and $4,235,980 for Diane Giard.

(3) If a Named Executive Officer had had his or her employment terminated on October 31, 2014 further to a change of control, he or she would have been entitled to accelerated vesting of any share-based and option-based compensation already granted in the fiscal years prior to 2014. For additional information on outstanding share-based and option-based awards for fiscal years prior to 2014, see this section of the Circular. Based on the Bank's share price on October 31, 2014, the value of such accelerated vesting would have been $8,166,439 for Louis Vachon, $1,031,340 for Ghislain Parent, $2,006,819 for Ricardo Pascoe, $1,418,750 for Luc Paiement and $1,132,715 for Diane Giard.

Indebtedness of directors, executive officers and employees

Aggregate indebtedness

As at January 23, 2015, aggregate indebtedness(1) outstanding to the Bank or any of its subsidiaries, other than loans repaid in full and routine indebtedness as defined by Canadian securities legislation, of current and former directors, executive officers(2) and employees of the Bank and its subsidiaries stood as follows:

Purpose	To the Bank or its subsidiaries ($)	To another entity ($)
Securities purchases	–	–
Other	$17,968,063 (A)	–

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

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

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

Name and principal position	Involvement of Bank or subsidiary of the Bank	Largest amount outstanding during fiscal year ended October 31, 2014 ($)	Amount outstanding as at January 23, 2015 ($)	Financially assisted securities purchases during fiscal year ended October 31, 2014	Security for indebtedness	Amount forgiven during fiscal year ended October 31, 2014 ($)
Securities purchase programs						
–	–	–	–	–	–	–
Other programs						
Stéphane Bilodeau Executive Vice-President – Operations and Strategic Initiatives Office	Loans granted by the Bank	$1,086,908 (3)	$1,015,989 (3)	–	–	–
Dominique Fagnoule Executive Vice-President – Information Technology	Loans granted by the Bank	$ 187,738 (4) $ 920,000 (5)	$ 113,000 (4) $ 906,296 (5)	–	–	–
Diane Giard Executive Vice-President – Personal and Commercial Banking	Loan granted by NBF	$ 794,491 (6)	$ 783,645 (6)	–	–	–
Karen Leggett Executive Vice-President – Marketing and Corporate Strategy	Loans granted by the Bank	$1,389,711 (7)	$1,332,713 (7)	–	–	–
Luc Paiement Executive Vice-President – Wealth Management, Chairman of the Board, President and Chief Executive Officer, NBF Ltd. and Co-Chairman of the Board, Co-President and Co-Chief Executive Officer, NBF Inc.	Loan granted by the Bank	$ 107,454 (8)	$ 47,228 (8)	–	–	–
Ricardo Pascoe Executive Vice-President – Financial Markets	Loans granted by the Bank	US$1,386,522 (9)	US$1,309,100 (9)	–	–	–

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

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

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

(4) This amount represents the balance of a personal line of credit granted by the Bank according to the standards applicable to clients, except that the interest rate is the rate given to employees of the Bank, which is the prime rate less 3%, but not less than the prime rate divided by 2.

(5) This amount represents the balance of a loan granted by the Bank secured by a mortgage on the borrower's main residence. This amount bears interest at a fixed rate in accordance with the standards applicable to clients, except that the interest rate is reduced by 2% for all employees of the Bank, amortized over a 25-year period.

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

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

(8) This amount represents one or more personal leveraged loans ("Leveraged Loans") granted to finance the participant's equity commitments under the EdgeStone Affiliate Fund co-investment program. All Leveraged Loans bear interest at the federal prescribed rate published quarterly and are secured by a pledge of the participant's interests in each limited partnership comprising the EdgeStone Affiliate Fund co-investment program. This program provided officers and eligible employees of the Bank and some of its subsidiaries the opportunity to co-invest with EdgeStone Capital Equity Fund II-A, L.P., EdgeStone Capital Equity Fund II-B, L.P., EdgeStone Capital Mezzanine Fund II, L.P. (*dissolved on September 5, 2013*), EdgeStone Capital Venture Fund, L.P. and EdgeStone Capital Venture Fund II, L.P. (each designated as a "Main Fund") and the Bank or a company in which the Bank holds an indirect interest. Officers and eligible employees are offered credit terms by the Bank or one of its subsidiaries (the "Lender") through limited recourse Leveraged Loans. The Leveraged Loans bear interest and will mature on the earliest of: (i) the 10th anniversary date of the establishment of the applicable Main Fund, (ii) the dissolution of the applicable EdgeStone Affiliate Fund limited partnership, (iii) the sale or disposal of a participant's interest in the applicable EdgeStone Affiliate Fund limited partnership, or (iv) the date the principal amount of the Leveraged Loans otherwise becomes due and payable. The Lender will have personal recourse against the participant equal to 50% of the participant's total commitment (equity and leveraged portion). The Lender's recourse for the balance of the Leveraged Loans is limited to the participant's EdgeStone Affiliate Fund limited partnership interest and the distributions thereon.

