Annual Information Form

December 7, 2011

NATIONAL BANK

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.

Parts 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, 2011 (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, 2011.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS IN THIS ANNUAL INFORMATION FORM

From time to time, National Bank of Canada (the Bank) makes written and oral forward-looking statements, such as those contained in the *Major Economic Trends* and the *Outlook for National Bank* sections in the Annual Report, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2012 and the objectives it has set for itself for that period. These forward-looking statements are made pursuant to the "safe harbour" provisions of Canadian and U.S. securities legislation. They 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 terms 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 2012 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. 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 these forward-looking 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 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 the forward-looking statements. These factors include the management of credit, market and liquidity risks; general business, economic and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including the effects of the debt crisis in certain European countries; the lowering of the U.S. long-term sovereign debt rating by Standard & Poor's; 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; strength of the Canadian and U.S. economies and the economies of other countries in which the Bank conducts business; 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 legal recourses of various nature; the situation with respect to the restructured notes of the master asset vehicle (MAV) conduits, in particular the realizable value of underlying assets; the Bank's ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank's ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated

with critical accounting assumptions and estimates; 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 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 a material 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 in the *Risk Management* and *Factors That Could Affect Future Results* sections of 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:	*Bank Act* (Canada), S.C. 1991, c. 46
Annual Information Form:	This annual information form
Annual Report:	The Bank's annual report to shareholders, including Management's Discussion and Analysis and the audited annual financial statements, for the fiscal year ended October 31, 2011
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 annual 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.
HRC:	Human Resources Committee of the Board
IFRS:	International Financial Reporting Standards
MAV:	Master Asset Vehicles
MD&A:	Bank Management's Discussion and Analysis for the fiscal year ended October 31, 2011
Meeting:	Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on April 4, 2012
Moody's:	Moody's Investors Services, Inc.
ROE:	Return on common shareholders' equity
SB/DT:	Samson Bélair/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:	Superintendent of Financial Institutions (Canada)
TSX:	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'Hochelaga 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.

Bank Subsidiaries (Intercorporate Relationships)

A list of the main Bank subsidiaries and a description of intercorporate relationships can be found on the page of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Fiscal 2010-2011: The Bank posted net income of $1,213 million, as against $1,034 million for 2010, an increase of 17%. Diluted earnings per share were $6.85 for fiscal 2011, up $0.91 or 15% compared to $5.94 for fiscal 2010. Results for fiscal 2011 include the following items, net of income taxes: a $4 million charge related to the acquisition of Wellington West Holdings Inc., a $10 million severance pay charge related to the rationalization of certain activities of the Financial Markets segment, $8 million in litigation provisions, as well as an $11 million reversal of allowances for credit losses taken for loans and credit facilities secured by restructured notes of the MAV conduits and a $21 million reversal of provisions for income tax contingencies. Results for fiscal 2010 included a $75 million administrative penalty as part of a settlement agreement affecting the ABCP industry as a whole, $50 million in reversals of provisions for income tax contingencies, after-tax costs related to holding restructured notes of MAV conduits of $8 million, an after-tax restructuring charge of $15 million and a $2 million charge for the impairment in value of an intangible asset. Excluding specified items, net income for fiscal 2011 would have been $1,203 million as against $1,084 million, up 11% from fiscal 2010. Diluted earnings per share would have been $7.00 for fiscal 2011, compared to $6.25 for fiscal 2010. Tier 1 and total capital ratios, according to the rules of the Bank for International Settlements (BIS)—Basel II—stood at 13.6% and 16.9%, respectively, as at October 31, 2011, compared to 14.0% and 17.5% as at October 31, 2010. The dividend payout ratio was 40% in fiscal 2011; excluding specified items, it was also 39% for the same period. Revenues for the Personal and Commercial segment were up 4%, due to an increase in loan volumes. Total revenues for the Wealth Management segment increased by 14% attributable in part to the acquisition of Wellington West Holdings Inc. and the strength of brokerage activities. Lastly, revenues for the Financial Markets segment were up 6%. All types of non-trading revenues rose, except net gains on available-for-sale securities. In September 2011, the Bank entered into an agreement with HSBC Bank Canada and certain of its subsidiaries to acquire the full service investment advisory business of HSBC Securities (Canada) Inc.; the closing, which is expected to occur during January 2012, is subject to the receipt of the necessary regulatory approvals.

Fiscal 2009-2010: The Bank recorded net income of $1,034 million for fiscal 2010 up 21% from the $854 million reported in fiscal 2009. Diluted earnings per share stood at $5.94 versus $4.94 the previous year. Results for fiscal 2010 included a $75 million administrative penalty as part of a settlement agreement affecting the ABCP industry as a whole, $50 million in reversals of provisions for income tax contingencies, after-tax costs related to holding restructured notes of MAV conduits of $8 million, an after-tax restructuring charge of $15 million and a $2 million charge for the impairment in value of an intangible asset. After-tax specified items of $207 million for fiscal 2009 were all related to the impact of restructured notes of MAV conduits. Excluding specified items, net income would have reached $1,084 million compared to $1,061 million for fiscal 2009, while diluted earnings per share would have been $6.25, up 3 cents from the previous year. ROE was 17.0% for fiscal 2010, compared to 15.6% for the fiscal year ended October 31, 2009. Excluding specified items, it would have been 17.7% in 2010. Tier 1 and total capital ratios, according to the rules of the Bank for International Settlements (BIS)—Basel II—stood at 14.0% and 17.5%, respectively, as at October 31, 2010, compared to 10.7% and 14.3% as at October 31, 2009. The dividend payout ratio was 41% in fiscal 2010; excluding specified items, it would have been 39% for the same period. Revenues for the Personal and Commercial segment were up 6%, due to an increase in loan and deposit volumes. Total revenues for the Wealth Management segment increased by 2% on the strength of brokerage activities and mutual fund revenues, tempered by the narrower spread on deposits. Lastly, Financial Markets revenues decreased. This decrease can be explained by the decline in trading activity revenues, offset by an increase in revenues from banking services, financial market fees and other income.

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 for 2008 included a gain on the sale of the Bank's subsidiary in Nassau, a gain resulting from the combination 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 would have been $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 a 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.

