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Notice of Annual Meeting
of Shareholders and
Management Proxy Circular

MARCH 15, 2000





NATIONAL BANK OF CANADA

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Holders of Common Shares of National Bank of Canada (the "Bank") will be held on Wednesday, March 15, 2000 at 8:30 a.m. at The Queen Elizabeth Hotel, 900 René Lévesque Blvd. West, Montreal, Quebec, for the following purposes:

1. To receive the annual statement including the Consolidated Financial Statements for the financial year ended October 31, 1999 and the Auditors' Report thereon;
2. To elect Directors;
3. To appoint Auditors;
4. To table for study purposes the proposals submitted by a shareholder, set out in Appendix A of the Management Proxy Circular; and
5. To transact such other business as may properly be brought before the Meeting.

Shareholders of record at the close of business on February 2, 2000 are entitled to receive the Notice of Annual Meeting of Shareholders.

By Order of the Board of Directors,


Signed Linda Caty

Vice-President and Corporate Secretary

Montreal, January 27, 2000

Holders of common shares of the Bank who are unable to attend the Meeting are requested to complete, date and sign the enclosed form of proxy. It may be returned in the postage-paid envelope provided or by fax to (514) 871-7442. In order to be valid, proxies must reach General Trust of Canada, Stock and Bond Transfer Services, P.O. Box 888, Station B, Montreal, Quebec H3B 9Z9, no later than 5:00 p.m. on March 13, 2000.

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GENERAL INFORMATION

Solicitation of Proxies

This Management Proxy Circular (the "Circular") is furnished in connection with the solicitation by the management of National Bank of Canada (the "Bank") of proxies to be used at the Annual Meeting (the "Meeting") of Holders of Common Shares of the Bank, to be held on the date, at the time and place, and for the purposes set forth in the Notice of Annual Meeting accompanying this Circular or at a continuation of the Meeting after an adjournment. The solicitation of proxies will be done by employees or agents of the Bank, primarily by mail but may also be done electronically, by telephone or in person. The costs of the solicitation by management will be borne by the Bank. The Bank also reserves the option of calling on the services of an external firm to solicit proxies on its behalf; it estimates that the costs which might be incurred for such solicitation would be minimal.

Appointment and Revocation of Proxies

The proxyholders designated in the enclosed form of proxy are directors and officers of the Bank. If a shareholder wishes to appoint as a proxyholder a person other than those designated in the form of proxy, he or she may do so by striking out the names appearing thereon and inserting the name of such person in the blank space provided. A proxyholder is not required to be a shareholder of the Bank. In order to be valid, proxies must reach General Trust of Canada ("General Trust"), Stock and Bond Transfer Services, P.O. Box 888, Station B, Montreal, Quebec H3B 9Z9, no later than 5:00 p.m. on March 13, 2000.

A shareholder may revoke a proxy by depositing an instrument in writing executed by him or her or by his or her duly authorized attorney:

- i) at the Head Office of the Bank, c/o Corporate Secretary's Office, 600 de La Gauchetière West, 4th Floor, Montreal, Quebec H3B 4L2, no later than the last business day preceding the day of the Meeting or a continuation of the Meeting after an adjournment; or
- ii) with the Chairman of the Meeting on the day of the Meeting or a continuation of the Meeting after an adjournment.

Voting by Proxies

Common shares represented by a proxy are to be voted by the proxyholder designated in the enclosed form of proxy in accordance with the directions of the shareholders.

If no instructions are given, the voting rights attached to the common shares will be exercised by the proxyholder who is a member of the management of the Bank by voting FOR the election of all nominees proposed as director by the management of the Bank, FOR the appointment of auditors, FOR proposal No. 3 regarding the disclosure of auditors' fees and AGAINST the other proposals submitted by a shareholder. If no instructions are given, any other proxyholder will exercise the voting rights attached to the common shares at his or her discretion concerning these questions.

The duly completed and signed form of proxy confers discretionary authority with respect to any proposed changes or amendments to the matters set out therein and any other business which may properly come before the Meeting. Any proxy previously given is thereby revoked.

As at the date hereof, the management of the Bank knows of no amendments or other matters which may properly come before the Meeting.



**GENERAL
INFORMATION
(CONT.)**

Voting Common Shares

As at January 24, 2000, 189,043,055 common shares of the Bank were issued and outstanding. Holders of common shares of record on February 2, 2000 or their duly authorized attorneys are entitled to receive the Notice of Annual Meeting and to vote at the Meeting. However, any transferee of any share after that date who requests, no later than 10 days before the Meeting, that his or her name be included in the list is also entitled to vote upon presentation of evidence of ownership.

Unless restricted as hereinafter provided, each holder of common shares of record is entitled to one vote per share held. To the best of the knowledge of the directors and officers of the Bank, no individual or corporation beneficially owns, controls or directs common shares carrying more than 10% of the voting rights attached to the common shares of the Bank.

Voting Restrictions

The *Bank Act* (the "Act") contains provisions which prevent the voting rights attaching to the common shares of a bank from being exercised if the shares are held by the Government of Canada or of a province or an agency thereof or by the government of a foreign country or any political subdivision thereof or an agency thereof.

Confidentiality of Votes

In order to protect the confidential nature of voting by proxy, General Trust, the registrar and transfer agent of the Bank, receives the votes exercised by proxy and compiles the results for the Meeting. It submits a proxy to the Bank only when a shareholder clearly wants his or her personal opinion made known to management or when it is required to do so by law.

Minutes of Meeting

A copy of the minutes of the Annual Meeting of Holders of Common Shares of the Bank held on Wednesday, March 10, 1999 has been mailed to shareholders with this Circular.

**RECEIPT OF CONSOLIDATED
FINANCIAL STATEMENTS**

The Consolidated Financial Statements of the Bank for the financial year ended October 31, 1999 and the Auditors' Report on these financial statements are included in the Annual Report of the Bank, which has been mailed to shareholders with this Circular.

ELECTION OF DIRECTORS

Nominees for Election to the Board of Directors

The management of the Bank recommends voting FOR the election of each of the following nominees to the Board of Directors:

Name, Occupation, Main Activities and Place of Residence	Director Since	Common Shares Beneficially Owned, Controlled or Directed	Attendance at Meetings During the Financial Year Ended October 31, 1999	
			of the Board of Directors	of Committees
<p>Pierre Beaudoin Montreal, Quebec President and Chief Operating Officer of the Recreational Products Group of Bombardier Inc. This Canadian company is known for its activities in the fields of aeronautics, rail transportation equipment, recreational products and financial services related to its products and expertise. From 1992 to 1996, Mr. Beaudoin held various management positions within the Recreational Products Group.</p>	March 1999	5,000	7/10	–
<p>André Bérard ^(C) Montreal, Quebec Chairman of the Board and Chief Executive Officer of National Bank of Canada. Since joining the Bank over 40 years ago, Mr. Bérard has held various positions in a number of key sectors of the Bank. He became President and Chief Executive Officer in July 1989 and Chairman of the Board in September 1990. Recognized for his leadership qualities, he is also very involved in many fundraising campaigns, primarily in the health care sector.</p>	July 1985	110,015	13/14	13/15
<p>Lawrence S. Bloomberg Toronto, Ontario Co-Chairman of the Board and Co-Chief Executive Officer of National Bank Financial Inc. Mr. Bloomberg until recently was President and Chief Executive Officer of First Marathon Inc., a company he founded in 1979 after holding various positions in the investment industry. Mr. Bloomberg is actively involved in a number of business and community organizations in Toronto.</p>	August 1999	2,058,068	4/4	–
<p>Pierre Bourgie ^(R) Outremont, Quebec President and Chief Executive Officer of Société Financière Bourgie Inc., a diversified investment company, and President of Partenaires de Montréal, a venture capital company. He is an active member of a number of economic, community and cultural organizations such as the Clinical Research Institute of Montréal and the <i>Musée d'art contemporain de Montréal</i>.</p>	March 1998	51,000	13/14	7/7
<p>Gérard Coulombe ^(HR) Sainte-Marthe, Quebec Senior Partner of Desjardins Ducharme Stein Monast, General Partnership, where he practises business law. He was formerly with the federal Department of Finance where he was responsible for negotiating international tax treaties. He is also Chairman Emeritus of Lex Mundi Ltd., a global association of 146 independent law firms.</p>	February 1994	2,767	13/14	8/8
<p>François Jean Coutu ^{(C) (HR)} Outremont, Quebec President and Chief Operating Officer of The Jean Coutu Group (PJC) Inc. since 1990. The company is a franchisor of a chain of pharmacies and distributor of pharmaceutical and other products. From 1987 to 1990, he held the positions of Vice-President – Operations and Marketing and Executive Vice-President – Pharmacies and Public Affairs in the Group. Mr. Coutu is also a member of the Board of Directors of the <i>Fondation de l'Hôpital Sainte-Justine</i> and Samford University in Alabama.</p>	January 1993	3,923	11/14	23/27
<p>Shirley A. Dawe ^{(HR) (R)} Toronto, Ontario President of Shirley Dawe Associates Inc. Ms. Dawe has extensive knowledge of the North American retail industry as a senior merchandising executive, a corporate director and consultant to some of North America's leading retailers. Areas of specialty include strategic planning, merchandising and marketing. Ms. Dawe also sits on the board of directors of a number of Canadian and U.S. firms operating in various sectors.</p>	July 1988	3,000	14/14	18/18
<p>Nicole Diamond-Gélinas ^(A) Saint-Barnabé-Nord, Quebec Since 1976, Vice-President and General Manager of Aspaspie Inc., a manufacturer of colour charts, and President of Plastifill Inc., a company specialized in plastic extrusion and injection. Ms. Diamond-Gélinas is very involved in the business community of her region and was a member of the Mauricie Business Development Committee of National Bank of Canada from 1992 to 1998.</p>	March 1998	16,549	14/14	3/3

ELECTION OF DIRECTORS (CONT.)

