

Annual Meeting of Shareholders

April 24, 2020

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

Management Proxy Circular



 **VOTE**
on the matters
important to you

3 IMPORTANT DOCUMENTS



NOTICE OF MEETING

Informs you of the matters being submitted to a vote and of where, when and how to vote.



MANAGEMENT PROXY CIRCULAR

Current document that provides information, before you vote, about the matters being submitted to a vote, the experience and competencies of director nominees, the compensation of the director nominees, the compensation of senior management, and the Bank's governance practices.



VOTING INSTRUCTION FORM

Unable to attend the Annual Meeting of Shareholders?
Vote using the form received by mail or email.

 **Vote**
on the matters
important to you

Terms and abbreviations used →

Use the table overleaf to facilitate reading.

2019 Annual Information Form: The Bank's Annual Information Form dated December 3, 2019 and posted on the nbc.ca and sedar.com websites on December 4, 2019

2019 Annual Report: The Bank's Annual Report filed on December 4, 2019, posted on the nbc.ca and sedar.com websites, including the consolidated financial statements for the fiscal year ended October 31, 2019, Management's Discussion and Analysis, and the related independent auditor's report

AC: Audit Committee of the Board

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

ANI: Available net income. Available net income attributable to Holders of Common Shares of the Bank

Bank: National Bank of Canada

Beneficial owner: Any person holding Common Shares registered in the name of a nominee (such as a securities broker, other intermediary, or a duly authorized agent) on his or her behalf

Board: Board of Directors of the Bank

Circular: Management Proxy Circular for the Meeting

Computershare: Computershare Trust Company of Canada

CRCGC: Conduct Review and Corporate Governance Committee of the Board

CSA: Canadian Securities Administrators

Deloitte: Deloitte LLP

DSU: Deferred share unit

EDT: Eastern Daylight Time

ESG: Environmental, social and governance

EST: Eastern Standard Time

Executive Officers (as at November 1, 2019):

The "Executive Officers" are:

- the President and Chief Executive Officer;
- the Chief Financial Officer and Executive Vice-President – Finance;
- the Executive Vice-President – Wealth Management, and Co-President and Co-Chief Executive Officer of NBF;
- the Executive Vice-President – Risk Management;
- the Executive Vice-Presidents and Co-Heads – Financial Markets;
- the Executive Vice-President – Personal Banking and Client Experience;
- the Executive Vice-President – Employee Experience;
- the Executive Vice-President – Operations;
- the Executive Vice-President – Commercial Banking and Insurance; and
- the Executive Vice-President – Information Technology.

The term "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

Hugessen: Hugessen Consulting Inc.

ICP: Annual Incentive Compensation Program

Korn Ferry: Korn Ferry Hay Group Ltd.

Meeting: Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on Friday, April 24, 2020 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;

Denis Girouard – Executive Vice-President and Co-Head – Financial Markets;

Laurent Ferreira – Executive Vice-President and Co-Head – Financial Markets; and

Martin Gagnon – Executive Vice-President – Wealth Management, and Co-President and Co-Chief Executive Officer of NBF.

NBF: National Bank Financial Inc.

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

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

PRAP: Post-Retirement Allowance Program

PSU: Performance share unit

Registered holder: Any person who holds Common Shares registered in their name in the Bank's share register

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

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

RMC: Risk Management Committee of the Board

RSU: Restricted share unit

SEDAR: System for Electronic Document Analysis and Retrieval

Shareholder: Any registered holder or beneficial owner of Common Shares of the Bank

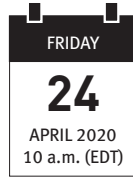
Stock Option Plan: Stock option plan of the Bank

TSR: Total shareholder return

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NOTICE OF ANNUAL MEETING of the Holders of Common Shares of the National Bank of Canada and notice of availability of proxy materials



National Bank of Canada
600 De La Gauchetière
Street West, 4th floor
Montreal, Quebec, Canada

Join us at the Annual Meeting to discuss the following matters:

BUSINESS OF THE MEETING

For more information
please see:

- | | |
|---|--|
| 1 To receive the consolidated financial statements for the fiscal year ended October 31, 2019 and the independent auditor's report thereon | Section 2 of the Circular and 2019 Annual Report |
| 2 To elect the directors | Section 2 of the Circular |
| 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 | Section 2 of the Circular |
| 4 To appoint Deloitte LLP as independent auditor | Section 2 of the Circular |
| 5 To consider the shareholder proposal | Section 2 and Appendix A of the Circular |
| 6 To examine any other matter that may be brought before the Meeting | Section 2 of the Circular |

VOTE NOW!
It's simple.

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









Access the Circular on the nbc.ca website at nbc.ca/investorrelations or on sedar.com

You will receive by mail or email, with a copy of this Notice, a proxy form or a voting instruction form allowing you to exercise your voting rights. For more information on how to vote, refer to [Section 1](#) of the Circular.

Who can vote?

Registered holders and beneficial owners holding shares on the record date, i.e., on February 27, 2020 at 5:00 p.m. (EST), are entitled to receive a Notice of Meeting and to cast one vote per Common Share held, at the time of the Meeting, subject to the restrictions set out in the *Bank Act* (Canada).

You are a registered holder if your Common Shares are registered in your name in the Bank's register. You are a beneficial owner if your Common Shares are held by a nominee, such as a securities broker, on your behalf. For more information, refer to [Section 1](#) of the Circular.

REGISTERED HOLDER	BENEFICIAL OWNER
<p> VOTE via the proxy form</p> <p>You must follow the instructions on your proxy form and return it using one of the following methods:</p> <p>  </p> <p>To be valid, your proxy form must be received by Computershare Trust Company of Canada no later than 5:00 p.m. (EDT) on Wednesday, April 22, 2020.</p>	<p>VOTE via the voting instruction form</p> <p>You must follow the instructions on your voting instruction form and return it using one of the following methods:</p> <p>   </p> <p>You must provide your intermediary with sufficient time to receive and process your voting instruction form no later than 5:00 p.m. (EDT) on Wednesday, April 22, 2020. Please refer to the instructions on your voting instruction form.</p>

If you prefer to exercise your voting rights during the Meeting or to appoint a proxyholder to represent you at the Meeting and exercise your voting rights there, please refer to your proxy form or your voting instruction form as well as to [Section 1](#) of the Circular.

Common Shares outstanding on the record date

On the record date for the Meeting, i.e., February 27, 2020, 335,861,895 Common Shares of the Bank were outstanding and conferring voting rights at the Meeting, subject to the restrictions set out in the *Bank Act* (Canada).

How do I obtain a printed copy of the Circular?

To receive a free printed copy of the Circular before the Meeting or in the year after the date the Circular was filed, you may submit a request by following the procedure below:

REGISTERED HOLDER		BENEFICIAL OWNER
Before the Meeting, call:	After the Meeting, call:	Call 1-877-907-7643 (toll-free in Canada and the United States) or go to proxyvote.com and enter the 16-digit control number shown on your voting instruction form.
1-866-962-0498 (toll-free in Canada and the United States) or 1-514-982-8716 (other countries).	1-866-964-0492 (toll-free in Canada and the United States) or 1-514-982-8714 (other countries).	
And enter the 15-digit control number indicated on your proxy form when required.		

If you request the Circular before the date of the Meeting, it will be sent to you within three business days of receiving your request. To receive the Circular before the voting deadline and the date of the Meeting, we estimate that your request must be received no later than 5:00 p.m. (EDT) on Monday, April 6, 2020.

If you request it on the date of the Meeting or in the year following the filing of the Circular, it will be sent to you within ten calendar days of receiving your request.

Notice-and-access procedures

In compliance with securities regulations and with the authorization of the Office of the Superintendent of Financial Institutions of Canada, the Bank adheres to the notice-and-access procedures applicable to delivery of the Circular issued by the Bank's management in connection with the solicitation of proxies for the purposes indicated in the Notice of Meeting, for use at the Annual Meeting of the Holders of Common Shares of the Bank, and, if adjourned, at any reconvening thereof. As a result of this compliance, you will not receive the Circular by mail unless you so request.

The notice-and-access procedures provide quicker access to the Circular while contributing to environmental protection by reducing tree, water and energy consumption. The Bank is proud to take this step to help protect the environment.

VOTE NOW!
It's simple.

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

Access the Circular on the nbc.ca website at nbc.ca/investorrelations or on sedar.com

Shareholder questions or assistance with voting

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

By order of the Board of Directors,
Senior Vice-President, Legal Affairs and Corporate Secretary,



Dominic Paradis

Montreal, February 27, 2020

Montreal, February 27, 2020



Jean Houde
Chairman of the Board
of Directors



Louis Vachon
President and
Chief Executive Officer

Dear Shareholder,

We cordially invite you to join the members of the Board of Directors and the Executive Officers for the Annual Meeting of Shareholders of the Bank.

It's your Meeting

This meeting is an opportunity for us to inform you about our achievements, current initiatives, and how we intend to ensure our future success as well as to hear your opinions and answer your questions. At the same time, the meeting is an opportunity for you to participate in the governance of your organization and to vote on the matters important to you.

Another excellent year

The Bank generated excellent results again in 2019. Across the Bank, we achieved solid business growth and record profitability. We are also pleased with the progress that the Bank has made in the various areas of its business. This progress has been the result of a concerted effort by the entire organization—all working to create a positive impact for clients, employees, and the community while continuing to generate value for you.

Governance leadership

The Board plays an essential role in overseeing the effective execution of the Bank's strategy to ensure its long-term success. Leadership in the area of governance is fundamental to this role. Our Board exercises governance leadership by instilling best governance practices and through the active engagement and dedication of its members. The diversity of their viewpoints, backgrounds, and expertise are all essential to enlightened governance.

Passion and culture

Corporate responsibility and high ethical standards have always been a mainstay of the Bank's culture. In 2019, we proudly continued to do more in these areas by recognizing the increasing importance of environmental, social, and governance (ESG) factors for all stakeholders. Our passion for people has helped us to successfully build lasting relationships over the past 160 years, and we intend to stay true to this core value.

Sincerely,



Jean Houde
Chairman of the Board of Directors



Louis Vachon
President and Chief Executive Officer

Summary

MATTERS SUBMITTED TO SHAREHOLDER VOTE	Recommendation of the Board and of management	
1 Election of directors	For each nominee	P. 14
2 Board’s approach to executive compensation	For	P. 15
3 Appointment of the independent auditor	For	P. 16
4 Shareholder proposal	Against	P. 17

Director nominees at a glance

You are invited to elect the 15 directors who will make up the Board. For a detailed biography of each nominee and for further information on the following charts, refer to [Sections 3](#) and [5](#) of the Circular.

Director nominees	Age	Director since	Main occupation	Independent	Committee	Board and committee attendance in 2019	Other directorships in public corporations
Raymond Bachand	72	October 2014	Strategic Advisor, Norton Rose Fulbright Canada LLP	✓	RMC CRCGC	95%	• Transat A.T. Inc.
Maryse Bertrand	61	April 2012	Corporate Director	✓	AC HRC	100%	• Metro Inc. • Gildan Activewear Inc.
Pierre Blouin	62	September 2016	Corporate Director	✓	AC HRC	100%	• Fortis Inc.
Pierre Boivin	66	April 2013	President and Chief Executive Officer, Claridge Inc.	✓	HRC (C)	93%	• Canadian Tire Corporation, Ltd. • Metro Inc.
Manon Brouillette	51	New nominee	Corporate Director	✓	–	–	• Quebecor Inc. • Altice USA, Inc.
Yvon Charest	63	New nominee	Corporate Director	✓	–	–	–
Patricia Curadeau-Grou	64	April 2019	Corporate Director	✓	RMC	89%	• Cogeco inc.
Jean Houde	74	March 2011	Chairman of the Board	✓	CRCGC	100%	• Énergir Inc.
Karen Kinsley	63	December 2014	Corporate Director	✓	AC (C) RMC	97%	• Choice Properties Real Estate Investment Trust • Saputo Inc.
Rebecca McKillican	40	October 2017	Chief Retail Officer of McKesson Corporation Canada	✓	HRC	100%	–
Robert Paré	65	April 2018	Strategic Advisor, Fasken Martineau DuMoulin LLP	✓	CRCGC	100%	• Quebecor Inc.
Lino Saputo, Jr.	53	April 2012	Chief Executive Officer and Chairman of the Board of Directors, Saputo Inc.	✓	CRCGC (C) RMC	97%	• Saputo Inc.
Andrée Savoie	48	April 2015	President and Chair of the Board of Directors, Acadian Properties Ltd.	✓	CRCGC AC	100%	–
Pierre Thabet	62	March 2011	President, Boa-Franc Inc.	✓	AC RMC (C)	100%	–
Louis Vachon	57	August 2006	President and Chief Executive Officer of the Bank		–	100%	• Molson Coors Brewing Company

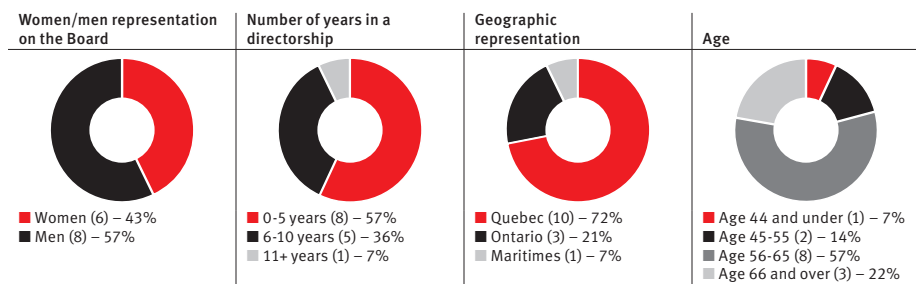
Competencies and expertise of director nominees

Competencies and expertise	Raymond Bachand	Maryse Bertrand	Pierre Blouin	Pierre Boivin	Manon Brouillette	Yvon Charest	Patricia Curadeau-Grou	Jean Houde	Karen Kinsley	Rebecca McMillan	Robert Paré	Lino Saputo, Jr.	Andrée Savoie	Pierre Thabet	Louis Vachon
Audit and Finance ⁽¹⁾	✓		✓			✓	✓	✓	✓					✓	✓
Client Experience ⁽²⁾			✓		✓					✓		✓	✓		
Employee Experience and Executive Compensation ⁽³⁾				✓				✓			✓				
Entrepreneurship and Strategic Leadership ⁽⁴⁾	✓		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
Financial Markets and Banking Services ⁽⁵⁾							✓		✓		✓				✓
Governance and Corporate Culture ⁽⁶⁾		✓			✓	✓		✓	✓		✓	✓	✓		
Information Technology, Security and Digital Solutions ⁽⁷⁾			✓	✓	✓					✓					
Legal and Governmental Affairs ⁽⁸⁾	✓	✓									✓				
Risk Oversight ⁽⁹⁾	✓	✓				✓	✓					✓		✓	✓
Social Responsibility, Environment and Sustainable Development ⁽¹⁰⁾		✓		✓						✓			✓	✓	

Although the experience of director nominees cover a wide range of skills and expertise, this table shows their four key competencies as identified through a self-assessment questionnaire.

- (1) Experience in or knowledge of accounting and financial reporting, corporate finance, and internal financial/accounting controls.
- (2) Experience in or in-depth knowledge of products and services and customer relations, including digital and mobile service offerings, and in developing and implementing strategies to increase client satisfaction and enhance the client experience.
- (3) Experience in or knowledge of talent management with respect to compensation programs, pension plans and employee benefit programs and an understanding of human resources principles and practices.
- (4) Experience as a president and chief executive officer or executive officer or experience in the area of strategic direction or in developing and guiding the growth of long-term business activities.
- (5) Experience in or knowledge of the operation, oversight and development of financial services.
- (6) Experience in or knowledge of governance principles and practices in a public company or large organization, and experience implementing a culture of accountability and transparency.
- (7) Experience in or knowledge of information technology management, including cybersecurity, implementation of technology strategies, emerging technologies, integration of technologies into business and client service operations.
- (8) Experience as a lawyer in a law firm or internal counsel to a public corporation or large organization or experience or knowledge in federal and provincial public policy and regulatory matters.
- (9) Experience in or knowledge of the internal risk controls of a public company or large organization, including financial and non-financial risks (e.g., reputation, operational, environmental, cyber risks) and risk assessment and disclosure/reporting.
- (10) Experience in or knowledge of social and environmental measures, corporate responsibility practices or sustainable development strategies.

Data points on Board members



COMPENSATION HIGHLIGHTS

Evolution of practices and programs

- Since November 1, 2018, all Executive Officers have been sharing common performance objectives and participating in the same annual Incentive Compensation Program (ICP), the aim being to further strengthen alignment as we carry out our One Mission.
- Throughout the year, the Bank deployed great effort to ensure that the One Mission unites not only Executive Officers but the entire management team. As a result, since November 1, 2019, all Officers share the same objectives as the Executive Officers.

Fiscal 2019

- Fiscal 2019 was a year of strong performance and record profitability. The Bank's results met all of its medium-term objectives.
- The Bank did not meet all of the annual objectives used to calculate the ICP formula. As a result, the Human Resources Committee approved the creation of annual bonus envelopes at 86% of target for all Officers to whom the ICP formula applies.
- With the ICP at 86% of target, the total direct compensation (including mid-term and long-term compensation) paid to the President and Chief Executive Officer was 97% of target.
- No changes were made to the target direct compensation of the President and Chief Executive Officer for the current fiscal year.
- Following the retirement of Ricardo Pascoe, the Chief Transformation Officer and Executive Vice-President, Laurent Ferreira, Executive Vice-President and Co-Head, Financial Markets, joined the Named Executive Officers.

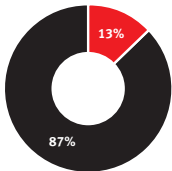
Fiscal 2020

- A second performance indicator used to measure client experience will be added to the ICP calculation formula, bringing the weighting of the client experience factor from 10% to 20%. This change is another strong symbol of the Bank's transformation and of the emphasis being placed on having a positive impact on our clients.

KEY PRINCIPLES OF THE COMPENSATION POLICY FOR EXECUTIVE OFFICERS

1. Pay for performance






- ✓ Direct compensation consists mainly of at-risk variable compensation.
- ✓ Significant portion of variable compensation tied to the Bank's financial and share price performance.

Breakdown of the average target direct compensation of Named Executive Officers	Components of variable compensation		Performance metrics
 <p>■ Fixed compensation – 13%</p> <p>■ Variable and at-risk compensation – 87%</p>	Short-term	Annual bonus	<ul style="list-style-type: none"> • The Bank's financial results and client satisfaction • Individual performance levels
	Mid-term	PSUs	<ul style="list-style-type: none"> • Common Share price • Total shareholder return relative to other banks
		RSUs	<ul style="list-style-type: none"> • Price of the Bank's Common Shares
	Long-term	Stock options	<ul style="list-style-type: none"> • Price of the Bank's Common Shares
		DSUs	<ul style="list-style-type: none"> • Price of the Bank's Common Shares

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

2. Promote sound risk taking

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

Components of variable compensation		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Short-term	Annual bonus											
Mid-term	Performance share units (PSUs)	 <p>Vest after three years depending on relative TSR and adjustment range capped at 125%</p>										
	Restricted share units (RSUs)	 <p>Vest over a three-year period</p>										
Long-term	Stock options	 <p>Vest over a four-year period at a rate of 25% per year and stock options expiring after ten years</p>										
	Deferred share units (DSUs)	 <p>Vest over a four-year period at a rate of 25% per year and redeemable only at retirement or upon termination of employment</p>										

- ✓ The Compensation Risk Oversight Working Group supports the Board and the HRC in their human resources duties and compensation governance duties. The Board's RMC examines the reports that this working group submits to the HRC.
- ✓ A Board-approved policy whereby previously granted variable compensation can be cancelled or clawed back.

3. Reward contribution

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

4. Align vision with that of Shareholders

- ✓ Advisory vote is held on the approach to executive compensation ("say on pay").
- ✓ The President and Chief Executive Officer's compensation is aligned with total shareholder return.

The Board is satisfied that the Bank's compensation policy is conducive to long-term value creation for Shareholders. The average actual value of every \$100 granted annually to Louis Vachon, as President and Chief Executive Officer, in the form of direct compensation over the past ten years was \$174 on December 31, 2019. By comparison, from a Shareholder's viewpoint, the average value of a \$100 annual investment in Common Shares of the Bank over the same period was \$226. For more information, refer to [page 87](#) of the Circular.

- ✓ Anti-hedging policies and minimum share ownership requirements

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

Multiple of previous three years' average base salary	Requirement	Multiple achieved
President and Chief Executive Officer	7 times	
Louis Vachon		73.7 times
Other Named Executive Officers	4 times	
Ghislain Parent		18.9 times
Denis Girouard		27.7 times
Laurent Ferreira		30.5 times
Martin Gagnon		19.1 times

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

1.

Voting information

Obtaining the Circular

Again this year, in compliance with securities regulations and with OSFI authorization, the Bank is adhering to the notice-and-access procedures for the delivery of the Circular issued by the Bank's Management in connection with the solicitation of proxies, for the purposes indicated in the Notice of Meeting, for use at the Meeting to be held at 10:00 a.m. (EDT) on Friday, April 24, 2020, on the 4th floor of 600 De la Gauchetière Street West in Montreal, Quebec, Canada, and, if adjourned, at any reconvening thereof.

Therefore, instead of receiving the Circular by mail, registered holders and beneficial owners who hold Common Shares of the Bank at 5:00 p.m. (EST) on February 27, 2020, the record date for the Meeting, have access to the Circular online, as provided for in *Regulation 51-102* and *Regulation 54-101*.

Shareholders will still receive by mail, along with the Notice of Meeting, a proxy form or voting instruction form permitting them to exercise the voting rights attached to their Common Shares. This Notice of Meeting will explain to Shareholders how to view the Circular online and how to obtain a printed copy.

NOTICE-AND-ACCESS PROCEDURE

+ FASTER

+ GREENER



+ MORE ECONOMICAL

Shareholders can consult this Circular electronically by visiting the nbc.ca/investorrelations page or the sedar.com website

1. Voting information



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

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

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

Proxies will be solicited by regular or electronic mail, by telephone, or in person. Proxies will be solicited by employees, officers, or directors of the Bank or by representatives of Laurel Hill. The Bank estimates that it will pay approximately \$30,000 in fees to Laurel Hill for such services.

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

ELECTRONIC COPIES OF OTHER CONTINUOUS DISCLOSURE DOCUMENTS

You are also encouraged to use [electronic delivery](#) (e-delivery) to receive the Bank’s other continuous disclosure documents, including annual and interim reports. You will be notified via email when a new document is made available, at which time it can be consulted or downloaded through nbc.ca.

HOW TO SIGN UP FOR E-DELIVERY

REGISTERED HOLDER

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

BENEFICIAL OWNER

Beneficial owners in Canada and the United States 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.

1. Voting information

Circular contents

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

Unless otherwise indicated, the information in the Circular is as at February 27, 2020.

Attending the Meeting

To attend the Meeting, you can present yourself in person at 10:00 a.m. (EDT) on April 24, 2020 on the [4th floor of 600 De La Gauchetière Street West in Montreal, Quebec, Canada](#). You can also watch a live webcast of this event on the "Investor Relations" page of the Bank's website at: nbc.ca/investorrelations.

A recording of the Meeting will be available for viewing on the Bank's website until the next annual meeting.

Right to vote

If you are a registered holder or beneficial owner of Common Shares of the Bank on February 27, 2020, at 5:00 p.m. (EST), you are entitled to receive the Notice of Meeting and to vote at the Meeting. Each of your Common Shares entitles you to cast one vote on each item listed in the Notice of Meeting.

You may exercise your voting rights before or during the Meeting. How you exercise your voting rights depends on whether you are a registered holder or a beneficial owner (see the table of procedures on [pages 12 and 13](#)).

On February 27, 2020, 335,861,895 Common Shares of the Bank were outstanding and conferring voting rights at the Meeting.

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

- i) the Government of Canada or a province;
- ii) the government of a foreign country or of any political subdivision of a foreign country;
- iii) an agency of any of these entities;
- iv) a person who has acquired more than 10% of a class of Bank 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.

As of February 27, 2020, management and the Board are not aware of any person who owns or exercises control or direction over more than 10% of the outstanding shares.

1. Voting information

Designating a proxyholder to represent you

You may appoint a proxyholder to represent you at the Meeting and to exercise your voting rights there. For more information, refer to [page 13](#).

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

The proxyholders already designated in the proxy form or voting instruction form are directors of the Bank. If you wish to appoint as your proxyholder a person other than those whose names are printed on the proxy form or voting instruction form, you may do so by striking out the names appearing thereon and inserting such other person's name in the blank space provided.

If the registered holder or beneficial owner is a business corporation or a corporate entity, the proxy form or voting instruction form must be signed by a duly authorized officer or agent of said registered holder or beneficial owner. Your proxyholder need not be a holder of Common Shares of the Bank.

How your proxyholder will exercise the voting rights attached to your shares

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

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

Matters set out in the Notice of Meeting	Vote
Election of each of the director nominees	FOR
Board's approach to executive compensation	FOR
Appointment of Deloitte as independent auditor	FOR
Proposal presented by a Shareholder and set out in Appendix A to this Circular	AGAINST

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

1. Voting information

Amendments or additions to agenda items on the day of the Meeting

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

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

Counting of votes and protection of confidentiality

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 cast by beneficial owners are compiled and submitted by intermediaries to Computershare. Computershare submits a copy of a proxy form to the Bank only when a Shareholder clearly wishes to express a personal opinion to management or when necessary to comply with legal requirements.

Seeing the voting results

After the Meeting, the Bank will immediately issue a press release on the voting results. You will be able to see these results directly on the nbc.ca or sedar.com websites.

1. Voting information

EXERCISING VOTING RIGHTS

REGISTERED HOLDER

OPTION 1
Voting by proxy

If you wish to exercise your voting rights before the Meeting is held, you may give your instructions using one of the following methods:



Go to the following **website**:
www.investorvote.com



Send the duly completed, signed and dated (on the back) proxy form **by fax** to 1-866-249-7775 (toll-free in Canada and the United States) or to 1-416-263-9524 (other countries).



Using the envelope provided, send the duly completed, signed and dated (on the back) proxy form **by mail** to 100 University Avenue, 8th Floor Toronto, Ontario, Canada M5J 2Y1.

BENEFICIAL OWNER

OPTION 1
Using the voting instruction form

If you wish to exercise your voting rights before the Meeting is held, you may give your instructions using one of the following methods:



Go to the following **website**:
www.proxyvote.com



Call 1-800-474-7493
(for service in English) or
1-800-474-7501
(for service in French).



Send the duly completed, signed and dated voting instruction form **by fax** to 905-507-7793 or 514-281-8911.



Using the envelope provided, send the duly completed, signed and dated (on the back) voting instruction form **by mail**.

OPTION 2
Voting in person at the Meeting

If you wish to exercise your voting rights during the Meeting, please register with Computershare when you arrive on the **4th floor of 600 De La Gauchetière Street West, Montreal, Quebec, Canada.**

OPTION 2
Voting in person at the Meeting

If you wish to exercise your voting rights during the Meeting, please:

- insert your name as proxyholder in the space provided for this purpose on the voting instruction form;
- do not otherwise complete the section of the form on voting rights, as your vote will be taken at the Meeting; and
- return the form following the instructions indicated therein.

1. Voting information

DESIGNATING A PROXYHOLDER OR REVOKING YOUR VOTE INSTRUCTIONS

REGISTERED HOLDER	BENEFICIAL OWNER
<p data-bbox="228 244 363 264" style="text-align: center;">PROXYHOLDER</p> <p data-bbox="85 288 477 376">For your appointment of proxyholder to be considered valid, please complete the corresponding section on the proxy form and return the form as follows:</p> <ul style="list-style-type: none"> <li data-bbox="85 392 184 413">✓ by mail: <ul style="list-style-type: none"> <li data-bbox="85 427 456 469">• using the pre-addressed, postage-paid envelope provided; or <li data-bbox="85 472 498 539">• to Computershare Trust Company of Canada at 100 University Avenue, 8th Floor Toronto, Ontario, Canada M5J 2Y1; or <li data-bbox="85 553 342 574">✓ by fax to 1-866-249-7775. <li data-bbox="85 588 477 630">• Your proxy form must be received no later than 5:00 p.m. (EDT) on April 22, 2020. 	<p data-bbox="674 209 847 229" style="text-align: center;">PROXYHOLDER</p> <p data-bbox="551 288 971 421">For your appointment of proxyholder to be considered valid, please complete the corresponding section on the voting instruction form and make sure to return the form in accordance with the instructions indicated thereon.</p> <p data-bbox="551 437 954 525">Your voting instruction form must be received no later than April 22, 2020 at 5:00 p.m. (EDT) and in accordance with the instructions indicated on the form.</p>
<p data-bbox="249 675 342 695" style="text-align: center;">REVOKING</p> <p data-bbox="85 719 418 740">You may revoke your proxy as follows:</p> <ul style="list-style-type: none"> <li data-bbox="85 754 487 821">✓ by delivering a written notice to this effect, signed by you or by your duly authorized agent, to: <ul style="list-style-type: none"> <li data-bbox="85 836 493 968">• c/o Corporate Secretary, the contact information for which is provided on page 113 of the Circular, no later than the last business day preceding the date of the Meeting or prior to any reconvening thereof in case of an adjournment; or <li data-bbox="85 971 456 1038">• the Chairman of the Meeting on the day of the Meeting or, if adjourned, any reconvening thereof; or <li data-bbox="85 1053 495 1141">✓ by completing, signing and returning to Computershare, in the manner set out on the proxy form, a new proxy form bearing a later date than the form already returned. 	<p data-bbox="712 675 806 695" style="text-align: center;">REVOKING</p> <p data-bbox="551 719 923 786">You can revoke your voting instructions by following the procedure specified by your securities broker.</p>

2.