DESCRIPTION OF THE BUSINESS

Business

The description of the Bank's business can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Products and Services

Information on the Bank's products and services can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Specialized Skills and Knowledge

Information on the required specialized skills and knowledge can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Competitive Conditions

A summary of the competitive conditions in the main markets and geographic areas in which the Bank conducts its business can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

New Products

Information on new products can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Intangible Properties

Information on the Bank's intangible properties can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Environmental Protection

Environmental Policies: For several years, the Bank and its subsidiaries have been redoubling their efforts to properly manage the impact their activities may have on the environment. Accordingly, they have adopted various environmentally friendly practices and programs notably aimed at reducing the amount of energy consumed, increasing materials recovered and recycled, managing ecological maintenance products and carrying out space planning projects using a sustainable approach based on Leadership in Energy and Environmental Design (LEED) environmental certification principles.

Moreover, the Bank has participated in the Carbon Disclosure Project since 2007. This organization asks large publicly traded Canadian corporations to answer a questionnaire to assess the management of climate change and environmental risks linked to their operations. In that regard, the Bank has been recognized for a second consecutive year as a business that stands out for the quality of its answers, for its strategies and actions to limit its greenhouse gas emissions and for its transparency, including its willingness to make its results public. This voluntary participation allows the Bank to ensure that its SOFT (Sourcing, Operations, Facilities and Travel) footprint is kept up-to-date.

Through sound environmental management, the Bank and one of its subsidiaries, National Bank Realty Inc., operate the Bank's buildings and premises in a sustainable manner by following acknowledged standards and adhering to applicable regulations. The Bank has also committed to taking the necessary actions to improve its environmental footprint by steadily reducing its energy use and encouraging all its partners, service providers and employees to adopt environmentally responsible practices.

Impact of environmental requirements: For several years, the Bank, as well as some of its subsidiaries, have incorporated environmental criteria into their credit policies and introduced controls to make sure that properties taken as security meet environmental standards. These policies notably cover the management of environmental risks associated with credit granting and the repossession of contaminated assets, and set

out the protective measures to be taken to identify and mitigate potential environmental risks, both now and in the future. Accordingly, all real estate financing applications undergo a multi-step analysis, including a specific environmental assessment. To date, the risks involved have not had a material impact on the Bank's operations.

Number of Employees

The Bank had 19,431 employees at the end of the fiscal year ended October 31, 2011.

Assets under Administration and Assets under Management

Information on the Bank's assets under administration and assets under management can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Loans by Borrower Category

The distribution of gross loans by borrower category can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Investment Policies and Lending and Investment Restrictions

Information on investment policies and lending and investment restrictions can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Provision for Credit Losses

Information on the provision for credit losses can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Re-organizations

Information concerning re-organizations within the Bank over the three most recent fiscal years can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and page 155 of the Bank's annual report to shareholders for the fiscal year ended on October 31, 2010 and is incorporated herein by reference.

Social Responsibility

The description of the social and environmental policies implemented by the Bank can be found in the Bank's Social Responsibility Report and is incorporated herein by reference. The Bank's Social Responsibility Report is available on the Bank's website (www.nbc.ca) under "Social Responsibility."

RISK FACTORS

The main risk factors for the Bank are discussed in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and are incorporated herein by reference.

ASSET-BACKED SECURITIES OUTSTANDING

Information on the Bank's asset-backed securities outstanding can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

DIVIDENDS

The amount of dividends declared and paid during the three most recently completed fiscal years can be found in the pages of the Annual Report indicated in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

CAPITAL STRUCTURE

As at October 31, 2011, the Bank's authorized share capital consisted of an unlimited number of Common Shares without par value, issuable for a consideration determined by the Board, and an unlimited number of First Preferred Shares without par value, issuable for a consideration of $5,000,000,000, or the equivalent thereof in foreign currencies, issuable in series. The Bank's authorized share capital also consisted of 15,000,000 Second Preferred Shares without par value, and 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

The common shares carry and are subject to the rights, privileges, restrictions and conditions set out below:

Dividends
Holders of Common Shares are entitled to receive dividends, in such amounts and payable at such times as the Board determines.

Liquidation, Dissolution or Winding-Up
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.

Voting Rights
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, 2011, there were 23,588 registered holders of Common Shares in the Bank's register of Common Shares.

First Preferred Shares

The First Preferred Shares 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, establish 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 and shares of any other class of Bank shares ranking junior to the First Preferred Shares. In the case of cumulative dividends, the priority will cover all dividends accrued (which for such purpose will be calculated as if such dividends were accruing from day to day) and unpaid. In the case of non-cumulative dividends, the priority will 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 on 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 independent auditors, or for any other purpose, nor are they entitled to receive any notice of or attend shareholders' 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, at its option, has been able to 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 $25.25 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, plus, in all cases, all declared and unpaid dividends up to the date set 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, at its option, has been able to redeem for cash the First Preferred Shares, Series 16 since May 15, 2010, 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, 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, plus, in all cases, all declared and unpaid dividends up to the date set 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 shares in this series had been issued as at October 31, 2011. Subject to the consent of the Superintendent and the provisions of the Act, the Bank, at its option, has been able to redeem for cash the First Preferred Shares, Series 17 since 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, plus, in all cases, all declared and unpaid dividends up to the date set 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 shares in this series had been issued as at October 31, 2011. Subject to the consent of the Superintendent and the provisions of the Act, the Bank, at its option, has been able to redeem for cash the First Preferred Shares, Series 18 since 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, plus, in all cases, all declared and unpaid dividends up to the date set 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 shares in this series had been issued as at October 31, 2011. 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, plus, in all cases, all declared and unpaid dividends up to the date set 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, plus, in all cases, all declared and unpaid dividends up to the date set 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, plus all declared and unpaid dividends up to the date set for redemption. See "Offer to Purchase Preferred Shares" below for more information about the Bank's intention to purchase all First Preferred Shares, Series 21, 24 and 26.

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 determined by multiplying the interest rate, equal to the sum of the Government of Canada bond yield on the applicable fixed rate 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 shares in this series had been issued as at October 31, 2011. 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, plus, in all cases, all declared and unpaid dividends up to the date set 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 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 shares in this series had been issued as at October 31, 2011. 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, plus, in all cases, all declared and unpaid dividends up to the date set 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, plus all declared and unpaid dividends up to the date set for redemption. See "Offer to Purchase Preferred Shares" below for more information about the Bank's intention to purchase all First Preferred Shares, Series 21, 24 and 26.

