

Annual Meeting of Shareholders

April 24, 2019

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

Management Proxy Circular



Vote
on matters
submitted to
shareholder vote

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 matters
submitted to
shareholder vote

Terms and abbreviations used →

Use the table overleaf to facilitate reading.

2018 Annual Information Form: The Bank's Annual Information Form dated December 4, 2018 and posted on the nbc.ca and sedar.com websites on December 5, 2018

2018 Annual Report: The Bank's Annual Report filed on December 5, 2018, posted on the nbc.ca and sedar.com websites, including the consolidated financial statements for the fiscal year ended October 31, 2018, Management's Discussion and Analysis, and the related independent auditor's report

AC: Audit Committee of the Board

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

Bank: National Bank of Canada

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) in his or her favour

Board: Board of Directors of the Bank

Circular: Management Proxy Circular for the Meeting

Computershare: Computershare Trust Company of Canada

CRCGC: Conduct Review and Corporate Governance Committee of the Board

CSA: Canadian Securities Administrators

Deloitte: Deloitte LLP

DSU: Deferred share unit

EDT: Eastern Daylight Time

EST: Eastern Standard Time

Executive Officers (as at October 31, 2018):

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 Marketing;
- the Executive Vice-President – Employee Experience and Operations;
- the Executive Vice-President – Commercial Banking and Insurance;
- the Executive Vice-President – Information Technology; and
- the Chief Transformation Officer and Executive Vice-President.

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

FSB: Financial Stability Board

Hay Group: Korn Ferry Hay Group Ltd.

HRC: Human Resources Committee of the Board

ICP: Annual Incentive Compensation Program

Meeting: Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on Wednesday, April 24, 2019 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;

Ricardo Pascoe – Chief Transformation Officer and Executive Vice-President; 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 roles reporting directly to Executive Officers who are employees of the Bank's subsidiaries, as well as any Bank employee considered by the Bank's Human Resources Committee to occupy a similar role

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

PRAP: Post-Retirement Allowance Program

PSU: Performance share unit

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*, R.R.Q., c.V-1.1, r.24

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

RMC: Risk Management Committee of the Board

RSU: Restricted share unit

SEDAR: System for Electronic Document Analysis and Retrieval

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

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

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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



Fairmont Le Château Frontenac
1 Des Carrières Street
Quebec City, Quebec, Canada

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

BUSINESS OF THE MEETING

For further information,
please see

- | | | |
|----------|--|---|
| 1 | To receive the consolidated financial statements for the fiscal year ended October 31, 2018 and the independent auditor's report thereon | <i>Section 2 of the Circular and 2018 Annual Report</i> |
| 2 | To elect the directors | <i>Section 2 of the Circular</i> |
| 3 | To consider an advisory resolution to accept the approach taken by the Board of Directors of the Bank with respect to executive compensation | <i>Section 2 of the Circular</i> |
| 4 | To appoint Deloitte LLP as independent auditor | <i>Section 2 of the Circular</i> |
| 5 | To consider and, if applicable, confirm by special resolution, the approval of the By-Law relating to director compensation and setting the aggregate compensation that can be paid to all of the directors of the Bank during a year at \$3,500,000 | <i>Section 2 of the Circular</i> |
| 6 | To consider the shareholder proposals | <i>Section 2 and Appendix A of the Circular</i> |
| 7 | To transact any other business that may properly come before the Meeting | <i>Section 2 of the Circular</i> |

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 form of proxy or a voting instruction form allowing you to exercise your voting rights. For more information on how to vote, please refer to [Section 1](#) of the Circular.

Who can vote?

Registered holders and beneficial owners holding shares on the record date, on March 1, 2019 at 5:00 p.m. (EST), are entitled to receive a Notice of Meeting and to cast one vote per Common Share held, 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, in your favour. For more information, please refer to [Section 1](#) of the Circular.

REGISTERED HOLDER	BENEFICIAL OWNER
<p> VOTE via the form of proxy.</p> <p>You must follow the instructions on your form of proxy and return it using one of the following methods.</p> <p>  </p> <p>To be valid, your form of proxy must be received by Computershare Trust Company of Canada no later than 5:00 p.m. (EDT) on Monday, April 22, 2019.</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 allow sufficient time for your intermediary to receive and process your voting instruction form no later than 5:00 p.m (EDT) on Monday, April 22, 2019. Please refer to the instructions on your voting instruction form.</p>

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

Common Shares outstanding on the record date

On the record date for the Meeting, namely, March 1, 2019, 335,579,811 Common Shares of the Bank were outstanding and eligible to be voted 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, free of charge, a 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 form of proxy when required.		

If you request it before the date of the Meeting, the Circular will be sent to you within three business days 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 Thursday, April 4, 2019.

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 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 Annual Meeting of the Holders of Common Shares of the Bank, and, if adjourned, at any reconvening thereof. Thus, unless you request it, you will not receive the Circular by mail.

The notice-and-access procedures allow for faster access to the Circular, contribute to the protection of the environment by reducing tree, water and energy consumption, and help reduce high printing and postage costs. The Bank is proud to take that 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 and assistance with voting

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

By order of the Board of Directors,

NATIONAL BANK OF CANADA

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

Montreal, March 1, 2019



Montreal, March 1, 2019

Dear Shareholder,

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

This Meeting, which marks the Bank's 160th anniversary, and being held in the city where it was originally founded, is an opportunity for us to present our achievements as well as our current initiatives. It is also an opportunity to hear your thoughts on the proposals being submitted to a vote and to answer your questions. In keeping with the Bank's efforts to minimize its environmental footprint, the event will be environmentally friendly.

We are pleased with the progress that the Bank has made in the various areas of its business, progress that is testament to the hard work of its talented people. In recent years, we have paid particularly close attention to the Bank's organizational and technological transformation as well as the resulting impacts. In 2018, these transformation and cultural evolution efforts continued, with many initiatives being taken to ensure ongoing improvements to customer experience. The Bank continued to invest in technological and digital initiatives in order to meet customer expectations in a simpler, more efficient manner, and it made major investments in data and cybersecurity to safeguard the personal information of customers and to offer improved service.

In addition, we are proud of the Bank's ongoing commitment to diversity, both during employee recruitment and when selecting candidates for director positions. Furthermore, to highlight the importance of encouraging dialogue among Shareholders, the Board, and Executive Officers, a shareholder engagement policy was adopted.

Your participation is important to us. If you cannot attend in person, you can nonetheless express your opinion on the matters put to a vote by using the enclosed form of proxy or voting instruction form, as explained under the "Exercising voting rights" heading in [Section 1](#) of the Circular.

A live webcast of the event will be available on the "Investor Relations" page at nbc.ca/investorrelations.

Sincerely,

NATIONAL BANK OF CANADA

(s) Jean Houde
Chairman of the Board of Directors

(s) 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 Increase in the aggregate compensation that can be paid to directors	For	P. 17
5 Shareholder proposals	Against	P. 18

Director nominees at a glance

You are invited to elect the 14 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 2018	Other directorships in public corporations
Raymond Bachand	71	October 2014	Strategic Advisor, Norton Rose Fulbright Canada LLP	✓		100%	• Transat A.T. Inc.
Maryse Bertrand	60	April 2012	Corporate Director	✓	 P	92%	• Metro Inc. • Gildan Activewear Inc.
Pierre Blouin	61	September 2016	Corporate Director	✓		100%	• Fortis Inc.
Pierre Boivin	65	April 2013	President and Chief Executive Officer, Claridge Inc.	✓	 P	91%	• Canadian Tire Corporation, Ltd.
Patricia Curadeau-Grou	63	New nominee	Corporate Director	✓	–	–	• Cogeco Communications Inc.
Gillian H. Denham	58	October 2010	President, Authentum Partners Ltd.	✓		100%	• Canadian Pacific Railway Limited • Kinaxis Inc. • Morneau Shepell Inc.
Jean Houde	73	March 2011	Chairman of the Board	✓		100%	• Énergir Inc.
Karen Kinsley	62	December 2014	Corporate Director	✓	 P 	100%	• Choice Properties Real Estate Investment Trust • Saputo Inc.
Rebecca McKillican	39	October 2017	President and Chief Executive Officer, Well.ca Inc.	✓		100%	–
Robert Paré	64	April 2018	Strategic Advisor, Fasken Martineau DuMoulin LLP	✓		100%	• ADF Group Inc. • Quebecor Inc.
Lino A. Saputo, Jr.	52	April 2012	Chief Executive Officer and Chairman of the Board of Directors, Saputo Inc.	✓	 P 	96%	• Saputo Inc.
Andrée Savoie	47	April 2015	President and Chair of the Board of Directors, Acadian Properties Ltd.	✓	 P 	100%	–
Pierre Thabet	61	March 2011	President, Boa-Franc Inc.	✓	 P 	100%	–
Louis Vachon	56	August 2006	President and Chief Executive Officer of the Bank		–	100%	• Molson Coors Brewing Company

 Audit Committee

 Risk Management Committee

 Human Resources Committee

 Conduct Review and Corporate Governance Committee

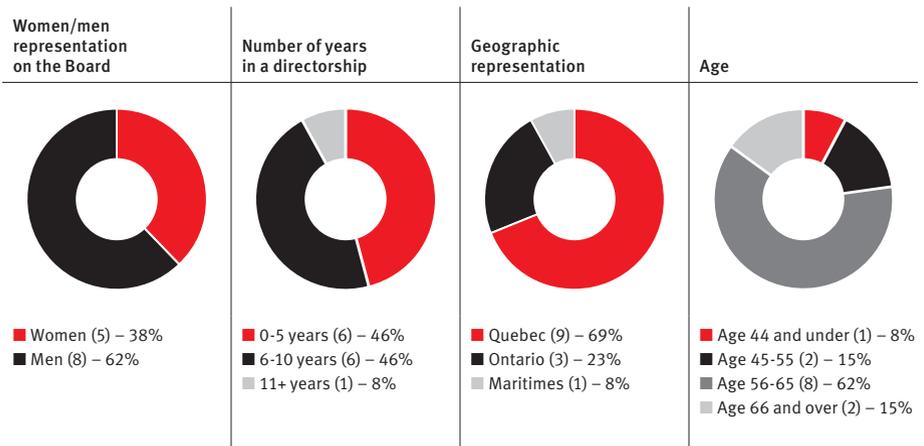
 Committee Chair

Data points on the director nominees

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

While the director nominees have a vast array of qualifications, this table shows their main areas of expertise.

Data points on Board members



COMPENSATION HIGHLIGHTS

Fiscal 2018

- No changes were made to the target direct compensation of the President and Chief Executive Officer or of the Other Named Executive Officers.
- A third metric used to measure customer experience was added to the annual bonus calculation formula. The creation of the annual bonus envelope is therefore now based on three metrics that are clearly aligned with our strategic priorities, i.e., to reach a high level of profitability, efficiency and client satisfaction.
- Given the Bank's strong performance (record net income of \$2.2 billion), the Human Resources Committee approved, using the preset formula, the creation of annual bonus envelopes at 112% of the target.
- With the annual bonus envelopes being set at 112% of target, the total direct compensation (including mid- and long-term compensation) paid to the President and Chief Executive Officer was 102.6% of target.

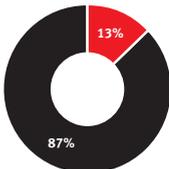
Upcoming fiscal year

- The Bank will pursue its organizational transformation, the cornerstone of which is our cultural evolution, in particular our move to an even more agile, collaborative, and human-focused organization. As of 2019, all Executive Officers will share common performance objectives and participate in the same annual Incentive Compensation Program (ICP), the aim being to further strengthen alignment as we carry out our shared mission.

KEY PRINCIPLES OF THE COMPENSATION POLICY FOR EXECUTIVE OFFICERS

1. Pay for performance

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

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	The Bank's financial results, client satisfaction, and individual performance levels
	Mid-term	PSUs	Common Share price and Total Shareholder Return relative to other banks
		RSUs	Price of the Bank's Common Shares
	Long-term	Stock options	Price of the Bank's Common Shares
DSUs		Price of the Bank's Common Shares	

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

2. Promote sound risk taking

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

Components of variable compensation		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Short-term	Annual bonus												
	Performance Share Units (PSUs)	 Vest after three years depending on relative TSR and adjustment range capped at 125%											
Mid-term	Restricted Share Units (RSUs)	 Vest over a three-year period											
Long-term	Stock options	 Vest over a four-year period at a rate of 25% per year and stock options expiring after ten years											
	Deferred Share Units (DSUs)	 Vest over a four-year period at a rate of 25% per year and redeemable only at retirement or upon termination of employment											

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

3. Reward contribution

- ✓ Compensation is established based on level of responsibility, expertise, competence and experience.
- ✓ Peer group consists of Canadian 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 the Hay Group’s evaluation method.

4. Align vision with that of shareholders

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

The Board is satisfied that the Bank’s compensation policy 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 \$139 on December 31, 2018. 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 \$198. For more information, see [page 87](#) of the Circular.

Value of \$100 granted annually as direct compensation to Louis Vachon over the past ten years	Value of \$100 invested in Common Shares of the Bank at the beginning of each of the last ten fiscal years
Average value of \$139 (on December 31, 2018)	Average value of \$198 (on December 31, 2018)

- ✓ **Anti-hedging policy 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		61.0 times
Other Named Executive Officers	4 times	
Ghislain Parent		15.7 times
Denis Girouard		24.2 times
Ricardo Pascoe		59.8 times
Martin Gagnon		12.5 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 Wednesday, April 24, 2019, at [Fairmont Le Château Frontenac located at 1 Des Carrières Street, Quebec City, 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 March 1, 2019, the record date for the Meeting, have access to it online, as provided for in Regulation 51-102 and Regulation 54-101.

Registered holders and beneficial owners will still receive by 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 registered holders and to beneficial owners how to view the Circular online and how to obtain a printed copy.

NOTICE-AND-ACCESS PROCEDURE

+ FASTER

+ GREENER

+ MORE ECONOMICAL

Registered holders and beneficial owners can consult the Circular electronically by visiting the nbc.ca/investorrelations page or the sedar.com website.

1. Voting information



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

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

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

The solicitation of proxies will be done by regular or electronic mail, by telephone, or in person. Proxies will be solicited by employees, officers, or directors of the Bank or by representatives of Laurel Hill. The Bank expects to pay approximately \$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, help protect the environment by reducing tree, water and energy consumption, and contribute to reducing high printing and postage costs.

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 March 1, 2019.

Attending the Meeting

To attend the Meeting, you can present yourself in person at 10:00 a.m. (EDT) on April 24, 2019 at the [Fairmont Le Château Frontenac located at 1 Des Carrières Street in Quebec City, Quebec, Canada](#). You can also watch a live webcast of this event on the "Investor Relations" page on the Bank's website at: nbc.ca/investorrelations.

The 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 March 1, 2019, 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 March 1, 2019, 335,579,811 Common Shares of the Bank were outstanding and eligible to be voted at the Meeting.

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

- i) the Government of Canada or a province;
- ii) the government of a foreign country or of any political subdivision of a foreign country;
- iii) an agency of any of these entities;
- iv) a person who has acquired 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 March 1, 2019, the Bank's management and Board of Directors 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, please 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 form of proxy or voting instruction form are directors of the Bank. If you wish to appoint as your proxyholder to represent you at the Meeting a person other than those whose names are printed on the form of proxy or voting instruction form, you may do so by striking out the names appearing thereon and inserting such other person's name in the blank space provided.

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

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

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

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

Matters set out in the Notice of Meeting	Vote
Election of each of the director nominees	FOR
Board's approach to executive compensation	FOR
Appointment of Deloitte as independent auditor	FOR
Approval of the By-Law relating to director compensation and setting the aggregate compensation that can be paid to all the directors of the Bank during a year at \$3,500,000	FOR
Proposals 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 which may properly come before the Meeting. However, they may vote only on the appointment of an independent auditor or the election of a director whose appointment or election is proposed in the form of proxy, the voting instruction form or the Circular.

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

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

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) form of proxy 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) form of proxy 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 1-905-507-7793 or 514-281-8911.



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

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 at **Fairmont Le Château Frontenac, located at 1 Des Carrières Street, Quebec City, 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

REGISTERED HOLDER	BENEFICIAL OWNER
<p style="text-align: center;">PROXYHOLDER</p> <p>For your appointment of proxyholder to be considered valid, please complete the section to that effect on the form of proxy and make sure to return the form as follows:</p> <ul style="list-style-type: none"> ✓ by mail: <ul style="list-style-type: none"> • using the pre-addressed, postage-paid envelope provided; or • to Computershare Trust Company of Canada at 100 University Avenue, 8th floor, Toronto, Ontario, Canada M5J 2Y1; or ✓ by fax to 1-866-249-7775. • Your form of proxy must be received no later than 5:00 p.m. (EDT) on April 22, 2019. 	<p style="text-align: center;">PROXYHOLDER</p> <p>For your appointment of proxyholder to be considered valid, please complete the section to that effect on the voting instruction form and make sure to return the form in accordance with the instructions indicated thereon.</p> <p>Your voting instruction form must be received no later than April 22, 2019 at 5:00 p.m. (EDT) and in accordance with the instructions indicated on the form.</p>
<p style="text-align: center;">REVOKING</p> <p>You may revoke your proxy as follows:</p> <ul style="list-style-type: none"> ✓ by delivering a written notice to this effect, signed by you or by your duly authorized agent, to: <ul style="list-style-type: none"> • c/o Corporate Secretary, the contact information for which is provided on page 116 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 • the Chairman of the Meeting on the day of the Meeting or, if adjourned, any reconvening thereof; or ✓ by completing, signing and returning to Computershare, in the manner set out on the form of proxy, a new form of proxy bearing a later date than the form already returned. 	<p style="text-align: center;">REVOKING</p> <p>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, 2018 and the independent auditor's report thereon are an integral part of the Bank's 2018 Annual Report, which is available on the nbc.ca and sedar.com websites.

Election of directors

The number of directors to be elected at the Meeting is 14. Directors are elected individually each year. Aside from Patricia Curadeau-Grou, 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 form of proxy or voting instruction form will exercise the voting rights attached to the Common Shares **FOR** the election of each of the director nominees.

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

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 Annual 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 20, 2018 are provided in the director nominee summaries of [Section 3](#) of the Circular as well as on the [nbc.ca](#) and [sedar.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 acting on its commitment to the Bank’s shareholders while recognizing its responsibility for executive compensation decisions. The Board considers it crucial for Bank shareholders to be well informed and to fully understand the principles on which its compensation decisions are based. This advisory vote promotes an ongoing dialogue between shareholders and the Board regarding the approach to executive compensation.

Last year, 92.76% of shareholders voted in favour of our approach to executive compensation. Since the advisory vote on the approach to executive compensation was introduced in 2010, it has always received the approval of at least 91% of shareholders.

The resolution to be voted on is as follows:

“It is resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors of 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 2019.”

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 regarding 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 2018, the Audit Committee conducted an annual assessment of the performance and service quality of professional accounting firm Deloitte as independent auditor of the Bank. This assessment was based, among other things, on the audit plan submitted, the risk areas identified, the nature of the work done by Deloitte and the reports presented to the Committee.

Given the satisfactory results of this assessment, the Audit Committee and the Board recommend voting **FOR** the appointment of Deloitte as independent auditor of the Bank for the fiscal year beginning November 1, 2018 and ending October 31, 2019.

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

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

For information on the Guidelines for the Management of Services Provided by the Independent Auditor, refer to the "Information on the Audit Committee" section in the 2018 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.

	2018 (\$)	2017 (\$)
Audit fees ⁽¹⁾	3,144,307	3,044,308
Fees for audit-related services ⁽²⁾	1,940,177	2,047,999
Sub-total	5,084,484	5,092,307
Fees for taxation services ⁽³⁾	25,280	72,658
Other fees ⁽⁴⁾	210,394	628,422
Total	5,320,158	5,793,387

- (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.

Increase in the aggregate compensation that can be paid to directors

Under the Act, banks are required to set the aggregate compensation that can be paid to all directors during a year by way of a by-law. Only directors who are not officers of the Bank or one of its subsidiaries are entitled to receive director compensation. In 2013, the Shareholders approved a resolution to raise the aggregate compensation that can be paid to directors from \$1,800,000 to \$2,500,000. Since 2013, this amount has not been raised.