Business of the Meeting

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

The Bank's consolidated financial statements for the fiscal year ended October 31, 2019 and the independent auditor's report thereon are an integral part of the Bank's 2019 Annual Report, which is available on the nbc.ca and sedar.com websites.

Election of directors

A total of 15 directors are to be elected at the Meeting. Directors are elected individually each year. Gillian H. Denham will not seek to renew her term as director. Aside from Manon Brouillette and Yvon Charest, all of this year's director nominees are currently Bank directors.

The Conduct Review and Corporate Governance Committee recommended the director nominees to the Board. Their names and career profiles are presented in [Section 3](#) of the Circular.

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

Each director elected at the Meeting will hold office until his or her resignation, the election or appointment of his or her replacement, or the close of the next Annual Meeting of Shareholders of the Bank.

Majority voting

The Board has adopted a majority voting policy governing uncontested director elections. Under this policy, a director nominee will be deemed not to have received the support of Shareholders, even if he or she is elected, if the number of votes withheld exceeds the number of votes cast in favour of his or her election at the Meeting.

A director elected under such circumstances must immediately tender his or her resignation to the Conduct Review and Corporate Governance Committee, which, other than in exceptional circumstances, will submit a recommendation to that effect to the Board. Within 90 days following the Meeting, the Board will issue a press release announcing the resignation of the director in question or its rationale for not accepting the resignation.

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

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

The director nominee election results from the Annual Meeting held April 24, 2019 are provided in the director nominee career summaries of Section 3 of the Circular as well as on the nbc.ca and sbdn.com websites.

The Majority Voting Policy is published in the Governance subsection under “About Us” on the nbc.ca website.



Advisory vote on the Board’s approach to executive compensation

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

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

Last year, 92.68% of the votes cast at the Annual Meeting were been voted in favour of our approach to executive compensation. Since the advisory vote on the approach to executive compensation was introduced in 2010, it has always received the approval of at least 91% of votes cast.

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 the Bank, 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 2020.”

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

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

2. Business of the Meeting

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

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

Appointment of the independent auditor

During fiscal 2019, the Audit Committee conducted an annual assessment of the performance and service quality of professional accounting firm Deloitte as independent auditor of the Bank. This assessment was based, among other things, on the audit plan submitted, the risk areas identified, the nature of the work done by Deloitte, and the reports presented to the Committee.

Given the satisfactory results of this assessment, the Audit Committee and the Board believe that Deloitte is the best choice in the interests of the Bank and its Shareholders, and recommend voting **FOR** the appointment of Deloitte as independent auditor of the Bank for the fiscal year beginning November 1, 2019 and ending October 31, 2020.

Deloitte has been one of the Bank's audit firms since 1993 and became the Bank's sole independent auditor in 2003.

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

For information on the Guidelines for the Management of Services Provided by the Independent Auditor, refer to the "Information on the Audit Committee" section in the 2019 Annual Information Form.

Independent auditor fees

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

	2019 (\$)	2018 (\$)
Audit fees ⁽¹⁾	3,144,307	3,144,307
Fees for audit-related services ⁽²⁾	2,657,611	1,940,177
Subtotal	5,801,918	5,084,484
Fees for taxation services ⁽³⁾	33,250	25,280
Other fees ⁽⁴⁾	508,228	210,394
Total	6,343,396	5,320,158

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

(2) The fees for audit-related services include fees for comfort letters, statutory audits, certification services, consents, assistance with the preparation and review of documents filed with regulators, the interpretation of accounting and financial reporting standards and the translation of reports to Shareholders and related services performed by the Bank's independent auditor. They also include fees for accounting consultations in connection with acquisitions and divestitures and internal control reviews.

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

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

Shareholder proposals

The Bank has received, within the time limits prescribed by the Act, proposals from a Shareholder and has included them in this Circular.

The Mouvement d'éducation et de défense des actionnaires (MÉDAC) sent four proposals to the Bank for inclusion in the Circular. After discussions with the Bank, MÉDAC agreed to submit only proposal 1 to a Shareholder vote. The Bank and MÉDAC also agreed to include proposals 2, 3 and 4 (which are not being submitted to a vote) in the Circular solely for information purposes. The Bank has reproduced the full text of the three proposals not submitted to a vote as well as its responses thereto in [Appendix A](#) of the Circular.

The full text of the proposal submitted to Shareholder vote has also been reproduced in [Appendix A](#) of the Circular.

The Bank's Board and management recommend voting **AGAINST** proposal 1 for the reasons provided after this proposal.

This proposal will be adopted if it is approved by a majority of the votes cast by Shareholders 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 Shareholders to be held in 2021 is Friday, November 27, 2020 at 5:00 p.m. (EST).

3. Director nominees

The following tables present information about each of the nominees proposed for election as directors of the Bank. This information includes a summary of their career profile, the Board committees on which they are members, their attendance at meetings of the Board and its committees during the past fiscal year, and the names of the public corporations on whose boards they currently serve or have served in the past five years. This information also includes a description of their Bank shareholdings in accordance with the share ownership requirements applicable to directors.

TOTAL SHAREHOLDINGS OF DIRECTOR NOMINEES		
	February 27, 2020	March 1, 2019
Common Shares	634,604	606,519
Deferred share units	138,610	105,859
Value (\$)	54,844,069	44,281,416

The total value of Common Shares and deferred share units held by director nominees is calculated by multiplying the number of Common Shares and deferred share units held by each nominee on March 1, 2019 and February 27, 2020, by the closing price of the Bank's Common Shares on the Toronto Stock Exchange at the close of markets on March 1, 2019 and February 27, 2020, i.e., \$62.16 and \$70.93, respectively.

RAYMOND BACHAND



Independent
72
Montreal, Quebec, Canada

- Director since October 2014
- Voting results in 2019:
99.16% FOR

CAREER PROFILE

Main areas of expertise:

- Audit & Finance
- Entrepreneurship & Strategic Leadership
- Legal & Governmental Affairs
- Risk Oversight

Since 2014, Raymond Bachand has been a Strategic Advisor to law firm Norton Rose Fulbright Canada LLP and President of the Institut du Québec, a research centre created by The Conference Board of Canada and HEC Montréal. He has been a member of the board of directors of Transat A.T. Inc. since 2014 and was appointed Lead Director thereof in September 2018. Raymond Bachand was the Outremont riding's Member of the Assemblée nationale du Québec from 2005 to 2013. During that period, he held a number of different positions and ran several government departments, including Economic Development, Innovation and Export Trade, Tourism, Finance and Revenue. He was also the Minister responsible for the Montreal region and the Official Opposition Critic for finance. Throughout his career, Raymond Bachand has held several senior positions in the private sector, including President and Chief Executive Officer of Fonds de solidarité des travailleurs du Québec (F.T.Q.) and President and Chief Executive Officer of Secor Consulting Inc. He holds a Licentiate in Laws from Université de Montréal as well as an MBA and a Doctorate in Administration from the Harvard University Graduate School of Business Administration. Raymond Bachand is a member of the Quebec Bar, which has awarded him the title of *Advocatus Emeritus*, and is an Officer of the Order of Canada.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the RMC	15/17	88%
Member of the CRCGC	5/5	100%
Total	35/37	95%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
Transat A.T. Inc. 2014 to date	• Member of the Audit Committee

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/DSUs	
2019	2,118	10,599	12,717	70.93	902,017	560,000	7,895	161.1% Yes
2018	1,352	10,181	11,533	62.16	716,891	560,000	9,009	128.0% Yes

3. Director nominees

MARYSE BERTRAND



Independent

61
Westmount, Quebec, Canada

- Director since April 2012
- Voting results in 2019: 99.21% FOR

CAREER PROFILE

Main areas of expertise:

- Governance & Corporate Culture
- Legal & Governmental Affairs
- Risk Oversight
- Social Responsibility, Environment & Sustainable Development

Maryse Bertrand is a corporate director, serving on the boards of Metro Inc. since January 2015, of Gildan Activewear Inc. since May 2018, and of the Public Sector Pension Investment Board since September 2018, where she is also a member of the Governance Committee, Human Resources Committee and Investment and Risk Committee. She is also a director of the Institute of Corporate Directors, Quebec Chapter, where she chairs the board and the Nominating and Governance Committee, and Vice-Chair of McGill University's board of governors, for which she is Vice-Chair of the Committee to Advise on Matters of Social Responsibility (CAMSR). From 2016 to January 2017, she was a Strategic Advisor and Counsel to law firm Borden Ladner Gervais LLP. Additionally, from 2009 to 2015, she was Vice-President, Real Estate, Legal Services and General Counsel with CBC/Radio-Canada, where she was also in charge of environmental matters. She has a law degree from McGill University and a Master's of Risk Management from the Stern School of Business at New York University. Maryse Bertrand is a member of the Quebec Bar, which has awarded her the title of *Advocatus Emeritus*.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations (in the past five years)	Roles on boards and committees (as at October 31, 2019)
Member of the Board	15/15	100%	
Member of the AC ⁽⁶⁾	3/3	100%	
Chair and member of the CRCGC ⁽⁷⁾	2/2	100%	
Member of the HRC	8/8	100%	
Total	28/28	100%	
		Metro Inc.	2015 to date
		Gildan Activewear Inc.	2018 to date
			<ul style="list-style-type: none"> • Member of the Audit Committee • Member of the Corporate Governance and Nominating Committee • Member of the Audit and Finance Committee • Chair of the Corporate Governance and Social Responsibility Committee

Securities held

Year ⁽⁸⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	5,543	20,389	25,932	70.93	1,839,357	560,000	7,895	328.5% Yes
2018	5,381	17,218	22,599	62.16	1,404,753	560,000	9,009	250.8% Yes

PIERRE BLOUIN



Independent

62
Town of Mount Royal, Quebec, Canada

- Director since September 2016
- Voting results in 2019: 99.60% FOR

CAREER PROFILE

Main areas of expertise:

- Audit & Finance
- Client Experience
- Entrepreneurship & Strategic Leadership
- Information Technology, Security & Digital Solutions

Pierre Blouin is a corporate director, serving on the board of Fortis Inc. since May 2015, where he has chaired its Governance and Nomination Committee since January 2020 and is a member of its Human Resources Committee. Since February 2019, he has also served on the board of directors of Télécom Inc. and chairs its Human Resources Committee. He was Chief Executive Officer of Manitoba Telecom Services Inc. from 2005 to 2014. Prior to that, he worked for over 20 years at BCE Group, where he held positions of increasing responsibility, including that of President and Chief Executive Officer of Bell Mobility Inc. from 2000 to 2002, Chief Executive Officer of BCE Emergis Inc. from 2002 to 2003, and Group President, Consumer Markets, Bell Canada from 2003 to 2005. Since 2015, he has served on the board of directors of the Montreal Heart Institute Foundation, chairing its Information Technology Committee since June 2017 and serving on its Audit Committee from June 2015 to June 2017. Pierre Blouin holds a B.A. in Business Administration with a specialization in finance and marketing from HEC Montréal and is a Fellow of the Purchasing Management Association of Canada.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations (in the past five years)	Roles on boards and committees (as at October 31, 2019)
Member of the Board	15/15	100%	
Member of the AC	5/5	100%	
Member of the HRC	8/8	100%	
Total	28/28	100%	
		Fortis Inc.	2015 to date
		Manitoba Telecom Services Inc.	2006 - 2014
			<ul style="list-style-type: none"> • Member of the Governance and Nomination Committee • Member of the Human Resources Committee

Securities held

Year ⁽⁸⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	0	8,593	8,593	70.93	609,501	560,000	7,895	108.8% Yes
2018	0	5,977	5,977	62.16	371,530	560,000	9,009	66.3% – ⁽⁸⁾

3. Director nominees

PIERRE BOIVIN



Independent

66
Montreal, Quebec, Canada
• Director since April 2013
• Voting results in 2019:
99.22% FOR

CAREER PROFILE

Main areas of expertise:

- Employee Experience & Executive Compensation
- Entrepreneurship & Strategic Leadership
- Information Technology, Security & Digital Solutions
- Social Responsibility, Environment & Sustainable Development

Pierre Boivin has been President and Chief Executive Officer of private equity firm Claridge Inc. since September 2011. He has served as a director of Metro Inc. since 2019 and of Canadian Tire Corporation, Ltd. since 2013. He is also a director of CH Group Inc., which manages the Club de hockey Canadiens Inc. and the Bell Centre. For over 12 years, he has served on various boards of directors of public and private companies operating in the field of information and digital technologies. He is Chairman of the Board of the Montreal Canadiens Children's Foundation, which he created in 2000. From 2009 to 2012, Pierre Boivin served as Vice-Chairman of the Board and as a member of the Executive Committee of the Quebec Oil and Gas Association. He studied commerce at McGill University. He has been awarded an honorary Doctorate by the Université de Montréal and has been appointed Officer of the Order of Canada and Knight of the Ordre national du Québec.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the RMC ^(a)	5/7	71%
Chair and member of the HRC	8/8	100%
Total	28/30	93%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
Canadian Tire Corporation Limited	2013 to date
Metro Inc.	2019 to date

- Member of the Audit Committee
- Member of the Management Resources and Compensation Committee
- Member of the Human Resources Committee
- Member of the Governance Committee

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	14,910	14,772	29,682	70.93	2,105,344	560,000	7,895	375.9% Yes
2018	14,795	11,711	26,506	62.16	1,647,612	560,000	9,009	294.2% Yes

MANON BROUILLETTE

CAREER PROFILE

Main areas of expertise:

- Client Experience
- Entrepreneurship & Strategic Leadership
- Governance & Corporate Culture
- Information Technology, Security & Digital Solutions

Manon Brouillette is a corporate director, serving on the board of Quebecor Inc. since May 2019 and, since June 2017, on the board of Altice USA, Inc., where she is also a member of the Audit Committee and Compensation Committee. Since December 2019, she has also been a board director for Cirque du Soleil Canada Inc. and for which she serves on the Audit Committee and Executive Committee. Since October 2015, she has also been serving on the board of École de technologie supérieure (ÉTS) and is a member of its Audit Committee. She was also a board director of SFR Group from 2016 to 2017. From 2014 to December 2018, Manon Brouillette was President and Chief Executive Officer of Videotron Inc., where she also held the positions of President and Chief Operating Officer from 2013 to 2014 and of President, Consumer Services from 2011 to 2013. Manon Brouillette holds a Bachelor's degree in Public Communications from Université Laval and has completed the Ivey Executive Program at Western University's Ivey Business School. She has received numerous awards and distinctions, including the Prix femmes d'affaires du Québec 2016 in the Executive, Manager or Professional, Private Company category.

Independent

51
Montreal, Quebec, Canada
• New nominee

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
New nominee	–	–

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
Quebecor Inc.	2019 to date
Altice USA, Inc.	2017 to date
SFR Group	2016 - 2017

- Member of the Audit Committee
- Member of the Compensation Committee

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	0	0	0	70.93	0	560,000	7,895	0% – (9)

3. Director nominees

YVON CHAREST



Independent

63
Quebec City, Quebec, Canada
• New nominee

CAREER PROFILE

Main areas of expertise:

- Audit & Finance
- Entrepreneurship & Strategic Leadership
- Governance & Corporate Culture
- Risk Oversight

Yvon Charest is a corporate director. He has been a director of iA American Life Insurance Company since May 2019 and has chaired the board of Propulsons Québec vers la modernité (l'ajma passe) since November 2019. He has also been Special Advisor to Infrastructure Canada since August 2019. Over the course of his 39-plus year career with Industrial Alliance Insurance and Financial Services Inc., Yvon Charest held positions of increasing responsibility, including President and CEO from 2000 to 2018. He served as Chairman of the Board of Le cercle des présidents du Québec from 2008 to 2016 and as director of the Canadian Life and Health Insurance Association Inc. (CLHIA) from 2010 to 2019. Yvon Charest holds a Bachelor of Actuarial Science from Université Laval and is a Fellow of the Canadian Institute of Actuaries (FCIA) and a Fellow of the Society of Actuaries (FSA). In 2016, he was the recipient of the Most Socially Engaged Executive Officer award from newspaper *Les Affaires*. He is an Officer of the Order of Canada and Knight of the Ordre national du Québec.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations (in the past five years)	Roles on boards and committees (as at October 31, 2019)
New nominee	–	Director Industrial Alliance Insurance and Financial Services Inc.	–

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	0	0	0	70.93	0	560,000	7,895	0% – ⁽¹⁰⁾

PATRICIA CURADEAU-GROU



Independent

64
Montreal, Quebec, Canada
• Director since April 2019
• Voting results in 2019:
99.63% FOR

CAREER PROFILE

Main areas of expertise:

- Audit & Finance
- Entrepreneurship & Strategic Leadership
- Financial Markets & Banking Services
- Risk Oversight

Patricia Curadeau-Grou is a corporate director, serving on the board of Cogeco Inc. since January 2020. She was a board director at Cogeco Communications Inc. from 2012 to 2020, serving on its Audit Committee, Human Resources Committee, and Strategic Opportunities Committee; a board director at Caisse de dépôt et de placement du Québec from 2013 to 2019, serving on its Investment and Risk Management Committee; and a board director at Uni-Sélect Inc. from 2013 to 2018, serving on its Audit Committee and Human Resources and Compensation Committee. From 1991 to 2012, Ms. Curadeau-Grou held several positions at the Bank, notably that of Chief Financial Officer and Executive Vice-President, Finance, Risk and Treasury from 2007 to 2011 and that of Executive Vice-President, Risk Management from 2011 to 2012. She served as Strategic Advisor to the President until her retirement in October 2015. Patricia Curadeau-Grou has a Bachelor of Commerce from McGill University (Finance and Marketing option) and has received the Certified Director designation (C.D.D) from the Institute of Corporate Directors. In 2007, she was inducted into the Women's Executive Network Hall of Fame for Canada's most powerful women.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations (in the past five years)	Roles on boards and committees (as at October 31, 2019)
Member of the Board	9/9	Cogeco Inc.	–
Member of the RMC ⁽¹⁾	8/10	Cogeco Communications Inc.	• Member of the Audit Committee • Member of the Human Resources Committee • Member of the Strategic Opportunities Committee
Total	17/19	Uni-Sélect Inc.	–

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	21,514	1,615	23,129	70.93	1,640,540	560,000	7,895	292.9% Yes
2018	21,514	0	21,514	62.16	1,337,310	560,000	9,009	238.8% Yes

3. Director nominees

JEAN HOUDE



Independent

74
Montreal, Quebec, Canada

- Director since March 2011
- Voting results in 2019: 99.19% FOR

CAREER PROFILE

Main areas of expertise:

- Audit & Finance
- Entrepreneurship & Strategic Leadership
- Employee Experience & Executive Compensation
- Governance & Corporate Culture

Jean Houde has served as Chairman of the Board since April 2014. He is also Chairman of the board of directors of Énergie Inc.⁽¹²⁾ and a member of its Human Resources and Corporate Governance Committee, which he chaired from 2012 to December 2017. From 2010 to 2014, he was Chairman of the board of directors of Finance Montréal – La grappe financière du Québec and, from 2012 to 2014, he was Vice-Chairman of the board of directors of JOA Groupe Holding and a member of its Audit and Human Resources committees. From 2010 to January 2011, he was a business development advisor at accounting firm Samson Bélair/Deloitte & Touche LLP. From 2005 to 2009, he was Deputy Minister of Finance of Quebec. Prior to that, he was Chairman of the board of directors and Chief Executive Officer of Investissement Québec. From 1990 to 2003, Jean Houde held several positions at the Quebec Bar, which has awarded him the title of *Advocatus Emeritus*.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Chairman and member of the Board	15/15	100%
Member of the CRCGC	5/5	100%
Total	20/20	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
Énergie Inc. ⁽¹²⁾ 2012 to date	<ul style="list-style-type: none"> • Chairman of the Board • Member of the Human Resources and Corporate Governance Committee

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	15,085	7,091	22,176	70.93	1,572,944	560,000	7,895	280.8% Yes
2018	14,907	5,386	20,293	62.16	1,261,412	560,000	9,009	225.3% Yes

KAREN KINSLEY

CAREER PROFILE



Independent

63
Ottawa, Ontario, Canada

- Director since December 2014
- Voting results in 2019: 99.62% FOR

Main areas of expertise:

- Audit & Finance
- Financial Markets & Banking Services
- Entrepreneurship & Strategic Leadership
- Governance & Corporate Culture

Karen Kinsley is a corporate director, serving on the boards of Saputo Inc. since May 2015 and of Choice Properties Real Estate Investment Trust since May 2018. From May 2017 to May 2018, she was a director at the Canadian Real Estate Investment Trust⁽¹³⁾. Throughout her 25-year career with Canada Mortgage and Housing Corporation, Canada's housing authority, she held positions of increasing responsibility, including that of President and Chief Executive Officer from 2003 to 2013. Karen Kinsley has a Bachelor's degree in Commerce from the University of Ottawa. She is a Fellow of the Chartered Professional Accountants of Ontario and has received the Certified Director designation (CD.D) from the Institute of Corporate Directors.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Chair and member of the AC	5/5	100%
Member of the RMC	16/17	94%
Total	36/37	97%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
Choice Properties Real Estate Investment Trust	<ul style="list-style-type: none"> • Member of the Audit Committee
Saputo Inc. 2015 to date	<ul style="list-style-type: none"> • Member of the Audit Committee
Canadian Real Estate Investment Trust ⁽¹³⁾ 2017 - 2018	–

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	9,078	9,874	18,952	70.93	1,344,265	560,000	7,895	240.0% Yes
2018	9,078	8,456	17,534	62.16	1,089,913	560,000	9,009	194.6% Yes

3. Director nominees

REBECCA MCKILICAN



Independent

40
Oakville, Ontario, Canada

- Director since October 2017
- Voting results in 2019:
99.43% FOR

CAREER PROFILE

Main areas of expertise:

- Client Experience
- Entrepreneurship & Strategic Leadership
- Information Technology, Security & Digital Solutions
- Social Responsibility, Environment & Sustainable Development

Rebecca McKillican has been Chief Retail Officer of McKesson Corporation Canada, a Canadian pharmaceutical distributor, since October 2019. From March 2013 to October 2019, she served as President and Chief Executive Officer of Well.ca Inc., a leading e-commerce health and wellness company. From 2007 to 2012, she also held the position of Principal in the retail and consumer group of private equity firm Kohlberg, Kravis & Roberts & Co. L.P., where she worked to improve the operations of the portfolio companies, including ESG initiatives. From 2003 to 2005, Rebecca McKillican worked at McKinsey & Company as a business analyst, examining various business challenges. She has a Bachelor of Business Administration (BBA) from the Ivey Business School, a Bachelor of Software Engineering from Western University, and an MBA from Harvard Business School.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations	Roles on boards and committees
Member of the Board	15/15	100%	Director
Member of the HRC	8/8	100%	(in the past five years)
Total	23/23	100%	(as at October 31, 2019)
		–	–

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	0	5,163	5,163	70.93	366,212	560,000	7,895	65.4% – (B4)
2018	0	2,903	2,903	62.16	180,450	560,000	9,009	32.2% – (B4)

ROBERT PARÉ



Independent

65
Westmount, Quebec, Canada

- Director since April 2018
- Voting results in 2019:
99.21% FOR

CAREER PROFILE

Main areas of expertise:

- Employee Experience & Executive Compensation
- Financial Markets & Banking Services
- Governance & Corporate Culture
- Legal & Governmental Affairs

Since February 2018, Robert Paré has been a Strategic Advisor to the firm Fasken Martineau DuMoulin LLP, where he had previously held a position of Senior Partner specializing in governance and corporate and commercial law. He has also been a board director at Quebecor Inc. since June 2014, at the Institute of Corporate Directors since September 2018 (for which he was a director of the Quebec Chapter from 2010 to 2018), and at ADF Group Inc. from December 2009 to June 2019. Robert Paré has more than 40 years of experience in business law, particularly in the areas of capital markets, mergers and acquisitions, and corporate governance. He has been a director for several other companies, including Essilor Group Canada Inc., Groupe BMTC Inc., and Rona Inc., where he served on the Nominating and Governance Committee from April 2009 to May 2016 and on the Human Resources and Compensation Committee from May 2012 to May 2016. Robert Paré has a Bachelor's degree in Law from Université Laval. He is a member of the Quebec Bar.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	Public corporations	Roles on boards and committees
Member of the Board	15/15	100%	Director
Member of the CRCGC	5/5	100%	(in the past five years)
Total	20/20	100%	(as at October 31, 2019)
		Quebecor Inc.	2014 to date
		ADF Group Inc.	2009 - 2019
		Rona Inc.	2009 - 2016
		Groupe BMTC Inc.	1989 - 2015

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	8,461	3,969	12,430	70.93	881,660	560,000	7,895	157.4% Yes
2018	8,461	1,756	10,217	62.16	635,088	560,000	9,009	113.4% Yes

3. Director nominees

LINO SAPUTO, JR.

Independent
53
Montreal, Quebec, Canada

- Director since April 2012
- Voting results in 2019:
99.03% FOR

CAREER PROFILE

Main areas of expertise:

- Client Experience
- Entrepreneurship & Strategic Leadership
- Governance & Corporate Culture
- Risk Oversight

Since August 2017, Lino Saputo, Jr. has been Chairman of the board and Chief Executive Officer of Saputo Inc., one of the world's largest dairy processors. At the time of his appointment, he was holding the positions of President and Chief Executive Officer (since March 2004) and of Vice-Chairman of the Board (since August 2011). He was a member of the board of directors of Transcontinental Inc. from February 2008 to March 2017 and of its Human Resources and Compensation Committee from February 2011 to March 2017. He is involved with a number of charitable organizations, and in July 2011 he co-founded the Amelia & Lino Saputo Jr. Foundation. Since November 2017, he has been Co-Chair of the Campaign for Concordia, and, since July 2018, he has been Chair of the board of directors of the Montreal Heart Institute Foundation. He was named the 2019 CEO of the Year by Canada's Outstanding CEO of the Year program. He holds a Bachelor's degree in Political Science from Concordia University.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Chair and member of the CRCGC ⁽³⁾	5/5	100%
Member of the RMC	16/17	94%
Total	36/37	97%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
Saputo Inc. 2001 to date	• Chairman of the Board of Directors
Transcontinental Inc. 2008 - 2017	–

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾	
						(\$)	Shares/ DSUs		
2019	72,910	17,259	90,169	70.93	6,395,687	560,000	7,895	1,142.1%	Yes
2018	72,752	14,024	86,776	62.16	5,393,996	560,000	9,009	963.2%	Yes

ANDRÉE SAVOIE**CAREER PROFILE**

Independent
48
Dieppe, New Brunswick, Canada

- Director since April 2015
- Voting results in 2019:
99.14% FOR

Main areas of expertise:

- Client Experience
- Entrepreneurship & Strategic Leadership
- Governance & Corporate Culture
- Social Responsibility, Environment & Sustainable Development

Since June 2016, Andrée Savoie has been President and Chair of the board of directors of Acadian Properties Ltd., a commercial real estate developer and property management company in the Maritime provinces, and for which she was previously the Managing Director. From January 2007 to December 2015, she was President and Managing Director of Acadian Construction (1991) Ltd. Since 2011, she has been a director of the board of Assumption Mutual Life Insurance Company, where she also served on the Audit and Review committees from February 2011 to February 2015, of the Investments Committee from February 2011 to February 2019, and of the Human Resources Committee from February 2016 to February 2019. She also served as Vice-Chair of the board from February 2018 to February 2019, before being appointed Chair of the board and Chair of the Governance Committee, on March 1, 2019 and February 22, 2019, respectively. Since 2015, she has sat on the board of directors of the Greater Moncton YMCA Foundation Inc., serving as Vice-Chair since April 2017. Andrée Savoie is highly involved in her community: she is a member of the Université de Moncton Evolution campaign office, and she is Co-Founder of Crossroads 250⁽⁶⁾, an annual fundraising event in support of women and children living in situations of domestic violence. She has a Bachelor's degree in Chemical Engineering from McGill University and a Master's degree in Applied Sciences from the University of Ottawa. She has received the Certified Director designation (ICD.D) from the Institute of Corporate Directors.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the AC	5/5	100%
Member of the CRCGC	5/5	100%
Total	25/25	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
–	–

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾	
						(\$)	Shares/ DSUs		
2019	3,315	11,156	14,471	70.93	1,026,428	560,000	7,895	183.3%	Yes
2018	3,269	8,439	11,708	62.16	727,769	560,000	9,009	130.0%	Yes

3. Director nominees

PIERRE THABET



Independent

62
St-Georges, Quebec, Canada

- Director since March 2011
- Voting results in 2019:
99.63% FOR

CAREER PROFILE

Main areas of expertise:

- Audit & Finance
- Entrepreneurship & Strategic Leadership
- Risk Oversight
- Social Responsibility, Environment & Sustainable Development

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

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Member of the AC ⁽³⁾	4/4	100%
Chair ⁽¹²⁾ and member of the RMC	17/17	100%
Total	36/36	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
Canam Group Inc. ⁽¹⁸⁾	2006 - 2017
	–

Securities held

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Total DSUs ⁽³⁾	Total Common Shares and DSUs	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Minimum required		Meets the Bank's share ownership requirements for directors ⁽⁵⁾
						(\$)	Shares/ DSUs	
2019	215,844	19,052	234,896	70.93	16,661,173	560,000	7,895	2,975.3% Yes
2018	207,531	15,656	223,187	62.16	13,873,303	560,000	9,009	2,477.4% Yes

LOUIS VACHON



Non-independent (officer)

57
Beaconsfield, Quebec, Canada

- Director since August 2006
- Voting results in 2019:
99.53% FOR

CAREER PROFILE

Main areas of expertise:

- Audit & Finance
- Entrepreneurship & Strategic Leadership
- Financial Markets & Banking Services
- Risk Oversight

Louis Vachon has been President and Chief Executive Officer of the Bank since June 2007. He 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. In 1996, Louis Vachon returned to the Bank, where he held a series of management positions for both the Bank and its subsidiaries until his appointment to President and Chief Executive Officer in 2007. Louis Vachon is a member of the board of directors of National Bank Acquisition Holding Inc., a subsidiary of the Bank. He is also involved with many social and cultural organizations. Louis Vachon has a Bachelor's degree in Economics from Bates College and a Master's degree in International Finance from the Fletcher School (Tufts University). He is also a CFA. He was awarded an honorary doctorate by the University of Ottawa, Bishop's University, Ryerson University, and Concordia University. In 2014, he was named CEO of the Year by *Canadian Business* magazine, and Financial Personality of the Year by the business publication *Finance et Investissement* in 2012 and 2014. He received the Global Citizens Award from the United Nations Association in Canada, is a Member of the Order of Canada and the Ordre de Montréal as well as an Officer of the Ordre national du Québec, and he was appointed Lieutenant-Colonel (H) of Les Fusiliers Mont-Royal.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	15/15	100%
Total	15/15	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2019)
Molson Coors Brewing Company	2012 to date
	• Chairman of the Finance Committee
Fiera Capital Corporation	2012 - 2017
	–

Securities held⁽¹⁹⁾

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Meets the Bank's share ownership requirements for directors ⁽²⁰⁾
2019	265,826	70.93	18,855,038	Yes
2018	234,142	62.16	14,554,266	Yes

3. Director nominees

Notes on the tables of director nominees

- (1) This information reflects the situation as at February 27, 2020 (for fiscal 2019) and as at March 1, 2019 (for fiscal 2018).
- (2) This number includes Common Shares directly or indirectly beneficially owned or controlled, including Common Shares held by a company controlled by a director but excluding Common Shares under a director's control for the benefit of a third party.
- (3) For more information on the compensation paid to directors in the form of deferred share units, refer to [Section 4](#) of the Circular.
- (4) These amounts represent the share price of the Bank's Common Shares on the Toronto Stock Exchange, at the close of trading on February 27, 2020 (for fiscal 2019) and at the close of trading on March 1, 2019 (for fiscal 2018).
- (5) For more information, refer to the "Share ownership requirements" heading in [Section 4](#) of the Circular.
- (6) Maryse Bertrand was appointed a member of the Audit Committee on April 24, 2019.
- (7) Maryse Bertrand ceased being Chair and a member of the Conduct Review and Corporate Governance Committee on April 24, 2019.
- (8) Pierre Boivin ceased being a member of the Risk Management Committee on April 24, 2019.
- (9) If she is elected as a director, Manon Brouillette will have five years from April 24, 2020 to meet the share ownership requirements for directors.
- (10) If elected as a director, Yvon Charest will have five years from April 24, 2020 to meet the share ownership requirements for directors.
- (11) Patricia Curadeau-Grou was appointed a member of the Risk Management Committee on April 24, 2019.
- (12) Gaz Métro Inc. has been operating under the corporate name Énergir Inc. since November 2017.
- (13) On May 4, 2018, Canadian Real Estate Investment Trust and Choice Properties Real Estate Investment Trust entered into an agreement for the purposes of a business combination. The combined entity operates under the corporate name Choice Properties Real Estate Investment Trust.
- (14) Rebecca McKillican has a five-year grace period from the date of her appointment as Bank director on October 1, 2017 to meet the share ownership requirements for directors.
- (15) Lino Saputo, Jr. was appointed Chair of the Conduct Review and Corporate Governance Committee on April 24, 2019.
- (16) The Crossroads 250 event is now known under the name Rock Run Atlantic.
- (17) Pierre Thabet was appointed Chair of the Risk Management Committee and member of the Audit Committee on January 1, 2019.
- (18) Canam Group Inc. ceased being a public company on July 5, 2017.
- (19) As an executive director of the Bank, Louis Vachon does not receive any compensation for participating in the activities of the Board and its committees. For more information about Louis Vachon's compensation as President and Chief Executive Officer of the Bank, including the values of his PSUs, RSUs and options, refer to [Section 7](#) of the Circular.
- (20) For more information, refer to the "Share ownership requirements" heading in [Section 7](#) of the Circular.