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 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 shares in this series had been issued as at October 31, 2011. 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 set 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 all of 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, plus all declared and unpaid dividends up to the date set for redemption. See "Offer to Purchase Preferred Shares" below for more information about the Bank's intention to purchase all First Preferred Shares, Series 21, 24 and 26.

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 all of 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 shares in this series had been issued as at October 31, 2011. 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, plus, in all cases, all declared and unpaid dividends up to the date set for redemption.

Holders 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.

Holders of First Preferred Shares, Series 27 will be entitled, at their option, to convert all of 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.

Offer to Purchase Preferred Shares
On April 26, 2011, pursuant to offers to purchase preferred shares, the Bank took up a total of 4,639,139 First Preferred Shares, Series 21, 4,374,120 First Preferred Shares, Series 24, and 4,075,165 First Preferred Shares, Series 26, for an aggregate consideration of $361,208,775.14. The Bank intends, at present, to purchase all of the issued and outstanding First Preferred Shares, Series 21, 24 and 26, held by shareholders on the first date at which such Preferred Shares may be redeemed by the Bank at a price equal to $25.00 per share (together with all declared and unpaid dividends thereon up to the date of redemption).

Second Preferred Shares

The Second Preferred Shares are part of the Bank's authorized share capital, but no shares in this class had been issued as at October 31, 2011. 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 return 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, set 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
Holders of Second Preferred Shares are entitled to receive dividends in such amounts and payable at such times as the Board determines. With respect to dividends, holders of any series of Second Preferred Shares have priority over the holders of Common Shares or any other class of Bank shares ranking junior to the Second Preferred Shares. In the case of cumulative dividends, the priority will cover all dividends accrued (which for such purpose will be calculated as if such dividends were accruing from day to day) and unpaid. In the case of non-cumulative dividends, the priority will 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 will not be entitled to share 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 independent auditors, or for any other purpose nor are they entitled to receive any notice of or attend shareholders' meetings.

Restrictions on Bank Shares under the *Bank Act*

The Act contains restrictions on the issue, transfer, acquisition, beneficial ownership and voting of all shares of a chartered bank. The following is a summary of such restrictions. No person may be a major shareholder of a bank if the bank has equity of $8 billion or more. While the equity of the Bank is less than $8 billion and the Act would otherwise permit a person to own up to 65% of any class of shares of the Bank, the Bank is deemed to be a bank to which the ownership restrictions for banks with equity of $8 billion or more apply until the Minister

of Finance (Canada) specifies, on application by the Bank, that these restrictions no longer apply to the Bank.

A person is a major shareholder of a bank where: (i) the aggregate of shares of any class of voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate of shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person, or persons acting jointly or in concert, may have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Act, a person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank.

The Act also prohibits the registration of a transfer or issue of any shares of the Bank to Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them.

Notes

Information on the notes can be found in the page of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Ratings

The table below details the ratings assigned to the Bank's outstanding securities by the following certified rating organizations as at October 31, 2011. The ratings should not be construed as recommendations to buy, sell or hold Bank securities. Certified rating organizations may revise or withdraw their ratings at any time. The definition of the various ratings was obtained from the websites of the respective certified rating organizations and is provided in Appendix A.

	Moody's	Standard & Poor's	DBRS	Fitch Ratings
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	Baa1	P-2(High)/BBB+	Pfd-2	A-
Trend/outlook	stable	stable	stable	stable

MARKET FOR SECURITIES[1]

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, 2011.

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, 2011.

		2010/11	2010/12	2011/01	2011/02	2011/03	2011/04	2011/05	2011/06	2011/07	2011/08	2011/09	2011/10
Common Shares (NA)	High ($)	68, 98	71, 77	71, 18	75, 76	79, 20	81, 90	81, 98	80, 79	79, 78	74 ,40	73, 48	73, 41
	Low ($)	63, 80	67, 89	68, 00	69, 83	72, 97	75, 39	77, 81	75, 51	73, 78	68, 17	65, 77	65, 91
	Volume	12 718 191	15 746 128	8 346 131	10 619 134	15 560 153	12 489 660	9 760 628	15 033 858	14 969 228	17 293 000	15 395 526	14 264 342
Series 15 (NA.PR.K)	High ($)	25, 80	27, 70	25, 70	25, 94	25, 94	25, 94	25, 75	25, 85	25, 80	25, 86	26, 09	25, 70
	Low ($)	25, 45	25, 10	25, 20	25, 35	25, 29	25, 10	25, 25	25, 47	25, 35	25, 10	25, 40	25, 10
	Volume	144 240	95 339	155 445	70 870	123,410	96 146	84 563	188 357	114 406	102 080	98 424	90 971
Series 16 (NA.PR.L)	High ($)	23, 99	23, 83	24, 44	24, 55	24, 99	24, 96	25, 17	25, 48	25, 45	25, 48	25, 77	25, 55
	Low ($)	23, 03	23, 03	23, 29	24, 01	24, 13	24, 09	24, 67	24, 87	24, 82	24, 50	25, 27	25, 00
	Volume	294 466	194 425	133 780	196 256	188 493	154 482	133 441	197 960	168 197	169 122	107 578	97 302
Series 20 (NA.PR.M)	High ($)	26, 83	26, 51	26, 31	26, 30	26, 55	26, 45	26, 55	26, 70	26, 74	26, 70	27, 24	27, 00
	Low ($)	26, 15	25, 60	25, 41	25, 68	25, 91	25, 75	26, 16	26, 35	26, 18	25, 81	26, 66	26, 58
	Volume	151 770	63 540	116 137	125 029	132 761	182 279	81 557	74 682	75 506	115 218	168 706	229 399
Series 21 (NA.PR.N)	High ($)	27, 00	27, 00	26, 99	27, 05	27, 10	27, 12	27, 00	26, 70	26, 60	26, 62	26, 45	26, 35
	Low ($)	26, 20	26, 01	26, 25	26, 07	26, 95	26, 24	26, 15	26, 15	26, 00	26, 00	25, 14	25, 78
	Volume	120 889	244 709	98 230	485 107	833 450	234 467	46 391	38 480	80 515	28 680	693 310	23 695
Series 24 (NA.PR.O)	High ($)	28, 35	28, 19	28, 00	28, 35	28, 40	28, 42	27, 90	27, 94	28, 00	28, 99	27, 97	28, 40
	Low ($)	27, 69	27, 42	27, 20	27, 30	28, 16	27, 39	27, 31	27, 40	27, 11	27, 16	27, 10	26, 89
	Volume	231 551	101 501	202 975	382 590	751 891	283 747	36 396	38 161	33 030	35 216	22 742	59 854
Series 26 (NA.PR.P)	High ($)	28, 26	28, 04	27, 75	28, 31	28, 43	28, 42	28, 15	28, 03	27, 60	27, 62	27, 58	27, 39
	Low ($)	27, 80	27, 40	27, 20	27, 20	28, 17	27, 49	27, 18	27, 25	26, 60	26, 50	26, 85	26, 05
	Volume	121 853	71 932	122 198	408 086	895 047	333 723	26 309	24 829	36 550	39 327	23 509	82 904

