

ANNUAL INFORMATION FORM

DECEMBER 10, 2009

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**NATIONAL
BANK**

FINANCIAL GROUP

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 Annual Report to Shareholders, including Management's Discussion and Analysis for the fiscal year ended October 31, 2009 (the "Annual Report") and are incorporated herein by reference.

The Annual Report is available on the National Bank of Canada (the "Bank") website (www.nbc.ca) and on the System for Electronic Documents Analysis and Retrieval (SEDAR) website (www.sedar.com).

EXPLANATORY NOTE

In this Annual Information Form, unless otherwise noted, the information is presented as at October 31, 2009.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS IN THIS ANNUAL INFORMATION FORM

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the "Major Economic Trends and Challenges" section and under the heading "Medium-term objectives" in the "Overview" section of the Annual Report, in other filings with Canadian regulators and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2010 and the objectives it has set for itself for that period. All such statements are made pursuant to the "safe harbour" provisions of Canadian and U.S. securities legislation. These forward-looking statements include, among others, statements with respect to the economy (particularly the Canadian and U.S. economies), market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook," "believe," "anticipate," "estimate," "project," "expect," "intend," "plan," and words and expressions of similar import.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2010 and how they will affect the Bank's business are the primary factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. It is likely that personal and commercial bankruptcies will increase in the coming quarters, due to the financial and credit crisis that marked fiscal 2009. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Tax laws in the countries in which the Bank operates, primarily Canada and the United States, are major factors it considers when establishing its effective tax rate. There is a strong possibility that express or implied projections contained in such statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of important factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in these forward-looking statements. These factors include, but are not limited to, the management

of credit, market and liquidity risks; the strength of the Canadian and U.S. 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 and the U.S. Federal Reserve; 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 proceedings, regulatory proceedings or claims, class actions or other recourses of various nature; the situation with respect to asset-backed commercial paper ("ABCP"), in particular the realizable value of underlying assets; the Bank's ability to obtain accurate or 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; the Bank's ability to recruit and retain key officers; operational risks, including risks related to the Bank's reliance on third parties to ensure access to the infrastructure essential to the Bank's business as well as 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. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have an adverse effect on the Bank's financial results, businesses, financial condition, or liquidity.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found under "Risk Management" and "Factors That Could Affect Future Results" in the Annual Report. 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. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.

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ABBREVIATIONS USED

ABCP	Asset-backed commercial paper
Act	<i>Bank Act</i> (Canada)
Annual Report	The Bank's annual report to shareholders, including the MD&A, for the fiscal year ended October 31, 2009
ARMC	Audit and Risk Management Committee of the Board
Bank	National Bank of Canada
Board	Board of Directors of the Bank
Circular	Management Proxy Circular in respect of the most recent meeting of holders of Common Shares that involved the election of directors
CRCGC	Conduct Review and Corporate Governance Committee of the Board
CSA	Canadian Securities Administrators
DBRS	DBRS Limited
Fitch Ratings	Fitch Ratings Ltd.
IFRS	International Financial Reporting Standards
MD&A	Management's Discussion and Analysis for the fiscal year ended October 31, 2009
Meeting	Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on Wednesday, March 31, 2010
Moody's	Moody's Investors Services, Inc.
Nikkei 225 Notes (2009)	Nikkei 225 Protected Index Notes
ROE	Return on common shareholders' equity
SB/DT	Samson Bélaïr/Deloitte & Touche s.e.n.c.r.l.
SEDAR	System for Electronic Document Analysis and Retrieval
Standard & Poor's	Standard & Poor's, a division of The McGraw-Hill Companies, Inc.
Superintendent	The Superintendent of Financial Institutions (Canada)
TSX	The Toronto Stock Exchange

CORPORATE STRUCTURE

Name, Address and Incorporation

The Bank is a Canadian bank governed by the Act. 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, the Bank 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 2008-2009: The Bank posted net income of \$854 million for fiscal 2009, up 10% from the \$776 million reported in fiscal 2008. Diluted earnings per share stood at \$4.94 versus \$4.67 the previous year. Excluding specified items, all related to the impact of ABCP in fiscal 2009, net income would have stood at \$1,061 million compared to \$947 million for the fiscal year ended October 31, 2008. Specified items in 2008 included a gain on the sale of the Bank's subsidiary in Nassau, a gain resulting from the merger of the Montréal Exchange Inc. and TSX Group Inc., a restructuring charge, a write-off of premises and equipment, and charges related to the impact of ABCP. Excluding specified items, diluted earnings per share were \$6.22, up 8% over fiscal 2008. ROE was 15.6% for fiscal 2009, compared to 16.4% for the fiscal year ended October 31, 2008. Excluding specified items, it would have been 19.0% in 2009. Tier 1 and total capital ratios, according to the rules of the Bank for International Settlements (BIS) – Basel II, stood at 10.7% and 14.3%, respectively, as at October 31, 2009, compared to 9.4% and 13.2% as at October 31, 2008. Finally, the dividend payout ratio was 50% in fiscal 2009. Business for the Personal and Commercial segment was up due to an increase in loan and deposit volumes, particularly in consumer loans. Total revenues for the Wealth Management segment were down, due to lower transaction volume, a narrower spread on deposits, and assets under management and administration that remained lower than 2008 levels. Lastly, revenues in the Financial Markets segment were up significantly mainly due to higher trading activity revenues from equity securities and fixed-income securities.

Fiscal 2007-2008: The Bank posted net income of \$776 million for fiscal 2008 as against \$541 million for fiscal 2007. Diluted earnings per share were \$4.67 versus \$3.22 the previous year. ROE was 16.4% for fiscal 2008, compared to 11.5% for 2007. In 2008, the Bank recorded an after-tax charge of \$180 million attributable to the impact of ABCP, an after-tax restructuring charge of \$44 million, an after-tax charge of \$36 million pertaining to the write-off of tangible assets, a gain of \$57 million after taxes stemming from the combination of Montréal Exchange Inc. with TSX Group Inc. and a net gain of \$32 million on the sale of the Bank's subsidiary in Nassau. In 2007, an after-tax charge of \$381 million attributable to the impact of ABCP had been recorded as well as an after-tax restructuring charge of \$5 million resulting from the consolidation of Altamira's activities with those of the Bank and a \$6 million charge for the impairment in value of an intangible asset. Excluding these specified items for fiscal 2008 and 2007, net income increased by 2% to \$947 million in 2008; diluted earnings per share rose by 2% to \$5.75; ROE was 19.7%, at the upper end of the target range of 16% to 21%; the Tier 1 capital ratio was 9.4% under Basel II rules, higher than the 8.0% minimum targeted; and the dividend payout ratio was 43%, within the target range of 40% to 50%. The Personal and Commercial segment recorded sound growth in loan and deposit volumes, particularly in consumer loans and residential mortgages. Total revenues for the Wealth Management segment were down, mainly due to unfavourable market conditions and negative growth in asset value. Finally, the decline in revenues from the Financial Markets segment was primarily attributable to lower trading revenues and financial market fees, which were themselves linked to market conditions.

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 previous year. ROE was 11.5% for fiscal 2007, compared to 20.1% for 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.

DESCRIPTION OF THE BUSINESS

Environmental Protection

Environmental Policies

For several years, the Bank and its subsidiaries have been redoubling their efforts to manage the impact of their activities on the environment. Accordingly, they have adopted various environmentally friendly practices and programs notably aimed at reducing the amount of energy, paper and materials they use, increasing the amount recovered and recycled, limiting waste and minimizing the environmental impact of space planning projects.

In order to protect and enhance the quality of the environment, the Bank, together with its subsidiaries, has also supported companies in the environment sector by providing them with financing, and has contributed, through donations and sponsorships, to non-profit environmental organizations.

Through its environmental policy, a subsidiary of the Bank, National

Bank Realty Inc., in its role as building manager, has committed to operate the buildings it manages in a sound manner and in accordance with recognized standards and current regulations. This subsidiary has committed to 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

Over the past few years, the Bank, as well as certain of its subsidiaries, has incorporated environmental criteria into its credit policies and introduced controls to ensure that property taken as security by the Bank conforms to environmental standards. These policies notably cover the management of environmental risks associated with credit granting and the possession of contaminated assets, as well as set out the protective measures to be taken to identify and mitigate potential environmental risks, both now and in the future. Accordingly, all housing development financing applications undergo various stages of analysis, including an environmental-impact analysis based on the specific case. To date, the risks involved have not had a material impact on the Bank's operations.

SHARE CAPITAL STRUCTURE

As at October 31, 2009, the Bank's authorized share capital consisted of an unlimited number of Common Shares without par value, issuable for a maximum aggregate consideration determined by the Board, and an unlimited number of First Preferred Shares without par value, issuable for a maximum aggregate consideration of \$5,000,000,000, or the equivalent thereof in foreign currencies, issuable in several series, specifically, Series 15 to 27 inclusively. The Bank's authorized share capital also consisted of 15,000,000 Second Preferred Shares without par value, issuable for a maximum aggregate consideration of \$300,000,000. Each of these classes and series is described below. The Bank's by-laws and the actual terms and conditions of such shares take precedence over the following summary of share capital.

