

Annual Information Form

January 16, 2008



Distribution Notice of this Annual Information Form

This Annual Information Form must be accompanied by copies of all documents incorporated herein by reference when it is provided to security holders or other interested parties.

Portions of the Annual Information Form are presented in the following documents and are incorporated herein by reference:

- The Annual Report to Shareholders (the “Annual Report”), including Management’s Discussion and Analysis (the “MD&A”) for the 2007 fiscal year; and
- The Management Proxy Circular dated as at January 11, 2008 (the “Circular”).

The Annual Report and the Circular are available on the Bank’s website at www.nbc.ca and on the System for Electronic Documents Analysis and Retrieval (SEDAR) website at www.sedar.com.

Caution Regarding Forward-Looking Statements in this Annual Information Form

From time to time, National Bank of Canada (the “Bank”) makes written and oral forward-looking statements such as those contained in the “Major Economic Trends and Challenges” section and under “2008 Objectives” in the “Overview” section of the Annual Report for the purpose of describing the economic environment in which the Bank will operate during fiscal 2008 and the objectives it has set for itself for that period. Such statements are made pursuant to Canadian securities regulations and the provisions of the United States *Private Securities Litigation Reform Act* of 1995. These forward-looking statements include, among others, statements with respect to the economy (in particular, the Canadian and U.S. economies), market changes, the achievement of strategic priorities and objectives, future strategies and actions, the price of Bank shares, certain risks as well as statements with respect to our beliefs, plans, expectations, estimates and intentions. These forward-looking statements are typically identified by the words “may,” “could,” “should,” “would,” “suspect,” “outlook,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” and words and expressions of similar import.

By their very nature, such forward-looking statements require us to make assumptions and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2008 and how that will affect the Bank’s business are material factors considered in setting the Bank’s strategic priorities and objectives, and in determining its financial targets, including provisions for credit losses. Key assumptions include that economic growth in Canada and the United States will be modest in 2008 and that inflation will remain low in North America. The Bank has also assumed that interest rates in Canada and the

United States will decline slightly in 2008, and that the Canadian dollar will likely trade at parity with the U.S. dollar at the end of the year. In determining its expectation for economic growth, both broadly and in the financial services sector, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Tax laws in the countries in which the Bank operates, primarily Canada and the United States, are material factors it considers when establishing its sustainable effective tax rate. There is significant risk that express or implied projections contained in such statements will not materialize or will not be accurate. A number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Such differences may be caused by factors, many of which are beyond the Bank’s control, which include, but are not limited to, the management of credit, market and liquidity risks; the strength of the Canadian and United States economies and the economies of other countries in which the Bank conducts business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada; the effects of competition in the markets in which the Bank operates; the impact of changes in the laws and regulations regulating financial services and enforcement thereof (including banking, insurance and securities); judicial judgments and legal proceedings; developments with respect to the restructuring proposal relating to asset-backed commercial paper (ABCP) and liquidity in the ABCP market; the Bank’s ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank’s ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; other factors that may affect future results, including changes in trade policies, timely development of new products and services, changes in estimates relating to reserves, changes in tax laws, technological changes, unexpected changes in consumer spending and saving habits; natural disasters; the possible impact on the business from public health emergencies, conflicts, other international events and other developments, including those relating to the war on terrorism; and the Bank’s success in anticipating and managing the foregoing risks. Additional information about these factors can be found under “Risk Management” and “Factors That Could Affect Future Results” in the Annual Report.

The Bank cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Bank’s forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Bank also cautions readers not to place undue reliance on these forward-looking statements. Moreover, these forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.

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CORPORATE STRUCTURE

Name, Address and Incorporation

National Bank of Canada is a Canadian bank governed by the *Bank Act* (Canada). The Bank's roots date back to 1859 with the founding of Banque Nationale in Quebec City. The Bank's current charter is the result of a series of amalgamations, first with Banque d'Hochelega in 1924 to form Bank Canadian National, which then merged with The Provincial Bank of Canada in 1979 to form National Bank of Canada. In 1985, National Bank of Canada acquired The Mercantile Bank of Canada. In 1992, the Bank merged with National Bank Leasing Inc., its wholly owned subsidiary. The head office of the Bank is located at 600 de La Gauchetière Street West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Fiscal 2006-2007: The Bank posted net income of \$541 million for fiscal 2007 as against \$871 million for fiscal 2006. Diluted earnings per share were \$3.22 versus \$5.13 the year earlier and return on common shareholders' equity (ROE) was 11.5% versus 20.1% for the corresponding period of 2006. In 2007, the Bank purchased \$2,138 million of ABCP to relieve its individual retail clients and certain other clients from the uncertainties related to the liquidity problem in this market. An after-tax charge, taking into account the resulting reduction in variable compensation, of \$365 million related to the adjustment of the value of ABCP was recorded. Excluding this specified item and certain others for 2006 and 2007, net income rose 9% to \$933 million in 2007; diluted earnings per share climbed 12% to \$5.65, exceeding the target range of 5% to 10%; ROE was 20.0%, at the upper end of the target range of 16% to 20%; the Tier 1 capital ratio stood at 9.0%, higher than the 8.5% minimum targeted; and the dividend payout ratio was 40%, at the lower end of the target range of 40% to 50%. The Personal and Commercial segment reported robust growth in retail loans, with the largest increases observed in consumer loans. Wealth Management also posted growth in net income, fuelled by the strength of retail brokerage, private investment management and mutual fund activities. At Financial Markets, higher trading revenues accounted for half of the increase in net income.

Fiscal 2005-2006: For fiscal 2006, the Bank posted record net income of \$871 million and met or exceeded all of its financial objectives. Diluted earnings per share amounted to \$5.13 in 2006, up from the \$4.90 recorded in 2005. Target growth for the Bank in 2006 was 5% to 10%, excluding certain results from 2005, such as the gain on the disposal of investments in South America and the reversal of the general allowance for credit risk. In fiscal 2006, the \$5.05 diluted earnings per share, excluding the gain on the sale of shareholder management activities and the gain related to the MasterCard IPO, was 10% higher than in the previous fiscal year. Return on common shareholders' equity was 20.1%, higher than the target range of 16% to 18%. The Tier 1 capital ratio was 9.9% as at October 31, 2006, meeting the objective of a ratio greater than 8.5%. The dividend payout ratio of 38% was within the target range of 35% to 45% of net income. All of the Bank's business segments contributed to the net income growth. Personal and Commercial Banking posted 8% net income growth, thanks to the strong increase in consumer loans and commercial loans and deposits. The segment also grew its insurance and foreign exchange revenues, and improved its efficiency ratio, while credit losses were up slightly. Wealth Management saw its net income leap 29% from its 2005 level, driven by private investment management and mutual fund revenues,

together with a significant improvement in productivity. Net income for the Financial Markets segment was 16% higher than in the previous year, mainly because of higher gains on securities and a reduction in the efficiency ratio. Lastly, credit quality remained excellent in 2006 while specific credit losses stood relatively at the same level as in 2005 and gross impaired loans declined 10%.

Fiscal 2004-2005: For fiscal 2005, the Bank posted record net income of \$855 million and met or exceeded all of its financial objectives. Diluted earnings per share amounted to \$4.90 in 2005, up 21% from the \$4.05 recorded in 2004. Target growth was 5% to 10%. Return on common shareholders' equity was 20.7%, well above the target range of 16% to 18%. The Tier 1 capital ratio was 9.6%, whereas the objective was to attain a ratio of more than 8.5%. The dividend payout ratio was 35%, at the lower end of the 35% to 45% target range. In the Personal and Commercial segment, growth was sustained by higher loan volumes with individuals and increased use of bank credit by businesses. Growth in assets under management at Private Investment Management and stronger trading activity by individuals on stock markets helped boost net income in the Wealth Management segment. Lastly, higher trading revenues and lower credit losses in the Financial Markets segment replaced gains on securities and bank financing as key drivers of growth.

DESCRIPTION OF THE BUSINESS

Environmental Policies

The Bank has adopted environmental practices that draw on the main principles of sustainable development. It has accordingly developed a set of guiding principles under the themes Earth, Air, Water and Energy. These guiding principles govern its daily actions by committing it to cut paper consumption, design eco-efficient banking outlets and reduce the atmospheric pollution produced by its operations.

Through its environmental policy, a subsidiary of the Bank, National Bank Realty Inc., in its role as building manager, has committed to comply with current regulations, operate the buildings it manages in a sound manner and in accordance with recognized standards, take the necessary actions to improve its environmental performance at every level, and promote exemplary environmental practices to all its partners, suppliers and employees.

