

Statement of Corporate Governance Practices



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

AC: Audit Committee of the Board

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

Bank: National Bank of Canada

Beneficial owner: Any person holding Common Shares registered in the name of a nominee (such as a securities broker, other intermediary, or a duly authorized agent) in his or her favour

Board: Board of Directors of the Bank

Circular: Management Proxy Circular for the Meeting

Computershare: Computershare Trust Company of Canada

CRCGC: Conduct Review and Corporate Governance Committee of the Board

CSA: Canadian Securities Administrators

DSU: Deferred share unit

Executive Officers (as at October 31, 2018):

The "Executive Officers" are:

- the President and Chief Executive Officer;
- the Chief Financial Officer and Executive Vice-President – Finance;
- the Executive Vice-President – Wealth Management, and Co-President and Co-Chief Executive Officer of NBF;
- the Executive Vice-President – Risk Management;

- the Executive Vice-Presidents and Co-Heads – Financial Markets;
- the Executive Vice-President – Personal Banking and Marketing;
- the Executive Vice-President – Employee Experience and Operations;
- the Executive Vice-President – Commercial Banking and Insurance;
- the Executive Vice-President – Information Technology; and
- the Chief Transformation Officer and Executive Vice-President.

HRC: Human Resources Committee of the Board

Meeting: Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on Wednesday, April 24, 2019 at 10:00 a.m. (EDT) and any reconvening thereof in case of an adjournment

NBF: National Bank Financial Inc.

Officers: The term "Officers" includes the Bank's Senior Vice-Presidents and Vice-Presidents, all staff in roles reporting directly to Executive Officers who are employees of the Bank's subsidiaries, as well as any Bank employee considered by the Bank's Human Resources Committee to occupy a similar role

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

Registered holder: Any person who holds Common Shares registered in their name in the Bank's share register

RMC: Risk Management Committee of the Board

Shareholder: Any registered holder or beneficial owner of Common Shares of the Bank

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Governance practices

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

- **protect** the interests of shareholders
- **ensure** the integrity and ethical conduct of the Bank's directors, officers and employees
- **detect** and **prevent** conflicts of interest
- **ensure** that directors are independent and possess the relevant competencies, and
- **ensure** sound risk taking.

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

BOARD OF DIRECTORS

Roles and responsibilities

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

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

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

The Board's main responsibilities		
Review and approve objectives, strategies and operating plans	Promote a culture of commercial integrity and ethical conduct	Ensure compliance with legislation and regulations in addition to sound governance
Ensure risks are managed effectively	Oversee the management of commercial activities and internal affairs	Plan and develop management succession
Ensure transparent and diligent reporting and disclosure of financial information	Develop a compensation approach that maximizes the Bank's competitiveness and favours goal attainment	Ensure that Officers and material risk takers are adhering to ethical and share ownership requirements

The Board develops and approves its own mandate and that of its Chairman. It periodically assesses and reviews the mandates to ensure they remain compliant with applicable legislation and adequately reflect the duties and responsibilities of the Board and its Chairman.

The Board's main achievements

The Board believes that it has fulfilled its duties in accordance with its roles and responsibilities. In particular, during fiscal 2018, the Board:

Main achievements	
Strategy and objectives	<ul style="list-style-type: none"> ✓ Regularly discussed strategic initiatives with the President and Chief Executive Officer, Other Executive Officers, and Officers, in particular growth opportunities, customer interest in new distribution and digital channels, acquisition of new customers, technological change, organizational transformation and the impact of the economic and political framework ✓ Reviewed the 5-year financial plans, efficiency ratio, capital strategy, operating budget and targets to be achieved ✓ Approved a proposal for a normal course issuer bid ✓ Spoke regularly with Executive Officers about the business plans for their business areas as well as about their achievements and objectives ✓ Reviewed and approved proposals related to the construction of the new head office ✓ Participated in the Bank's Strategic Planning Day to speak with the President and Chief Executive Officer as well as with the Other Executive Officers and Officers about the current business plan, risks and challenges facing the Bank, investor relations, organizational culture and acquisition strategies for certain customer segments

Main achievements (cont.)

Risk management	<ul style="list-style-type: none"> ✓ Reviewed and approved the Bank’s risk appetite framework, in particular the risk appetite statements, measures and targets ✓ Oversaw the ongoing review of sales practices, obtaining regular follow-up from the Bank’s management on this topic ✓ Revised and approved risk management policies, including structural exchange risk, capital and liquidity management risk, and funding and pledging risk
Financial reporting	<ul style="list-style-type: none"> ✓ Reviewed and approved the proposals to raise dividends ✓ Reviewed and approved the interim condensed consolidated financial statements, the audited annual consolidated financial statements, the annual report, the annual information form, the press releases for dividend declarations and supplementary financial information ✓ Approved the appointment and compensation of the independent auditor
Management, performance, and compensation	<ul style="list-style-type: none"> ✓ Assessed the President and Chief Executive Officer’s performance by comparing financial results against annual objectives and key performance indicators and approved the objectives for the following year ✓ Received the President and Chief Executive Officer’s report on the performance of the Other Executive Officers and approved their compensation ✓ Received the reports from the risk management, audit, and human resources committees on the performance of the Chief Compliance Officer and the Senior Vice-President – Internal Audit, and approved their compensation
Succession planning	<ul style="list-style-type: none"> ✓ Reviewed the succession plans of the President and Chief Executive Officer, of the Other Executive Officers, of the heads of the oversight functions, and of the Officers of the Bank and its subsidiaries ✓ Reviewed and approved the appointments of new Executive Officers
Compliance with legislation, regulations and policies	<ul style="list-style-type: none"> ✓ Reviewed and approved the Management Proxy Circular and the form of proxy for the Annual Meeting of the Holders of Common Shares of the Bank held on April 20, 2018 ✓ Reviewed and approved governance-related policies, in particular director independence standards, the statement of governance practices, the majority voting policy, the Shareholder Engagement Policy, and the Board Diversity Policy ✓ Approved changes to the policy approval process to incorporate the principles set out in OSFI’s revised guideline on corporate governance ✓ Approved the subsidiary governance framework

The various mandates of the Board, Chairs and committees are published in the Governance subsection, under “About Us” on the nbc.ca website. The Board’s mandate is also available on the sedar.com website and incorporated by reference in this Circular.