Common Shares

Holders of Common Shares are entitled to receive dividends, in such amounts and payable at such times as 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 under "First Preferred Shares" and under "Second Preferred Shares" or holders of shares of any other class of Bank shares ranking senior to common shares, respectively, the remaining property of the Bank will be distributed rateably among the holders of Common Shares.

Holders of Common Shares are entitled to cast one vote per share. However, the Act contains provisions specifically prohibiting the exercise of voting rights attached to shares of the Bank beneficially owned by:

- i) the government of Canada or of a province;
- ii) the government of a foreign country or of any political subdivision of a foreign country;
- iii) an agency of any of these entities;
- iv) a person who has acquired a substantial interest in a class of Bank shares (more than 10% of the shares in the class) without the authorization of the Minister of Finance; or
- v) a person who holds a substantial interest in a class of shares of another widely-held bank or bank holding company with equity of \$8 billion or more.

As at October 31, 2009, there were 23,970 registered holders of Common Shares in the Bank's register of Common Shares.

First Preferred Shares

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

Issuance in Series

First Preferred Shares may be issued, subject to the provisions of the Act, in one or more 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 (other than series already issued and outstanding), including the rate, amount or calculation method and terms and conditions of redemption, purchase or conversion and sinking fund or purchase fund provisions.

Dividends

Holders of all series of First Preferred Shares are entitled to receive dividends in such amounts and payable at such times as the Board determines. Holders of any series of First Preferred Shares have priority over the holders of Common Shares, Second Preferred Shares or shares of any other class of Bank shares ranking junior to the First Preferred Shares. In the case of cumulative dividends, the priority shall cover all dividends accrued (which for such purpose shall be calculated as if such dividends were accruing from day to day) and unpaid. In the case of non-cumulative dividends, the priority shall cover all declared and unpaid dividends. 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.

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, Second Preferred Shares, or shares of any other class of Bank 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.

Voting Rights

Subject to the provisions of the Act and except as otherwise provided in the rights, privileges, restrictions and conditions attaching to any series of First Preferred Shares, the holders of First Preferred Shares do not, as such, have any voting rights for the election of directors of the Bank, the appointment of external auditors, or for any other purpose nor are they entitled to receive any notice of or attend shareholder meetings.

Each series of First Preferred Shares has its own set of terms and conditions, which are summarized below.

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

Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 15 since May 15, 2008, in whole or in part, at any time at a price equal to \$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 are 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.

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

Subject to the consent of the Superintendent and the provisions of the Act, 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 are 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.

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 as at October 31, 2009. Subject to the consent of the Superintendent and the provisions of the Act, 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 are 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 as at October 31, 2009. Subject to the consent of the Superintendent and the provisions of the Act, 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, inclusively, 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 are 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 19

The First Preferred Shares, Series 19 are part of the Bank's authorized share capital, but no share in this series had been issued as at October 31, 2009. Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 19 on or after June 30, 2013, 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, 2014, at \$25.75 per share if they are redeemed during the 12 months prior to June 30, 2015, inclusively, at \$25.50 per share if they are redeemed during the 12 months prior to June 30, 2016, inclusively, at \$25.25 per share if they are redeemed during the 12 months prior to June 30, 2017, inclusively, and at \$25.00 per share if they are redeemed after June 30, 2017, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 19 are 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 \$0.6875 per share, subject to certain adjustments.

Series 20 (Series M) (NA.PR.M)

Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 20 on or after May 15, 2013, in whole or in part, at any time at a price equal to \$26.00 per share if they are redeemed during the 12 months prior to May 15, 2014, at \$25.75 per share if they are redeemed during the 12 months prior to May 15, 2015, at \$25.50 per share if they are redeemed during the 12 months prior to May 15, 2016, at \$25.25 per share if they are redeemed during the 12 months prior to May 15, 2017, and at \$25.00 per share if they are redeemed on or after May 15, 2017, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 20 are 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 \$0.375 per share.

Series 21 (Series N) (NA.PR.N)

Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 21 on August 16, 2013 and on August 16 every five years thereafter, in whole or in part, at a price equal to \$25.00 per share, together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 21 are entitled to receive a fixed 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 \$0.33594 per share, during the initial period ending August 15, 2013. Thereafter, holders of First Preferred Shares, Series 21 are entitled to receive a fixed 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, in the amount per share per annum determined by multiplying the interest rate, equal to the sum of the Government of Canada bond yield on the applicable calculation date plus 2.05%, by \$25.00.

Holders of First Preferred Shares, Series 21 will be entitled at their option to convert all or any of their shares to an equivalent number of First Preferred Shares, Series 22, subject to certain conditions, on August 16, 2013 and on August 16 every five years thereafter.

Series 22

The First Preferred Shares, Series 22 are part of the Bank's authorized share capital, but no share in this series had been issued as at October 31, 2009. Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 22, in whole or in part, at a price equal to \$25.00 per share on August 16, 2018 and on August 16 every five years thereafter, or at \$25.50 per share on any other date on or after August 16, 2013, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 22 are entitled to receive a floating rate 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, in an amount per share determined by multiplying the interest rate, equal to the sum of the 3-month Government of Canada Treasury Bill rate on the applicable floating rate calculation date plus 2.05%, by \$25.00, calculated on the basis of the actual number of days elapsed in such period divided by 365.

Holders of First Preferred Shares, Series 22 will be entitled, at their option, to convert all or any of their shares to an equivalent number of First Preferred Shares, Series 21, subject to certain conditions, on August 16, 2018, and on August 16 every five years thereafter.

Series 23

The First Preferred Shares, Series 23 are part of the Bank's authorized share capital, but no share in this series had been issued as at October 31, 2009. Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 23 on or after July 31, 2013, 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, 2014, at \$25.75 per share if they are redeemed during the 12 months prior to June 30, 2015, inclusively, at \$25.50 per share if they are redeemed during the 12 months prior to June 30, 2016, inclusively, at \$25.25 per share if they are redeemed during the 12 months prior to June 30, 2017, inclusively, and at \$25.00 per share if they are redeemed after June 30, 2017, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 23 are 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 \$0.75 per share, subject to certain adjustments.

Series 24 (Series O) (NA.PR.O)

Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 24 on February 15, 2014 and on February 15 every five years thereafter, in whole or in part, at a price equal to \$25.00 per share, together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 24 are entitled to receive a fixed 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 an annual rate equal to \$1.65 per share, during the initial period ending February 15, 2014. Thereafter, holders of First Preferred Shares, Series 24 are entitled to receive a fixed 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, in the amount per share per annum determined by multiplying the sum of the Government of Canada bond yield on the applicable fixed rate calculation date plus 4.63%, by \$25.00.

Holders of First Preferred Shares, Series 24 will be entitled, at their option, to convert all or any of their shares to an equivalent number of First Preferred Shares, Series 25, subject to certain conditions, on February 15, 2014 and on February 15 every five years thereafter.

Series 25

The First Preferred Shares, Series 25 are part of the Bank's authorized share capital, but no share in this series had been issued as at October 31, 2009. Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 25, in whole or in part, at a price equal to \$25.00 per share on February 15, 2019 and on February 15 every five years thereafter, or at \$25.50 per share on any other date on or after February 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 25 are entitled to receive a floating 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, in the amount per share determined by multiplying the sum of the 90-day Government of Canada Treasury Bill rate on the applicable floating rate calculation date plus 4.63%, by \$25.00, calculated on the basis of the actual number of days elapsed in such period divided by 365.

Holders of First Preferred Shares, Series 25 will be entitled, at their option, to convert their shares to an equivalent number of First Preferred Shares, Series 24, subject to certain conditions, on February 15, 2019 and on February 15 every five years thereafter.

Series 26 (Series P) (NA.PR.P)

Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 26 on February 15, 2014 and on February 15 every five years thereafter, in whole or in part, at a price equal to \$25.00 per share, together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holders of First Preferred Shares, Series 26 are entitled to receive a fixed 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 an annual rate equal to \$1.65 per share, during the initial period ending February 15, 2014. Thereafter, holders of First Preferred Shares, Series 26 are entitled to receive a fixed 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, in the amount per share per annum determined by multiplying the sum of the Government of Canada bond yield on the applicable fixed rate calculation date plus 4.79%, by \$25.00.

Holders of First Preferred Shares, Series 26 will be entitled, at their option, to convert their shares to an equivalent number of First Preferred Shares, Series 27, subject to certain conditions, on February 15, 2014 and on February 15 every five years thereafter.