Effects of Environmental Protection Requirements

In order to address environmental risks and comply with environmental legislation, the Bank implemented a procedure several years ago setting out its environmental responsibilities when granting credit and acquiring property. To date, the risks involved have not had a material impact on the Bank's operations.

DIVIDENDS

In their last three fiscal years, the following subsidiaries of the Bank declared the following dividends to the benefit of shareholders that are neither subsidiaries of the Bank nor the Bank itself:

Natcan Investment Management Inc.

Share Class/Series	Dividend per share (2007 Fiscal Year*)	Dividend per share (2006 Fiscal Year*)	Dividend per share (2005 Fiscal Year*)
Class A Common	\$10.57	\$11.08	\$8.30

* Ended October 31

National Bank Group Inc.

Share Class/Series	Dividend per share (2007 Fiscal Year*)	Dividend per share (2006 Fiscal Year*)	Dividend per share (2005 Fiscal Year*)
Class A Preferred, Series 1	\$0.3281400	\$0.2958936	\$0.1959936
Class A Preferred, Series 2	\$0.03281400	\$0.02958936	\$0.01959936
Class A Preferred, Series 3	\$0.03281400	\$0.02958936	\$0.01959936
Class A Preferred, Series 4	\$0.03281400	\$0.02958936	\$0.01959936
Class A Preferred, Series 5	\$0.0410175	\$0.0369867	\$0.0244992
Class B Preferred, Series 1	\$0.3281400	\$0.2958936	\$0.1959936
Class B Preferred, Series 2	\$0.03281400	\$0.02958936	\$0.01959936
Class B Preferred, Series 3	\$0.03281400	\$0.02958936	\$0.01959936
Class B Preferred, Series 4	\$0.03281400	\$0.02958936	\$0.01959936
Class B Preferred, Series 5	\$0.0410175	\$0.0369867	\$0.0244992

* Ended November 30

NB Capital Corporation

Share Class/Series	Dividend per share (2007 Fiscal Year*)	Dividend per share (2006 Fiscal Year*)	Dividend per share (2005 Fiscal Year*)
Adjustable Rate Cumulative Senior Preferred Shares	US \$270.00	US \$251.12	US \$201.32
8.35% Non-cumulative Exchangeable Preferred Stock, Series A	US \$83.50	US \$83.50	US \$83.50

* Ended December 31

Le Fonds d'Investissement Actions-Croissance PME inc.

Share Class/Series	Dividend per share (2007 Fiscal Year*)	Dividend per share (2006 Fiscal Year*)	Dividend per share (2005 Fiscal Year*)
Class A, Series 1	–	\$0.856	–
Class A, Series 93	–	\$0.856	–
Class A, Series 94	–	\$0.856	–
Class A, Series 95	–	\$0.856	–
Class A, Series 96	–	\$0.856	–
Class A, Series 97	–	\$0.856	–
Class A, Series 98	–	\$0.856	–
Class A, Series 99	–	\$0.856	–
Class A, Series 2000	–	\$0.856	–
Class A, Series 2001	–	\$0.856	–
Class A, Series 2002	–	\$0.856	–
Class A, Series 2003	–	\$0.856	–
Class A, Series 2005	–	\$0.856	–
Class A, Series 2006	–	\$0.856	–
Class A, Series D	–	\$0.856	–

* Ended December 31

National Bank Funds Corporation

Share Class/Series	Dividend per share (2007 Fiscal Year*)	Dividend per share (2006 Fiscal Year*)	Dividend per share (2005 Fiscal Year*)
National Bank Strategic Yield Class, Investor/Advisor Series	\$1.187749	\$1.121092	\$0.433419
National Bank Strategic Yield Class, Institutional Series	\$1.203631	\$1.132182	\$0.436628
National Bank Strategic Yield Class, M Series	\$1.214163	\$1.140039	\$0.439062

* Ended September 30

SHARE CAPITAL STRUCTURE

The Bank's share capital consists of an unlimited number of common shares without par value; an unlimited number of First Preferred Shares without par value, which may be issuable for a maximum aggregate consideration of \$5,000,000,000 or the equivalent thereof in foreign currencies issued in five Series (Series 15, 16, 17, 18 and Z); and a limited number of Second Preferred shares without par value. Each of these classes and series is described below.

Common Shares

Common shares of the Bank carry one vote per share. Holders of common shares are entitled to receive dividends, in such amounts and payable at such times as the Board of Directors of the Bank (the "Board") determines. In the event of the liquidation, dissolution or winding-up of the Bank, after payment to the holders of First Preferred Shares and to the holders of Second Preferred Shares of the amounts described below in paragraph 3 under "First Preferred Shares" and in paragraph 4 under "Second Preferred Shares", respectively, the remaining property of the Bank will be distributed equally and rateably among the holders of common shares.

As at October 31, 2007, there were 24,780 registered holders of common shares of the Bank listed with the Registrar.

First Preferred Shares

The First Preferred Shares, as a class, carry and are subject to the rights, privileges and conditions set out below:

1) Issuance in Series

The First Preferred Shares may be issued in series. The Board may, by resolution, fix the number of shares in, and determine the respective designations, rights, privileges, restrictions and conditions of, each series of First Preferred Shares, including the terms and conditions of redemption, purchase or conversion and sinking fund or purchase fund provisions.

2) Dividends

Holders of First Preferred Shares are entitled to receive dividends in such amounts and payable at such times as the Board determines. In respect of dividends, holders of any series of First Preferred Shares have priority over the holders of common shares or any other class of shares of the Bank ranking junior to the First Preferred Shares. Holders of any series of First Preferred Shares are not entitled to any dividends other than those expressly provided for in the rights, privileges, restrictions and conditions attached to such series of First Preferred Shares.

3) Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Bank, before any amount is paid or any property distributed to the holders of common shares, to the holders of Second Preferred Shares, or shares of any other class of shares ranking junior to the First Preferred Shares, the holders of each series of First Preferred Shares are entitled to receive (i) an amount equal to the price at which such shares were issued, (ii) such premium, if any, as has been provided for with respect to such series, and (iii) in the case of cumulative First Preferred Shares, all cumulative accrued and unpaid dividends, and in the case of non-cumulative First Preferred Shares, all non-cumulative dividends declared and remaining unpaid up to and including the date of distribution. After payment to the

holders of First Preferred Shares of the amounts so payable to them, they may not participate in any further distribution of the property or assets of the Bank.

4) Voting Rights

Holders of First Preferred Shares do not, as such, have any voting rights for the election of directors of the Bank or for any purpose other than that prescribed by law, nor shall they be entitled to receive any notice of or attend Shareholder meetings.

Each series of First Preferred Shares has its own set of terms and conditions.

Series 15 (Series K) (NA.PR.K)

Subject to the consent of the Superintendent of Financial Institutions (Canada), the Bank may, at its option, redeem for cash the First Preferred Shares, Series 15 on or after May 15, 2008, in whole or in part, at any time at a price equal to \$26.00 per share if they are redeemed prior to May 15, 2009, at \$25.75 per share if they are redeemed during the 12 months prior to May 15, 2010, at \$25.50 per share if they are redeemed during the 12 months prior to May 15, 2011, at \$25.25 per share if they are redeemed during the 12 months prior to May 15, 2012, and at \$25.00 per share if they are redeemed on or after May 15, 2012, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 15 will be entitled to receive a quarterly non-cumulative preferential cash dividend, as and when declared by the Board, on the 15th day of February, May, August and November of each year, at a quarterly rate equal to \$0.365625 per share. The first of such dividends was paid on May 15, 2003. It was \$0.416712 per share, based on the closing date of January 31, 2003.

Series 16 (Series L) (NA.PR.L)

Subject to the consent of the Superintendent of Financial Institutions (Canada), the Bank may, at its option, redeem for cash the First Preferred Shares, Series 16 on or after May 15, 2010, in whole or in part, at any time at a price equal to \$26.00 per share if they are redeemed prior to May 15, 2011, at \$25.75 per share if they are redeemed during the 12 months prior to May 15, 2012, at \$25.50 per share if they are redeemed during the 12 months prior to May 15, 2013, at \$25.25 per share if they are redeemed during the 12 months prior to May 15, 2014, and at \$25.00 per share if they are redeemed on or after May 15, 2014, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 16 will be entitled to receive a quarterly non-cumulative preferential cash dividend, as and when declared by the Board, on the 15th day of February, May, August and November of each year, at a quarterly rate equal to \$0.303125 per share. The first of such dividends was paid on May 15, 2005. It was \$0.202637 per share, based on the closing date of March 15, 2005.