Shareholders should approve the increase for the following reasons:

- To gain sufficient flexibility to continue recruiting qualified directors who satisfy the Bank's criteria on geographic representation and on diversity of experience and competencies and who are good matches for the Bank's strategic objectives.
- To gain the flexibility needed to increase the number of directors, in particular to ensure an effective transition to new members as required.
- To consider the creation of new standing committees or ad hoc committees and to compensate the members of such committees in accordance with the Bank's compensation program (see [Section 4](#)).
- To reflect the heavier workload and the time that directors must dedicate to their duties given the multiplication of regulatory issues that the Bank must face and given the complexity of the market in which they are working.

In fiscal 2018, the compensation paid to all directors totalled \$2,096,826, i.e., 84% of the authorized aggregate amount. Given the above-listed reasons, on October 31, 2018, the Board adopted a resolution approving the By-Law relating to director compensation and setting the aggregate compensation that can be paid to the directors of the Bank during a year at \$3,500,000.

Upon approval of this increase, the authorized aggregate director compensation will remain the lowest among the six major Canadian banks. On the date of the Circular, the authorized aggregate compensation was approximately 50% less than that of the other five major Canadian banks.

The Conduct Review and Corporate Governance Committee and the Bank's Board recommend voting **FOR** the approval of the By-Law relating to director compensation.

The approval of this By-Law must be confirmed by a special resolution adopted by at least two-thirds of the votes cast by the Shareholders present or represented by proxy and entitled to vote at the Meeting.

The special resolution that Shareholders are called to adopt at the Meeting is as follows:

"WHEREAS, on October 31, 2018, the Board approved the By-Law relating to director compensation and seeking to raise the aggregate compensation that can be paid to all the directors of the Bank during a year from \$2,500,000 to \$3,500,000;

WHEREAS this By-Law will take effect only upon confirmation by special resolution of the holders of Common Shares of the Bank;

2. Business of the Meeting

NOW, THEREFORE, IT IS RESOLVED:

THAT the following By-Law be approved:

BY-LAW RELATING TO COMPENSATION OF DIRECTORS

Each director shall receive compensation as determined by the Board of Directors, from time to time, by resolution and shall be entitled to be reimbursed for the fees and expenses incurred by him in the performance of his duties. The aggregate compensation that can be paid to all directors of the Bank in their capacity as directors during each fiscal year of the Bank may not exceed the aggregate sum of \$3,500,000. A full-time officer who is a member of the Board of Directors may receive no compensation as a director or member of a committee of the Board of Directors.

THAT this new By-Law repeals and replaces all provisions of a previous By-Law that had set the aggregate compensation that can be paid to the directors of the Bank;

THAT any officer or director of the Bank be authorized to sign any and all documents and to take all the measures deemed necessary or advisable to give full force and effect to the foregoing.”

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 proposals 3 and 4 to a Shareholder vote. The Bank and MÉDAC also agreed to include proposals 1 and 2, not submitted to a vote, in the Circular solely for information purposes. The Bank has reproduced the full text of the two proposals not submitted to a vote as well as its responses thereto in [Appendix A](#) of the Circular.

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

The Bank's Board and management recommend voting **AGAINST** proposals 3 and 4 for the reasons provided after each proposal.

These proposals will be adopted if they are 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 2020 is Monday, December 2, 2019 at 5:00 p.m. (EST).

3.

Director nominees

The following tables present information about each of the nominees proposed for election as directors. This information includes a summary of their career profile, the Board committees 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		
	March 1, 2019	February 23, 2018
Common Shares	606,519	612,231
Deferred share units	105,859	91,272
Value (\$)	44,281,416	44,855,351

The total value of Common Shares and deferred share units held by director nominees is calculated by multiplying the number of Common Shares and deferred share units held by each nominee on February 23, 2018 and March 1, 2019, by the closing price of the Bank's Common Shares on the Toronto Stock Exchange at the close of markets on February 23, 2018, and March 1, 2019, i.e., \$63.76 and \$62.16, respectively.

RAYMOND BACHAND



Independent

71
Montreal, Quebec, Canada

- Director since October 2014
- Voting results in 2018: 99.47% FOR

CAREER PROFILE

Main areas of expertise:

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

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 in September 2018. He served as Chairman of the board of directors of Tourisme Montréal from 2014 to 2018. Raymond Bachand was the Member of the Assemblée nationale du Québec for the Outremont riding from 2005 to 2013. During this period, he held a number of different positions and ran several government departments, including Economic Development, Innovation and Export Trade, Tourism, Finance and Revenue. He was also the Minister responsible for the Montreal region and the Official Opposition Critic for finance. Throughout his career, Raymond Bachand has held several senior positions in the private sector, particularly the positions of Vice-President, Planning and Development at Metro Richelieu Inc., President and Chief Executive Officer of Fonds de solidarité des travailleurs du Québec (F.T.Q.) and President and Chief Executive Officer of Secor Consulting Inc. He has a Licence of Law from 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*.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	14/14	100%
Member of the RMC	13/13	100%
Member of the CRGCG	5/5	100%
Total	32/32	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2018)
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		
2018	1,352	10,181	11,533	62.16	716,891	560,000	9,009	128.0%	Yes
2017	1,123	8,029	9,152	63.76	583,531	500,000	7,842	116.7%	Yes

3. Director nominees

MARYSE BERTRAND			CAREER PROFILE																													
 <p>Independent 60 Westmount, Quebec, Canada</p> <ul style="list-style-type: none"> Director since April 2012 Voting results in 2018: 99.47% FOR 			Main areas of expertise:																													
			<ul style="list-style-type: none"> – Legal and Regulatory Affairs – Risk Management 		<ul style="list-style-type: none"> – Governance – Financial Markets and Services 																											
Maryse Bertrand is a corporate director. Since January 2015, she has served on the board of directors for Metro Inc., a leader in the grocery distribution and pharmaceutical sectors in Quebec and Ontario and she has been a member of its Audit Committee since January 30, 2018. She has also been a director of the Public Sector Pension Investment Board since September 2018 and of Gildan Activewear Inc. since May 2018. She is vice-chair of McGill University's board of governors. Additionally, she has been a member of the Board of Directors of two Bank subsidiaries, namely, National Bank Life Insurance Company as well as National Bank Trust Inc. since 2018 and 2016, respectively. She has also been chairing the ethics committees for these subsidiaries since 2018. From 2016 to January 2017 she was a strategic advisor and counsel for the law firm Borden Ladner Gervais LLP. Additionally, she was Vice-President, Real Estate, Legal Services and General Counsel with CBC/Radio-Canada from 2009 to 2015. She 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 <i>Advocatus Emeritus</i> .																																
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2018	5,381	17,218	22,599	62.16	1,404,753	560,000	9,009	250.8% Yes																								
2017	5,226	13,821	19,047	63.76	1,214,436	500,000	7,842	242.8% Yes																								
PIERRE BLOUIN						CAREER PROFILE																										
 <p>Independent 61 Montreal, Quebec, Canada</p> <ul style="list-style-type: none"> Director since September 2016 Voting results in 2018: 98.45% FOR 						Main areas of expertise:																										
						<ul style="list-style-type: none"> – Audit / Finance – Marketing 		<ul style="list-style-type: none"> – Human Resources / Compensation – Information and Digital Technologies 																								
Pierre Blouin is a corporate director, including at Fortis Inc., a North American company operating in the electricity and gas sector. He is also a member of Fortis Inc.'s Human Resources Committee and Governance and Nomination Committee. Since December 2016, he has also been a director at Exelercence Holdings Inc. and has been a member of its Audit Committee since April 2017. He was Chief Executive Officer of Manitoba Telecom Services Inc. (6) from 2005 to 2014. Prior to that, he worked for more than 20 years at BCE Group where he held positions of increasing responsibility, including that of President and Chief Executive Officer of Bell Mobility Inc. from 2000 to 2002, Chief Executive Officer of BCE Emergis Inc. from 2002 to 2003, and Group President, Consumer Markets, Bell Canada from 2003 to 2005. Since 2015, he has been serving on the board of directors of the Montreal Heart Institute Foundation. Pierre Blouin holds a B.A. in Business Administration with a specialization in finance and marketing from HEC Montréal and is a Fellow of the Purchasing Management Association of Canada.																																
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Manitoba Telecom Services Inc. (6) 2006 - 2014	–																															
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 (\$)	Shares/DSUs	Meets the Bank's share ownership requirements for directors ⁽⁵⁾																								
2018	0	5,977	5,977	62.16	371,530	560,000	9,009	66.3% – (7)																								
2017	0	3,392	3,392	63.76	216,273	500,000	7,842	43.2% – (7)																								

3. Director nominees

PIERRE BOIVIN



Independent

65
Montreal, Quebec, Canada

- Director since April 2013
- Voting results in 2018:
98.29% FOR

CAREER PROFILE

Main areas of expertise:

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

Pierre Boivin has been President and Chief Executive Officer of private equity firm Claridge Inc. since 2011. He serves on the board of directors of CH Group Inc., which manages the activities of the Club de hockey Canadien, Bell Centre, evenko and L'Équipe Spectra Inc. He has also served as a director at Canadian Tire Corporation, Ltd. since 2013. From 1999 to 2011, Pierre Boivin was President and Chief Executive Officer of the Club de hockey Canadien, Inc. and L'Aréna des Canadiens Inc. During this period, he was also a member of the board of governors of the National Hockey League. Furthermore, 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 of directors and member of the executive committee of the Quebec Oil and Gas Association. He studied Commerce at McGill University. He has been awarded an honorary Doctorate by the Université de Montréal and has been appointed Officer of the Order of Canada 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	13/14	93%
Member of the RMC	12/13	92%
Chair and member of the HRC	6/7	86%
Total	31/34	91%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2018)
Canadian Tire Corporation, Ltd. 2013 to date	<ul style="list-style-type: none"> • Member of the Audit Committee • Member of the Management Resources and 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	
2018	14,795	11,711	26,506	62.16	1,647,612	560,000	9,009	294.2% Yes
2017	14,685	8,531	23,216	63.76	1,480,252	500,000	7,842	296.0% Yes

PATRICIA CURADEAU-GROU



Independent

63
Montreal, Quebec, Canada

- New nominee
- Voting results in 2018:
–

CAREER PROFILE

Main areas of expertise:

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

Patricia Curadeau-Grou is a corporate director. Since January 2012, she has been a board director at Cogeco Communications Inc., one of the largest communications corporations in North America, and a member of its Audit, Human Resources and Strategic Opportunities committees. Since October 2013, she has also been a director at Caisse de dépôt et de placement du Québec and a member of its Investment-Risk Committee. From 2013 to 2018, she was a director at Uni-Select Inc., where she was a member of the Audit Committee and the Human Resources and Compensation Committee. Ms. Curadeau-Grou held several positions at the Bank in the period from 1991 to 2012, including Chief Financial Officer and Executive Vice-President – Finance, Risk and Treasury from 2007 to 2011 and 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). 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)	
New nominee	–	–

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2018)
Cogeco Communications Inc. 2012 to date	<ul style="list-style-type: none"> • Member of the Audit Committee • Member of the Human Resources Committee • Member of the Strategic Opportunities Committee
Uni-Select inc. 2013 - 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	
2018	21,514	0	21,514	62.16	1,337,310	560,000	9,009	238.8% Yes

3. Director nominees

GILLIAN H. DENHAM**Independent**

58

Toronto, Ontario, Canada

- Director since October 2010
- Voting results in 2018: 99.31% FOR

CAREER PROFILE

Main areas of expertise:

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

Since June 2018, Gillian H. Denham has been President of Authentem Partners Ltd., a company that invests in technology and related activities and provides consulting services. Since October 2015, she has chaired the board of directors of Morneau Shepell Inc., prior to which she served on the company's Audit Committee from 2008 to 2015. Since 2016, she also serves on the boards of directors of Kinaxis Inc. and Canadian Pacific Railway Limited. Since 2012, she has been a member of the board of directors, which she currently chairs, and of the Audit and Review committees and the Investment Committee, which she has chaired since 2013, of Munich Reinsurance Company of Canada and Temple Insurance Company. She served on the board of directors of Penn West Petroleum Ltd.⁽⁹⁾ from 2012 to June 2016. During that time, Gillian H. Denham sat on the Governance Committee, the Audit Committee, and the Human Resources and Compensation Committee, chairing the latter from 2014 to 2015. From 2013 to July 2016, she served on the board of directors and the Governance Committee, Human Resources Committee, and Compensation Committee of Markit Ltd. During a 20-plus year career at Canadian Imperial Bank of Commerce, she held various key positions, including that of Vice-President of Retail Markets. Gillian H. Denham holds an Honours Business Administration (HBA) degree from the Ivey Business School at Western University and an MBA from Harvard Business School.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	14/14	100%
Member of the HRC	7/7	100%
Total	21/21	100%

Public corporations		Roles on boards and committees (as at October 31, 2018)
Director (in the past five years)		
Canadian Pacific Railway Limited	2016 to date	• Member of the Audit Committee • Member of the Finance Committee
Kinaxis Inc.	2016 to date	• Member of the Audit Committee • Member of the Nominating and Governance Committee
Morneau Shepell Inc.	2011 to date	• Chair of the Board of Directors • Chair of the Governance and Nominating Committee
Markit Ltd.	2013 - 2016	–
Penn West Petroleum Ltd. ⁽⁹⁾	2012 - 2016	–

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		
2018	13,337	4,152	17,489	62.16	1,087,116	560,000	9,009	194.1%	Yes
2017	13,337	2,930	16,267	63.76	1,037,183	500,000	7,842	207.4%	Yes

JEAN HOUDE**Independent**

73

Montreal, Quebec, Canada

- Director since March 2011
- Voting results in 2018: 99.50% FOR

CAREER PROFILE

Main areas of expertise:

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

Jean Houde has served as Chairman of the Board since 2014. He is also Chairman of the board of directors of Énergir Inc.⁽⁹⁾ 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 Bank, which he joined as Senior Vice-President, Human Resources; when he left, he was Senior Vice-President – Corporate Affairs. He has a law degree and an MBA from Université Laval. Jean Houde is a member of the Quebec Bar, 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	14/14	100%
Member of the CRCGC	5/5	100%
Total	19/19	100%

Public corporations		Roles on boards and committees
Director (in the past five years)		
Énergir Inc. ⁽⁹⁾	2012 to date	• 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		
2018	14,907	5,386	20,293	62.16	1,261,412	560,000	9,009	225.3%	Yes
2017	14,738	3,696	18,434	63.76	1,175,351	500,000	7,842	235.0%	Yes

3. Director nominees

KAREN KINSLEY

Independent

62
Ottawa, Ontario, Canada

- Director since December 2014
- Voting results in 2018: 97.82% FOR

CAREER PROFILE

Main areas of expertise:

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

Karen Kinsley is a corporate director. Since May 2015, she has been serving on the board of directors of Saputo Inc., a dairy processor and, since May 2018 she has been serving on the board of Choice Properties Real Estate Investment Trust. From May 2017 to May 2018, she was a director at the Canadian Real Estate Investment Trust⁽¹⁰⁾. Throughout her 25-year career with Canada Mortgage and Housing Corporation, Canada's housing authority, she held positions of growing responsibility, up to President and Chief Executive Officer from 2003 to 2013. Karen Kinsley has a Bachelor's degree in Commerce from the University of Ottawa. She is a Fellow of the Chartered Professional Accountants of Ontario and has received the Certified Director designation (ICD.D) from the Institute of Corporate Directors.

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	14/14	100%
Chair and member of the AC	5/5	100%
Member of the RMC	13/13	100%
Total	32/32	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2018)
Choice Properties Real Estate Investment Trust	2018 to date
Canadian Real Estate Investment Trust ⁽¹⁰⁾	2017 to 2018
Saputo Inc.	2015 to date
	• Member of the Audit Committee
	–
	• 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	
2018	9,078	8,456	17,534	62.16	1,089,913	560,000	9,009	194.6% Yes
2017	9,078	7,065	16,143	63.76	1,029,277	500,000	7,842	205.8% Yes

REBECCA MCKILICAN

Independent

39
Oakville, Ontario, Canada

- Director since October 2017
- Voting results in 2018: 99.47% FOR

CAREER PROFILE

Main areas of expertise:

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

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

Roles on the Bank's Board and its committees	Meetings attended (in the past fiscal year)	
Member of the Board	14/14	100%
Member of the HRC	7/7	100%
Total	21/21	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 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	
2018	0	2,903	2,903	62.16	180,450	560,000	9,009	32.2% – (13)
2017	0	672	672	63.76	42,846	500,000	7,842	8.5% – (13)

3. Director nominees

ROBERT PARÉ



Independent
64
Westmount, Quebec, Canada

- Director since April 2017
- Voting results in 2018:
99.71% FOR

CAREER PROFILE

Main areas of expertise:

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

Since February 2018, Robert Paré has been a Strategic Advisor for the firm Fasken Martineau DuMoulin LLP, where he had previously held a position of Senior Partner specializing in governance and corporate and commercial law. He 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. since December 2009. 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)	
Member of the Board	8/8	100%
Member of the RMC ⁽³⁾	3/3	100%
Total	11/11	100%

Public corporations		Roles on boards and committees
Director (in the past five years)		(as at October 31, 2018)
Quebecor Inc.	2014 to date	–
ADF Group Inc.	2009 to date	• Member of the Compensation, Nominating, and Corporate Governance Committee
Rona Inc.	2009 - 2016	–
Groupe 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	
2018	8,461	1,756	10,217	62.16	635,088	560,000	9,009	113.4% Yes
2017	8,461	0	8,461	63.76	539,473	500,000	7,842	107.8% Yes

LINO A. SAPUTO, JR.



Independent
52
Montreal, Quebec, Canada

- Director since April 2012
- Voting results in 2018:
99.63% FOR

CAREER PROFILE

Main areas of expertise:

- Marketing
- Risk Management
- Governance
- Social Responsibility

Since 2004, Lino A. Saputo, Jr. has been Chief Executive Officer of Saputo Inc., one of the world's largest dairy processors and, since 2017, Chairman of its board of directors. He was a member of the board of directors of Transcontinental Inc. from 2008 to 2017 and of its Human Resources and Compensation Committee from 2010 to 2017. He is involved with a number of charitable organizations, and in 2011 he co-founded the Amelia & Lino Saputo Jr. Foundation. Since November 2017, he has been Co-chair of the Campaign for Concordia, and, since July 2018, he has been Chair of the board of directors of the Montreal Heart Institute Foundation. 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	13/14	93%
Member of the CRGC ⁽³⁾	3/3	100%
Member of the RMC	13/13	100%
Total	29/30	97%

Public corporations		Roles on boards and committees
Director (in the past five years)		(as at October 31, 2018)
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	
2018	72,752	14,024	86,776	62.16	5,393,996	560,000	9,009	963.2% Yes
2017	35,550	11,173	46,723	63.76	2,979,058	500,000	7,842	595.8% Yes

3. Director nominees

ANDRÉE SAVOIE



Independent

47

Dieppe, New Brunswick, Canada

- Director since April 2015
- Voting results in 2018: 99.26% FOR

CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Marketing
- Entrepreneurship
- Social Responsibility

Andrée Savoie has been President and Chair of the board of directors of Acadian Properties Ltd., a commercial real estate developer and property management company in the Maritime Provinces, since June 2016, and for which she was previously the Managing Director. From 2007 to 2015, she was President and Managing Director of Acadian Construction (1991) Ltd. Since 2011, she has been a member of the board of directors of Assumption Mutual Life Insurance Company where she has been a member of the Audit and Review committees from 2011 to 2015, of the Investments Committee from 2011 to February 2019, and of the Human Resources Committee from February 2016 to 2019. She has also served as vice-chair of the board from February 2018 to February 2019, when she was 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, an annual fundraising event for a shelter for women and children who are victims of domestic violence. She has a Bachelor's degree in Chemical Engineering from McGill University and a Master's degree in Applied Sciences from the University of Ottawa. She has received the Certified Director designation (IC.D) from the Institute of Corporate Directors.