Series 27

The First Preferred Shares, Series 27 are part of the Bank's authorized share capital, but no share in this series had been issued as at October 31, 2009. Subject to the consent of the Superintendent and the provisions of the Act, the Bank may, at its option, redeem for cash the First Preferred Shares, Series 27, in whole or in part, at a price equal to \$25.00 per share on February 15, 2019 and on February 15 every five years thereafter, or at \$25.50 per share on any other date on or after February 15, 2014, in each case together with all declared and unpaid dividends thereon up to the date fixed for redemption.

Holder of First Preferred Shares, Series 27 are entitled to receive a floating 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, in the amount per share determined by multiplying the sum of the 90-day Government of Canada Treasury Bill rate on the applicable floating rate calculation date plus 4.79%, by \$25.00, calculated on the basis of the actual number of days elapsed in such period divided by 365.

Holder of First Preferred Shares, Series 27 will be entitled, at their option, to convert their shares to an equivalent number of First Preferred Shares, Series 26, subject to certain conditions, on February 15, 2019 and on February 15 every five years thereafter.

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 as at October 31, 2009. The Second Preferred Shares carry and are subject to the rights, privileges, restrictions and conditions set out below:

Rank

Second Preferred Shares rank senior to the Common Shares and the shares of all other classes of Bank shares 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.

Issuance in Series

Second Preferred Shares may be issued from time to time in one or more series. The Board may, by resolution, subject to the provisions of the Act, fix the number of shares in, and determine the respective designations, rights, privileges, restrictions and conditions of each series, including the rate, amount or calculation method and terms and conditions of redemption, purchase or conversion and sinking fund or purchase fund provisions.

Dividends

Holder 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 Bank shares ranking junior to the Second Preferred Shares. In the case of cumulative dividends, the priority shall cover all dividends accrued (which for such purpose shall be calculated as if such dividends were accruing from day to day) and unpaid. In the case of non-cumulative dividends, the priority shall cover all declared and unpaid dividends. 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.

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 Bank 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.

Voting Rights

Subject to the provisions of the Act and except as otherwise provided in the rights, privileges, restrictions and conditions attaching to any series of Second Preferred Shares, the holders of Second Preferred Shares do not, as such, have any voting rights for the election of directors of the Bank, the appointment of external auditors, or for any other purpose nor are they be entitled to receive any notice of or attend shareholder meetings.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares and the First Preferred Shares, Series 15, 16, 20, 21, 24 and 26 of the Bank (described below) are listed in Canada on the TSX. The First Preferred Shares, Series 17, 18, 19, 22, 23, 25 and 27 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 as at October 31, 2009.

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
Series 20	NA.PR.M	Nat Bk s20 or Natl Bk s20
Series 21	NA.PR.N	Nat Bk s21 or Natl Bk s21
Series 24	NA.PR.O	Nat Bk s24 or Natl Bk s24
Series 26	NA.PR.P	Nat Bk s26 or Natl Bk s26

The following table shows the monthly price ranges and trading volumes of each of the Bank's securities listed on the TSX for the fiscal year ended October 31, 2009.

Symbol		2008/11	2008/12	2009/01	2009/02	2009/03	2009/04	2009/05	2009/06	2009/07	2009/08	2009/09	2009/10
Common Shares (NA)	High (\$)	46.47	40.74	36.72	38.15	45.18	47.00	51.75	55.77	59.13	61.45	62.40	59.76
	Low (\$)	32.88	24.25	30.65	30.40	34.94	39.62	43.00	51.09	51.18	55.16	58.77	56.00
	Volume	14,657,493	28,317,409	22,054,303	18,894,664	25,364,260	15,817,466	16,549,707	20,986,572	16,245,038	11,405,990	14,017,339	13,086,510
Series 15 (NA.PR.K)	High (\$)	21.98	19.99	21.20	21.39	21.23	22.09	23.95	24.18	24.48	25.65	25.60	25.49
	Low (\$)	16.01	16.42	19.95	20.25	19.01	20.65	21.86	23.39	23.14	24.00	24.77	24.25
	Volume	123,679	374,541	120,293	71,017	64,138	102,443	103,848	98,579	118,334	130,561	93,396	86,581
Series 16 (NA.PR.L)	High (\$)	18.00	16.50	18.00	18.00	18.24	18.55	20.20	20.20	20.95	22.06	22.27	21.92
	Low (\$)	13.00	13.22	16.21	16.99	16.10	17.30	18.21	19.51	19.80	20.40	21.31	20.50
	Volume	216,894	447,439	216,539	130,516	105,868	103,554	146,724	103,751	78,525	219,752	130,709	172,749
Series 20 (NA.PR.M)	High (\$)	22.62	20.98	22.65	21.95	21.38	22.49	24.49	24.74	24.91	25.66	25.90	25.55
	Low (\$)	17.65	16.56	20.45	20.21	20.05	20.87	21.86	23.76	23.78	24.77	25.36	24.91
	Volume	160,475	209,635	114,535	92,215	95,200	103,525	112,677	154,998	168,607	204,457	134,759	167,711
Series 21 (NA.PR.N)	High (\$)	25.00	23.00	23.50	23.95	23.93	24.93	25.70	25.99	28.00	27.25	26.50	26.49
	Low (\$)	21.20	18.89	21.00	22.00	22.00	23.40	24.50	24.90	25.22	26.07	26.06	25.72
	Volume	84,960	137,288	85,345	39,377	42,322	87,585	111,060	190,405	128,113	199,237	80,458	73,561
Series 24 (NA.PR.O) ¹	High (\$)	N/A	N/A	25.20	25.39	25.75	27.45	27.20	27.60	27.97	28.00	28.00	27.95
	Low (\$)	N/A	N/A	24.70	24.90	25.05	25.15	26.12	26.80	27.00	27.60	27.06	27.16
	Volume	N/A	N/A	680,236	241,641	206,761	148,115	202,470	330,981	196,395	195,340	278,719	141,549
Series 26 (NA.PR.P) ²	High (\$)	N/A	N/A	24.95	26.00	25.99	26.74	27.30	27.89	27.90	28.30	28.13	28.00
	Low (\$)	N/A	N/A	24.85	24.80	25.15	25.38	26.25	26.60	27.30	27.70	27.38	27.19
	Volume	N/A	N/A	172,668	406,701	153,562	271,466	109,168	188,983	238,668	118,445	207,756	148,229
Nikkei 225 Notes (2009) (NA.NT.) ³	High (\$)	9.70	9.80	9.90	9.94	9.98	9.98	N/A	N/A	N/A	N/A	N/A	N/A
	Low (\$)	9.60	9.39	9.85	9.90	9.92	9.98	N/A	N/A	N/A	N/A	N/A	N/A
	Volume	2,300	8,400	8,200	22,600	158,200	500	N/A	N/A	N/A	N/A	N/A	N/A

(1) The First Preferred Shares, Series 24 were listed on the TSX in January 2009.

(2) The First Preferred Shares, Series 26 were listed on the TSX in January 2009.

(3) The Nikkei 225 Notes (2009) matured on April 30, 2009 and were redeemed on that date. Given the performance of the Nikkei 225 Index, the redemption price corresponded to the amount of the initial capital, i.e., \$10,300,000. Moreover, on that date, the security was delisted from the TSX at market closing.

The following tables show the monthly price ranges and trading volumes of each of the Bank's securities listed on the Luxembourg Stock Exchange and traded in fiscal 2009.

Floating-rate bond (NatlBank Canada 88-87 28/08s)

Date	High	Low	Volume
–	–	–	nil

Floating-rate bond (NatlBank Canada 04-09 14/10t)

This security was delisted from the Luxembourg Stock Exchange on April 14, 2009.

Date	High	Low	Volume
–	–	–	nil

Floating-rate bond (NatlBank Canada 08-09 28/08t pe)

This security was delisted from the Luxembourg Stock Exchange on November 30, 2009.

Date	High	Low	Volume
–	–	–	nil

Floating-rate bond (NatlBank Canada 05-10 20/10t pe)

Date	High	Low	Volume
2008/11	US \$96.54	US \$96.54	nil
2008/12	US \$96.55	US \$96.55	nil
2009/03	US \$96.94	US \$96.94	nil

Notes

The table below provides the ratings assigned to the Bank's outstanding securities by the following approved rating organizations as at October 31, 2009.

The ratings should not be construed as recommendations to buy, sell or hold Bank securities. Approved rating organizations may revise or withdraw their ratings at any time. The definition of the various ratings as at October 31, 2009 was obtained from the websites of the respective approved rating organizations and is provided in Appendix A.

	Moody's ¹	Standard & Poor's ³	DBRS	Fitch Ratings ⁴
Short-Term Senior Debt (1st ranking)	P-1	A-1	R-1 (Middle)	F1
Long-Term Senior Debt (1st ranking)	Aa2	A	AA (Low)	A+
Subordinated Debt (2nd ranking)	Aa3	A-	A (High)	A
Preferred Shares	A1 ²	P-2(High)/BBB+	Pfd-2	N/A
Trend/outlook	stable	stable	stable	stable

(1) Moody's assigned a "B-" rating to financial stability.