Series 17

The First Preferred Shares, Series 17 are part of the Bank's authorized share capital, but no share in this series had been issued or traded as at October 31, 2007. Subject to the consent of the Superintendent of Financial Institutions (Canada), the Bank may, at its option, redeem for cash the First Preferred Shares, Series 17 on or after June 30, 2011, in whole or in part, at any time at a price equal to \$26.00 per share if they are redeemed on or prior to June 30, 2012, at \$25.75 per share if they are redeemed during the 12 months prior to June 30, 2013, inclusively, at \$25.50 per share if they are redeemed during the 12 months prior to June 30, 2014, inclusively, at \$25.25 per share if they are redeemed during the 12 months prior to June 30, 2015, inclusively, and at \$25.00 per share if they are redeemed after June 30, 2015, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 17 will be entitled to receive a semi-annual non-cumulative preferential cash dividend, as and when declared by the Board, on the last day of June and the last day of December of each year, at a rate equal to \$0.469 per share.

Series 18

The First Preferred Shares, Series 18 are part of the Bank's authorized share capital, but no share in this series had been issued or traded as at October 31, 2007. Subject to the consent of the Superintendent of Financial Institutions (Canada), the Bank may, at its option, redeem for cash the First Preferred Shares, Series 18 on or after June 30, 2011, in whole or in part, at any time at a price equal to \$26.00 per share if they are redeemed on or prior to June 30, 2012, at \$25.75 per share if they are redeemed during the 12 months prior to June 30, 2013, inclusively, at \$25.50 per share if they are redeemed during the 12 months prior to June 30, 2014, inclusively, at \$25.25 per share if they are redeemed during the 12 months prior to June 30, 2015, inclusively, and at \$25.00 per share if they are redeemed after June 30, 2015, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 18 will be entitled to receive a semi-annual non-cumulative preferential cash dividend, as and when declared by the Board, on the last day of June and the last day of December of each year, at a rate equal to \$0.60 per share.

Series Z

The First Preferred Shares, Series Z are part of the Bank's authorized share capital, but no share in this series had been issued or traded as at October 31, 2007. Subject to the provisions of the *Bank Act* (Canada), including obtaining the consent of the Superintendent of Financial Institutions (Canada), the Bank may, at its option, redeem for cash the First Preferred Shares, Series Z on or after September 3, 2007, in whole or in part, at any time at pre-set redemption prices, together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series Z will be entitled to receive a non-cumulative preferential cash dividend, as and when declared by the Board, out of the assets of the Bank available for such purpose, at the rate of 8.45% per annum. If declared, dividends on the First Preferred Shares, Series Z will be payable quarterly in arrears on the 30th day of March, June, September and December of each year, or, if such day is not a business day, on the next business day.

Second Preferred Shares

The Second Preferred Shares are part of the Bank's authorized share capital, but no share in this class had been issued or traded as at October 31, 2007. The Second Preferred Shares carry and are subject to the rights, privileges, restrictions and conditions set out below:

1) Rank

The Second Preferred Shares rank before the common shares and the shares of all other classes of shares of the Bank that rank junior to the Second Preferred Shares, but rank junior to the First Preferred Shares with regard to dividends and reimbursement of capital in the event of the liquidation, dissolution or winding-up of the Bank.

2) Issuance in Series

The Second Preferred Shares may be issued in series. The Board may, by resolution, fix the number of shares in, and determine the respective designations, rights, privileges, restrictions and conditions of, each series of Second Preferred Shares, including the terms and conditions of redemption, purchase or conversion and sinking fund or purchase fund provisions.

3) Dividends

Holders of Second Preferred Shares are entitled to receive dividends in such amounts and payable at such times as the Board determines. With respect to dividends, holders of any series of Second Preferred Shares have priority over the holders of common shares or any other class of shares of the Bank ranking junior to the Second Preferred Shares. The holders of any series of Second Preferred Shares are not entitled to any dividends other than those expressly provided for in the rights, privileges, restrictions and conditions attached to such series of Second Preferred Shares.

4) Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Bank, before any amount is paid or any property distributed to the holders of common shares or shares of any other class of shares ranking junior to the Second Preferred Shares, the holders of each series of Second Preferred Shares are entitled to receive (i) an amount equal to the price at which such shares were issued, (ii) such premium, if any, as has been provided for with respect to such series, and (iii) in the case of cumulative Second Preferred Shares, all cumulative accrued and unpaid dividends, and in the case of non-cumulative Second Preferred Shares, all non-cumulative dividends declared and remaining unpaid up to and including the date of distribution. After payment to the holders of the Second Preferred Shares of the amounts so payable to them, they may not participate in any further distribution of the property or assets of the Bank.

5) Voting Rights

Holders of Second Preferred Shares do not, as such, have any voting rights for the election of directors of the Bank or for any purpose other than that prescribed by law, nor shall they be entitled to receive any notice of or attend Shareholder meetings.

MARKET FOR SECURITIES

Trading Price and Volume

The common shares, the First Preferred Shares, Series 15 and 16, and the notes of the Bank (described below) are listed on the Toronto Stock Exchange (the "TSX") in Canada. The Nikkei 225 (2007) Notes were delisted from the TSX at the close of trading on April 2, 2007. The First Preferred Shares, Series 17, 18 and Z, and the Second Preferred Shares are part of the Bank's authorized share capital, but no shares of these series or of that class had been issued or traded as at October 31, 2007.

Issue or Class	Ticker Symbol	Newspaper Abbreviation
Common Shares	NA	Nat Bk or Natl Bk
First Preferred Shares		
Series 15	NA.PR.K	Nat Bk s15 or Natl Bk s15
Series 16	NA.PR.L	Nat Bk s16 or Natl Bk s16
Notes		
Nikkei 225 (2009)	NA.NT.J	
Nikkei 225 (2007)	NA.NT.K	

The following tables show the monthly price ranges and trading volumes of each of the Bank's securities listed on the TSX for the 2007 fiscal year.

Common shares (NA)

Date	High (\$)	Low (\$)	Volume
2007/10	57.16	49.99	19,319,102
2007/09	56.10	51.55	23,074,662
2007/08	60.98	53.10	31,047,397
2007/07	63.23	60.46	10,634,905
2007/06	64.94	60.70	18,208,397
2007/05	66.50	61.10	14,636,899
2007/04	64.38	61.91	10,135,604
2007/03	65.90	61.68	20,204,732
2007/02	65.91	63.85	8,554,347
2007/01	66.48	62.75	13,826,831
2006/12	66.80	62.97	12,534,704
2006/11	66.49	60.86	11,561,492

First Preferred Shares, Series 15 (NA.PR.K)

Date	High (\$)	Low (\$)	Volume
2007/10	25.65	24.26	179,789
2007/09	26.30	25.00	321,450
2007/08	26.44	25.81	73,338
2007/07	26.95	25.63	88,133
2007/06	26.50	25.27	388,600
2007/05	26.90	25.86	873,402
2007/04	27.15	26.56	218,814
2007/03	27.35	26.62	205,559
2007/02	27.35	26.86	277,396
2007/01	27.94	27.25	212,993
2006/12	27.98	27.61	628,602
2006/11	27.96	27.36	124,833

First Preferred Shares, Series 16 (NA.PR.L)

Date	High (\$)	Low (\$)	Volume
2007/10	23.12	20.80	214,678
2007/09	23.76	22.75	249,211
2007/08	24.60	23.52	117,980
2007/07	24.87	23.64	137,036
2007/06	25.12	23.23	208,701
2007/05	25.90	25.00	308,638
2007/04	26.18	25.70	99,063
2007/03	26.35	26.10	147,873
2007/02	26.20	25.74	131,465
2007/01	26.24	25.65	169,207
2006/12	26.34	25.92	77,656
2006/11	26.90	25.72	256,996

Nikkei 225 Notes (2009) (NA.NT.I)

Date	High (\$)	Low (\$)	Volume
2007/10	10.49	10.00	18,450
2007/09	10.20	9.75	11,500
2007/08	10.20	9.30	21,300
2007/07	10.65	10.50	12,300
2007/06	10.99	10.25	17,950
2007/05	10.45	10.15	19,830
2007/04	10.40	9.80	25,677
2007/03	10.25	9.85	13,200
2007/02	10.30	9.80	13,200
2007/01	9.81	9.75	15,500
2006/12	9.75	9.50	8,550
2006/11	9.74	9.50	5,500

Nikkei 225 Notes (2007) (NA.NT.K)

Date	High (\$)	Low (\$)	Volume
2007/03*	12.30	11.50	115,176
2007/02	12.83	11.99	38,740
2007/01	11.95	11.45	140,000
2006/12	11.38	10.87	15,975
2006/11	11.13	10.90	15,580

* The Nikkei 225 (2007) Notes were delisted from the TSX at the close of trading on April 2, 2007.