3. Director nominees

Additional information about the director nominees

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

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

- Pierre Boivin, until November 26, 2009, was a board member of Toptent Inc., a corporation that filed a commercial proposal with its creditors on April 30, 2010. On August 3, 2010, Toptent Inc. was discharged from the proposal.

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

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

4.

Director compensation

The Board aims to offer compensation that reflects the complexity of the Bank's operations as well as the ever-growing responsibilities of the directors. Each year, the Conduct Review and Corporate Governance Committee reviews the structure of the compensation program and assesses its competitiveness relative to the Bank's peer group, more specifically, other comparable financial institutions.

The compensation program is structured to achieve the following objectives:

Recruit and retain experienced directors

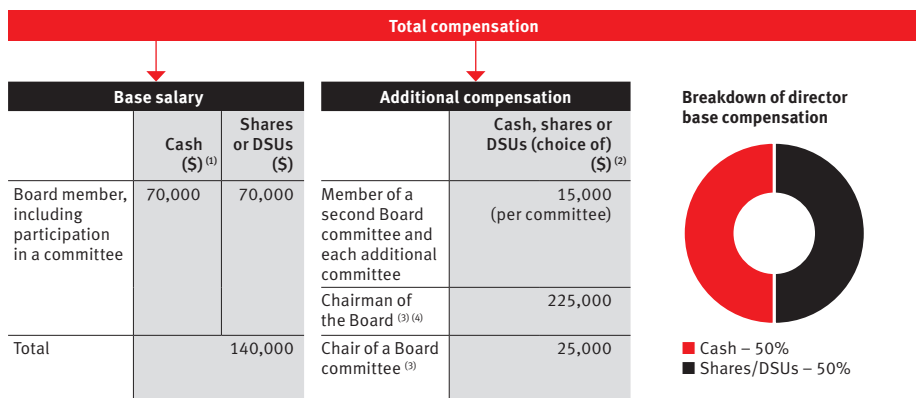
- Offer compensation that reflects the importance of the role of directors as well as their workload and the time they devote to their duties
- Offer compensation that is competitive relative to the peer group, which is described in [Section 7](#) of the Circular

Align the interests of the directors with those of shareholders

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

COMPENSATION PROGRAM

On May 1, 2018, the Board adopted the current compensation plan, the components of which are described below. No changes were made to director compensation in fiscal 2019.



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

SHARE OWNERSHIP REQUIREMENTS

All independent directors of the Bank must hold Common Shares or DSUs. Directors have **five years from the date they take office** to meet the following requirements.

Once the requirement has been met, directors may elect to receive their compensation in the form of cash, Common Shares or DSUs, subject to the portion of their compensation that must be paid in Common Shares or DSUs even if the minimum requirements in this regard have been met.

WHAT IS A DEFERRED SHARE UNIT (DSU)?	REQUIREMENTS	MINIMUM REQUIRED
<p>A deferred share unit is a right, measured quarterly, and the value of which equals the market value of a Common Share of the Bank on the date the units are credited to an account in the director's name.</p> <ul style="list-style-type: none"> • Vested DSUs may be cashed only when the director leaves all the positions he or she held as a director of the Bank or any of its subsidiaries. • The units must be cashed no later than the end of the calendar year following the year in which the director leaves his or her duties. 	<p>Total value equal to or greater than eight times the base compensation payable to directors in the form of Common Shares or DSUs</p>	<p>8 X \$70,000 = \$560,000</p>
	<p>Minimum share ownership requirement based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on February 27, 2020</p>	<p>\$560,000 / \$70.93 = 7,895 Common Shares or DSUs</p>

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

4. Director compensation

COMPENSATION PROGRAM FOR SUBSIDIARIES

The following program, which came into effect on April 1, 2018, applies to the directors of the Bank's subsidiaries, including the directors of the Bank who serve on the boards of those subsidiaries. Directors who also serve as officers do not receive any compensation in their capacity as directors of the Bank or any of its subsidiaries.

During the year ended October 31, 2019, National Bank Trust Inc. and National Bank Life Insurance Company ceased paying director compensation on June 14 and on June 21, 2019, respectively, since, as of those dates, they no longer had directors eligible for the compensation program. The compensation payable from November 1, 2018 to June 14 and 21, 2019 has therefore been prorated.

Bank Subsidiaries – Annual Compensation		
	National Bank Life Insurance Company (\$)⁽²⁾	National Bank Trust Inc. (\$)⁽²⁾
Director	23,000	17,000
Committee member	4,000	3,000
Committee Chair ⁽¹⁾	2,000	1,500

(1) The committee Chairs receive compensation both as committee members and as Chairs.

(2) Compensation may, by choice, be paid in cash, Common Shares, DSUs, or a combination of all three.

OTHER INFORMATION REGARDING THE BANK AND ITS SUBSIDIARIES

The Bank and the subsidiaries that adopted the compensation program reimburse directors for the expenses incurred to attend meetings. The Bank also reimburses Board members for disbursements and accommodation expenses incurred for business promotion activities on behalf of the Bank.

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

Restrictions on trading and hedging of Bank securities

No director, officer or employee shall, directly or indirectly:

- sell a security of the Bank or of any of the Bank's affiliates if they do not own such security or have not fully paid for the security to be sold (short sale);
- buy or sell a call or out option on a security of the Bank or of any of the Bank's affiliates;
- purchase financial instruments 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, or to cancel such a decrease.

4. Director compensation

Compensation paid to the directors for the fiscal year ended October 31, 2019 ⁽¹⁾

Name	Fees earned (\$) ⁽²⁾		Share-based awards (\$) ⁽³⁾				Total compensation for Board and committee activities (\$) ⁽⁴⁾	Other compensation (\$) ⁽⁵⁾	Total compensation (\$) ⁽⁶⁾	Breakdown of compensation payable in cash for activities of the Board and its committees ⁽⁷⁾
	As a Board member ⁽⁴⁾	As a committee member ⁽⁶⁾	As a Board member ⁽⁴⁾		As a committee member ⁽⁶⁾					
	Cash	Cash	Common Shares	DSUs	Common Shares	DSUs				
Raymond Bachand RMC, CRCGC	70,000	7,500	70,000			7,500	155,000		155,000	91% in cash and 9% in shares
Maryse Bertrand ⁽⁷⁾ AC, HRC, CRCGC (C)				140,000		27,008 ⁽⁸⁾	167,008	31,980 ⁽⁹⁾	198,988	100% in DSUs
Pierre Blouin AC, HRC				140,000		15,000	155,000		155,000	100% in DSUs
Pierre Boivin ⁽¹⁰⁾ RMC, HRC (C)				140,000		32,205 ⁽⁸⁾	172,205		172,205	100% in DSUs
Patricia Curadeau-Grou ⁽¹¹⁾ RMC				72,753			72,753		72,753	100% in DSUs
Gillian H. Denham HRC	70,000			70,000			140,000		140,000	100% in cash
Richard Fortin ⁽¹²⁾ RMC (C), AC				23,207		6,630 ⁽⁸⁾	29,837		29,837	100% in DSUs
Jean Houde Chairman of the Board CRCGC	268,000 ⁽¹³⁾			97,000 ⁽¹³⁾			365,000		365,000	98% in cash and 2% in DSUs ⁽¹⁴⁾
Karen Kinsley AC (C), RMC	70,000	40,000 ⁽⁸⁾		70,000 ⁽⁸⁾			180,000		180,000	100% in cash
Rebecca McKillican HRC				140,000			140,000		140,000	100% in DSUs
Robert Paré CRCGC				140,000			140,000		140,000	100% in DSUs
Lino Saputo, Jr. ⁽¹⁵⁾ RMC, CRCGC (C)				140,000		27,992 ⁽⁸⁾	167,992		167,992	100% in DSUs
Andrée Savoie AC, CRCGC				140,000		15,000	155,000		155,000	100% in DSUs
Pierre Thabet ⁽¹⁶⁾ RMC (C), AC				140,000		33,370	173,370		173,370	100% in DSUs
Louis Vachon ⁽¹⁷⁾	-		-	-			-		-	-
Total							2,213,165			

(C) Committee Chair

4. Director compensation

- (1) This table presents the compensation paid to the Bank's directors for serving on the Board of Directors and on the Board committees of the Bank and its subsidiaries.
- (2) For the purposes of this table, the term "fees" includes all fees awarded, earned, paid, or payable in cash, in particular annual compensation, fees for participating on a Board committee, and fees for chairing the Board or a Board committee.
- (3) For the purposes of this table, the term "share-based awards" includes the portion of director compensation paid in Common Shares or deferred share units, as the case may be. The number of shares granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, i.e., \$62.11 on February 20, 2019; \$63.27 on May 17, 2019; \$61.17 on August 21, 2019; and \$69.75 on November 19, 2019. The number of deferred share units granted is determined by dividing the amount paid by the Bank's Common Share price at the time of each quarterly grant, i.e., \$62.19 on February 15, 2019; \$63.30 on May 15, 2019; \$60.56 on August 15, 2019; and \$69.68 on November 15, 2019.
- (4) For the year ended October 31, 2019, the annual compensation paid for service on the Board of Directors totalled \$140,000, of which \$70,000 was paid in the form of Common Shares or deferred share units, and \$70,000 was paid, at the director's choice, in the form of cash, Common Shares, deferred share units or a combination of all three. Furthermore, the annual compensation paid for Board service also includes the participation on a committee. For more information on this topic, refer to the "Compensation Program" heading in this section of the Circular.
- (5) Aside from the portion of director compensation that must be paid in the form of Common Shares or deferred share units for Board and committee activities, directors may elect to receive the cash portion of their compensation in the form of cash, Common Shares, deferred share units or a combination of all three. This column shows the election made by each director when they received, during the fiscal year ended October 31, 2019, the compensation payable for Board and committee activities.
- (6) The annual compensation paid to Board committee members is additional compensation paid for serving on more than one Board committee. For more information on this topic, refer to the "Compensation Program" heading in this section of the Circular.
- (7) Maryse Bertrand ceased being the Chair and a member of the Conduct Review and Corporate Governance Committee on April 24, 2019 and was appointed a member of the Audit Committee. Her compensation has been prorated accordingly.
- (8) Includes compensation as Committee Chair.
- (9) Maryse Bertrand ceased being a member of the Board of Directors of National Bank Life Insurance Company and Chair of its Ethics Committee on June 21, 2019. She received \$16,223.50 in cash as a member of the Board of Directors, \$2,644.66 in cash as a member of its Ethics Committee, and \$1,168.33 in cash as Chair of its Ethics Committee. Ms. Bertrand also ceased being a member of the Board of Directors of National Bank Trust Inc. and Chair of its Ethics Committee on June 14, 2019. She received \$15,750 in cash as a member of the Board of Directors, \$2,358.70 in cash as a member of its Ethics Committee, and \$914.25 in cash as Chair of its Ethics Committee.
- (10) Pierre Boivin ceased being a member of the Risk Management Committee on April 24, 2019. His compensation has been prorated accordingly.
- (11) Patricia Curadeau-Grou was appointed a member of the Board and a member of the Risk Management Committee on April 24, 2019. Her compensation has been prorated accordingly.
- (12) Richard Fortin ceased being a member of the Board, ceased being the Chair and a member of the Risk Management Committee, and ceased being a member of the Audit Committee on December 31, 2018. His compensation has been prorated accordingly.
- (13) Includes compensation as Chairman of the Board.
- (14) Jean Houde elected to receive the cash portion of his compensation for Board and committee activities in the form of cash while also meeting his obligation, as Chairman of the Board, to receive 25% of his total compensation in the form of, at his discretion, Common Shares or deferred share units.
- (15) Lino Saputo, Jr. was appointed Chair of the Conduct Review and Corporate Governance Committee on April 24, 2019. His compensation has been prorated accordingly.
- (16) Pierre Thabet was appointed Chair of the Risk Management Committee and member of the Audit Committee on January 1, 2019. His compensation has been prorated accordingly.
- (17) 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 value of his performance share units, restricted share units, and options, refer to [Section 7](#) of the Circular.

5.

Governance practices

Governance practices are a set of structures, policies and processes designed to:

- **protect** the interests of Shareholders
- **ensure** sound risk taking
- **ensure** the integrity and ethical conduct of the Bank’s directors, officers and employees
- **detect** and **prevent** conflicts of interest
- **ensure** that directors are independent and possess the relevant competencies

Through these policies and procedures, the Board achieves its objective of sound corporate governance and ensures compliance with the requirements of the Canadian authorities that regulate the Bank, including OSFI, the CSA, and the Toronto Stock Exchange. The Board believes that sound governance provides the foundation for good business and benefits the Bank’s clients, employees and Shareholders.

BOARD OF DIRECTORS

Roles and responsibilities

The Board's responsibilities are based on its duty to monitor and make decisions. To this end, it is responsible, in particular, for overseeing the management of the Bank's commercial and internal affairs and establishes strategic directions in conjunction with management, which in turn ensures the day-to-day management of activities through the President and Chief Executive Officer. Accordingly, the Board is also responsible for advising and guiding senior management and challenging its decisions, strategies and policies.

The Board's main responsibilities		
Approve strategies, objectives and operating plans	Promote appropriate behaviour and a culture of integrity and ethical conduct	Ensure compliance with legislation and regulations in addition to sound governance, including application and oversight of ESG principles throughout the Bank
Ensure risks are managed effectively	Oversee the management of commercial activities and internal affairs	Plan and develop management succession
Ensure transparent and diligent reporting and disclosure of financial information	Develop a compensation approach that maximizes the Bank's competitiveness and favours goal attainment	Ensure that officers and material risk takers comply with ethical and share ownership requirements

The Board develops and approves its own mandate and that of its Chairman. It periodically assesses and reviews the mandates to ensure they remain compliant with applicable legislation and best practices and adequately reflect the duties and responsibilities of the Board and its Chairman.

The Board's main achievements

The Board believes that it has fulfilled its duties in accordance with its mandate. In particular, during fiscal 2019, the Board:

Main achievements	
Strategy and objectives	<ul style="list-style-type: none"> ✓ Regularly discussed strategic initiatives with the President and Chief Executive Officer, Other Executive Officers, and Officers, in particular growth opportunities, customer interest in new digital solutions, acquisition of new customers, data management, technological change, organizational transformation and the impact of the economic and political framework ✓ Reviewed the five-year financial plan, efficiency ratio, capital strategy, operating budget and targets to be achieved ✓ Approved a proposal for a normal course issuer bid ✓ Approved an expanded scope for the Legislative Covered Bonds program ✓ Approved an increase to the international investment envelope ✓ Spoke regularly with Executive Officers about the business plans for their business areas as well as about their achievements and objectives ✓ Participated in the Bank's Strategic Planning Day to speak with the President and Chief Executive Officer as well as with the Other Executive Officers and Officers about the current business plan, risks, and challenges facing the Bank, investor relations, organizational culture and acquisition strategies for certain customer segments ✓ Approved the environmental, social and governance (ESG) accountability framework and principles

Main achievements (cont.)	
Risk management	<ul style="list-style-type: none"> ✓ Reviewed and approved the Bank's risk appetite framework, in particular the risk appetite statements, measures and targets ✓ Conducted a quarterly review of the Executive Vice-President, Information Technology's activity report, including cybersecurity and technology risk management
Financial reporting	<ul style="list-style-type: none"> ✓ Reviewed and approved the dividend declaration proposals ✓ Reviewed and approved the interim condensed consolidated financial statements, the audited annual consolidated financial statements, the annual report, the annual information form, the press releases for dividend declarations and supplementary financial information ✓ Approved the appointment and compensation of the independent auditor
Management, performance, and compensation	<ul style="list-style-type: none"> ✓ Assessed the President and Chief Executive Officer's performance by comparing financial results against annual objectives and key performance indicators and approved the objectives for the following year ✓ Received the President and Chief Executive Officer's report on the performance of the Other Executive Officers and approved their compensation ✓ Received the reports from the risk management, audit, and human resources committees on the performance of the Chief Compliance Officer and the Senior Vice-President, Internal Audit, and approved their compensation ✓ Reviewed and approved the duties and responsibilities of the President and Chief Executive Officer
Succession planning	<ul style="list-style-type: none"> ✓ Reviewed the succession plans for the President and Chief Executive Officer, for the Other Executive Officers, for the heads of the oversight functions, and for the Officers of the Bank and some of its subsidiaries ✓ Reviewed and approved the appointments of new Executive Officers
Compliance with legislation, regulations and policies	<ul style="list-style-type: none"> ✓ Reviewed and approved the Management Proxy Circular and the proxy form for the Annual Meeting of the Holders of Common Shares of the Bank held on April 24, 2019 ✓ Reviewed and approved governance practices ✓ Reviewed and approved the Board Diversity Policy

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



5. Governance practices

Culture of commercial integrity and ethical conduct throughout the Bank

The Board promotes a culture of ethical business and applies it throughout the Bank, specifically the duty to act with honesty and integrity, abide by the law, treat our clients with respect and civility, protect the confidentiality of information, and avoid conflicts of interest.

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

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

Committees, oversight functions and external consultants supporting the Board

To fulfill its mandate, the Board is supported by four committees: the Audit Committee, the Conduct Review and Corporate Governance Committee, the Risk Management Committee, and the Human Resources Committee. It also relies on recommendations made by the four oversight functions (Internal Audit, Risk Management, Compliance, and Finance).

INTERNAL AUDIT OVERSIGHT FUNCTION

The Internal Audit oversight function is the third line of defence in the risk management framework. It is responsible for providing the Bank’s Board and management with objective, independent assurance as well as advice on the effectiveness of the main governance, risk management, and internal control processes and systems and for making recommendations to promote the Bank’s long-term strength.

FINANCE OVERSIGHT FUNCTION

The Finance oversight function is responsible for optimizing management of financial resources and ensuring sound governance of financial information. It helps the business segments and support functions with their financial performance, ensures compliance with regulatory requirements, and carries out the Bank’s reporting to Shareholders and the external reporting of the various units, entities, and subsidiaries of the Bank.

RISK MANAGEMENT OVERSIGHT FUNCTION

The Risk Management oversight function is responsible for identifying, assessing and monitoring—independently and using an integrated approach—the various risks to which the Bank is exposed and for promoting a risk management culture within the Bank. The Risk Management team helps the Board and management understand and monitor the main risks. The Risk Management unit also develops, maintains and communicates the risk appetite framework while overseeing the integrity and reliability of risk measures.

COMPLIANCE OVERSIGHT FUNCTION

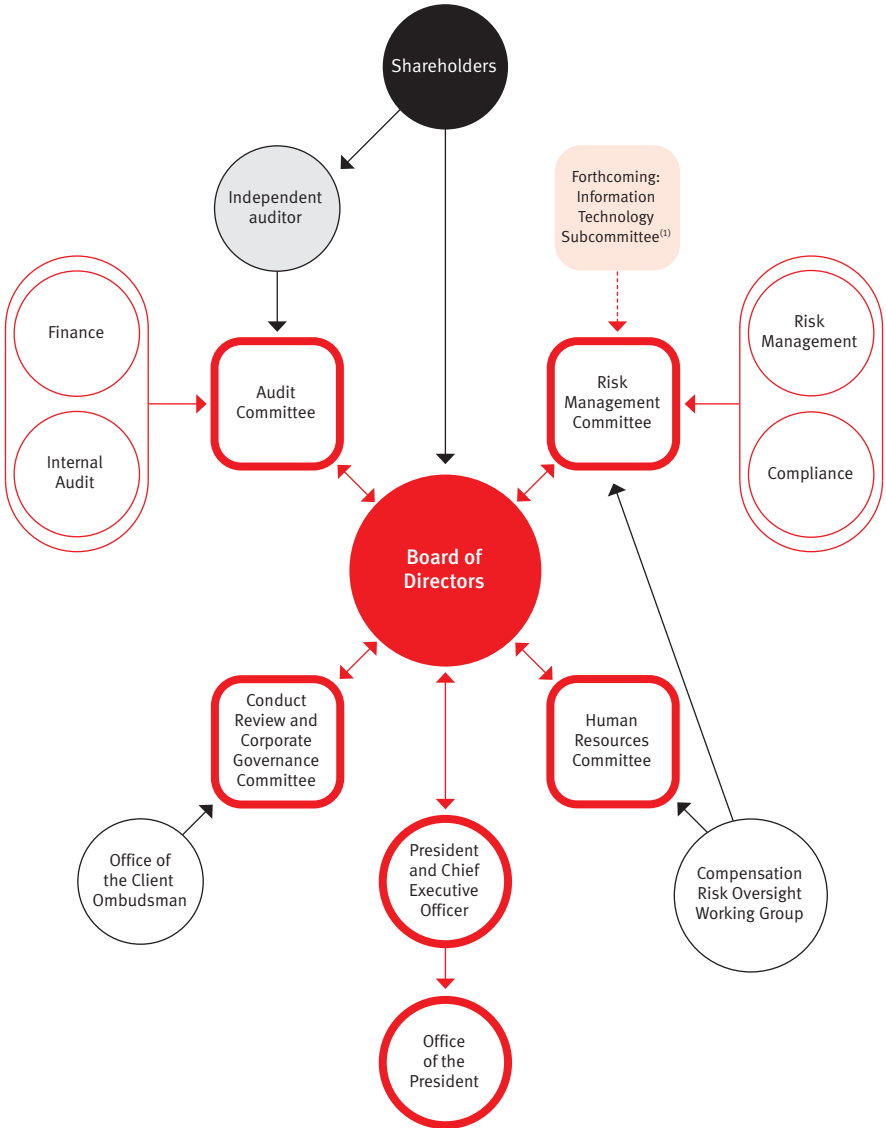
The Compliance oversight function is responsible for implementing a Bank-wide regulatory compliance risk management framework by relying on an organizational structure that includes functional links to the main business segments. It also exercises independent oversight and evaluation of the compliance of the Bank and its subsidiaries with standards and policies on regulatory compliance risk.

The Board and its committees may hire legal counsel or other independent external consultants, define the related mandate, and set the compensation, which is paid by the Bank. Before hiring such consultants, the Board or committee concerned assesses the nature of any other mandates that were previously awarded by the Bank to make sure that the consultants’ independence is not impaired.

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

5. Governance practices

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



The Board’s corporate governance practices are set out in a document available in the Governance subsection under “About Us” on the nbc.ca website.



(1) For more information on the Information Technology subcommittee, refer to the subsection “Committees created by the Board” on page 38.

CHAIRMAN OF THE BOARD

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

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

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

COMMITTEES CREATED BY THE BOARD

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

Based on the recommendations of the Conduct Review and Corporate Governance Committee, the Board approves the mandates of its committees as well as those of the committee Chairs. The committees:

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

Information Technology Subcommittee

In recent years, technology has emerged as an effective tool equipping employees to deliver the best experience to clients while also bringing the importance of data security to the forefront. In light of recent cybercrime incidents in the industry and given the Board of Directors' continuous reflection on governance and emerging risks, a comparative analysis of best technology-related governance practices was conducted. As a result of these efforts, the Board decided to create the IT Subcommittee, which will support the Risk Management Committee in its oversight of the Bank's technology program.

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



SELECTION OF DIRECTOR NOMINEES, ELECTIONS AND OVERSIGHT

Board composition

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

Competencies and selection criteria

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

The Board's expectations for its members, both from an individual standpoint and their contribution to the Board, are set out in the expectations for directors prepared by the Conduct Review and Corporate Governance Committee and approved by the Board.

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

Dedication and integrity	Commitment, rigour and participation	Contribution to the Bank's values and business acumen
<ul style="list-style-type: none"> ✓ Oversee the Bank's interests ✓ Strive to continue improving ✓ Act as ambassadors of the Bank in their sphere of activity and the community in general ✓ Understand their roles and responsibilities, and the related expectations and obligations ✓ Make constructive use of their competencies, experience and influence ✓ Fulfill their responsibilities with integrity, honesty and candour ✓ Comply with the Bank's Code of Conduct and Ethics, and that of any other company where they are directors or executives ✓ Ensure they meet the eligibility criteria set out in the <i>Bank Act</i>, the Bank's own by-laws and any other legislation ✓ Avoid placing themselves in situations of conflict of interest ✓ Treat as confidential all information to which they have access in their duties ✓ Adhere to the Bank's director independence policy 	<ul style="list-style-type: none"> ✓ Devote the time and energy needed to properly discharge their obligations ✓ Prepare adequately for meetings ✓ Attend at least 75% of the meetings to which they are called ✓ Keep their financial competencies up to date ✓ Hold the minimum number of Bank shares and ensure transparency when trading Bank shares ✓ Stay abreast of the Bank's business activities and of any matters or trends that could have an impact on its activities ✓ Participate in the Bank's ongoing education program ✓ Assume responsibility for the decisions made by the Board 	<ul style="list-style-type: none"> ✓ Question the status quo, encourage change and be focused on finding solutions ✓ Contribute to responsible Bank-wide risk management ✓ Demonstrate leadership, show initiative, be proactive and courageous ✓ Manage conflict constructively and work in collaboration with the other directors ✓ Have an entrepreneurial spirit and show interest in innovation ✓ Understand the Bank's vision, strategic orientation, objectives and risks ✓ Demonstrate clear and sound judgment so they can assess opportunities for the Bank ✓ Have sound business judgment ✓ Be capable of thinking critically about the Bank's growth strategies ✓ Lead by example and contribute to the corporate culture ("tone at the top")

For more information about the director nominees, refer to the Summary and Section 3 of the Circular.