Nominees for Election to the Board of Directors

Name, Occupation, Main Activities and Place of Residence	Director Since	Common Shares Beneficially Owned, Controlled or Directed	Attendance at Meetings During the Financial Year Ended October 31, 1999	
			of the Board of Directors	of Committees
Jean Douville ^(A) Montreal, Quebec Chairman of the Board and Chief Executive Officer of UAP Inc. Mr. Douville was called to the Quebec Bar in 1968 and began working for UAP Inc. in 1971. He subsequently became President of the company in 1981, was appointed Chief Executive Officer in 1982 and then Chairman of the Board in 1994. UAP Inc. specializes in distributing and reconditioning replacement parts and accessories for cars, trucks and industrial machinery. Mr. Douville also sits on the board of directors of various Canadian and U.S. companies.	November 1991	4,564	12/14	2/4
Marcel Dutil ^(HR) Outremont, Quebec Chairman of the Board, President and Chief Executive Officer of The Canam Manac Group Inc. Mr. Dutil is the founder of this industrial company which mainly designs and manufactures frames, joists, steel decks, semi-trailers and forestry equipment. He also sits on the board of directors of several Canadian and foreign firms.	January 1982	88,418	11/14	7/8
Paul Gobeil ^{(A) (R)} Montreal, Quebec Since 1990, Vice-Chairman of the Board of Métro-Richelieu Inc. and Co-Chairman of the Board of Aérospatiale Matra Canada Inc. Mr. Gobeil has been a Member of the <i>Ordre des comptables agréés du Québec</i> since 1965 and a Fellow since 1986. From 1973 to 1985, he held a number of executive positions at Provigo Inc. Elected as the MNA for Verdun in 1985, he was, until 1989, Minister Responsible for Administration, President of the Treasury Board and then Minister of International Affairs in the Quebec government. Mr. Gobeil is also involved in a number of cultural, charitable, educational and professional organizations.	February 1994	10,000	14/14	23/23
Donald M. Green ^(C) Burlington, Ontario President and Chief Executive Officer of Greenfleet Ltd., a private investment company. Mr. Green was previously Chairman of the Board of ACD Tridon Inc., an international manufacturer and distributor of automobile and industrial products for over 35 years. He is also very involved in his community, particularly in the health care and sports sectors.	July 1988	2,000	12/14	12/14
Suzanne Leclair ^(A) Laval, Quebec Founder of Transit Truck Bodies Inc. Ms. Leclair is its President, Chief Executive Officer and Chairwoman of the Board of Directors. The company specializes in the construction of truck bodies. Ms. Leclair has won a number of awards for her entrepreneurial skills. She actively participates on a number of committees for economic, cultural and charitable organizations.	July 1989	7,150	12/14	5/5
Bernard Lemaire ^(R) Kingsey Falls, Quebec Chairman of the Board of Cascades Inc., of which he is co-founder. The company has extensive international operations, mainly in the flat cardboard, fine paper, tissue paper, cardboard box and specialized product sectors. Cascades has also developed expertise in the field of energy. Mr. Lemaire has been honoured on several occasions for his managerial skills.	October 1983	10,000	14/14	18/18
Léonce Montambault ^{(A) (HR) (R)} Sillery, Quebec Corporate Director. Mr. Montambault held various positions with Bell Canada before being appointed President and Chief Executive Officer, and Chairman of the Board of the company, a position he held until 1991. During his career, he has sat on the board of directors of numerous business, educational, charitable and community activity organizations.	January 1990	10,703	13/14	11/13
J.-Robert Ouimet ^(C) Montreal, Quebec President and Chief Executive Officer of Ouimet-Cordon Bleu Inc., which manufactures and markets canned and frozen food products. Mr. Ouimet holds a bachelor's degree in business from the <i>École des Hautes Études Commerciales</i> , a bachelor's degree in social and economic sciences from Fribourg University in Switzerland and an MBA from Columbia University. In 1998, he obtained a Ph.D in economic and social sciences from Fribourg University. He sits on the board of directors of various companies and organizations in the cultural, community and university sectors.	November 1972	51,000	9/14	9/14

Nominees for Election to the Board of Directors

Name, Occupation, Main Activities and Place of Residence	Director Since	Common Shares Beneficially Owned, Controlled or Directed	Attendance at Meetings During the Financial Year Ended October 31, 1999	
			of the Board of Directors	of Committees
Robert Parizeau ^(HR) ^(R) Chairman of the Board of AON Parizeau Inc., an insurance brokerage and risk management advisory firm. Mr. Parizeau is also Chairman of the Board of Gaz Métropolitain Inc. and Chairman of the Board of the Clinical Research Institute of Montréal. As President and Chief Executive Officer of Sodarcan Inc., an insurance and reinsurance holding company, he played an active role in the development of the Canadian property and casualty insurance industry.	December 1978	10,073	12/14	18/19
Dee Parkinson-Marcoux President and Chief Executive Officer of Ensyn Energy, a Calgary-based company involved in oil technology. An engineer by training, Ms. Parkinson-Marcoux's previous positions include President of Gulf Heavy Oil from 1997 to 1998, President of CS Resources from 1996 to 1997 and Executive Vice-President of Suncor Oil Sands Group from 1991 to 1996. She also sits on the board of directors of several companies in the energy, resources and technology sectors.	–	2,000	–	–
Michel Perron ^(C) Chairman of the Board and Chief Executive Officer of Somiper Inc., an investment company, and Chairman of the Board of Uniforêt Inc. Mr. Perron has been involved in the forestry sector as an entrepreneur for many years. He also sits on the board of directors of organizations active in the health care sector.	October 1979	50,000	11/14	9/14
Réal Raymond ^(C) President, Personal and Commercial Bank of National Bank of Canada. Since joining the Bank in 1970, Mr. Raymond has held a number of positions including that of Senior Vice-President, Treasury and Financial Markets from 1992 to 1997. In 1997, he went to Lévesque Beaubien Geoffrion, now named National Bank Financial Inc., where he served as Senior Executive Vice-President, Corporate Financing while maintaining his responsibilities as Senior Vice-President at the Bank. Mr. Raymond is involved in many professional and community organizations.	November 1999	7,269	–	–
Raymond Royer ^(C) President and Chief Executive Officer of Domtar Inc., a manufacturer of pulp, paper and forestry products. Mr. Royer was with Bombardier Inc. for more than 20 years, where he held various senior management positions, including President and Chief Operating Officer from 1986 to 1996. He is a lawyer and a Fellow of the <i>Ordre des comptables agréés du Québec</i> . Mr. Royer has played an active role on various sectoral committees and advisory groups on foreign trade, created by the Canadian government. He is actively involved in several university organizations in Quebec.	July 1989	24,443	9/14	11/14
Claude F. Savoie ^(A) President of Acadian Construction (1991) Ltd. and Les Propriétés Acadiennes Ltée, companies operating in the construction and real estate sectors. An executive of companies specialized in the sale, leasing and servicing of cars, Mr. Savoie is also familiar with the distribution and sale of other products and services. A native of New Brunswick, he is very active in his community, in both education and the arts.	January 1988	14,126	12/14	4/5
Jean Turmel President, Financial Markets, Treasury and Investment Bank of National Bank of Canada. After working at various securities firms, Mr. Turmel joined the Bank in 1981 as Vice-President, Treasury and Foreign Exchange. Since that time, he has held various senior management positions within the Bank. During the past few years, he has been involved in various organizations in the finance and securities sectors.	September 1998	62,425	12/14	1/1

(A): Member of the Audit Committee

(C): Member of the Credit Committee

(HR): Member of the Human Resources Committee

(R): Member of the Conduct Review and Corporate Governance Committee

NOTE: The Executive Committee ceased to hold meetings at the start of the past financial year and its responsibilities were redistributed by the Board of Directors among the other committees. In addition, an ad hoc Human Resources Committee was formed during the financial year primarily to review the succession planning process for the Bank's executive officers. This Committee met 10 times. At the end of the past financial year, on the recommendation of the Conduct Review and Corporate Governance Committee, the Board of Directors approved the creation of a Human Resources Committee. For more information in this regard, please refer to the "Composition and Role of the Human Resources Committee" section on page 8 of this Circular.