(2) Moody's recently announced its intention to review its rating methodology for certain classes of securities. The full impact of this change on the future rating assigned to the Bank's preferred shares is currently unknown.

(3) Standard & Poor's assigned an "A-1 (Mid)/A-1" rating to commercial paper (Canadian/global scale).

(4) Fitch Ratings assigned an individual rating of "B" and a support rating of "2".

ESCROWED SECURITIES

As at October 31, 2009, the securities listed in the table below are, to the Bank's knowledge, all the voting securities of the Bank held in escrow. Computershare Trust Company of Canada is the custodian, as escrow agent, of said securities. These securities will be released on the dates and as per the conditions set out in the escrow agreements, including based on the degree to which the specified financial objectives are achieved.

Designation of class	Number of escrowed securities	Percentage of the class
Common shares	239,290	0.15%

DIRECTORS AND EXECUTIVE OFFICERS

Directors

As at October 31, 2009, the following directors were members of the Bank's Board. The main positions they have held since November 1, 2004 are also indicated. All directors elected at the Meeting will hold office until their resignation or the election or appointment of their replacement or until the close of the subsequent annual meeting of holders of common shares of the Bank. For further information, consult the Circular.

BLOOMBERG, Lawrence S. (Ontario, Canada)	Director since August 1999	Advisor to National Bank Financial.
BOURGIE, Pierre^{1, 2} (Quebec, Canada)	Director since March 1998	President and Chief Executive Officer of Société Financière Bourgie (1996) inc., a diversified investment company, since 1996, and President of Ipsos Facto, a real estate financing limited partnership, since 2001.
CAILLÉ, André^{1, 2, 3, 4} (Quebec, Canada)	Director since October 2005	Corporate Director of several companies, including Junex Inc., an oil and gas exploration corporation. He was Chairman of the Board of Hydro-Québec from April to September 2005 and served as its President and Chief Executive Officer and director from October 1996 to April 2005.
COULOMBE, Gérard (Quebec, Canada)	Director since February 1994	Partner of the law firm Lavery, de Billy, L.L.P. From 1977 to 2007, he was Senior Partner at Desjardins Ducharme, L.L.P., where he chaired the board of directors from 2000 to 2007.
CYR, Bernard^{1, 4} (New Brunswick, Canada)	Director since August 2001	President of Cyr Holdings Inc., a holding company in the hotel, commercial real estate, restaurant and entertainment sectors, since 1986 and of Dooly's Inc., an entertainment industry franchiser, since 1993.
DAWE, Shirley A.^{2, 3} (Ontario, Canada)	Director since July 1988	Corporate Director. She has been President of Shirley Dawe Associates Inc., a management consulting firm, since 1986.
DIAMOND-GÉLINAS, Nicole¹ (Quebec, Canada)	Director since March 1998	President of Aspasie Inc., a manufacturer of colour charts, since 1988 and President of Plastifil Inc., a synthetic colour fibre manufacturer, since 1998. She also heads Trois-Rivières Ford Lincoln Inc., a company specializing in the sale, leasing and servicing of motor vehicles.
DOUVILLE, Jean (Quebec, Canada)	Director since November 1991	Corporate Director. He has been Chairman of the Board of the Bank since March 10, 2004.
DUTIL, Marcel^{3, 4} (Quebec, Canada)	Director since January 1982	Chairman of the Board and Chief Executive Officer of Canam Group Inc., an industrial company which operates plants specializing in the design and manufacture of construction products and solutions.
GAULIN, Jean^{1, 3, 4} (California, United States)	Director since October 2001	Corporate Director.
GOBEIL, Paul^{1, 2} (Ontario, Canada)	Director since February 1994	Corporate Director.
LAFLAMME, Louise¹ (Quebec, Canada)	Director since November 2008	Corporate Director. She served as Senior Vice-President and Advisor to the President and Chief Executive Officer of the Montréal Exchange Inc. ⁵ until her departure on June 30, 2008, after 11 years with this exchange dedicated to the development of the Canadian derivatives market. In this capacity, she served as Chief Financial Officer and was also responsible for human resources and administration.
RUNTE, Roseann^{2, 4} (Ontario, Canada)	Director since April 2001	President and Vice-Chancellor of Carleton University in Ottawa since July 1, 2008. She also served as President of Old Dominion University in Norfolk, Virginia from 2001 to 2008.
TELLIER, Marc P.³ (Quebec, Canada)	Director since March 2005	President and Chief Executive Officer of Yellow Pages Group Co., Canada's largest directories publisher, since 2001.
VACHON, Louis (Quebec, Canada)	Director since August 2006	President and Chief Executive Officer of the Bank since June 2007. He is responsible for the strategies, orientations and development of National Bank Financial Group. From August 2006 to May 2007, he held the position of Chief Operating Officer of the Bank responsible for all its operating units. He was Chairman of the Board of Natcan Investment Management Inc. from November 2004 to September 2006, and of National Bank Financial from January 2005 to September 2006. From September 2005 to September 2006, he also held the position of President and Chief Executive Officer of National Bank Financial Inc.

(1) Member of the ARMC

(2) Member of the CRCGC

(3) Member of the Human Resources Committee

(4) Member of the Independent Committee

(5) Further to the merger of Montréal Exchange Inc. and TSX Group Inc. on May 1, 2008, the company is now called TMX Group Inc.

Executive Officers

The following are the Bank's executive officers, as defined in subsection 1.1(1) of National Instrument 51-102 *Continuous Disclosure Obligation*, as at October 31, 2009. The positions they have held both at the Bank and outside the Bank since November 1, 2004 are also indicated.

CIESLAK, John B. (Ontario, Canada)	Senior Vice-President – Technology, Business Intelligence and Organizational Performance from August 2000 to April 2007, Executive Vice-President, Chief Information Officer and Chief Administration Officer, TSX Group Inc.
CURADEAU-GROU, Patricia (Quebec, Canada)	Chief Financial Officer and Executive Vice-President – Finance, Risk and Treasury from May 2007 to September 2008, Executive Vice-President – Finance, Risk and Treasury; and from August 1998 to May 2007, Senior Vice-President – Risk Management
DESROCHERS, Gisèle (Ontario, Canada)	Senior Vice-President – Strategic Initiatives Office from May 2007 to September 2008, Senior Vice-President – Human Resources and Corporate Affairs; and from March 2002 to May 2007, Senior Vice-President – Human Resources and Operations
HANLEY, Michael (Quebec, Canada)	Senior Vice-President – Operations and Strategic Initiatives Office¹ from February 2009 to November 2009, Senior Vice-President – Operations, National Bank of Canada; from October 2005 to December 2007, Executive Vice-President and Chief Financial Officer, Alcan Inc.; from February 2005 to October 2005, Executive Vice-President, Office of the President, Alcan Inc.; and from January 2002 to February 2005, Senior Vice-President, Alcan Inc.
JEANNIOT, Lynn (Quebec, Canada)	Senior Vice-President – Human Resources and Corporate Affairs from June 2008 to September 2008, Senior Vice-President – Human Resources; from August 2005 to June 2008, Vice-President – Human Resources; and from January 2002 to August 2005, Vice-President – Marketing and Public Affairs
LECAT, Olivier H. (Quebec, Canada)	Senior Vice-President – Internal Audit
LÉVESQUE, Réjean (Quebec, Canada)	Executive Vice-President – Personal and Commercial Banking from May 2007 to March 2008, Senior Vice-President – Electronic Payment Solutions and Operations; from February 2006 to May 2007, Senior Vice-President – Retail Financial Solutions; from July 2005 to February 2006, Senior Vice-President – Operations Review Program; and from May 2002 to July 2005, Senior Vice-President – Commercial Banking, Northern and Eastern Quebec, and International
PAIEMENT, Luc (Quebec, Canada)	Executive Vice-President – Wealth Management and Co-President and Co-Chief Executive Officer, National Bank Financial from September 2006 to October 2008, Co-President and Co-Chief Executive Officer, National Bank Financial and Senior Vice-President; and from November 2002 to July 2008, President – Individual Investor Services, National Bank Financial
PASCOE, Ricardo (Ontario, Canada)	Executive Vice-President – Financial Markets and Co-President and Co-Chief Executive Officer, National Bank Financial from September 2006 to September 2008, Co-President and Co-Chief Executive Officer, National Bank Financial and Senior Vice-President; from March 2005 to September 2006, Senior Vice-President – Treasury and Financial Markets; from November 2004 to March 2005, Senior Vice-President – Treasury and Trading; and from September 2003 to November 2004, Senior Vice-President – Capital Markets
VACHON, Louis (Quebec, Canada)	President and Chief Executive Officer for more details, refer to the information included in the list of directors in p.11

(1) Mr. Hanley has been Senior Vice-President – Operations and Strategic Initiatives Office since November 1, 2009.