5. Governance practices

Director independence

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

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

- ✓ Other than the President and Chief Executive Officer of the Bank, all committee and Board members are independent within the meaning defined by the CSA
- ✓ The Bank's roles of Chairman of the Board and of President and Chief Executive Officer are distinct
- ✓ The directors comply with the *Affiliated Persons (Banks) Regulations* (Canada)
- ✓ During fiscal 2019, the independent directors met in camera, without the Bank's management, at each Board meeting and Board committee meeting, as stated in the agenda of each meeting

Integrity of directors

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

The Conduct Review and Corporate Governance Committee conducts a background and reference check for all director nominees. It does so before they are elected and at least every five years thereafter in accordance with guidelines issued by OSFI. On an annual basis, directors confirm in writing that they do not have a criminal record.

Also on an annual basis, directors agree, in writing, to comply with the Bank's conflict-of-interest standards. They must avoid all real, potential or apparent conflict-of-interest situations with the Bank.

Any director who is party to a contract or has an interest in a material transaction with the Bank must, as soon as possible and in accordance with applicable legislation, disclose the nature and scope of this interest to the Chairman of the Board or to the Chair of the Conduct Review and Corporate Governance Committee. They must leave the meeting during the review of the contract or transaction and refrain from voting on the matter, barring exceptions provided for by applicable legislation.

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

Availability of directors

The Board expects directors to attend the meetings to which they are called and to remain present throughout. Directors are required to attend at least 75% of all the meetings to which they are called, unless the Conduct Review and Corporate Governance Committee deems that factors beyond their control prevented them from doing so. In such cases, the Board may re-evaluate their ability to act effectively as directors of the Bank.

During fiscal 2019, the average attendance rate of director nominees at Board meetings was 99.5%, while the average attendance rate at committee meetings was 97%, and every director nominee attended at least 89% of the meetings to which they were called.

5. Governance practices

Gillian H. Denham, who will not seek a renewal of her mandate as director, attended 93% of the Board's meetings and 100% of the Human Resources Committee meetings to which she was called. For more information about the attendance rate of director nominees at meetings of the Board and its committees in fiscal 2019, refer to [Section 3](#) of the Circular.

Outside directorships

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

None of the director nominees sit on more than two boards of directors of public corporations in addition to the Bank's Board.

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

The Board believes that the fact that a director of the Bank serves on the board of directors of another public corporation does not necessarily interfere with their ability to exercise independent judgment and act in the best interests of the Bank. The Board does not limit the number of boards on which its directors may serve, but it regularly reviews such information to verify each director's ability to properly fulfill his or her role as a Bank director. Members of the Audit Committee may not sit on the audit committee of more than three public companies, including that of the Bank, without prior approval of the Board.

The Bank maintains a list of all the directorships of its directors and director nominees. In its Management Proxy Circular, the Bank discloses the names of the public corporations on whose boards the director nominees currently serve or have served in the past five years.

The following table shows the names of the public corporations that have more than one of the Bank's director nominees serving on their board of directors:

Public corporation	Director	Public corporation committee(s) of which the director nominee is a member or position(s) held by the director
Saputo Inc.	Karen Kinsley	Member of the Audit Committee
	Lino Saputo, Jr.	Chairman of the Board of Directors
Metro Inc.	Maryse Bertrand	Member of the Corporate Governance and Nominating Committee Member of the Audit Committee
	Pierre Boivin	Member of the Corporate Governance and Nominating Committee Member of the Human Resources Committee

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

Change of status

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

DIVERSITY AND REPRESENTATION OF WOMEN ON THE BOARD AND IN MANAGEMENT

The Bank believes that diversity enriches the discussions had by the Board and by management. It recognizes the importance of having a representation among its directors that reflects the diversity of the communities in which the Bank is present and conducts business. Various diversity-related initiatives have been deployed, in particular:

1

Action plans on diversity and inclusion

- The Bank creates action plans to meet the Bank's diversity and inclusion objectives.
- The Executive Officers are committed to executing these action plans in their respective areas.

2

Diversity Working Group

- The Diversity Working Group supports each sector with its diversity challenges and helps to maintain an organizational culture where diversity is a daily reality for all.
- The group is composed of Officers and senior managers from all sectors of the Bank and is chaired by an Executive Officer.

3

Performance indicators and annual report

- The Bank has created tracking indicators and dashboards that provide a monthly snapshot of the diversity situation within the Bank and in each business segment.
- A diversity status report is presented to the Executive Officers and Human Resources Committee such that they can monitor the progress in women's representation being made at the Bank and in each business segment.

4

The Board Diversity Policy

- In December 2018, the Board adopted a new policy regarding diversity on the Board of Directors. Under that policy, the evaluations of new director nominees by the Conduct Review and Corporate Governance Committee are to be guided by an intention to bring together directors whose characteristics represent the communities in which the Bank is present and conducts business, such as gender, age, designated groups⁽¹⁾, sexual orientation, ethno-cultural groups and geography.
- The Board Diversity Policy can be found in the Governance subsection under "About Us" on the nbc.ca website.

(1) Within the meaning in the *Employment Equity Act*, S.C. 1995, c. 44.

Board diversity

When seeking and selecting director nominees, the Board considers the representation of women on the Board and of Board diversity in general. In addition, the Board Diversity Policy includes the Bank's commitment to achieving gender parity among directors and to having women account for at least one-third of Board directors. As such, half of the candidates selected to fill vacant director positions must be women.

It is within such a context that the Bank renewed its support for the Catalyst Accord, an agreement that unites many large companies around a goal of increasing the number of women serving on boards of directors in Canada (at least 30% by 2022).

To reach its diversity goals, the Board relies on tools and processes implemented by the Conduct Review and Corporate Governance Committee during the Board succession planning process. As described above, the Board maintains a list of potential director nominees who satisfy the Board's selection criteria as well as the Diversity Policy principles, including the target for women's representation on the Board and ensuring the candidate pool contains people from the groups mentioned in the Diversity Policy. During fiscal 2019, the Conduct Review and Corporate Governance Committee hired external recruitment advisors to assist in identifying candidates to help achieve the diversity objectives set by the Board. It draws from this list of potential nominees when a director position becomes vacant.

5. Governance practices

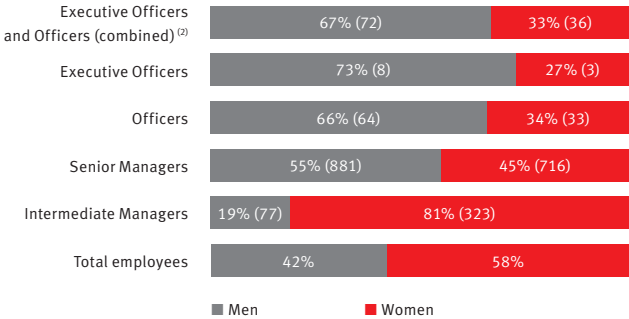
The statistics reveal the results of the Board’s constant commitment and the strategies it has deployed over the years.

- At the date of this Circular, 43% of the Board’s members were women (i.e., 6/14), which exceeds the target set by the Conduct Review and Corporate Governance Committee to have women account for at least one-third of Board directors.
- Half of the nominees selected to fill vacant director positions are women.
- If all the director nominees are elected at the Meeting, 40% of the Board members will be women (i.e., 6/15).
- Since 2015, the women/men representation ratio among the Bank’s director nominees up for election has been stable, remaining between 36% and 43%.

Senior management and management ⁽¹⁾

When appointing candidates to executive positions, the Bank considers the representation of women. On the Circular publication date, women account for **27% (i.e., 3/11)** of the Bank’s Executive Officers and **33% (i.e., 36/108)** of the Bank’s Executive Officer and Officer positions combined.

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



(1) This information is as at December 31, 2019.

(2) Including the officers and executives of its subsidiary (NBF), the representation of women would be 31% (36/115).

5. Governance practices

In the Bank's wealth management business, the deployed strategies are designed to raise the representation of women investment advisors and introduce them to different professions in the investment industry.

More specifically, National Bank Financial Inc. has been deploying strategies designed to improve the representation of women in its workforce and to better reflect the population. In 2019, we celebrated the 10th edition of the Women Investment Advisors' Symposium. Bringing together women from across Canada, the symposium was held outside of Quebec for the first time.

In the Bank's financial markets business, efforts focus mainly on sales functions and manager positions. For these occupational categories, the representation of women has been growing over the past three years. Each year, the Bank's financial markets sector awards scholarships to women students who wish to pursue a career in finance. A unique initiative in the Canadian banking sector, it helps women students to pair up with a mentor and to deepen their knowledge of the financial markets sector.

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

The overall target for representation of women among the Bank's Executive Officers and Officers is 40%. The Bank is focusing its efforts to achieve and maintain this target as part of the 2019 and 2020-2022 three-year diversity plans. The Bank has not set a target for senior management, as there are too few Executive Officers for a realistic target to be set. However, the succession plan is being monitored to ensure the fair representation of women among this group.

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

For a second straight year, the Bank appeared in Bloomberg's Gender-Equality Index. The index recognizes companies committed to advancing equality between the sexes and to transparency in gender reporting.

Here are some examples:

<p>1</p> <p>The impact of unconscious bias in the management cycle</p>	<ul style="list-style-type: none"> • In 2019, we integrated awareness of unconscious bias into the talent management cycle. Having trained HR professionals and leaders over the past few years, we are continuing to roll out the program to Bank employees.
<p>2</p> <p>Creation of employee affinity groups to encourage development and networking</p>	<ul style="list-style-type: none"> • The Bank's Women's Leadership Network, which has chapters in several Canadian cities, was created to connect women in different sectors of the Bank as well as to create networking opportunities and help develop women's leadership throughout the Bank. The Bank's IDEO network is a group of employees from the LGBT+ community. Its goal is to provide information and raise awareness about the Bank's commitment to the LGBT+ community among the Bank's employees and customers as well as to the general public.
<p>3</p> <p>Coaching and mentoring</p>	<ul style="list-style-type: none"> • The Bank offers formal mentoring and coaching programs to its Officers. It puts emphasis on valuing different leadership types and on the participation of women in these programs. In 2019, as part of a pilot project, the Bank launched a mentoring program dedicated to the next generation of women intermediate managers.
<p>4</p> <p>An avenue to further develop our women leaders: Effet A</p>	<ul style="list-style-type: none"> • Effet A is an external program offered by one of our partners and that helps to accelerate the professional development of high-potential women. It's an initiative designed to boost women's professional commitment, inspire their courage to excel, and provide concrete action to support them.
<p>5</p> <p>Representation of women: Action plan and tracking progress</p>	<ul style="list-style-type: none"> • The Bank has set up a three-year plan to reach its women's representation objectives. It conducts an annual succession exercise aimed at achieving its objectives on women representation. And each year, the Bank prepares a profile of the Bank's future women leaders by identifying high-potential employees who could eventually hold Officer positions. A quarterly workforce sector analysis tracks changes in the number of women in these positions. If the objectives are not met, the Bank deploys targeted strategies by business segment to maintain the fair representation of women.
<p>6</p> <p>Partnerships with external recruitment firms</p>	<ul style="list-style-type: none"> • The Bank partners with external recruitment firms to maintain sufficiently diverse pools of qualified candidates to fill Officer positions.
<p>7</p> <p>Program to raise the number of women investment advisors</p>	<ul style="list-style-type: none"> • This program, in place since September 2016, addresses three key issues: <ol style="list-style-type: none"> (1) the low presence of women in the profession (2) reconciliation of work-life balance (3) customer service adapted for women investors • In 2019, the young women's mentorship program grew significantly with more than four times the number of applications compared to 2018.

In 2019, the Bank adhered to the LGBTI Global Standards of Conduct for Business. This past fiscal year, the Bank received the following honours and awards, recognizing the efforts it has made towards diversity and inclusion:

- The Bank appears in Bloomberg's Gender-Equality Index.
- The Bank was ranked one of Indeed's Top-Rated Workplaces.
- The Bank was ranked one of Canada's 100 Best Employers.
 - The Bank was selected as one of Canada's Top Employers for Young People.
 - The Bank was selected as one of Canada's Best Diversity Employers.
 - The Bank was selected as one of Montreal's Top Employers.

Finally, for many years, the Bank has lent financial support to several organizations that raise awareness among businesses regarding the realities facing women in the workplace and the promotion of women at all organizational levels. Such organizations include the Association of Quebec Women in Finance (AFFQ), Catalyst, and Women in Capital Markets (WCM).

5. Governance practices

Succession planning

Succession planning; leadership development and employee engagement are central aspects of the Bank's many talent management strategies. The Bank is capitalizing more on analytics to highlight its findings and to measure the progress of its strategies and their effects on employee experience and client experience.

An annual succession planning process helps the Board to become more familiar with future Executive Officers, support the development of management teams, and help manage workforce risk. During the year, the Board reviewed the succession plans of the President and Chief Executive Officer, the Other Executive Officers, and the heads of the oversight and control functions. It actively participated in reviews, analyses, discussions and reflections on executive successors, and it examined the development plans of key talents whose progress it wishes to oversee. The purpose of these activities is to gain a global view of high-potential successors, to learn more about the candidates selected for succession positions, and to ensure that the Bank's acquisition and development strategies are supporting current and future needs in terms of officer qualifications and diversity. The Board also becomes more familiar with the pool of key successors through an annual report addressing the development and progress of Executive Officer successors as well as through interactions in formal and informal settings.

The Bank believes that developing its leaders is a key part of achieving its One Mission and business strategies. With this in mind, in 2019 the Bank revised its leadership profile, improved the integration of new Officers, and deployed a leadership development program based on peer learning and action. In addition, targeted coaching provides ongoing support for the development of inspiring, effective, and committed management teams.

Identifying, evaluating and nominating directors

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

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

Identifies

1. Sets, and periodically reviews, the criteria used to select directors, thereby ensuring that directors remain in compliance with legislative and regulatory requirements, the description of expectations for directors, the Diversity Policy, and the Board's current and future needs
2. Compiles and annually reviews an evergreen list of potential director nominees who meet the Board's selection criteria. The Committee invites suggestions from other directors, Officers, Executive Officers and Shareholders. If deemed appropriate, the Committee may also hire an external recruitment consultant

Evaluates

3. Evaluates, before recommending a new director nominee to the Board, the nominee's aptitudes, knowledge and competencies relative to the items in point 1 above as well as the extent to which the nominee's background complements those of the other directors
4. Organizes one or more meetings between the candidate and certain Board members to obtain all the relevant information required to evaluate the candidate
5. Examines each candidate's integrity and suitability by obtaining references, checking academic backgrounds, conducting a security check, and assessing any potential conflicts or independence issues
6. Regularly considers potential candidates even when the Board does not have an immediate vacancy

Nominates and re-elects

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

Director nomination by Shareholders

To promote the ability of Shareholders to influence the submission of director nominees for Board election, the Board has developed a proxy access policy. This policy specifies how eligible Shareholders (as defined in the policy) may submit candidates for Board election and have them included in the Bank's management proxy circular and proxy form. The Bank's proxy access policy stipulates that a group:

- consisting of up to 20 Shareholders; and
- holding not less than 5% of the outstanding Common Shares for the last three years (as a registered holder or beneficial owner);
- may present candidates, before the deadline for submitting a Shareholder proposal indicated in the management proxy circular (i) for up to two candidates or (ii) if it is more, a number not to exceed 20% of the total number of directors of the Bank (the "maximum number").

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

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

This description of the proxy access policy is only a summary, is not meant to be exhaustive, is subject to the provisions of the policy and is presented subject to the full text thereof, a copy of which can be found in the Governance subsection under "About Us" on the nbc.ca website. Shareholders interested in submitting candidates under the policy are invited to read the full text of the policy.

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

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

5. Governance practices

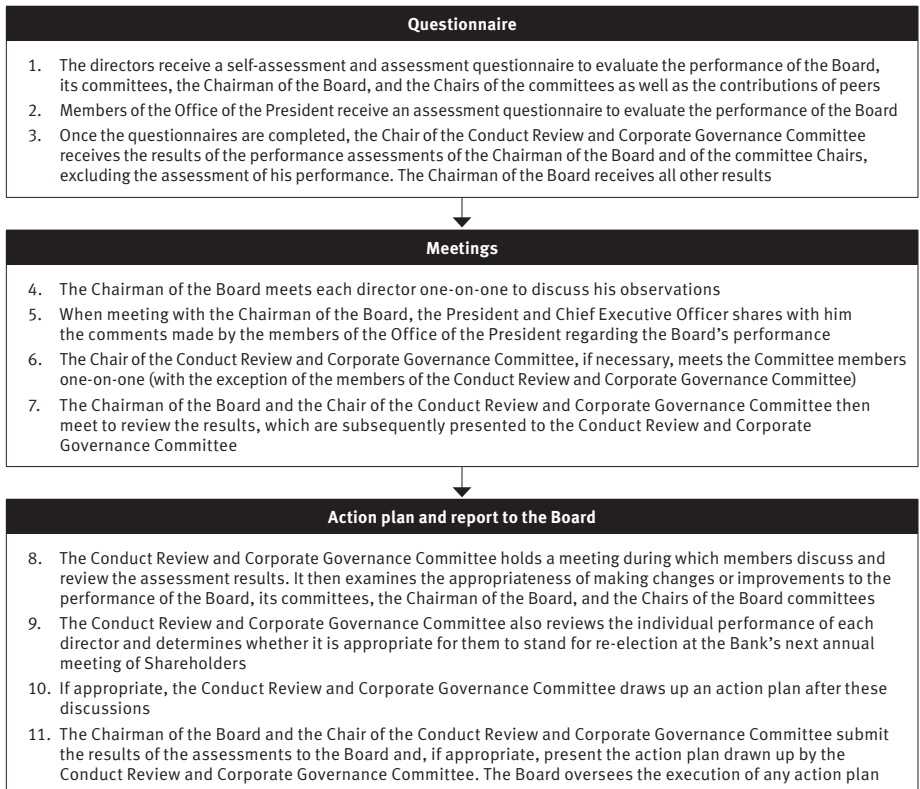
Director tenure and Board vacancies

The Board has adopted the following guidelines:

- **Term of office:** A director’s term usually expires at the close of the annual meeting of the Holders of Common Shares of the Bank that follows the annual meeting in which the director was elected
- **Maximum number of terms:** A director may not renew their mandate past the 12th annual meeting after they were first elected. On the recommendation of the Conduct Review and Corporate Governance Committee, however, the Board may decide, given exceptional circumstances, that it is in the Bank’s best interest for a director who has reached this limit to be able to stand for election once more, for an additional one-year term, up to three additional terms. Such exceptional circumstances have never occurred since these guidelines were adopted
- **Age limit:** There is no age limit
- **President and Chief Executive Officer:** In accordance with the Act, the Bank’s President and Chief Executive Officer must serve on the Board as long as he holds that position

Performance assessment

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



5. Governance practices

The fiscal 2019 performance assessment concluded that the Board and its committees operate effectively and that their members, the Chairman of the Board, and the Chairs of the committees have the necessary knowledge and devote the required time to accomplish their tasks. The assessment process was carried out in accordance with the respective mandates of the Board and the Conduct Review and Corporate Governance Committee.

With a view to continuous improvement, the Board's annual assessment helps to identify improvements that can be made to ensure that the Board remains high-performing and effective. For 2018-2019, as a result of an action plan, tangible improvements were made, including improved management of the Board's priorities, a better production cycle for Board documents, and refinement to the methods used to manage Board composition and succession.

Guidance and continuing education for directors

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

A guidance program for new directors

The Board created a guidance program for new directors following recommendations made by the Conduct Review and Corporate Governance Committee. The program provides new directors with an overview of the Bank to help them better understand its inner operation, activities, and key challenges. The program undergoes review to ensure that it stays aligned with best market practices.

Specifically, new directors receive training and attend mentoring sessions on the role of the Board and its committees and on the role of directors.

New directors are also invited to attend a meeting of each Board committee on which they are not a member and to participate in additional information meetings with Executive Officers as well as with the Chief Compliance Officer and Chief Anti-Money Laundering Officer; the Chief Information Security Officer; the Senior Vice-President, Internal Audit; and the Vice-President, Integrated Risk Management to further deepen their knowledge and understanding of the issues facing the Bank.

Directors' handbook

At all times directors have access to a series of reference documents outlining their duties and the scope of their responsibilities.

Continuing education program for directors

During Board or committee meetings, directors regularly attend presentations and in-depth sessions ("deep dives") given by Bank representatives (or occasionally by external consultants) in order to further enhance their knowledge of areas related to their duties. At least 10% of the time designated annually for regular meetings of the Board is devoted to continuing education. During the year, directors attend presentations given by the heads of each business segment about their strategic issues and business plans. Directors visit branches, subsidiaries, business centres or operations centres.

5. Governance practices

Furthermore, the Bank encourages directors to participate in professional development programs offered 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 for such programs.

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

To help directors stay current with recent developments in the areas of audit, risk management, human resources and governance, they always have access to documentation submitted to Board committees on which they are not members. In addition, the Corporate Secretary from time to time provides them with various articles and publications relevant to the performance of their duties.

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

Training provided by the Bank	Date	Participants
Emerging talent and professions strategy	August and October 2019	Board and HRC
Visit to the Credigy subsidiary	October 2019	Board
Stress testing	August and October 2019	RMC
Credit-risk reduction tools	October 2019	RMC
Third-party risk management	October 2019	AC
Lessons learned: Cybersecurity in the financial industry	August 2019	RMC
Transition to new interbank benchmark rates	August 2019	RMC
Artificial intelligence and data analytics	August 2019	AC
Client segmentation	August 2019	Board
Visits from cybersecurity teams	August 2019	Board
Task Force on Climate-Related Financial Disclosures and disclosure on climate risks	August 2019	AC
Economic update	August 2019	Board
Conflict of interest management	May 2019	CRCGC
Future of digital retail banking	May 2019	Board
IFRS 16 and IFRS 17	February and August 2019	AC
Visit to the remote sales and service centre	February 2019	Board
Financial markets, treasury and global finance training	February 2019	Board
Money laundering and other non-financial risks	February 2019	RMC
Investor relations	December 2018	Board

Training provided by recognized organizations

- | | |
|---|--|
| <ul style="list-style-type: none"> • Risk management oversight • Financial concepts from a governance perspective • Trends in executive compensation • Strategy monitoring • Cannabis legislation • Resilience in times of crisis | <ul style="list-style-type: none"> • Environmental, social and governance responsibility • Board effectiveness • Digital marketing • Global trade agreements and the new Canada-United-States-Mexico Agreement (CUSMA) |
|---|--|

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Bank maintains a trusting and meaningful relationship with the communities in which it operates and with its various stakeholders. The Bank’s social and environmental responsibility strategy is rooted in the new ESG guidelines adopted by the Board, which can be consulted in the [2019 Annual Report](#). The Bank has adopted measures that will further strengthen its commitment in these areas, notably through the signing of the United Nations’ Principles for Responsible Banking, through its support of the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (TCFD), and through the issuance of “sustainability” bonds.

The Bank implements responsible practices that support the Bank’s sustainable development initiatives as well as the communities in which it operates and its various stakeholders.



Environmental

The Board and its committees pay close attention to climate change, in particular by evaluating environmental risks, reviewing ESG practices, and staying apprised of relevant developments on the matter.

For more information about the Bank’s environmental initiatives, refer to the Bank’s [2019 Annual Report](#) and its Social Responsibility Report.



Social

The Bank creates a Positive Impact and contributes to the well-being of the communities in which it operates, in particular through a well-defined donations and sponsorships program, through successful fundraising efforts, and through teams of current and retired employee volunteers who are determined to make a difference. For more information, refer to the Bank’s Social Responsibility Report.

The Board, supported by its committees, ensures that the Bank is committed to the community, stimulates economic development, and promotes diversity and inclusion.



Governance

By ensuring a highly ethical culture, rigorous risk management, and sound governance practices, the Board and its committees help the Bank to create value for its Shareholders as well as for its clients, employees and the communities it serves. For more information on the Bank’s governance practices, refer to the [Statement of Corporate Governance Practices](#).

The Bank’s [Social Responsibility Report](#), published annually, is available in the [Corporate Responsibility](#) subsection under “About Us” on the [nbc.ca](#) website.



SUBSIDIARY GOVERNANCE

Governance at the Bank's subsidiaries is treated with the same diligence and standards as governance at the Bank. As a result, the Corporate Secretary's Office works in an integrated fashion with the Bank and its subsidiaries so that best practices are implemented across all entities. This approach is critical to ensuring a long-term governance strategy that integrates all regulatory requirements and best practices and appropriately assigns responsibility and accountability.

To ensure best governance practices are adopted by its subsidiaries, the Bank has developed a governance framework applicable to subsidiaries. This framework provides the information required for the boards of directors of each subsidiary to apply the necessary oversight and controls, adapted to the business reality and oversight by regulatory authorities, while respecting the Bank's risk appetite.

Board committees, such as the Conduct Review and Corporate Governance Committee and the Risk Management Committee, oversee the governance practices of the subsidiaries and constantly receive information on the topic.

COMMUNICATIONS WITH SHAREHOLDERS AND STAKEHOLDERS

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

In 2018, the Conduct Review and Corporate Governance Committee formally adopted a Shareholder Engagement Policy that clarifies how Shareholders can engage directly with the Board or one of its directors. The Policy can be found in the Governance subsection under "About Us" on the nbc.ca website.

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

As part of the Bank's efforts to promote dialogue with Shareholders, in fiscal 2019 the Chairman of the Board met with several institutional investors to discuss various matters of mutual interest, in particular the Board's approach to Executive Officer compensation, the Board's governance practices, Board succession planning, and Board oversight of strategy and risk management. During that period, at the Board's request, members of the Bank's management team also met with representatives from institutional investors, Shareholder groups, proxy-voting consultants and corporate governance advocacy groups.

5. Governance practices

In addition, the Bank’s annual advisory vote allows Shareholders to express their position on the executive compensation approach presented in the Circular.

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

Type of activity	Speaking for the Bank	Attendees, frequency and purpose
Presentations without transactions, meetings, calls or discussions	Chairman of the Board and other directors at the request of the Chairman of the Board	Attended by key stakeholders with whom the Bank proactively discusses best governance practices
Presentations without transactions, meetings, calls or discussions	Executive Officers and certain Officers	Attended by institutional investors, throughout the year, wherein the Bank provides publicly available information about its activities, operations, and initiatives
Quarterly conference calls and webcasts	Executive Officers and certain Officers	Attended by investors and analysts wherein the Bank presents and comments on the latest published operating and financial results
Press releases	Executive Officers	Press releases issued to the media throughout the year to report any major change involving the Bank
Broker-sponsored conferences	Executive Officers	Presentations made during conferences attended by institutional investors and analysts and covering publicly available information about the Bank and its operations
Investor Day	Executive Officers	Attended by a group of investors and analysts upon invitation; live webcasts and presentations are made available on the nbc.ca website
Meetings, calls and discussions	Investor Relations Department	Attended by brokers, institutional and retail investors, and analysts wherein the Bank provides publicly available information about its financial results

Anyone wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee, or a director, including an independent director, may do so by email to boardofdirectors@nbc.ca or by mail c/o the Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.



PROCEDURE FOR REPORTING IRREGULARITIES

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

This policy can be found in the Governance subsection under “About Us” on the nbc.ca website.



6.

Committees of the Board

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

Together with the Conduct Review and Corporate Governance Committee, the Board develops and approves mandates that set the roles and responsibilities of each committee.

Characteristics of Board committees

Each Board committee:

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

All four committees are confident that, for fiscal 2019, they have fulfilled their responsibilities in accordance with their mandates.

Chairman of the Board

The Chairman of the Board:

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

Experience and competencies of committee members

Each member has the required skills, knowledge and experience to adequately fulfill their duties and effectively contribute to the mandate of the committee(s) on which they serve, or is able to acquire the necessary knowledge and expertise within a reasonable length of time following their appointment.

Most of the directors serve on more than one committee, which helps the committees gain a better overall understanding of the other committee mandates and the challenges facing the Bank's various business lines. For more information about the members of the Board's standing committees during fiscal 2019, refer to [Section 3](#) of the Circular.

For more information

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

[Section 5](#) of this Circular provides additional information about the concepts of "independent director" and "conflict of interest" as well as about the Board committees, in particular their power to retain legal counsel or other independent consultants.

Additional information about the education and experience of the Audit Committee members can be found in the "Information on the Audit Committee" section of the [2019 Annual Information Form](#).



AUDIT COMMITTEE

Members



Karen Kinsley,
Chair



Pierre Blouin



Andrée Savoie



Pierre Thabet



Maryse
Bertrand

- The members of the Audit Committee met five times this past fiscal year to fulfill the responsibilities set out in their mandate.
- Every member of the Audit Committee is "financially literate" as required by *Regulation 52–110 respecting Audit Committees* (RLRQ c V-1.1, r. 28).
- Members of the Committee must not serve on the audit committees of more than three public corporations, including that of the Bank, unless they have obtained prior approval from the Board.
- The independent auditor attended each of the Committee's meetings.
- The Committee met in camera with the Chief Financial Officer and Executive Vice-President, Finance, with the Senior Vice-President, Internal Audit, and with the independent auditor.
- The Committee serves as the audit committee for a designated subsidiary, namely, Natcan Trust Company.

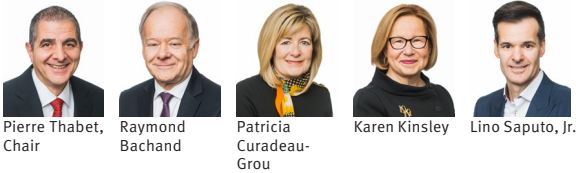
6. Committees of the Board

AUDIT COMMITTEE (cont.)