The following tables show the monthly price ranges and trading volumes of each of the Bank's securities listed on the Luxembourg Stock Exchange for the 2007 fiscal year.

Floating-rate bond (NatBkCan 5.47375% 05-10 20/10t):
Security not traded from November 1, 2006 to October 31, 2007.

Floating-rate bond (NatBkCan 5.625% 88-87 31/08s):
Security not traded from November 1, 2006 to October 31, 2007.

Floating-rate bond (NatBkCan 3.405% 03-08 29/08t)

Date	High (€)	Low (€)	Volume
2007/10			Security not traded
2007/09			Security not traded
2007/08			Security not traded
2007/07			Security not traded
2007/06			Security not traded
2007/05			Security not traded
2007/04			Security not traded
2007/03			Security not traded
2007/02			Security not traded
2007/01			Security not traded
2006/12			100.1400i*
2006/11			Security not traded

Floating-rate bond (NatBkCan 5.24563% 04-09 16/10t)

Date	High (€)	Low (€)	Volume
2007/10			Security not traded
2007/09			Security not traded
2007/08			Security not traded
2007/07			Security not traded
2007/06			Security not traded
2007/05			Security not traded
2007/04			Security not traded
2007/03			Security not traded
2007/02			Security not traded
2007/01			Security not traded
2006/12			100.18i*
2006/11			Security not traded

Floating-rate bond (NatBkCan 5.52% 02-07 10/10t):
This security matured on October 10, 2007.

Date	High (€)	Low (€)	Volume
2007/10			Security not traded
2007/09			Security not traded
2007/08			Security not traded
2007/07			Security not traded
2007/06			Security not traded
2007/05			Security not traded
2007/04			Security not traded
2007/03			Security not traded
2007/02			Security not traded
2007/01			Security not traded
2006/12			100.1i*
2006/11			Security not traded

Notes about prices and volumes for securities listed on the Luxembourg Stock Exchange:

* The letter "i" after a monetary value indicates a quote. As no securities were traded on the market, the quote assigns a value to the purchase made in the relevant month.

Credit Ratings

The table below provides the credit ratings assigned to the Bank's outstanding securities by the following rating agencies:

1. Moody's Investors Service, Inc.	Bank
Short-Term	P-1
Long-Term Bank Deposits	Aa2
Long-Term Senior Debt	Aa2
Long-Term Subordinated Debt	Aa3
Issuer Rating	Aa2
Financial Strength	B-
2. Standard & Poor's, a division of The McGraw-Hill Companies, Inc.	Bank
Short-Term Counterparty	A-1
Long-Term Counterparty	A
Senior Unsecured Debt	A
Subordinated Debt	A-
Commercial Paper (Canadian scale)	A-1 (Middle)
Commercial Paper (Global scale)	A-1
Preferred Stock (Canadian scale)	P-2 (High)
Preferred Stock (Global scale)	BBB+
3. DBRS Limited	Bank
Short-Term Instruments	R-1 (Mid)
Deposits and Senior Debt	AA (Low)
Subordinated Debt	A (High)
Cumulative Preferred Shares	Pfd-1 (Low)
Non-Cumulative Preferred Shares	Pfd-1 (Low)
4. Fitch Ratings Ltd.	Bank
Short-Term	F1
Long-Term	A+
Individual	B
Support	BBB-
Subordinated Debt	A

The ratings should not be construed as recommendations to buy, sell or hold Bank securities. Rating agencies may revise or withdraw their ratings at any time.

The definition of the different ratings as at October 31, 2007 was obtained from the websites of the respective rating agencies and is provided in Appendix A of this Annual Information Form.

Description of Notes

Nikkei 225 Protected Index Notes (2009) (NA.NT.J)

The Nikkei 225 Protected Index Notes (the "NA.NT.J Notes") will mature on April 30, 2009 ("NA.NT.J Maturity"). As at October 31, 2007, 1,100,000 NA.NT.J Notes were issued at a price of \$10 per Note. The NA.NT.J Notes may not be called for redemption by the Bank prior to NA.NT.J Maturity. At that date, each holder of NA.NT.J Notes will receive in respect of each Note held the greater of (a) \$10 and (b) the repurchase price (as defined below) which will be computed by reference to the Nikkei 225 Index. The repurchase price of each NA.NT.J Note will be equal to the aggregate of \$10 and the amount obtained by multiplying \$10 by 100% of the appreciation rate of the Nikkei 225 Index from the date of issue to NA.NT.J Maturity (rounded down to the nearest cent). No interest will be paid on NA.NT.J Notes, if any, except at NA.NT.J Maturity.

Nikkei 225 Protected Index Notes (2007) (NA.NT.K)

The Nikkei 225 Protected Index Notes (the "NA.NT.K Notes") matured on March 30, 2007. As that date, 1,000,000 NA.NT.K Notes were issued and each holder of NA.NT.K Notes received \$12.37487037 in respect of each Note held.

PRIOR SALES

The Bank sold one subordinated debt securities issue during fiscal 2007. That issue is not listed on a Canadian stock market:

- Subordinated indebtedness (Series 5 Medium-Term Notes, 4.456%) totalling \$500,000,000, maturing on November 2, 2016, issued on November 2, 2006 at a price of \$100 per Note. The price is variable and was \$95.658 as at October 31, 2007.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Since November 1, 2002, the directors whose names appear on page 142 of the Annual Report of the Bank have held the principal functions described in the "Information on Nominees for Election to the Board of Directors" section of the Circular on pages 4 to 13. All directors elected at the annual meeting of common shareholders hold office until their resignation or the election or appointment of their replacement, or until the close of the subsequent annual meeting of common shareholders of the Bank.

Executive Officers

The following are the Bank's executive officers, as defined in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligation*, as at October 31, 2007, along with the positions they have held both at the Bank and outside the Bank since November 1, 2002.

BARRIAULT, Richard (Quebec, Canada)	Vice-President, Taxation
BRETON, Yves G.⁽¹⁾ (Quebec, Canada)	Senior Vice-President, Wealth Management (on an interim basis)
BRUNET, Alain (Quebec, Canada)	Senior Vice-President, Insurance and President, National Bank Insurance from 1997 to 2003, Senior Vice-President, Marketing, and member of the Executive Committee, Standard Life Insurance Company of Canada; 2003, Senior Vice-President, Marketing and Sales, Individual Markets, and member of the Executive Committee, Standard Life Insurance Company of Canada; from 2003 to 2006, Senior Vice-President, Retail Markets, and member of the Executive Committee, Standard Life Insurance Company of Canada
CARON, Jean-Paul (Quebec, Canada)	Vice-President, Corporate Affairs
CATY, Linda (Quebec, Canada)	Vice-President and Corporate Secretary from 2003 to 2004, Corporate Secretary, BCE Inc.
CIESLAK, John B. (Ontario, Canada)	Senior Vice-President, Technology, Business Intelligence and Organizational Performance from 2000 to 2007, Executive Vice-President, Chief Information Officer and Chief Administration Officer, TSX Group Inc. (Toronto Stock Exchange)
CÔTÉ, Suzanne (Quebec, Canada)	Vice-President, Legal Affairs
CURADEAU-GROU, Patricia (Quebec, Canada)	Executive Vice-President, Finance, Risk and Treasury
DAGENAIS, Jean (Quebec, Canada)	Senior Vice-President and Chief Financial Officer
DESBIENS, Pierre (Quebec, Canada)	Senior Vice-President, Sales and Personal Banking
DESROCHERS, Gisèle (Ontario, Canada)	Senior Vice-President, Human Resources and Corporate Affairs
DOTTORI-ATTANASIO, Laura (Quebec, Canada)	Senior Vice-President, Risk Management
DUBREUIL, Pierre (Quebec, Canada)	Senior Vice-President, Marketing, International and Business Solutions inc.
DUQUETTE, Pascal (Quebec, Canada)	President and Chief Executive Officer, Chief Investment Officer and Chief Compliance Officer, Natcan Investment Management Inc. from 1998 to 2004, International Equities Manager, Canadian National Railway (CN)
GUAY, Charles⁽²⁾ (Quebec, Canada)	Senior Vice-President, Mutual Funds, National Bank of Canada, President and Chief Executive Officer, Altamira and President and Chief Executive Officer, National Bank Securities Inc.
KEUNG, Alice⁽³⁾ (Quebec, Canada)	Senior Vice-President and Chief Information Officer, Information Technology from 2000 to 2003, Vice-President, Information Technology and Chief Information Officer, Air Canada
LAFLAMME, Éric (Quebec, Canada)	Vice-President, Trust Services, National Bank of Canada, President and Chief Executive Officer, National Bank Trust Inc. and President and Chief Executive Officer, Natcan Trust Company
LECALDARE, Mario (Quebec, Canada)	Senior Vice-President, Commercial Banking from 2003 to 2007, Executive Vice-President and Chief Financial Officer, Kruger Inc.