[1] This section does not include debt classified as deposits.

The following table shows the monthly price ranges and trading volumes of each of the Bank's securities listed on the Luxembourg Stock Exchange that were traded in fiscal 2011.

Date	High	Low	Volume
Floating-rate bond (NatlBank Canada 88-87 28/08s)	-	-	nil
Floating-rate bond (NatlBank Canada 10-11 31/08t pe)	-	-	nil

Prior Sales

Information concerning prior sales can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

ESCROWED SECURITIES

As at October 31, 2011, 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 the degree to which the specified financial objectives are achieved.

Designation of class	Number of escrowed securities	Percentage of the class
Common Shares	2,233,832	1.39%

Additional information on this subject can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

NORMAL COURSE ISSUER BID

The description of the normal course issuer bid currently in effect at the Bank can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

As at October 31, 2011, the following were members of the Board. The maximum period that a director may serve on the Board is 15 years unless the Board, on the recommendation of the CRCGC, decides that, because of exceptional circumstances, it is in the Bank's best interest to recommend the director for re-election. The computation of this 15-year period started in 1998 for directors in office at that time. The main positions they have held since November 1, 2006 are also specified. 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)	Advisor to National Bank Financial since October 2000. Bank director since August 1999.
CAILLÉ, André (1) (2) (3) (Quebec, Canada)	Corporate Director. Senior Strategic Consultant at Junex Inc. Bank director since October 2005.
COULOMBE, Gérard (Quebec, Canada)	Senior partner of the law firm Lavery, de Billy, L.L.P. since 2007. From 1977 to 2007, he was Senior Partner at Desjardins Ducharme, L.L.P. and Chairman of its Board of Directors from 2000 to 2007. Bank director since February 1994.
CYR, Bernard (1) (New Brunswick, Canada)	President of Cyr Holdings Inc. since 1986 and President of Dooly's Inc. since 1993. Bank director since August 2001.
DENHAM, Gillian H. (3) (Ontario, Canada)	Corporate Director. Bank director since October 2010.
DIAMOND-GÉLINAS, Nicole (1) (2) (Quebec, Canada)	President and director of Aspasie Inc. since 1988 and President and director of Plastifil Inc. since 1998. President of Trois-Rivières Ford Lincoln Inc. Bank director since March 1998.
DOUVILLE, Jean (Quebec, Canada)	Corporate Director. Chairman of the Board of the Bank since March 2004. Bank director since November 1991.
GAULIN, Jean (1) (3) (California, United States)	Corporate Director. Chairman of the Board of RONA Inc. since May 2007. Bank director since October 2001.
GOBEIL, Paul (1) (2) **FCA** (Ontario, Canada)	Corporate Director. Vice-Chairman of the Board of Metro Inc. Bank director since February 1994.
HOUDE, Jean (1) (Quebec, Canada)	Chairman of the Board of Finance Montréal-Quebec's financial Cluster since 2010. Executive advisor at SB/DT from 2010 to 2011. Deputy Minister of Finance of Quebec from 2005 to 2009. Bank director since March 2011.
LAFLAMME, Louise (1) (3) (Quebec, Canada)	Corporate Director. Senior Vice-President of the Montréal Exchange Inc.[4] from 2000 to 2008. Bank director since November 2008.
RUNTE, Roseann (2) (Ontario, Canada)	President and Vice-Chancellor of Carleton University in Ottawa since July 2008. President of Old Dominion University in Norfolk, Virginia from 2001 to 2008. Bank director since April 2001.
TELLIER, Marc P. (3) (Quebec, Canada)	President and Chief Executive Officer of Yellow Media Inc. and of the corporations that preceded Yellow Media Inc. since October 2001. Chief Executive Officer of Canpages Inc. since June 2010. Bank director since March 2005.
THABET, Pierre (Quebec, Canada)	President of Boa-Franc s.e.nc. since 1983. Bank director since March 2011.
VACHON, Louis (Quebec, Canada)	President and Chief Executive Officer of the Bank since June 2007. Chief Operating Officer of the Bank from 2006 to 2007. Bank director since August 2006.

(1) Member of the ARMC: Ms. Diamond-Gélinas was a member until March 30, 2011.
(2) Member of CRCGC: Ms. Diamond-Gélinas has been a member since March 30, 2011.
(3) Member of the HRC
(4) Further to the combination of the Montréal Exchange Inc. and TSX Group Inc. on May 1, 2008, this 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 *Regulation 51-102 Continuous Disclosure Obligation* (Quebec) as at October 31, 2011. The positions they have held both at the Bank and outside the Bank since November 1, 2006 are also specified.