Main responsibilities	Main achievements Notably, we:
Reviewing the financial statements and Management's Discussion and Analysis and overseeing their integrity	<ul style="list-style-type: none"> ✓ 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 supplementary financial information ✓ reviewed the proposals to declare dividends and made recommendations to the Board ✓ reviewed the dividend reinvestment and share purchase plan ✓ reviewed the financial impact of implementing IFRS 16 and IFRS 17 ✓ performed a quarterly financial review of the cost-efficiency plan
Monitoring the work of the independent auditor and assessing its performance	<ul style="list-style-type: none"> ✓ reviewed the independent auditor's conclusions on the annual consolidated financial statements and discussed the annual and interim condensed consolidated financial statements with the independent auditor ✓ recommended the appointment and compensation of the independent auditor ✓ reviewed and approved the independent audit plan for the fiscal year ending October 31, 2019 ✓ carried out the annual assessment of the effectiveness and contribution of the independent auditor (including its competencies, resources and degree of autonomy), verified its independence, and recommended to the Board that its services as independent auditor be proposed again for the fiscal year ending October 31, 2019 ✓ monitored the application of the guidelines for managing the services provided by the independent auditor and the pre-approval of certain mandates ✓ reviewed the impact of the new independent auditor's report in accordance with Canadian auditing standards
Reviewing the effectiveness of internal control policies and procedures	<ul style="list-style-type: none"> ✓ reviewed the report on internal controls over financial reporting ✓ reviewed the reports on the Bank's compliance with regulatory capital ratios ✓ followed up on the recommendations made by the regulatory bodies ✓ reviewed and updated audit policies, as appropriate
Oversight functions	<ul style="list-style-type: none"> ✓ reviewed and approved the mandates of the Finance oversight function and the Internal Audit oversight function, the nature and scope of their work as well as the annual audit plan ✓ obtained assurance regarding the independence and effectiveness of the Finance oversight function and the Internal Audit oversight function, made sure that they have sufficient resources to fulfill their mandates and responsibilities, and approved their budgets ✓ reviewed the reports of the Senior Vice-President, Internal Audit and ensured that necessary follow-up measures had been taken in response to the main recommendations in these reports ✓ reviewed the internal audit report on the framework for managing risks related to sales practices ✓ reviewed the interim and annual reports produced by the Bank's Chief Compliance Officer regarding the compliance status of the Bank and its subsidiaries, in particular compliance with anti-money laundering and proceeds of crime regulations ✓ assessed the performance of the Chief Financial Officer and Executive Vice-President, Finance as well as that of the Senior Vice-President, Internal Audit and sent our resulting compensation recommendations to the Human Resources Committee and the Board ✓ reviewed the succession plan of the Chief Financial Officer and Executive Vice-President, Finance as well as that of the Senior Vice-President, Internal Audit and sent recommendations to the Human Resources Committee and the Board
Other	<ul style="list-style-type: none"> ✓ reviewed the annual report on litigation against the Bank and its subsidiaries that could constitute a material risk ✓ examined the report prepared by the Task Force on Climate-Related Financial Disclosures (TCFD) ✓ revised its mandate to incorporate the Bank's environmental, social and governance (ESG) practices and strategies ✓ approved and recommended that the CRGC and the Board approve the review of the Committee's mandate

RISK MANAGEMENT COMMITTEE

Members



- The members of the Risk Management Committee met 17 times this past fiscal year to fulfill the responsibilities set out in their mandate.
- The Committee met in camera with the Executive Vice-President, Risk Management and with the Chief Compliance Officer without the presence of management.

Main responsibilities	Main achievements Notably, we:
Monitoring the management of the main risks to which the Bank is exposed, including credit risk, market risk, liquidity and funding risk, operational risk, risk of regulatory non-compliance, reputational risk, strategic risk, environmental risk, as well as emerging risks, including cybersecurity	<ul style="list-style-type: none"> ✓ conducted quarterly reviews of the integrated risk management report, which follows up on risks related to sales practices, among other matters ✓ performed a quarterly review of technological risk, including cyber risks and cybercrime ✓ reviewed the various sensitivity analyses related to credit risk ✓ examined the quarterly report addressing the allowances for credit risk on impaired loans (IFRS 9) ✓ approved and recommended that the CRGC and the Board approve the review of the Committee’s mandate ✓ reviewed the changes and the transition to the new interbank benchmark rates ✓ reviewed the annual report on litigation against the Bank and its subsidiaries that could constitute a material risk ✓ reviewed certain risk management policies ✓ reviewed various client credit files in accordance with the credit approval policies ✓ reviewed and approved the contingency and business recovery plan and the Canadian resolution plan in case of bankruptcy ✓ received information on key changes made to laws, regulations and other rules as well as on material regulatory non-compliance risks ✓ reviewed the annual report on investments ✓ reviewed and approved the methodology used to establish sectoral limits and approved the changes made to certain sectoral limits ✓ reviewed the limit on the international investment envelope and recommended that the Board approve the review ✓ reviewed the governance of the Bank’s main subsidiaries ✓ reviewed the internal audit report on the framework for managing risks related to sales practices ✓ reviewed the independent review of the operational risk oversight function
Reviewing and approving the Bank’s risk appetite framework	<ul style="list-style-type: none"> ✓ approved and recommended that the Board approve the Bank’s risk appetite framework and required the Bank’s management to implement appropriate processes to effectively manage risks

RISK MANAGEMENT COMMITTEE (cont.)

Main responsibilities	Main achievements Notably, we:
Overseeing capital, liquidity and funding management	<ul style="list-style-type: none"> ✓ reviewed and approved the assumptions used for capital stress-testing scenarios ✓ reviewed the implementation of requirements set out in the Basel Accords ✓ reviewed and recommended that the Board approve the capital plan ✓ reviewed the quarterly liquidity management report ✓ examined and approved the funding plan
Oversight functions	<ul style="list-style-type: none"> ✓ reviewed and approved the mandate of the Risk Management oversight function and the Compliance oversight function as well as the nature and scope of their work ✓ obtained assurance regarding the independence and effectiveness of the Risk Management and Compliance oversight functions, made sure that they have sufficient resources to fulfill their mandates and responsibilities, and approved their budgets ✓ reviewed the interim reports on technology risk management ✓ reviewed the interim and annual reports produced by the Bank's Chief Compliance Officer regarding the compliance status of the Bank and its subsidiaries, in particular compliance with anti-money laundering and proceeds of crime regulations ✓ assessed the performance of the Executive Vice-President, Risk Management and the Chief Compliance Officer and sent our resulting compensation recommendations to the HRC and the Board ✓ reviewed the succession plan of the Executive Vice-President, Risk Management and of the Chief Compliance Officer and sent recommendations to the HRC and the Board
Other	<ul style="list-style-type: none"> ✓ conducted quarterly reviews of progress made in the construction of the new head office ✓ reviewed and updated risk management policies, as appropriate ✓ revised its mandate to integrate the Bank's environmental, social and governance (ESG) practices and strategies ✓ approved and recommended that the CRCGC and the Board approve the revision of the Committee's mandate

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

Members

Lino Saputo, Jr.
ChairRaymond
Bachand

Jean Houde



Robert Paré



Andrée Savoie

- The members of the Conduct Review and Corporate Governance Committee met five times this past fiscal year to fulfill the responsibilities set out in their mandate.
- The Committee served as the conduct review committee for a designated subsidiary, namely, Natcan Trust Company.

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE (cont.)

Main responsibilities	Main achievements Notably, we:
Composition and operation of the Board and its committees	<ul style="list-style-type: none"> ✓ 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 and their Chairs ✓ reviewed the updates made to recent regulatory and governance changes and recommended to the Board changes to the Bank's governance practices ✓ reviewed and approved various proposals regarding the functioning of the Board and its committees with a view to improving their effectiveness
Guidance and education for directors	<ul style="list-style-type: none"> ✓ revised the guidance and continuing education program for directors ✓ ensured application of the guidance and continuing education program for directors and suggested training
Assessment of the Board, its committees and directors	<ul style="list-style-type: none"> ✓ reviewed the proposed methodology for assessing the Board and its Chairman, of the committees and the committee Chairs, and of the directors ✓ 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
Succession planning for the directors and Chairman of the Board	<ul style="list-style-type: none"> ✓ reviewed the composition of the Board, Board diversity, the term of office of a directorship, the skills and experience of the Board, and assessed potential director nominees ✓ recommended the appointment of Manon Brouillette and Yvon Charest as directors ✓ engaged an external consulting firm in the process of updating the evergreen list of potential director nominees
Oversight of governance matters	<ul style="list-style-type: none"> ✓ reviewed and recommended that the Board approve the Management Proxy Circular (including replies to the Shareholder proposals received and the proxy form) for the Annual Meeting of the Holders of Common Shares of the Bank held on April 24, 2019 ✓ reviewed the status of the implementation of a formal governance framework for the Bank's subsidiaries ✓ reviewed and recommended that the Board approve the key issues addressed in the Social Responsibility Report ✓ supervised the communication process with the Bank's Shareholders ✓ reviewed the impacts of OSFI's revised guideline on corporate governance ✓ approved and recommended that the Board approve the revised mandates of all Board committees ✓ reviewed and approved the updated directors' skills matrix ✓ reviewed the Bank's conflict-of-interest management practices ✓ reviewed management's plan in the event of a sexual harassment complaint ✓ reviewed the Bank's environmental strategy ✓ reviewed and recommended that the Board approve the environmental, social and governance (ESG) framework and principles ✓ reviewed the Board Diversity Policy ✓ reviewed the list of directors who are part of the Bank's group ✓ reviewed the dividend reinvestment and share purchase plan

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE (cont.)

Main responsibilities	Main achievements Notably, we:
Oversight of review matters	<ul style="list-style-type: none"> ✓ reviewed the reports and policies on management’s implementation and oversight of mechanisms to ensure compliance with the provisions of the <i>Act regarding related party transactions</i> ✓ reviewed the annual and semi-annual report, prepared by the Bank’s Office of the Ombudsman, covering complaints received from customers of the Bank and its subsidiaries ✓ reviewed the report on the application of the Code of Conduct and Ethics
Director compensation	<ul style="list-style-type: none"> ✓ examined the compensation program applicable to Bank directors ✓ reviewed the annual renewal of the liability insurance of directors and officers and the crime insurance for financial institutions
Other	<ul style="list-style-type: none"> ✓ revised its mandate to integrate the Bank’s environmental, social and governance (ESG) practices and strategies

HUMAN RESOURCES COMMITTEE

Members



Pierre Boivin,
Chair



Maryse
Bertrand



Pierre Blouin



Gillian H.
Denham



Rebecca
McKillican

- The members of the Human Resources Committee met seven times this past fiscal year to fulfill the responsibilities set out in their mandate.
- The Committee, with the support of the Compensation Risk Oversight Working Group, notably ensures that the implemented compensation policies and programs are conducive to achieving the Bank’s strategic and financial objectives without compromising its viability, solvency or reputation.

Main responsibilities	Main achievements Notably, we:
Oversight of compensation policies, programs and practices	<ul style="list-style-type: none"> ✓ reviewed the total compensation and talent management strategies ✓ reviewed proposed changes to certain compensation programs, including the Officer compensation program ✓ approved proposed changes to the Corporate Treasury variable compensation program ✓ recommended for Board approval the changes that will be made to the annual Incentive Compensation Program (ICP), which applies to over 11,000 employees, including the Executive Officers for fiscal 2020 ✓ reviewed and recommended for Board approval the compensation of the new member of the Office of the President appointed in fiscal 2019 ✓ approved the short-, mid- and long-term variable compensation envelopes for 2019

HUMAN RESOURCES COMMITTEE (cont.)

Main responsibilities	Main achievements Notably, we:
Performance and compensation management of the President and Chief Executive Officer	<ul style="list-style-type: none"> ✓ approved the variable compensation program performance targets applicable to the President and Chief Executive Officer ✓ reviewed the competitiveness of the target total direct compensation of the President and Chief Executive Officer, and subsequently recommended it for Board approval ✓ assessed the President and Chief Executive Officer's performance based on financial results, annual objectives, and key performance indicators, including ESG criteria, as well as the prudence with which he managed the Bank's operations and the risks to which the Bank is exposed, and reported to the Board
Performance and compensation management of the Other Executive Officers and of the heads of the oversight functions	<ul style="list-style-type: none"> ✓ approved the variable compensation program performance targets applicable to the Other Executive Officers ✓ received the President and Chief Executive Officer's report on the performance of the Other Executive Officers, the prudence with which they managed the Bank's operations and the risks to which the Bank is exposed ✓ reviewed the competitiveness of the target total direct compensation of the Executive Officers, and subsequently recommended that the Board approve the adjustments deemed necessary ✓ reviewed, in collaboration with the Audit and Risk Management committees, the competitiveness of the target total direct compensation of the heads of the oversight functions and subsequently recommended that the Board approve their compensation
Review of the Executive Officers' and Officers' succession and development plans as well as talent engagement, development, and acquisition strategies	<ul style="list-style-type: none"> ✓ reviewed and discussed the Bank's leadership profile ✓ discussed the transformation of the Employee Experience function as it aligns with the Bank's cultural evolution ✓ reviewed the employee experience scorecard, which summarizes various aspects of employee experience such as culture, talent and performance ✓ reviewed the succession plan of the Executive Officers, heads of the oversight functions and Officers of the Bank and its subsidiaries
Oversight of pension plans and employee benefits	<ul style="list-style-type: none"> ✓ reviewed a report on the performance and risk-taking of the Pool Fund and on the application of the investment policy to the Bank's pension plans ✓ approved reviews of the investment policy applicable to the pension plans and of the Retirement Committee's mandate
Communications with Shareholders and compliance with compensation governance standards	<ul style="list-style-type: none"> ✓ reviewed the Bank's Internal Audit oversight function's report on total compensation policies, programs and practices ✓ confirmed that all Executive Officers and heads of the oversight functions were compliant with the Bank's Code of Conduct and Ethics and with its conflict of interest standards
Other	<ul style="list-style-type: none"> ✓ revised and recommended for Board approval a review of the Committee's mandate such that it incorporates the Bank's ESG practices and strategies

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



7.

Executive Officer compensation

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LETTER TO SHAREHOLDERS

This section presents the factors that determine the total compensation offering applicable to Executive Officers as well as key information from the past fiscal year and the compensation granted to the Named Executive Officers. The following pages describe our compensation approach in greater detail.

Solid growth and record profitability

The Bank generated excellent results again in 2019. Across the Bank, we achieved solid business growth and record profitability. Our performance reflects our commitment to delivering consistent value to all stakeholders: clients, employees, shareholders and communities.

In 2019, we generated diluted earnings per share of \$6.34, up 7% from last year, and we met all of our medium-term objectives.

Medium-Term Objectives and 2019 Results	Medium-term objectives	2019 results
Growth in diluted earnings per share excluding specified items	5-10%	7.1%
ROE excluding specified items	15-20%	18.0%
Dividend payout ratio excluding specified items	40-50%	41.6%
CET1 capital ratio	> 10.75%	11.7%
Leverage ratio	> 3.75%	4.0%

Our credit quality is excellent, reflecting our prudent approach to lending. Our transformation translated into further improvements in our efficiency ratio. Again this year, we delivered an industry-leading return on equity of 18.0%.

The Bank's share price reached new highs in 2019, and the Bank is in the unique position of having delivered industry-leading compound annual total shareholder returns for the one-, three-, ten- and twenty-year periods.

Industry-Leading total shareholder returns (CAGR ⁽¹⁾)

For the periods ended October 31, 2019

	National Bank	Canadian Peers ⁽²⁾	TSX	Ranking ⁽³⁾
1 year	18.9%	8.4%	13.1%	#1
3 years	17.1%	9.4%	7.1%	#1
10 years	13.9%	11.4%	7.4%	#1
20 years	15.1%	11.9%	6.8%	#1

(1) Compound annual growth rate

(2) Includes Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Bank of Nova Scotia, and Toronto-Dominion Bank.

(3) Among Canadian banks, as defined above

In 2019, we raised our dividend by 9% and returned \$281 million of additional capital to shareholders through share repurchases.

Two pillars of the Bank's long-term vision: Our employees and our culture

In 2019, we adjusted our mission statement to reflect the rapidly-evolving environment. At the Bank, we put “people first.” We firmly believe that creating sustainable value for all of our stakeholders depends on building long-term relationships with our customers, employees and communities.

Corporate responsibility and ethical standards have always been an integral part of the Bank's culture. The Board recognizes the growing importance of incorporating ESG criteria into our business and operating decisions. In 2019, we made considerable progress in this area, having created the Bank's ESG principles and having them adopted by the Board.

Evolution of practices and programs

As announced in our last Circular, as of November 1, 2018, all Executive Officers share common performance objectives and participate in the same annual Incentive Compensation Program (ICP), which promotes strong alignment in carrying out our One Mission.

Since November 1, 2019, we passed another important milestone in our transformation, as all Officers now share a single scorecard with common objectives.

To support this transformation, numerous initiatives were implemented in 2019.

- All employees underwent an assessment in which behaviours favoured by the Bank and annual objectives each represented 50% of annual performance.
- Various changes were made to the ICP formula for fiscal 2020. Specifically, a second client experience metric was added to the ICP calculation formula, increasing the weighting of the client experience factor from 10% to 20%. The efficiency ratio was replaced by operating leverage, with a relative weighting of 10%. Operating leverage more clearly expresses operational progression and is also better understood by employees. Finally, the ANI weighting decreased from 75% to 70%. This new short-term compensation program is a strong symbol of the transformation and will play a key role in our collective success.
- Finally, in 2019, several initiatives were undertaken to review the variable compensation programs of certain employee groups to ensure alignment with our One Mission and promotion of desired behaviours, with an increased emphasis on customers and on collaboration among sectors.

In 2019, the Executive Officers looked into strong symbols that would tangibly mark our daily processes, starting with themselves. The first symbol was the adoption of common objectives aligned with the One Mission. Throughout the year, many efforts were made to ensure that this One Mission would unite not only the Executive Officers but all Officers.

Changes within the Office of the President

In 2019, some changes were made within the Office of the President. These changes were made further to a rigorous succession planning and development process.

- Laurent Ferreira became Executive Vice-President and Co-Head, Financial Markets effective November 1, 2018.

7. Executive Officer compensation

- Following a successful 16-year career at the Bank, the Chief Transformation Officer and Executive Vice-President, Ricardo Pascoe, announced his retirement. To ensure the Bank's continued transformation, the transformation mandate was assigned jointly to Laurent Ferreira and Denis Girouard, Co-Heads, Financial Markets, and Executive Vice-Presidents.
- Nathalie Généreux was appointed Executive Vice-President, Operations, effective November 1, 2019. As a result of this appointment, Brigitte Hébert, formerly Executive Vice-President, Employee Experience and Operations, will now focus only on employee experience.

Compensation of the President and Chief Executive Officer

After conducting a review, the Board and the Human Resources Committee did not make any changes to the target total direct compensation of the President and Chief Executive Officer for fiscal 2019. Given the Bank's fiscal 2019 performance, the President and Chief Executive Officer was granted direct compensation (including mid-term and long-term compensation) that was slightly below the target, i.e., 97.0% of target. The amount granted represents a 5.4% decrease in total compensation paid compared to 2018, which is explained by the ICP results, which reached 86% of target in 2019 compared to 112% of target in 2018.

Risk management culture

The Board champions a strong risk management culture, strengthened through active compliance, controls, and audits across all business lines. The Board assesses the soundness of business opportunities against the Bank's risk management framework, which considers both financial and non-financial risks.

In 2019, cybersecurity remained a priority for the Board, and the Bank continued to make significant investments in this critical aspect of our industry. Protecting client information is of the utmost importance, and risk-reduction strategies are continually being assessed by the Board.

This past fiscal year, the Human Resources Committee and the Compensation Risk Oversight Working Group paid particular attention to the changes to the compensation programs for 2019 and for the future.

Conclusion

The Bank appreciates receiving feedback from Shareholders and periodically communicates with its investors, Shareholder associations, and regulatory authorities about its approach, strategy and governance with regard to Executive Officer compensation.

We believe that our compensation approach, on which you are invited to vote, and that our compensation-related decisions adhere to our guiding principles on compensation and, as such, achieve the right balance between earning the loyalty of talented and qualified Officers, tying compensation closely to performance, promoting sound risk taking, and aligning the interests of Executive Officers with those of Shareholders.

For more information about the Bank, in particular information on Executive Officer compensation, we refer you to the following pages of the Circular.



Jean Houde
Chairman of the Board of Directors



Pierre Boivin
Chair of the Human Resources
Committee

GUIDING PRINCIPLES FOR COMPENSATION

To create value for Shareholders, Executive Officers and Officers must make decisions that help the Bank reach its financial and share price performance objectives over the short-, medium- and long-term periods and meet non-financial objectives such as client satisfaction. They must also make decisions that are in the financial interests of the Bank and its Shareholders. The compensation policy developed by the Bank and its Human Resources Committee is based on the four guiding principles described below.

1 Pay for performance

- Reward Executive Officers and Officers for their particular contribution to annual results and motivate them to maintain their performance over time in order to grow long-term value for Shareholders.
- Offer short-, mid- and long-term variable compensation programs based on various complementary financial and non-financial metrics.

2 Promote sound risk taking

- Offer Executive Officers, Officers and material risk takers variable compensation programs that encourage them to comply with the Bank's risk tolerance limits and to properly manage other types of risk.
- Include specific measures to balance risk and return in order to meet regulatory and prescriptive requirements as well as to ensure the Bank's sustainability.

3 Reward contribution

- Ensure competitive total compensation relative to that offered by organizations that make up the Bank's peer group.
- Ensure that total compensation reflects the level of responsibility, expertise, competence and experience.
- Reward Executive Officers and Officers for their contributions towards the achievement of objectives and the Bank's success.

4 Align vision with that of Shareholders



- Ensure that a significant portion of the variable compensation of Executive Officers, Officers and material risk takers is share-based.
- Reward Executive Officers and Officers based on the Bank's total shareholder return result compared to that of the other banks.
- 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 coherent balance between expected performance, prudent risk management, and compensation offered.



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

The Bank’s goal is to be a leader in compensation strategies and in compensation governance practices. Below is an overview of the compensation practices that the Bank applies or does not apply.

1. Pay for performance



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

2. Promote sound risk taking



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

7. Executive Officer compensation

3. Reward contribution

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

4. Align vision with that of Shareholders

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

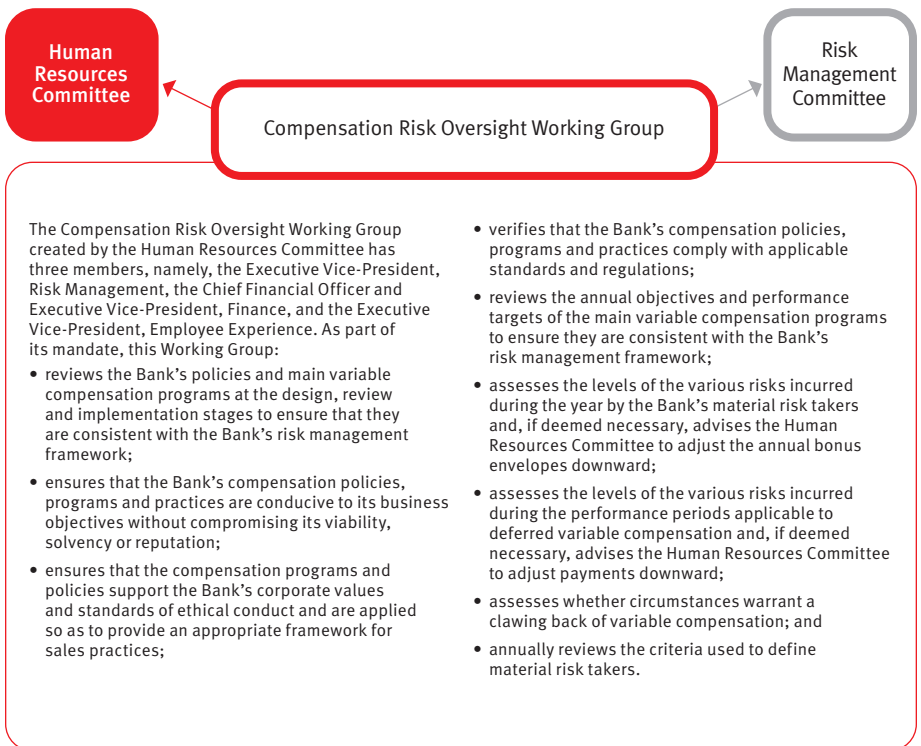
COMPENSATION GOVERNANCE

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

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

As part of its compensation risk oversight role, the Human Resources Committee must ensure that compensation policies and programs do not induce Executive Officers, Officers, material risk takers and employees in general to take risks that exceed the Bank's risk tolerance limits or risks that could damage the Bank's reputation. The Human Resources Committee fulfills this significant role with the support of various stakeholders, particularly the Compensation Risk Oversight Working Group. The Committee also ensures that the Bank complies with the principles of the FSB.

The following diagram shows the interactions between the Compensation Risk Oversight Working Group and two of the committees set up by the Board to which certain powers have been delegated, including oversight of compensation risks. For more information about the interactions among the committees, the oversight functions, and the Board, refer to the diagram on [page 37](#).



Human Resources Committee

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

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

Competencies of Committee members

In accordance with best governance practices, the Committee is made up entirely of independent directors. All Committee members have the competencies required to make decisions on the Bank's compensation policies and practices. These competencies were gained from the experience they acquired in current or former leadership positions, in particular in their capacities as chief executive officers or senior officers at other major corporations or as members of boards of directors or through their educational background.

For more information about the experience of each Committee member as well as their role and education, refer to the individual biographies provided in [Section 3](#) of this Circular. For more information about the continuing education of the Bank's directors, refer to pages [49](#) and [50](#).

Maryse Bertrand and Pierre Blouin serve on some of the Bank's other Board committees, which helps the Committee make informed decisions on the alignment of compensation policies and practices within the Bank as well as its alignment with sound risk management principles and practices. In addition, both directors as well as Pierre Boivin and Gillian H. Denham have all served as members or Chairs of human resources committees at other businesses or institutions.

Training and self-evaluation

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

Collaboration with other sectors of the Bank

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

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

Monitoring implementation of compensation policies and programs

In exercising its duties, the Bank’s Employee Experience unit oversees the implementation of policies and of all the variable compensation programs of the Bank and its subsidiaries.

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

Measure	Description
Anti-hedging policy	Policy prohibiting Executive Officers, Officers and employees from purchasing financial instruments designed to hedge or offset a decrease in market value of equity securities granted as compensation or held directly or indirectly by the Executive Officer, Officer or employee.
Variable compensation deferment	A portion of the annual bonuses of certain Executive Officers, Officers and Financial Markets specialists who may have a considerable impact on the Bank’s risk profile is deferred over three years.
Variable compensation clawback policy	Policy entitling the Bank to cancel and claw back not only the deferred portion but also all of the variable compensation awarded to Executive Officers and Officers and Financial Markets specialists in specific circumstances, i.e., when any of the following scenarios arises: <ul style="list-style-type: none"> – an employee has engaged in dishonest actions or unethical behaviour in the course of his/her employment; – an employee has failed to comply with policies, rules or procedures during the fiscal year or thereafter (for up to three years); or – a unit’s financial results must be materially restated and reissued and employee compensation is based on those results.
Independent analysis of Internal Audit	Each year, Internal Audit submits to the Compensation Risk Oversight Working Group and the Human Resources Committee the results of its independent analysis designed to detect any material differences between the Bank’s compensation policies, programs and practices and the principles and standards issued by the FSB. Furthermore, the Internal Audit oversight function’s analysis aims to detect any material differences between compensation paid and compensation payable under the Bank’s total compensation policies and programs.

7. Executive Officer compensation

Share ownership requirements

Requirements designed to tie the long-term interests of Executive Officers, Officers, and certain Financial Markets specialists with the interests of Holders of Common Shares and to discourage them from taking undue and excessive risks.