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	14/14	Director (in the past five years)	(as at October 31, 2018)
Member of the AC	5/5	–	–
Member of the CRCGC	5/5	–	–
Total	24/24		

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		
2018	3,269	8,439	11,708	62.16	727,769	560,000	9,009	130.0%	Yes
2017	3,225	5,757	8,982	63.76	572,692	500,000	7,842	114.5%	Yes

PIERRE THABET



Independent

61

St-Georges, Quebec, Canada

- Director since March 2011
- Voting results in 2018: 99.76% FOR

CAREER PROFILE

Main areas of expertise:

- Audit / Finance
- Marketing
- Entrepreneurship
- Risk Management

Pierre Thabet has been President of Boa-Franc Inc., a Canadian manufacturer of pre-finished hardwood floors, since 1983. He has also been the President of Prolam Limited Partnership, a manufacturer of trailer floors, since 1997. 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)	Public corporations	Roles on boards and committees
Member of the Board	14/14	Director (in the past five years)	(as at October 31, 2018)
Member of the AC ^(1A)	–	–	–
Chair ^(1A) and member of the RMC	13/13	Canam Group Inc.	2006 - 2017
Total	27/27		

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		
2018	207,531	15,656	223,187	62.16	13,873,303	560,000	9,009	2,477.4%	Yes
2017	197,798	12,870	210,668	63.76	13,432,191	500,000	7,842	2,686.4%	Yes

3. Director nominees

LOUIS VACHON



Non-independent
(officer)

56
Beaconsfield, Quebec, Canada

- Director since August 2006
- Voting results in 2018:
99.74% FOR

CAREER PROFILE

Main areas of expertise:

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

Louis Vachon has been President and Chief Executive Officer of the Bank since 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 boards of directors of the following Bank subsidiaries: National Bank Group Inc. and National Bank Acquisition Holding Inc. 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 and Ryerson 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 of the Ordre de Montréal, and 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	14/14	100%
Total	14/14	100%

Public corporations	Roles on boards and committees
Director (in the past five years)	(as at October 31, 2018)
Molson Coors Brewing Company	2012 to date
Fiera Capital Corporation	2012 - 2017
	• Chairman of the Finance Committee

Securities held ⁽¹⁵⁾

Year ⁽¹⁾	Total Common Shares ⁽²⁾	Share price ⁽⁴⁾ (\$)	Total market value of Common Shares and DSUs (\$)	Meets the Bank's share ownership requirements ⁽¹⁶⁾
2018	234,142	62.16	14,554,266	Yes
2017	157,611	63.76	10,049,277	Yes

Notes on the tables of director nominees

- (1) This information reflects the situation as at March 1, 2019 (for fiscal 2018) and as at February 23, 2018 (for fiscal 2017).
- (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 March 1, 2019 (for fiscal 2018) and at the close of trading on February 23, 2018 (for fiscal 2017).
- (5) For more information, refer to "Share ownership requirements" in [Section 4](#) of the Circular.
- (6) Manitoba Telecom Services Inc. has been operating under the corporate name Bell MTS Inc. since March 2017.
- (7) Pierre Blouin has a five-year grace period from the date of his appointment as a Bank director on September 1, 2016 to meet the share ownership requirements for directors.
- (8) Penn West Petroleum Ltd. has been operating under the corporate name Obsidian Energy Ltd. since June 2017.
- (9) Gaz Métro Inc. has been operating under the corporate name Énergir Inc. since November 2017.
- (10) 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.
- (11) 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.
- (12) Robert Paré was appointed a member of the Conduct Review and Corporate Governance Committee on April 20, 2018.
- (13) Lino A. Saputo, Jr. was appointed a member of the Conduct Review and Corporate Governance Committee on April 20, 2018.
- (14) Pierre Thabet was appointed Chair of the Risk Management Committee and member of the Audit Committee on January 1, 2019.
- (15) 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.
- (16) For more information, refer to "Share ownership requirements" 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, except for the following individual:

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

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

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

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

The compensation program is structured to achieve the following objectives:

Recruit and retain qualified directors

- Offer compensation that reflects the importance of the role of director
- 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

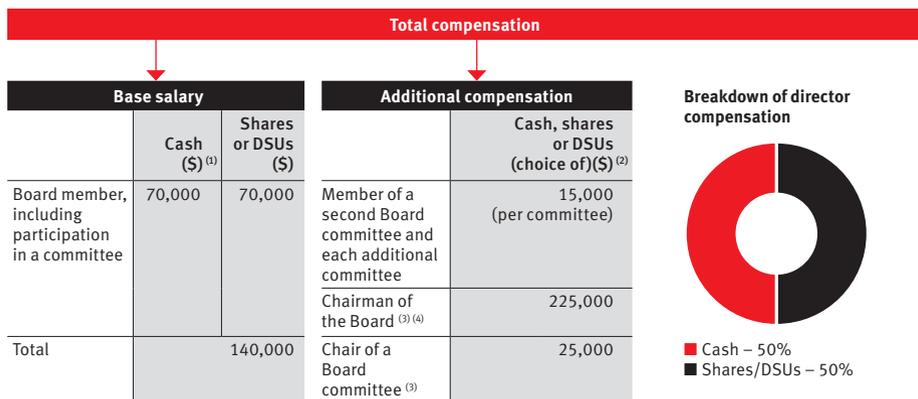
- Pay annual fees entirely in the form of Common Shares or DSUs until the director has satisfied the share ownership requirements

4. Director compensation

THE BANK'S COMPENSATION PROGRAM

After examining trends in director compensation, the Board approved the following two changes to the program that had been in place since April 15, 2016. These changes took effect on May 1, 2018.

1. The base salary was increased by \$15,000, rising from \$125,000 to \$140,000. This increase was made to reflect, among other factors, the commitment that directors make to the Bank, and to help recruit and retain the best candidates.
2. A fixed compensation structure was adopted for all committee chairs, bringing their compensation to \$25,000. Previously, only the chairs of the Audit and Risk Management committees received this amount. The chairs of the Conduct Review and Corporate Governance Committee and the Human Resources Committee had been receiving \$20,000 in compensation.



- (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.

4. Director compensation

COMPENSATION PROGRAM FOR SUBSIDIARIES

The terms and conditions presented below apply to the directors of subsidiaries, including directors of the Bank who also serve on the boards of directors of these subsidiaries. During the year, the program was revised to improve the ability of subsidiaries to recruit and retain excellent candidates.

Bank subsidiaries				
	National Bank Life Insurance Company (\$) ⁽²⁾		National Bank Trust Inc. (\$) ⁽²⁾	
	Former	Current	Former	Current
	November 1, 2017 to March 31, 2018	April 1 to October 31, 2018	November 1, 2017 to January 31, 2018	February 1 to October 31, 2018
Director	17,000	23,000	12,000	17,000
Committee member	3,000	4,000	2,000	3,000
Committee Chair ⁽¹⁾	1,500	1,500	1,000	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.

SHARE OWNERSHIP REQUIREMENTS

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

Specifically, all 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.

REQUIREMENTS	MINIMUM REQUIRED
Total value equal to or greater than eight times the base compensation payable to directors in the form of Common Shares or DSUs	8 X \$70,000 = \$560,000
Minimum share ownership requirement based on the closing price of the Common Shares of the Bank on the Toronto Stock Exchange on March 1, 2019	\$560,000/\$62.16 = 9,009 Common Shares or DSUs

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. A portion of the directors' base compensation must be paid in the form of Common Shares or deferred share units, even when the minimum requirements have been met.

WHAT IS A DEFERRED SHARE UNIT (DSU)?

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.

- Additional units are credited to the director's account in an amount equal to the dividends paid on the Common Shares.
- 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.

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.

OTHER INFORMATION REGARDING THE BANK AND ITS SUBSIDIARIES

The Bank and its subsidiaries 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

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

- knowingly sell, directly or indirectly, a security of the Bank or of any of the Bank's affiliates if he does not own such security or has not fully paid for the security to be sold (short sale);
- knowingly buy or sell, directly or indirectly, a call or put on a security of the Bank or of any of the Bank's affiliates;
- purchase financial instruments, particularly prepaid variable forward contracts, equity swaps, collars or units of exchange-traded funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held directly or indirectly by the director, officer or employee.

4. Director compensation

Compensation paid to the directors for the fiscal year ended October 31, 2018 ⁽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 ⁽⁹⁾
	As a Board member ⁽⁴⁾		As a Board member ⁽⁴⁾		As a committee member ⁽⁴⁾					
	Cash	Cash	Common Shares	DSUs	Common Shares	DSUs				
Raymond Bachand 				132,500		15,000	147,500		147,500	100% in DSUs
Maryse Bertrand 				132,500		37,500 ⁽⁷⁾	170,000	39,059 ⁽⁸⁾	209,059	100% in DSUs
Pierre Blouin 				132,500		15,000	147,500		147,500	100% in DSUs
Pierre Boivin 				132,500		37,500 ⁽⁷⁾	170,000		170,000	100% in DSUs
Gillian H. Denham 	66,250			66,250			132,500		132,500	100% in cash
Richard Fortin 				132,500		40,000 ⁽⁷⁾	172,500	8,939 ⁽⁹⁾	181,439	100% in DSUs
Jean Houde Chairman of the Board 	264,250 ⁽¹⁰⁾			93,250 ⁽¹⁰⁾			357,500		357,500	100% in cash ⁽¹¹⁾
Karen Kinsley 	66,250	40,000 ⁽⁷⁾		66,250 ⁽⁷⁾			172,500		172,500	100% in cash
Rebecca McKillican 				132,500			132,500		132,500	100% in DSUs
Robert Paré 				73,862			73,862		73,862	100% in DSUs
Lino A. Saputo, Jr. ⁽¹²⁾ 				132,500		7,964	140,464		140,464	100% in DSUs
Andrée Savoie 				132,500		15,000	147,500		147,500	100% in DSUs
Pierre Thabet 				132,500			132,500		132,500	100% in DSUs
Louis Vachon ⁽¹³⁾	–			–			–		–	–
Total							2,096,826			

 Audit Committee

 Risk Management Committee

 Human Resources Committee

 Conduct Review and Corporate Governance Committee

 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, for chairing the Board or a Board committee, and attendance fees.
- (3) For the purposes of this table, the term "share-based awards" includes the portion of director compensation paid in Common Shares or deferred share units, as the case may be. No director elected to receive their compensation in the form of Common Shares during the year. 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., \$62.09 on February 15, 2018, \$63.21 on May 15, 2018, \$64.97 on August 15, 2018 and \$60.88 on November 15, 2018.
- (4) For the year ended October 31, 2018, 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 additional information on this topic, refer to "The Bank's 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, 2018, 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 additional information on this topic, refer to "The Bank's Compensation Program" heading in this section of the Circular.
- (7) Includes compensation as Committee Chair.
- (8) On February 1, 2018, Maryse Bertrand was appointed to the Board of Directors of National Bank Life Insurance Company ("NBLI") and became a member of its Ethics Committee. She was appointed Chair of said committee on April 1, 2018. Ms. Bertrand received \$16,223.50 in cash as a member of NBLI's 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 was appointed a member of the Ethics Committee of National Bank Trust Inc. ("NBT") on January 12, 2018 and Chair of said committee on February 20, 2018. She received \$15,750 in cash as a member of the Board of Directors of NBT, \$2,358.70 in cash as a member of its Ethics Committee, and \$914.25 in cash as Chair of its Ethics Committee.
- (9) Richard Fortin ceased being a member of the Board of Directors of NBLI and a member and Chair of its Audit Committee on April 1, 2018. Richard Fortin received \$7,067.93 in the form of deferred share units for serving on the Board of Directors of NBLI, \$1,247.28 in the form of deferred share units for serving on the Audit Committee, and \$623.64 in the form of deferred share units for serving as Chair of the Audit Committee of this Bank subsidiary.
- (10) Includes compensation as Chairman of the Board.
- (11) 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.
- (12) Lino A. Saputo, Jr. was appointed a member of the Conduct Review and Corporate Governance Committee on April 20, 2018. His compensation has been prorated accordingly.
- (13) As a Bank officer, Louis Vachon receives no compensation as a director of the Bank or any of its subsidiaries. For more information about Louis Vachon's compensation, including the values of his performance share units, restricted share units, and options, refer to [Section 7](#) of the Circular.

5.

Governance practices

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

- **protect** the interests of shareholders
- **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, and
- **ensure** sound risk taking.

Through these policies and procedures, the Board achieves its objective of sound corporate governance and ensures compliance with the requirements of authorities that regulate the Bank, including OSFI, the CSA and the Toronto Stock Exchange. The Board believes that corporate governance is an effective tool that enhances its influence, effectiveness and independence and that sound governance provides the foundation for good business and benefits the Bank's clients, employees and shareholders.

BOARD OF DIRECTORS

Roles and responsibilities

The Board's role is to set the Bank's direction, oversee its management and operations, safeguard its assets, and ensure its viability, profitability and development. The Board communicates the Bank's direction to management, which see to the everyday operations through the President and Chief Executive Officer of the Bank, who ensures overall implementation of the direction.

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

- legislative and regulatory framework
- internal policies and procedures
- description of expectations for directors
- mandates of the Board and Board committees
- governance practices
- Bank by-laws

The Board's main responsibilities		
Review and approve objectives, strategies and operating plans	Promote a culture of commercial integrity and ethical conduct	Ensure compliance with legislation and regulations in addition to sound governance
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 are adhering to 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 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 roles and responsibilities. In particular, during fiscal 2018, 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 distribution and digital channels, acquisition of new customers, technological change, organizational transformation and the impact of the economic and political framework ✓ Reviewed the 5-year financial plans, efficiency ratio, capital strategy, operating budget and targets to be achieved ✓ Approved a proposal for a normal course issuer bid ✓ Spoke regularly with Executive Officers about the business plans for their business areas as well as about their achievements and objectives ✓ Reviewed and approved proposals related to the construction of the new head office ✓ 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

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 ✓ Oversaw the ongoing review of sales practices, obtaining regular follow-up from the Bank’s management on this topic ✓ Revised and approved risk management policies, including structural exchange risk, capital and liquidity management risk, and funding and pledging risk
Financial reporting	<ul style="list-style-type: none"> ✓ Reviewed and approved the proposals to raise dividends ✓ 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
Succession planning	<ul style="list-style-type: none"> ✓ Reviewed the succession plans of the President and Chief Executive Officer, of the Other Executive Officers, of the heads of the oversight functions, and of the Officers of the Bank and 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 form of proxy for the Annual Meeting of the Holders of Common Shares of the Bank held on April 20, 2018 ✓ Reviewed and approved governance-related policies, in particular director independence standards, the statement of governance practices, the majority voting policy, the Shareholder Engagement Policy, and the Board Diversity Policy ✓ Approved changes to the policy approval process to incorporate the principles set out in OSFI’s revised guideline on corporate governance ✓ Approved the subsidiary governance framework

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

It ensures that the rules of conduct and ethics are 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 that any material breach of the rules of the Code by a director or Executive Officer is disclosed in accordance with the continuous disclosure obligations in effect. Acting through the Conduct Review and Corporate Governance Committee, the Board also reviews the findings of the annual report on the application of the Code.

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

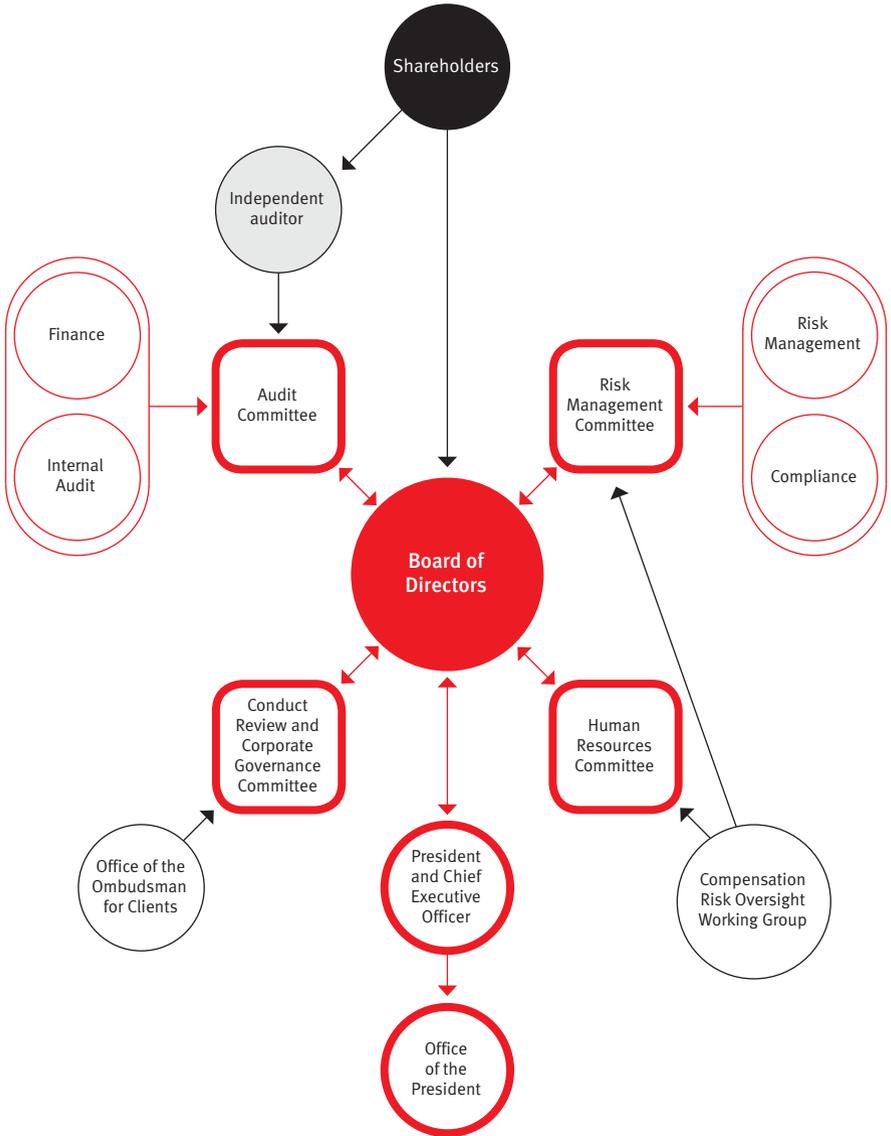
<p style="text-align: center;">INTERNAL AUDIT OVERSIGHT FUNCTION</p> <p>The Internal Audit oversight function is the third line of defence in the risk management framework. It is responsible for providing the Bank’s Board and management with objective, independent assurance as well as advice on the effectiveness of the main governance, risk management, and internal control processes and systems and for making recommendations to promote the Bank’s long-term strength.</p>	<p style="text-align: center;">FINANCE OVERSIGHT FUNCTION</p> <p>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.</p>
<p style="text-align: center;">RISK MANAGEMENT OVERSIGHT FUNCTION</p> <p>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 unit also develops, maintains and communicates the risk appetite framework while overseeing the integrity and reliability of risk measures.</p>	<p style="text-align: center;">COMPLIANCE OVERSIGHT FUNCTION</p> <p>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.</p>

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

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.



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

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



SELECTION OF DIRECTOR NOMINEES, ELECTIONS AND OVERSIGHT

Board composition

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

Competencies and selection criteria

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

The Board's expectations 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 all of its director nominees bring and uphold the knowledge, competencies, expertise, geographic representation, diversity and number of directors required for informed decision-making, creating committees and succession planning. 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 any questions 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 roles of Chairman of the Board and of President and Chief Executive Officer are distinct
- ✓ The directors also comply with the *Affiliated Persons (Banks) Regulations (Canada)*
- ✓ During fiscal 2018, the independent directors met in camera, without the Bank's management, at each Board meeting or Board committee meeting, as stated in the agenda of each meeting

Until his departure from the Board, Richard Fortin acted as an independent director within the meaning defined by the CSA.

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, and each year they 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 2018, the average attendance rate of nominee directors at Board meetings was 98%, while the average attendance rate at committee meetings was 98%, and every nominee director attended at least 91% of the meetings to which they were called.

5. Governance practices

The table below shows the attendance of directors who ceased being Board and committee members during fiscal 2018.

Member ⁽¹⁾	Board		AC		RMC		Combined total	
Richard Fortin	14/14	100%	5/5	100%	11/13	85%	30/32	94%

(1) As of December 31, 2018, Richard Fortin is no longer a member of the Board.

For more information about the attendance rate of director nominees at meetings of the Board and its committees in fiscal 2018, refer to [Section 3](#) of the Circular.