Shareholdings of Directors and Executive Officers

As at October 31, 2009, all the directors and executive officers of the Bank directly or indirectly beneficially owned or controlled 356,312 Common Shares, i.e., less than 0.25% of the Bank's issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

- André Caillé, who, until July 21, 2009, served on the board of directors of Quebecor World Inc., a company placed under the protection of the *Companies' Creditors Arrangements Act* (Canada) and Chapter 11 of Title 11 (Bankruptcy) of the *United States Code* on January 21, 2008. Quebecor World Inc. was delisted from the New York Stock Exchange on January 22, 2008. Quebecor World Inc. emerged from Canadian and U.S. bankruptcy protection on July 21, 2009. This entity is now known as World Color Press Inc. and its shares are listed on the TSX;
- Gérard Coulombe, who, until September 28, 2005, was a board member of Centre International de Gestion de Projets G.P., a non-profit company, adjudged bankrupt on September 29, 2005. Centre International de Gestion de Projets G.P. was discharged from bankruptcy on April 4, 2008;
- Marcel Dutil, who, until March 2004, served on the board of Total Containment, Inc., a company placed under the protection of Chapter 11 of Title 11 (Bankruptcy) of the *United States Code* on March 4, 2004. Total Containment, Inc.'s bankruptcy file was closed on July 30, 2009; and
- Paul Gobeil, who, until November 12, 2001, served on the boards of BridgePoint International Inc. and its wholly owned subsidiary BridgePoint International (Canada) Inc. On January 25, 2002, BridgePoint International (Canada) Inc. filed a proposal with its creditors. The TSX suspended trading on the shares of BridgePoint International Inc. on January 31, 2002 for failure to meet TSX listing requirements. The shares of BridgePoint International Inc. were delisted from the TSX at the close of business on January 31, 2003. Moreover, an interim receiver was appointed from February 13 to March 3, 2003. BridgePoint International (Canada) Inc. was discharged from the proposal on December 17, 2003.

In addition, to the Bank's knowledge, no director or executive officer of the Bank has, in the 10 years prior to 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 Bank's knowledge, no director or 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 a director or executive officer of the Bank before December 31, 2000 would likely be considered important to a reasonable investor in making an investment decision with the exception of the following:

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the Bank's knowledge, no director or executive officer of the Bank or any associate or affiliate of a director or executive officer with a material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Bank, with the exception of the material transaction described on pages 48 and 49 of the Management Proxy Circular of the Bank dated January 11, 2008, available on its website (www.nbc.ca) and the SEDAR website (www.sedar.com).

TRANSFER AGENT AND REGISTRAR

The Bank's registries are maintained in Montreal by:
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 address: service@computershare.com
Website: www.computershare.com

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

MATERIAL CONTRACTS

The Bank has not concluded any material contracts to be submitted under CSA rules.

INTERESTS OF EXPERTS

SB/DT are the Bank's external auditors and are independent within the meaning given to this term in the Code of Ethics of the Ordre des comptables agréés du Québec. 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

The mandate of the ARMC is provided in Appendix B.

Composition of the ARMC and Financial Literacy of Members

The ARMC is made up entirely of independent directors, as defined by the CSA. The Committee members are Pierre Bourgie, André Caillé, Bernard Cyr, Nicole Diamond-Gélinas, Jean Gaulin, Paul Gobeil and Louise Laflamme. The ARMC is chaired by Paul Gobeil.

The Board has determined that all the members of the ARMC are "financially literate" within the meaning of CSA rules relating to audit committees. All ARMC members have acquired the necessary experience and knowledge to adequately fulfill their duties as ARMC members from having served as chief executive officers or directors of other corporations or through their academic background. Several of them serve or have served on the audit committees of various corporations. The text below summarizes the education and experience of each member of the ARMC that are relevant to the exercise of their responsibilities.

Pierre Bourgie has a Bachelor's in business administration. He is President and Chief Executive Officer of Société Financière Bourgie (1996) Inc., President of Ipsos Facto since 2001 and has served on the board of Saputo Inc. since 1997. He was chair of Hydro-Québec's Audit Committee from 1995 to 2003 and a member of Saputo's Audit Committee from 1997 to 2008. Mr. Bourgie has been a member of the ARMC since March 2001.

André Caillé has a Bachelor's in specialized chemistry as well as a Master's and Doctorate in physical chemistry. He was a member of the Audit Committee of Quebecor World Inc. from December 2008 to July 2009. He was President and Chief Executive Officer and a member of the board of directors of Hydro-Québec from 1996 to 2005 and served as Chairman of the Board from April to September 2005. From 1987 to 1996, Mr. Caillé was President and Chief Executive Officer of Gaz Métro Inc. He was also Director of Environmental Protection Services and then Deputy Minister of the Environment of Quebec from 1978 to 1981. Mr. Caillé has been a member of the ARMC since October 2005.

Bernard Cyr has a Bachelor's in business administration. He has been on the board of directors of NB Power Group since 1998 in addition to serving on its Human Resources, Governance and Nominating Committee and Environment, Health and Safety Committee. He was also a member of the Audit Committee from 2001 to 2003. Mr. Cyr also served on the board of directors of the Assomption Compagnie Mutuelle d'Assurance-Vie insurance company from 2000 to 2001. Since 1986, he has been the President and owner of Cyr Holdings Inc., a holding company in the hotel, commercial real estate, restaurant and entertainment sectors. Mr. Cyr has been a member of the ARMC since March 2002.

Nicole Diamond-Gélinas has degrees in administration and education. Since 1988, she has been President of Aspasie Inc. and, since 1998, President of Plastifil Inc. Over the years, she has taken a number of training seminars offered by leading accounting firms. Ms. Diamond-Gélinas has been a member of the ARMC since March 2001.

Jean Gaulin has a Bachelor's in chemical engineering and science. He is Chairman of the Board of RONA Inc. He has been a member of the company's Audit Committee since 2004 and chaired the committee from 2005 to 2006. Since 2004, he has served as the Chair and a member of the Audit Committee of Bombardier Recreational Products Inc. He was Chairman of the Board of Ultramar Diamond Shamrock Corporation from 2000 to 2002 and its President and Chief Executive Officer from 1999 to 2002. Prior to that, he was Vice-Chairman of the Board of Ultramar Diamond Shamrock and its President and Chief Operating Officer. Mr. Gaulin has served as a director of Saputo Inc. since 2003 and of RONA Inc. since 2004. Mr. Gaulin has been a member of the ARMC since March 2003.

Paul Gobeil, Chair of the ARMC, has two Master's degrees, one in accounting sciences and the other in accounting, from the Université de Sherbrooke. He has been a member of the Ordre des comptables agréés du Québec since 1965 and a *Fellow* since 1986. He has extensive experience in finance and business, has been Vice-Chairman of the Board of Metro Inc. since 1990 and is a member of the Audit Committee of Yellow Pages Income Fund. He held different management positions at Provigo Inc. from 1974 to 1985, including Vice-President, Finance and Administration. Mr. Gobeil has been a member of the ARMC since March 2001 and its Chair since May 29, 2008.

Louise Laflamme has been a member of the Ordre des CGA du Québec since 1977. Ms. Laflamme was Senior Executive Vice-President and Chief Financial Officer of the Montréal Exchange Inc. from 1997 to 2008. From 1991 to 1997, she held internal audit positions at Hydro-Québec and worked in external audit at accounting firm Raymond, Chabot, Martin, Paré & Co. from 1973 to 1985. Ms. Laflamme has been a member of the ARMC since November 3, 2008.

External Auditors' Fees

Each year, the ARMC recommends to the Board that it approve the fees to be paid to the external auditors and the envelopes established under the Guidelines for the Management of Services Provided by the External Auditors. The following table details fees billed by SB/DT to the Bank and to its subsidiaries for various services rendered during the past two fiscal years.

	2009	2008
	(\$)	(\$)
Audit services ⁽¹⁾	5,118,943	5,365,632
Audit-related services ⁽²⁾	1,458,875	405,717
Tax consulting ⁽³⁾	327,748	1,115,958
Other services ⁽⁴⁾	209,988	26,669
Total	7,115,554	6,913,976

- (1) These fees include fees for services related to the audit of the consolidated financial statements of the Bank and the financial statements of its subsidiaries or other services normally provided by the external auditors in connection with statutory or regulatory filings or engagements required by applicable legislation. These fees also include fees for comfort letters, statutory audits, certification services, consents and assistance with the preparation and review of documents filed with regulators, the interpretation of accounting and financial reporting standards and the translation of reports to shareholders.
- (2) These fees include certification and related services performed by the Bank's auditors. These services also include services related to the IFRS conversion project, accounting consultations in connection with acquisitions and divestitures and internal control reviews.
- (3) These fees include fees for assistance in tax planning, during restructurings, and when taking a tax position, as well as the preparation and review of income and other tax returns and tax opinions.
- (4) These fees include fees for project advisory services, risk management services and statutory and/or regulatory compliance services.