CIESLAK, John B. (Ontario, Canada)	**Executive Vice-President – Information Technology, Sourcing and Organizational Performance** from August 2007 to January 2010, Senior Vice-President – Technology, Business Intelligence and Organizational Performance, National Bank of Canada; and from August 2000 to April 2007, Executive Vice-President, Chief Information Officer and Chief Administration Officer, TSX Group Inc.
CURADEAU-GROU, Patricia (Quebec, Canada)	**Executive Vice-President – Risk Management** from September 2008 to August 2011, 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, National Bank of Canada.
GIARD, Diane (Quebec, Canada)	**Executive Vice-President – Marketing** from May 2011 to September 2011, Senior Vice-President – Customer Experience and Distribution Strategy Scotiabank; and from March 2006 to May 2011, Senior Vice-President – Quebec, Eastern Ontario and Montreal region, Scotiabank.
JEANNIOT, Lynn (Quebec, Canada)	**Executive Vice-President – Human Resources and Corporate Affairs** from June 2008 to September 2008, Senior Vice-President – Human Resources; and from August 2005 to June 2008, Vice-President – Human Resources, National Bank of Canada.
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; and from February 2006 to May 2007, Senior Vice-President – Retail Financial Solutions, National Bank of Canada.
PAIEMENT, Luc (Quebec, Canada)	**Executive Vice-President – Wealth Management 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, National Bank of Canada; and from November 2002 to July 2008, President – Individual Investor Services, National Bank Financial.
PARENT, Ghislain (Quebec, Canada)	**Chief Financial Officer and Executive Vice-President – Finance and Treasury** from May 2010 to August 2011, Senior Vice-President – Internal Audit, National Bank of Canada; from April 2009 to May 2010, Senior Vice-President and Chief Financial Officer; and from November 2002 to April 2009, Senior Vice-President – Finance and Operations, Caisse de dépôt et placement du Québec.
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, National Bank of Canada.
ROY MAFFEÏ, France (Quebec, Canada)	**Executive Vice-President – Operations** from April 2009 to May 2011, Senior Vice-President – Operations, Personal and Commercial Banking; from June 2008 to April 2009, Senior Vice-President – Operations; and from August 2005 to June 2008, Vice-President – Customer Relationship Centres, National Bank of Canada.
VACHON, Louis (Quebec, Canada)	**President and Chief Executive Officer** for more details, please refer to the information included in the list of directors on the previous page.

Shareholdings of Directors and Executive Officers

As at October 31, 2011, all the directors and executive officers of the Bank directly or beneficially owned or controlled 269,636 common shares, i.e., less than 1.7% of the Bank's issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Bank, 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 knowledge of the Bank, 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 then became known as World Color Press Inc. until a plan of arrangement was entered into with Quad/Graphics, Inc. in July, 2010; and
- 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.

In addition, to the knowledge of the Bank, 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 knowledge of the Bank, 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 material to a reasonable investor in making an investment decision. Moreover, in the opinion of the Bank, no disclosure concerning a settlement agreement entered into by a director or executive officer of the Bank before December 31, 2000 would likely be considered material to a reasonable investor in making an investment decision except for 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.

CONFLICTS OF INTEREST

No director or officer of the Bank is in an existing or potential conflict of interest with the Bank or one of its subsidiaries. Information on related party transactions can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Information on litigation to which the Bank is a party can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

TRANSFER AGENT AND REGISTRAR

The Bank's registers 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

INTERESTS OF EXPERTS

SB/DT are the Bank's 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 Committee appears in Appendix B.

Composition of the Committee and Financial Literacy of Members

The Audit and Risk Management Committee is made up entirely of independent directors, as defined by the CSA. As at October 31, 2011, the Committee members were André Caillé, Bernard Cyr, Jean Gaulin, Jean Houde (member since March 30, 2011), Paul Gobeil (who serves as Chair) and Louise Laflamme. Nicole Diamond-Gélinas was a member until March 30, 2011.

The Board has determined that all the Committee members are "financially literate" within the meaning of CSA rules relating to audit committees. All the Committee members have acquired the experience and knowledge required to adequately fulfill their duties as Committee 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 Committee member that are relevant to the exercise of their responsibilities.

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, André 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. André Caillé has been a member of the Committee since October 2005.

Bernard Cyr has a Bachelor's in business administration. From 1998 to 2011, he was on the Board of Directors of New Brunswick Power Distribution and Customer Service, in addition to serving on its Environment, Health and Safety Committee. He was also a member of the Human Resources, Governance and Nominating Committee from 2008 to 2011 and a member of the Audit Committee from 2001 to 2003. Bernard Cyr is currently a member of the Board of Directors and several committees of the Vitalité Health Network, including its Finance and Audit

Committee, since June 2010. Since 1986, he has been the President of Cyr Holdings Inc., a holding company in the hotel, commercial real estate, restaurant and entertainment sectors. Bernard Cyr has been a member of the ARMC since March 2002.

Nicole Diamond-Gélinas, who was a member until March 30, 2011, has degrees in Administration and Education. Since 1988, she has been President of Aspasie Inc. and, since 1998, President of Plastifil Inc. She has also been President of Trois-Rivières Ford Lincoln inc. since 2002. Nicole Diamond-Gélinas has been a Committee member since March 2001 and, over the years, has taken a number of training seminars offered by leading accounting firms.

Jean Gaulin has a Bachelor's in Chemical Engineering and Science. He has been Chairman of the Board of RONA Inc. since May 2007 and chaired its Audit Committee from 2005 to 2006. He had been a member of that committee since 2004. 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 after serving as Vice-Chairman of the Board. He also served in a number of positions within the company, including President and Chief Executive Officer from 1999 to 2002. Jean Gaulin has also been a Director of Saputo Inc. since 2003. Jean Gaulin has been a Committee member since March 2003.

Paul Gobeil, FCA, Chair of the Committee, has a Master's degree in Commerce (Accounting) and another in Accounting Sciences. 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 a member of the Audit Committee of Yellow Media Inc.[1] since November 2010 and of Yellow Pages Income Fund, which preceded Yellow Media Inc., since 2004. He held a number of management positions at Provigo Inc. from 1974 to 1985, including Vice-President, Finance and Administration. Paul Gobeil has been a Committee member since March 2001 and Committee Chair since May 2008.

Jean Houde has been a member of the Quebec Bar since 1971 and obtained an MBA in 1972. He has been Chairman of the Board of Finance Montréal-Quebec's Financial Cluster since 2010. He has served on the board of Gaz Métro Inc. since November 2010. He has been a director and member of the Audit Committee of InnovAssur, Assurances générales inc. since February 2010. He has been a mentor at the Institut des Grands Leaders since March 2010. He was a business development advisor at SB/DT from January 2010 to January 2011. He has headed the transition team for the merger of Investissement Québec and the Société générale de financement du Québec in 2010. He was Deputy Minister of Finance of Quebec from September 2005 to August 2009. From June 2003 to September 2005, he was Chairman of the Board and President and Chief Executive Officer of Investissement Québec. In 2002, he was a member of the Centre for the Financial Services OmbudsNetwork and a member of the Executive Committee of the Canadian Bankers Association. From 1990 to 2003, Jean Houde held a number of positions at National Bank of Canada, where he was responsible for internal audit and the group of economists as well as being a member of the Executive Committee. Jean Houde has been a director and a Committee member since March 2011.