Culture of commercial integrity and ethical conduct throughout the Bank

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

It ensures that the rules of conduct and ethics are upheld, particularly through the adoption and updating of the Code of Conduct and Ethics. The Board also ensures that the Bank has an appropriate and effective process permanently in place to ensure compliance with these rules, through, for example, an annual commitment signed by the Bank's directors, Officers and employees to comply with the Code of Conduct and Ethics. It ensures that any material breach of the rules of the Code by a director or Executive Officer is disclosed in accordance with the continuous disclosure obligations in effect. Acting through the Conduct Review and Corporate Governance Committee, the Board also reviews the findings of the annual report on the application of the Code.

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

Committees, oversight functions and external consultants supporting the Board

To fulfill its mandate, the Board is supported by four committees: the Audit Committee, the Conduct Review and Corporate Governance Committee, the Risk Management Committee, and the Human Resources Committee. It also relies on recommendations made by the four oversight functions (Internal Audit, Risk Management, Compliance, and Finance).

INTERNAL AUDIT OVERSIGHT FUNCTION

The Internal Audit oversight function is the third line of defence in the risk management framework. It is responsible for providing the Bank's Board and management with objective, independent assurance as well as advice on the effectiveness of the main governance, risk management, and internal control processes and systems and for making recommendations to promote the Bank's long-term strength.

FINANCE OVERSIGHT FUNCTION

The Finance oversight function is responsible for optimizing management of financial resources and ensuring sound governance of financial information. It helps the business segments and support functions with their financial performance, ensures compliance with regulatory requirements, and carries out the Bank's reporting to shareholders and the external reporting of the various units, entities and subsidiaries of the Bank.

RISK MANAGEMENT OVERSIGHT FUNCTION

The Risk Management oversight function is responsible for identifying, assessing and monitoring—independently and using an integrated approach—the various risks to which the Bank is exposed and for promoting a risk management culture within the Bank. The Risk Management team helps the Board and management understand and monitor the main risks. The unit also develops, maintains and communicates the risk appetite framework while overseeing the integrity and reliability of risk measures.

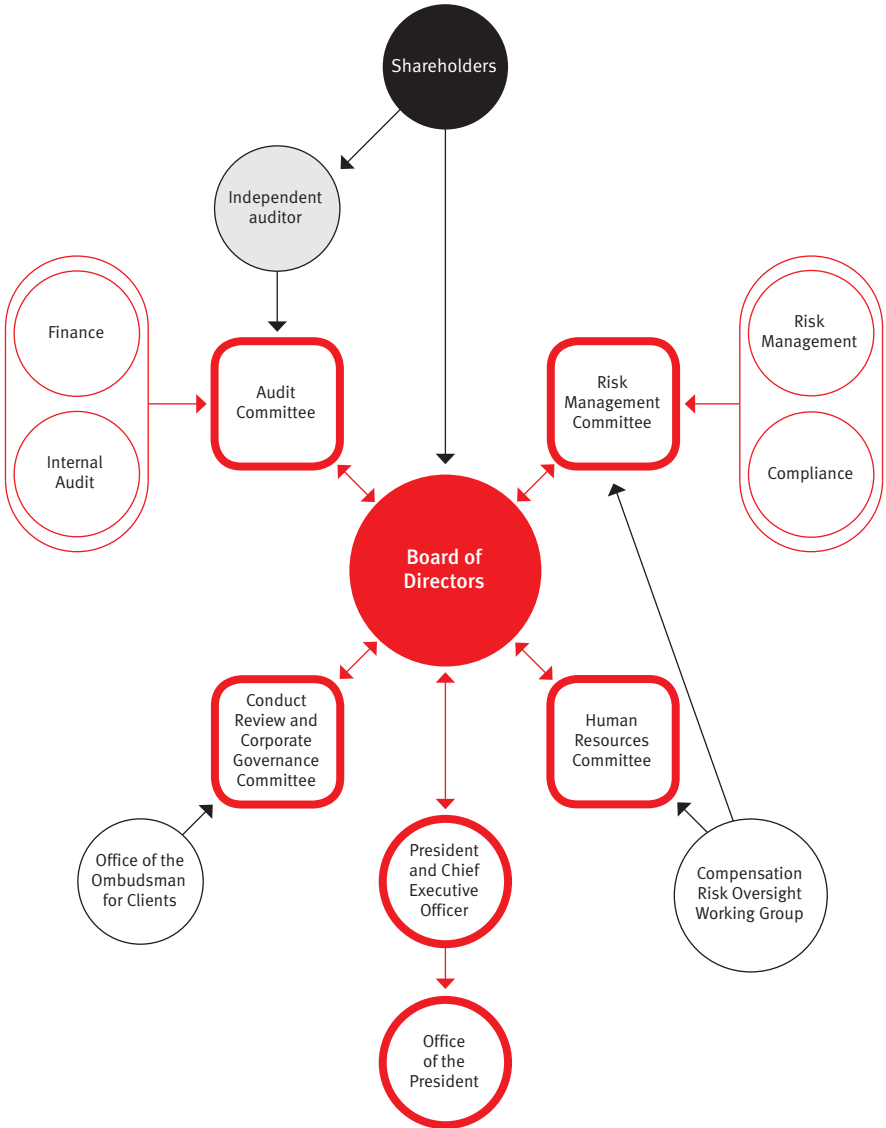
COMPLIANCE OVERSIGHT FUNCTION

The Compliance oversight function is responsible for implementing a Bank-wide regulatory compliance risk management framework by relying on an organizational structure that includes functional links to the main business segments. It also exercises independent oversight and evaluation of the compliance of the Bank and its subsidiaries with standards and policies on regulatory compliance risk.