- The incumbents in the Covered Positions must maintain minimum holdings of Common Shares of the Bank, including non-vested RSUs, non-vested PSUs, vested and non-vested DSUs, and the increase in value of vested (but unexercised) in-the-money stock options, given that this minimum holding must be proportional to the compensation received and given that it is based on the position held
- The Human Resources Committee regularly monitors adherence to the minimum share ownership requirement

Minimum ownership requirements

- The minimum holding amount represents a multiple of the previous three years' average base salary

Position	Multiple of previous three years' average base salary
President and Chief Executive Officer *	7 times
Other Executive Officers	4 times
Officers and certain specialists in the Financial Markets segment	2 to 3 times
Senior Vice-Presidents (or equivalent)	2 times
Vice-Presidents (or equivalent)	1 time

* In addition, the President and Chief Executive Officer must also maintain the share ownership requirements for a period of one year following his retirement

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 with the share ownership requirements at all times. If, for any reason, there is a gap, the individuals must refrain from selling their Common Shares of the Bank and from exercising their vested stock options (unless the Common Shares are kept) until such time as the minimum requirements are once again met

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

COMPENSATION DECISION-MAKING

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



1. Setting a competitive total compensation offering

Determining the components of the compensation offering

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

	Components (time horizon)	Why do we offer this component and method of payment?
Direct compensation	Base salary (ongoing)	<ul style="list-style-type: none"> – Rewards level of responsibility, expertise, competence and experience – Paid in cash
	Short-term variable compensation (1 year)	<ul style="list-style-type: none"> – Rewards achievement of key annual financial and non-financial objectives – Paid in cash
	Mid-term variable compensation (3 years)	<ul style="list-style-type: none"> – Rewards the creation of sustainable value for Shareholders – Awarded in the form of PSUs or RSUs
	Long-term variable compensation (10 years or until termination/retirement)	<ul style="list-style-type: none"> – Rewards sustained long-term growth in Common Share price – Awarded in the form of stock options and DSUs
Indirect compensation	Employee benefits and perquisites (ongoing)	<ul style="list-style-type: none"> – Provides employees and their families with assistance and security – Completes the total compensation offered to Executive Officers and Officers
	Pension plan (long-term)	<ul style="list-style-type: none"> – Encourages long-term retention of employees by rewarding their continued service and contributing to their retirement income

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

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 is adjusted downward to reflect the Bank's specific characteristics, notably its relative size. The peer group used to establish the compensation value varies according to the Bank's business lines. For Executive Officers, the peer group for 2019 is unchanged from the one used in 2018. It consists of the following banks and financial institutions:

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

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

Members of the peer group	Revenues (M\$)	Net income attributable to Holders of Common Shares (M\$)	Net income / revenue ratio	Market capitalization (M\$)	Number of employees (thousands)
Canadian Imperial Bank of Commerce ⁽¹⁾	18,611	4,985	27%	50,016	45.2
Bank of Montreal ⁽¹⁾	22,774	5,547	24%	62,322	45.5
Royal Bank of Canada ⁽¹⁾	41,917	12,591	30%	151,933	82.8
Power Financial Corporation ⁽²⁾	14,957	2,245	15%	18,445	27.5
Sun Life Financial Inc. ⁽²⁾	12,654	2,522	20%	27,106	37.0
The Canada Life Assurance Company (formerly Great-West Lifeco Inc.) ⁽²⁾	11,964	2,961	25%	27,834	24.2
iA Financial Group (formerly Industrial Alliance and Financial Services Inc.) ⁽²⁾	3,920	613	16%	4,731	6.9
The Bank of Nova Scotia ⁽¹⁾	31,034	8,208	26%	91,857	101.8
The Toronto-Dominion Bank ⁽¹⁾	38,278	11,416	30%	136,273	90.0
Manulife Financial Corporation ⁽²⁾	23,038	4,632	20%	38,178	34.0
National Bank of Canada ⁽¹⁾	7,432	2,140	29%	22,730	24.6

(1) The information is as at October 31, 2019.

(2) The information is as at December 31, 2018.

Each year, the Human Resources Committee reviews the competitiveness of the target total direct compensation of Executive Officers. The Committee examines the results of compensation studies prepared by an independent external consultant mandated for that purpose. It receives the recommendations of the President and Chief Executive Officer, the Audit Committee, and the Risk Management Committee for the compensation of Other Executive Officers and the heads of the oversight functions, and then conducts its own review in order to make its recommendations to the Board.

7. Executive Officer compensation

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

Independent external consultants

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

In keeping with sound governance practices, the Human Resources Committee sets guidelines for awarding mandates to external consultants. These guidelines notably require external consultants to be independent from Executive Officers. They also enable the Committee to select those it considers the most qualified to carry out the mandates.

All contracts awarded for work related to Executive Officer compensation are approved in writing by the Chair of the Human Resources Committee.

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

Korn Ferry (formerly known as Hay Group):

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

Hugessen:

Several compensation initiatives were implemented this past fiscal year. Furthermore, the Human Resources Committee retained the services of Hugessen Consulting on an ad hoc basis to examine certain aspects of Officer compensation.

The following table presents the fees paid to Korn Ferry and Hugessen Consulting in the past two fiscal years.

Independent external consultants	Fiscal 2019			Fiscal 2018		
	Executive compensation – Related fees	Other fees	Total	Executive compensation – Related fees	Other fees	Total
Korn Ferry	\$156,483 74%	\$53,826 ⁽¹⁾ 26%	\$210,309 100%	\$128,408 70%	\$55,763 ⁽¹⁾ 30%	\$184,171 100%
Hugessen Consulting	\$74,705 100%	– 0%	\$74,705 100%	– 0%	– 0%	– 0%
Grand total	\$231,188 81%	\$53,826 19%	\$285,014 100%	\$128,408 70%	\$55,763 30%	\$184,171 100%

(1) Total costs related to the Bank's participation in compensation surveys for employees who are not Officers (2018 and 2019).

2. Setting performance objectives and assessing performance

The Bank is constantly fine-tuning its performance management approach in order to further strengthen synergy across business lines, improve team performance, and facilitate learning and skills development to ensure the best client and employee experience. In line with the Bank's Board-approved business plan, the Human Resources Committee examines—and the Board approves—the annual objectives of the President and Chief Executive Officer at the beginning of each year. Effective November 1, 2018, the approved objectives for the President and Chief Executive Officer apply to all Executive Officers, who share a single scorecard with common objectives. These objectives support the financial and non-financial indicators used to balance the interests of the Bank's various stakeholders: Shareholders, employees, clients and the community.

To further strengthen alignment as we carry out our One Mission, a single scorecard with common objectives will be used for all Officers in 2020, as is already the case for the Executive Officers.

Since 2019, all employees have been subject to an assessment wherein the Bank's preferred behaviours and annual objectives each accounted for 50% of annual performance. When assessing the performance of the President and Chief Executive Officer and other Executive Officers, the Board makes sure to consider all the fundamental pillars on which the Bank's social strategy is built. Accordingly, the Board ensures that ESG criteria are effectively incorporated into the Bank's business and operating decisions.

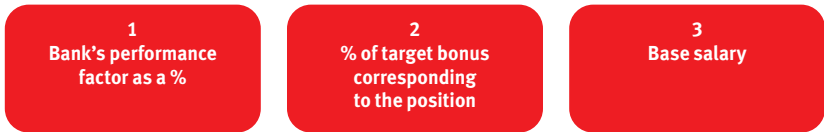
The Bank's Executive Officers are expected to be continually engaged in discussions with the Board, to keep it informed on the changes and the performance of their segments as well as the strategic initiatives they oversee.

3. Granting variable compensation

Creation of envelopes

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

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



As approved by the Board and described in more detail in the Short-Term Variable Compensation section on [page 79](#), three measures were used to set the Bank's performance factor for fiscal 2019:

- Available net income (ANI)
- Efficiency ratio
- Client satisfaction (net promoter score)

The Board has discretionary power to adjust variable compensation envelopes upward or downward as it deems necessary. Such adjustments would be necessary if the result of the bonus formula did not reflect all relevant factors, such as performance, risks, or any unforeseen situation that occurred during the year.

Adjusting annual variable compensation envelopes as necessary

The Bank is always striving to more closely align the potential impact of all types of risks with the compensation of Executive Officers, Officers, and material risk takers from all other sectors of the Bank, as required by the FSB and OSFI. The Bank provides the Human Resources Committee with discretionary power to adjust, as it deems necessary, the annual variable compensation envelopes downward. In order to avoid decisions based essentially on judgment, the Compensation Risk Oversight Working Group uses a scoring grid, jointly developed by the Internal Audit, Risk Management, and Compliance sectors, that flags the main potential sources of significant risk, both internal (related to decision making) and external (related to business conditions). The assessment considers credit, market, liquidity, financing, operational, regulatory non-compliance, reputational, strategic and environmental risks.

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

Assessing performance and approving awards

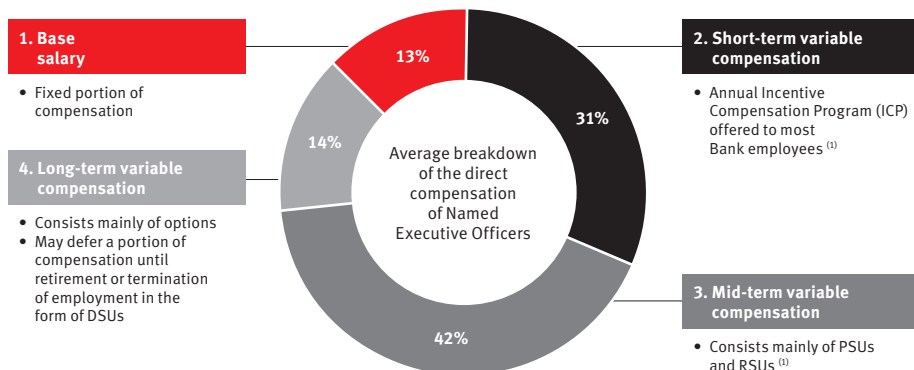
Following the creation of these envelopes, the final step in the award process consists of an individual and business line performance evaluation of the Executive Officers against the objectives set out at the beginning of the fiscal year. After considering the recommendations made by the Human Resources Committee and the President and Chief Executive Officer for the other Named Executive Officers, the Board approves the short-, mid- and long-term variable compensation awards. The fiscal 2019 awards approved for each Named Executive Officer are presented on [pages 84](#) to 90 of the Circular.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

This section presents information on target total direct compensation and on the compensation awarded to Named Executive Officers for the fiscal year ended October 31, 2019.

Named Executive Officers
Louis Vachon President and Chief Executive Officer
Ghislain Parent Chief Financial Officer and Executive Vice-President – Finance
Denis Girouard Executive Vice-President and Co-Head – Financial Markets
Laurent Ferreira Executive Vice-President and Co-Head – Financial Markets
Martin Gagnon Co-President and Co-Chief Executive Officer, National Bank Financial; Executive Vice-President – Wealth Management

Components of target total direct compensation



	2019 target total direct compensation				2019 compensation granted	2018 compensation granted
Louis Vachon	14.3%	21.4%	42.9%	21.4%	\$7,875,000	\$7,638,796
Ghislain Parent	20.4%	26.5%	32.7%	20.4%	\$2,205,000	\$2,123,129
Denis Girouard ⁽¹⁾	7.3%	37.2%	48.6%	7.1%	\$6,312,500	\$5,691,126
Laurent Ferreira ⁽¹⁾	7.1%	37.2%	48.6%	7.1%	\$6,312,500	– ⁽²⁾
Martin Gagnon	15.7%	33.1%	35.5%	15.7%	\$3,016,250	\$2,876,645

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

(1) A portion of the annual bonus of Denis Girouard and Laurent Ferreira is deferred in the form of RSUs. At least 60% of their variable compensation must be deferred.
(2) Laurent Ferreira was not a Named Executive Officer of the Bank.

1. BASE SALARY

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

2. SHORT-TERM VARIABLE COMPENSATION

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

ANNUAL INCENTIVE COMPENSATION PROGRAM (ICP)




<p>Features / reasons for payment</p>	<ul style="list-style-type: none"> • For Executive Officers and most Officers and employees, the ICP is designed to: <ul style="list-style-type: none"> – Strengthen the value of cooperation among all sectors – Encourage employees to: <ul style="list-style-type: none"> › generate sustained and growing earnings, year after year › accelerate the organizational transformation › improve client satisfaction – Share part of that success with employees – Recognize and reward employees whose performance exceeds expectations 														
<p>Financial indicators</p>	<table border="1"> <thead> <tr> <th data-bbox="317 746 450 778">Indicator</th> <th data-bbox="466 746 850 778">Definition</th> <th data-bbox="850 746 971 778">Weighting in total result</th> </tr> </thead> <tbody> <tr> <td data-bbox="317 794 450 850">Available net income (ANI)</td> <td data-bbox="466 794 850 850">Net income less dividends on preferred shares and the amount attributable to non-controlling interests</td> <td data-bbox="850 794 971 850">75%</td> </tr> <tr> <td data-bbox="317 866 450 938">Efficiency ratio</td> <td data-bbox="466 866 850 938">Ratio that expresses non-interest expense excluding specified items as a percentage of total revenue on a taxable equivalent basis and excluding specified items</td> <td data-bbox="850 866 971 938">15%</td> </tr> <tr> <td data-bbox="317 938 450 1002">Client satisfaction (net promoter score)</td> <td data-bbox="466 938 850 1002">Measure of client loyalty</td> <td data-bbox="850 938 971 1002">10%</td> </tr> </tbody> </table>	Indicator	Definition	Weighting in total result	Available net income (ANI)	Net income less dividends on preferred shares and the amount attributable to non-controlling interests	75%	Efficiency ratio	Ratio that expresses non-interest expense excluding specified items as a percentage of total revenue on a taxable equivalent basis and excluding specified items	15%	Client satisfaction (net promoter score)	Measure of client loyalty	10%		
Indicator	Definition	Weighting in total result													
Available net income (ANI)	Net income less dividends on preferred shares and the amount attributable to non-controlling interests	75%													
Efficiency ratio	Ratio that expresses non-interest expense excluding specified items as a percentage of total revenue on a taxable equivalent basis and excluding specified items	15%													
Client satisfaction (net promoter score)	Measure of client loyalty	10%													
<p>Grant</p>	<ul style="list-style-type: none"> • Individual bonuses are awarded based on: <ul style="list-style-type: none"> – the extent to which the Bank meets its financial objectives and client satisfaction score – position level – individual results attained – an assessment of leadership behaviour and adherence to the Bank's values – compliance with the Bank's risk appetite in achieving results 														
<p>Payment</p>	<ul style="list-style-type: none"> • Bonuses are paid annually in cash and reflect performance metric results as well as grant criteria. Envelope creation can range between 0% and 200% • The Board has discretionary power to adjust variable compensation envelopes upward or downward as it deems necessary. Such adjustments would be necessary if the result of the bonus formula did not reflect all relevant factors, such as performance, risks, or any unforeseen situation during the year • The Compensation Risk Oversight Working Group reviews the levels of the various risks incurred during the year and, if deemed necessary, advises the Human Resources Committee to adjust the annual bonus envelopes downward 														
<p>Clawback of variable compensation</p>	<ul style="list-style-type: none"> • In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in specific circumstances 														

7. Executive Officer compensation

Calculating the short-term compensation (ICP) performance factor for fiscal 2019

Three measures were used in the fiscal 2019 ICP calculation formula: Available net income attributable to Holders of Common Shares, the efficiency ratio, and net promoter score. These measures are described on [page 79](#).

The Human Resources Committee approved the creation of annual bonus envelopes at 86% for all Officers to whom the ICP formula applies, as presented below:

Performance measure	Weighting	Fiscal 2019			Result for compensation purposes (% of envelope creation)	Weighted result (rounded)	Fiscal 2018
		Threshold (0%)	Target (100%)	Maximum (200%)			Result for compensation purposes ⁽¹⁾
Available net income attributable to Holders of Common Shares	75%	\$1,762M	\$2,203M	\$2,644M	\$2,146M (87%)	65%	\$2,057M
							
Efficiency ratio	15%	55.6%	54.1%	52.6%	54.5% (73%)	11%	54.6%
							
Client satisfaction (net promoter score) ⁽²⁾	10%	0%	100%	200%	(97.5%) ⁽²⁾	10%	–
							
Overall performance of the Bank						86%	

For fiscal 2019, the Bank reported available net income attributable to Holders of Common Shares of \$2,140 million. However, for the purposes of the annual bonus program, the Board approved the Human Resources Committee's recommendation to exclude, as in past years, all specified items, which resulted in a \$6 million, net of tax, upward adjustment to net income. As a result, the final available net income attributable to Holders of Common Shares used for compensation purposes was \$2,146 million.

No further adjustments were made as a result of the Board's use of its discretionary authority.

The fiscal 2019 annual bonuses approved for each Named Executive Officer are presented on [pages 84](#) to [90](#) of the Circular.

- (1) Results excluding specified items.
- (2) Not reportable as the Bank considers this information to be competitively sensitive. In addition, given that the Bank has decided to gradually implement the metric such that it can be aligned across the organization over time and considering the evolving context, comparing the targets set from one year to the next is difficult.

3. MID-TERM VARIABLE COMPENSATION

The purpose of mid-term variable compensation is to align the vision and expectations with respect to Executive Officers and Officers with those of Shareholders on a three-year horizon.

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

(1) Royal Bank of Canada, The Toronto-Dominion Bank, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Bank of Montreal, Canadian Western Bank, and Laurentian Bank of Canada.

(2) The period of PSUs granted in 2016 and vested in 2019 by Executive Officers resulted in a relative TSR above that of the banks included in the comparator group. Consequently, a PSU payment with a performance factor of 123.9% was awarded to participants.

4. LONG-TERM VARIABLE COMPENSATION

The purpose of long-term variable compensation is to align the vision and expectations with respect to Executive Officers and Officers with those of Shareholders on a long-term horizon, i.e., ten years for stock options and up to retirement or departure for DSUs.

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

7. Executive Officer compensation

	Stock options	Deferred Share Units (DSUs)
Payment	<ul style="list-style-type: none"> • No stock options may be exercised in the first year after the grant date • Vested stock options may be exercised: <ul style="list-style-type: none"> – only during quarterly transaction periods, as established by the Bank’s Legal Affairs department, following the release of the financial statements – only by a participant or his or her estate (stock options may not be sold to a third party but ownership may be transferred to a beneficiary or to a legal representative in the event of the participant’s death) – in whole or in part before the expiration date set by the Human Resources Committee at the time the stock options are granted; however, where the expiration date falls within or immediately after a black-out period, the expiration date of the stock options is deferred, as applicable, (i) by ten business days if the expiration date falls during the black-out period or (ii) by a number of business days equal to ten 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 ten business days after the end of the black-out period • Each Executive Officer must keep at all times, after the exercise of stock options, Common Shares of the Bank with a value equal to the gain resulting from the exercise of vested stock options, until the share ownership requirements applicable to that individual have been met • For information on the treatment of stock options according to the reason for departure, please refer to the table “Conditions applicable in the event of termination of employment” in the Circular 	<ul style="list-style-type: none"> • DSUs may be redeemed only upon termination of employment or retirement of the Executive Officer or Officer • A participant may redeem vested DSUs by filing redemption notices during a fixed period after termination of employment
Clawback of variable compensation	<ul style="list-style-type: none"> • In accordance with the variable compensation clawback policy, payments made to employees subject to the policy may be clawed back in specific circumstances 	

7. Executive Officer compensation



LOUIS VACHON
President and Chief Executive Officer

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

2019 performance indicators and results

To assess Louis Vachon's 2019 performance, the Human Resources Committee examined the achievement of the objectives set out in the scorecard applicable to all Executive Officers as well as the Bank's short-, medium- and long-term results, risk management and the Bank's strategic, organizational and operational priorities. Under Louis Vachon's leadership in 2019, a concerted effort was made to bring our One Mission to life: To have a positive impact on clients, employees and the community while continuing to generate value for Shareholders.

The following table shows the key results examined as part of Louis Vachon's evaluation:

Pillar of social responsibility	Result obtained	Achievements
Shareholders		
Net earnings per share growth of at least 5% (excluding specified items)	7.1%	Fiscal 2019 was a year of solid growth and record profitability. The Bank's sustained performance helped generate net income of \$2.3 billion in 2019, up 4% year over year. In 2019, the Bank met all its medium-term objectives:
Revenue growth of at least 5% (excluding specified items)	3.4%	<ul style="list-style-type: none"> • Return on equity stood at 18.0%, among the highest in the industry. • The Common Equity Tier 1 capital ratio was 11.7%. • During the year, the Bank raised its dividend for a total increase of 9% and returned additional capital to Shareholders through Common Share repurchases. • A stable leverage ratio and capital ratios in excess of regulatory requirements were achieved, giving us the flexibility to invest in growth initiatives and return capital to Shareholders.
Return on equity of over 15% (excluding specified items)	18.0%	Lastly, our share price reached new heights in 2019. The Bank generated the best total shareholder return in the industry at 18.9%, 17.1%, 13.9% and 15.1% for the one-year, three-year, 10-year and 20-year periods, respectively.
Efficiency ratio at 54.1% (taxable equivalent basis and excluding specified items)	54.5%	
CET1 capital ratio greater than 10.75%	11.7%	
Employees		
Organizational innovations that support our One Mission and designed to have a positive impact on employees	✓	<p>The results of the most recent organizational survey show that the Bank's employees remain highly engaged. They are committed to the transformation efforts that have been underway for the past few years, to the Bank's values, and to the statements of the One Mission (new measure in 2019).</p> <p>While continuing to deploy initiatives that support collaboration and connectivity and that accelerate the Bank's ability to change across all areas, in 2019 the Bank paid special attention to pursuing its One Mission by creating a single scorecard for all Officers, increasing the behaviour-related weighting of employee performance assessments to 50% in addition to the attainment of their objectives (also weighted at 50%) and adjusting the mission statement to demonstrate what is truly important to the Bank: "People First." The work being completed on the new head office is also aligned with a desire to support collaboration and connectivity while promoting the well-being of employees.</p> <p>Having a positive impact on the lives of people, including the Bank's employees, is part of the Bank's mission statement. The Bank's employees and its culture are the pillars of its long-term success.</p>

7. Executive Officer compensation

2019 performance indicators and results (cont.)		
Pillar of social responsibility	Result obtained	Achievements
Clients		
Emphasis on People First and the client experience in order to build long-term relationships with clients	✓	<p>The Bank's evolution toward an agile organization goes hand in hand with its digital transformation, key components that translate into a superior client experience. In 2019, cybersecurity remained a key priority for the Bank, which continued to make significant investments in this critical area. Protecting client information is of the utmost importance to the Bank and the Board.</p> <p>Many initiatives were undertaken in 2019 to ensure that the Bank remains the financial partner of choice for clients when powering their ideas.</p> <ul style="list-style-type: none"> • Personalized advisory services to target strategic clients such as newcomers, millennials, professionals, people aged 50 to 64 and SMEs • Launched NatGo, an entirely digital investment experience based on client goals • Enhanced the capabilities of the transactional platform and mobile application to deliver a simpler, safer, and more intuitive digital experience • Launched a financing platform for business network clients that automates and standardizes applications and provides instant financing decisions • Deployed a new branch experience focused on technology and advice • Developed a new cross-selling strategy across the Bank's business segments to better meet client needs • Continued work on artificial intelligence (AI)
Community, environment and governance		
The Bank's commitment to the community and incorporation of ESG criteria	✓	<p>Corporate responsibility and ethical standards have always been an integral part of the Bank's culture. The Bank is fully committed to implementing its environmental, social and governance (ESG) guiding principles in order to develop a green economy, enrich our communities and uphold the highest standards of corporate governance. Significant progress was made in these areas in 2019. The Bank became a signatory to the UN Principles for Responsible Investment and Principles for Responsible Banking. It also developed its ESG principles, which were approved by the Board and are presented on page 10 of the 2019 Annual Report.</p> <p>The Bank is committed to having a positive impact on people's lives by:</p> <ul style="list-style-type: none"> • Getting involved in the community – Millions of dollars are given back to the community through donations, sponsorships and fundraising, and hundreds of organizations are supported across the country • Stimulating economic development – By investing in its facilities (\$121 million), purchasing goods and services (\$1.1 billion) and participating in the financing of governments, businesses and individuals • Promoting diversity and inclusion – Providing active support to women, cultural communities and the LGBTQ+ community • Working to develop a green economy – Reducing the Bank's environmental footprint across all its business segments and holding several LEED® certifications

7. Executive Officer compensation

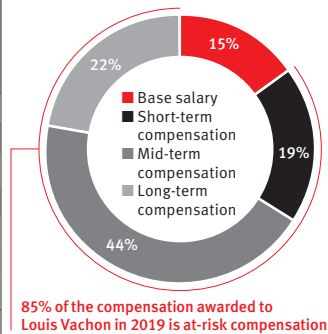
Decisions on the target total compensation and compensation awarded in 2019

No adjustments have been made to Louis Vachon's target total direct compensation since fiscal 2014. In determining Louis Vachon's variable compensation for fiscal 2019, the Human Resources Committee considered not only the Bank's solid growth and record profitability but also the leadership that Louis Vachon demonstrated in setting the One Mission, in the organizational transformation of the Bank's processes as well as in his ability to motivate employees to build a high-performing, change-capable organization.

Given the Bank's performance and the Incentive Compensation Program being at 86% of target, the total direct compensation paid was 97% of the target for 2019, in accordance with the recommendation made by the Human Resources Committee and as per Board approval:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	
	% of salary	(\$)	(\$)	(%)
Fixed compensation				
Base salary	n/a	1,125,000	1,125,015	15
Variable compensation				
Short-term compensation	150	1,687,500	1,451,250	19
Mid-term compensation (PSUs)	300	3,375,000	3,375,000	44
Long-term compensation (Options)	150	1,687,500	1,687,531	22
Total		7,875,000	7,638,796	100

2019 awarded compensation mix

**Share ownership requirements**

As at October 31, 2019, Louis Vachon was compliant with his share ownership requirements, i.e., 7 times the previous three years' average base salary. The following table shows Louis Vachon's shareholdings as at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$68.02. In addition, the President and Chief Executive Officer must also maintain the share ownership requirements for a period of one year following his retirement.

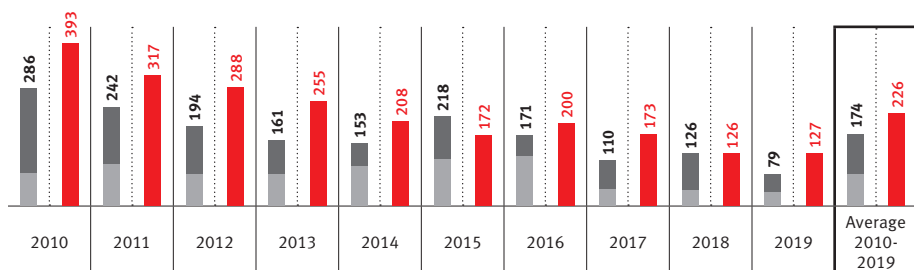
Total shares	DSUs	PSUs	RSUs	Appreciation in value of vested stock options	Total value	Actual multiple
\$16,036,841	\$0	\$12,949,880	\$0	\$53,966,178	\$82,952,899	73.73 times

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

A significant portion of the President and CEO's direct compensation is conditional on the Bank's financial and share price performance. The average actual value of every \$100 granted annually to Louis Vachon as President and Chief Executive Officer in the form of direct compensation over the past ten years stood at \$174 on December 31, 2019. By comparison, from a Shareholder's viewpoint, the average value of every \$100 invested on the first day of each fiscal year in the Bank's Common Shares over the same period amounted to \$226. The Board is therefore satisfied that the Bank's compensation policy is conducive to long-term value creation for Shareholders.

The following chart shows the historical link between the direct compensation granted to the President and CEO and the total return to the Bank's Shareholders since 2010. For each fiscal year, we present:

- Value on December 31, 2019 of \$100 paid as direct compensation to Louis Vachon for each fiscal year
 - Realized compensation ⁽¹⁾
 - Realizable compensation (at-risk) ⁽²⁾
- Value on December 31, 2019 of \$100 invested in Common Shares of the Bank on the first day of the fiscal year



The following table more precisely illustrates the direct compensation awarded to Louis Vachon for each fiscal year and the actual value of the direct compensation as at December 31, 2019.

Year	Value of direct compensation at the time of award (M\$)	Value of actual direct compensation ⁽³⁾ as at December 31, 2019 (M\$)	Period	Value of \$100	
				Louis Vachon	Bank Shareholders
2010	4.21	14.92	Oct. 31, 2009 – Dec. 31, 2019	286	393
2011	7.44	17.57	Oct. 31, 2010 – Dec. 31, 2019	242	317
2012	5.53	13.90	Oct. 31, 2011 – Dec. 31, 2019	194	288
2013	5.43	11.47	Oct. 31, 2012 – Dec. 31, 2019	161	255
2014	8.15	12.62	Oct. 31, 2013 – Dec. 31, 2019	153	208
2015	9.08	17.03	Oct. 31, 2014 – Dec. 31, 2019	218	172
2016	9.04	12.91	Oct. 31, 2015 – Dec. 31, 2019	171	200
2017	3.54	9.42	Oct. 31, 2016 – Dec. 31, 2019	110	173
2018	3.02	10.21	Oct. 31, 2017 – Dec. 31, 2019	126	126
2019	2.58	6.03	Oct. 31, 2018 – Dec. 31, 2019	79	127
			Average 2010 - 2019	174	226

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

7. Executive Officer compensation



GHISLAIN PARENT
Chief Financial Officer and Executive Vice-President – Finance

Ghislain Parent has been the Chief Financial Officer and Executive Vice-President, Finance since 2011. He is responsible for all activities related to accounting, finance, strategic planning, sourcing, mergers and acquisitions and international development, including capital management, taxation, investor relations and financial governance. Mr. Parent is a member of the Bank's Office of the President.

2019 achievements and highlights

Under the management and leadership of Ghislain Parent, the Bank met all its medium-term objectives and achieved the following strategic objectives:

- The Bank's net income for fiscal 2019 amounted to \$2,322 million, up from \$2,232 million in fiscal 2018. The increase was driven by net income growth across most business segments.
- As at October 31, 2019, the CET1 capital ratio, the Tier 1 capital ratio and the Total capital ratio stood at 11.7%, 15.0% and 16.1%, respectively; these results are all above regulatory requirements.
- The efficiency ratio continued to improve, reaching 54.5% in fiscal 2019 from 54.8% in 2018.
- In 2019, the Bank raised its dividend per share by 9% and returned \$281 million in additional capital to Shareholders through share repurchases.
- For the quarter ended October 31, 2019, the Bank's average liquidity coverage ratio was 146%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.
- The U.S. Specialty Finance and International segment, led by Ghislain Parent, posted net income of \$279 million for the fiscal year ended October 31, 2019 compared to \$222 million in fiscal 2018. The segment's total revenues amounted to \$715 million, up 12% from \$639 million in 2018 owing primarily to higher revenues from the ABA Bank subsidiary.
- The design and operation of internal controls over financial reporting and the corresponding disclosure procedures were reviewed for compliance with securities regulations and were considered satisfactory.

Target compensation for 2019

Ghislain Parent's target total direct compensation did not change in 2019.