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

Directors' and officers' liability insurance

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

The annual premium for this insurance is $546,000. The policy expires on September 1, 2015 and is renewable.

Share repurchase program

A new Normal Course Issuer Bid began on June 20, 2013 and expired on June 19, 2014. This NCIB allowed the Bank to repurchase, during the period mentioned above, on the Toronto Stock Exchange, a maximum of 6,496,228 Common Shares, representing approximately 2% of its outstanding Common Shares. The price paid by the Bank for any Common Shares repurchased under this NCIB was the market price of the Common Shares on the Toronto Stock Exchange on the repurchase date. In the opinion of the Board, the repurchase of Common Shares under this NCIB would have represented an appropriate use of the Bank's surplus funds. At its expiry on June 19, 2014, the Bank had not repurchased any Common Shares under this NCIB.

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

Minutes

A copy of the minutes of the Annual Meeting of the Holders of Common Shares of the Bank held on April 10, 2014 has been filed with the CSA on the SEDAR website (sedar.com). The minutes may also be found on the Bank's website (nbc.ca). Furthermore, a copy of the minutes was mailed to holders of Common Shares together with this Circular.

Additional information

Financial information about the Bank can be found in the comparative consolidated financial statements and Management's Discussion and Analysis for the most recently completed fiscal year, included in the 2014 Annual Report.

The Bank will, upon request, promptly provide any shareholder, free of charge, with a copy of the 2014 Annual Report, a copy of the 2014 Annual Information Form together with a copy of any document incorporated therein by reference, a copy of the consolidated financial statements for the fiscal year ended October 31, 2014 with the accompanying independent auditor's report, a copy of any subsequent interim report and a copy of the Management Proxy Circular with respect to its most recent Annual Meeting of the Holders of Common Shares of the Bank involving the election of directors, and all other documents incorporated by reference into the Circular, including the mandate of the Board as well as a copy of the Code of Conduct and Ethics. To obtain copies of these documents, please send your request to the Corporate Secretary's Office of the Bank at 600 De La Gauchetière Street West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

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

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

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

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

Contacting the Board

The Board considers it important to allow Bank shareholders and clients, as well as any other person, to comment on subjects concerning the Bank, particularly the Board's approach to executive compensation. Anyone wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee or a director, including an independent director, may do so by e-mail to: boardofdirectors@nbc.ca or by mail c/o the Corporate Secretary's Office of the Bank at 600 De La Gauchetière Street West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

Trademarks

The trademarks used in this Circular include, among others, National Bank of Canada, National Bank, National Bank Financial, National Bank Private Wealth 1859, *One client, one bank*, All-In-One National Bank, *One for Youth* and their respective logos, which are trademarks of the Bank used under licence by the Bank or its subsidiaries. All other trademarks mentioned in this Circular, which are not the property of the Bank, are owned by their respective holders.

Approval of the Board

The Board has approved the content of this Circular and its mailing to the holders of Common Shares.

NATIONAL BANK OF CANADA

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

Montreal, February 20, 2015

The Mouvement d'éducation et de défense des actionnaires (MÉDAC), with head office located at 82 Sherbrooke Street West, Montreal, Quebec, Canada, H2X 1X3, submitted five proposals to the Bank to be included in this Circular.

Following discussions with the Bank, MÉDAC has agreed to submit only Proposal No. 1, entitled "Stock Options," to shareholder vote. The Bank and MÉDAC have also agreed to include Proposal No. 2, entitled "Compensation Report," for information purposes only. MÉDAC has agreed that the latter should not be put to shareholder vote given, in particular, the approach set forth by the Board for the purposes of establishing executive compensation and detailed in Section 7 of the Circular. The Bank has reproduced both proposals in full below.

Further, MÉDAC has agreed to withdraw its proposal entitled "Director qualifications: lack of social and environmental responsibility" given the Bank's commitment to provide greater detail in the Circular regarding the skills of some of its directors regarding social responsibility, including with respect to the environment, and, in light of the importance the Bank places on social responsibility issues, as described in greater detail in Section 4 of this Circular.

Finally, MÉDAC has also agreed to withdraw its proposals entitled "Senior executive pension plans" and "Credit card business practices and social responsibility."

Proposal No. 1

(Submitted to shareholder vote)

Shareholder proposal and statement (translation):

"It is proposed that the Board of Directors phase out stock options as a form of compensation over a five-year period and replace them with a compensation formula tied to the institution's long-term performance.

Arguments

We are struck by the fact that academic literature from the middle of the last century discussed compensation of senior executives mainly in terms of salary and was considerably wary of incentive compensation.