Outside directorships

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

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

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

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

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

The following table shows the name of the public corporation that has more than one of the Bank's director nominees serving on its 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 A. Saputo, Jr.	Chairman of the Board of Directors

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

Change of status

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

DIVERSITY AND REPRESENTATION OF WOMEN ON THE BOARD AND IN MANAGEMENT

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 Bank's clients, employees and shareholders. 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 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 the diversity of 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. The Diversity Policy also includes the Bank's commitment to achieving gender parity among directors and to having women account for at least one-third of Board directors. As such, half of the candidates selected to fill vacant director positions must be women. As a concrete method, the Diversity Policy also calls on the Committee to actively and continuously seek out individuals who belong to the above-mentioned groups for inclusion in the pool of director candidates.

It is within such a context that the Bank renewed its support of 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 is supported by tools and processes that were created by the Conduct Review and Corporate Governance Committee during the Board succession planning process. As described above, the Board maintains a list of potential director nominees who satisfy the Board's selection criteria and the Diversity Policy principles, including the target for women's representation on the Board and having people from the groups mentioned in the Diversity Policy included in the candidate pool. The Board can also hire external recruitment consultants to help find candidate profiles that can help reach its diversity targets. It draws from this list of potential nominees when a director position becomes vacant.

5. Governance practices

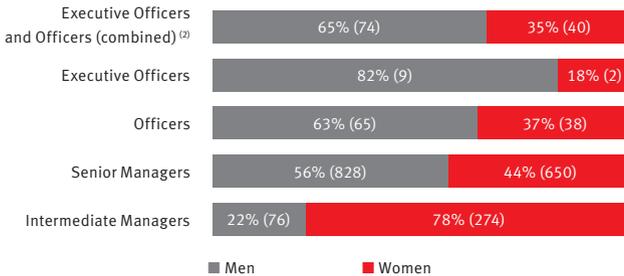
The statistics reveal the results of the Board's constant commitment and the strategies it has deployed over the years.

- At the date of this Circular, 38% of the Board's members were women (i.e., 5/13), 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 Board committees are chaired by women.
- If all the director nominees are elected at the Meeting, 43% of the Board members will be women (i.e., 6/14).
- 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. Women currently account for **18% (i.e., 2/11)** of the Bank's Executive Officers and **35% (i.e., 40/114)** 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) As at January 31, 2019.

(2) Including the officers and executives of its subsidiary (NBF), the representation of women would be 33% (40/121).

5. Governance practices

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

Specifically, with respect to financial markets, efforts are focusing mainly on sales functions and manager positions. For these function categories, the representation of women has been growing for the past three years.

In wealth management, strategies to improve the representation of women are focusing on the pool of investment advisers. What's more, the proportion of women as new hires is trending upward, representing over one-third of the new hires in 2018.

The Bank has established a three-year diversity plan for reaching its women's representation objectives. It regularly monitors the evolution of the number of women in management and executive positions; works to identify, evaluate and analyze any potential gaps and representation goals in each business 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.

This 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.

5. Governance practices

Here are some examples:

<p>1</p> <p>Workshops on unconscious bias during recruitment</p>	<ul style="list-style-type: none"> • The Bank examined how unconscious bias can affect talent management and trained managers and human resource professionals this year. Workshops on the matter are being gradually deployed in every business sector. Unconscious bias was also a topic of discussion at performance and succession roundtables.
<p>2</p> <p>Creation of employee affinity groups to encourage networking</p>	<ul style="list-style-type: none"> • The <i>Women in the Lead</i> network, which has groups in many Canadian cities, supports networking and the sharing of experiences among inspiring women leaders. Furthermore, in April 2016, the Bank received an award from the Association of Quebec Women in Finance (AFFQ) for the best initiative for promoting women. • Through this networking program, employees share experiences with inspiring leaders.
<p>3</p> <p>Coaching and mentoring</p>	<ul style="list-style-type: none"> • Formal mentoring and coaching programs are offered to the Bank's senior managers and officers. Particular focus is placed on valuing different leadership types and on the participation of women in these programs.
<p>4</p> <p>A program to help develop our succession: EFFET A</p>	<ul style="list-style-type: none"> • <i>L'Effet A</i> is a program offered by one of our partners and that accelerates the professional development of high-potential women, preparing them more quickly for higher level management positions.
<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 has prepared a profile of future women leaders by identifying women employees who possess high potential and are likely to hold management or executive positions. The Bank regularly follows up on the progress made by the 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 presence of women in the profession, (2) the reconciliation of work-family life, (3) customer service for women investors. • In April 2018, the Bank received an award from the Association of Quebec Women in Finance (AFFQ) for the best initiative for promoting women.

During the past fiscal year, the Bank received the following awards recognizing the efforts it has made towards diversity and inclusion:

- named a Best Diversity Employer for an eighth consecutive year
- Gold Parity Certification received from Women in Governance for a second straight year
- the Bank's branch on Main Street in Moncton, New Brunswick was named Champion for Cultural Diversity by the New Brunswick Multicultural Council

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

5. Governance practices

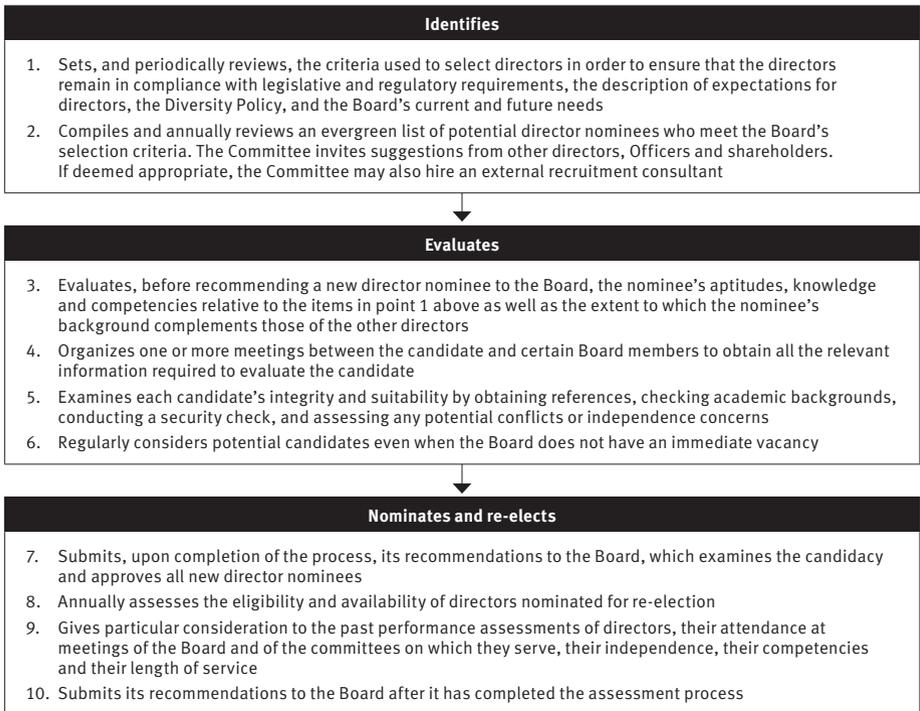
Succession planning

Succession planning as well as leadership development and engagement are key aspects of the Bank's many talent management strategies. Specifically, an annual succession planning process helps the Board to become more familiar with future Office of the President members and helps the Bank to further develop its leaders and manage workforce risk. During the year, the Board reviewed the succession plans of the President and Chief Executive Officer, the Office of the President members, 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 Office of the President successors as well as through interactions in formal and informal settings.

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:



Director nomination by Shareholders

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

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

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

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

According to the policy, the Bank is not required to include a number of nominees in excess of the maximum number in the management proxy circular or the form of proxy. If, 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 wishes to include in the management proxy circular, with the order of selection determined by size of participation (from the largest participation to the least participation) indicated in the notice of nomination of each shareholder proponent, and so forth after each 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. Investors 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 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

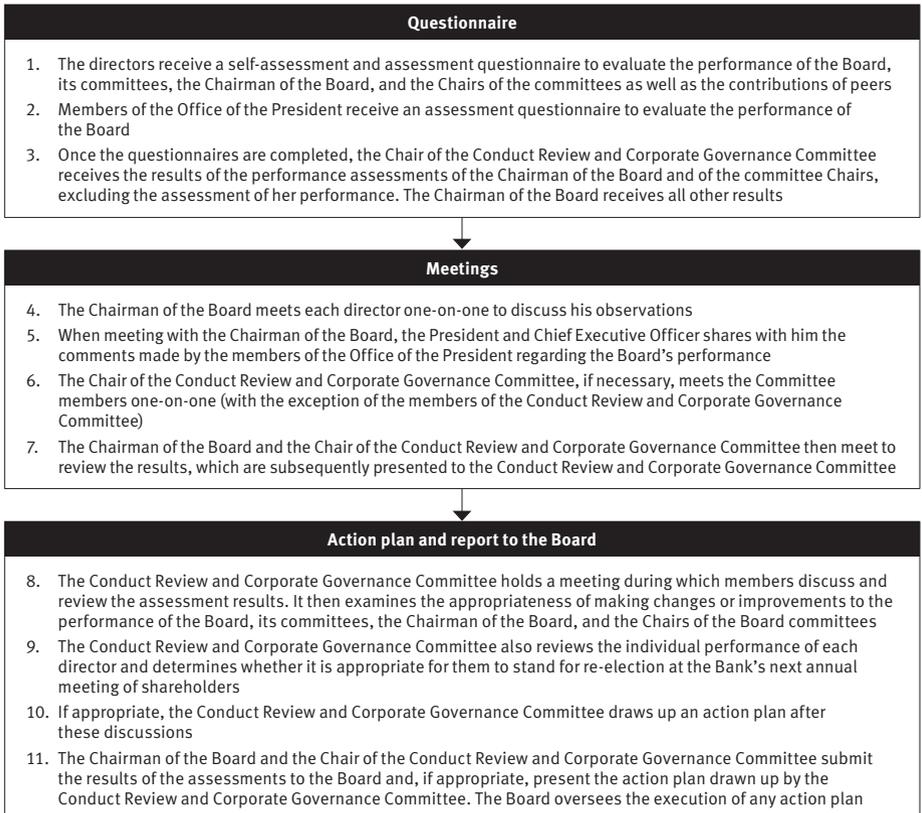
Director tenure and Board vacancies

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:



5. Governance practices

The fiscal 2018 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 2017-2018, as a result of an action plan, tangible improvements were made, including an enhanced onboarding program for new directors, lower volumes and a better production cycle for Board documents, and refined performance indicators.

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 knowledge and various needs of the current directors is in place.

A guidance program for new directors

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

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

New directors will also be 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 and with the Chief Compliance Officer and Chief Anti-Money Laundering Officer 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, business centres or operations centres.

5. Governance practices

Furthermore, the Bank encourages directors to participate in professional development programs offered by various organizations. The Corporate Secretary provides directors with updated schedules of training activities, and Board members are free to participate in the activities of their choice. The Chairman of the Board or the Chair of the Conduct Review and Corporate Governance Committee may authorize the reimbursement of expenses incurred for such programs.

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

To help directors stay current with recent developments in the areas of audit, risk management, human resources and governance, they always have access to documentation submitted to Board committees on which they are not members. 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
Breaches of confidentiality	November 2017	RMC
Wealth Management	November 2017	RMC
Developments in governance	December 2017	CRCGC
IFRS 9 and loan allowances	February 2018	AC
Financial markets compensation	February 2018	HRC
Anti-money laundering and anti-terrorist financing	February 2018	Board
Internal audit universe	May 2018	AC
Developments in environmental disclosure	May 2018	CRCGC
Visit to the trading floor	August 2018	Board
Payment trends	August 2018	Board
Client data and acquisition	August 2018	Board
Review of talent management strategies in the digital era	August 2018	HRC
Sales practices	August 2018	RMC
Banking system trends	October 2018	Board
Economic update	October 2018	Board
Investor relations	October 2018	Board
Human Resources transformation: shift to the employee experience	October 2018	HRC
Short sellers	October 2018	CRCGC
Integrated risk management	October 2018	RMC

Training provided by recognized organizations

- | | |
|---|---|
| <ul style="list-style-type: none"> • Executive compensation • Cybersecurity • Current issues for the Audit Committee • Lessons learned – recent corporate crises • CEO transition and succession | <ul style="list-style-type: none"> • FinTech and blockchain • Governance • Social and environmental responsibility • Impacts of U.S. tax reform • Financial institution industry |
|---|---|

SOCIAL RESPONSIBILITY

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

The six pillars of social responsibility



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

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

Finally, to demonstrate leadership by example, the Board, through its Human Resources Committee, ensures that the President and Chief Executive Officer’s annual performance program includes objectives that encourage the Bank’s active participation in community associations and causes and promotion of ecologically responsible practices.

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



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 outlines current practices and 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 2018 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. Following discussions with stakeholders, the Bank announced its support for the FSB’s Task Force on Climate-related Financial Disclosure.

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. Over the past few years, several institutional investors, proxy voting consultants and corporate governance advocacy groups, such as Institutional Shareholder Services Inc. (ISS) and Glass Lewis & Co., made positive statements about the performance-compensation relationship at the Bank as part of their analyses.

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

Type of activity	Speakers of the Bank	Attendees, frequency and purpose
Presentations without transactions, meetings, calls or discussions	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	The Bank’s Investor Relations Service	Attended by brokers, institutional and retail investors, and analysts wherein the Bank provides publicly available information about its financial results

Anyone wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee, or a director, including an independent director, may do so by e-mail to boardofdirectors@nbc.ca 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 the situation so requires.

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

Characteristics of Board committees

Each Board committee:

- is made up exclusively of independent directors, as defined by the CSA
- has implemented procedures to ensure that it is independent from the Bank's management and 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, members of management 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 2018, 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 be otherwise attained at a meeting
- may chair the meetings of a Board committee when needed

Experience and competencies of committee members

Each member:

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

Certain directors serve on more than one committee, which helps the committees gain a better overall understanding of the other committee mandates and the challenges facing the Bank’s various business lines. For more information about the members of the Board’s standing committees during fiscal 2018, 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 [2018 Annual Information Form](#).



AUDIT COMMITTEE

Members



Karen Kinsley



Pierre Blouin



Andrée Savoie



Pierre Thabet
Chair

- 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* (R.R.Q., 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 external auditor attended each of the Committee’s meetings.
- The Committee met in camera with the Chief Financial Officer and Executive Vice-President – Finance as well as with the Senior Vice-President – Internal Audit.
- The Committee acts as the audit committee for a designated subsidiary.

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 increase dividends and made recommendations to the Board ✓ 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, 2018 ✓ 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, 2018 ✓ 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 ✓ performed a review of recommendations made by the regulatory bodies
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 quarterly report of the Senior Vice-President and Chief Compliance Officer ✓ 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

RISK MANAGEMENT COMMITTEE

Members



Pierre Thabet,
Chair



Raymond
Bachand



Pierre Boivin



Karen Kinsley



Lino A. Saputo, Jr.

- The members of the Risk Management Committee met thirteen 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
<p>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 cyber security</p>	<p>Notably, we:</p> <ul style="list-style-type: none"> ✓ conducted quarterly reviews of the integrated risk management report, which follows up on risks relate to sales practices, among other things ✓ performed a quarterly review of technological risk, including cyber risks and cyber crime ✓ reviewed the various sensitivity analyses related to credit risk ✓ examined the quarterly report addressing the allowances for credit risk on impaired loans (IFRS 9) ✓ reviewed and approved the mandate of the Global Risk Committee ✓ reviewed the annual report on litigation against the Bank and its subsidiaries that could constitute a material risk ✓ reviewed certain risk management policies ✓ reviewed various client credit files in accordance with the Board’s credit approval policies ✓ reviewed and approved the contingency and business recovery plan ✓ 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 certain Bank subsidiaries ✓ reviewed the internal audit report on the risk management framework related to sales practices
<p>Reviewing and approving the Bank’s risk appetite framework</p>	<ul style="list-style-type: none"> ✓ reviewed and approved 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 ✓ reviewed and recommended to the Board policies concerning capital, liquidity and funding management
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 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 Human Resources Committee 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 Human Resources Committee and the Board

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

Members

Maryse Bertrand,
ChairRaymond
Bachand

Jean Houde



Robert Paré



Lino Saputo, Jr.



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 acts as a review committee for a designated subsidiary.

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 programs for directors ✓ ensured application of the guidance and continuing education programs 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 nominee directors ✓ recommended the appointment of Robert Paré as director
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 form of proxy) for the Annual Meeting of the Holders of Common Shares of the Bank held on April 20, 2018 ✓ reviewed and recommended that the Board approve implementation of a formal governance framework for the Bank's subsidiaries ✓ reviewed the key issues addressed in the Social Responsibility Report ✓ supervised the communication process with the Bank's shareholders ✓ reviewed independence standards applicable to directors ✓ reviewed the impacts of OSFI's revised guideline on corporate governance ✓ reviewed the Committee's preparation process ✓ reviewed the Bank's environmental strategy ✓ approved the Shareholder Engagement Policy ✓ reviewed the director election policy ✓ reviewed the list of directors who are part of the Bank's group
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 Act regarding related party transactions ✓ reviewed the semi-annual report on complaints received from Bank and subsidiary clients prepared by the Bank's Office of the Ombudsman ✓ reviewed the report on the application of the Code of Conduct and Ethics ✓ reviewed and approved changes to the Code of Conduct and Ethics
Director compensation	<ul style="list-style-type: none"> ✓ reviewed the compensation of Bank directors ✓ reviewed the authorized compensation envelope for directors ✓ reviewed the annual renewal of the directors' and officers' liability insurance and the crime insurance for financial institutions

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 each of the Committee's responsibilities as outlined in its 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 ✓ recommended for Board approval the changes that will be made to the annual Incentive Compensation Program for fiscal 2019 ✓ reviewed and approved changes to mid-term compensation plans ✓ reviewed and recommended for Board approval the compensation of new Office of the President members appointed in fiscal 2018 ✓ approved the short-, mid- and long-term variable compensation envelopes
Performance and compensation management of the President and Chief Executive Officer and review of his succession plan	<ul style="list-style-type: none"> ✓ approved the variable compensation program performance targets applicable to the President and Chief Executive Officer, Other Executive Officers, Officers and most employees ✓ reviewed the competitiveness of the target total direct compensation of the President and Chief Executive Officer, and subsequently recommended that the Board approve the adjustments deemed necessary ✓ assessed the President and Chief Executive Officer's performance based on financial results, annual objectives, and key performance indicators as well as the prudence with which he managed the Bank's operations and the risks to which the Bank is exposed, and reported to the Board
Performance and compensation management of the Other Executive Officers and of the heads of the oversight functions and review of their succession plans	<ul style="list-style-type: none"> ✓ 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

HUMAN RESOURCES COMMITTEE (cont.)

Main responsibilities	Main achievements Notably, we:
Review of the Officers' succession and development plans as well as talent engagement, development, and acquisition strategies	<ul style="list-style-type: none"> ✓ discussed the transformation of the Employee Experience function in line with the Bank's cultural evolution ✓ reviewed the succession plan for Executive Officers, heads of the oversight functions and Officers of the Bank and its subsidiaries
Oversight of the pension plans and Pool Fund	<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 of the Bank's pension plans
Communications with shareholders and compliance with compensation governance standards	<ul style="list-style-type: none"> ✓ discussed follow-ups of the interviews conducted with OSFI and the Financial Consumer Agency of Canada and their reports on sales practices ✓ 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

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

The purpose of this section is to inform you on how we determine the total compensation paid to Executive Officers.

We will begin by sharing some important facts about the past fiscal year and about the compensation granted to Named Executive Officers during the year and then, in the following pages, we will describe our compensation approach in greater detail.

Excellent return to shareholders and strategic capital management

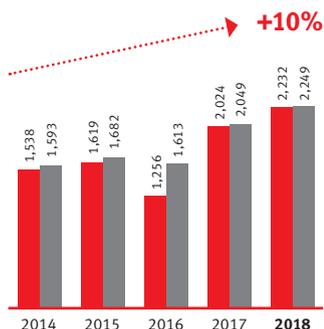
In fiscal 2018, the Bank achieved solid growth across all its business activities as well as effective cost management and sound credit quality. In addition to strong business growth, the Bank also delivered solid return to shareholders while helping our clients, employees and communities thrive.