ELECTION OF DIRECTORS (CONT.)

Nominees for Election to the Board of Directors

The above nominees provided the information in the previous table with respect to their activities and the shares they beneficially own, control or direct. It should be noted that the table does not include attendance by directors as guests at meetings of the committees.

Each director elected at the Meeting will hold office until the close of the subsequent annual meeting of the Bank, the election or appointment of a replacement, or until the position is vacated, whichever event occurs first.

During the financial year ended October 31, 1999, the Board of Directors of the Bank held 14 meetings. The number of meetings held by each committee of the Board during this period was as follows:

Executive Committee: 1

Ad hoc Human Resources Committee: 10

Conduct Review and Corporate Governance Committee: 8

Credit Committee: 14

Audit Committee: 5

Michelle Courchesne, Léon Courville and Lino Saputo will not be standing for re-election. During the financial year ended October 31, 1999, Ms. Courchesne attended 13 meetings of the Board of Directors and 3 meetings of the Audit Committee. Mr. Courville attended 9 meetings of the Board of Directors and 1 meeting of the Executive Committee. Prior to his resignation on May 27, 1999, Mr. Saputo had attended 8 meetings of the Board of Directors, 1 meeting of the Executive Committee, 6 meetings of the Credit Committee and 1 meeting of the Conduct Review and Corporate Governance Committee.

This year, the Bank is recommending one new nominee for election as director, Dee Parkinson-Marcoux. Ms. Parkinson-Marcoux successively held the positions of Executive Vice-President of Suncor Oil Sands Group from 1991 to 1996, President of CS Resources from 1996 to 1997, and President of Gulf Heavy Oil from 1997 to 1998, prior to becoming President and Chief Executive Officer of Ensyn Energy.

In addition, Lawrence S. Bloomberg and Réal Raymond were appointed directors of the Bank in August 1999 and November 1999 respectively. During the past five years, Mr. Bloomberg has held the position of President and Chief Executive Officer of First Marathon Inc. and, since the Bank's acquisition of this firm on August 13, 1999, that of Co-Chairman of the Board and Co-Chief Executive Officer of National Bank Financial Inc. Mr. Raymond was Senior Vice-President, Treasury and Financial Markets of the Bank from November 1992 to October 1997, Senior Vice-President of the Bank and Senior Executive Vice-President, Corporate Financing at National Bank Financial Inc. from November 1997 to November 1999, prior to being appointed President, Personal and Commercial Bank of the Bank on November 1, 1999.

Functions Held by Directors in Bank Subsidiaries

The following table lists the names of Bank directors who also sit on the board of directors and committees of Bank subsidiaries and their main role, as applicable.

Bank Subsidiaries	Bank Directors Belonging to the Board and Committees of Subsidiaries															
	Pierre Beaudoin	André Bérard	Lawrence S. Bloomberg	Pierre Bourgie	Gérard Couombe	François Jean Coutu	Nicole Diamond-Gélinas	Jean Douville	Paul Gobeil	Suzanne Leclair	Léonce Montambault	Robert Parizeau	Michel Perron	Réal Raymond	Claude F. Savoie	Jean Turmel
National Bank Life Insurance Company					(BD)	(BD) (A)		(BD) (E/Chair)	(BD) (A/Chair)		(BD)			(BD) (Chair)	(BD) (A)	
NBC Clearing Services Incorporated																(BD) (Chair)
National Bank Financial & Co. Inc.			(BD) ⁽¹⁾ (Co-Chair)					(BD) (HR)				(BD) (HR)				(BD)
National Bank Financial Inc.			(BD) ⁽¹⁾ (Co-Chair)													(BD)
National Bank Financial Ltd.																(BD)
Natcan Investment Management Inc.																(BD) ⁽²⁾ (Chair)
National Bank Group Inc.		(BD) (Chair)			(BD)									(BD)		(BD)
Natcan Finance (Asia) Limited		(BD)												(BD)		
Natcan International Trade Finance & Investment Co. Ltd.		(BD)														
National Bank of Canada (Asia) Ltd.														(BD)		
NBC International USA Ltd.																(BD)
NBF Financial Services Ltd.																(BD)
SIBN Inc.														(BD) (Chair)		
Natcan Trust Company	(BD) ⁽³⁾						(BD)			(BD)		(BD) ⁽⁴⁾	(BD)			
General Trust of Canada				(BD) ⁽⁵⁾										(BD) (Chair)		

(BD): Member of the Board of Directors
(E): Member of the Ethics Committee

(A): Member of the Audit Committee
(HR): Member of the Human Resources Committee

NOTE 1: Lawrence S. Bloomberg is also Co-Chief Executive Officer of National Bank Financial & Co. Inc. and National Bank Financial Inc.

NOTE 2: Jean Turmel is also Chief Executive Officer of Natcan Investment Management Inc.

NOTE 3: Pierre Beaudoin has been a director of Natcan Trust Company since December 2, 1999.

NOTE 4: Robert Parizeau was a director of Natcan Trust Company from January 25 to November 4, 1999.

NOTE 5: Pierre Bourgie has been a director of General Trust of Canada since December 1, 1999.

REMUNERATION PAID BY THE BANK AND ITS SUBSIDIARIES TO DIRECTORS AND OFFICERS

Remuneration of Directors of the Bank

The following table sets out the annual base remuneration and attendance vouchers which the directors of the Bank are entitled to receive for sitting on the Board of Directors and committees of the Bank and, if applicable, of the Bank subsidiaries designated hereinbelow.

The Bank and Designated Subsidiaries	Annual Base Remuneration (\$)	Additional Annual Base Remuneration ⁽¹⁾ (\$)										Attendance Vouchers (\$)	
	(BD)	for Committee Members					for Committee Chairs					(BD)	Committees
		(C)	(E)	(R)	(HR)	(A)	(C)	(E)	(R)	(HR)	(A)		
National Bank of Canada	14,000	2,000	N/A	3,500	3,500	2,000	3,500	N/A	7,000	7,000	5,000	1,200	1,200
National Bank Life Insurance Company	2,500	N/A	1,800	N/A	N/A	1,800	N/A	3,000	N/A	N/A	3,000	1,000	1,000
National Bank Financial & Co. Inc.	3,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,000	1,000 ⁽²⁾
Natcan Trust Company	2,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,000	N/A
General Trust of Canada	4,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	500	N/A

(BD): Board of Directors

(A): Audit Committee

(C): Credit Committee

(E): Ethics Committee

(HR): Human Resources Committee

(R): Conduct Review and Corporate Governance Committee

NOTE 1: The additional annual base remuneration for Members of the Executive Committee and the ad hoc Human Resources Committee was \$3,500 and \$2,000 respectively. The additional annual base remuneration for the Chair of the ad hoc Human Resources Committee was \$5,000.

NOTE 2: The attendance voucher for special meetings of the Human Resources Committee is \$500 per meeting.

The directors of the Bank who are officers of the Bank or one of its subsidiaries do not receive any remuneration in their capacity as directors of the Bank or any of its subsidiaries. However, the Bank and its subsidiaries pay the expenses incurred by the directors to attend meetings.

Composition and Role of the Human Resources Committee

COMPOSITION OF THE HUMAN RESOURCES COMMITTEE

During the past financial year, special attention was given to human resources with a view to supporting various strategic activities. Accordingly, following the redistribution of the responsibilities of the Executive Committee, all matters concerning human resources were entrusted to the Conduct Review and Corporate Governance Committee, chaired by Paul Gobeil with the other members being Pierre Bourgie, Gérard Coulombe, Shirley A. Dawe, Marcel Dutil, Bernard Lemaire, Léonce Montambault and Robert Parizeau. In this regard, an *ad hoc* Human Resources Committee was subsequently formed on the recommendation of the Conduct Review and Corporate Governance Committee for the purpose of reviewing succession planning for executive positions and examining the profiles of officers who have the necessary skills to hold executive positions at the Bank. This *ad hoc* Human Resources Committee was chaired by Robert Parizeau with the other members being François Jean Coutu, Shirley A. Dawe, Paul Gobeil and Bernard Lemaire.