(1) Mr. Yves Breton retired on December 31, 2007.

(2) Mr. Charles Guay held this position until December 14, 2007. He was appointed Senior Vice-President, Wealth Management on December 17, 2007.

(3) Ms. Alice Keung held this position until November 18, 2007.

LECAT, Olivier H. (Quebec, Canada)	Senior Vice-President, Internal Audit
LEGRIS, Alain (Quebec, Canada)	Chief Accountant
LÉVESQUE, Réjean (Quebec, Canada)	Senior Vice-President, Electronic Payment Solutions and Operations
OUELLET, Martin (Quebec, Canada)	Senior Vice-President, Corporate Treasury
PAIEMENT, Luc (Quebec, Canada)	Co-President and Co-Chief Executive Officer, National Bank Financial Group and Senior Vice-President, National Bank of Canada
PASCOE, Ricardo (Ontario, Canada)	Co-President and Co-Chief Executive Officer, National Bank Financial Group and Senior Vice-President, National Bank of Canada from 2000 to 2002, Executive General Manager – Americas, Commerzbank Capital Markets Corp., New York and Global Head of Fixed Income Trading and Global Head of Alternative Investment Strategies, Commerzbank Securities; from 2002 to 2003, Global Head of Markets, Commerzbank Securities, London, UK
PELLERIN, Denis (Quebec, Canada)	Senior Vice-President, Market and Operational Risk, Compliance
RONDOU, Nicole (Quebec, Canada)	Vice-President, Compliance
TREMBLAY, Michel ⁽⁴⁾ (Quebec, Canada)	Chief Operating Officer, Personal and Commercial Banking & Wealth Management
VILLENEUVE, Benoît (Quebec, Canada)	Vice-President, Finance
VACHON, Louis (Quebec, Canada)	President and Chief Executive Officer

(4) Mr. Michel Tremblay tendered his resignation, which is effective January 18, 2008.

Shareholdings of Directors and Executive Officers

As at October 31, 2007, the directors and executive officers of the Bank beneficially owned or exercised control or direction over 454,581 common shares, i.e., less than 2% of the Bank's issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Directors

For the names of directors subject to cease trade orders, bankruptcies, penalties or sanctions, please see the "Information on Nominees for Election to the Board of Directors" section of the Management Proxy Circular.

Executive Officers

To the Bank's knowledge, no director or executive officer of the Bank is, at the date of this Annual Information Form, or has been, within 10 years before the date of the Annual Information Form, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was subject to an event that resulted, after the director, chief executive officer or chief financial officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days. To the Bank's knowledge, no executive officer of the Bank is, at the date of this Annual Information Form, or has been, within 10 years before the date of the Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was 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:

- Ms. Alice Keung, who was, until June 2003, an officer of Air Canada, which, on April 1, 2003, filed for protection under the *Companies' Creditors Arrangement Act* (Canada) and Chapter 11 (Bankruptcy) of the *United States Code*.

In addition, to the knowledge of the Bank, no executive officer of the Bank has, within the 10 years before the date of this Annual Information Form, 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 the assets of the director or executive officer.

Furthermore, to the knowledge of the Bank, no executive officer of the Bank 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 investor in making an investment decision. Moreover, in the opinion of the Bank, no disclosure of a settlement agreement entered into by an executive officer of the Bank before December 31, 2000 would likely be important to a reasonable investor in making an investment decision.

LEGAL PROCEEDINGS

On August 17, 2007, a settlement agreement was reached between National Bank Financial Inc. (NBF) and the staff of the Investment Dealers Association of Canada (IDA) with respect to discipline penalties imposed on NBF for violations of By-law 4.9, By-law 29.1 and 29.27, By-law 38.10 and 38.11, Regulation 1300.1 and 1300.2, Regulation 1900.2 and 1900.4 and Policy No. 2. of the IDA.

Following a settlement hearing, NBF was fined \$795,000 and ordered to also pay \$50,000 in costs. The accusations against NBF relate to events that occurred between 1990 and 2002 at its Joliette and its head office branches in Montreal, and include unjustifiably tolerating the misconduct of certain representatives, failing to ensure adequate control and monitoring of training, client and non-client accounts, conflicts of interest, authorizations required to perform certain actions and hold certain positions, and transactions and processing for certain accounts, such as option accounts.

INTEREST OF INFORMED PERSONS IN A MATERIAL TRANSACTION

Since the start of the Bank's most recently completed financial year, a material transaction of the Bank has had a major impact on it or on its subsidiaries within the meaning of Item 11 of Schedule 5 to *National Instrument 51-102 Continuous Disclosure Obligations*.

In fact, between August 20 and 24, 2007, the Bank, directly or through its subsidiaries, purchased at 100% of the acquisition cost plus accrued interest, all ABCP held in National Bank and Altamira public mutual funds, and in the pooled funds used by Natcan Investment Management Inc. in its discretionary management (except for two alternative funds) and by National Bank Trust in its private investment management. The Bank acquired, all ABCP held by its retail customers and by certain other clients who had a total of CAN \$2 million or less in ABCP in their accounts with National Bank Financial Inc., National Bank Financial Ltd. and National Bank Direct Brokerage Inc., and who were not considered to be accredited investors under securities regulations (the "Transaction").

On August 20, 2007, 48 informed persons⁽¹⁾ had a direct or indirect interest \$7,829,720.02 in the Transaction. Among those informed persons, the Directors, members of the Office of the President and the Senior Vice-Presidents below had an interest in the Transaction :

Name	City, Province	Nature of interest	Amount (\$)
Directors of the Bank			
Coulombe, Gérard	Sainte-Marthe, Quebec	Indirect: Mutual fund ⁽²⁾	17,411.33
Diamond-Gélinas, Nicole	Saint-Barnabe-Nord, Quebec	Indirect: Mutual fund	89.28
Douville, Jean	Bedford, Quebec	Direct: Direct holding of ABCP	422,000.00
Gobeil, Paul	Ottawa, Ontario	Indirect: Mutual fund	500,912.28
Vachon, Louis	Beaconsfield, Quebec	Indirect: Mutual fund	2,538,053.02
Members of the Office of the President			
Païement, Luc	Mont-Royal, Quebec	Indirect: Pooled fund ⁽³⁾	1,672.17
Pascoe, Ricardo	Toronto, Ontario	Indirect: Mutual fund	76,893.08
Tremblay, Michel	Mont-Royal, Quebec	Indirect: Mutual fund	1,437,614.58
Senior Vice-Presidents			
Dagenais, Jean	Montreal, Quebec	Indirect: Pooled fund and mutual fund	6,796.08
Desbiens, Pierre	Saint-Lambert, Quebec	Indirect: Pooled fund and mutual fund	642,114.44
Dubreuil, Pierre	Longueuil, Quebec	Indirect: Mutual fund	887.10
Guay, Charles	Montreal, Quebec	Indirect: Mutual fund	132.34
Keung, Alice	Montreal, Quebec	Indirect: Pooled fund and mutual fund	19,563.00
Lecaldare, Mario	Westmount, Quebec	Direct: Direct holding of ABCP Indirect: Mutual fund	1,108,852.50
Lecat, Olivier H.	Montreal, Quebec	Indirect: Pooled fund	44,437.11
Ouellet, Martin	Montreal, Quebec	Indirect: Mutual fund	308,260.62
Total			7,125,688.93

In most cases, the informed persons had ABCP holdings in mutual funds. These persons benefited from the Transaction to the same extent and on the same conditions as other clients of the Bank affected by this Transaction. Each of such persons who is also a Board member declared his or her interest at the first meeting of the Board or of one of its committees which he or she attended and during which the draft Transaction was examined. None of these persons took part in the deliberations of the Board or its committees concerning the Transaction. On the recommendation of the Independent Committee, the Transaction was unanimously approved by the Board members, excluding the directors who had declared an interest in the Transaction.

On completion of the Transaction, the Board, on the recommendation of the Independent Committee, arranged with each of the members of the Office of the President with an interest in the ABCP to have their personal investments in the purchased ABCP placed in trust. By proceeding in this manner, the Independent Committee and the Board were able to work with senior management on the ABCP issue, without any appearance of conflict of interest, until the matter was resolved.