- Sustained performance in each operating segment and an improved efficiency ratio, helping the Bank to generate record net income of \$2.2 billion in 2018, up 10% year over year.
- 2018 total revenues up \$557 million or 8% year over year.

Net Income

(millions of Canadian dollars)

2014-2018 / Compound annual growth rate (CAGR)



Growth rate 2018-17

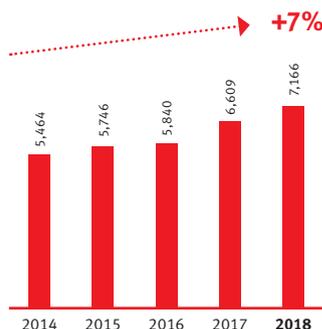
+10%

■ Excluding specified items

Total Revenues

(millions of Canadian dollars)

2014-2018 / Compound annual growth rate (CAGR)



Growth rate 2018-17

+8%

- Return on equity of 18.4%, which is among the highest in our industry globally.
- A Common Equity Tier 1 capital ratio at 11.7%, which is above the regulatory requirements, providing the flexibility needed to invest in growth initiatives and return capital to shareholders.
- Results met all of the medium-term objectives, even reaching the upper end of its target range for growth in diluted earnings per share (from \$5.38 in 2017 to \$5.94 in 2018).
- Industry-leading total shareholder returns of 16% and 15% over the three-year and ten-year periods ended October 31, 2018.

	National Bank	Canadian banks ⁽¹⁾
3 years	16.2%	11.9%
10 years	15.1%	12.5%

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

An agile, collaborative organization focused on customer and employee experience

In fiscal 2018, the Bank continued its organizational transformation efforts. We strongly believe that the cornerstone of this transformation is our cultural evolution, in particular, our move to an even more agile, collaborative organization that is focused on both customer experience and employee experience.

In an environment of constant change, our workplace culture and our talent will stand as a sustainable advantage and a key differentiator, one that is visible to our customers, employees and communities. As part of its mandate, the Human Resources Committee will continue to oversee the transformation to ensure that we have the right talent to make the transformation a success and that our employee-focused programs are properly aligned with our cultural evolution and shared mission.

Evolution of human resources practices and programs

In support of our shared mission, in fiscal 2018, we revised some of our programs and practices to include measures tailored to our business strategy and cultural evolution. By constantly evolving these parameters, we can better align our programs with best practices and ensure compliance with the guidance of regulatory authorities.

- In 2018, we added a third metric to the formula used in calculating the annual Incentive Compensation Program (ICP), which applies to most employees. Specifically, we added a client experience metric to the two existing metrics, namely, Available net income attributable to holders of Common Shares (ANI) and the efficiency ratio.
- Starting with the awards granted in December 2018, changes were made to the mid-term compensation plans. In particular, a clause was added whereby the Board may exercise discretionary power to adjust the payout value of performance share units downward to as low as \$0.
- We have reimagined how work is organized to create an environment of agile, autonomous, and multidisciplinary teams that enables employees to work faster, more efficiently, and with the support and attentiveness of leader-coaches who empower them to act.
- As part of our cultural evolution, and to better align Executive Officers around a shared vision and mission, beginning in 2019 they will have shared objectives and will all participate in the same annual corporate Incentive Compensation Program (ICP).

Changes within the Office of the President

In 2018, some changes were made within the Office of the President. These changes were made further to a rigorous succession planning process, as described on [page 47](#).

- Stéphane Achard was appointed Executive Vice-President, Commercial Banking and Insurance;
- Lucie Blanchet was appointed Executive Vice-President, Personal Banking and Marketing;
- Brigitte Hébert assumed responsibility for the Employee Experience sector (formerly Human Resources and Corporate Affairs) while continuing to head the Operations unit; and
- Laurent Ferreira was appointed Executive Vice-President and Co-Head, Financial Markets (effective November 1, 2018).

The Bank will benefit from the strong leadership qualities and vast experience of these passionate Officers.

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 2018. Given the Bank's fiscal 2018 performance, which saw a 10.0% increase in net income, the President and Chief Executive Officer was granted slightly above-target direct compensation at 102.6%. The amount granted represents a 6.1% decrease in compensation when compared to 2017, which is explained by the ICP results, which reached 112% of target in 2018 compared to 143% of target in 2017.

A significant portion of the President and Chief Executive Officer's direct compensation is conditional on the Bank's financial and stock market performance, as shown on [page 87](#) of the Circular. 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 \$139 on December 31, 2018. 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 \$198. We are therefore satisfied that the Bank's compensation approach is conducive to creating long-term value for shareholders.

Risk management, a key component of our compensation policy

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 2018. Both of these entities have been tasked with ensuring that the compensation policy achieves a balance between performance incentives and compliance with the Bank's risk tolerance limits.

Conclusion

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

We believe that our compensation approach, on which you are invited to vote, and our compensation-related decisions 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 vision of Executive Officers with that of shareholders.

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

(s) Jean Houde
Chairman of the Board of Directors

(s) 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 stock market 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 and grow long-term shareholder value.
- 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 revenue growth 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 sound compensation governance practices. Below is an overview of the compensation practices that the Bank applies or does not apply.

1. Pay for performance

What we do 	What we do not do 
<ul style="list-style-type: none">✓ We compensate Executive Officers based on the Bank's financial and stock market 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 target 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 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 voting consultants 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

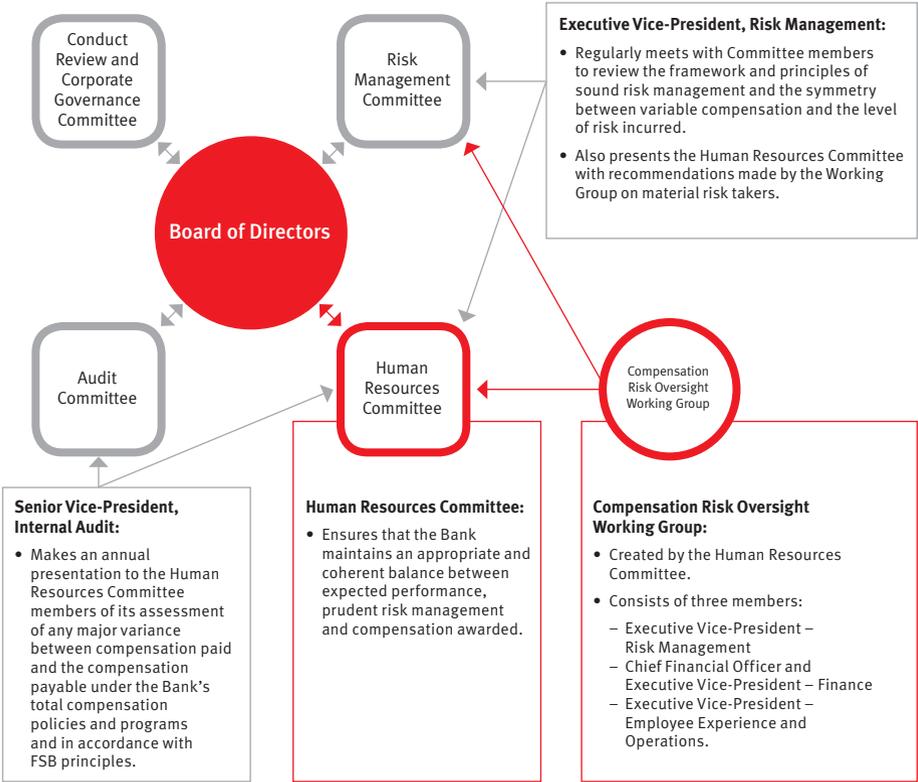
COMPENSATION GOVERNANCE

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 contribute to the creation of shareholder value. This means striking a healthy balance between risk and return.

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

As part of its compensation risk oversight role, the Human Resources Committee must ensure that compensation policies and programs do not 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 among the main stakeholders in the compensation risk management framework:



Human Resources Committee

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

- review the various components of total compensation, either when policies and programs are being developed or when they are being applied, while ensuring compliance with compensation governance principles;
- recommend that the Board approve new compensation programs or material changes to existing programs;
- ensure that the Bank's compensation policies and programs comply with in-force regulations and standards;
- ensure that the Bank complies with the Corporate Governance Guideline issued by OSFI and with the Principles on Sound Compensation Practices issued by the FSB, for which the Canadian implementation and monitoring is conducted by OSFI;
- 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 additional 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. In addition, for additional information about the continuing education of the Bank's directors, see [pages 50 and 51](#).

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

Training and self-evaluation

- The Committee members benefit from continuing education programs designed to meet their needs regarding prudent risk management.
- As part of the continuing education program for directors, Committee members attend, among others, presentations on 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 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 additional information, refer to [Section 3](#) of the Circular, which presents the biographies of the directors who are members of the Committee, and to the “Human Resources Committee” heading in [Section 6](#) of the Circular for information about the Committee and its activities this past fiscal year.

Compensation Risk Oversight Working Group

The Compensation Risk Oversight Working Group created by the Human Resources Committee has three members, namely, the Executive Vice-President – Risk Management, the Chief Financial Officer and Executive Vice-President – Finance, and the Executive Vice-President – Employee Experience and Operations. As part of its mandate, this Working Group:

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

Monitoring implementation of compensation policies and programs

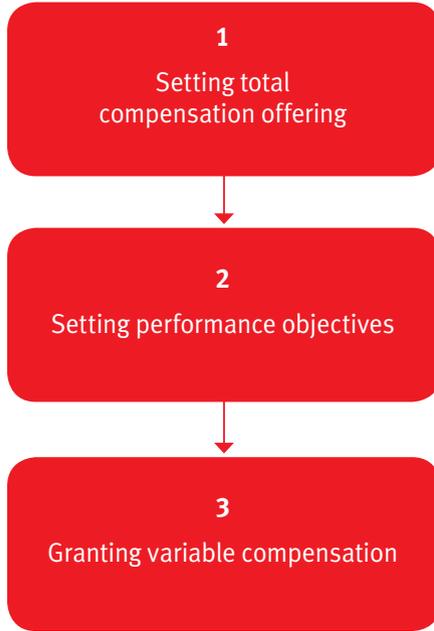
In exercising its duties, the Bank’s Employee Experience unit oversees the implementation of policies and of all the variable compensation programs of the Bank and its subsidiaries.

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 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	<p>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:</p> <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.

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 the total compensation offering

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

The following table presents the components of the total compensation programs as well as their respective features, risk/financial performance relationships, and time horizons. A summary of the variable compensation programs is provided under “Compensation of Named Executive Officers” in this section of the Circular.

7. Executive Officer compensation

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

Ensuring that variable compensation is closely tied to financial performance

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

When programs are developed, the Human Resources Committee ensures that they comply with the Principles and Standards 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.

Variable compensation represents a significant portion of Executive Officer compensation. It includes the annual bonus, for which the value-at-creation ranges from 0% to 200% of the target bonus, and is directly linked to the extent to which the Bank met its financial objectives and client satisfaction score. It also includes deferred compensation, for which the value of the final payment is contingent on the future value or future appreciation of the Bank’s Common Shares. This variable compensation is considered at-risk and represents a significant portion of target total direct compensation: 87% on average for Named Executive Officers and most of which is deferred. The target total direct compensation awarded to the Named Executive Officers is presented in detail on [page 79](#).

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 2018 is unchanged from the one used in 2017. It consists of the following banks and financial institutions:

Selection criteria		Peer group
Head office location	Canada	<ul style="list-style-type: none"> – Bank of Montreal – Canadian Imperial Bank of Commerce – Great-West Lifeco Inc. – Industrial Alliance Insurance and Financial Services Inc. – Manulife Financial Corporation – Power Financial Corporation – Royal Bank of Canada – Sun Life Financial Inc. – The Bank of Nova Scotia – The Toronto-Dominion Bank
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 	

7. Executive Officer compensation

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

Members of the peer group	Revenues (\$M)	Net income attributable to holders of Common Shares (\$M)	Net income / revenue ratio	Market capitalization (\$M)	Number of employees (thousands)
Bank of Montreal ⁽¹⁾	21,685	5,266	24%	62,929	45.5
Canadian Imperial Bank of Commerce ⁽¹⁾	17,834	5,178	29%	50,340	44.2
Great-West Lifeco Inc. ⁽²⁾	11,365	2,149	19%	34,704	23.3
Industrial Alliance Insurance and Financial Services Inc. ⁽²⁾	3,435	515	15%	6,386	6.1
Manulife Financial Corporation ⁽²⁾	19,022	1,945	10%	51,863	34.0
Power Financial Corporation ⁽²⁾	14,235	1,717	12%	24,658	26.8
Royal Bank of Canada ⁽¹⁾	39,900	12,115	30%	138,009	81.9
Sun Life Financial Inc. ⁽²⁾	12,165	2,149	18%	31,673	34.0
The Bank of Nova Scotia ⁽¹⁾	28,755	8,361	29%	86,688	97.6
The Toronto-Dominion Bank ⁽¹⁾	36,390	11,048	30%	133,519	86.6
National Bank of Canada ⁽¹⁾	7,166	2,040	28%	20,024	22.3

(1) The information is as at October 31, 2018.

(2) The information is as at December 31, 2017.

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.

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 the external consultant it considers the most qualified to carry out the mandates.

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

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.

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 executive compensation, governance and regulation;
- helped the Human Resources Committee review the composition of the peer group, which remains appropriate; and
- conducted the compensation surveys, in which the Bank participates each year, on market practices and compensation levels for Officers and management positions.

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

Independent external consultants	Fiscal 2018			Fiscal 2017		
	Executive compensation – Related fees	Other fees	Total	Executive compensation – Related fees	Other fees	Total
Hay Group	\$128,408 70%	\$55,763 ⁽¹⁾ 30%	\$184,171 100%	\$123,909 51%	\$118,759 ⁽¹⁾ 49%	\$242,668 100%

(1) Total costs related to the Bank’s participation in compensation surveys for employees who are not Officers (2017 and 2018) as well as the costs related to a project to review the job evaluation system completed in 2017.

2. Setting performance objectives

In line with the Bank’s Board-approved business plan, the Human Resources Committee sets—and the Board approves—the performance objectives of the President and Chief Executive Officer at the beginning of each year. These objectives support the financial and non-financial indicators used to balance the interests of the Bank’s various stakeholders: shareholders, employees, clients and the community. The President and Chief Executive Officer sets objectives for each Executive Officer using the same categories that apply to him and considering their individual roles and responsibilities.

As part of our cultural evolution, and to better align Executive Officers around a shared vision, beginning in 2019 they will have shared performance objectives.

The Bank is constantly developing its approach to performance management to ensure that it is continuous and remains aligned with client experience, employee experience, and best market practices.

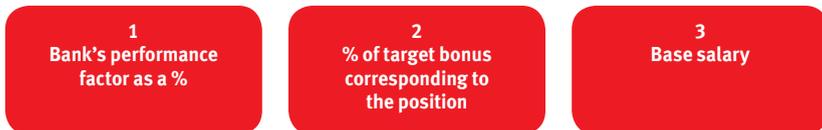
To this end, the Bank’s Executive Officers are expected to be continually engaged in discussions with the Board, to keep it informed on the changes and the performance of their segments as well as the strategic initiatives they oversee.

3. Granting variable compensation

Creation of envelopes

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

With respect to short-term variable compensation, the envelopes created depend on the degree to which the Bank has achieved its annual financial objectives 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 80](#), three measures were used to set the Bank's performance factor for fiscal 2018:

- 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. Like other major Canadian banks, the Bank provides the Human Resources Committee with discretionary power to adjust, as it deems necessary, the annual variable compensation envelopes downward. In order to avoid decisions based solely 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 takes into account credit, market, liquidity, financing, operational, regulatory non-compliance, reputational, strategic and environmental risks.

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

Assessing performance and approving awards

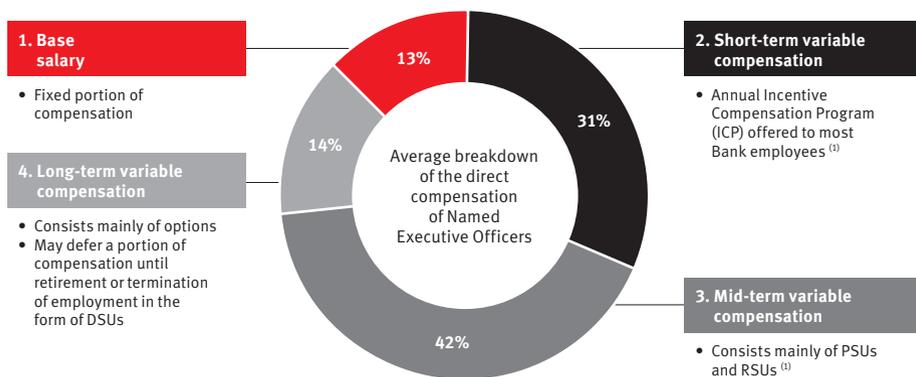
Following the creation of these envelopes, the final step in the award process consists of an individual and sectoral performance evaluation of the Executive Officers against the objectives set out at the beginning of the fiscal year. After considering the recommendations made by the Human Resources Committee and the President and Chief Executive Officer for the other Named Executive Officers, the Board approves the annual short-, mid- and long-term variable compensation awards. The fiscal 2018 awards approved for each Named Executive Officer are presented on [pages 85](#) to 91 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, 2018.

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	
Ricardo Pascoe Chief Transformation Officer and Executive Vice-President	
Martin Gagnon Co-President and Co-Chief Executive Officer, National Bank Financial; Executive Vice-President – Wealth Management	

Components of target total direct compensation



	2018 target total direct compensation				2018 compensation granted	2017 compensation granted	
Louis Vachon	14.3%	21.4%	42.9%	21.4%	\$7,875,000	\$8,077,518	\$8,600,641
Ghislain Parent	20.4%	26.5%	32.7%	20.4%	\$2,205,000	\$2,275,231	\$2,425,757
Denis Girouard ⁽¹⁾	7.2%	37.1%	48.5%	7.2%	\$6,250,000	\$6,670,524	\$6,724,153
Ricardo Pascoe	7.2%	36.7%	48.9%	7.2%	\$6,255,000	\$6,530,429	\$7,241,875
Martin Gagnon	15.7%	33.1%	35.5%	15.7%	\$3,016,250	\$3,135,990	– ⁽²⁾

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

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

(2) Martin Gagnon 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 in relation 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

The purpose of short-term variable compensation is to recognize annual performance. The individual annual bonus granted takes into account the prudence demonstrated in risk management. A portion of this bonus may be deferred to reflect the risk horizons involved.

ANNUAL INCENTIVE COMPENSATION PROGRAM (ICP)

<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 – Share part of that success with employees – Recognize and reward employees whose performance exceeds expectations 		
<p>Financial indicators</p>	<p>Indicator</p>	<p>Definition</p>	<p>Weighting in total result</p>
	<p>Available net income (ANI)</p>	<p>Net income less dividends on preferred shares and the amount attributable to non-controlling interests</p>	<p>75%</p>
	<p>Efficiency ratio</p>	<p>Ratio that expresses non-interest expense excluding specified items as a percentage of total revenue on a taxable equivalent basis and excluding specified items</p>	<p>15%</p>
	<p>Client satisfaction (net promoter score)</p>	<p>Measure of the probability that clients will recommend the Bank</p>	<p>10%</p>
<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 		

Calculating the short-term compensation (ICP) performance factor for fiscal 2018

Three measures were used in the fiscal 2018 ICP calculation formula: Available net income attributable to holders of Common Shares, the efficiency ratio, and net promoter score (the latter being new in 2018). These measures are described on page 80.

Given that the bonus-payment thresholds were reached in fiscal 2018, the Human Resources Committee approved the creation of annual bonus envelopes at 112% for all employees and Officers to whom the ICP formula applies, as presented below:

Performance measure	Threshold	Target	Fiscal 2018			Weighting	Weighted result	Fiscal 2017	
			Maximum	Result for compensation purposes ⁽¹⁾				Result for compensation purposes ⁽¹⁾	
Available net income attributable to holders of Common Shares	\$1,599M	\$1,999M	\$2,399M	\$2,057M		75%	86%	\$1,862M	
% of envelope creation	0%	100%	200%	115%					
Efficiency ratio	56.2%	54.7%	53.2%	54.6%		15%	16%	55.9%	
% of envelope creation	0%	100%	200%	107%					
Client satisfaction (net promoter score) ⁽²⁾	29	41-45	57	43		10%	10%	–	
% of envelope creation	0%	100%	200%	100%					
Overall performance of the Bank							112%		

For fiscal 2018, the Bank reported available net income attributable to holders of Common Shares of \$2,040 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 (mainly related to previous acquisitions), which resulted in a \$17 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 \$2,057 million.