**Composition and Role
of the Human Resources
Committee
(cont.)**

In order to ensure more effective governance, the Board of Directors decided at the end of the past financial year to create a Human Resources Committee devoted solely to human resources matters. In the interest of continuity, this Committee is largely made up of the directors who worked more closely on the human resources component, namely, Robert Parizeau, as Chair of the Committee, with the support of Gérard Coulombe, François Jean Coutu, Shirley A. Dawe, Marcel Dutil and Léonce Montambault.

For more information on corporate governance standards and practices at the Bank, notably the composition of the various committees of the Board of Directors and their role, please refer to the Annual Report of the Bank.

ROLE OF THE HUMAN RESOURCES COMMITTEE

It is the responsibility of the Human Resources Committee of the Bank to recommend that the Board of Directors adopt general guidelines in matters of aggregate compensation for management, namely, the Presidents, the Executive Vice-Presidents, the Senior Vice-Presidents and the Vice-Presidents of the Bank (the “Officers”). In addition, the Human Resources Committee of the Board of Directors of the Bank is responsible for the annual review of the aggregate compensation of the Officers (except for Pierre Brunet, Co-Chairman of the Board and Co-Chief Executive Officer of National Bank Financial Inc., whose compensation is approved by the Human Resources Committee of the Board of Directors of National Bank Financial & Co. Inc.). The Committee analyzes their compensation conditions and submits timely recommendations to the Board of Directors in that regard based on the objectives assigned to them and the results achieved. Moreover, the Committee reviews succession planning for executive positions and periodically examines the profiles of officers who have the necessary skills to hold such positions.

All compensation programs must be submitted to the Board of Directors for approval.

**Report of the Human
Resources Committee
on the Compensation
of Officers of the Bank**

AGGREGATE COMPENSATION POLICY

The aggregate compensation policy is designed to attract, motivate and retain competent officers. The basic principles underlying this policy are as follows:

- The compensation of officers is to be aligned with corporate performance;
- Base salaries are generally comparable to the median base salaries offered by the comparison market. However, the base salary of Executive Officers, as defined hereinbelow, is slightly under the median;
- The annual bonus program supports strategic corporate objectives and offers fully competitive total cash compensation, which may even exceed market practices if justified by financial and business development results;
- The long-term variable compensation program ties the interests of officers to those of the Bank’s shareholders;
- The proportion of variable compensation in relation to base salary increases in line with the level of responsibility;
- The employee benefits and pension plan are comparable, on the whole, to those offered by the comparison market; and
- The comparison market refers to a group of Canadian financial institutions consisting of banks and other financial corporations.

The services of independent compensation specialists are also retained, as needed, to compare the Bank’s aggregate compensation policy with that of other institutions in its comparison market.

**Report of the Human
Resources Committee
on the Compensation
of Officers of the Bank
(cont.)**

COMPONENTS OF THE COMPENSATION OF OFFICERS OF THE BANK

The compensation of Officers consists of the following:

Base Salary

The salary of Officers is based mainly on salary structures within the comparison market for positions with similar responsibilities and of similar complexity, while taking into account the aggregate compensation policy of the Bank, its relative size and its results. Moreover, the base salaries of Officers reflect their individual performance, experience and specific competencies.

Annual Bonus Program

The annual bonus program complements the base salary of Officers. Under the terms of this program, bonuses are generally granted once a year. The total bonus envelope to be shared is calculated based on how well the financial objectives set for the Bank and its sectors at the beginning of the year are achieved and on a comparison between the Bank's results and those of the other five major Canadian banks. The annual bonus of each incumbent is calculated taking into account pre-established target bonuses and the individual results obtained in executing specific mandates critical to the Bank's success. This program was revised in January 1999.

Long-Term Variable Compensation Program

Stock Appreciation Rights Plan (the "SAR Plan")

The purpose of the SAR Plan is to encourage Officers and other designated persons to promote the growth of shareholders' investments by giving them the opportunity to benefit from the appreciation in the value of the common shares of the Bank. Accordingly, the SAR Plan enables the Bank to award stock appreciation rights ("SARs"), on a discretionary basis, to Officers and other designated persons of the Bank and its subsidiaries. For their part, participants entitled to SARs may receive, on the exercise date of the SAR, a cash amount equal to the difference between the market price of a common share on the exercise date of the SAR and the exercise price of the SAR. Under the terms of the SAR Plan in effect during the past financial year, the exercise price for each SAR awarded was equal to the closing price of the common shares of the Bank on the Montreal Exchange or the Toronto Stock Exchange, whichever was higher, on the business day preceding the date of the award. Further to the restructuring of Canada's stock exchanges in December 1999, the exercise price of each SAR awarded shall be equal to the closing price of the common shares of the Bank on the Toronto Stock Exchange on the business day preceding the date of the award.

The SAR Plan was presented to the Conduct Review and Corporate Governance Committee on October 30, 1996 and took effect following approval by the Bank's Board of Directors on November 7, 1996. It complements the Stock Option Plan of the Bank which is described below.

Stock Option Plan

No options were awarded under the Stock Option Plan to purchase common shares of the Bank for the past two financial years ended October 31, 1998 and 1999 respectively. However, a number of options which may or may not be exercised are currently outstanding.

The Stock Option Plan has the same objectives as the SAR Plan and enables the Human Resources Committee of the Bank to award options, on a discretionary basis, to Officers and other designated persons of the Bank and its subsidiaries. Each year, if applicable, the Committee is responsible for setting the terms and conditions of each award of options and for determining the participants based on their performance and contribution to the Bank's success.

The maximum number of common shares that may be issued under the Stock Option Plan is 8,000,000. The maximum number of common shares reserved for a participant may not exceed 5% of the total number of common

**Report of the Human
Resources Committee
on the Compensation
of Officers of the Bank
(cont.)**

shares issued and outstanding. As at January 27, 2000, 1,624,625 options were outstanding with strike prices ranging between \$11.00 and \$13.50 and maturities between December 2005 and December 2006. Since the start of the past financial year, 747,377 options have been exercised at strike prices ranging from \$9.50 to \$13.50. As at January 27, 2000, 1,438,200 options could be exercised at prices ranging between \$11.00 and \$13.50.

Under the terms of the Stock Option Plan in effect during the past financial year, the exercise price for each option awarded would be equal to the closing price of the common shares of the Bank on the Montreal Exchange or the Toronto Stock Exchange, whichever was higher, on the business day preceding the date of the award. Further to the restructuring of Canada's stock exchanges in December 1999, the exercise price of each option awarded would be equal to the closing price of the common shares of the Bank on the Toronto Stock Exchange on the business day preceding the date of the award.

In accordance with the Stock Option Plan, options may be exercised in whole or in part before the termination date determined by the Human Resources Committee at the time they are awarded, without exceeding the legal limit of 10 years. They shall expire on the termination date or, in the event of certain circumstances provided for in the Stock Option Plan, shall expire in a specific timeframe. No options may be exercised in the first year after they are awarded.

COMPENSATION OF THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

For the financial year ended October 31, 1999, the compensation received by the Chairman of the Board and Chief Executive Officer consisted of a base salary, an annual bonus and SARs.

The base salary of the Chairman of the Board and Chief Executive Officer was maintained at the same level as that set for the previous financial year. In the opinion of the Human Resources Committee, the salary component is below the practices of the comparison market and the Bank's aggregate compensation policy. However, an annual bonus was paid in addition to the base salary.

The Human Resources Committee awarded André Bérard a bonus of \$769,800 in recognition of his special contribution to the 1999 financial results. It established this bonus amount based on the criteria applicable to the Named Executive Officers as defined hereinbelow, namely, the extent to which the financial objectives set for the Bank and its sectors were achieved and the Bank's performance in relation to that of the other five major Canadian banks.

Lastly, the Human Resources Committee granted Mr. Bérard an award of 138,000 SARs, during the financial year, as a long-term incentive measure.

Overall, the Human Resources Committee deems that the aggregate remuneration received by Mr. Bérard is below the compensation practices of the comparison market.

This report is submitted by the Human Resources Committee in accordance with Canadian securities legislation. This Committee is made up of the six directors indicated below. The Chairman of the Board and Chief Executive Officer of the Bank is not a member of this Committee.

Robert Parizeau, Chair

Gérard Coulombe

François Jean Coutu

Shirley A. Dawe

Marcel Dutil

Léonce Montambault

**REMUNERATION PAID BY
THE BANK AND ITS
SUBSIDIARIES TO
DIRECTORS AND OFFICERS
(CONT.)**

**Performance of
the Bank in 1999**

The financial year ended October 31, 1999 saw the Bank take action and achieve results consistent with its strategic objectives. Income before goodwill charges rose 9.2% from \$392 million in 1998 to \$428 million in 1999. Return on shareholders' equity before goodwill charges reached 16.4%, up from 15.5% in 1998. At 48.9% of total revenues on a taxable equivalent basis, other income is nearly at the target level of 50%. Lastly, the acquisition of Toronto-based First Marathon Inc. marks a decisive step towards the Bank's goal of greater geographic diversification.