(1) For the purposes of this section, the expression "informed person" has the meaning provided in subsection 1.1(1) of National Instrument 51-102 Continuous Disclosure Obligations published by the CSA, namely, (a) a director or executive officer of the Bank; (b) a director or executive officer of a person that is itself an informed person or subsidiary of the Bank; (c) any person who beneficially owns, directly or indirectly, voting securities of the Bank or who exercises control or direction over voting securities of the Bank or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Bank other than voting securities held by the person as underwriter in the course of a distribution; and (d) the Bank that has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

(2) National Bank or Altamira Mutual Funds.

(3) Pooled funds used by Natcan Investment Management Inc. in its discretionary management (except for two alternative funds) or by National Bank Trust in its private investment management.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
1500 University, Suite 700
Montreal, Quebec, Canada H3A 3S8
Telephone: 1-888-838-1407
Fax: 1-888-453-0330
E-mail: service@computershare.com
Internet: www.computershare.com

Mailing address:

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario, Canada M5J 2Y1

INTERESTS OF EXPERTS

Samson Bélair/Deloitte & Touche s.e.n.c.r.l. is the external auditor of the Bank. This firm has prepared the Auditors' Report to shareholders in respect of the Bank's consolidated financial statements.

INFORMATION ON THE AUDIT AND RISK MANAGEMENT COMMITTEE OF THE BOARD OF DIRECTORS

Below please find the mandate of the Audit and Risk Management Committee of the Board. For additional information on this committee, please see the section entitled "Report of the Audit and Risk Management Committee" in the Circular.

Mandate

Mission and Main Responsibilities

The Audit and Risk Management Committee (the "Committee") assists the Board of Directors (the "Board") of National Bank of Canada (the "Bank") by:

- a) reviewing the consolidated financial statements of the Bank, processes for presenting and disclosing financial information, internal controls, audit processes and management information systems in order to determine their integrity and effectiveness;
- b) acting as intermediary between the Board and the independent oversight functions (Internal Audit, external audit and Corporate Compliance);
- c) supervising the work of Internal Audit and Corporate Compliance;
- d) carrying out a detailed review of risk management and risk management controls.

The external auditors of the Bank report directly to the Committee and report to the Board and to the Committee as representatives of the shareholders.

The Committee fulfills its responsibilities on behalf of the Board and the shareholders by assuming the duties and responsibilities set out in section 8 hereof.

Composition and Independence

The Committee is composed of no less than three members, who are appointed annually by the Board from among the directors of the Bank.

Each of the members of the Committee is "independent" within the meaning of Multilateral Instrument 52-110 respecting Audit Committees of the Canadian Securities Administrators (the "Instrument").

Each of the Committee members is "financially literate" within the meaning of the Instrument¹ and at least one member has "accounting or related financial expertise".

1. Chair

The Chair of the Committee is designated by the Board. If the designated Chair is unable to chair a meeting of the Committee, the Committee selects a Chair from one of the members of the Committee present for that meeting.

The Chair of the Committee may ask the Chairman of the Board to have certain matters for which the Committee is responsible submitted to the Board.

The duties of the Chair of the Committee are set out in the mandate of the Chair.

2. Secretary

The Secretary of the Bank, an Assistant Secretary, or any other person designated by the Secretary, acts as Secretary of the Committee.

3. Meetings and Calling of Meetings

Meetings of the Committee are held at least once per quarter, on the dates and at the times and places set by the Board. The members of the Committee are informed annually in writing thereof, without any further notice required.

An unscheduled meeting may be called at any time by the Chair of the Committee, the Chairman of the Board, the President and Chief Executive Officer, one of the members of the Committee, the Senior Vice-President – Internal Audit, the Executive Vice-President, Finance, Risk and Treasury, the Senior Vice-President and Chief Financial Officer, or by the external auditors.

A notice specifying the purpose, place, date and time of each unscheduled meeting must be sent to each Committee member by mail or any other means of telephone or electronic communication no less than 24 hours before the time and date set for the meeting.

¹ According to the Instrument, "financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised in reading the Bank's financial statements.

Unscheduled Committee meetings may be held without notice, when all Committee members are present or when the absent members provide a written waiver of notice of meeting.

Meetings of the Committee may be held by telephone or any other means which enables all participants to communicate with each other adequately and simultaneously. Persons participating in a meeting by telephone or any other means of communication are deemed to have attended the meeting.

The external auditors are entitled to receive the notices calling meetings of the Committee, to attend the audit portion thereof and to be heard at such meetings.

The Committee may call a meeting of the Board to discuss matters of interest to the Committee.

The Committee members meet in camera at the end of each regular Committee meeting under the direction of the Chair of the Committee.

4. Quorum

A majority of the Committee members constitutes a quorum.

Quorum shall exist for the entire meeting so that the Committee members can legitimately deliberate and make decisions. However, any director who is not present at any particular time during the meeting for the purposes of subsection 203(1) of the *Bank Act* (Canada) (the “Act”) (disclosure of interest) shall be considered as attending for the purposes of quorum.

Notwithstanding the foregoing, the decisions made by the Committee concerning matters submitted for its consideration shall be made by a majority vote of the members present. Should only two members be present and quorum be attained, decisions shall be unanimous.

5. Minutes

The minutes of each meeting of the Committee, duly approved by the Committee, are entered by the Secretary in a register kept specifically for that purpose.

Once approved, the minutes of each Committee meeting are submitted for information to the members of the Board at a subsequent meeting of the Board.

The Chair of the Committee makes an oral report on the deliberations of each meeting of the Committee at a subsequent meeting of the Board.

6. Vacancy

A vacancy on the Committee is filled by the Board as it deems appropriate. Failure to fill a vacancy does not invalidate the decisions of the Committee, provided there is a quorum.

7. Hiring of External Advisors

The Committee has the authority:

- a) to engage legal counsel and other independent advisors as it determines necessary to carry out its duties;
- b) to set and pay the compensation of any external advisors employed by the Committee; and
- c) to communicate directly with the external auditors, the Senior Vice-President – Internal Audit, the Executive Vice-President, Finance, Risk and Treasury, the Senior Vice-President and Chief Financial Officer, the Vice-President – Corporate Compliance and any other member of management.

8. Duties and Responsibilities

The Committee has the following duties and responsibilities:

A) Finance and Corporate Compliance

Require management to implement and maintain appropriate internal control procedures, and review, evaluate and approve such procedures.

Review the effectiveness of the internal control policies and procedures of the Bank with the Senior Vice-President – Internal Audit, the Senior Vice-President and Chief Financial Officer, and the Vice-President – Corporate Compliance.

(i) Internal Audit

Ensure the independence and effectiveness of Internal Audit, in particular by requiring that the function be free of any influence that could adversely affect its ability to objectively assume its responsibilities and ensuring that it reports to an appropriate line level.

Review, annually, the mandate and the nature and scope of the work of Internal Audit, examine and approve its annual plan, and ensure that the function has the necessary resources to fulfill its mandate and responsibilities.

Review the quarterly and annual reports of Internal Audit and ensure that the necessary steps are taken to follow up on report recommendations.

Review, as required, the reports of the Senior Vice-President – Internal Audit on the major recommendations for which the recommended corrective action has not been taken.

Participate in drawing up a succession plan for the Senior Vice-President – Internal Audit, take cognizance of the recommendations of the President and Chief Executive Officer of the Bank with respect to the appointment or dismissal of the Senior Vice-President – Internal Audit and make the appropriate recommendations to the Board thereon.

Assess the overall performance of the internal audit function, and assess the performance and participate in determining the compensation of the Senior Vice-President – Internal Audit.

Meet with the Senior Vice-President – Internal Audit without management being present.

Review any document required by the Superintendent of Financial Institutions and the recommendations made by regulatory authorities or the internal or external auditors and report thereon to the Board.

Ensure cooperation between the internal and external auditors of the Bank.

(ii) External Audit

Oversee the work of the external auditors appointed by the shareholders to express an opinion on the Bank's consolidated financial statements based on their audit or to perform other audit, review or attest services for the Bank, including the review of the interim consolidated financial statements and the resolution of disagreements between management and the external auditors regarding financial reporting.

Make recommendations to the Board of the Bank regarding the appointment of the external auditors and their compensation and review the nature and scope of their work.

Ensure that the scope of the audit plan is appropriate, i.e., that it is risk based and addresses major areas of concern.

Discuss with the external auditors the quality of the financial statements and ensure that the financial statements present fairly the financial position, results of operations and the cash flows of the Bank.

Review and discuss the written report of the external auditors detailing all factors that might have an impact on their independence and objectivity; recommend measures to be taken by the Board to ensure the independence of the external auditors.