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

The fiscal 2018 annual bonuses approved for each Named Executive Officer are presented on pages 85 to 91 of the Circular.

- (1) Results excluding specified items.
- (2) This is a new measure for the Bank and a new measure considered in the ICP calculation. At the end of 2017, the Bank reviewed its client satisfaction metric and decided to gradually implement it such that, over time, it could be aligned across the organization and considering the evolving context.

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.

	Performance Share Units (PSUs)	Restricted Share Units (RSUs)								
Features / reasons for payment	<ul style="list-style-type: none"> Designed to tie a portion of the value of compensation to the future value of the Bank's Common Shares and to the Bank's performance relative to its peers 	<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 10 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 10 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 2015 and vested in 2018 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 118.6% 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., 10 years for stock options and up to retirement or departure for DSUs.

	Stock options	Deferred Share Units (DSUs)
Features / reasons for payment	<ul style="list-style-type: none"> • 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; text-align: center;"> $\frac{\text{the dollar value of the grant}}{\text{the value determined using the Black-Scholes model}}$ </div> • 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; text-align: center;"> $\frac{\text{the dollar value of the grant}}{\text{the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant}}$ </div> • 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 10 business days if the expiration date falls during the black-out period or (ii) by a number of business days equal to 10 business days less the number of business days elapsed between the end of the black-out period and the expiration date if such date falls no later than 10 business days after the end of the black-out period • Each Executive Officer must keep at all times, after the exercise of 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, orientations and development of the Bank and its subsidiaries. He is supported in this role by the Executive Officers who, with him, make up the Office of the President.

At the time of his appointment, Louis Vachon was Chief Operating Officer, a position he had held since 2006. Louis Vachon serves on the board of directors of Molson Coors Brewing Company. He is also involved with a number of social and cultural organizations.

Louis Vachon holds a Master's degree in International Finance from The Fletcher School (Tufts University). He has a Bachelor's degree in Economics from Bates College and is a Chartered Financial Analyst (CFATM). Louis Vachon is a Member of the Order of Canada and of the Order of Montreal and has received the Global Citizen Award from the United Nations Association in Canada. Louis Vachon has also been appointed Lieutenant-Colonel (H) of Les Fusiliers Mont-Royal.

2018 performance indicators and results

The Human Resources Committee evaluated Louis Vachon's 2018 performance by examining the Bank's results against its short-, medium- and long-term objectives, risk management as well as the strategic, organizational, and operational priorities conducive to creating sustainable value for shareholders. The following table shows all of the results examined as part of his evaluation.

Performance indicators	Result obtained	Achievements
Shareholder-related		
Net earnings per share growth of at least 5% (excluding specified items)	10%	In 2018, the Bank generated record net income of \$2.2 billion, up 10% from 2017. The Bank achieved solid growth across all its operations while managing costs effectively and maintaining strong credit quality.
Revenue growth of at least 5% (excluding specified items)	8%	In 2018, the Bank met all of its medium-term objectives, even reaching the upper end of its target range for growth in diluted earnings per share excluding specified items.
Return on equity of over 15% (excluding specified items)	18.5%	During the year, the Bank raised its dividend twice for a combined increase of 7% and returned additional capital to shareholders through Common Share repurchases. The Bank delivered industry-leading total shareholder returns of 16% and 15% over the three-year and ten-year periods ended October 31, 2018.
Efficiency ratio at 54.7% (on a taxable equivalent basis and excluding specified items)	54.6%	Return on equity stood at 18.5%, among the highest in the industry globally. The Bank's efficiency ratio was 54.6% in 2018 versus 55.9% in 2017. Improvements to this ratio reflect improvements to business productivity.
CET1 capital ratio greater than 10.75%	11.7%	The Common Equity Tier 1 capital ratio was 11.7% for fiscal 2018 – the highest level in the Bank's history.
Employee-related		
Employee mobilization and engagement during the transformation arising from the <i>One client, one bank</i> approach	✓	The results from the most recent organizational survey show improvements in several areas, including employee mobilization, commitment to the culture, and leadership style. The transformation and cultural evolution efforts continued in 2018, with many initiatives being deployed to support collaboration and connectivity and to accelerate the Bank's ability to change at the corporate level, in the various business lines, and across the branch network (approach to executing and organizing networked work, reimagined work tools and environment, etc.). The Bank's employees can be assured that, of all the changes that have taken place at the Bank, the organization's cultural evolution is senior management's top priority. Talent is the Bank's most important asset—and the cornerstone of building an adaptable organization.

2018 performance indicators and results (cont.)

Performance indicators	Result obtained	Achievements
Client-related		
Continue deploying the strategy based on the <i>One client, one bank</i> approach	✓	<p>In a rapidly changing environment, many initiatives were undertaken in 2018 to ensure that the Bank remains the financial partner of choice for clients when powering their ideas. Through ongoing investment in emerging technologies, the Bank is communicating with customers in different and faster ways, thereby further strengthening relationships.</p> <ul style="list-style-type: none"> • Leading-edge digital and mobile banking solutions and many specialized services • Partnerships with FinTechs to improve personal and commercial services • New branch concepts where advice and technology converge • New 100% remote solutions (mortgage pre-approval, credit card applications with immediate decisions, etc.) • New information and transaction sites • Mobile payments and the new contactless <i>my debit</i> card • Mobile point-of-sale solution for SMEs • Canada-wide “Everything is better” campaign
Community-related		
Active participation in community associations and causes	✓	<p>In 2018, the Bank actively contributed to the success of associations and to social causes in various communities:</p> <ul style="list-style-type: none"> • Over ten million dollars was distributed to the community in the form of donations alone, not to mention various fundraising initiatives and sponsorships. Hundreds of organizations across the country received support • Louis Vachon took part in many events as chairman and co-chairman • The Bank continued to stand out within the business community through its sustained promotion of entrepreneurship • The Bank also actively supports women’s causes, cultural communities, the LGBTQ+ community, and people with disabilities • The Bank has been listed as one of Canada’s Best Diversity Employers for many years • Awarded gold certification by Women in Governance • Received several LEED certifications • Design of new head office in accordance with the strictest standards in terms of sustainable construction and occupant health and well-being • Support for the Financial Stability Board’s Task Force on Climate-related Financial Disclosure (TCFD)

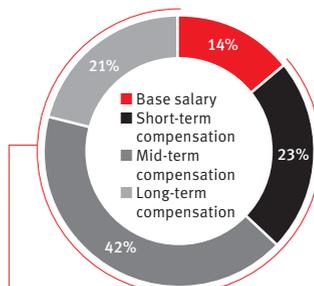
Decisions on the target total compensation and compensation awarded in 2018

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 2018, the Human Resources Committee considered not only the Bank’s strong operating performance and record profitability but also the leadership that Louis Vachon demonstrated in the organizational transformation of the Bank’s processes as well as his ability to motivate employees to build a high-performing, change-capable organization.

Given the Bank’s performance and the fact that its Incentive Compensation Program was at 112% of the target, the total direct compensation paid was 102.6% of the target in 2018, 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	14
Variable compensation				
Short-term compensation	150	1,687,500	1,890,000	23
Mid-term compensation (PSUs)	300	3,375,000	3,375,000	42
Long-term compensation (Options)	150	1,687,500	1,687,503	21
Total		7,875,000	8,077,518	100

2018 awarded compensation mix



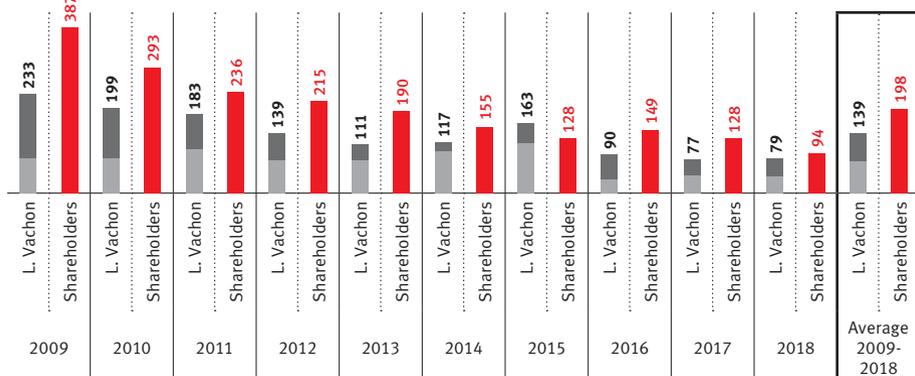
86% of the compensation awarded to Louis Vachon in 2018 is at-risk compensation

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 \$139 on December 31, 2018. 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 \$198. 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 2009. For each fiscal year, we present:

- Value on December 31, 2018 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, 2018 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, 2018.

Year	Value of direct compensation at time of award (\$M)	Value of actual direct compensation ⁽³⁾ as at December 31, 2018 (\$M)	Period	Value of \$100	
				Louis Vachon	Bank shareholders
2009	5.61	13.05	Oct. 31, 2008 – Dec. 31, 2018	233	387
2010	5.21	10.37	Oct. 31, 2009 – Dec. 31, 2018	199	293
2011	7.25	13.29	Oct. 31, 2010 – Dec. 31, 2018	183	236
2012	7.15	9.92	Oct. 31, 2011 – Dec. 31, 2018	139	215
2013	7.14	7.90	Oct. 31, 2012 – Dec. 31, 2018	111	190
2014	8.24	9.65	Oct. 31, 2013 – Dec. 31, 2018	117	155
2015	7.82	12.76	Oct. 31, 2014 – Dec. 31, 2018	163	128
2016	7.57	6.81	Oct. 31, 2015 – Dec. 31, 2018	90	149
2017	8.60	6.63	Oct. 31, 2016 – Dec. 31, 2018	77	128
2018	8.08	6.39	Oct. 31, 2017 – Dec. 31, 2018	79	94
			Average 2009 – 2018	139	198

- (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 is responsible for all accounting, finance, strategic planning, sourcing, merger and acquisition and international development, including capital management, taxation, investor relations and financial governance. Ghislain Parent is a member of the Bank's Office of the President.

Ghislain Parent joined the Bank in 2010 as Senior Vice-President, Internal Audit. Before joining the Bank, he notably held the position of Senior Vice-President and Chief Financial Officer of the Caisse de dépôt et placement du Québec and of President of CDP Financial Inc.

Concurrent with his professional activities, Mr. Parent and his team have been actively involved with Intégration Jeunesse du Québec, a workplace integration organization. Ghislain Parent has a Bachelor's degree in Business Administration and Accounting. He is also a Fellow of the Quebec CPA Order.

2018 ACHIEVEMENTS AND HIGHLIGHTS

Under the direction and leadership of Ghislain Parent, the Bank achieved the following strategic objectives:

- In 2018, the Bank generated record net income of \$2,232 million, up 10% from 2017. The U.S. Specialty Finance and International segment, led by Ghislain Parent, posted net income of \$222 million, an increase of 21% compared to 2017 and accounting for 10% of the Bank's net income.
- Owing to disciplined capital management, the CET1 capital ratio, the Tier 1 capital ratio, and the Total capital ratio stood at 11.7%, 15.5%, and 16.8% as at October 31, 2018, well above the regulatory requirements.
- In 2018, the Bank met all of its medium-term objectives, even reaching the upper end of its target range for growth in diluted earnings per share (from \$5.38 in 2017 to \$5.94 in 2018).
- The Bank's efficiency ratio was 54.6% in 2018 versus 55.9% in 2017. Improvements to this ratio reflect improvements to business productivity, both in the various sectors and in the unit under Mr. Parent's leadership.
- During the fiscal year, the Bank raised its dividend twice for a combined increase of 7%, and it returned additional capital to shareholders through share repurchases.
- The Bank has delivered industry-leading total shareholder returns of 16% and 15% over the three-year and ten-year periods ended October 31, 2018.
- For fiscal 2018, the liquidity coverage ratio was 147%, well above the 100% regulatory requirement and demonstrating the Bank's solid liquidity position.
- The design and operation of internal controls over financial information and reporting were reviewed for compliance with securities regulations and were considered satisfactory.

TARGET TOTAL DIRECT COMPENSATION AND COMPENSATION AWARDED IN 2018

Target compensation for 2018

Ghislain Parent's target total direct compensation did not change in 2018.

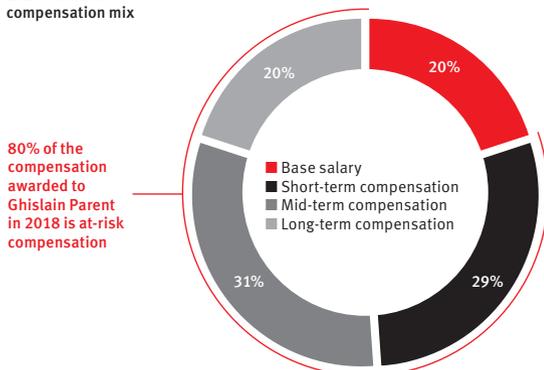
Performance and incentive awards in 2018

The Human Resources Committee reviewed Ghislain Parent's overall performance and achievements to set the fiscal 2018 variable compensation. The Board approved the following compensation in accordance with the short-term variable compensation program results and further to the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	
	% of salary	(\$)	(\$)	(%)
Fixed compensation				
Base salary	n/a	450,000	450,006	20
Variable compensation				
Short-term compensation	130	585,000	655,200	29
Mid-term compensation (PSUs)	160	720,000	720,000	31
Long-term compensation (Options)	100	450,000	315,025	14
DSUs ⁽¹⁾	–	–	135,000	6
Total		2,205,000	2,275,231	100

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

2018 awarded compensation mix



DENIS GIROUARD

Executive Vice-President and Co-Head – Financial Markets



Denis Girouard is Executive Vice-President and Co-Head – Financial Markets, a position he holds jointly with Laurent Ferreira, whose appointment has been in effect since November 1, 2018. He is responsible for the Bank's wholesale banking activities, including Investment Banking, Corporate Banking, Equity, Fixed Income, and Derivatives. Denis Girouard is a member of the Bank's Office of the President.

In 1990, Denis Girouard joined National Bank Financial, where he held various strategic executive positions, including the role of Executive Vice-President, Managing Director at NBF, Co-Head of Fixed Income and Deputy Head of Financial Markets at NBF.

In addition to his professional activities, Denis Girouard has served on several boards within the business community. He is currently a member of the CanDeal board of directors. Denis Girouard has a Bachelor's degree in Finance from HEC Montréal. He is a Chartered Financial Analyst, CFA™®.

2018 ACHIEVEMENTS AND HIGHLIGHTS

In fiscal 2018, the solid performance of the Financial Markets segment led by Denis Girouard was driven by the implementation of a range of business activities, a focus on client-driven initiatives, leadership in selected niches, and a flexible approach to capital allocation. Listed below are the main achievements for 2018:

- The Financial Markets segment delivered solid performance in 2018. Its 2018 net income totalled \$764 million, up 9% year over year. The 2018 total revenues on a taxable equivalent basis amounted to \$1,743 million, a \$125 million increase from \$1,618 million in fiscal 2017. The segment's efficiency ratio on a taxable equivalent basis improved from 41.1% in 2017 to 40.0% in 2018.
- The segment achieved strong progress building its mergers-and-acquisitions franchise through several landmark transactions.
- Corporate banking revenues grew 15% year over year owing to more robust lending activity.
- Revenues from equity securities and from commodity and foreign exchange activities grew 14% and 22%, respectively.
- In 2018, the Exchange Traded Fund (ETF) market-making team captured almost 40% market share, effectively becoming the number one ETF market-maker in Canada.
- The Financial Markets segment ranked first in government debt underwriting.

TARGET TOTAL DIRECT COMPENSATION AND COMPENSATION AWARDED IN 2018

Target compensation for 2018

Denis Girouard's target total direct compensation did not change in 2018.

Performance and incentive awards in 2018

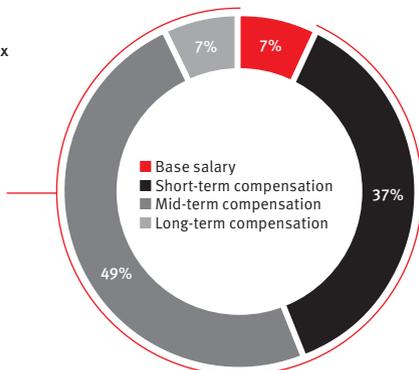
The Human Resources Committee reviewed Denis Girouard's overall performance and achievements to set the fiscal 2018 variable compensation. The Board approved the following compensation in accordance with the short-term variable compensation program results and further to the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	
	% of salary	(\$)	(\$)	(%)
Fixed compensation				
Base salary	n/a	450,000	450,006	7
Variable compensation				
Short-term compensation ⁽¹⁾	–	2,320,000	2,488,198	37
in RSUs ⁽²⁾	–	2,062,500	2,314,797	35
Mid-term compensation (PSUs)	215	967,500	967,500	14
Long-term compensation (Options)	100	450,000	450,023	7
Total		6,250,000	6,670,524	100

- (1) The annual bonus consists of a portion derived from the Bank's annual bonus program and a portion based on the results of the Financial Markets segment.
- (2) A portion of the annual bonus is deferred in the form of RSUs. At least 60% of Denis Girouard's variable compensation must be deferred.

2018 awarded compensation mix

93% of the compensation awarded to Denis Girouard in 2018 is at-risk compensation



7. Executive Officer compensation

RICARDO PASCOE**Chief Transformation Officer and Executive Vice-President**

Appointed Chief Transformation Officer and Executive Vice-President in June 2016, Ricardo Pascoe oversees the Bank's strategic initiatives portfolio and focuses on driving efficiency, simplicity, innovation and culture change throughout the organization. Ricardo Pascoe is a member of the Bank's Office of the President.

Until 2016, Ricardo Pascoe had served as Executive Vice-President – Financial Markets and was responsible for the Bank's wholesale banking activities, including Corporate Financing, Equity, Fixed Income, Derivatives and Proprietary Trading.

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

2018 ACHIEVEMENTS AND HIGHLIGHTS

To mobilize the organization and our clients around our shared mission and to leverage our transformation, in 2018 many initiatives were deployed to support greater collaboration and connectivity and to accelerate the Bank's ability to change.

- The team at the Transformation Office, led by Ricardo Pascoe, ensured alignment with the strategic road map and optimized prioritization and sequencing of promising initiatives for a total investment of \$375 million in 2018. Through this project prioritization, the Bank can even more effectively integrate initiatives and create an even more agile, collaborative organization focused on both client and employee experience.
- The efficiency ratio stood at 54.6% in 2018 versus 55.9% in 2017 and 58.2% in 2016, a testament to the continuous improvement in efficiency.
- The Bank continued to make investments in technology and digital initiatives to be a simple and efficient bank that meets its customers' expectations. Several initiatives were implemented in fiscal 2018, such as 100% remote solutions, new information and transactional sites, a new contactless card, and a mobile point-of-sale solution for SMEs.
- In 2018, the Bank made considerable investments in data and cyberdefence in order to protect the personal information of customers and provide uninterrupted service.
- The Bank also continues to invest in artificial intelligence in order to continuously enhance customer experience.
- In terms of employee experience, the Transformation Office also contributed to a review of work methods and environments (aligned teams that are empowered to act, networked work organization, reimagined work environment, and collaborative tools).
- Internally, the rate of satisfaction with the Transformation Office remains high and speaks to the impact of Ricardo Pascoe's team to help drive efficiency, simplicity, innovation and culture-change throughout the organization.

TARGET TOTAL DIRECT COMPENSATION AND COMPENSATION AWARDED IN 2018**Target compensation for 2018**

Ricardo Pascoe's target total direct compensation did not change in 2018. The target total compensation for Ricardo Pascoe was determined at the time of his transfer, at the Bank's request, from his position as Executive Vice-President – Financial Markets to that of Chief Transformation Officer. In this regard, the Human Resources Committee considered his unique experience as well as his career path in the Financial Markets segment.