"In mid-twentieth-century business articles and textbooks, one finds references to executive "salaries"; mention of incentives (in cash, stock, or options) is an exception. As a management professor stated in 1951, "It is usually unwise to have a large proportion of executive pay consist of incentives."(1)*"*

Development of variable compensation began in the 1980s, and stock options and other stock-based compensation have become an increasingly popular senior executive compensation tool. In general market uptrends, this formula has definitely fuelled non-stop growth in compensation. In addition, as Professor Yvan Allaire points out in his policy paper, *Pay for Value: Cutting the Gordian Knot of Executive Compensation*:

"[Stock options] tend to reward "luck" as much as performance; a booming stock market lifts all boats; unless the exercise prices of stock options are indexed to some stock market index (a rare practice that raises some thorny issues), "lucky" executives who happen to live through one of these recurring phases of stock market exuberance will become very rich; those who happen to spend a good deal of their career when stock markets are in doldrums will not be so lucky."(2)

Lastly, it is worthwhile questioning such reliance on variable compensation, which promotes excessive risk taking, considered by many to be a factor behind the last financial crisis:

"Risk-taking incentives provided by incentive compensation arrangements in the financial industry were a contribution factor to the financial crisis that began in 2007."(3)

Given that, as NEI Investments deftly indicates, stock options "are complex, highly susceptible to manipulation and have the effect of excessively rewarding executives on the basis of a single and questionable performance metric,"(4) we propose that stock options be phased out."

The Bank's position:

The Bank's compensation policy is primarily to offer compensation based on the Bank's financial and stock performance, considering different performance periods. To achieve this, the Bank uses many compensation vehicles aligned with both time horizons and performance benchmarks. In that respect, the Stock Option Plan complements the annual incentive compensation program and the PSU Plan, which are based on performance periods of one and three years and focus mainly on net income attributable to shareholders and TSR. The Stock Option Plan, with a maximum term of ten years per grant, has value only to the extent that the Bank's Common Share price increases steadily over that period. It must be noted that each of the performance benchmarks mentioned above is directly linked with the gains and profits that the Bank's shareholders themselves can realize. From this perspective, we can state that they are clearly aligned with shareholder interests.

The second pillar of the Bank's compensation policy is to foster sound risk-taking. The following measures have been implemented over the years to minimize risk related to the Stock Option Plan and support it with solid corporate governance practices:

– Grants are made only once a year;
– No options may be exercised before the first vesting portion, namely one year after the grant;
– No options may be exercised outside the operating periods which follow publication of the Bank's financial statements each quarter;
– The exercise price value cannot be modified after the grant;
– A policy prohibits employees from hedging their equity-based compensation;
– The gains on the exercise of options are subject to the principles of variable compensation clawback;
– Officers are subject to the share ownership requirements;
– Executive Officers must keep the value of gains obtained on exercise if their share ownership requirement has not been met;
– The President and Chief Executive Officer must hold his share ownership requirement for at least 12 months following his retirement; and
– Share redemption initiatives ensure prudent management of the dilution effect of Bank shares; historically, the Bank has redeemed more shares than it has granted options, thus cancelling any dilution effect.

The Board feels that the Stock Option Plan is appropriate in its current form and that it ties in with the Bank's overall compensation strategy, which is to maintain performance over time and grow shareholder value in the long term. This type of compensation also constitutes an important tool to attract and retain talent, as similar plans are offered by the other members of the Bank's peer group.

(1) Lorsch, J. and R. Khurana. 2010. *The Pay Problem*. May-June 2010. Harvard Magazine. http://harvardmagazine.com/2010/05/the-pay-problem

(2) Allaire, Y. *Pay for Value: Cutting the Gordian Knot of Executive Compensation*, IGOPP, p. 40

(3) Board of Governors of the Federal Reserve System. *Incentive Compensation Practices: A Report on the Horizontal Review of Practices at Large Banking Institutions*. October 2011. P.1. http://www.federalreserve.gov/publications/other-reports/files/incentive-compensation-practices-report-201110.pdf

(4) *Crisis, What Crisis? Executive Compensation in the 21st Century*, NEI Investments http://www.neiinvestments.com/documents/Research/Exec_Comp_English_Final.pdf

We note that in reviewing Louis Vachon's compensation, the allocation of his short- and long-term compensation was examined to ensure it met market practices and demonstrated a balance between the compensation vehicles. As a result, the decision was made to reduce the percentage of stock options and allocate the difference to PSUs. Accordingly, Louis Vachon's stock options target was reduced to 150% of base salary from 200%, and his PSU target rose to 300% of base salary from 250%. Consequently, Louis Vachon's target total direct compensation attributable to stock options is now 21%, which is comparable to levels in the Bank's peer group. A first step in that direction was taken in 2011, when the percentage of total option compensation was reduced to 29% from 40%.