The Board and its committees may hire legal counsel or other independent external consultants, define the related mandate, and set the compensation, which is paid by the Bank. Before hiring such consultants, the Board or committee concerned assesses the nature of any other mandates that were previously awarded by the Bank to make sure that the consultants' independence is not impaired.

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

The following chart shows the interactions between the committees, the oversight functions and the Board.



The Board's corporate governance practices are set out in a document available in the Governance subsection under "About Us" on the nbc.ca website.



CHAIRMAN OF THE BOARD

The Chairman of the Board is independent within the meaning defined by the CSA. He leads the Board and its activities in the best interests of the Bank and its shareholders and clients. He does not have a deciding vote in the event of equality among Board member votes.

The Chairman of the Board promotes the highest standards of integrity and ethical conduct within the Board as well as rigorous corporate governance standards, and he ensures that the Bank complies with applicable regulatory requirements. Furthermore, he:

- ensures that the Board effectively and independently performs its duties and assumes its responsibilities and assigns tasks to Board members
- ensures that Board committees discharge the responsibilities vested in them by the Board and report back to the Board with the results of their work
- ensures that the Board has the necessary resources and information to fulfill its mandate and responsibilities
- ensures that the independent directors meet at the end of each Board meeting without the Bank's management being present, and chairs these proceedings in camera
- assists the Conduct Review and Corporate Governance Committee in overseeing the process of evaluating Board, committee and director performance

COMMITTEES CREATED BY THE BOARD

The Board delegates some of its powers to committees that it creates in accordance with relevant legislative requirements and according to its needs. It appoints committee members and Chairs from among its directors, who must meet all applicable legislative eligibility criteria as well as independence standards.

Based on the recommendations of the Conduct Review and Corporate Governance Committee, the Board approves the mandates of its committees as well as those of the committee Chairs. The committees:

- meet without the presence of the Bank's executives, who are invited to attend committee meetings from time to time
- report regularly to the Board about their activities
- regularly review their respective mandates and the mandates of their Chair and recommend them for approval to the Board to ensure that these mandates adequately reflect how the committee functions, its activities and responsibilities

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



SELECTION OF DIRECTOR NOMINEES, ELECTIONS AND OVERSIGHT

Board composition

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

Competencies and selection criteria

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

The Board's expectations for its members, both from an individual standpoint and their contribution to the Board, are set out in the expectations for directors prepared by the Conduct Review and Corporate Governance Committee and approved by the Board.

When nominating a new director for election or an existing director for re-election, the sought-after aptitudes are determined by the Conduct Review and Corporate Governance Committee and approved by the Board. For the directors as a whole, a complementary mix of knowledge and expertise is required to ensure that the Board can effectively fulfill its role in all areas. The Board believes that all of its director nominees bring and uphold the knowledge, competencies, expertise, geographic representation, diversity and number of directors required for informed decision-making, creating committees and succession planning. The sought-after aptitudes for directors are as follows:

Dedication and Integrity	Commitment, rigour and participation	Contribution to the Bank's values and business acumen
<ul style="list-style-type: none"> ✓ Oversee the Bank's interests ✓ Strive to continue improving ✓ Act as ambassadors of the Bank in their sphere of activity and the community in general ✓ Understand their roles and responsibilities, and the related expectations and obligations ✓ Make constructive use of their competencies, experience and influence ✓ Fulfill their responsibilities with integrity, honesty and candour ✓ Comply with the Bank's Code of Conduct and Ethics, and that of any other company where they are directors or executives ✓ Ensure they meet the eligibility criteria set out in the <i>Bank Act</i>, the Bank's own by-laws and any other legislation ✓ Avoid placing themselves in situations of conflict of interest ✓ Treat as confidential all information to which they have access in their duties ✓ Adhere to the Bank's director independence policy 	<ul style="list-style-type: none"> ✓ Devote the time and energy needed to properly discharge their obligations ✓ Prepare adequately for meetings ✓ Attend at least 75% of the meetings to which they are called ✓ Keep their financial competencies up to date ✓ Hold the minimum number of Bank shares and ensure transparency when trading Bank shares ✓ Stay abreast of the Bank's business activities and any questions or trends that could have an impact on its activities ✓ Participate in the Bank's ongoing education program ✓ Assume responsibility for the decisions made by the Board 	<ul style="list-style-type: none"> ✓ Question the status quo, encourage change and be focused on finding solutions ✓ Contribute to responsible Bank-wide risk management ✓ Demonstrate leadership, show initiative, be proactive and courageous ✓ Manage conflict constructively and work in collaboration with the other directors ✓ Have an entrepreneurial spirit and show interest in innovation ✓ Understand the Bank's vision, strategic orientation, objectives and risks ✓ Demonstrate clear and sound judgment so they can assess opportunities for the Bank ✓ Have sound business judgment ✓ Be capable of thinking critically about the Bank's growth strategies ✓ Lead by example and contribute to the corporate culture ("tone at the top")

For more information about the director nominees, refer to the Summary and Section 3 of the Circular.



Director independence

The Conduct Review and Corporate Governance Committee regularly assesses the independence of Board members in accordance with CSA criteria using, among other things, information provided semi-annually by directors or information brought to its attention. The Board then reviews this independent assessment produced by the Conduct Review and Corporate Governance Committee.

The Board, either directly or through one of its committees, implements structures and procedures to ensure the Board functions independently of the Bank's management.

- ✓ Other than the President and Chief Executive Officer of the Bank, all committee and Board members are independent within the meaning defined by the CSA
- ✓ The roles of Chairman of the Board and of President and Chief Executive Officer are distinct
- ✓ The directors also comply with the *Affiliated Persons (Banks) Regulations* (Canada)
- ✓ During fiscal 2018, the independent directors met in camera, without the Bank's management, at each Board meeting or Board committee meeting, as stated in the agenda of each meeting

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

Integrity of directors

The directors of the Bank act with integrity and exercise independent judgment in fulfilling their roles and responsibilities. Directors are bound by the provisions of the Bank's Code of Conduct and Ethics and by other rules of conduct and ethics applicable to directors, Officers and employees of the Bank, and each year they commit, in writing, to comply with the Code of Conduct and Ethics.