Performance and incentive awards in 2018

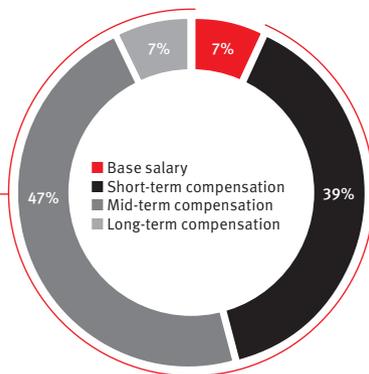
The Human Resources Committee reviewed Ricardo Pascoe's overall performance and achievements to set the fiscal 2018 variable compensation. The Board approved the following compensation in accordance with the short-term variable compensation program results and further to the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	
	% of salary	(\$)	(\$)	(%)
Fixed compensation				
Base salary	n/a	450,000	450,006	7
Variable compensation				
Short-term compensation ⁽¹⁾	510	2,295,000	2,570,400	39
Mid-term compensation (PSUs)	680	3,060,000	3,060,000	47
Long-term compensation (Options)	100	450,000	450,023	7
Total		6,255,000	6,530,429	100

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

2018 awarded compensation mix

93% of the compensation awarded to Ricardo Pascoe in 2018 is at-risk compensation



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 and Executive Vice-President – Wealth Management in July 2016. In this capacity, he is responsible for all wealth-management-related activities within the Bank. Martin Gagnon is a member of the Bank's Office of the President and is Chairman of the boards of directors of National Bank Trust Inc., Natcan Trust Company and National Bank Investments Inc. as well as Co-Chair of the board and Co-President and Co-Chief Executive Officer of National Bank Financial Inc. He also chairs the board of directors of the Institut universitaire en santé mentale de Montréal Foundation and serves on the board of directors of Fiera Capital Corporation.

At the time of his appointment, he was acting as Senior Vice-President, Intermediary Business Solutions, Wealth Management.

Martin Gagnon holds a Bachelor's degree in Business Administration from the Université du Québec à Montréal and a Master's degree in Finance from the University of British Columbia. He is a Chartered Financial Analyst, CFA™®.

2018 ACHIEVEMENTS AND HIGHLIGHTS

In 2018, the objective of the Wealth Management segment, led by Martin Gagnon, was to capitalize on the strength of the Bank's brand, distribution capacity, and the segment's differentiated business model and to further penetrate the market across Canada. Listed below are the main achievements for 2018:

- The Wealth Management segment delivered strong performance in 2018. Its fiscal 2018 net income totalled \$489 million, up 20% from fiscal 2017, and its fiscal 2018 total revenues amounted to \$1,759 million, a \$155 million increase from \$1,604 million in 2017. The segment's efficiency ratio excluding specified items improved from 63.7% in 2017 to 61.1% in 2018.
- The revenue growth was driven mainly by improved margins on deposit products and higher fee-based assets resulting from sound stock market performance and net investment inflows across all business lines. Sound cost management helped generate positive operating leverage, thus improving the efficiency ratio.
- As at October 31, 2018, assets under administration and under management totalled \$485.1 billion, a \$7.7 billion or 2% increase from October 31, 2017.
- Realization of the growth potential of National Bank Independent Network, notably through the integration of Hollis Wealth (the largest transaction of its kind by the Bank) and major investments to ensure a strong presence in the custodial services market and in the Mutual Fund Dealers Association of Canada (MFDA) environment.
- Optimization of the open architecture by offering Meritage portfolios, all of which rank in the first quartile, whether on a net or gross basis.

TARGET TOTAL DIRECT COMPENSATION AND COMPENSATION AWARDED IN 2018**Target compensation for 2018**

Martin Gagnon's target total direct compensation did not change in 2018.

Performance and incentive awards in 2018

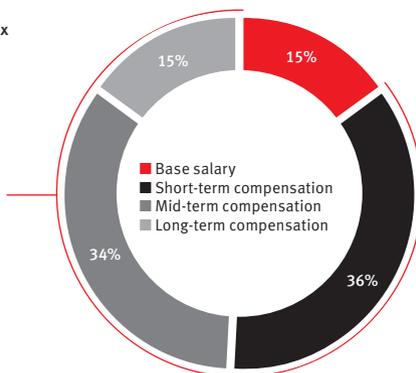
The Human Resources Committee reviewed Martin Gagnon's overall performance and achievements to set the fiscal 2018 variable compensation. The Board approved the following compensation in accordance with the short-term variable compensation program results and further to the recommendation made by the Human Resources Committee:

	Target variable compensation	Target total direct compensation	Total direct compensation awarded	
	% of salary	(\$)	(\$)	(%)
Fixed compensation				
Base salary	n/a	475,000	475,015	15
Variable compensation				
Short-term compensation	210	997,500	1,117,200	36
Mid-term compensation (PSUs)	225	1,068,750	1,068,750	34
Long-term compensation (Options)	100	475,000	332,525	11
DSUs ⁽¹⁾	–	–	142,500	4
Total		3,016,250	3,135,990	100

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

2018 awarded compensation mix

85% of the compensation awarded to Martin Gagnon in 2018 is at-risk 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 (\$) ⁽⁵⁾⁽⁶⁾	Non-equity incentive plan compensation		Pension value (\$) ⁽⁷⁾	All other compensation (\$) ⁽⁸⁾	Total compensation (\$) ⁽⁹⁾
					Annual incentive plans (\$) ⁽⁶⁾	Long-term incentive plans (\$) ⁽⁶⁾			
Louis Vachon President and Chief Executive Officer	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
	2016	1,125,015	3,375,000	1,687,529	1,383,750	–	539,000	4,889	8,115,183
Ghislain Parent Chief Financial Officer and Executive Vice-President – Finance	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
	2016	400,008	720,000	280,019	328,000	–	97,000	1,059	1,826,086
Denis Girouard Executive Vice-President and Co-Head – Financial Markets	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
	2016	333,691	4,896,875	260,440	1,885,687	–	82,000	1,140	7,459,833
Ricardo Pascoe Chief Transformation Officer and Executive Vice-President	2018	450,006	3,060,000	450,023	2,570,400	–	136,000	4,274	6,670,703
	2017	450,006	3,060,000	450,019	3,281,850	–	120,000	4,494	7,366,369
	2016	450,006	2,682,356	450,010	2,682,355	–	92,000	4,236	6,360,963
Martin Gagnon ⁽⁹⁾ Co-President and Co-Chief Executive Officer, National Bank Financial; Executive Vice-President – Wealth Management	2018	475,015	1,211,250	332,525	1,117,200	–	85,000	2,436	3,223,426

7. Executive Officer compensation

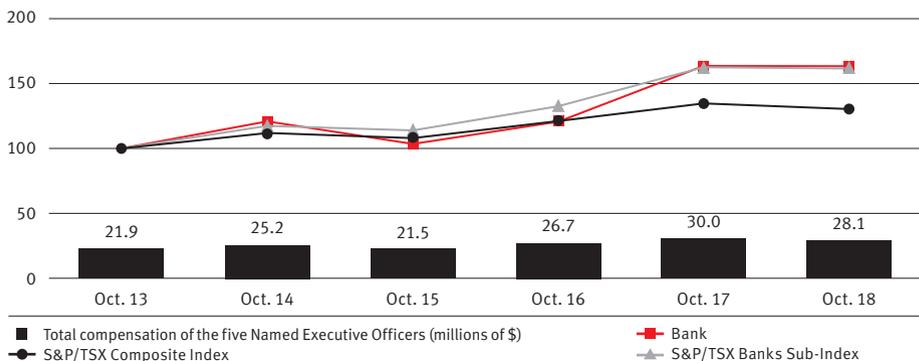
- (1) The share-based and options-based awards listed in the summary compensation table represent the most recently approved awards.
- (2) The Named Executive Officers are eligible for mid-term share-based variable compensation. This compensation was paid in the form of PSUs. The value of each PSU granted on December 11, 2018 was determined based on an award price corresponding to the average stock market price for the 10 trading days preceding the sixth business day of December, i.e., \$60.07. 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 2018 totalled 56,184 for Louis Vachon, 11,986 for Ghislain Parent, 16,106 for Denis Girouard, 50,941 for Ricardo Pascoe, and 17,792 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 award price on the day preceding the grant date (December 11, 2018), i.e., \$58.79. 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 2018 was 2,296 while the number of DSUs awarded to Martin Gagnon was 2,424.
- (4) A portion of Denis Girouard's short-term compensation was awarded in the form of RSUs to comply with the deferred compensation requirement. The value of each RSU, granted on December 11, 2018, was determined based on the average stock market price for the 10 trading days preceding the sixth business day of December, i.e., \$60.07. The fair value of the award is equal to the fair book value, amortized over a three-year period on a declining basis. RSUs awarded to Denis Girouard in December 2018 totalled 38,535.
- (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 2018 was estimated at \$7.53, or 12.8% (representing the average estimated percentages from 2016 to 2018 according to the Black-Scholes model) of the closing price of the Bank's Common Shares on the Toronto Stock Exchange on the day preceding the grant date (December 11, 2018), i.e., \$58.79, and using a 10-year life assumption.

In addition, the assumptions used to determine the award fair value for compensation purposes differ from those used in the notes to the Bank's financial statements. Under International Financial Reporting Standards, stock options must be treated as an expense in the financial statements. Accordingly, different assumptions are used to determine an appropriate Black-Scholes factor, in particular, an expected life of the option of 7 years (instead of 10 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 2018 was determined at 10.45% of the share price (\$58.79), 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 other employees where the employer's contribution is equal to 25% of the employee's contribution, to a maximum of \$1,500 per year. The value of other taxable benefits is not shown as they total less than \$50,000 and 10% of each Named Executive Officer's salary.
- (9) No historical data prior to 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, 2013 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 2013 and 2018, the compensation of Named Executive Officers grew by approximately 5.1% per year compared to an annualized increase in total shareholder return of approximately 10.3%.

Total cumulative return on a \$100 investment

	Oct. 2013	Oct. 2014	Oct. 2015	Oct. 2016	Oct. 2017	Oct. 2018
Bank	\$100.00	\$121.25	\$104.15	\$121.03	\$164.85	\$163.58
S&P/TSX Banks Sub-Index	\$100.00	\$118.04	\$114.08	\$133.11	\$163.77	\$161.99
S&P/TSX Composite Index	\$100.00	\$112.57	\$107.37	\$121.02	\$134.91	\$130.31

The preceding performance graph shows that the Bank's share generated a 163.58% total cumulative return between 2013 and 2018. 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. 2013	Oct. 2014	Oct. 2015	Oct. 2016	Oct. 2017	Oct. 2018
Total compensation of the five Named Executive Officers (\$M)	21.9	25.2	21.5	26.7	30.0	28.1

The bar chart shows the total compensation awarded to the Named Executive Officers in office at the end of each fiscal year. In 2016, the position of Chief Transformation Officer, held by Ricardo Pascoe, was created to support the Bank's organizational transformation efforts. Denis Girouard was subsequently named Executive Vice-President – Financial Markets to replace Ricardo Pascoe. These changes explain the growth in total compensation relative to that of the five Named Executive Officers presented in the Circular between 2015 and 2016. In 2017 and 2018, the value of total compensation was primarily explained by the ICP achievement level (143% in 2017 and 112% in 2018).

Share ownership requirements

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

Covered Positions	<ul style="list-style-type: none"> Executive Officers, Officers and certain specialists in the Financial Markets segment 												
Features	<ul style="list-style-type: none"> The requirements are designed to tie the long-term interests of the incumbents in Covered Positions to those of holders of Common Shares and to discourage them from taking undue and excessive risks 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	<ul style="list-style-type: none"> The minimum holding amount represents a multiple of the previous three years' average base salary 												
	<table border="1"> <thead> <tr> <th>Position</th> <th>Multiple of previous three years' average base salary</th> </tr> </thead> <tbody> <tr> <td>President and Chief Executive Officer*</td> <td>7 times</td> </tr> <tr> <td>Other Executive Officers</td> <td>4 times</td> </tr> <tr> <td>Officers and certain specialists in the Financial Markets segment</td> <td>2 to 3 times</td> </tr> <tr> <td>Senior Vice-Presidents (or equivalent)</td> <td>2 times</td> </tr> <tr> <td>Vice-Presidents (or equivalent)</td> <td>1 time</td> </tr> </tbody> </table>	Position	Multiple of previous three years' average base salary	President and Chief Executive Officer*	7 times	Other Executive Officers	4 times	Officers and certain specialists in the Financial Markets segment	2 to 3 times	Senior Vice-Presidents (or equivalent)	2 times	Vice-Presidents (or equivalent)	1 time
	Position	Multiple of previous three years' average base salary											
	President and Chief Executive Officer*	7 times											
	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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 												

As at October 31, 2018, all of the Named Executive Officers were in compliance with the share ownership requirements. The following table presents the shareholdings of the Named Executive Officers at that date.

Name	Requirement	Share ownership ⁽¹⁾						Actual multiple
		Total shares (\$)	DSUs (\$)	PSUs (\$)	RSUs (\$)	Appreciation in value of vested stock options (\$) ⁽²⁾	Total value (\$)	
Louis Vachon	7 times	\$9,504,656	–	\$12,840,803	–	\$46,289,719	\$68,635,178	61.0 times
Ghislain Parent	4 times	\$358,560	\$1,891,021	\$2,400,115	–	\$2,146,247	\$6,795,943	15.7 times
Denis Girouard	4 times	–	–	\$1,627,467	\$7,657,299	\$1,587,926	\$10,872,692	24.2 times
Ricardo Pascoe	4 times	\$1,082,707	–	\$6,592,850	\$4,340,690	\$14,874,932	\$26,891,179	59.8 times
Martin Gagnon	4 times	\$751,632	\$712,675	\$2,588,633	\$207,256	\$1,688,352	\$5,948,548	12.5 times

(1) Values determined on October 31, 2018 based on the closing price of the Bank's Common Shares on the Toronto Stock Exchange, i.e., \$59.76.

(2) The appreciation in value of non-vested options was \$3,730,195 for Louis Vachon, \$824,636 for Ghislain Parent, \$367,904 for Denis Girouard, \$994,744 for Ricardo Pascoe, and \$430,952 for Martin Gagnon.

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, 2018.

Name	Option-based awards					Share-based awards		
	Award date	Number of securities underlying unexercised options	Option exercise price(\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of non-vested shares or share units (#)	Market or payout value of non-vested share-based awards (\$) ⁽²⁾	Market or payout value of vested share-based awards (unpaid or undistributed) (\$) ⁽²⁾
Louis Vachon	Dec. 10, 2008	228,720	17.44	Dec. 10, 2018	9,680,574	-	-	-
	Dec. 9, 2009	316,928	29.25	Dec. 9, 2019	9,671,058	-	-	-
	Dec. 8, 2010	283,840	34.34	Dec. 8, 2020	7,216,632	-	-	-
	Dec. 14, 2011	266,672	34.09	Dec. 14, 2021	6,846,804	-	-	-
	Dec. 12, 2012	248,296	38.36	Dec. 12, 2022	5,313,534	-	-	-
	Dec. 10, 2013	222,472	44.96	Dec. 10, 2023	3,293,698	-	-	-
	Dec. 10, 2014	185,240	47.93	Dec. 10, 2024	2,191,389	-	-	-
	Dec. 9, 2015	266,588	42.17	Dec. 9, 2025	4,689,283	88,340	5,279,173	-
	Dec. 12, 2016	220,304	54.69	Dec. 12, 2026	1,116,941	71,325	4,262,405	-
	Dec. 11, 2017	219,156	64.14	Dec. 11, 2027	-	55,208	3,299,226	-
Total		2,458,216			50,019,913	214,873	12,840,803	-
Ghislain Parent	Dec. 8, 2010	-	34.34	Dec. 8, 2020	-	-	-	426,382
	Dec. 14, 2011	-	34.09	Dec. 14, 2021	-	-	-	753,446
	Dec. 12, 2012	32,400	38.36	Dec. 12, 2022	693,360	-	-	241,136
	Dec. 10, 2013	31,152	44.96	Dec. 10, 2023	461,205	-	-	197,352
	Dec. 10, 2014	43,908	47.93	Dec. 10, 2024	519,432	-	-	-
	Dec. 9, 2015	63,192	42.17	Dec. 9, 2025	1,111,547	15,705	938,520	-
	Dec. 12, 2016	36,556	54.69	Dec. 12, 2026	185,339	14,461	864,192	35,477
	Dec. 11, 2017	40,912	64.14	Dec. 11, 2027	-	13,966	834,631	-
Total		248,120			2,970,883	44,132	2,637,343	1,653,793
Denis Girouard	Dec. 8, 2010	5,420	34.34	Dec. 8, 2020	137,804	-	-	-
	Dec. 14, 2011	11,064	34.09	Dec. 14, 2021	284,068	-	-	-
	Dec. 12, 2012	19,864	38.36	Dec. 12, 2022	425,090	-	-	-
	Dec. 10, 2013	22,248	44.96	Dec. 10, 2023	329,382	-	-	-
	Dec. 10, 2014	21,956	47.93	Dec. 10, 2024	259,739	-	-	-
	Dec. 9, 2015	19,748	42.17	Dec. 9, 2025	347,367	29,010	1,733,649	-
	Dec. 12, 2016	34,000	54.69	Dec. 12, 2026	172,380	72,139	4,311,055	-
	Dec. 11, 2017	58,444	64.14	Dec. 11, 2027	-	54,218	3,240,062	-
Total		192,744			1,955,830	155,368	9,284,766	-
Ricardo Pascoe	Dec. 10, 2008	99,768	17.44	Dec. 10, 2018	4,222,681	-	-	-
	Dec. 9, 2009	113,864	29.25	Dec. 9, 2019	3,474,560	-	-	-
	Dec. 8, 2010	100,784	34.34	Dec. 8, 2020	2,562,433	-	-	-
	Dec. 14, 2011	60,000	34.09	Dec. 14, 2021	1,540,500	-	-	-
	Dec. 12, 2012	55,872	38.36	Dec. 12, 2022	1,195,661	-	-	-
	Dec. 10, 2013	50,056	44.96	Dec. 10, 2023	741,079	-	-	-
	Dec. 10, 2014	49,400	47.93	Dec. 10, 2024	584,402	-	-	-
	Dec. 9, 2015	71,092	42.17	Dec. 9, 2025	1,250,508	76,215	4,554,601	-
	Dec. 12, 2016	58,748	54.69	Dec. 12, 2026	297,852	56,687	3,387,640	-
	Dec. 11, 2017	58,444	64.14	Dec. 11, 2027	-	50,055	2,991,298	-
Total		718,028			15,869,676	182,957	10,933,540	-
Martin Gagnon	Dec. 14, 2011	9,024	34.09	Dec. 14, 2021	231,691	-	-	-
	Dec. 12, 2012	28,398	38.36	Dec. 12, 2022	607,717	-	-	-
	Dec. 10, 2013	24,920	44.96	Dec. 10, 2023	368,941	-	-	157,881
	Dec. 10, 2014	26,896	47.93	Dec. 10, 2024	318,180	651	38,904	116,713
	Dec. 9, 2015	21,188	42.17	Dec. 9, 2025	372,697	7,491	447,672	46,298
	Dec. 12, 2016	43,408	54.69	Dec. 12, 2026	220,079	24,701	1,476,149	42,129
	Dec. 11, 2017	43,184	64.14	Dec. 11, 2027	-	19,793	1,182,818	-
Total		197,018			2,119,304	52,636	3,145,543	363,022

(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, 2018, i.e., \$59.76, 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, 2018, i.e., \$59.76.

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, 2018.

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	3,706,249	4,972,451	1,890,000
Ghislain Parent	742,004	970,946	655,200
Denis Girouard	373,945	4,977,342	2,488,198
Ricardo Pascoe	944,890	4,185,654	2,570,400
Martin Gagnon	434,931	324,466	1,117,200

- (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 \$63.71, while the exercise price of stock options ranged from \$42.17 to \$54.69.
- (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 10 days preceding the vesting date for PSUs and RSUs.
- (3) The amounts in this column include the annual bonuses earned during each fiscal year ended October 31 and paid in cash.