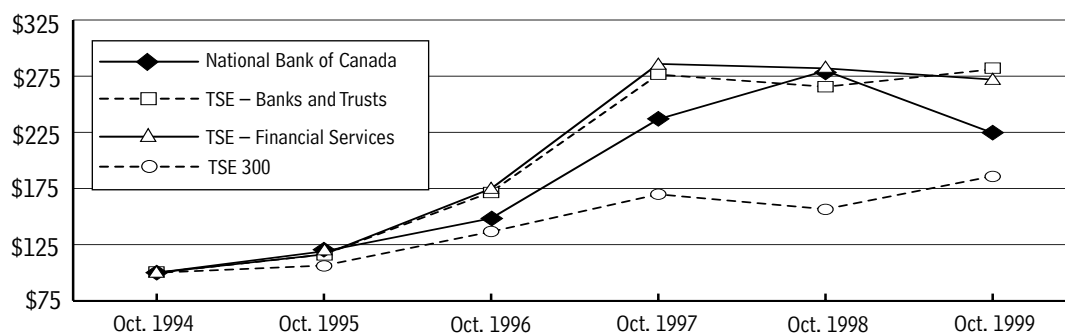
The Bank manages its balance sheet based on economic conditions, its capital requirements and the profitability of its various business segments. Techniques such as securitization and loan syndication were used to ensure the Bank's continued growth and the satisfaction of its clients while reducing risks and the capital needed. In 1999, the Bank launched the Operating Excellence program aimed at reducing operating costs, notably by strategically managing supplies and improving the efficiency of operations.

In short, the 1999 financial year enabled the Bank to affirm its leadership as it continued to consolidate its share of the consumer and SME market and, with the acquisition of First Marathon Inc., it took on a new dimension as an investment bank and a player on Canadian financial markets.

**Performance Graph
for Common Shares
of the Bank**

The following graph compares the cumulative total return of a \$100 investment in common shares of the Bank made on October 31, 1994 and the cumulative total return on the TSE 300 Stock Index as well as the "TSE Banks and Trusts" and "TSE Financial Services" components for the five most recently completed financial years, assuming dividends are fully reinvested at the market price on each dividend payment date.

Total Return Index Values



	Oct. 1994 (\$)	Oct. 1995 (\$)	Oct. 1996 (\$)	Oct. 1997 (\$)	Oct. 1998 (\$)	Oct. 1999 (\$)
National Bank of Canada	100.00	119.09	148.44	236.69	279.83	224.42
TSE - Banks and Trusts	100.00	116.19	171.79	276.46	265.55	281.13
TSE - Financial Services	100.00	116.31	174.87	285.91	281.95	271.96
TSE 300 Composite Index	100.00	106.41	136.54	169.81	156.60	185.96

**Aggregate Compensation
of Named Executive
Officers of the Bank**

SUMMARY OF AGGREGATE COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table, presented in accordance with Canadian securities legislation, shows the aggregate compensation paid by the Bank and its subsidiaries to each of the Named Executive Officers, as defined below, during each of the three most recently completed financial years. The persons named in the table below are collectively the “Named Executive Officers”.

Summary of Aggregate Compensation of Named Executive Officers

Name and Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Awards		Payouts	
					Securities ⁽²⁾ Awarded Under			
				SARs (#)	Options (#)			
André Bérard Chairman of the Board and Chief Executive Officer	1999	575,000	769,800	5,854	138,000	Nil	N/A	N/A
	1998	575,000	843,254	3,761	141,000	Nil	N/A	N/A
	1997	575,000	588,080	10,325	72,500	72,500	N/A	N/A
Léon Courville ⁽³⁾ President, Personal and Commercial Bank and Chief Operating Officer (until October 31, 1999)	1999	385,000	469,500	1,159	70,000	Nil	N/A	1,830,181
	1998	385,000	515,000	1,527	71,000	Nil	N/A	N/A
	1997	385,000	360,000	4,155	37,000	37,000	N/A	N/A
Jean Turmel President, Financial Markets, Treasury and Investment Bank	1999	385,000	748,600	3,395	61,000	Nil	N/A	N/A
	1998	337,000	775,000	989	62,000	Nil	N/A	N/A
	1997	337,000	615,000	2,510	28,500	28,500	N/A	N/A
Réal Raymond ⁽⁴⁾ Senior Vice-President of the Bank and Senior Executive Vice-President, Corporate Financing of National Bank Financial Inc. (until October 31, 1999)	1999	250,000	456,500	28	N/A	N/A	N/A	N/A
	1998	250,000	270,500	Nil	23,000	Nil	N/A	N/A
	1997	219,397	115,000	82	14,500	14,500	N/A	N/A
Pierre Brunet ⁽⁵⁾ Co-Chairman of the Board and Co-Chief Executive Officer of National Bank Financial Inc.	1999	200,000	1,425,000	N/A	N/A	N/A	N/A	N/A
	1998	200,000	1,115,000	N/A	N/A	N/A	N/A	N/A
	1997	200,000	1,800,000	N/A	N/A	N/A	N/A	N/A

NOTE 1: The amounts in this column only represent benefits relating to loans granted at preferred interest rates to Named Executive Officers. The Named Executive Officers have the use of a leased car and may, at their option, participate in the Employee Share Purchase Plan of the Bank; the aggregate value of these benefits for the financial year ended October 31, 1999 does not exceed the lesser of: \$50,000 or 10% of the annual salary and bonuses paid to Named Executive Officers.

NOTE 2: These securities were granted under the Stock Appreciation Rights Plan and the Stock Option Plan of the Bank. For further information, refer to the “Stock Appreciation Rights Plan” and “Stock Option Plan” sections on pages 10 and 11 of the Circular.

NOTE 3: At the end of the past financial year, Léon Courville decided to leave the Bank. In light of Mr. Courville’s decision, the Board of Directors of the Bank recognized his valuable work in creating shareholder value, notably by his success in heading the Personal and Commercial Bank with a view to sustained growth and by his role in the Bank’s major shift to more decentralized management. The Bank therefore granted Mr. Courville certain financial considerations over and above the compensation to which he was already entitled. The amount granted consists primarily of a lump sum retirement allowance already paid and the cost of one additional year of participation serving to increase the pension vested in him upon his departure under the Post-Retirement Allowance Program.

NOTE 4: Réal Raymond has been President, Personal and Commercial Bank since November 1, 1999.

NOTE 5: As an employee of National Bank Financial Inc., Pierre Brunet does not participate in the Stock Appreciation Rights Plan or the Stock Option Plan of the Bank. Moreover, the compensation paid to Mr. Brunet is approved by the Human Resources Committee of the Board of Directors of National Bank Financial & Co. Inc.

**Aggregate Compensation
of Named Executive
Officers of the Bank
(cont.)**

SUMMARY OF LONG-TERM VARIABLE COMPENSATION OF NAMED EXECUTIVE OFFICERS

The table below specifies the number of SARs awarded to Named Executive Officers under the SAR Plan during the financial year ended October 31, 1999. These SARs, up to 25% of which are exercisable by their holders as of December 1999, with a further 25% exercisable as of December 2000, another 25% exercisable as of December 2001, and the remainder as of December 2002, shall expire on December 31, 2008. During the 30-day period prior to the SARs being awarded, the closing price of the common shares on the Montreal Exchange and the Toronto Stock Exchange fluctuated between \$22.85 and \$25.00.

SARs Awarded During the Financial Year Ended October 31, 1999

Name	Number of SARs Awarded	% of Total SARs Awarded to Employees During the Financial Year	Exercise Price of an SAR (\$)	Market Value of a Common Share on the Day Preceding the Award (\$)	Expiry Date
André Bérard	138,000	11.0%	25.00	25.00	2008/12/31
Léon Courville	70,000	5.6%	25.00	25.00	2008/12/31
Jean Turmel	61,000	4.9%	25.00	25.00	2008/12/31
Réal Raymond	N/A	N/A	N/A	N/A	N/A
Pierre Brunet	N/A	N/A	N/A	N/A	N/A

The following table lists, for each of the Named Executive Officers, the number of securities affected by options/SARs exercised during the financial year ended October 31, 1999, the total value realized, and the number and value of unexercised in-the-money options/SARs outstanding under the terms of the two plans as at October 31, 1999.

The value of unexercised options at financial year-end is equal to the difference between the exercise price of the options and the price of common shares of the Bank on the last business day of the financial year, namely, \$18.00 per common share. The value of unexercised SARs at financial year-end is equal to the difference between the exercise price of the SARs and the price of common shares of the Bank on the last business day of the financial year, namely, \$18.00 per common share. The value of a common share of the Bank was established according to regulations and the terms of the two plans in effect during the past financial year and corresponds to the closing price on the Montreal Exchange, which at that time was higher than that on the Toronto Stock Exchange.