The Conduct Review and Corporate Governance Committee conducts a background and reference check for all director nominees. It does so before they are elected and at least every five years thereafter in accordance with guidelines issued by OSFI. On an annual basis, directors confirm in writing that they do not have a criminal record.

Also on an annual basis, directors agree, in writing, to comply with the Bank's conflict-of-interest standards. They must avoid all real, potential or apparent conflict-of-interest situations with the Bank.

Any director who is party to a contract or has an interest in a material transaction with the Bank must, as soon as possible and in accordance with applicable legislation, disclose the nature and scope of this interest to the Chairman of the Board or to the Chair of the Conduct Review and Corporate Governance Committee. They must leave the meeting during the review of the contract or transaction and refrain from voting on the matter, barring exceptions provided for by applicable legislation.

To ensure full disclosure, the Corporate Secretary regularly receives confirmation from the directors as to whether or not any conflicts of interest exist.

Availability of directors

The Board expects directors to attend the meetings to which they are called and to remain present throughout. Directors are required to attend at least 75% of all the meetings to which they are called, unless the Conduct Review and Corporate Governance Committee deems that factors beyond their control prevented them from doing so. In such cases, the Board may re-evaluate their ability to act effectively as directors of the Bank.

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

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

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

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

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

Outside directorships

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

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

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

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

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

The following table shows the name of the public corporation that has more than one of the Bank's director nominees serving on its board of directors:

Public corporation	Director	Public corporation committee(s) of which the director nominee is a member or position(s) held by the director
Saputo inc.	Karen Kinsley	Member of the Audit Committee
	Lino A. Saputo, Jr.	Chairman of the Board of Directors

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

Change of status

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

DIVERSITY AND REPRESENTATION OF WOMEN ON THE BOARD AND IN MANAGEMENT

The Bank believes that diversity enriches the discussions had by the Board and by management. It recognizes the importance of having a representation among its directors that reflects the diversity of the Bank's clients, employees and shareholders. Various diversity-related initiatives have been deployed, in particular:

- | | |
|---|--|
| <p>1 Action plans on diversity and inclusion</p> | <ul style="list-style-type: none"> • The Bank creates action plans to meet the Bank's diversity objectives. • The Executive Officers are committed to executing these action plans in their respective areas. |
| <p>2 Diversity Working Group</p> | <ul style="list-style-type: none"> • The Diversity Working Group supports each sector with its diversity challenges and helps to maintain an organizational culture where diversity is a daily reality for all. • The group is composed of Officers and senior managers from all sectors of the Bank and is chaired by an Executive Officer. |
| <p>3 Performance indicators and annual report</p> | <ul style="list-style-type: none"> • The Bank has created tracking indicators and dashboards that provide a monthly snapshot of the diversity situation within the Bank and in each business segment. • A diversity status report is presented to the Executive Officers and Human Resources Committee such that they can monitor the progress in women's representation being made at the Bank and in each business segment. |
| <p>4 The Board Diversity Policy</p> | <ul style="list-style-type: none"> • In December 2018, the Board adopted a new policy regarding the diversity of the Board of Directors. Under that policy, the evaluations of new director nominees by the Conduct Review and Corporate Governance Committee are to be guided by an intention to bring together directors whose characteristics represent the communities in which the Bank is present and conducts business, such as gender, age, designated groups⁽¹⁾, sexual orientation, ethno-cultural groups and geography. • The Board Diversity Policy can be found in the Governance subsection under "About Us" on the nbc.ca website. |

(1) Within the meaning in the *Employment Equity Act*, S.C. 1995, c. 44.

Board diversity

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

It is within such a context that the Bank renewed its support of the Catalyst Accord, an agreement that unites many large companies around a goal of increasing the number of women serving on boards of directors in Canada (at least 30% by 2022).

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

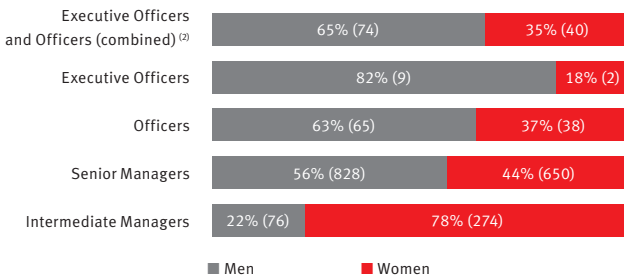
The statistics reveal the results of the Board’s constant commitment and the strategies it has deployed over the years.

- At the date of this Circular, 38% of the Board’s members were women (i.e., 5/13), which exceeds the target set by the Conduct Review and Corporate Governance Committee to have women account for at least one-third of Board directors.
- Half of the Board committees are chaired by women.
- If all the director nominees are elected at the Meeting, 43% of the Board members will be women (i.e., 6/14).
- Since 2015, the women/men representation ratio among the Bank’s director nominees up for election has been stable, remaining between 36% and 43%.

Senior management and management ⁽¹⁾

When appointing candidates to executive positions, the Bank considers the representation of women. Women currently account for **18% (i.e., 2/11)** of the Bank’s Executive Officers and **35% (i.e., 40/114)** of the Bank’s Executive Officer and Officer positions combined.

The following chart illustrates the representation of women and men who held Executive Officer, Officer, and manager positions at the Bank:



(1) As at January 31, 2019.

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

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

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

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

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

The overall target for representation of women among the Bank's Executive Officers and Officers is 40%. The Bank is focusing its efforts to achieve and maintain this target as part of the 2019 and 2020-2022 three-year diversity plans. The Bank has not set a target for senior management, as there are too few Executive Officers for a realistic target to be set. However, the succession plan is being monitored to ensure the fair representation of women among this group.