Additional information about the Stock Option Plan

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

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

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

The table below is presented pursuant to Canadian securities legislation requirements and shows the status of the Stock Option Plan as at October 31, 2018.

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.

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	13,064,746	\$44.78	9,830,056

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

	2018	2017	2016
Dilution: Number of options outstanding divided by the weighted average number of shares outstanding during the applicable fiscal year i.e., 339,371,564	3.85%	4.28%	5.13%
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	6.75%	7.56%	6.22%
Burn rate: Number of options granted during the fiscal year (1,836,348) divided by the weighted average number of shares outstanding during the applicable fiscal year	0.54%	0.53%	0.63%

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, taking into account all of Louis Vachon's years of service at the Bank and its subsidiaries where no pension plan was offered • Other Executive Officers: <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 5 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 \$19,130 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 10 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 10 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 two independent members) as well as Officers of the Bank who are experts in finance, treasury, risk management and human resources, and tasked with supporting it in its role as trustee and ensuring optimal asset management and control of inherent risks. The Retirement Committee reports to the Bank's Human Resources Committee. The Retirement Committee members meet at least four times per year and regularly report on their work to the Human Resources Committee.

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

The Bank fulfills its financial disclosure requirements and ensures the integrity of the information as well as its compliance with applicable accounting and disclosure standards. The financial statements undergo a rigorous audit by the Bank's independent auditor, appointed by the Human Resources Committee at the beginning of the fiscal year. Note 24 to the financial statements for the fiscal year ended October 31, 2018 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, 2018, annual benefits payable, and changes in the accrued benefit obligation between October 31, 2017 and October 31, 2018, including compensatory and non-compensatory changes with respect to their membership in pension plans for fiscal 2018.

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 (\$) ⁽¹⁰⁾	Compensatory change (\$) ^{(10) (11)}	Non-compensatory change (\$) ^{(10) (12)}	Accrued benefit obligation at end of fiscal year (\$) ⁽¹⁰⁾
		At fiscal year-end (\$) ⁽⁹⁾	At age 65 (\$) ⁽⁹⁾				
Louis Vachon	32.6	1,500,000 ⁽¹³⁾	1,500,000 ⁽¹³⁾	16,846,000	788,000	(516,000)	17,118,000
Ghislain Parent	11.8	121,000	252,000	1,523,000	154,000	(36,000)	1,641,000
Denis Girouard	6.0	29,000	79,000	448,000	223,000	14,000	685,000
Ricardo Pascoe	17.6	201,000	348,000	3,100,000	136,000	(48,000)	3,188,000
Martin Gagnon	22.9	220,000	401,000	3,803,000	85,000	(159,000)	3,729,000

- (1) The amounts in the “Salary” column of the “Summary of Compensation of Named Executive Officers” table in this section of the Circular and annual bonuses paid are used to calculate average pensionable earnings. To this end, the eligible bonus is limited to 150% of Louis Vachon’s base salary. For the Other Executive Officers, the eligible bonus is capped at 45% of base salary, and average pensionable earnings are limited to the cap stated in Note 2 to this table.
- (2) Average pensionable earnings are capped at \$1,000,000 for Ghislain Parent, Denis Girouard, Ricardo Pascoe, and Martin Gagnon.
- (3) Louis Vachon was granted five years of credited service on August 1, 2006. He earned a pension credit of 4% of salary for each year between August 1, 2006 and July 31, 2010, a credit of 2.5% of salary for each year between August 1, 2010 and July 31, 2017, and he will earn a credit of 2% of salary for each year between August 1, 2017 and July 31, 2022, and credits provided for under the provisions of the plan thereafter.
- (4) The years of credited service for Ghislain Parent, Denis Girouard, Ricardo Pascoe, 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 10 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, January 1, 2014 for Ricardo Pascoe and July 1, 2016 for Martin Gagnon.
- (5) Denis Girouard’s membership years prior to June 1, 2016 are attributable to the employee pension plan of National Bank Financial Inc. After this date, membership years are recognized in the Bank’s designated employee pension plan.
- (6) The estimated pensions do not take into account the pension generated by additional contributions accumulated by the Named Executive Officer.
- (7) The pension is payable for life but reduced to 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.
- (8) The pension includes a revalorization (at neutral cost) between age 60 and 65 for the pension granted for membership years accumulated prior to January 1, 2014 based on accounting assumptions. Pension revalorization after the normal retirement age was introduced on January 1, 2014, for all employees. It is calculated on an actuarial equivalence basis, which means that the actuarial value of the pension remains unchanged. This provision is necessary so as not to penalize employees who opt to retire after the normal retirement age.
- (9) The year-end pension is equal to the pension payable at the assumed retirement age, i.e., the age used to calculate the value of the obligation at fiscal year-end (age 61 for Louis Vachon, Denis Girouard and Ricardo Pascoe and age 62 for Ghislain Parent and Martin Gagnon), calculated proportionately to the number of years of credited service at fiscal year-end.
- (10) The accrued benefit obligation represents the present value of the pension benefit for years of credited service up to October 31, 2017 or October 31, 2018. These values were calculated using the same assumptions as those used for the Bank’s consolidated financial statements, notably a discount rate of 3.65% as at October 31, 2017 and 4.05% as at October 31, 2018. These calculations also take into account the 3.75% discount rate for current service as at October 31, 2017. The value of benefits payable related to the Named Executive Officer’s additional contributions is included in the calculation of the accrued benefit obligation.
- (11) The compensatory change includes the annual cost of retirement benefits and the impact of changes in base salary, the increase in maximum pensionable earnings following appointments, plan amendments or grants of years of credited service.
- (12) The non-compensatory change includes the amounts attributable to interest accruing on the obligation at the beginning of the fiscal year, contributions paid by the Named Executive Officer, actuarial gains and losses other than those associated with compensation levels, and changes in actuarial assumptions.
- (13) Louis Vachon’s pension was capped at \$1,500,000.

Termination and change of control benefits

Termination of employment policy in the event of a change of control

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

- "Change of control" of the Bank means any change in ownership of the Bank's shares following the acquisition of shares, a merger or a business combination resulting in an incorporated or unincorporated entity beneficially owning in excess of 50% of the voting shares of the Bank;
- 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 2018.

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	Non-vested options vest according to original time frame and a five-year period is granted to exercise vested stock options ⁽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, 2018. These amounts do not include the benefits that could be taken into account with respect to Common Law and Civil Law.

Name	Estimated incremental value by type of termination (\$) ⁽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	–	\$5,872,530
Ghislain Parent	0	–	\$1,935,045
Denis Girouard	0	–	\$6,930,237
Ricardo Pascoe	0	–	\$6,817,333
Martin Gagnon	0	–	\$2,945,030

- (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, 2018 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 2018. Based on the Bank's share price on October 31, 2018, the value of such accelerated vesting would have been \$12,840,803 for Louis Vachon, \$2,400,115 for Ghislain Parent, \$9,284,766 for Denis Girouard, \$10,933,540 for Ricardo Pascoe, and \$2,795,890 for Martin Gagnon.
- (3) If a Named Executive Officer had had their employment terminated on October 31, 2018 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 2018. Based on the Bank's share price on October 31, 2018, the value of such accelerated vesting would have been \$16,570,998 for Louis Vachon, \$3,461,979 for Ghislain Parent, \$9,652,669 for Denis Girouard, \$11,928,284 for Ricardo Pascoe, and \$3,576,495 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 FSB 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 2018

The following tables summarize the value of the compensation awarded to material risk takers for fiscal years 2017 and 2018. 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	2018		2017	
	Named Executive Officers	Covered Employees	Named Executive Officers	Covered Employees
Number of employees	5	195	5	179
Fixed compensation				
• Cash (not deferred)	\$3.0	\$39.0	\$2.9	\$34.5
Variable compensation				
• Cash (not deferred)	\$8.7	\$123.9	\$10.5	\$120.1
• Share-based (deferred)	\$15.0	\$92.5	\$15.1	\$88.8
Deferred compensation				
Outstanding				
• Vested	\$68.6	\$59.2	\$101.7	\$91.3
• Non-vested	\$45.2	\$192.2	\$60.2	\$225.3
Paid in the fiscal year	\$44.6	\$100.0	\$17.3	\$89.2

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 2018, 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	2018		2017	
	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	11
• Sign-on awards	0	\$1.4	0	\$3.9
• Guaranteed awards	0	\$3.6	0	\$8.6
Severance payments				
• Number of employees	0	— ⁽¹⁾	0	10
• Severance payments	0		0	\$8.8

- (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.

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

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

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

8.

Other information

Indebtedness of directors, executive officers and employees

Aggregate indebtedness

The following table shows the aggregate indebtedness⁽¹⁾ outstanding at February 1, 2019 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	To the Bank or its subsidiaries (\$)	To another entity (\$)
Securities purchases	–	–
Other	23,708,048 ⁽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 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, 89% 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, 2018 (\$)	Outstanding as at February 1, 2019 (\$)	Financially assisted securities purchases during the fiscal year ended October 31, 2018	Security for indebtedness	Amount forgiven during the fiscal year ended October 31, 2018 (\$)
SECURITIES PURCHASE PROGRAMS						
–	–	–	–	–	–	–
OTHER PROGRAMS						
PASCOE, Ricardo Chief Transformation Officer and Executive Vice-President	Loans granted by the Bank	\$2,200,000	\$1,980,000 ⁽²⁾	–	–	–
	Personal line of credit	\$154,174	\$154,214 ⁽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 U.S.-dollar loan (equal to \$2,592,810 in Canadian dollars at a rate of 1.3095 on February 1, 2019) granted by the Bank and bearing interest at the current LIBOR rate, plus 1.20%, initially amortized over a 10-year period. The interest rate on such a loan is the rate applicable to clients.
- (3) This amount represents a personal line of credit granted under the conditions applicable to clients, except that the interest rate is the rate given to Bank employees, i.e., the prime rate less 0.50% but not less than the prime rate divided by 2.

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 \$585,516. The policy, which is renewable, expires on September 1, 2019.

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 fiscal 2018 comparative consolidated financial statements and management’s discussion and analysis reported in the [2018 Annual Report](#).

Upon request, the Bank will promptly provide any shareholder, free of charge, with a copy of the 2018 Annual Report, a copy of the 2018 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, 2018 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, free of charge, a printed copy of the Circular prior to the Meeting or in the year following the date that the Circular was posted, should follow the instructions provided under “Obtaining the Circular” 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’s 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, *Powering your ideas*, *All-in-One National Bank*, *One client, one bank*, and their respective logos, which are trademarks of the Bank used under licence by authorized third parties. All other trademarks mentioned in this Circular that are not the property of the Bank are owned by their respective holders.

Approval of the Board

The Board has approved the content of this Circular and its mailing to the holders of Common Shares.

NATIONAL BANK OF CANADA

(s) *Dominic Paradis*

Vice-President, Legal Affairs and Corporate Secretary

Montreal, March 1, 2019

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 proposals 3 and 4 to Shareholder vote. The Bank and MÉDAC also agreed to include proposals 1 and 2 (which are not being submitted to a vote) in the Circular solely for information purposes.

PROPOSAL NO. 1

Not submitted to Shareholder vote [translation]

“Incorporating environmental, social and governance criteria into executive compensation

It is proposed that the Compensation Committee, through its annual reporting activities, submit a report on the importance it gives to environmental, social and governance criteria when assessing the performance of executives and setting their incentive compensation.

Arguments

The 2012 guidance issued by the United Nations Principles for Responsible Investment (PRI) and the United Nations Global Compact state that applying ESG criteria can serve as a major factor in protecting and creating value for shareholders.

ESG targets could be expressed as follows: rate of feminization in decision-making groups; rate of inclusion of people from diverse sociocultural communities; initiatives that reduce the consumption of paper, energy and water; steps taken to ensure the sustainable employability of employees in preparation for task automation; the deployment of programs designed to favour employee health and well-being; etc.

Organizations that set specific ESG guidelines generally enjoy a better reputation among clients, adapt to change with greater agility, manage risk better, are more innovative, and are better positioned to develop long-term added value for shareholders and stakeholders.

There's no doubt that using financial goals to assess performance and set executive compensation is critical to achieving those goals. The same approach should be used with ESG goals.”

The Bank's position:

As a major player in the Quebec and Canadian economies since 1859, the Bank has always endeavoured to contribute to the well-being of the communities it serves. One of the Bank's key commitments is to properly meet the expectations of its stakeholders and to build long-term relationships of trust with them. Our corporate social responsibility strategy rests on six fundamental pillars: our clients, our employees, the community, the environment, governance, and our contribution to the economy.

As part of his mandate, the President and Chief Executive Officer is responsible for promoting and ensuring a highly ethical organizational culture for the various stakeholders and regulatory and governmental authorities. He deploys strategies that help the Bank to achieve a high degree of recognition, a strong brand image, and a good reputation.

The performance assessment of the President and Chief Executive Officer, carried out by the Board, is based on financial and operational criteria and on the balance maintained among the various stakeholders (Shareholders, employees, clients and the community). As described on [pages 85 and 86](#) of the Circular, maintaining this balance remains central to the thoughts and actions of the President and Chief Executive Officer and of the members of the Office of the President throughout the year. To further improve disclosure, in 2019 the Circular will include additional information on all the social responsibility pillars considered when evaluating the President and Chief Executive Officer's annual performance.

To ensure that its strategies produce the desired results, the Bank has also built dashboards that provide a quarterly snapshot of the situation at the Bank and in each business sector. These dashboards are discussed with the Board's Human Resources Committee. The Board believes that its current incentive compensation programs fully support the deployment of our strategy and foster the responsible long-term growth of the Bank.

For additional information on the main projects carried out in fiscal 2018 for the benefit of the Bank's clients, employees, and communities as well as for the environment, see the Social Responsibility Report at nbc.ca/social-responsibility.

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

PROPOSAL NO. 2

Not submitted to Shareholder vote [translation]

“Climate change and measures taken to transition to a low-carbon economy

It is proposed that the board of directors disclose, in its next annual report, available information recommended by the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (TCFD), namely, information addressing matters of governance, strategy, risk management, and other parameters and objectives.

Arguments

Last year, we made a similar proposal, but it was not submitted to Shareholder vote given that the Bank had committed to considering TCFD recommendations in the publication of its climate-related disclosures. Upon reading the various responses received by the institutions, we believe that it is an opportune time to provide access to such information either on the Bank’s website or in its Social Responsibility Report.

Such disclosure is central to the investment decisions made by shareholders, in particular the Millennial generation. According to data compiled by the Responsible Investment Association, the Millennial generation is more sensitive to ESG factors than the Baby Boom generation when it comes to investment decisions. To keep investors informed of the Bank’s actions, all of this information should be compiled together in a document that everyone knows and that is easily accessible to the general public. We therefore propose that the annual report become the primary reference for collecting all of the information recommended by this Task Force.”

The Bank’s position:

At its most recent annual meeting, the Bank announced its support for the Financial Stability Board’s Task Force on Climate-related Financial Disclosure (TCFD). The Bank has therefore committed to ensuring that its disclosures include relevant information on various topics addressed by the task force. The Bank is monitoring the progress being made on the United Nations Environment Programme – Finance Initiative (UNEP/FI) further to the TCFD’s recommendations and is working closely with industry partners, such as the Canadian Bankers Association, to develop a disclosure approach that will include the TCFD recommendations.

The Bank’s transformation process also includes the deployment of environmental initiatives. As discussed in its Social Responsibility Report, the Bank is concerned about the consequences of human activity on the environment, particularly the effects of climate change. The Bank is committed to understanding and minimizing the impact of its activities on the environment. Historically, the Bank has voluntarily taken steps to measure and reduce its greenhouse gas emissions.

The Bank continues to actively deploy initiatives to reduce its environmental footprint. It has announced the construction of a new head office that will meet the most stringent sustainable construction standards in order to obtain LEED v4 Gold and WELL certification. Over the last year, it has implemented an innovative system whereby it can manage the energy consumption of over 100 branches using a Web interface. Moreover, the Bank continues to support the transition to a low-carbon footprint economy through its financing activities. In 2018, it developed a framework for issuing sustainability bonds. Sustainability bonds can be used to finance or refinance projects and organizations that help protect the environment or that seek to achieve positive socioeconomic impacts. Over the years, the Bank has distinguished itself through the wide-ranging partnerships it has built with various organizations and businesses that share its concerns about the environmental impacts of human activity and its commitment to reducing greenhouse gas emissions.

The Bank recently released its environmental policy to the public. The policy clearly shows the Bank's determination to protect the environment and sets out certain guiding principles, including reducing its environmental footprint in all of its sectors of activity and in its supply chain.

For additional information on the Bank's initiatives, consult its Social Responsibility Report at nbc.ca/socialresponsibility.

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

PROPOSAL NO. 3

Submitted to Shareholder vote [translation]

“Disclosure of the pay ratio

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

Arguments

Since its inception, MÉDAC has been submitting proposals to ensure Shareholders that the compensation of the Bank's CEO is determined based on the value he creates 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 employees, and is what we call the equity ratio. Our requests and the possibility that such disclosure could become mandatory in the United States has prompted Canada's six largest banks to ask Meridian Compensation Partners to review their compensation-setting practices, which are particularly based on compensation comparisons among corporate peers. Although the conclusion of Meridian's study favoured the continued use of this type of horizontal analysis, it states that using an equity ratio (vertical analysis) would allow for an even more informed judgment as to the suitability of executive compensation.

Given that it's fair to believe that your Compensation Committee uses equity ratio information for setting the compensation of the CEO and senior executives, we ask that the board of directors disclose this information in the next management proxy circular. As with the information used to determine whether the compensation of the CEO and his main collaborators is aligned with our financial interests, equity ratio information helps shareholders 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 their management team 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, and similar performance measures are applied for Officers and all employees under the incentive compensation plan, thereby ensuring relatively proportionate payments.

The Bank believes that the disclosure of its policies, practices, and approach described in [Section 7](#) of the Circular adequately informs the Bank’s Shareholders and employees about the rigorous and equitable compensation process established by the Board. The Board does not favour the disclosure of vertical comparison ratios, as the 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 stays apprised of questions surrounding the equity ratio, particularly following the application of rules to disclose a compensation comparison ratio by U.S. companies. A year after the disclosure of equity ratios by U.S. corporations, the results remain inconclusive. Large variances exist between the ratios disclosed, even within a same industry. Because these variances can be attributed to a wide range of factors, making comparisons is very difficult.

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

PROPOSAL NO. 4

Submitted to Shareholder vote [translation]

“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

In recent years, the financial sector has greatly evolved. A recent PWC report entitled *Canadian Banks 2017: Perspectives on the Canadian Banking Industry*⁽¹⁾ states:

“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.”

According to a survey conducted by PWC, 84% of business leaders in the banking industry and in the global financial markets are predicting that technology will radically transform competition in the industry or will have a considerable impact on competition within the next five years.

The board of directors has a key role to play in anticipating the issues that could arise from incorporating technological innovations, including how those issues could affect consumers, employees, and the products and services offered by the Bank. 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 proven and recognized.

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

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:

In a context where technology plays a key role in banking sector activities, the Bank is constantly working to improve its existing processes and practices in order to identify technology risks, safeguard its information assets, and detect and respond to potential threats. It has therefore implemented a program to manage information security and technology risks. This program is one of the Bank’s specialized risk assessment programs that has been built into the operational risk management framework.

The Risk Management Committee has been responsible for examining technology and information security risks for several years. It actively manages its control environment and monitors evolving cyber threats. The Risk Management Committee reviews quarterly technology risk management reports to remain abreast of issues, trends and developments in terms of new technology and cyber threats. Given that it manages the Bank’s other business risks, the Risk Management Committee is able to assess the various regulatory, operational or financial issues potentially arising from new technology strategies as well as the resulting risks. The Board develops its strategic initiatives in response to the Committee’s assessments and recommendations. The members of the Risk Management Committee are well equipped to assess the strategic issues faced by the Bank, including those relating to technological innovations.

The Board believes that having the Risk Management Committee overseeing the risks arising from new technologies fully responds to the Shareholder’s proposal and that there is no need to create a fifth committee.

For more information about the Risk Management Committee, refer to [Section 6](#) of the Circular.

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

INFORMATION FOR SHAREHOLDERS

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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
E-mail: 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
E-mail: 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 e-mail 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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