The allocation of variable mid- and long-term compensation was also reviewed for all Officers of the Bank. Beginning with the December 2015 grants, a portion of the compensation granted to them in stock options will now be in PSUs, thereby ensuring a broader diversification of compensation vehicles and a reward for achieving objectives with different time horizons.

The Board is confident that this allocation of variable compensation achieves the ultimate objective of attracting, motivating and retaining high-performing Officers who can continue to focus on creating shareholder value, as witnessed by the Bank's TSR, which has remained among industry leaders over the last ten years.

For these reasons, the Board and the Bank's management recommend voting **AGAINST** this proposal.

Proposal No. 2

(Not submitted to shareholder vote)

Shareholder proposal and statement (translation):

"It is proposed that the Bank adopt a senior executive compensation policy including the use of a pay equity ratio as an annual benchmark for setting compensation to ensure shareholders that the compensation strategy for its senior executives is fair and equitable.

Arguments

Based on our analyses of management proxy circulars, we conclude that the practice of setting senior executive compensation relies heavily on horizontal benchmarking with peers at companies considered similar. Such a method leads to continuous increases in compensation, as this method results in an increase each time that a company grants a compensation package that exceeds the group's median. A number of good-governance observers have denounced the quasi-exclusive use of this method. It has created a growing gap in compensation between the most senior executive and the average employee, generating injustice within the company and a malfunctioning economy, as fewer workers have enough buying power to consume what the economy is capable of turning out—a contributing factor to the recent financial crisis.

As Yvan Allaire has stated:

[translation]

"Until only recently, however, compensation systems were designed in a spirit of internal equity, not on the basis of a supposed "talent" pool. Compensation systems must once again be adopted to help promote and protect solidarity, mutual trust and a sense of fairness within and around the company, and give members of the organization the sense of "being all in the same boat," and instil in them a long-term view of the company."(1)

In response to the concerns raised by this method, Canada's six major banks asked compensation firm Meridian to analyze this issue and make recommendations last year. While defending the relevance of horizontal benchmarking, the firm suggested:

"While vertical benchmarking is unlikely to be sufficient as a primary basis for setting executive compensation, it can provide important context for a Committee, particularly in assessing trends in pay disparity."(2)

Considering the advantages of benchmarking executive compensation to the compensation of other Bank employees, we propose that systematic use of a pay equity ratio be provided for in the Bank's policy, that is, the ratio between the Chief Executive Officer's total compensation and median compensation of employees of the Bank."

The Bank's position:

It is crucial for the Board and its Human Resources Committee that Officer compensation be granted in a fair and equitable manner. With that in mind, it is important that all levels of compensation be appropriate when Officers are compared among themselves, but the same must also be true when comparing Officers with the Bank's other employees.

Therefore, over the years, the Bank has adopted an array of practices to ensure fair compensation across all levels of the organization, in particular similar benefit and pension plans for all employees and annual incentive compensation based on the same results for all levels of employees. For more information, please refer to the subsection entitled "Equitable compensation and other socially responsible practices" in Section 7 of this Circular.

The Board ensures that the policies and programs in place are competitive for both employees and Officers alike, while serving the interests of shareholders and promoting the long-term prosperity of the Bank. To help achieve this objective, the Bank generally bases itself on horizontal benchmarking best practices as established by Meridian in its 2013 report. This prevents any artificial inflation of Officers' compensation. In fact, compensation benchmarking for Officers of the Bank is performed using a peer group consisting of companies operating in the financial sector, with a similar clientele and seeking the same type of nominees. The Bank also makes adjustments in the market data to its relative size compared with its peers, using the methodology of its independent consultant, Hay Group. Target compensation for Bank positions is determined based on this adjusted data, which compensation is equivalent to the adjusted median of the peer group.

The Bank prefers to ensure the quality of its compensation practices rather than aiming for a ratio which when taken out of context, can sidetrack discussions and focus exclusively on a number, when other considerations are more relevant.

The success of the Bank's array of practices was recognized once again this year with a tenth nomination to the list of 50 Best Employers in Canada compiled by Aon Hewitt, a standard among Canada's major organizations.

Finally, the Board is committed to staying abreast of developments in the equity ratio issue, particularly in the United States, given the Securities and Exchange Commission's position on the subject, and to evaluate its effect on and relevance to the Bank's approach to compensation.

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

(1) http://www.lesaffaires.com/blogues/yvan-allaire/le-noeud-gordien-de-la-remuneration-des-dirigeants/544879 (in French only)

(2) http://www.td.com/document/PDF/corporateresponsibility/Canadian-Banks-Horizontal-Benchmarking.pdf

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Contacting the Board of Directors
Bank shareholders and clients as well as any other person wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee or a director, including an independent director, may do so by e-mail at boardofdirectors@nbc.ca or by mail c/o the Corporate Secretary's Office of the Bank at 600 De La Gauchetière Street West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

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