While the Bank does not favour imposing quotas as part of its approach on equal representation of women, it ensures at all times that its human resources practices consider the diversity of the population and of its employees, and takes care to maintain a respectful work environment that is open to differences. The Bank has a range of initiatives in this respect.

This year, the Bank appeared in Bloomberg's Gender-Equality Index. The index recognizes companies committed to advancing equality between the sexes and to transparency in gender reporting.

Here are some examples:

1	Workshops on unconscious bias during recruitment	<ul style="list-style-type: none"> The Bank examined how unconscious bias can affect talent management and trained managers and human resource professionals this year. Workshops on the matter are being gradually deployed in every business sector. Unconscious bias was also a topic of discussion at performance and succession roundtables.
2	Creation of employee affinity groups to encourage networking	<ul style="list-style-type: none"> The <i>Women in the Lead</i> network, which has groups in many Canadian cities, supports networking and the sharing of experiences among inspiring women leaders. Furthermore, in April 2016, the Bank received an award from the Association of Quebec Women in Finance (AFFQ) for the best initiative for promoting women. Through this networking program, employees share experiences with inspiring leaders.
3	Coaching and mentoring	<ul style="list-style-type: none"> Formal mentoring and coaching programs are offered to the Bank's senior managers and officers. Particular focus is placed on valuing different leadership types and on the participation of women in these programs.
4	A program to help develop our succession: EFFET A	<ul style="list-style-type: none"> <i>L'Effet A</i> is a program offered by one of our partners and that accelerates the professional development of high-potential women, preparing them more quickly for higher level management positions.
5	Representation of women: Action plan and tracking progress	<ul style="list-style-type: none"> The Bank has set up a three-year plan to reach its women's representation objectives. It has prepared a profile of future women leaders by identifying women employees who possess high potential and are likely to hold management or executive positions. The Bank regularly follows up on the progress made by the women in these positions. If the objectives are not met, the Bank deploys targeted strategies by business segment to maintain the fair representation of women.
6	Partnerships with external recruitment firms	<ul style="list-style-type: none"> The Bank partners with external recruitment firms to maintain sufficiently diverse pools of qualified candidates to fill officer positions.
7	Program to raise the number of women investment advisors	<ul style="list-style-type: none"> This program, in place since September 2016, addresses three key issues: <ol style="list-style-type: none"> (1) the presence of women in the profession, (2) the reconciliation of work-family life, (3) customer service for women investors. In April 2018, the Bank received an award from the Association of Quebec Women in Finance (AFFQ) for the best initiative for promoting women.

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

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

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

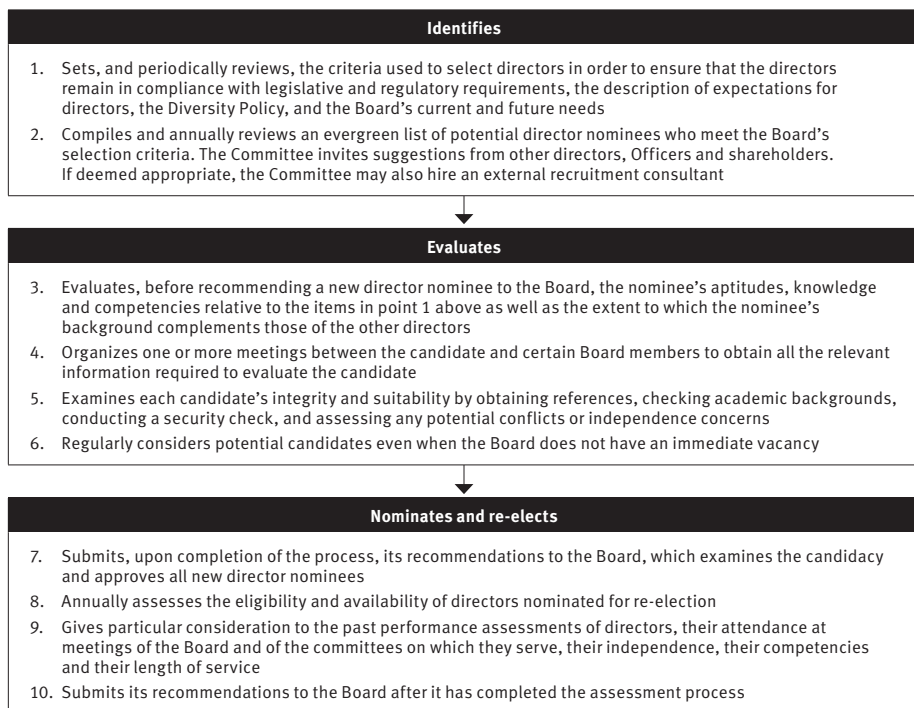
Succession planning

Succession planning as well as leadership development and engagement are key aspects of the Bank's many talent management strategies. Specifically, an annual succession planning process helps the Board to become more familiar with future Office of the President members and helps the Bank to further develop its leaders and manage workforce risk. During the year, the Board reviewed the succession plans of the President and Chief Executive Officer, the Office of the President members, and the heads of the oversight and control functions. It actively participated in reviews, analyses, discussions and reflections on executive successors, and it examined the development plans of key talents whose progress it wishes to oversee. The purpose of these activities is to gain a global view of high-potential successors, to learn more about the candidates selected for succession positions, and to ensure that the Bank's acquisition and development strategies are supporting current and future needs in terms of officer qualifications and diversity. The Board also becomes more familiar with the pool of key successors through an annual report addressing the development and progress of Office of the President successors as well as through interactions in formal and informal settings.

Identifying, evaluating and nominating directors

The Board oversees the director succession planning process implemented by the Conduct Review and Corporate Governance Committee. The Committee is tasked with selecting director nominees for vacant positions and for determining whether it is appropriate to re-elect each current director.