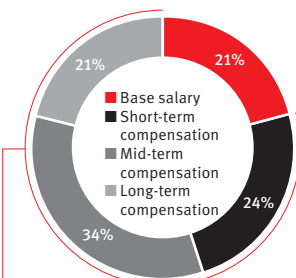
Performance and incentive awards in 2019

The Human Resources Committee reviewed Ghislain Parent's overall performance and achievements to set the fiscal 2019 variable compensation. The Board approved the following compensation in accordance with the results of the short-term variable compensation program and further to the recommendation made by the Human Resources Committee:

	Target total direct compensation for 2019		Total direct compensation awarded in 2019	
	(\$)	% of salary	(\$)	(%)
Fixed compensation				
Base salary	450,000	–	450,006	21
Variable compensation				
Short-term compensation	585,000	130	503,100	24
Mid-term compensation (PSUs)	720,000	160	720,000	34
Long-term compensation (Options)	450,000	100	315,024	15
DSUs ⁽¹⁾	–	–	135,000	6
Total	2,205,000		2,123,130	100

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

2019 awarded compensation mix



79% of the compensation awarded to Ghislain Parent in 2019 is at-risk compensation

Share ownership requirements

As at October 31, 2019, Ghislain Parent was compliant with his share ownership requirements, i.e., 4 times the previous three years' average base salary. The following table shows Ghislain Parent's shareholdings as at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$68.02.

Total shares	DSUs	PSUs	RSUs	Appreciation in value of vested stock options	Total value	Actual multiple
\$408,120	\$2,405,445	\$2,582,904	\$0	\$3,109,098	\$8,505,567	18.90 times

7. Executive Officer compensation


DENIS GIROUARD AND LAURENT FERREIRA
 Executive Vice-Presidents and Co-Heads – Financial Markets

As of November 1, 2018, Denis Girouard and Laurent Ferreira jointly serve as Executive Vice-Presidents and Co-Heads – Financial Markets. They are responsible for the Bank's wholesale banking activities and treasury activities, including Investment Banking, Corporate Banking, Equity, Fixed Income, and Derivatives. Denis Girouard and Laurent Ferreira are also responsible for executing the mandate of the Bank's Transformation Office and are therefore in charge of the Bank's strategic initiatives portfolio, which focuses on driving efficiency, simplicity, innovation and culture change throughout the organization. They are members of the Bank's Office of the President.

2019 achievements and highlights

In the Financial Markets segment, results were affected by a slowdown in capital markets activity in the first half of fiscal 2019 and by lower merger and acquisition revenues in 2019. This slowdown was partly offset by global markets revenues and by a year-over-year increase in fourth-quarter results.

- The segment's net income totalled \$717 million for fiscal 2019, down 6% from fiscal 2018.
- Its 2019 total revenues amounted to \$1,750 million, a \$7 million increase from \$1,743 million in fiscal 2018.
- The segment's efficiency ratio stood at 42.5% in 2019 compared with 40.0% in 2018, primarily as a result of IT infrastructure spending and higher expenses.
- The segment remains a leader in government debt security issuances, owing to an initial contract with the Government of Canada for a three-year US\$3.0 billion issuance.
- In 2019, Financial Markets strengthened its relationships with international networks by issuing more than \$1.0 billion in notes outside Canada, further diversifying the Bank's deposit base.
- The segment is Canada's largest exchange-traded fund (ETF) market maker and has increased its year-over-year market share, capturing 42% of the total buy and sell volume despite market conditions.

The Transformation Office, led by Denis Girouard and Laurent Ferreira, coordinated strategic projects and initiatives and improved how deployment thereof was orchestrated and sequenced in order to better support the Bank's transformation and place even more emphasis on client experience and employee experience.

Target compensation for 2019

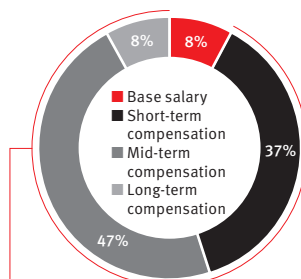
As of November 1, 2018, the annual bonus of Denis Girouard and of Laurent Ferreira is based solely on the Bank's annual bonus program, not on the results of the Financial Markets segment. The individual target direct total compensation for Denis Girouard and Laurent Ferreira for 2019 is detailed in the table below.

Performance and incentive awards in 2019

The Human Resources Committee reviewed the overall performance and achievements of Denis Girouard and Laurent Ferreira to set their fiscal 2019 variable compensation. The Board approved the following compensation in accordance with the results of the short-term variable compensation program and further to the recommendation made by the Human Resources Committee:

	Target total direct compensation for 2019		Total direct compensation awarded in 2019	
	(\$)	% of salary	(\$)	(%)
Fixed compensation				
Base salary	450,000	–	450,006	8
Variable compensation				
Short-term compensation (In cash)	2,345,000	988 ⁽¹⁾	2,096,452	37
Short-term compensation (RSUs)	2,100,000	– ⁽¹⁾	1,727,158	30
Mid-term compensation (PSUs)	967,500	215	967,500	17
Long-term compensation (Options)	450,000	100	450,010	8
Total	6,312,500		5,691,126	100

(1) The annual bonus of the co-heads is now 100%-based on the Bank's ICP to ensure strong alignment to the realization of our One Mission. A portion of the annual bonus is deferred in the form of RSUs, given that at least 60% of the variable compensation must be deferred.

2019 awarded compensation mix


92% of the compensation awarded to Denis Girouard and Laurent Ferreira in 2019 is at-risk compensation

Share ownership requirements

As at October 31, 2019, Denis Girouard and Laurent Ferreira were compliant with their share ownership requirements, i.e., 4 times the previous three years' average base salary. The following table presents the shareholdings of Denis Girouard and Laurent Ferreira at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$68.02.

	Total shares	DSUs	PSUs	RSUs	Appreciation in value of vested stock options	Total value	Actual multiple
Denis Girouard	\$0	\$0	\$2,932,504	\$6,766,778	\$2,767,607	\$12,466,889	27.70 times
Laurent Ferreira	\$163,248	\$0	\$1,340,793	\$10,766,825	\$1,461,632	\$13,732,498	30.52 times

7. Executive Officer compensation

**MARTIN GAGNON**

Co-President and Co-Chief Executive Officer, National Bank Financial and Executive Vice-President – Wealth Management

Martin Gagnon was appointed as Co-President and Co-Chief Executive Officer of National Bank Financial Inc. and Executive Vice-President, Wealth Management in July 2016. In this capacity, he oversees all wealth management operations across the Bank, including full-service securities brokerage services, services for high and ultra-high net worth individuals, trust services, third-party clearing services, investment product manufacturing and distribution, and self-directed brokerage solutions. Mr. Gagnon is also a member of the Bank's Office of the President.

2019 achievements and highlights

The Wealth Management segment, led by Martin Gagnon, strives to leverage the Bank's brand strength, distribution capacity and business model to grow its market share in the retail and high and ultra-high net worth client segments. The segment seeks to make market inroads across Canada through organic growth, targeted action, and partnerships. The Wealth Management segment delivered strong performance in 2019.

- The segment's net income totalled \$499 million in fiscal 2019, up \$35 million or 8% from \$464 million in fiscal 2018.
- The segment's total revenues amounted to \$1,743 million in 2019, rising \$54 million from \$1,689 million in 2018.
- The 2019 efficiency ratio was 61.2%, an improvement of 1.4 percentage points from 62.6% in 2018.
- As at October 31, 2019, assets under administration and under management totalled \$565.4 billion, an \$80.3 billion or 17% increase from one year earlier owing to net inflows into various solutions and to a rise in stock prices during fiscal 2019.

Key strategic achievements of the Wealth Management segment:

- Launched National Bank exchange-traded funds (ETFs).
- Launched NatGo, an entirely digital investment experience based on client goals.
- Deployed a new online brokerage platform.
- Gradually deployed a new MFDA (Mutual Fund Dealers Association of Canada) platform for business-to-business (B2B) clients.
- Developed a new cross-selling strategy in partnership with other Bank segments.
- Developed a strategy for women investors.

Target compensation for 2019

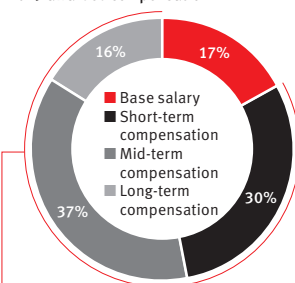
Martin Gagnon's target total direct compensation did not change in 2019.

Performance and incentive awards in 2019

The Human Resources Committee reviewed Martin Gagnon's overall performance and achievements to set the fiscal 2019 variable compensation. The Board approved the following compensation in accordance with the results of the short-term variable compensation program and further to the recommendation made by the Human Resources Committee:

	Target total direct compensation for 2019		Total direct compensation awarded in 2019	
	(\$)	% of salary	(\$)	(%)
Fixed compensation				
Base salary	475,000	–	475,015	17
Variable compensation				
Short-term compensation	997,500	210	857,850	30
Mid-term compensation (PSUs)	1,068,750	225	1,068,750	37
Long-term compensation (Options)	475,000	100	332,530	11
DSUs ⁽¹⁾	–	–	142,500	5
Total	3,016,250		2,876,645	100

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

2019 awarded compensation mix

83% of the compensation awarded to Martin Gagnon in 2019 was at-risk compensation

Share ownership requirements

As at October 31, 2019, Martin Gagnon was compliant with his share ownership requirements, i.e., 4 times the previous three years' average base salary. The following table shows Martin Gagnon's shareholdings as at that date based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$68.02.

Total shares	DSUs	PSUs	RSUs	Appreciation in value of vested stock options	Total value	Actual multiple
993,132	\$1,017,002	\$4,100,795	\$0	\$3,005,620	\$9,060,549	19.07 times

7. Executive Officer compensation

Summary of compensation of Named Executive Officers

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

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Option-based awards (\$) ⁽¹⁾⁽⁵⁾	Non-equity incentive plan compensation		Pension value (\$) ⁽⁷⁾	All other compensation (\$) ⁽⁸⁾	Total compensation (\$)
					Annual incentive plans (\$) ⁽⁶⁾	Long-term incentive plans (\$) ⁽⁶⁾			
Louis Vachon President and Chief Executive Officer	2019	1,125,015	3,375,000	1,687,531	1,451,250	–	751,000	4,074	8,393,870
	2018	1,125,015	3,375,000	1,687,503	1,890,000	–	788,000	4,768	8,870,286
	2017	1,125,015	3,375,000	1,687,501	2,413,125	–	740,000	5,233	9,345,874
Ghislain Parent Chief Financial Officer and Executive Vice-President – Finance	2019	450,006	855,000	315,024	503,100	–	139,000	924	2,263,054
	2018	450,006	855,000	315,025	655,200	–	154,000	1,006	2,430,237
	2017	419,185	855,000	315,022	836,550	–	280,000	1,259	2,707,016
Denis Girouard Executive Vice-President and Co-Head – Financial Markets	2019	450,006	2,694,658	450,010	2,096,452	–	213,000	1,631	5,905,758
	2018	450,006	3,282,297	450,023	2,488,198	–	223,000	1,977	6,895,501
	2017	450,006	3,314,477	450,019	2,509,651	–	220,000	975	6,945,128
Laurent Ferreira ⁽⁹⁾ Executive Vice-President and Co-Head – Financial Markets	2019	450,006	2,694,658	450,010	2,096,452	–	136,000	816	5,827,943
Martin Gagnon ⁽¹⁰⁾ Co-President and Co-Chief Executive Officer of National Bank Financial and Executive Vice-President – Wealth Management	2019	475,015	1,211,250	332,530	857,850	–	74,000	2,436	2,953,081
	2018	475,015	1,211,250	332,525	1,117,200	–	85,000	2,436	3,223,426

7. Executive Officer compensation

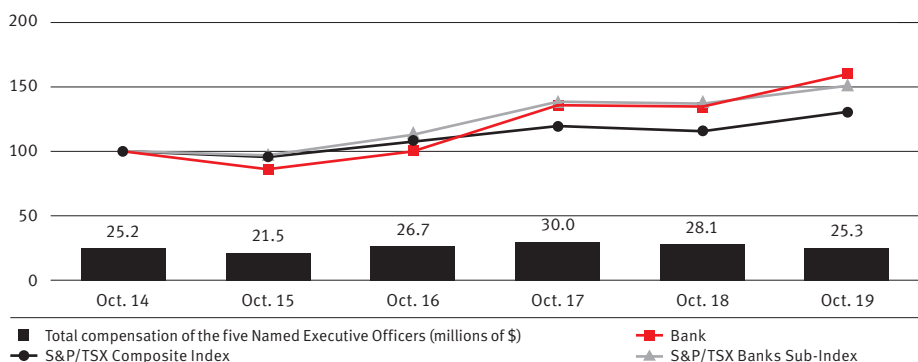
- (1) The share-based and options-based awards listed in the summary compensation table represent the most recently approved awards.
- (2) The Named Executive Officers are eligible for mid-term share-based variable compensation. This compensation was paid in the form of PSUs. The value of each PSU granted on December 9, 2019, was determined based on an award price corresponding to the average stock market price for the ten trading days preceding the sixth business day of December, i.e., \$71.36. The fair value of the award is equal to the fair book value, amortized over a three-year period on a declining basis. PSUs awarded in December 2019 totalled 47,295 for Louis Vachon, 10,090 for Ghislain Parent, 13,558 for Denis Girouard, 13,558 for Laurent Ferreira, and 14,977 for Martin Gagnon.
- (3) Ghislain Parent and Martin Gagnon elected to receive a portion, i.e., 30%, of their long-term variable compensation in the form of DSUs. The value of each DSU was determined based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day before or the last business day preceding the December 9, 2019 award date, i.e., \$71.86. The fair value of the award is equal to the fair book value, amortized over a four-year period on a declining basis. The number of DSUs awarded to Ghislain Parent in December 2019 was 1,879 while the number of DSUs awarded to Martin Gagnon was 1,983.
- (4) A portion of the short-term compensation of Denis Girouard and Laurent Ferreira was awarded in the form of RSUs to comply with the deferred compensation requirement. The value of each RSU, granted on December 9, 2019, was determined based on the average stock market price for the ten trading days preceding the sixth business day of December, i.e., \$71.36. The fair value of the award is equal to the fair book value, amortized over a three-year period on a declining basis. RSUs awarded to Denis Girouard and Laurent Ferreira in December 2019 totalled 24,203.
- (5) The Named Executive Officers are eligible for long-term variable compensation in the form of stock options. The value of the stock options awarded in 2019 was estimated at \$8.12, or 11.3% (representing the average estimated percentages from 2017 to 2019 according to the Black-Scholes model) of the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day before or the last business day preceding the grant date (December 9, 2019), i.e., \$71.86, and using a ten-year life assumption).

In addition, the assumptions used to determine the fair value award for compensation purposes differ from those used in the notes to the Bank's financial statements. Under International Financial Reporting Standards, stock options must be treated as an expense in the financial statements. Accordingly, different assumptions are used to determine an appropriate Black-Scholes factor, in particular, an expected life of the option of seven years (instead of ten years), which reflects the exercise history of plan participants and the rate of cancellation due to departure. As a result, the carrying amount of an option awarded in December 2019 was determined at 10.45% of the share price (\$71.86), which is \$1.39 less per option compared with the value shown in the table.

- (6) The amounts in this column include the annual bonuses earned during each fiscal year ended October 31 and paid in cash.
- (7) Present value of the pension benefit vested during the fiscal year and any compensatory change during the fiscal year based on the assumptions used in the Bank's annual report for each of those years. For more information, refer to the "Defined benefit pension plans" table in this section of the Circular.
- (8) The amounts represent the value of perquisites on banking products and insurance premiums as well as contributions paid by the Bank into the Employee Share Ownership Plan (ESOP). Named Executive Officers are members of the ESOP on the same terms as all employees where the employer's contribution is equal to 25% of the employee's contribution, to a maximum of \$1,500 per year. The value of other taxable benefits is not shown as they total less than \$50,000 and 10% of each Named Executive Officer's salary.
- (9) No historical data prior to 2019 has been included for Laurent Ferreira, who became a Named Executive Officer of the Bank in 2019.
- (10) No historical data prior to 2018 has been included for Martin Gagnon, who became a Named Executive Officer of the Bank in 2018.

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, 2014 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.



Between 2014 and 2019, the compensation of Executive Officers remained stable compared to an annualized increase in total shareholder return of nearly 10%.

Total cumulative return on a \$100 investment

	Oct. 2014	Oct. 2015	Oct. 2016	Oct. 2017	Oct. 2018	Oct. 2019
Bank	\$100.00	\$85.90	\$99.82	\$135.96	\$134.91	\$160.36
S&P/TSX Banks Sub-Index	\$100.00	\$96.65	\$112.78	\$138.74	\$137.24	\$151.31
S&P/TSX Composite Index	\$100.00	\$95.38	\$107.51	\$119.85	\$115.76	\$131.10

The preceding performance graph shows that the Bank's share generated a 160.36% total cumulative return between 2014 and 2019. The total return on the Bank's share is slightly above that of the S&P/TSX Banks Sub-Index and far surpasses that of the S&P/TSX Composite Index.

Total compensation awarded to Named Executive Officers

	Oct. 2014	Oct. 2015	Oct. 2016	Oct. 2017	Oct. 2018	Oct. 2019
Total compensation of the five Named Executive Officers (M\$)	25.2	21.5	26.7	30.0	28.1	25.3

The bar chart shows the total compensation awarded to the Named Executive Officers in office at the end of each fiscal year. The growth in total compensation for the five Named Executive Officers disclosed in the Circular between 2015 and 2016 resulted from the addition of the Chief Transformation Officer and Executive Vice-President position, held until 2019 by Ricardo Pascoe, and the appointment of Denis Girouard as Financial Markets segment leader to replace Ricardo Pascoe. Although there have been some other changes among Named Executive Officers since 2014, the change in the value of total compensation from year to year stemmed mainly from ICP-attainment levels (ranging from 82% to 143%).

7. Executive Officer compensation

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, 2019.

Name	Award date	Option-based awards				Share-based awards			
		Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money 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) (\$) ⁽²⁾	
Louis Vachon	Dec. 9, 2009	316,928	29.25	Dec. 9, 2019	12,288,883	-	-	-	
	Dec. 8, 2010	283,840	34.34	Dec. 8, 2020	9,561,150	-	-	-	
	Dec. 14, 2011	266,672	34.09	Dec. 14, 2021	9,049,514	-	-	-	
	Dec. 12, 2012	248,296	38.36	Dec. 12, 2022	7,364,459	-	-	-	
	Dec. 10, 2013	222,472	44.96	Dec. 10, 2023	5,131,317	-	-	-	
	Dec. 10, 2014	185,240	47.93	Dec. 10, 2024	3,721,472	-	-	-	
	Dec. 9, 2015	266,588	42.17	Dec. 9, 2025	6,891,300	-	-	-	
	Dec. 12, 2016	220,304	54.69	Dec. 12, 2026	2,936,652	74,318	5,055,092	-	
	Dec. 11, 2017	219,156	64.14	Dec. 11, 2027	850,325	57,524	3,912,789	-	
	Dec. 11, 2018	224,104	58.79	Dec. 11, 2028	2,068,480	58,542	3,981,999	-	
Total		2,453,600			59,863,553	190,383	12,949,880	-	
Ghislain Parent	Dec. 8, 2010	-	34.34	Dec. 8, 2020	-	-	-	505,677	
	Dec. 14, 2011	-	34.09	Dec. 14, 2021	-	-	-	893,566	
	Dec. 12, 2012	-	38.36	Dec. 12, 2022	-	-	-	285,980	
	Dec. 10, 2013	31,152	44.96	Dec. 10, 2023	718,521	-	-	234,054	
	Dec. 10, 2014	43,908	47.93	Dec. 10, 2024	882,112	-	-	-	
	Dec. 9, 2015	63,192	42.17	Dec. 9, 2025	1,633,513	-	-	-	
	Dec. 12, 2016	36,556	54.69	Dec. 12, 2026	487,291	14,449	982,833	84,150	
	Dec. 11, 2017	40,912	64.14	Dec. 11, 2027	158,739	13,982	951,069	38,780	
	Dec. 11, 2018	41,836	58.79	Dec. 11, 2028	386,146	14,882	1,012,241	-	
Total		257,556			4,266,322	43,313	2,946,143	2,042,207	
Denis Girouard	Dec. 8, 2010	5,420	34.34	Dec. 8, 2020	182,573	-	-	-	
	Dec. 14, 2011	11,064	34.09	Dec. 14, 2021	375,457	-	-	-	
	Dec. 12, 2012	19,864	38.36	Dec. 12, 2022	589,166	-	-	-	
	Dec. 10, 2013	22,248	44.96	Dec. 10, 2023	513,150	-	-	-	
	Dec. 10, 2014	21,956	47.93	Dec. 10, 2024	441,096	-	-	-	
	Dec. 9, 2015	19,748	42.17	Dec. 9, 2025	510,486	-	-	-	
	Dec. 12, 2016	34,000	54.69	Dec. 12, 2026	453,220	42,503	2,891,022	-	
	Dec. 11, 2017	58,444	64.14	Dec. 11, 2027	226,763	43,158	2,935,637	-	
	Dec. 11, 2018	59,764	58.79	Dec. 11, 2028	551,622	56,934	3,872,623	-	
Total		252,508			3,843,532	142,595	9,699,282	-	
Laurent Ferreira	Dec. 10, 2013	22,248	44.96	Dec. 10, 2023	513,150	-	-	-	
	Dec. 10, 2014	21,956	47.93	Dec. 10, 2024	441,096	-	-	-	
	Dec. 9, 2015	19,748	42.17	Dec. 9, 2025	510,486	-	-	-	
	Dec. 12, 2016	16,320	54.69	Dec. 12, 2026	217,546	52,848	3,594,710	-	
	Dec. 11, 2017	16,236	64.14	Dec. 11, 2027	62,996	42,752	2,908,024	-	
	Dec. 11, 2018	59,764	58.79	Dec. 11, 2028	551,622	82,401	5,604,885	-	
Total		156,272			2,296,895	178,001	12,107,618	-	
Martin Gagnon	Dec. 14, 2011	9,024	34.09	Dec. 14, 2021	306,229	-	-	-	
	Dec. 12, 2012	28,398	38.36	Dec. 12, 2022	842,285	-	-	-	
	Dec. 10, 2013	24,920	44.96	Dec. 10, 2023	574,780	-	-	187,243	
	Dec. 10, 2014	26,896	47.93	Dec. 10, 2024	540,341	-	-	184,558	
	Dec. 9, 2015	21,188	42.17	Dec. 9, 2025	547,710	404	27,454	82,363	
	Dec. 12, 2016	43,408	54.69	Dec. 12, 2026	578,629	25,003	1,700,707	99,928	
	Dec. 11, 2017	43,184	64.14	Dec. 11, 2027	167,554	20,021	1,361,854	40,935	
	Dec. 11, 2018	44,160	58.79	Dec. 11, 2028	407,597	21,064	1,432,756	-	
	Total		241,178			3,965,124	66,492	4,522,771	595,026

(1) The value of unexercised in-the-money stock options at fiscal year-end is determined by calculating the difference between the closing price of the Common Shares of the Bank on the Toronto Stock Exchange as at October 31, 2019, i.e., \$68.02, and the exercise price of the stock options multiplied by the number of unexercised stock options.

(2) The market or payout value of share-based awards that have not vested is calculated by multiplying the number of share units by the closing price of the Bank's Common Shares on the Toronto Stock Exchange as at October 31, 2019, i.e., \$68.02.

Incentive plan awards – Value vested or earned during the year

The following table shows the value of awards vested or earned during the fiscal year ended October 31, 2019.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$) ⁽²⁾	Non-equity incentive plan compensation – Value earned during the fiscal year (\$) ⁽³⁾
Louis Vachon	2,140,551	6,293,578	1,451,250
Ghislain Parent	484,247	1,187,993	503,100
Denis Girouard	210,770	4,416,395	2,096,452
Laurent Ferreira	184,647	5,911,633	2,096,452
Martin Gagnon	246,952	580,397	857,850

- (1) The amount represents the aggregate value that would have been realized had the stock options been exercised on the vesting date, calculated as the difference between the closing price of the Bank's Common Shares on the Toronto Stock Exchange and the exercise price. On the vesting date, the share price was \$60.60, while the exercise price of stock options ranged from \$42.17 to \$64.14.
- (2) The amount represents the value of the share units on the vesting date, based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the vesting date for DSUs, or based on the average closing price of the Bank's Common Shares on the Toronto Stock Exchange for the ten days preceding the vesting date for RSUs and PSUs.
- (3) The amounts in this column include the annual bonuses earned during the fiscal year ended October 31, 2019 and paid in cash.

Additional information about the Stock Option Plan

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

- The Board may not make the following amendments to the Stock Option Plan without Shareholder approval:
 - an increase in the number of reserved shares
 - any downward revision of the exercise price or purchase price, or any cancellation of stock options in order to issue new stock options
 - any extension of the term of an option beyond its initial term
 - an amendment to the class of eligible participants that would allow for introduction or reintroduction, at the Board's discretion, of non-employee directors of the Bank
 - an amendment allowing share-based payments granted under the Stock Option Plan to be transferable or assignable other than in connection with an estate settlement following a member's death
 - an amendment to the maximum amount issuable to insiders
- Subject to the foregoing, the Board may at any time decide to suspend or terminate the Stock Option Plan, in whole or in part, or amend it as the Board deems appropriate without having to obtain Shareholder approval
- Subject to other provisions of the Stock Option Plan, the Board shall be required to obtain the consent of the participants in the event that the amendment, suspension or termination of the Stock Option Plan affects the entitlements and responsibilities resulting from an option already granted to such members under the Stock Option Plan

7. Executive Officer compensation

- Without limiting the scope of the foregoing, the Board may amend the Stock Option Plan for one or more of the following purposes, without having to obtain Shareholder approval:
 - to amend the eligibility criteria and the limits for participating in the Stock Option Plan
 - to amend the conditions and rules for granting, vesting and exercising stock options
 - to make additions, amendments or deletions to the Stock Option Plan in order to comply with the legislation governing the Stock Option Plan or with the requirements of a regulatory authority or stock exchange
 - to correct or rectify any ambiguity, incorrect stipulation or omission in the text of the Stock Option Plan
 - to amend the provisions relating to the administration of the Stock Option Plan
 - to amend the reasons for cancelling stock options
- The Board may also amend features of an option granted to a participant (including the exercise price, the exercise conditions or the expiry date of an option) without having to obtain Shareholder approval, provided the following conditions are met:
 - the amendments do not have the effect of reducing the exercise price of an option or extending the expiry date of stock options already granted
 - the Board would have had prior authority to grant the amended option
 - the amendment does not materially prejudice the rights of the participants affected by such amendment

Information about equity-based compensation plans

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

The table below is presented pursuant to Canadian securities legislation requirements and shows the status of the Stock Option Plan as at October 31, 2019.

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 compensation plans (excluding the securities reflected in column (a)) (c)
Equity-based compensation plan approved by securityholders	12,103,626	\$49.15	8,273,652

The following table shows the dilution, overhang, and burn rate of the Stock Option Plan over the past three years.

	2019	2018	2017
Dilution: Number of options outstanding divided by the weighted average number of shares outstanding during the applicable fiscal year, i.e., 335,104,000	3.61%	3.85%	4.28%
Overhang: Number of options outstanding plus the number of options remaining available for future issuance divided by the weighted average number of shares outstanding during the applicable fiscal year	6.08%	6.75%	7.56%
Burn rate: Number of options granted during the fiscal year (2,116,892) divided by the weighted average number of shares outstanding during the applicable fiscal year	0.63%	0.54%	0.53%

7. Executive Officer compensation

Pension plans for Named Executive Officers

All the Named Executive Officers of the Bank participate in a defined benefit pension plan and the Post-Retirement Allowance Program (PRAP). The provisions of these plans are described in the following table:

Plan definition	<ul style="list-style-type: none"> • The defined benefit pension plan is contributory and subject to legislation governing pension plans under federal 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)
Features / reasons for payment	<ul style="list-style-type: none"> • Designed to encourage long-term retention of Executive Officers by rewarding their continued service at the Bank and by contributing to their retirement income
Normal retirement age	<ul style="list-style-type: none"> • For membership years prior to January 1, 2014: Age 60 • For membership years starting January 1, 2014: Age 65
Years of credited service	<ul style="list-style-type: none"> • President and Chief Executive Officer: <ul style="list-style-type: none"> – Recognition of five years of credited service on August 1, 2006 and an accumulated pension credit of 4% of salary per year between August 1, 2006 and July 31, 2010, 2.5% of salary per year between August 1, 2010 and July 31, 2017, 2% of salary per year between August 1, 2017 and July 31, 2022, and in accordance with the provisions of the plans thereafter – These conditions for crediting years of service were approved by the Board, considering all of Louis Vachon's years of service at the Bank and its subsidiaries where no pension plan was offered • Other Executive Officers: <ul style="list-style-type: none"> – All Other Executive Officers accumulate 1.5 years of credited service per year of membership up to a maximum of five additional years
Pension formula	<ul style="list-style-type: none"> • For membership years prior to January 1, 2014: <ul style="list-style-type: none"> – 2% of average pensionable earnings for each year of credited service. As of age 60, the pension is reduced to take into account benefits payable under the Quebec Pension Plan or Canada Pension Plan • For membership years starting January 1, 2014: <ul style="list-style-type: none"> – 1.7% of the average pensionable earnings for each year of credited service
Pensionable earnings	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> – The eligible annual bonus is capped at 150% of base salary • Other Executive Officers: <ul style="list-style-type: none"> – The eligible annual bonus has been capped at 45% of base salary since January 1, 2017 – Average annual pensionable earnings are capped at \$1,000,000
Maximum pension for the President and Chief Executive Officer	<ul style="list-style-type: none"> • The maximum annual pension payable is capped at \$1,500,000
Contributions of Executive Officers	<ul style="list-style-type: none"> • 9% of pensionable earnings, up to \$19,641 per year • Upon retirement, the accumulated amount exceeding the basic contributions is converted into a supplemental pension, subject to the limits imposed by in-force legislation

7. Executive Officer compensation

Reduction for early retirement applicable to Executive Officers	<ul style="list-style-type: none"> • Early retirement is permitted starting at age 55 ⁽¹⁾ • For membership years prior to January 1, 2014: <ul style="list-style-type: none"> – The applicable reduction for a plan member who has been a member of the pension plan for ten years or more is the lesser of: <ul style="list-style-type: none"> > 4% for each year prior to age 60; or > 2% for each point before the sum of the age and years of service reaches 90 points – The applicable reduction for a plan member who has been a member of the pension plan for less than ten years is determined on an actuarial equivalence basis • For membership years starting January 1, 2014: <ul style="list-style-type: none"> – The applicable reduction is 4% for each year prior to age 65
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(1) Early retirement with reduced pension is permitted from age 50 for Executive Officers whose plan participation began prior to January 1, 2014 (reduction by actuarial equivalence between ages 50 and 55).