Louise Laflamme, an accountant by training, has been a member of the Ordre des CGA du Québec since 1977. From 1997 to 2008, she held different positions within the Montréal Exchange Inc., including Executive Vice-President and Chief Financial Officer. 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. Louise Laflamme has been a Committee member since November 2008.

(1) On November 1, 2010, Yellow Media Inc. announced the conclusion of a plan of arrangement pursuant to which Yellow Pages Income Fund's income trust structure has been converted into a publicly traded corporation, now called Yellow Media Inc.

Fees for Independent Audit Services

Each year, the Audit and Risk Management Committee recommends to the Board that it approve the fees to be paid to the independent auditors and the envelopes established under the Guidelines for the Management of Services Provided by the Independent 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.

	2011 ($)	2010 ($)
Audit fees (1)	5,602,456	4,909,433
Audit-related fees (2)	1,417,810	1,623,719
Tax fees (3)	510,664	75,079
All other fees (4)	404,005	154,248
Total	7,934,935	6,762,479

(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 independent auditors in connection with statutory or regulatory filings or engagements required by applicable legislation. They 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 fees for certification and related services performed by the Bank's independent auditors. They also include fees for services related to the conversion to IFRS, 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 consulting services for projects, risk management services and statutory and/or regulatory compliance services.

Guidelines for the Management of Services Provided by the Independent Auditors

One of the duties of the Committee is to oversee the work of the independent auditors. Each year, it therefore reviews the Guidelines for the Management of Services Provided by the Independent Auditors.

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

- the specific expertise of the independent auditors or their intrinsic knowledge of the Bank's activities allows them to carry out the mandate more effectively;
- the accepted mandate or the services rendered do not compromise the independence of the independent 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 Committee. A policy containing specific provisions may be adopted, provided it meets the following conditions:

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

The Committee reviews the pre-approval mechanisms for mandates entrusted to the independent 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 independent auditors must be pre-approved specifically by the Committee. 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 Committee, mandates described in points b), c) and d) that will exceed $100,000 and mandates that will exceed the envelopes pre-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 Committee 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 Committee Chair. It is management's responsibility to determine if a service is included in the package of pre-approved services. Management must consult with the Committee 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 – RATINGS AND EXPLANATION OF RATINGS

Moody's

Short-Term Senior Debt (1st ranking): P-1
The ratings assigned by Moody's to short-term bonds represent its short-term assessment of the issuer's short-term ability to honour short-term financial obligations. A "P-1" rating indicates that an issuer has a superior ability to repay short-term debt obligations.

Long-Term Senior Debt (1st ranking): Aa2
Subordinated Debt (2nd ranking): Aa3
The ratings assigned by Moody's to long-term bonds represent its assessment of the credit risk related to fixed-income obligations with an initial term of at least one year. They reflect the possibility that a financial obligation may not be upheld as agreed. These ratings reflect the probability of default or any financial loss incurred in case of default. Obligations rated "Aa" are judged to be of high quality and subject to very low credit risk.

Preferred Shares: Baa1
An issue rated "Baa" is considered to be a medium-grade preferred stock – neither highly protected nor poorly secured. Earnings and asset protection appear adequate at present, but may be questionable over any great length of time.

Other Information
Moody's adds 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 stable rating outlook means that the rating is not likely to change.

Standard & Poor's

Short-Term Senior Debt (1st ranking): A-1
Standard & Poor's "A-1" rating assigned to short-term obligations represents its highest evaluation and indicates that the obligor's capacity to meet its financial commitment on the obligation is strong.

Long-Term Senior Debt (1st ranking): A
Subordinated Debt (2nd ranking): A-
An obligation rated "A" is considered 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 is strong.

Preferred Shares: P-2 (High)/BBB+
A "P2 (high)" rating corresponds to a "BBB+" rating on the Standard & Poor's world scale. 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.

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

A stable rating outlook means that the rating is not likely to change.

DBRS

Short-Term Senior Debt (1st ranking): R-1 (middle)
The DBRS short-term debt rating scale is meant to provide an indication of the risk that a borrower will not fulfill its near-term debt obligations in a timely manner. Short-term debt rated "R-1 (middle)" is of superior credit quality and, in most cases, ratings in this category only differ slightly from "R-1 (high)" credits. Given the extremely demanding definition DBRS has established for the "R-1 (high)" category, entities rated "R-1 (middle)" are also considered strong credits, and typically exhibit above average strength in key areas of consideration for the timely repayment of short-term liabilities.

Long-Term Senior Debt (1st ranking): 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. Long-term debt rated "AA" is of superior credit quality, and the degree of protection of interest and principal is considered high. In many cases they only differ slightly from long-term debt rated "AAA". Given the extremely restrictive definition DBRS has for the "AAA" category, entities rated "AA" are also considered to be strong credits, typically exhibit above-average strength in key areas of consideration and unlikely to be significantly affected by reasonably foreseeable events.

Subordinated Debt (2nd ranking): 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. Long-term debt rated "A" is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is lesser 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: Pfd-2
The DBRS preferred share 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 dividend and principal commitments. 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 Pfd-1-rated companies. Generally, Pfd-2 ratings are given to companies whose senior bonds are rated in the "A" category.

Other Information
Each rating category can be further qualified with the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

A stable rating outlook means that the rating is not likely to change.

Fitch Ratings

Short-Term Senior Debt (1st ranking): F1
"F1" indicates the highest credit quality and capacity for timely payment of financial commitments.

Long-Term Senior Debt (1st ranking): A+
Subordinated Debt (2nd ranking): A
Preferred Shares: A-
"A" ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Other Information
The modifiers "+" or "-" may be added to a rating to denote relative status within major rating categories.

A stable rating outlook means that the rating is not likely to change.