Guidelines for the Management of Services Provided by the External Auditors

One of the duties of the ARMC is to oversee the work of the external auditors. Each year, it therefore reviews the Guidelines for the Management of Services Provided by the External Auditors.

These Guidelines state that a mandate may be assigned to the external auditors for non-audit services, provided the following conditions are met:

- the specific expertise of the external auditors or their intrinsic knowledge of the Bank's activities allow them to carry out the mandate more effectively;
- the accepted mandate or the services rendered do not compromise the independence of the external auditors within the prevailing regulatory framework; and
- the mandate is authorized according to the conditions stated hereafter.

These services must be pre-approved by the ARMC. A policy containing specific provisions may be adopted, provided it meets the following conditions:

- pre-approval policies and procedures are detailed;
- the ARMC is informed of each non-audit service; and
- the procedures do not include the delegation of ARMC responsibilities to management.

The ARMC reviews the pre-approval mechanisms for mandates entrusted to the external auditors and, if it deems appropriate, renews them on an annual basis. These procedures are as follows:

- All services offered to the Bank and its subsidiaries by the external auditors must be pre-approved specifically by the ARMC. The various pre-approval terms and conditions are:
 - a) detailed annual approval of all audit services;
 - b) approval of an annual envelope for obtaining comfort letters in connection with financing programs;
 - c) approval of an annual envelope for obtaining interpretations on the application of generally accepted accounting principles and additional work in connection with audits that have already received pre-approval; and
 - d) approval of an annual envelope for tax mandates.

Mandates described in point a) that are not submitted to the ARMC, mandates described in points b), c) and d) that will exceed \$100,000 and mandates that will exceed the envelopes approved are subject to specific pre-approval, as described hereafter. Such specific pre-approval is also necessary for any expected overruns if the service had been projected to cost less than \$100,000.

The ARMC has delegated responsibility for approving the awarding of specific mandates to its Chair. Consequently, whenever specific pre-approval is required under these Guidelines, the Bank's management is required to submit a written request to the ARMC Chair. It is management's responsibility to determine whether a service is included in the package of pre-approved services. Management must consult with the ARMC Chair in all potentially ambiguous cases.

ADDITIONAL INFORMATION

Additional information on the Bank is available on its website (www.nbc.ca) and on the SEDAR website (www.sedar.com). The Bank's financial information is published in the consolidated financial statements and the MD&A, both of which are part of the Annual Report. The Annual Report can also be obtained on the SEDAR website.

The Bank will provide to any shareholder, 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 MD&A, a copy of any subsequent interim report, a copy of the Circular in respect of its most recent annual meeting of holders of common shares that involved the election of directors, and a copy of any document that is incorporated by reference into a prospectus, short form or other, whenever the securities of the Bank are part of a distribution. The Circular contains additional information such as the compensation and indebtedness of directors and executive officers, the principal holders of Bank securities and securities authorized for issuance under equity compensation plans. 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 AND EXPLANATION OF NOTES

MOODY'S

Short-Term Senior Debt (1st ranking)

Short Term: P-1

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

Long-Term Senior Debt (1st ranking)

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.

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.

Subordinated Debt (2nd ranking)

Long-Term Subordinated Debt: Aa3

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

Preferred Shares

Preferred Shares: A1

Obligations rated "A" are considered upper-medium grade and are subject to low credit risk.

Financial Strength

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.

Other Information

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

Short-Term Senior Debt (1st ranking)

Short-Term Counterparty: 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.

Long-Term Senior Debt (1st ranking)

Long-Term Counterparty: A

Senior Unsecured Debt: 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.

Subordinated Debt (2nd ranking)

Subordinated Debt: 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.

Preferred Shares

Preferred Shares: P-2 (High)/BBB+

P-2 (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.

Commercial Paper

Commercial Paper: A-1(Mid)/A-1

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 "A-1" on Standard & Poor's global short-term rating scale.

Other information

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.

DBRS

Short-Term Senior Debt (1st ranking)

Short-Term Debt: R-1 (Middle)

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”.

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 Senior Debt (1st ranking)

Deposits and Senior Debt: AA (Low)

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.

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.

Subordinated Debt (2nd ranking)

Subordinated Debt: A (High)

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.

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

Cumulative and Non-Cumulative Preferred Shares: Pfd-2

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.

Preferred shares rated “Pfd-2” are of satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as Pf-1-rated companies. Generally, Pfd-2 ratings correspond with companies whose senior bonds are rated in the “A” category.

FITCH RATINGS

Short-Term Senior Debt (1st ranking)

Short-Term: F1

A short-term rating has a time horizon of less than 13 months for most obligations, or up to three years for U.S. 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” indicates the highest credit quality. It denotes the strongest capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.

Long-Term Senior Debt (1st ranking)

Long-Term: A+

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+” indicates 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.

Subordinated Debt (2nd ranking)

Subordinated Debt: A

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” indicates 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.

Individual

Individual: B

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).

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 and prospects.

Support

Support: 2

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 Ratings’ opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities and/or owners.

A “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-”.

Other Information

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

APPENDIX B MANDATE OF THE ARMC

AUDIT AND RISK MANAGEMENT COMMITTEE

Mandate

Creation

1. The Audit and Risk Management Committee (the “Committee”) is created by the Board of Directors (the “Board”) of National Bank of Canada (the “Bank”).

Composition

2. **Composition** – The Committee is composed of no less than three members. Each of the Committee members is “financially literate” within the meaning of Regulation 52-110 respecting Audit Committees.
3. **Eligibility** – A majority of the members of the Committee consists of directors who are not affiliated with the Bank in accordance with the *Bank Act* (the “Act”).
4. **Independence** – Each of the members of the Committee is independent as defined by the Canadian Securities Administrators.
5. **Guests** – The Chairman of the Board may attend each of the meetings of the Committee, as a guest. The Committee may invite any other person it deems necessary or desirable to attend all or part of the meetings of the Committee.
6. **Appointment and Vacancy**
 - a) **Appointment** – Each member of the Committee is designated annually by the Board from among the directors of the Bank.
 - b) **Term of Mandate** – All members carry out their duties until a successor is appointed, unless they resign, are relieved of their duties or no longer sit as directors.
 - c) **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. **Chair**
 - a) **Appointment** – The Chair of the Committee is designated by the Board from among the members of the Committee. If the designated Chair is unable to chair a meeting of the Committee, the Committee selects a Chair from members of the Committee present for that meeting.
 - b) **Duties** – The duties of the Chair of the Committee are set out in the mandate of the Chair. 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.
8. **Secretary** – The Secretary of the Bank, an Assistant Secretary, or any other person designated by the Secretary, acts as Secretary of the Committee.

MEETINGS AND CALLING OF MEETINGS

9. **Regular Meetings** – Committee meetings are held on the dates and at the times and locations established by the Board at least once per quarter. The Committee members are informed annually in writing thereof, without any further notice required.
10. **In Camera Meetings** – The Committee members meet without any members of the Bank’s management being present at each regular Committee meeting under the direction of the Chair of the Committee.
11. **Unscheduled Meetings**
 - a) **Meetings** – 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 Committee members, the Senior Vice-President – Internal Audit, the Chief Financial Officer and Executive Vice-President – Finance, Risk and Treasury, the Senior Vice-President – Finance, Taxation and Investor Relations, the Chief Compliance Officer of the Bank or by the external auditors.
 - b) **Notice** – 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 twenty-four hours before the time and date set for the meeting, unless the Chair of the Committee, the Chairman of the Board or the President and Chief Executive Officer deems necessary to call a meeting on shorter notice, in which case the notice shall be no less than two hours.
 - c) **Without Notice** – 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 a meeting. Moreover, the presence of a member constitutes a waiver of this notice of a meeting, except if this member is present to specifically oppose the review of any question, claiming that the meeting was not called in due form.
12. **Means of Communication** – Meetings of the Committee may be held by telephone or any other means that 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.
13. **External and Internal Auditors** – The external and internal 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.

QUORUM

14. **Principle** – A quorum of a Committee meeting is attained when a majority of the Committee members attend such meeting.
15. **Duration** – Quorum shall be maintained 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 Act shall be considered as attending for the purposes of quorum.
16. **Vote** – 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.
17. **Absence of Quorum** – If quorum is not attained at a meeting of the Committee, the Chairman of the Board may, at the request of the Chair of the Committee, act as a member of the Committee for that meeting and have a right of vote.

MINUTES

18. **Recording** – 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.
19. **Distribution** – The minutes of each Committee meeting are submitted for information to the members of the Board at a subsequent meeting of the Board.
20. **Report to the Board** – After each meeting of the Committee, at a subsequent meeting of the Board, the Chair of the Committee makes an oral report to the Board on the items discussed at this meeting and the Committee's recommendations.