Governance practices on pension plan administration

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

In 2001, the Human Resources Committee, on a voluntary and proactive basis, set up a Retirement Committee made up of external members (including three independent members) as well as Officers of the Bank who are experts in finance, treasury, risk management and human resources, and tasked with supporting it in its role as trustee and ensuring optimal asset management and control of inherent risks. The Retirement Committee reports to the Bank's Human Resources Committee. The Retirement Committee members meet at least four times per year and regularly report to the Human Resources Committee.

Furthermore, the Bank periodically communicates with pension plan members, particularly through the Pensions Committee, which is made up of Bank representatives as well as active and retired members. At this annual meeting, the findings of the actuarial valuations, along with the performance review of the investment fund and its financial statements, are presented, among other information.

The Bank fulfills its financial disclosure requirements and ensures the integrity of the information as well as its compliance with applicable accounting and disclosure standards. The financial statements undergo a rigorous audit by the Bank's independent auditor, appointed by the Human Resources Committee at the beginning of the fiscal year. Note 23 to the financial statements for the fiscal year ended October 31, 2019 shows that, from an accounting standpoint, the Bank's pension plans are in a surplus position.

The following table details, for each Named Executive Officer, the years of credited service as at October 31, 2019, annual benefits payable, and changes in the accrued benefit obligation between October 31, 2018 and October 31, 2019, including compensatory and non-compensatory changes with respect to their membership in pension plans for fiscal 2019.

It should be noted that the amounts in the table below are estimates based on assumptions and employment conditions that can vary over time. The method used to calculate these amounts may also differ from that used by another company, which could potentially render a comparison less relevant.

7. Executive Officer compensation

Defined benefit pension plans ^{(1) (2)}

Name	Years of credited services ^{(3) (4) (5)}	Annual benefits payable ^{(6) (7) (8)}		Accrued benefit obligation at start of fiscal year ⁽⁹⁾	Compensatory change ^{(9) (10) (11)}	Non-compensatory change ^{(9) (10) (12)}	Accrued benefit obligation at end of fiscal year ⁽⁹⁾
		At fiscal year-end ⁽⁹⁾	At age 65 ⁽⁹⁾				
Louis Vachon	33.7	1,500,000 ⁽¹³⁾	1,500,000 ⁽¹³⁾	17,118,000	751,000	3,789,000	21,658,000
Ghislain Parent	13.3	139,000	259,000	1,641,000	139,000	425,000	2,205,000
Denis Girouard	7.5	43,000	90,000	685,000	213,000	165,000	1,063,000
Laurent Ferreira	20.1	66,000	179,000	610,000	136,000	305,000	1,051,000
Martin Gagnon	24.4	266,000	458,000	3,729,000	74,000	1,200,000	5,003,000

- The amounts in the “Salary” column of the “Summary of Compensation of Named Executive Officers” table in this section of the Circular and annual bonuses paid are used to calculate average pensionable earnings. To this end, the eligible bonus is limited to 150% of Louis Vachon’s base salary. For the Other Executive Officers, the eligible bonus is capped at 45% of base salary, and average pensionable earnings are limited to the cap stated in Note 2 to this table.
- Average pensionable earnings are capped at \$1,000,000 for Ghislain Parent, Denis Girouard, Laurent Ferreira, and Martin Gagnon.
- Louis Vachon was granted five years of credited service on August 1, 2006. He earned a pension credit of 4% of salary for each year between August 1, 2006 and July 31, 2010, a credit of 2.5% of salary for each year between August 1, 2010 and July 31, 2017, and he will earn a credit of 2% of salary for each year between August 1, 2017 and July 31, 2022, and credits provided for under the provisions of the plan thereafter.
- The years of credited service for Ghislain Parent, Denis Girouard, Laurent Ferreira, and Martin Gagnon are calculated according to the PRAP for eligible Executive Officers of the Bank, i.e., 1.5 years of credited service per year during the ten years following the date of designation by the Board. The designation dates are August 29, 2011 for Ghislain Parent, June 1, 2016 for Denis Girouard, November 1, 2018 for Laurent Ferreira and July 1, 2016 for Martin Gagnon.
- Denis Girouard’s membership years prior to June 1, 2016 are attributable to the employee pension plan of National Bank Financial Inc. After this date, membership years are recognized in the Bank’s designated employee pension plan. Laurent Ferreira’s membership years prior to November 1, 2018 are attributable to the employee pension plan of National Bank of Canada. After this date, membership years are recognized in the Bank’s pension plan for designated employees.
- The estimated pensions do not take into account the pension generated by additional contributions accumulated by the Named Executive Officer.
- The pension is payable for life but reduced to reflect benefits payable under the Canada or Quebec Pension Plans for the years prior to 2014. Upon the member’s death, 60% of the pension is payable to the member’s spouse. If there is no spouse, part of the pension is payable to the dependent children.
- The pension includes a revalorization (at neutral cost) between age 60 and 65 for the pension granted for membership years accumulated prior to January 1, 2014 based on accounting assumptions. Pension revalorization after the normal retirement age was introduced on January 1, 2014, for all employees. It is calculated on an actuarial equivalence basis, which means that the actuarial value of the pension remains unchanged. This provision is necessary so as not to penalize employees who opt to retire after the normal retirement age.
- The year-end pension is equal to the pension payable at the assumed retirement age, i.e., the age used to calculate the value of the obligation at fiscal year-end (age 61 for Louis Vachon and Denis Girouard, age 62 for Ghislain Parent and Martin Gagnon, and age 63 for Laurent Ferreira), calculated proportionately to the number of years of credited service at fiscal year-end.
- The accrued benefit obligation represents the present value of the pension benefit for years of credited service up to October 31, 2018 or October 31, 2019. These values were calculated using the same assumptions as those used for the Bank’s consolidated financial statements, notably a discount rate of 4.05% as at October 31, 2018 and 3.05% as at October 31, 2019. These calculations also take into account the 4.15% discount rate for current service as at October 31, 2018. The value of benefits payable related to the Named Executive Officer’s additional contributions is included in the calculation of the accrued benefit obligation.
- 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.
- 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.
- Louis Vachon’s pension was capped at \$1,500,000.

Termination and change of control benefits

Termination of Employment Policy in the event of a change of control

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

- "Change of control" of the Bank means any change in ownership of the Bank's shares following the acquisition of shares, a merger or a business combination resulting in an incorporated or unincorporated entity beneficially owning in excess of 50% of the voting shares of the Bank;
- A dismissal without cause resulting from a Bank initiative during the two-year period following the change of control, or the resignation of an Executive Officer further to a significant reduction in compensation or responsibilities or a transfer to another organization, against their wishes, during the two-year period following the change of control.

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

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

No amendments were made to the Termination of Employment Policy in fiscal 2019.

Conditions applicable in the event of termination of employment

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

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

- (1) Equals the base salary and the average annual bonus of the last three years.
- (2) Voluntary resignation and termination of employment without cause: The deferred portion of annual bonuses in the Financial Markets segment, awarded in RSUs, continues to vest in accordance with the same time frame and is payable in cash at the vesting date if the non-compete and non-solicitation conditions are met.
- (3) If the non-compete and non-solicitation conditions are met.

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

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

The following table indicates the estimated incremental amounts that would have been paid to the Named Executive Officers if their employment had been terminated as at October 31, 2019. These amounts do not include the benefits that could be considered with respect to Common Law and Civil Law.

Name	Estimated incremental value by type of termination (\$) ⁽¹⁾		
	Retirement, voluntary resignation and termination of employment with cause	Termination of employment without cause (lay-off) ⁽²⁾	Change of control and termination of employment ⁽³⁾
Louis Vachon	0	–	\$6,041,280
Ghislain Parent	0	–	\$2,113,179
Denis Girouard	0	–	\$5,489,036
Laurent Ferreira	0	–	\$8,217,012
Martin Gagnon	0	–	\$2,958,913

- (1) The estimated incremental value refers to the severance benefits that would have been paid. No incremental value from the pension plan would have been payable regardless of the reason for termination.
- (2) If a Named Executive Officer had their employment terminated on October 31, 2019 further to dismissal without cause, he or she would have been entitled to accelerated vesting of any share-based compensation (excluding DSUs) already granted in the fiscal years prior to 2019. Based on the Bank's share price on October 31, 2019, the value of such accelerated vesting would have been \$12,949,880 for Louis Vachon, \$2,946,143 for Ghislain Parent, \$9,699,282 for Denis Girouard, \$12,107,618 for Laurent Ferreira, and \$4,522,771 for Martin Gagnon.
- (3) If a Named Executive Officer had had their employment terminated on October 31, 2019 further to a change of control, he or she would have been entitled to accelerated vesting of any option and share-based compensation already granted in the fiscal years prior to 2019. Based on the Bank's share price on October 31, 2019, the value of such accelerated vesting would have been \$18,847,255 for Louis Vachon, \$4,103,367 for Ghislain Parent, \$10,775,207 for Denis Girouard, \$12,942,881 for Laurent Ferreira, and \$5,482,275 for Martin Gagnon.

OTHER INFORMATION

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

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

Compensation awarded in 2019

The following tables summarize the value of the compensation awarded to material risk takers for fiscal years 2018 and 2019. The value of deferred compensation (based on equity securities) is shown in relation to the projected value at time of grant.

Amounts are in millions of dollars

Compensation granted	2019		2018	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
Number of employees	5	199	5	195
Fixed compensation				
• Cash (not deferred)	\$3.0	\$41.8	\$3.0	\$39.0
Variable compensation				
• Cash (not deferred)	\$7.0	\$110.9	\$8.7	\$123.9
• Share-based (deferred)	\$14.1	\$81.7	\$15.0	\$92.5
Deferred compensation				
Outstanding				
• Vested	\$66.9	\$56.0	\$68.6	\$59.2
• Non-vested	\$52.2	\$200.0	\$45.2	\$192.2
Paid in the fiscal year	\$28.3	\$89.2	\$44.6	\$100.0

All outstanding deferred compensation is subject to implicit adjustments (such as changes in share price) and explicit adjustments (such as the clawback of variable compensation). In fiscal 2019, no explicit adjustment of deferred compensation granted in a previous year was made.

Other compensation

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

Other compensation	2019		2018	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
Bonus offered at hiring under the guaranteed bonuses policy				
• Number of employees	0	7	0	7
• Sign-on awards	0	\$4.2	0	\$1.4
• Guaranteed awards	0	\$5.8	0	\$3.6
Severance payments				
• Number of employees	0	10	0	— ⁽¹⁾
• Severance payments	0	\$20.6	0	

- (1) Considering the low number of employees that received severance payments in 2018 and in order to protect employee confidentiality, the Bank provided OSFI with data on severance payments made to material risk takers in 2018. The data included the number of material risk-takers who received severance payments as well as the amounts paid out.

8.

Other information

Indebtedness of directors, executive officers and employees

Aggregate indebtedness

The following table shows the aggregate indebtedness ⁽¹⁾ outstanding at January 28, 2020 to the Bank or its subsidiaries incurred by current and former directors, executive officers ⁽²⁾ and employees of the Bank and its subsidiaries. This amount excludes “routine indebtedness” (as defined in securities legislation).

Purpose	Granted by the Bank or its subsidiaries (\$)	Granted by another entity (\$)
Securities purchases	–	–
Other	27,017,268 ⁽³⁾	–

- (1) These loans are granted by the Bank or one of its subsidiaries or by another entity if the indebtedness is the subject of a guarantee or letter of credit provided by the Bank or one of its subsidiaries, a support agreement, or other similar arrangement or understanding.
- (2) For the purposes of this section, the executive officers are the Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer, the Vice-Presidents in charge of a principal business unit, division or function of the Bank, and officers of the Bank or its subsidiaries who perform a policy-making function in respect of the Bank.
- (3) This amount consists of loans, 95% of which are secured by mortgages.

8. Other information

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 as well as the indebtedness of each director nominee of the Bank and of each related person of any such director, executive officer or nominee. These loans exclude loans repaid in full and routine indebtedness.

Name and principal position	Involvement of the Bank or a Bank subsidiary	Largest amount outstanding during the fiscal year ended October 31, 2019 (\$)	Amount outstanding as at January 28, 2020 (\$)	Financially assisted securities purchases during the fiscal year ended October 31, 2019	Security for indebtedness	Amount forgiven during the fiscal year ended October 31, 2019 (\$)
SECURITIES PURCHASE PROGRAMS						
–	–	–	–	–	–	–
OTHER PLANS						
FERREIRA, Laurent Executive Vice-President and Co-Head, Financial Markets	Loans granted by the Bank	\$3,324,391.82 ⁽²⁾	\$2,021,150.36 ⁽²⁾	–	–	–
	Loans granted by the Bank	\$156,803.67 ⁽³⁾	\$152,741.18 ⁽³⁾	–	–	–

- (1) These loans are granted by the Bank or one of its subsidiaries or by another entity if the indebtedness is the subject of a guarantee or letter of credit provided by the Bank or one of its subsidiaries, a support agreement, or other similar arrangement or understanding.
- (2) This amount represents the balance of a home equity line of credit, named National Bank All-in-One, secured by a mortgage loan on the borrower's primary residence that was granted by the Bank under conditions applicable to clients, except that the interest rate is the one granted to Bank employees, i.e., the prime rate less 0.50%, but not less than the prime rate divided by 2.
- (3) This amount represents the balance of a loan secured by a mortgage granted by the Bank. The rate on this loan is made under the same terms as rates granted to clients.

Directors' and officers' liability insurance

The Bank has purchased a liability insurance policy on behalf of the directors and officers of the Bank and its subsidiaries. This policy covers directors and officers under circumstances where the Bank is not able or not permitted to indemnify them. The policy provides aggregate coverage of up to \$125,000,000 with no deductible.

The annual premium for this insurance is \$615,521.63. The policy, which is renewable, expires on September 1, 2020.

Minutes

The minutes of the Meeting will be posted on the sedar.com and nbc.ca websites.

8. Other information

Additional information

Financial information about the Bank can be found in the comparative consolidated financial statements and management’s discussion and analysis reported in the [2019 Annual Report](#).

Upon request, the Bank will promptly provide any shareholder with a free copy of the 2019 Annual Report, a copy of the 2019 Annual Information Form together with a copy of any document incorporated therein by reference, a copy of the annual consolidated financial statements for the fiscal year ended October 31, 2019 with the accompanying independent auditor’s report, a copy of any subsequent quarterly report, and a copy of the Management Proxy Circular with respect to its most recent Annual Meeting of the Holders of Common Shares of the Bank involving the election of directors, and all other documents incorporated by reference into the Circular, including the mandate of the Board as well as a copy of the Code of Conduct and Ethics. To obtain copies of these documents, please send your request to the Corporate Secretary, National Bank of Canada, [600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2](#).

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

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

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

- Mandates of the Board and Board committees
- Mandates of the Chairman of the Board and the committee Chairs
- Director Independence Policy
- The Bank’s Statement of Corporate Governance Practices
- The Board Diversity Policy
- Code of Conduct and Ethics

The Bank’s most recent Social Responsibility Report can also be found in the Corporate Responsibility subsection under “About Us” on the [nbc.ca](#) website.

The Bank is also very active on social media platforms through which it can be contacted.

Trademarks

The trademarks used in this Circular include National Bank of Canada, National Bank, National Bank Financial, NBC, *All-in-One National Bank*, *One client, one bank*, and their respective logos, which are trademarks of the Bank used under licence by authorized third parties. All other trademarks mentioned in this Circular that are not the property of the Bank are owned by their respective holders.

Approval of the Board

The Board has approved the content of this Circular and its mailing to the Shareholders.

NATIONAL BANK OF CANADA

(s) *Dominic Paradis*

Senior Vice-President, Legal Affairs and Corporate Secretary

Montreal, February 27, 2020

Appendix A

Shareholder proposals

The Bank has reproduced the full text of the four proposals that it received from the Mouvement d'éducation et de défense des actionnaires (MÉDAC), the head office of which is located at [82 Sherbrooke Street West, Montreal, Quebec, Canada H2X 1X3](#).

After discussions with the Bank, MÉDAC agreed to submit only proposal 1 to a Shareholder vote. The Bank and MÉDAC also agreed to include proposals 2, 3 and 4, not submitted to a vote, in the Circular solely for information purposes.

PROPOSAL NO. 1 **Submitted to Shareholder vote**

“Disclosure of the pay ratio

It is proposed that the Bank disclose the pay ratio (equity ratio) used by the Compensation Committee when setting compensation.

Arguments

Since its inception, MÉDAC has been submitting proposals to assure shareholders that the compensation of the Bank's CEO is determined based on the value he creates and in a reasonable and socially acceptable fashion. One of the tools that provides such information to shareholders is the pay ratio, which is a relationship between the CEO's total compensation and the median compensation of an employee, and is what we call the equity ratio. Last year, our proposal received an average rate of support of 6% among six major Canadian banks and of 10.51% from the Laurentian Bank of Canada.

In the United States, such disclosure has been mandatory for a year and, according to a comment made by an executive officer at Willis Towers Watson, Jim Kohler:

“We believe this is a golden opportunity for employers to begin a dialogue with not only employees but also customers, investors and the media about pay positioning and pay transparency. In fact, we are working with several companies on developing a communication road map to guide them through the process.”⁽¹⁾

Given that it’s fair to believe that your Compensation Committee uses equity ratio information for setting the compensation of the CEO and executive officers, we ask that the Board of Directors agree to disclose this information in the next Management Proxy Circular and in its Report on Environmental, Social and Governance (ESG) Matters.

As with the information used to determine whether the compensation of the CEO and his main collaborators is aligned with our financial interests, an initiative to make the equity ratio transparent would help shareholders and stakeholders to determine whether employee compensation is moving in the same direction as that of the main executives, since employees other than executives also contribute to the organization’s performance. Such information would also help shareholders determine whether the compensation granted to key management personnel is socially acceptable and does not adversely affect its reputation.

The Bank’s position:

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

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

The Board has monitored the idea of the equity ratio in the United States following the implementation of rules to disclose a compensation comparison ratio by U.S. companies. To date, the results obtained from the disclosure of equity ratios by U.S. companies have been unusable. The reason is that large variances exist between the ratios disclosed, even within a same industry. The variances can be attributed to a wide range of factors, making comparisons between ratios impossible and, at best, inconclusive.

For these reasons, the Board and the Bank’s management recommend voting AGAINST this proposal.

(1) “We believe this is a golden opportunity for employers to begin a dialogue with not only employees but also customers, investors and the media about pay positioning and pay transparency. In fact, we are working with several companies on developing a communication road map to guide them through the process.” <https://hrdailyadvisor.blr.com/2017/10/11/biggest-challenge-ceo-pay-ratio-disclosure-rule/>

PROPOSAL NO. 2

Not submitted to Shareholder vote

“Creation of a New Technology Committee

It is proposed that the board of directors create a New Technology Committee to anticipate issues arising from the incorporation of technological innovations within the Bank.

Arguments

We are submitting this new proposal given that we continue to be reminded, in both Canada and the United States, that the banking industry will be undergoing profound changes as new technologies are introduced. In our proposal from last year, we quoted a 2017 PWC report entitled Perspectives on the Canadian Banking Industry: ⁽²⁾

“Industry changes, shifting customer expectations, rising costs and a rapidly shifting technological landscape continue to challenge the traditional banking model. FinTech startups, technology giants and other non-traditional players continue to make inroads in the marketplace. And Canada’s payments infrastructure is embarking on its largest overhaul in decades.”

A 2018 report ⁽³⁾ by this same accounting firm revisits the digital economy, reminding us that a multiplication of cyberrisks and the development of banking and online services require substantial technological investment in technologies and reports the following quotes from the president of the Canadian Bankers Association:

“If you can bring these new technologies to bear, and these new capabilities to bear, I think as Canadians look for growth in a digital economy, we’ll have the best of all worlds.”

The board of directors has a key role to play in anticipating how the application of technological innovations could affect its customers, various employees, and products and services. Although we acknowledge that the board of directors is devoting increasingly significant efforts to include directors who have special knowledge in this area and to develop the board’s knowledge through continuous training programs, there is no specific committee monitoring this matter. Remember, about ten years ago, there was no risk committee, but today the added value of such a committee is recognized.

The speed of technological change is concerning to us and constitutes a threat that deserves specific attention through the creation of a committee.”

The Bank’s position:

The Board understands that technology is a key component of the Bank’s growth and business strategy. It knows that incorporating technological innovations not only comes with opportunities but also with risks. The Risk Management Committee (“RMC”) monitors the risk profile and the trending direction of the Bank’s business activities and makes sure they are consistent with the Bank’s risk appetite. The RMC assesses the strength of the Bank’s practices on a constant basis. It continually stays informed of trends and operational incidents that have occurred in the industry, including exceptional incidents that have occurred in 2019, in order to take the necessary steps to further strengthen the Bank’s practices.

To further support the RMC in its oversight of the Bank’s technology program, the Board has decided to create a technology subcommittee. The subcommittee will have several responsibilities, including making recommendations on the implementation of a technology strategy that considers technological opportunities and the corresponding risks, examining investments that will support the Bank’s digital development and initiatives, and monitoring the cybersecurity and data management program.

(2) <https://www.pwc.com/ca/en/banking-capital-markets/canadianbanks2017/400293-canadian-banks-2017.pdf>

(3) <https://www.pwc.com/ca/en/financial-services/canadian-banks-2018/publications/p397048-industries-fs-canadian-banks2018-full-report.pdf>

The creation of a subcommittee that is officially dedicated to technology will bring together directors, officers and technology experts, lead to greater discussions and in turn lead to greater effectiveness. In addition, the creation of a subcommittee will help the Bank meet its commitment to mitigating technology risks, continuously improving information security, and maintaining the trust of customers. The subcommittee will continue to promote best practices in the area of technology management.

The members of the subcommittee will be appointed by the Board annually and will include three independent directors. Their expertise, in addition to that of officers and invited experts, will help the subcommittee manage technological risk through a structured approach and a centralization of expertise. Cyberthreats are evolving quickly and becoming increasingly complex. The Board must therefore be able to intervene quickly and to draw lessons from the incidents that have occurred in the market, which it will be able to do through the technology subcommittee. An effective governance and reporting structure will help incorporate the subcommittee’s recommendations into the RMC’s decisions. As with the mandates of the Board and the committees, the mandate and make-up of this subcommittee will be published in the Governance subsection, under “About Us” on the nbc.ca website when the subcommittee becomes active in the 3rd quarter.

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

PROPOSAL NO. 3

Not submitted to Shareholder vote

“Diversity target

It is proposed that the Bank set a target above 40% for the composition of its Board of Directors for the next five years

Arguments

For several years, Canadian banks have paved the way for a greater representation of women on their boards of directors and at the highest levels of their organizations. They have adopted policies and implemented measures that ensure greater diversity. However, none of the major Canadian banks have revised their targets for the representation of women on their boards of directors since the 2014 adoption of Canadian *National Instrument 58-101 – Disclosure of Corporate Governance Practices*. This standard invites most Canadian issuers listed on the Toronto Stock Exchange to disclose whether or not they have set a target number or target percentage for the representation of women on their boards of directors. The following table summarizes the situation well:

Bank	% of female representation among independent directors	Target
BMO	36%	At least 33% of both genders
NBC	38%	At least 33% women
CIBC	50%	At least 30% of both genders
Scotia	46%	At least 30% of both genders
Royal	46%	At least 30% women
TD	38%	At least 30% of both genders

Banks often serve as beacons of sound governance for small- and medium-sized enterprises; failing to update targets could suggest that the current targets are the ideal targets to be met. It is known that the number of qualified women exceeds the number of available positions and that various stereotypes and biases have slowed the ascension of women to such positions. With this in mind, it is proposed that the Bank revise its diversity policy and raise the minimum representation of both genders on its boards of directors to 40%.”

The Bank’s position:

The Bank is firmly committed to promoting diversity and believes that a diversified representation of directors, one that mirrors the diversity of its customers, employees and shareholders, is essential to sound governance.

The Bank has set a target to achieve gender parity and to have women account for at least one third of its directors. To reach this target, the Bank is committed to having women candidates make up half of the nominees for director positions that become vacant and has met this objective (10 director positions have become vacant since 2013, and five of these ten positions were filled by women). The Bank is the only financial institution among its peers to employ this strategy, which is described on [page 42](#) of the Circular, to ensure balanced gender representation over the long term.

The Board believes that the Bank’s commitment to having a minimum threshold of 33% women on the Board while moving towards gender parity is an exemplary practice, also taking into account the small factor that the Board members represent.

Furthermore, one of the objectives of the Board Diversity Policy, which was revised in 2018, is that the Board be comprised of people from different backgrounds so that the Bank may benefit from different viewpoints and experiences. With that objective in mind, the selection process takes into account not only gender diversity but also characteristics such as age, sexual orientation, geographical region, identification with an ethno-cultural group, or a designated group. The Bank promotes diversity in all its forms.

On the date of the annual meeting, if all candidates proposed for election are elected, the proportion of women sitting on the Board will reach 40% (6/15), exceeding the minimum threshold set by the Conduct Review and Corporate Governance Committee.

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

PROPOSAL NO. 4

Not submitted to Shareholder vote

“Competitiveness and protection of personal information

It is proposed that the board of directors inform shareholders about the investments that the Bank intends to make over the next five years to update its computer systems to improve its competitiveness and provide better protection of personal information.

Arguments

In a recent PWC report about banks, the president and CEO of the Canadian Bankers Association stated that most banks are using old systems. Seizing the potential of artificial intelligence and applying its possibilities to old systems is obviously highly complex, both in terms of designing solutions and proposing them to the market. Such a realization can be concerning, as system obsolescence makes the Bank vulnerable to cyberattacks and limits its ability to examine all the potential offered by artificial intelligence.

Aware of the sensitivity of such information, we ask, as shareholders and consumers of financial products, that the following information be disclosed:

- The amounts that will be invested in the coming years to modernize systems;
- The investment that will be made to develop human capital to ensure human resources can adapt to these new technologies;
- The methods that will be used by the Bank to support customers in cases of theft of personal information, in particular:
 - Monitoring of Equifax credit files and triggering alerts immediately upon major changes to credit scores indicative of unusual transactions;
 - Internet sweeps to detect whether a member’s personal information appears on suspicious websites;
 - Identity restoration: Steps taken to restore a member’s identity should they become a victim of identity theft.

We believe that disclosure of such information would comfort both shareholders and customers in their relationships with the Bank.”

The Bank’s position:

We refer you to the position taken by the Bank in proposal No. 2 “Creation of a New Technology Committee.”

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

INFORMATION FOR SHAREHOLDERS

Head Office

National Bank of Canada
National Bank Tower
600 De La Gauchetière Street West, 4th floor,
Montreal, Quebec, Canada H3B 4L2

Telephone: 514-394-5000
Website: nbc.ca

Registrar and Transfer Agent

For information about stock transfers, address changes, dividends, lost share certificates, tax forms and estate transfers, Shareholders are asked to directly contact Computershare, the Bank's registrar and transfer agent, at the address and telephone numbers below.

Computershare Trust Company of Canada

1500 Robert-Bourassa Boulevard, 7th floor
Montreal, Quebec, Canada H3A 3S8

Telephone: 1-888-838-1407
Fax: 1-888-453-0330
Email: service@computershare.com
Website: computershare.com

For all correspondence (mailing address):

Computershare Trust Company of Canada

100 University Avenue, 8th floor,
Toronto, Ontario, Canada M5J 2Y1

All other enquiries may be addressed to:

Investor Relations

National Bank of Canada

National Bank Tower
600 De La Gauchetière Street West, 7th floor,
Montreal, Quebec, Canada H3B 4L2

Telephone: 1-866-517-5455
Email: investorrelations@nbc.ca
Website: nbc.ca/investorrelations

Contacting the Board of Directors

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 email to boardofdirectors@nbc.ca or by mail c/o the Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.

CODE OF PROCEDURE

The Meeting of the Bank is an opportunity for us to present the Bank's results and current projects and to hear the opinions of Shareholders on the proposals put to a vote—as indicated in the Business of the Meeting section presented in the Circular—and to answer their questions.

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

Registration – Attendance at the Meeting is limited to registered holders and beneficial owners as of the record date as well as to their proxyholders. All participants must confirm their presence and, as required, obtain ballots at the desk of the Bank's transfer agent, which is located at the entrance of the hall. Invited guests of the Bank may also attend the Meeting. Invited guests must confirm their presence with one of the Bank's representatives posted at the entrance of the hall.

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

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

- are not relevant to the Bank's business
- concern an issue before a court
- are defamatory
- repeat in substance a question or discussion that has already been addressed during the Meeting
- relate to personal grievances

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

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

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

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

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

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