To do so, the Conduct Review and Corporate Governance Committee:



Director nomination by Shareholders

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

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

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

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

According to the policy, the Bank is not required to include a number of nominees in excess of the maximum number in the management proxy circular or the form of proxy. If, pursuant to the policy, the number of candidates put forth for an annual Shareholder meeting exceeds the maximum number, each shareholder proponent will select the candidate that he wishes to include in the management proxy circular, with the order of selection determined by size of participation (from the largest participation to the least participation) indicated in the notice of nomination of each shareholder proponent, and so forth after each shareholder proponent has chosen a candidate, until the maximum number has been attained.

This description of the proxy access policy is only a summary, is not meant to be exhaustive, is subject to the provisions of the policy and is presented subject to the full text thereof, a copy of which can be found in the Governance subsection under "About Us" on the nbc.ca website. Investors interested in submitting candidates under the policy are invited to read the full text of the policy.

In accordance with the Act, Shareholders holding in the aggregate not less than 5% of the Bank's outstanding Common Shares for the minimum period of time set out by the Act may submit a formal proposal to have candidates nominated for election as directors. Shareholders wishing to make such a formal proposal should refer to the relevant provisions of the Act to learn about the applicable procedure. The Bank's proxy access policy will not apply to a management proxy circular if a shareholder proposal including director candidates is presented in accordance with the provisions of the Act.

Shareholders who do not meet the minimum criteria for making an official proposal, or who choose not to do so, may still at any time recommend candidates for election to the Board. The names of these candidates and the supporting information must be submitted to the attention of the Corporate Secretary of National Bank at 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.

Majority voting

The Board has adopted a majority voting policy governing uncontested director elections. Under this policy, a director nominee will be deemed not to have received the support of shareholders, even if he or she is elected, if the number of votes withheld exceeds the number of votes cast in favour of his or her election at an Annual Meeting of the Shareholders.

A director elected under such circumstances must immediately tender his or her resignation to the Conduct Review and Corporate Governance Committee, which, other than in exceptional circumstances, will submit a recommendation to that effect to the Board. Within 90 days following the Annual Meeting, the Board will issue a press release announcing the resignation of the director in question or its rationale for not accepting the resignation.

This majority voting mechanism does not apply, however, if a director's election is contested.

Director tenure and Board vacancies

The Board has adopted the following guidelines:

- **Term of office:** A director's term usually expires at the close of the annual meeting of the holders of Common Shares of the Bank that follows the annual meeting in which the director was elected
- **Maximum number of terms:** A director may not renew their mandate past the 12th annual meeting after they were first elected. On the recommendation of the Conduct Review and Corporate Governance Committee, however, the Board may decide, given exceptional circumstances, that it is in the Bank's best interest for a director who has reached this limit to be able to stand for election once more, for an additional one-year term, up to three additional terms. Such exceptional circumstances have never occurred since these guidelines were adopted
- **Age limit:** There is no age limit
- **President and Chief Executive Officer:** In accordance with the Act, the Bank's President and Chief Executive Officer must serve on the Board as long as he holds that position

Performance assessment

The Board regularly assesses its own performance and effectiveness. The Conduct Review and Corporate Governance Committee is responsible for creating and overseeing a process whereby each director can assess the effectiveness and contribution of the Board and its Chairman and of the Board committees and their respective Chairs, their own contributions as a Board member and as a member of one or more committees, and the contributions of their peers. Provided below are the steps involved:

Questionnaire

1. The directors receive a self-assessment and assessment questionnaire to evaluate the performance of the Board, its committees, the Chairman of the Board, and the Chairs of the committees as well as the contributions of peers
2. Members of the Office of the President receive an assessment questionnaire to evaluate the performance of the Board
3. Once the questionnaires are completed, the Chair of the Conduct Review and Corporate Governance Committee receives the results of the performance assessments of the Chairman of the Board and of the committee Chairs, excluding the assessment of her performance. The Chairman of the Board receives all other results



Meetings

4. The Chairman of the Board meets each director one-on-one to discuss his observations
5. When meeting with the Chairman of the Board, the President and Chief Executive Officer shares with him the comments made by the members of the Office of the President regarding the Board's performance
6. The Chair of the Conduct Review and Corporate Governance Committee, if necessary, meets the Committee members one-on-one (with the exception of the members of the Conduct Review and Corporate Governance Committee)
7. The Chairman of the Board and the Chair of the Conduct Review and Corporate Governance Committee then meet to review the results, which are subsequently presented to the Conduct Review and Corporate Governance Committee



Action plan and report to the Board

8. The Conduct Review and Corporate Governance Committee holds a meeting during which members discuss and review the assessment results. It then examines the appropriateness of making changes or improvements to the performance of the Board, its committees, the Chairman of the Board, and the Chairs of the Board committees
9. The Conduct Review and Corporate Governance Committee also reviews the individual performance of each director and determines whether it is appropriate for them to stand for re-election at the Bank's next annual meeting of shareholders
10. If appropriate, the Conduct Review and Corporate Governance Committee draws up an action plan after these discussions
11. The Chairman of the Board and the Chair of the Conduct Review and Corporate Governance Committee submit the results of the assessments to the Board and, if appropriate, present the action plan drawn up by the Conduct Review and Corporate Governance Committee. The Board oversees the execution of any action plan

The fiscal 2018 performance assessment concluded that the Board and its committees operate effectively and that their members, the Chairman of the Board, and the Chairs of the committees have the necessary knowledge and devote the required time to accomplish their tasks. The assessment process was carried out in accordance with the respective mandates of the Board and the Conduct Review and Corporate Governance Committee.

With a view to continuous improvement, the Board's annual assessment helps to identify improvements that can be made to ensure that the Board remains high-performing and effective. For 2017-2018, as a result of an action plan, tangible improvements were made, including an enhanced onboarding program for new directors, lower volumes and a better production cycle for Board documents, and refined performance indicators.

Guidance and continuing education for directors

Directors must constantly be broadening their knowledge and understanding of the Bank's operations and regulatory framework. To support them, a guidance and continuing education program that takes into account the knowledge and various needs of the current directors is in place.

A guidance program for new directors

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

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

New directors will also be invited to attend a meeting of each Board committee on which they are not a member and to participate in additional information meetings with Executive Officers and with the Chief Compliance Officer and Chief Anti-Money Laundering Officer to further deepen their knowledge and understanding of the issues facing the Bank.