Meet with the external auditors and management to discuss the annual consolidated financial statements, the documents required by the Superintendent of Financial Institutions or transactions that could adversely affect the financial well-being of the Bank.

Discuss with the external auditors the quality and acceptability of the accounting principles applied in preparing the consolidated financial statements.

Review the annual management letter from the external auditors of the Bank and follow up on the corrective action taken by management.

Meet regularly with the external auditors of the Bank without management being present.

Assess the overall performance of the external auditors, including all audit and non-audit services, and analyze the impact of such services on the independence of the auditors.

Adopt a policy and specific procedures for the engagement of external auditors to perform non-audit services and ensure the following conditions are met:

- a) the pre-approval policies and procedures are detailed as regards the service required;
- b) the Committee is informed of each non-audit service; and
- c) the procedures do not include the delegation of Committee responsibilities to management.

These mandates as well as those not covered by the above policy must be approved by the Committee.

Review and approve the Bank's hiring policies regarding the partners, employees and former partners and employees of the present and former external auditors of the Bank.

(iii) Financial Reporting and Analysis

Review, on an annual basis, the mandate and the nature and scope of the work of Financial Analysis and ensure that the function has the necessary resources to fulfill its mandate and responsibilities.

Review the Bank's consolidated financial statements, MD&A and annual and interim earnings press releases and recommend their approval to the Board before this information is publicly disclosed.

Ensure that adequate procedures are in place to oversee the Bank's public disclosure of financial information extracted or derived from its consolidated financial statements and periodically assess the adequacy of those procedures.

Review such investments and transactions that could adversely affect the financial well-being of the Bank as the external auditors or any officer may bring to the Committee's attention.

Obtain from management information about material changes introduced by organizations such as stock exchanges or the Canadian Securities Administrators and changes to Canadian generally accepted accounting principles that could have an impact on the preparation and/or disclosure of the consolidated financial statements of the Bank and the financial statements of its subsidiaries and inform the Board accordingly, if applicable.

Review management's report on any dispute, notice of assessment or any other claim of a similar nature which could have a material impact on the financial position of the Bank and ensure that such material claims are properly disclosed in the consolidated financial statements.

Meet with representatives of the Superintendent of Financial Institutions at the request of that organization and report on such meeting to the Board.

(iv) Corporate Compliance

Ensure the independence and effectiveness of Corporate Compliance, in particular by requiring that the function be free of any influence that could adversely affect its ability to objectively assume its responsibilities and ensuring that it reports to an appropriate line level.

Review, on an annual basis, the mandate and the nature and scope of the work of Corporate Compliance and ensure that the function has the resources needed to fulfill its mandate and responsibilities.

Review the Chief Compliance Officer's annual report on the Bank's level of compliance with applicable laws and regulations and other obligations, and recommend approval thereof to the Board.

Review, on an annual basis, the legislative compliance program and recommend approval thereof to the Board.

Review the annual and quarterly reports of Corporate Compliance on the status of compliance at the Bank.

Establish a policy and procedures for (i) the receipt, retention and treatment of complaints received by the Bank regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters. Ensure that this policy is implemented and review it annually.

Review the Third Party Asset Administration and Management Risk Policy of the Bank and recommend the adoption or revision of the policy to the Board. Ensure that this policy is implemented and review it annually.

Review, as necessary, the report of Corporate Compliance on the irregularities or concerns related to accounting or auditing matters at the Bank that have been reported to the Ombudsman of the Bank, as well as the results of any related investigation. Examine the number of reported irregularities or concerns, regardless of whether or not they are founded.

Obtain information from Corporate Compliance on significant changes in laws and regulations, industry compliance issues, new trends and regulatory risks.

(v) Corporate Compliance at National Bank Financial Inc.

Review, on an annual basis, the mandate and the nature and scope of the work of Corporate Compliance at National Bank Financial Inc. and ensure that the function has the resources needed to fulfill its mandate and responsibilities.

Review the quarterly report of the Ultimate Designated Person and the annual report of the Chief Compliance Officer of National Bank Financial Inc. with respect to compliance and non-financial risk management matters relating to National Bank Financial Inc. and determine what actions, if any, are necessary to address any compliance deficiencies identified in these reports.

B) Risk Management

Review, on an annual basis, the mandate of Risk Management and ensure that the function has the resources needed to fulfill its mandate and responsibilities.

Examine the certifications, declarations and/or reports required by a regulatory authority and that fall within the Committee's purview and recommend the approval thereof to the Board.

Require management to report to the Committee on the existence of an environment at the Bank that supports appropriate, effective and prudent management of its operations and of the risks to which it is exposed and that contributes to the achievement of its business objectives. Report thereon to the Board.

Require management to report to the Committee on the fact that the Bank is "in control", i.e., that its operations are managed in accordance with strategic, risk, capital, liquidity and funding management processes, that such processes are carried out in a control environment, that significant problems are identified, and that management takes action to address them; and report thereon to the Board.

Examine the quarterly reports by Risk Management on:

- a) the status of credit, market, liquidity and operational risk at the Bank;
- b) the model and quantification of the Bank's general allowance;
- c) changes in work related to operational and reputational risk management (quantitative and qualitative);
- d) compliance with policies on:
 - operational risk management
 - outsourcing
 - reputational risk resulting from complex structured finance transactions

(i) Risk Management

Review and approve the overall risk philosophy and risk tolerance of the Bank.

Understand the significant risks to which the Bank is exposed and the techniques used to measure and manage those risks.

Review and recommend to the Board the adoption of policies for managing significant risks, notably policies related to credit risk, market risk, structural risk, reputational risk, fiduciary risk and operational risk including outsourcing risk and risk related to money laundering and terrorist financing activities. Ensure that these policies are implemented and review them at least once a year.

Require that management report to the Committee on the existence at the Bank of a process for proactively detecting, assessing and managing material risks and on compliance with policies and control measures. Report thereon to the Board.

(ii) Capital, Liquidity and Funding Management

Understand the Bank's capital, liquidity and funding needs.

Review liquidity and funding management and capital management policies and recommend their adoption to the Board. Ensure these policies are implemented and review them at least once a year.

Require management to report to the Committee on the existence at the Bank of capital, liquidity and funding management processes and on compliance with policies and control measures. Report thereon to the Board.

(iii) Credit

Subject to the fourth paragraph of this subsection, approve the credits of clients, by borrower and by group of borrowers, that exceed the powers delegated to Bank officers and which are defined in the credit risk management policies of the Bank.

Review and recommend to the Board, subject to the provisions set out in section 497 of the Act², any transaction between the Bank and a related party as defined in the Act, except transactions of nominal or immaterial value, personal loans, mortgage loans, lines of credit and financial services granted to officers, as set out in the Conditions of loans and financial services applicable to transactions with senior officers and their related parties, which forms an integral part of the Policy Governing the Management and Monitoring of National Bank of Canada Related Party Transactions.

Review changes in impaired loans, ensure that they are monitored and approve the taking of provisions for any impaired loan in accordance with the rules set forth in the Bank's Credit Risk Management Policy.

Approve the uncommitted credit facilities of financial institutions, governments, corporations and other similar Canadian or foreign borrowers, arranged by the Bank for internal control, which exceed the loaning limits of Bank officers.

Review reports analyzing the economic situation of a given sector of activity in which the Bank has a certain exposure and review portfolio limits in this sector of activity based on management's recommendations.

Review the quarterly reports of the Bank on credit losses and impaired loans.

(iv) Combatting Money Laundering and Terrorist Financing Activities

Appoint a designated officer to be responsible for applying the program to combat money laundering and terrorist financing activities (MLTFA) at the Bank.

Approve the Bank's anti-MLTFA policies and procedures.

Ensure that policies and procedures enabling the Bank to meet its obligations to detect and deter MLTFA are developed, applied, monitored and reviewed.

Ensure that the designated officer establishes an annual self-assessment program to evaluate the effectiveness of anti-MLTFA procedures adopted by the Bank and to suggest corrective measures for risk management systems, if necessary.

Require that the designated officer draft a report on the annual self-assessment which includes the following information: a summary of the assessment's findings, the main elements of anti-MLTFA policies and procedures and the level of adherence to them.

Obtain assurance from Internal Audit that a system of independent controls has been put into place to monitor the quality of these procedures.

Require Internal Audit to present the independent controls performed and any deficiencies detected, as well as a summary of steps that have been or will be taken to address any deficiencies.

(v) Basel Accord

Ensure that rigour and discipline are incorporated into risk management policies, operational controls and credit risk reports and report thereon to the Board.