APPENDIX B - AUDIT AND RISK MANAGEMENT COMMITTEE - MANDATE

The Audit and Risk Management Committee (the "Committee") is created by the Board of Directors (the "Board") of National Bank of Canada (the "Bank"). It oversees the work of internal and independent auditors, supervises the financial reporting and analysis process, ensures the corporate compliance of the Bank and supervises its internal controls, its risk management, its capital, liquidity and funding management, the approval of credit facilities, assessment and evaluation of credit risk and the program to combat money laundering and terrorist financing activities, and oversees the measures and complaints relating to consumer protection.

CREATION

1. The Committee is created by the Board of 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 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 the 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 are scheduled to meet, without any members of the Bank's management being present, at each 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 and Treasury, the Executive Vice-President – Risk Management, the Senior Vice-President – Finance, Taxation and Investor Relations, the Chief Compliance Officer of the Bank or by the independent auditors.

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

the time and date set for the meeting, unless the Chair of the Committee, the Chairman of the Board or the President and Chief Executive Officer deems it necessary to call a meeting on shorter notice, in which case notice will 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. **Independent and Internal Auditors** – The independent 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 –** Quorum of a Committee meeting is attained when a majority of the Committee members attend such meeting.

15. **Duration** – Quorum will 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 182(3) of the Act will 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 will be made by a majority vote of the members present. Should only two members be present and quorum be attained, decisions will 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 to 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** – The Chair of the Committee makes an oral report on the deliberations of each meeting of the Committee and the recommendations of said Committee at a subsequent meeting of the Board.

ROLES AND RESPONSIBILITIES

Internal Audit

21. **Responsibilities** – The Committee:

a) **Mandate and Annual Audit Plan** – Reviews and approves, annually, the mandate, and the nature and scope of the work of Internal Audit, as well as its annual audit plan, and ensures that the function has the necessary resources to fulfill its mandate and responsibilities;

b) **Reports** – Reviews the Internal Audit report, discusses the main audit reports and ensures that the necessary steps are taken to follow up on important report recommendations;

c) **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, by ensuring that it reports to an appropriate line level, and by meeting regularly with the Senior Vice-President – Internal Audit without management being present in order to discuss, in particular, the questions he raises regarding relations between Internal Audit and the Bank's Management and the access to the information required; and

d) **Performance, Appointment and Dismissal** – 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 makes the appropriate recommendations to the Board thereon;

Independent Auditors

22. **Responsibilities –** The Committee:

a) **Appointment and Compensation** – Submits to the Board its recommendations with regard to the candidates for independent auditors proposed by the Board to the shareholders. Submits to the Board its recommendations with regard to the compensation of the independent 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;

c) **Assessment of Overall Performance** – At least once a year and before the independent auditors table their report on the annual financial statements, formally assesses the effectiveness and contribution of the independent 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 independent auditors for all services;

d) **Assessment and Rotation of the Partner Responsible for the Audit Mandate** – Reviews and assesses the competencies, performance and independence of the partner of the independent 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 independent auditors of the Bank;

f) **Audit Plan** – Takes cognizance of the annual audit plan prepared by the independent 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 independent auditors, the Committee reviews all the key changes to the plan. Ensures that it is satisfied with the engagement letter of the independent auditors;

g) **Auditors' Report** – The independent 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 independent auditors to issue 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 independent auditors regarding financial reporting;

i) **Compliance of Financial Statements and Other Financial Information** – (i) Discusses with the independent 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 independent auditors and Management to discuss the results of the audit, the interim 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 independent auditors the quality and acceptability of the accounting principles applied in preparing the consolidated financial statements; (iv) Reviews the annual management letter from the independent auditors of the Bank and follows up on the corrective action taken by Management; and (v) Obtains all important correspondence between the independent auditors and Management about audit findings;

j) **Meetings with the Auditors** – Meets regularly with the independent auditors of the Bank without Management being present to understand all questions that might have been raised by the auditors with Management during the audit and how those questions were resolved, and reviews any questions that could be raised by the independent auditors;

k) **Practices and Independence of Independent Auditors** – At least once a year, obtains and reviews a report by the independent auditors which explains: (i) their internal practices concerning quality control; (ii) all the important questions stemming from their most recent review of quality controls, or the latest control by peers, or following investigations carried out by professional or government

authorities in the previous five years regarding one or more of their mandates and the measures taken regarding these questions; (iii) the internal procedures that the independent auditors take to ensure their independence; and (iv) the details concerning the business relationship they have with the Bank; and

l) **Prior Approval of Mandates Given to Independent Auditors** – Provides prior approval of mandates given to independent auditors in accordance with the Guidelines relating to mandates to independent auditors (the "Guidelines"), including the mandates for all non-audit services. To that effect, the Committee adopts a policy and specific procedures for the engagement of independent auditors to perform non-audit services and ensures the conditions in these policies and procedures are met. 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.

Financial Reporting and Analysis

23. **Responsibilities –** The Committee:

a) **Financial Information** – Reviews the annual consolidated financial statements of the Bank and the related independent auditors' report, the interim consolidated financial statements of the Bank, the annual and interim Management's Discussion and Analysis, the Annual Information Form, press releases concerning material financial information, audit processes and management information systems and all other material financial information, in order to ensure their integrity, the effectiveness of processes and compliance with applicable accounting standards. The Committee recommends the approval thereof to the Board before the statements are publicly disclosed;

b) **Accounting Standards** – Asks Management and the independent auditors about 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 informs the Board thereof, if applicable;

c) **Dispute, Notice of Assessment or Any Other Claim** – Takes cognizance of any 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;

d) **Certification** – Reviews the process whereby the Chief Executive Officer and the Chief Financial Officer certify the integrity of the interim and annual financial statements of the Bank and other information for which certification is required;

e) **Public Disclosure** – Ensures that adequate procedures are in place to oversee the Bank's public disclosure of financial information extracted or derived from its

f) **Investments and Transactions** – Reviews such investments and transactions that could adversely affect the financial well-being of the Bank whenever the independent auditors, Internal Audit or any member of Management brings them to the Committee's attention.