ROLES AND RESPONSIBILITIES

General

21. The Committee:

- a) Reviews the annual consolidated financial statements of the Bank and the related external auditors' report. Reviews the interim consolidated financial statements of the Bank, the annual and interim management reports, the processes for presenting and disclosing annual and quarterly financial information, the audit processes and management information systems, the documents designated by the Office of the Superintendent of Financial Institutions and all other material financial information, including the annual information form or press releases in order to ensure their integrity, the effectiveness of processes and compliance with applicable accounting standards. If it deems it appropriate, the Committee recommends the approval thereof to the Board before the statements are publicly disclosed;
- b) Reviews the annual report on all claims that could have a material impact on the financial statements;

- c) Reviews, evaluates and approves the internal control procedures implemented by management;
- d) Acts as intermediary between the Board and the independent oversight functions which include Internal Audit, External Audit and Corporate Compliance;
- e) Supervises the work of Internal Audit and Corporate Compliance;
- f) Reviews any document required by the Superintendent of Financial Institutions, any document required pursuant to applicable laws and the recommendations made by regulatory authorities or the internal or external auditors and report thereon to the Board;
- g) Carries out a review of risk management and risk management controls, including by assessing risk return ratios; and
- h) Obtains reasonable assurance that the Bank and its subsidiaries have policies, programs, procedures, structures and management systems required to comply with applicable legislation, regulations, guidelines and codes of conduct, that such are operational and aligned with sound industry practices, in particular, by reviewing the annual report of the Chief Compliance Officer.

Internal Audit

22. Responsibilities – The Committee:

- a) **Mandate** – Reviews and approves, annually, the mandate and the nature and scope of the work of Internal Audit, and ensures that the function has the necessary resources to fulfill its mandate and responsibilities;
- b) **Independence and Effectiveness** – Ensures the independence and effectiveness of Internal Audit, including 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;
- c) **Succession Plan** – Participates in drawing up a succession plan for the Senior Vice-President – Internal Audit;
- d) **Performance and Appointment** – At least once a year, assesses the overall performance of the Internal Audit function, and assesses the performance of and participates in determining the compensation of the Senior Vice-President – Internal Audit. Takes 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 appoints or replaces him or renews his mandate;
- e) **Annual Audit Plan** – Reviews and approves, annually, the audit plan submitted by the Senior Vice-President – Internal Audit;
- f) **Reports** – Reviews the quarterly and annual reports of Internal Audit as well as all other reports of Internal Audit, and ensures that the necessary steps are taken to follow up on important report recommendations;
- g) **Meetings Without Management Being Present** – Meets regularly with the Senior Vice-President – Internal Audit without management being present; and
- h) **Cooperation Between the Internal and External Auditors** – Ensures cooperation between Internal Audit and the external auditors

FINANCE AND CORPORATE COMPLIANCE

External Auditors

23. Responsibilities – The Committee:

- a) **Appointment and Compensation** – Selects the external auditors, makes recommendations to the Board regarding the appointment and compensation of the external auditors or their dismissal, and confirms the nature and scope of their mandate;
- b) **Independence** – Obtains guarantees with regard to the independence of the auditors and the internal policies and practices of the audit firm concerning quality control;
- c) **Assessment of Overall Performance** – At least once a year and before the external auditors table their report on the annual financial statements, formally assesses the effectiveness and contribution of the external auditors, including their competencies, support and communication skills. Takes into account the opinion of the Bank’s management and the Senior Vice-President – Internal Audit in order to assess the overall performance of the external auditors for all services;
- d) **Assessment and Rotation of the Partner Responsible for the Mandate** – Reviews and assesses the competencies, performance and independence of the partner of the external audit firm responsible for the audit at the Bank and his team, and discusses the appropriate time and procedure for rotating the partner, concurring partners and all other partners who are active members of the audit team;
- e) **Hiring Policies** – Reviews and approves the Bank’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Bank;
- f) **Audit Plan** – Takes cognizance of the annual audit plan prepared by the external auditors in order to ensure that the scope of the plan is adequate, namely, that the plan is risk based and addresses the most important issues. Together with the external auditors, the Committee reviews all the key changes to the plan. Ensures that it is satisfied with the binding letter of the external auditors;
- g) **Auditors’ Report** – The external auditors of the Bank report directly to the Committee and report to the Board and Committee as representatives of the shareholders including to present, via a letter, the main recommendations concerning internal controls;
- h) **Oversight** – Oversees the work of the external auditors 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;
- i) **Compliance of Financial Statements and Other Financial Information** – (i) Discusses with the external auditors the quality of the financial statements and ensures that the financial statements present fairly the financial position, results of operations and the cash flows of the Bank; (ii) Meets with the external auditors and management to discuss the results of the audit, the quarterly and annual consolidated financial statements, any ancillary documents, the report or any concern of the auditors, the documents required by the Office of the Superintendent of Financial Institutions or investments or transactions that could

adversely affect the financial well-being of the Bank brought to the Committee’s attention; (iii) Discusses with the external auditors the quality and acceptability of the accounting principles applied in preparing the consolidated financial statements; (iv) Reviews the annual management letter from the external auditors of the Bank and follows up on the corrective action taken by management; and (v) Obtains all important correspondence between the external auditors and management about audit findings;

- j) **Meetings with the Auditors** – Meets regularly with the external auditors of the Bank without management being present to understand all questions that might have been raised at meetings between the auditors and management during the audit and how those questions were resolved; and to determine the extent to which the accounting principles used by the Bank are appropriate and whether other questions must be brought to the attention of the Committee;
- k) **Prior Approval of Mandates Given to External Auditors** – Provide prior approval of mandates given to external auditors in accordance with the Guidelines relating to mandates to external auditors (the “Guidelines”). The Committee may delegate this approval authority to one of its members. The member of the Committee to whom this approval authority is delegated must present any decisions to the Committee at the next scheduled meeting; and
- l) **Non-audit Services** – Approves the services provided by the external auditors to the Bank for all non-audit services permitted by law and the related terms and conditions, in accordance with the Guidelines. To that effect, the Committee adopts a policy and specific procedures for the engagement of external auditors to perform non-audit services and ensure the following conditions are met:
 - the pre-approval policies and procedures are detailed as regards the service required;
 - the Committee is informed of each non-audit service; and
 - 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.

Financial Reporting and Analysis

24. Responsibilities – The Committee:

- a) **Mandate** – Reviews, on an annual basis, the mandate and the nature and scope of the work of Financial Analysis and ensures that the function has the necessary resources to fulfill its mandate and responsibilities;
- b) **Financial Information** – Reviews the Bank’s consolidated financial statements, MD&A and annual and interim earnings press releases, and recommends their approval to the Board before such information is publicly disclosed;
- c) **Public Disclosure** – Ensures 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 assesses the adequacy of those procedures;
- d) **Investments and Transactions** – Reviews 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;
- e) **Compliance with Legislation and Regulations** – Obtains from management information about material changes introduced by organizations such as the Office of the Superintendent of Financial Institutions, the Toronto Stock Exchange or the Canadian Securities Administrators, and changes to Canadian accounting standards that could have an impact on the preparation and/or disclosure of the consolidated financial statements of the Bank and those of its subsidiaries and inform the Board accordingly, if applicable. Ensures compliance with legislation, regulations and adopted guidelines, including those of the Office of the Superintendent of Financial Institutions;
- f) **Dispute, Notice of Assessment or Any Other Claim** – Obtains an oral or written report from management 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 ensures that such material claims are properly disclosed in the consolidated financial statements; and
- g) **Superintendent** – Meets with representatives of the Office of the Superintendent of Financial Institutions at the request of that organization and reports on such meetings to the Board.

Corporate Compliance

25. Corporate Compliance at the Bank and its subsidiaries – The Committee:

- a) **Mandate** – Reviews, on an annual basis, the mandate and the nature and scope of the work of Corporate Compliance at the Bank and its subsidiaries including National Bank Financial Inc. and National Bank Financial Ltd. and ensures that the function has the necessary resources to fulfill its mandate and responsibilities;
- b) **Appointment** – Takes cognizance of the recommendations of the President and Chief Executive Officer of the Bank and its subsidiaries with respect to the appointment or dismissal of the Chief Compliance Officer of the Bank, and makes the appropriate recommendations to the Board thereon;
- c) **Performance** – Annually assesses the overall performance of Corporate Compliance and that of the Chief Compliance Officer of the Bank and makes the appropriate recommendations to the Board thereon;

- d) **Independence and Effectiveness** – At least once a year, ensures the independence and effectiveness of the Bank’s Corporate Compliance Department, 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;
- e) **Program** – Reviews, on an annual basis, the legislative compliance program and recommends approval thereof to the Board;
- f) **Report and Status of Compliance** – Reviews the annual and quarterly reports, the status of compliance and any other report of the Chief Compliance Officer of the Bank and its subsidiaries on the status of compliance at the Bank and its subsidiaries with applicable legislation and regulations and other obligations. Reports to the Board on the status of compliance, the compliance program and policies, as applicable. Follow up on questions raised and ensures that actions are taken with regard to important recommendations;
- g) **Administration Risk Management** – Reviews the Corporate Third Party Asset Administration and Management Risk Policy of the Bank and recommends the adoption or annual review of the policy to the Board and ensures that the policy is implemented;
- h) **Report on Irregularities** – Reviews, as necessary, the report by 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. Examines the number of reported irregularities or concerns, whether or not they are founded;
- i) **Regulatory Risk Management** – Reviews and recommends to the Board the adoption or annual review of the regulatory risk management policy; and
- j) **Legislative Changes** – Obtains information from the Bank’s Corporate Compliance on significant changes in laws and regulations, industry compliance issues, new trends and regulatory risks.