Options/SARs Exercised by the Named Executive Officers During the Financial Year Ended October 31, 1999 and Number and Value of Unexercised In-the-Money Options/SARs at Financial Year-End

Name	Number of Securities Affected by Exercised Options/SARs	Aggregate Value Realized (\$)	Unexercised Options/SARs at Financial Year-End		Value of Unexercised In-the-Money Options/SARs at Financial Year-End ⁽¹⁾	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
André Bérard	42,500	565,750	208,250	349,750	1,029,750	560,750
Léon Courville	48,000	732,612	111,000	178,000	560,250	297,750
Jean Turmel	8,000	70,000	89,000	151,000	443,250	233,250
Réal Raymond	5,000	76,750	44,250	39,750	233,250	121,250
Pierre Brunet	N/A	N/A	N/A	N/A	N/A	N/A

NOTE 1: The amounts indicated are based on a price of \$18.00 on the last business day of the financial year, namely, October 29, 1999.

**Aggregate Compensation
of Named Executive
Officers of the Bank
(cont.)**

COMPENSATION OF THE OFFICERS OF NATIONAL BANK FINANCIAL INC.

The short-term variable compensation program is an important part of the compensation of officers at National Bank Financial Inc., as the base salary on average is lower than that paid by other financial institutions. There is no long-term incentive compensation program.

Under the short-term variable compensation program, bonuses are awarded every six months. They are based on the profits earned by National Bank Financial Inc. in relation to pre-set objectives. The objectives and bonuses are approved by the Human Resources Committee of National Bank Financial & Co. Inc., mostly comprised of directors from outside the company.

RETIREMENT BENEFITS FOR NAMED EXECUTIVE OFFICERS OF THE BANK

Pension Plan

With the exception of Pierre Brunet, the Named Executive Officers of the Bank participate in a defined benefit pension plan. This plan is fully funded according to the most recent actuarial valuation. For each year of service credited, the plan grants 2% of the average eligible earnings (defined as the average earnings for the 60 highest-paid consecutive months, based on salary and 25% of the annual bonus paid as of January 1, 1996) less the pension acquired under the Canada or Quebec pension plans ("CPP/QPP") while the Named Executive Officer participated in the Bank pension plan, except for the years of participation prior to January 1, 1990 which are reduced by 50%. However, this benefit shall not exceed the maximum pension prescribed under the *Income Tax Act*, currently \$1,722 per year of service credited. The normal retirement age is 60. However, the plan does allow for early retirement, with the employer's consent, as of 55 years of age; the benefits then payable shall be reduced by the lesser of: 4% for each year of early retirement prior to age 60 or 2% for each year by which the sum of the participant's age and years of service falls short of 90.

Post-Retirement Allowance Program

With the exception of Pierre Brunet, the Named Executive Officers of the Bank are also entitled to receive a post-retirement allowance for life.

This program, in which four of the Named Executive Officers participate, grants an allowance equal to the difference between the pension which would be payable if there were no provision for a maximum pension (maximum 35 years) and the pension actually paid under the pension plan for the years recognized under the Post-Retirement Allowance Program. The payment conditions of this allowance are identical to those of the pension plan.

Estimated Annual Benefits Payable at Retirement

The following table shows the estimated annual benefits payable under the Bank's pension plan and the Post-Retirement Allowance Program to the said four Named Executive Officers of the Bank.

**Aggregate Compensation
of Named Executive
Officers of the Bank
(cont.)**

Pensions Payable as of Age 60

Average Eligible Earnings ⁽¹⁾ (\$)	Years of Participation ^{(2) (3)}				
	15 (\$)	20 (\$)	25 (\$)	30 (\$)	35 (\$)
300,000	87,174	116,605	146,036	175,655	205,776
400,000	117,174	156,605	196,036	235,655	275,776
500,000	147,174	196,605	246,036	295,655	345,776
600,000	177,174	236,605	296,036	355,655	415,776
700,000	207,174	276,605	346,036	415,655	485,776
800,000	237,174	316,605	396,036	475,655	555,776
900,000	267,174	356,605	446,036	535,655	625,776
1,000,000	297,174	396,605	496,036	595,655	695,776

NOTE 1: The sum of the amounts in the "Salary" column and 25% of the amounts in the "Bonus" column of the "Summary of Aggregate Compensation of Named Executive Officers" table on page 13 of the Circular is used to calculate the average eligible earnings for the purposes of the above programs.

NOTE 2: Years of service credited on the normal retirement date under the pension plan have been estimated as follows:

André Bérard: 37 years

Léon Courville: 38 years

Jean Turmel: 24 years

Réal Raymond: 35 years

However, the maximum number of years recognized under the Post-Retirement Allowance Program is 35.

NOTE 3: The pension is payable for life. Upon the participant's death, 60% of the pension is payable to the spouse. If there is no spouse, part of the pension is payable to the dependent children.

**Pension Plan of the Co-Chairman of the Board and Co-Chief Executive Officer
of National Bank Financial Inc.**

Pierre Brunet participates in a defined benefit pension plan. This plan is fully funded according to the most recent actuarial valuation. For the years of service recognized as at December 31, 1992, the credited pension cannot be less than 2% of the average salary between January 1, 1990 and December 31, 1992. For each year of service recognized as of January 1, 1993, the plan grants 2% of the salary paid that year. For the purposes of this plan, the salary is defined as the normal compensation up to a maximum of \$60,000.

At the end of each year of the plan, namely December 31, the amount of the pension credited after January 1, 1993, with the exception of the pension credited for the current year, is increased by the Consumer Price Index, up to a maximum of 2%. The normal retirement age is 65. However, the plan does allow for early retirement as of age 55. In such case, the benefits payable shall be reduced by the lesser of: 6% for each year of early retirement prior to age 60 or 3% for each year of early retirement between 60 and 63.

The following table shows the estimated annual benefits payable to Pierre Brunet at retirement under this pension plan.

Pension Payable as of Age 65

Salary ⁽¹⁾ (\$)	Years of Participation ⁽²⁾				
	15 (\$)	20 (\$)	25 (\$)	30 (\$)	35 (\$)
60,000	19,985	27,999	36,014	42,264	48,514
100,000	19,985	27,999	36,014	42,264	48,514
200,000	19,985	27,999	36,014	42,264	48,514

NOTE 1: The salary in this table is limited to \$60,000 for calculation purposes under the pension plan.

NOTE 2: Years of service credited on the normal retirement date under the pension plan have been estimated at 33 years. The pension is payable for life and guaranteed for a period of 10 years after retirement.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

In the normal course of its operations, the Bank grants loans to its directors, officers and employees.

As at January 27, 2000, total loans outstanding (other than routine indebtedness as defined by Canadian securities legislation) granted notably to Executive Officers of the Bank, as defined below, amounted to approximately \$328,620,825. This total includes mortgage loans for an aggregate amount of approximately \$306,766,433, personal loans for an aggregate amount of approximately \$17,541,188 and investment loans for the purchase of securities of the Bank or its subsidiaries for an aggregate amount of approximately \$4,313,204. None of these loans was granted to a director. For the purposes of this section, the term "Executive Officers" includes (i) the Chairman of the Board and Chief Executive Officer, (ii) the President, Personal and Commercial Bank and Chief Operating Officer, (iii) the President, Financial Markets, Treasury and Investment Bank, (iv) the Executive Vice-Presidents, (v) the Senior Vice-Presidents, and (vi) other officers of the Bank or one of its subsidiaries who perform a policy-making function in respect of the Bank.

The tables below show such loans granted to Executive Officers of the Bank, in accordance with Canadian securities legislation.

Table of Indebtedness of Executive Officers Under Securities Purchase Plans

Name and Principal Occupation	Involvement of the Bank or a Subsidiary	Largest Amount Outstanding During the Financial Year Ended October 31, 1999 (\$)	Balance as at January 27, 2000 (\$)
G.F. Kym Anthony ⁽¹⁾ President and Chief Operating Officer Corporate and Institutional Services National Bank Financial Inc.	Loan granted by National Bank Financial Inc.	1,908,000	1,696,000
Michel Tremblay ⁽²⁾ President Natcan Investment Management Inc.	Loan granted by National Bank of Canada	203,016	203,016

NOTE 1: Loan granted at the 90-day bankers' acceptance rate in effect from time to time for the purchase of 156,000 common shares of National Bank of Canada. The loan is being repaid in full through equal and consecutive annual payments over a period ending in October 2003. The shares have been assigned as security for the loan repayment.