Corporate Compliance

24. **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 carry out 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 by ensuring that it reports to an appropriate line level, and by ensuring that the sector has direct access to the Chair of the Committee and the

President and Chief Executive Officer of the Bank and has access to the information required;

e) **Report and Status of Compliance** – Reviews, on an annual basis, the legislative compliance program and recommends approval thereof to the Board. Reviews the annual and interim 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 of the Bank and its subsidiaries with applicable legislation and regulations and other obligations. Obtains reasonable assurance that the Bank and its subsidiaries have the policies, programs, procedures, structures and management systems required to comply with legislation, regulations, guidelines, codes of conduct that govern them, including those of the Office of the Superintendent of Financial Institutions, and that these are operational and aligned with sound industry practices. Reports to the Board on the status of compliance, the compliance program and policies, as applicable. Follows up on questions raised and ensures that actions are taken with regard to important recommendations;

f) **Monitoring** – Asks Corporate Compliance about significant changes in laws and regulations, industry compliance issues, new trends and regulatory risks. Asks Management about material changes introduced by organizations such as the Office of the Superintendent of Financial Institutions, the Toronto Stock Exchanges or the Canadian Securities Administrators; and

g) **Report on irregularities** – Reviews, as necessary, the report of Corporate Compliance on the irregularities or concerns related to accounting or auditing matters at the Bank that have been reported to the Ombudsman of the Bank, as well as the results of any related investigation. Examines the number of reported irregularities or concerns, whether or not they are founded.

Internal Control

25. **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. 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.

Risk Management

26. **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 and maintain its independence, 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;

b) **Effectiveness and Performance** – Annually assesses the effectiveness and overall performance of Risk Management;

c) **Overall Risk Philosophy** – Annually reviews and approves the principles, statements, measures and overall targets for the Bank's risk appetite, and recommends their adoption to the Board. Requires that Management implement adequate risk management strategies;

d) **Strategic Decisions** – Reviews the risks resulting from the Board's strategic decisions and advises the Board on these questions. Includes in its reviews of the changes in strategies or new business initiatives, a review of requisite or related changes in risk management and controls;

e) **Investments** – Reviews the investments and transactions that could adversely affect the Bank's profitability. Approves major strategic and non-strategic investments based on approval authority defined in the current policies;

f) **Policies** – Reviews and recommends to the Board the adoption of policies for managing significant risks which comply with the principles, statements, measures and overall targets for the Bank's risk appetite. The Committee ensures that these policies are implemented and reviews them at least once a year;

g) **Business Continuity Management Program** – Reviews and approves the Business Continuity Management Program of the Bank and its subsidiaries;

h) **Interim Reports** – Examines the interim 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);
- the status of compliance with different policies and limits that are established regarding managing the following risks:
  - operational;
  - credit;
  - market;
  - 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; and

i) **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.

Capital, Liquidity and Funding Management

27. **Responsibilities** – The Committee:

a) **Principle** – Ensures that it understands the Bank's capital, liquidity and funding needs;

b) **Capital** – Ensures that Management adopts an Internal Capital Adequacy Assessment Process. Reviews and recommends to the Board the approval of all new capital models and any major change to a capital model;

c) **Policies** – Reviews and recommends to the Board the adoption of liquidity and funding management and capital management and stress testing policies, including the approval of capital stress testing scenarios. Ensures that these policies are implemented and reviews them at least once a year;

d) **Reporting** – Requires that Management 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;

e) **Capital Plan** – At least once a year, reviews and recommends to the Board the adoption of a capital plan (including the Internal Capital Adequacy Assessment Process);

f) **Capital Contingency Plan** – At least once a year, reviews and recommends to the Board the adoption of a capital contingency plan; and

g) **Reports** – Reviews the reports submitted to it regarding capital management, capital adequacy assessment and stress testing.

Credit

28. **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 members of the Bank's Management and which are defined in the Credit Risk Management Policy 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 and credit losses on a quarterly basis, 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, which exceed the loaning limits of members of the Bank's Management, for internal control purposes; and

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.

Combating Money Laundering and Terrorist Financing Activities

29. **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 procedures enabling the Bank to meet its obligations to detect and deter MLTFA are developed, applied, monitored and reviewed;

d) **Independent Control System** – At least every two years, requires Internal Audit to evaluate the implemented independent controls in order to ensure the efficiency of the procedures allowing the Bank to respect its obligations to detect and deter MLTFA and to present a report on the independent controls carried out, in which, if applicable, the gaps, as well as the actions having been taken or will be taken to fill in these gaps, as described briefly.

Credit Risk Assessment and Evaluation

30. **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.

31. **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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32. **Duties as Intermediary** – The Committee acts as intermediary between the Board and the independent oversight functions which include Internal Audit, independent audit, Corporate Compliance and Risk Management, and ensures cooperation between Internal Audit and the independent auditors;

33. **Engagement of Independent External Consultants** – The Committee may, when it deems appropriate, engage legal counsel or other independent external consultants to carry out its duties and responsibilities. The Committee sets the remuneration and compensates the independent external consultants it engages. The Bank provides the funds necessary to pay for the services of these independent external consultants.

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. **Superintendent** – The Committee 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.

36. **Communication** – The Committee may communicate directly with the independent auditors, the Senior Vice-President – Internal Audit, the Chief Financial Officer and Executive Vice-President – Finance and Treasury, the Executive Vice-President – Risk Management, the Senior Vice-President – Finance, Taxation and Investor Relations, the Chief Compliance Officer, and any other member of Management or employee of the Bank.

37. **Board Meeting** – The Chair of the Committee may call a meeting of the Board to discuss matters of interest to the Committee.

38. **Certifications, Declarations and Reports** – The Committee 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.

39. **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.

40. **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.

41. **Other Duties** – The Committee will exercise any other duty required under the applicable legislation or regulations 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.

42. **Review of Documents and Various Recommendations** – The Committee reviews any document designated by the Superintendent of Financial Institutions, any document required pursuant to applicable laws and the recommendations made by regulatory authorities, the independent auditors or Internal Audit, and reports thereon to the Board.

APPROVED BY THE AUDIT AND RISK MANAGEMENT COMMITTEE ON OCTOBER 26, 2011.
APPROVED BY THE CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE ON OCTOBER 27, 2011.
APPROVED BY THE BOARD OF DIRECTORS ON OCTOBER 27, 2011 WITH AN EFFECTIVE DATE OF NOVEMBER 1, 2011

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