Review and recommend all material aspects of risk rating systems and related parameters to the Board for approval.

Receive, at least once a year, a report on the efficiency of the Bank's risk rating systems and related parameters and report thereon to the Board.

C) Varia

Act as an audit and risk management committee for Natcan Trust Company or, if necessary, for any other subsidiary of the Bank where allowed under its incorporating act, and exercise all the duties incumbent upon such committee in accordance with the *Trust and Loan Companies Act* or any other applicable legislative or regulatory provision.

Regularly assess the performance and effectiveness of the Committee and periodically review its mandate.

Exercise any other duty assigned to it by the Board and submit to the Board the recommendations it deems appropriate with respect to matters that fall within its purview.

² Any related party transaction must receive Board approval if such transaction results in increasing the aggregate loan and guarantees granted by the Bank or its subsidiaries to a related party to more than 2% of the regulatory capital of the Bank.

ADDITIONAL INFORMATION

Additional information on the Bank is available on its website at www.nbc.ca and on the System for Electronic Documents Analysis and Retrieval (SEDAR) website at www.sedar.com. The Bank's financial information appears in the consolidated financial statements and in Management's Discussion and Analysis for the most recently completed fiscal year, both of which are part of the Annual Report. The Annual Report is available on SEDAR.

The Bank will provide to any person, upon request, a copy of the Annual Information Form together with a copy of any document incorporated therein by reference, a copy of the annual consolidated financial statements together with the accompanying auditors' report and Management's Discussion and Analysis for the 2007 fiscal year, a copy of any subsequent quarterly report, a copy of the Circular in respect of its most recent Annual Meeting of Shareholders that involved the election of directors, and a copy of any document that is incorporated by reference into a preliminary short form prospectus or a short form prospectus whenever the securities of the Bank are part of a distribution. The Circular, enclosed with the Notice of the Annual Meeting of Shareholders for the meeting scheduled for February 29, 2008, contains additional information such as the compensation and indebtedness of directors and executive officers, the principal holders of Bank securities and stock options. Copies of these documents may be obtained upon request from the Corporate Secretary's Office of the Bank, 600 de La Gauchetière Street West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

APPENDIX A: NOTES

MOODY'S INVESTORS SERVICE, INC. ("MOODY'S")

Short-Term

P-1

Issuers (or supporting institutions) rated "Prime-1" have a superior ability to repay short-term debt obligations.

Long-Term Bank Deposit

Aa2

Banks rated "Aa" for deposits offer excellent credit quality, but are rated lower than Aaa banks because their susceptibility to long-term risks appears somewhat greater. The margins of protection may not be as great as with Aaa-rated banks, or fluctuations of protective elements may be of greater amplitude.

Long-Term Senior Debt

Aa2

Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

Long-Term Subordinated Debt

Aa3

Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

Issuer Rating

Aa2

Determines the ability of entities to honour senior unsecured financial obligations and contracts. Obligations rated "Aa" are judged to be of high quality and are subject to very low credit risk.

Financial Strength

B-

Banks rated "B" possess strong intrinsic financial strength. Typically, they will be institutions with valuable and defensible business franchises, good financial fundamentals, and a predictable and stable operating environment.

Moody's appends numerical modifiers "1," "2" and "3" to each generic rating classification from "Aa" through "Caa." The modifier "1" indicates that the obligation ranks in the higher end of its generic rating category; the modifier "2" indicates a mid-range ranking; and the modifier "3" indicates a ranking in the lower end of that generic rating category.

A "+" modifier is appended to ratings below the "A" category and a "." modifier is appended to ratings above the "E" category to distinguish those banks that fall in intermediate categories.

STANDARD & POOR'S, A DIVISION OF THE MCGRAW-HILL COMPANIES, INC. ("STANDARD & POOR'S")

A

An obligation rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

P2 (High) corresponds to BBB+

An obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Plus (+) or minus (-)

The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

A-1

A short-term obligation rated "A-1" is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong.

A-1 (Mid)

Short-term obligations rated "A-1 (Mid)" reflect a strong capacity for the obligor to meet its financial commitment on the obligation. Obligations rated "A-1 (Mid)" on the Canadian commercial paper rating scale would qualify for a rating of "A1" on Standard & Poor's global short-term rating scale.

DBRS LIMITED (“DBRS”)

Short-Term Debt

The DBRS® short-term debt rating scale is meant to give an indication of the risk that a borrower will not fulfill its near-term debt obligations in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity. Each rating category is denoted by the subcategories “high,” “middle,” and “low.”

R-1 (Middle)

Short-term debt rated “R-1 (middle)” is of superior credit quality and, in most cases, ratings in this category differ from “R-1 (high)” credits by only a small degree. Given the extremely tough definition DBRS has established for the “R-1 (high)” category, entities rated “R-1 (middle)” are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

Long-Term Debt

The DBRS® long-term debt rating scale is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity. Each rating category is denoted by the subcategories “high” and “low.” The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category. The “AAA” and “D” categories do not utilize “high,” “middle” and “low” as different grades.

AA (Low)

Long-term debt rated “AA” is of superior credit quality, and protection of interest and principal is considered high. In many cases they differ from long-term debt rated “AAA” only to a small degree. Given the extremely restrictive definition DBRS has for the “AAA” category, entities rated “AA” are also considered to be strong credits, typically exemplifying above-average strength in key areas of consideration and unlikely to be significantly affected by reasonably foreseeable events.

A (High)

Long-term debt rated “A” is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of “AA” rated entities. While “A” is a respectable rating, entities in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated entities.

Preferred Shares

The DBRS® preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both dividend and principal commitments. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity. Each rating category is denoted by the subcategories “high” and “low.” The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category.

Pfd-1 (Low)

Preferred shares rated “Pfd-1” are of superior credit quality, and are supported by entities with strong earnings and balance sheet characteristics. Pfd-1 securities generally correspond with companies whose senior bonds are rated in the “AAA” or “AA” categories. As is the case with all rating categories, the relationship between senior debt ratings and preferred share ratings should be understood as one where the senior debt rating effectively sets a ceiling for the preferred shares issued by the entity. However, there are cases where the preferred share rating could be lower than the normal relationship with the issuer’s senior debt rating.

FITCH RATINGS LTD. (“FITCH RATINGS”)

Short-Term

A short-term rating has a time horizon of less than 13 months for most obligations, or up to three years for US public finance, in line with industry standards, to reflect unique risk characteristics of bond, tax, and revenue anticipation notes that are commonly issued with terms up to three years. Short-term ratings thus place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner. Both “foreign currency” and “local currency” ratings are internationally comparable assessments.

F1

Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added «+» to denote any exceptionally strong credit feature.

Long-Term

International Long-Term Credit Ratings (LTCR) may also be referred to as Long-Term Ratings. When assigned to most issuers, it is used as a benchmark measure of probability of default and is formally described as an Issuer Default Rating (IDR). The major exception is within Public Finance, where IDRs will not be assigned as market convention has always focused on timeliness and does not draw analytical distinctions between issuers and their underlying obligations. When applied to issues or securities, the LTCR may be higher or lower than the issuer rating (IDR) to reflect relative differences in recovery expectations.

A+ and A

High credit quality. “A” ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

The modifiers “+” or “-” may be appended to a rating to denote relative status within major rating categories.

Individual

Individual ratings are assigned only to banks. These ratings, which are internationally comparable, attempt to assess how a bank would be viewed if it were entirely independent and could not rely on external support. These ratings are designed to assess a bank’s exposure to, appetite for, and management of risk, and thus represent the view of Fitch Ratings regarding the likelihood that a bank would run into significant difficulties such that it would require support.

The principal factors analyzed to evaluate a bank and determine these ratings include profitability and balance sheet integrity (including capitalization), franchise, management, operating environment, and prospects. Consistency is also an important consideration, as is a bank’s size (in terms of equity capital) and diversification (in terms of involvement in a variety of activities in different economic and geographical sectors).

B

A “B” rating denotes a strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

Soutien

Support ratings offer judgement of a potential supporter’s (either a sovereign state’s or an institutional owner’s) propensity to support a bank and of its ability to support it. Its ability to support is set by the potential supporter’s own Long-term debt rating, both in foreign currency and, where appropriate, in local currency. Support ratings have a direct link to Long-term debt ratings, but they do not, nevertheless, assess the intrinsic credit quality of a bank. Rather they communicate judgement on whether the bank would receive support should this become necessary. It is emphasized that these ratings are exclusively the expression of Fitch’s opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities and/or owners.

2

Denotes a bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-term rating floor of “BBB-”.

Annual Information Form dated January 16, 2008



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