Directors' handbook

At all times directors have access to a series of reference documents outlining their duties and the scope of their responsibilities.

Continuing education program for directors

During Board or committee meetings, directors regularly attend presentations and in-depth sessions ("deep dives") given by Bank representatives (or occasionally by external consultants) in order to further enhance their knowledge of areas related to their duties. At least 10% of the time designated annually for regular meetings of the Board is devoted to continuing education. During the year, directors attend presentations given by the heads of each business segment about their strategic issues and business plans. Directors visit branches, business centres or operations centres.

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

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

To help directors stay current with recent developments in the areas of audit, risk management, human resources and governance, they always have access to documentation submitted to Board committees on which they are not members. In addition, the Corporate Secretary from time to time provides them with various articles and publications relevant to the performance of their duties.

The following table lists the training sessions provided by the Bank as well as those offered by recognized organizations (in particular, training programs given by their professional associations) that several directors attended and that are relevant to their positions as directors.

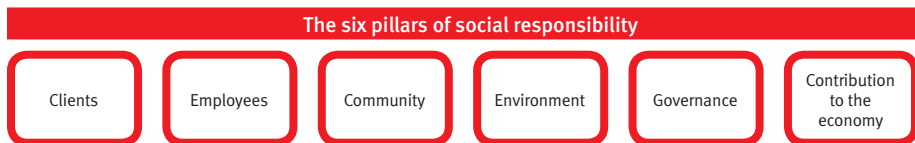
Training provided by the Bank	Date	Participants
Breaches of confidentiality	November 2017	RMC
Wealth Management	November 2017	RMC
Developments in governance	December 2017	CRCGC
IFRS 9 and loan allowances	February 2018	AC
Financial markets compensation	February 2018	HRC
Anti-money laundering and anti-terrorist financing	February 2018	Board
Internal audit universe	May 2018	AC
Developments in environmental disclosure	May 2018	CRCGC
Visit to the trading floor	August 2018	Board
Payment trends	August 2018	Board
Client data and acquisition	August 2018	Board
Review of talent management strategies in the digital era	August 2018	HRC
Sales practices	August 2018	RMC
Banking system trends	October 2018	Board
Economic update	October 2018	Board
Investor relations	October 2018	Board
Human Resources transformation: shift to the employee experience	October 2018	HRC
Short sellers	October 2018	CRCGC
Integrated risk management	October 2018	RMC

Training provided by recognized organizations

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

SOCIAL RESPONSIBILITY

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



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

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

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

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



COMMUNICATIONS WITH SHAREHOLDERS AND STAKEHOLDERS

The Board believes in the importance of giving Bank shareholders and clients and any other person opportunities to comment on Bank-related matters. It therefore makes sure to implement measures designed to gather comments, fully understand concerns expressed, and respond as required.

In 2018, the Conduct Review and Corporate Governance Committee formally adopted a Shareholder Engagement Policy that outlines current practices and clarifies how shareholders can engage directly with the Board or one of its directors. The Policy can be found in the Governance subsection under "About Us" on the nbc.ca website.

The Bank responds to questions from shareholders, investors, financial analysts and the media through its Investor Relations Department, its Public Affairs Department, its Corporate Secretary and Computershare, which is its registrar and transfer agent. The Corporate Secretary is responsible for ensuring effective communication between the Board, the Bank's management and shareholders.

As part of the Bank's efforts to promote dialogue with shareholders, in fiscal 2018 the Chairman of the Board met with several institutional investors to discuss various matters of mutual interest, in particular the Board's approach to Executive Officer compensation, the Board's governance practices, Board succession planning, and Board oversight of strategy and risk management. During that period, at the Board's request, members of the Bank's management team also met with representatives from institutional investors, shareholder groups, proxy-voting consultants and corporate governance advocacy groups. Following discussions with stakeholders, the Bank announced its support for the FSB's Task Force on Climate-related Financial Disclosure.

In addition, the Bank's annual advisory vote allows shareholders to express their position on the executive compensation approach presented in the Circular. Over the past few years, several institutional investors, proxy voting consultants and corporate governance advocacy groups, such as Institutional Shareholder Services Inc. (ISS) and Glass Lewis & Co., made positive statements about the performance-compensation relationship at the Bank as part of their analyses.

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

Type of activity	Speakers of the Bank	Attendees, frequency and purpose
Presentations without transactions, meetings, calls or discussions	Chairman of the Board and other directors at the request of the Chairman of the Board	Attended by key stakeholders with whom the Bank proactively discusses best governance practices
Presentations without transactions, meetings, calls or discussions	Executive Officers and certain Officers	Attended by institutional investors, throughout the year, wherein the Bank provides publicly available information about its activities, operations, and initiatives
Quarterly conference calls and webcasts	Executive Officers and certain Officers	Attended by investors and analysts wherein the Bank presents and comments on the latest published operating and financial results
Press releases	Executive Officers	Press releases issued to the media throughout the year to report any major change involving the Bank
Broker-sponsored conferences	Executive Officers	Presentations made during conferences attended by institutional investors and analysts and covering publicly available information about the Bank and its operations
Investor Day	Executive Officers	Attended by a group of investors and analysts upon invitation; live webcasts and presentations are made available on the nbc.ca website
Meetings, calls and discussions	The Bank's Investor Relations Service	Attended by brokers, institutional and retail investors, and analysts wherein the Bank provides publicly available information about its financial results

Anyone wishing to contact the Board, a Board committee, the Chairman of the Board, a Chair of a Board committee, or a director, including an independent director, may do so by e-mail to boardofdirectors@nbc.ca or by mail c/o the Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.



PROCEDURE FOR REPORTING IRREGULARITIES

The Audit Committee has adopted a policy for reporting irregularities relating to accounting and internal controls concerning the Bank's accounting and auditing activities and oversees the implementation of the policy. The policy governs how complaints and concerns, by any person or Bank employee, regarding accounting or auditing matters are received, retained and handled, and ensures that they are communicated anonymously and confidentially.