Internal Control

26. Responsibilities – The Committee:

- a) **Procedures** – Requires management to implement and maintain appropriate internal control procedures and, at least once a year, reviews, evaluates and approves such procedures; and
- b) **Effectiveness** – Reviews the effectiveness of the internal control policies and procedures of the Bank with the Senior Vice-President – Internal Audit, the Chief Financial Officer and Executive Vice-President – Finance, Risk and Treasury, the Senior Vice-President – Finance, Taxation and Investor Relations, and the Chief Compliance Officer. Ensures that management diligently applies measures to correct all important control problems identified during this review and that a process is implemented to track progress in order to correct deficiencies. Together with management, the Committee must also proactively determine whether the weaknesses identified in one sector could also exist in other sectors.

Risk Management

27. Responsibilities – The Committee:

- a) **Mandate** – Reviews, on an annual basis, the mandate of Risk Management, approves changes it deems appropriate and ensures that the function has the resources needed to fulfill its mandate and responsibilities;
- b) **Independence and Effectiveness** – At least once a year, ensures the independence and effectiveness of the Bank's Risk Management;
- c) **Performance** – At least once a year, assesses the overall performance of Risk Management;
- d) **Overall Risk Philosophy** – Reviews and approves the overall risk philosophy and risk tolerance of the Bank. Requires that management implement adequate risk management strategies;
- e) **Strategic Decisions** – Reviews the risks resulting from the Board's strategic decisions and advises the Board on these questions;
- f) **Investments** – Reviews the investments and transactions that could adversely affect the Bank's profitability;
- g) **Policies** – Reviews and recommends to the Board the adoption of policies for managing significant risks, including policies related to credit risks, market risks, liquidity and funding risks, legal and regulatory risks, structural risks, reputational risks, fiduciary risks, interest rate risks, pledging, investment guidelines, the reporting of accounting irregularities, new products or new activities for financial markets, the reserve for trading activities, business continuity, information security, capital management and operational risks, including outsourcing risk and risk related to money laundering and terrorist financing activities; ensures that these policies are implemented and reviews them at least once a year;
- h) **Business Continuity Management Program** – Reviews and approves the Business Continuity Management Program of the Bank and its subsidiaries;
- i) **Insurance Program** – Reviews and recommends the Bank's insurance program to the Board for approval and submits certain insurance limits to the Board for approval;
- j) **Quarterly Reports** – Examines the quarterly reports by Risk Management on:
 - the status of credit, market, liquidity and operational risk at the Bank;
 - the model and quantification of the Bank's general allowance;
 - changes in work related to operational and reputational risk management (quantitative and qualitative);
 - compliance with policies on:
 - operational risk management;
 - outsourcing;
 - reputational risk resulting from complex structured finance transactions;

in order to identify material risks, new problems and trends, and to check compliance with policies adopted by the Bank and the Committee;
- k) **Proactive Risk Detection, Assessment and Management** – Requires 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, and reports thereon to the Board;

- l) **Certifications, Declarations and Reports** – Examines the certifications, declarations and/or reports required by a regulatory authority and that fall within the Committee's purview, and recommends the approval thereof to the Board; and
- m) **Changes in Strategies** – Includes, in its review of changes to strategies or new functional strategies, the review of necessary or related changes concerning risk management and control measures.

Capital, Liquidity and Funding Management

28. Responsibilities – The Committee:

- a) **Principle** – Ensures that it understands the Bank's capital, liquidity and funding needs;
- b) **Process** – Ensures that management adopts an internal process for assessing capital adequacy;
- c) **Policies** – Reviews and recommends to the Board the adoption of liquidity and funding management and capital management policies, including intervention plans and capital management policies recommended by management; ensures that these policies are implemented and reviews them at least once a year; and
- d) **Reporting** – Requires 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, and reports thereon to the Board.

Credit

29. Responsibilities – The Committee:

- a) **Delegation** – Subject to paragraph d) below, approves 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;
- b) **Related Party** – Reviews and recommends to the Board, when required by the Act, the approval of any transaction between the Bank or any of its subsidiaries and a related party as defined in the Act, except transactions allowed pursuant to the provisions of the Act and the Policy Governing the Management and Monitoring of National Bank of Canada Related Party Transactions;
- c) **Impaired Loans** – Reviews changes in impaired loans, ensures that they are monitored and approves the taking of provisions for any impaired loan in accordance with the rules set forth in the Bank's Credit Risk Management Policy;
- d) **Uncommitted Credit Facilities** – Approves 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;
- e) **Reports** – Reviews reports analyzing the economic situation of a given sector of activity in which the Bank has a certain exposure and reviews portfolio limits in this sector of activity based on management's recommendations; and
- f) **Quarterly Reports** – Reviews the quarterly reports of the Bank on credit losses and impaired loans.

Combatting Money Laundering and Terrorist Financing Activities

30. Responsibilities – The Committee:

- a) **Appointment** – Appoints a designated officer to be responsible for applying the program to combat money laundering and terrorist financing activities (“MLTFA”) at the Bank and its subsidiaries. The title of this designated officer is the Chief Anti-Money Laundering Officer;
- b) **Annual Self-assessment** – Ensures 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, and requires 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;
- c) **Policies and Procedures** – Approves the Bank’s anti-MLTFA policy and ensures that the policy enabling the Bank to meet its obligations to detect and deter MLTFA are developed, applied, monitored and reviewed;
- d) **Control System** – At least every two years, obtains assurance from Internal Audit that a system of independent controls has been put into place to monitor the quality of these procedures; and
- e) **Independent Controls** – At least every two years, requires 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.

Risk Assessment and Evaluation

31. Responsibilities – The Committee:

- a) **Policies** – Ensures that rigour and discipline are incorporated into risk management policies, operational controls and credit risk reports and reports thereon to the Board;
- b) **Systems** – Reviews and recommends all material aspects of risk rating systems and related parameters to the Board for approval; and
- c) **Reports** – Receives, at least once a year, a report on the efficiency of the Bank’s risk rating systems and related parameters and reports thereon to the Board.

32. **Measures and Complaints Relating to Consumer Protection** – The Committee establishes 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 any person of concerns regarding questionable accounting or auditing matters. Ensures that this policy is implemented and reviews it annually.

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33. **Hiring of External Advisors** – The Committee may hire, when it deems appropriate, legal counsel or other independent advisors to carry out its duties and responsibilities. The Committee sets and pays the compensation of external advisors it hires. The Bank provides the funds necessary to pay for the services of these external advisors.
34. **Power of Inquiry** – The Committee may inquire about any question it deems relevant and, to that end, has complete access to the books, registers, facilities, management and employees of the Bank.
35. **Communication** – The Committee may communicate directly with the external auditors, the Senior Vice-President – Internal Audit, the Chief Financial Officer and Executive Vice-President – Finance, Risk and Treasury, the Senior Vice-President – Finance, Taxation and Investor Relations, the Chief Compliance Officer, and any other member of management or employee of the Bank.
36. **Calling of Meeting** – After each meeting, the Committee reports to the Board on important matters raised during a meeting. The Chair of the Committee may call a meeting of the directors of the Bank to consider any matter of concern to the Committee.
37. **Subsidiaries** – The Committee may act as an audit and risk management committee for Natcan Trust Company and, 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* (Canada) or any other applicable legislative or regulatory provision.
38. **Assessment** – The Committee regularly assesses and reviews its mandate by submitting the revised text, for approval, to the Conduct Review and Corporate Governance Committee which then recommends it for approval to the Board.
39. **Other Duties** – The Committee shall exercise any other duty required under applicable legislation or Toronto Stock Exchange rules or that the Board occasionally assigns to it. The Committee submits to the Board all recommendations it deems appropriate with respect to matters that fall within its purview.

APPROVED BY THE AUDIT AND RISK MANAGEMENT COMMITTEE ON October 28, 2009.
REVIEWED AND APPROVED BY THE CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE ON OCTOBER 29, 2009.
REVIEWED AND APPROVED BY THE BOARD OF DIRECTORS ON OCTOBER 29, 2009.

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