NOTE 2: Loan granted for the purchase of 69,289 class A voting common shares of Natcan Investment Management Inc., as part of this subsidiary's long-term bonus program, bringing to 83,147 the total number of shares encumbered by a movable hypothec securing repayment of the loan. The principal of the loan bears interest at the Bank's prime rate less 2% and, subject to the usual prepayment clauses, at least 5% of the principal is repayable on March 31 of each year. These shares are subject to certain transfer restrictions and are redeemable at any time.

**INDEBTEDNESS OF
DIRECTORS AND
EXECUTIVE OFFICERS
(CONT.)**

Table of Indebtedness of Executive Officers Other Than Under Securities Purchase Plans

Name and Principal Occupation	Involvement of the Bank or a Subsidiary	Largest Amount Outstanding During the Financial Year Ended October 31, 1999 (\$)	Balance as at January 27, 2000 (\$)
Yves G. Breton ⁽¹⁾ President National Bank Securities Inc.	Loan granted by National Bank of Canada	30,000	27,603
Patricia Curadeau-Grou ⁽²⁾ Senior Vice-President and Chair of the Credit Committee National Bank of Canada	Loan granted by National Bank of Canada	269,448	196,109
Frank De Vries ^{(2) (3)} Senior Vice-President United States National Bank of Canada	Loan granted by National Bank of Canada	US 600,000	US 588,129
Renaud Nadeau ⁽¹⁾ Senior Vice-President Banking and Independent Businesses National Bank of Canada	Loan granted by National Bank of Canada	49,000	40,000

NOTE 1: Personal loans in excess of \$25,000 granted at half of the Bank's prime rate.

NOTE 2: These loans, which are secured by a mortgage, exceed the respective Executive Officers' annual salary; they are granted at one-third of the Bank's prime rate on the first \$50,000 and at the Bank's prime rate less 5% on the amount in excess thereof but such rate cannot be lower than the rate applied to the first \$50,000.

NOTE 3: Loan granted under a relocation agreement.

**LIABILITY INSURANCE
FOR DIRECTORS
AND OFFICERS**

Since September 1, 1998, the Bank has been covered by a blended risk insurance program, which includes public liability insurance for directors and officers of the Bank and its subsidiaries. This policy provides coverage of \$50,000,000 with a deductible of \$1,000,000. The Bank's insurer estimated that the portion of the annual premium attributable to the public liability insurance for directors and officers was approximately \$155,000.

**INTEREST OF INSIDERS IN
MATERIAL TRANSACTIONS**

On August 13, 1999, the Bank completed a major transaction from a strategic standpoint with the acquisition, via First Marathon Inc., of the First Marathon Securities Limited brokerage firm which was subsequently combined with the operations of its Lévesque Beaubien Geoffrion Inc. subsidiary to form a new, Canada-wide investment firm under the National Bank Financial banner.

As consideration for this transaction, the Bank paid \$352,686,438 and issued 16,250,000 common shares with a value of \$301,275,000 as at the acquisition date. A group of First Marathon Inc. executives controlled approximately 14% of its class A non-voting shares and 48% of its class C voting shares, including the company's founder, Lawrence S. Bloomberg, who has since been appointed a director of the Bank and Co-Chairman of the Board and Co-Chief Executive Officer of National Bank Financial Inc., and G.F. Kym Anthony (Toronto, Ontario), appointed President and Chief Operating Officer of this company's corporate and institutional services. Prior to the acquisition, Mr. Bloomberg directly and indirectly controlled about 9% of non-voting shares and 29% of voting shares or approximately 2.9 million First Marathon Inc. shares.

**APPOINTMENT
OF AUDITORS**

The management of the Bank recommends voting **FOR** the appointment of PricewaterhouseCoopers LLP and Samson Bélair/Deloitte & Touche, General Partnership, as auditors of the Bank for the financial year beginning November 1, 1999 and ending October 31, 2000.

In the past five financial years, PricewaterhouseCoopers LLP, resulting from the merger of Price Waterhouse and Coopers & Lybrand on July 1, 1998, acted as auditor of the Bank in 1996, 1997 and 1999, and Samson Bélair/Deloitte & Touche, General Partnership, acted as auditor of the Bank in 1997 and 1998.

In order to be adopted by the shareholders, the appointment of auditors must be approved by a majority of votes cast by the shareholders present or represented by proxy and able to vote at the Meeting.

**SHAREHOLDER
PROPOSALS**

Six proposals made by a shareholder were received by the Bank within the time limits prescribed in the Act.

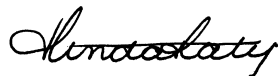
The complete text of these proposals as submitted is provided in Appendix A of this Circular.

The management of the Bank recommends voting FOR proposal No. 3 regarding the disclosure of auditors' fees and AGAINST the other proposals, for the reasons set out after each proposal.

In order to be adopted by the shareholders, the proposals presented in Appendix A must be approved by a majority of the votes cast by the shareholders present or represented by proxy and able to vote at the Meeting.

**APPROVAL OF THE
BOARD OF DIRECTORS**

The Board of Directors of the Bank has approved the contents of this Management Proxy Circular and the mailing thereof to the shareholders.



Linda Caty

Vice-President and Corporate Secretary

Montreal, January 27, 2000

APPENDIX A Shareholder Proposals

Proposals No. 1 to 6 were submitted to the management of the Bank by The Association for the Protection of Quebec Savers and Investors Inc. (APEIQ), a shareholder of record, located at 737 Versailles St., Montreal, Quebec H3C 1Z5.

Proposal No. 1

Proposal and statement of shareholder Shareholder Information

It is hereby proposed that any information originating from the bank, which is liable to influence the value of shares be communicated simultaneously to all shareholders.

Institutional investors who manage retirement funds and mutual fund investment firms have become privileged players in today's stock market. This carries with it the risk of creating first-, second- and third-class shareholders with the small shareholder falling into the last category, not being privy to first-hand information which may allow him to maximise his holdings or his portfolio of bank shares. The Bank Act provides that all shareholders are *pari passu*, which is to say that they should be assured of equal treatment on the part of the bank.

This proposal is derived from OMERS, Glorianne Stromberg, the Financial Post and the Report of the Standing Senate Committee on Banking, Trade and Commerce which recommends that *"individual investors must have timely access to information provided to corporations and institutional investors and management should invite the written press to attend its meetings."*

Bank's position

The Bank is required to comply with Canadian securities legislation and the policies of stock exchanges regarding the communication of material information.

This information notably includes all major changes and facts concerning the business of the Bank, as well as information about the operations or business of the Bank likely to significantly influence the value or price of the Bank's shares.

The Bank uses the electronic or communications channels at its disposal to release this information in a manner that is consistent for all. In its efforts to facilitate access to information for all its shareholders, in the third quarter of 1999 the Bank introduced two new measures, which are becoming common practice in Canada. The first involves giving journalists access to the conference calls held with financial analysts and institutional investors when the quarterly results are released. Secondly, the Bank posts financial information likely to be of interest to all investors on its web site.

The disclosure of material information by the Bank respects the mechanisms established by Canadian regulatory authorities in the area of securities. These mechanisms are stringent and ensure that material information is effectively communicated to all interested parties.

There is no need to add more rules to those established by law and regulatory agencies.

Management recommends voting **AGAINST** this proposal.

Proposal No. 2 **Proposal and statement of shareholder**
Attendance at Board of Directors Meetings

It is proposed that any member of the board of directors who shall not have attended half of the board meetings, plus one, except for serious medical reasons, be ineligible for re-election in the year following the expiration of his term of office.

The Bank Act stipulates that members of the board of directors retain their position in the name of the shareholders who have entrusted them with the protection and defence of their interests. It is common sense that a board member who does not participate in a majority of board meetings does not adequately fulfil his role and this should automatically lead to his ineligibility for re-election.

Bank's position

A director may be repeatedly absent for serious medical reasons or for other completely acceptable reasons (extended mission outside the country, major merger or acquisition project involving his or her own company, participation in a government commission, etc.).

It should also be noted that directors make a valuable contribution to the Bank over and above their participation in meetings of the Board of Directors and its committees. In fact, they may act as resources for the Bank because of their particular expertise or standing in their milieu.

The Conduct Review and Corporate Governance Committee is responsible for ensuring that the directors appointed to the Board of Directors contribute effectively to its workings. When evaluating the overall performance of the directors, the Committee takes a number of factors into account, including each member's attendance and contribution to meetings of the Board of Directors and its committees.

The participation of directors in meetings is important, but there is no need to impose such a rigid rule regarding attendance by directors at Board meetings.

Management recommends voting **AGAINST** this proposal.

APPENDIX A
Shareholder Proposals

Proposal No. 3

Proposal and statement of shareholder
Publication of Auditors' Fees

It is hereby proposed that the bank divulge, in its annual report, the fees paid to the accountant firm which performs its audit, as well as all fees paid to this firm's subsidiaries or all other enterprises in which the accounting firm or firms hold a substantial interest.

Mr. Claude Lamoureux, President and Chief Executive Officer of the Board of Directors of the Ontario Teachers Pension Plan (OTPP) stated on April 28, 1999 in Montreal that "several auditors receive the larger part of their fees not from the audit but from other consulting services carried out for the client. ***It is difficult for an auditor to be impartial when we consider that the major portion of his fees depend on the good will of management.*** I would suggest that all companies be required to divulge, in their annual reports, the amounts paid as consulting fees to the auditing firm. Obviously the best solution would be to prohibit companies from awarding consulting contracts to their auditors."

The OTPP is one of the largest institutional investors in Canada (\$60 billion portfolio) along with the Caisse de dépôt du Québec. The aforementioned proposal will contribute to the elimination of complacent annual reports and will reinforce the independence of the auditing firm with regards to their responsibilities to shareholders who vote on their nomination and remuneration in accordance with section 314 of the Bank Act.

Bank's position

In the normal course of its operations, the Bank calls on the services of various accounting firms. The Bank believes that it is to its advantage, given their knowledge of the Bank's activities, for the auditors appointed by the shareholders to also be able to provide certain consulting services, where applicable. Using the services of these auditors does not call into question their impartiality. The accounting firms which act in this capacity must respect the provisions of the *Bank Act* and of Canadian and U.S. securities legislation, and they are also bound by the code of professional conduct of their profession. Services not related to the audit of the Bank are also subject to these rules.

The Board of Directors and the management of the Bank therefore deem that they have all the assurances needed regarding the impartiality of auditors.

The Board of Directors and the management of the Bank are nevertheless in favour of this proposal. If the proposal is approved by shareholders, the Bank will disclose the fees paid to accounting firms for auditing and other consulting services. The management of the Bank intends to publish these fees next year in the Management Proxy Circular, the most appropriate means for communicating such information.

Management recommends voting **FOR** this proposal.

Proposal No. 4

Proposal and statement of shareholder

Justification of the Remuneration of Upper Management

It is hereby proposed that, in the bank's annual report to shareholders, the Remuneration Committee justify the various amounts paid to upper management as outlined within the parameters of the remuneration policy and that the chair of the committee be present at the shareholders' meeting in order to answer questions concerning his report.

The courts have ruled on the participation of the shareholder in the business of publicly traded companies. Superior Court Judge Iacobucci, in *Verdun vs. the Toronto Dominion Bank* states the following: "*It is obvious that subsection 143 (1) of the Bank Act and federal provisions constitute a commitment on the part of legislature to promote the participation of shareholders in corporate management.*" Judge Rayle is even more precise in *Yves Michaud vs. the National Bank and the Royal Bank*: "*A bank's shareholder will vote only on questions proposed by management? In this case, the remuneration of bank directors will never be submitted to the critical examination of shareholders since it is the responsibility of the board of directors (sec. 199(1)). This is a question which attracts public interest across Canada. Everyone would have the right to an opinion on this question... except for shareholders?*"

Management remuneration, with its options to purchase and its golden parachutes are among the major irritants of corporate governance (Kirby Report). An in-depth debate on this question, given full information (individual performance, expert reports, questioning of the remuneration committee chair, etc.), would improve shareholder confidence in management.

Bank's position

Every year, in accordance with Canadian securities legislation, the management of the Bank discloses in the Management Proxy Circular the aggregate compensation paid to the Named Executive Officers and the aggregate compensation policy applied by the Human Resources Committee to determine their said compensation.

The aggregate compensation policy approved by the Human Resources Committee and the Board of Directors, which includes the guidelines used to determine the compensation of the Named Executive Officers, is set out in the report on executive compensation in the Management Proxy Circular under the heading "Report of the Human Resources Committee on the Compensation of Officers of the Bank".

The Human Resources Committee, comprised exclusively of directors who are not members of the Bank's management, consults with external compensation specialists to establish the compensation to be paid to the Named Executive Officers.

The Board of Directors is of the opinion that disclosing the compensation of the Named Executive Officers and the related policy enables shareholders to appreciate the in-depth work of the Human Resources Committee in terms of evaluating the performance of the Named Executive Officers and calculating their compensation.

The Board of Directors does not consider it necessary to release a detailed and systematic appraisal of the individual performance of each of the Named Executive Officers.

The Chair of the Human Resources Committee or, in his absence, a member of the Committee may answer, at the Annual Meeting, any questions regarding the compensation of the Named Executive Officers.

Management recommends voting **AGAINST** this proposal.

APPENDIX A

Shareholder Proposals

Proposal No. 5

Proposal and statement of shareholder

Shareholder Consultation Prior to Merger Proposals

It is hereby proposed that all merger proposals be submitted to shareholders for preliminary consultation before being presented to government authorities.

It is the shareholders who own a publicly traded company, and management are their employees. A merger is a major change in the corporation which should only be instigated or announced once it has received the approval of the owners/shareholders. A direction such as this cannot be taken behind closed doors, within a clique, and represents, at first sight (*prima facie*), an overstepping of power on the part of management and the board of directors which should, in the latter instance, be acting on behalf of the shareholders. One of the causes of the failure of such projects is the lack of consultation with shareholders coupled with a poorly conceived and poorly presented public relations campaign which, at the least, is an affront to the public who are presented with a *fait accompli*. It would have been wiser had the shareholders been consulted on such a major change in the institution – it can't be said often enough – of which they are the *de jure* owners if not the *de facto* owners.

Bank's position

Canadian legislation defines the stages, mechanisms, rules and prior authorizations required in the event of a proposed merger.

In the context of a free market and competition, the success of a proposed merger is directly contingent on maintaining confidentiality during the initial stages of the process. Moreover, Canadian securities legislation provides for appropriate mechanisms to prevent market speculation. In this regard, the intention to carry out a transaction is only announced when the Bank's management and Board of Directors are confident that such a merger can be concluded.

Under corporate governance rules, the Board of Directors is specifically responsible for the Bank's strategic orientations, including deciding on any merger proposal without, however, in any way prejudicing the intervention of the regulatory authorities and Bank shareholders. In fact, under the provisions of the *Bank Act*, a merger agreement is without effect if the Minister of Finance does not approve the said agreement before it is submitted for approval to the shareholders.

The Bank is of the opinion that, by complying with these various stages of approval (management of the Bank, Board of Directors and Minister of Finance), it demonstrates its respect for the shareholders, who have the ultimate power to approve a project or not.

Management recommends voting **AGAINST** this proposal.

Proposal No. 6 **Proposal and statement of shareholder**

Separation of Powers

It is hereby proposed that the positions of Chairman of the Board of Directors and Chief Executive Officer not be held by the same person.

At the head of the list of the premises of corporate governance is the separation of powers between the chairman of the board of directors and the CEO so as to ensure the independence of the board of directors. One of the primary roles of the board of directors is to oversee management. The combining of these positions is a source of conflict of interest and a concentration of power in the hands of one individual. Too much power is fatal to the power to manage prudently. 80% of the companies which make up the TSE index have separated these positions. The vast majority of institutional investors in Canada recommend the separation of powers. This principle was proposed by both the Royal Bank and the Bank of Montreal during negotiation of their unsuccessful merger. A Toronto Stock Exchange report (1994) recognises the merit of the separation of powers: *“We express our preference for the nomination of a president who is not chairman of the board. The board of directors should function completely independently from management. In applying this guideline the board of directors should designate a powerful president who is not the chairman of the board and whose mandate is to manage the board of directors.”*

Bank’s position

The Board of Directors of the Bank considers that the course taken with regard to this issue must always reflect the circumstances, corporate strategies and experience of the individuals concerned. The Board of Directors looked into the matter again this year, as part of the succession planning process, and concluded that, under the present circumstances, the Bank would maintain the position of chairman of the board and chief executive officer.

The Toronto Stock Exchange (Dey Report) recommends that the Board of Directors adopt mechanisms to ensure its independence vis-à-vis management. It makes various suggestions for doing so, including separating the functions of chairman of the board and chief executive officer. Based on this same report and given the present circumstances, the Bank’s Board of Directors chose to apply other effective and appropriate corporate governance mechanisms including, among others, creating a Conduct Review and Corporate Governance Committee comprised of external directors, with a broad mandate, and having the directors meet regularly without management being present, under the direction of the Chair of the Conduct Review and Corporate Governance Committee.

The Board of Directors of the Bank is of the opinion that this is not the right time to establish a hard and fast rule on this issue. The Board of Directors must be free to appoint a single individual or two individuals to assume the functions of chairman of the board and chief executive officer. Under other circumstances, the Board of Directors could choose to separate the position of chairman of the board and chief executive officer.

Management recommends voting **AGAINST** this proposal.



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