This policy can be found in the Governance subsection under "About Us" on the nbc.ca website.



2.

Committees of the Board

In performing its duties, the Board is assisted by four standing committees: the Audit Committee, the Risk Management Committee, the Conduct Review and Corporate Governance Committee, and the Human Resources Committee. The Board may also create ad hoc committees to address specific purposes whenever the situation so requires.

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

Characteristics of Board committees

Each Board committee:

- is made up exclusively of independent directors, as defined by the CSA
- has implemented procedures to ensure that it is independent from the Bank's management and that give it access to the information needed to carry out its mandate
- has met in camera, without the Bank's management being present, at each of its meetings
- may inquire about any matter it deems relevant and, to that end, has full access to the Bank's books, records, facilities, premises, members of management and employees
- may invite other individuals (who do not possess voting rights) to attend its meetings, either in full or in part
- periodically reviews its own mandate and approves its activity schedule

All four committees are confident that, for fiscal 2018, they have fulfilled their responsibilities in accordance with their mandates.

Chairman of the Board

The Chairman of the Board:

- may attend any committee meeting (of which he is not a member) as a guest and, as such, may not vote on any item
- may, at the request of a committee Chair, serve as a member of the committee and have the right to vote if a quorum could not be otherwise attained at a meeting
- may chair the meetings of a Board committee when needed

Experience and competencies of committee members

Each member:

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

Certain directors serve on more than one committee, which helps the committees gain a better overall understanding of the other committee mandates and the challenges facing the Bank's various business lines. For more information about the members of the Board's standing committees during fiscal 2018, refer to Section 3 of the Circular.

3.

Director compensation

The Board aims to offer compensation that reflects the increasing complexity of the Bank's operations. Directors who also serve as officers do not receive any compensation in their capacity as directors of the Bank or any of its subsidiaries.

The compensation program is structured to achieve the following objectives:

Recruit and retain qualified directors

- Offer compensation that reflects the importance of the role of director
- Offer compensation that is competitive relative to the peer group, which is described in Section 7 of the Circular

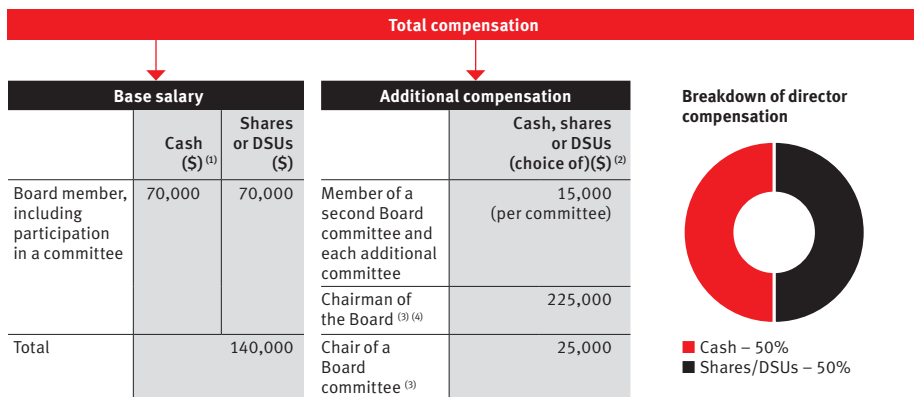
Align the interests of the directors with those of shareholders

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

THE BANK'S COMPENSATION PROGRAM

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

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



- (1) Aside from the portion of their base salary that must be paid in Common Shares or deferred share units, directors may elect to receive the cash portion of their compensation in the form of cash, Common Shares, DSUs, or a combination of all three, provided the share ownership requirements are met.
- (2) The compensation payable to committee members and Chairs may, by choice, be paid in cash, Common Shares, DSUs, or a combination of all three, provided the share ownership requirements are met.
- (3) The Chairman of the Board and the Chairs of the committees receive compensation in their roles as Board and committee members and also as Chairman and Chair, respectively.
- (4) 25% of the total compensation paid to the Chairman of the Board must be in the form of Common Shares or DSUs, whichever he prefers.

COMPENSATION PROGRAM FOR SUBSIDIARIES

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

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

(1) The committee Chairs receive compensation both as committee members and as Chairs.

(2) Compensation may, by choice, be paid in cash, Common Shares, DSUs, or a combination of all three.

SHARE OWNERSHIP REQUIREMENTS

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

Specifically, all independent directors of the Bank must hold Common Shares or DSUs. Directors have **five years from the date they take office** to meet the following requirements.

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

Once the requirement has been met, directors may elect to receive their compensation in the form of cash, Common Shares or DSUs, subject to the portion of their compensation that must be paid in Common Shares or DSUs. A portion of the directors' base compensation must be paid in the form of Common Shares or deferred share units, even when the minimum requirements have been met.

WHAT IS A DEFERRED SHARE UNIT (DSU)?

A deferred share unit is a right, measured quarterly, and the value of which equals the market value of a Common Share of the Bank on the date the units are credited to an account in the director's name.

- Additional units are credited to the director's account in an amount equal to the dividends paid on the Common Shares.
- Vested DSUs may be cashed only when the director leaves all the positions he or she held as a director of the Bank or any of its subsidiaries.
- The units must be cashed no later than the end of the calendar year following the year in which the director leaves his or her duties.

For more information, refer to Section 3 of the Circular, which provides a description of each director's shareholdings in accordance with share ownership requirements.

OTHER INFORMATION REGARDING THE BANK AND ITS SUBSIDIARIES

The Bank and its subsidiaries reimburse directors for the expenses incurred to attend meetings. The Bank also reimburses Board members for disbursements and accommodation expenses incurred for business promotion activities on behalf of the Bank.

Directors do not receive stock options and do not participate in any other share-based compensation mechanism or pension plan of the Bank, except for the President and Chief Executive Officer, who is compensated for his duties as an Executive Officer of the Bank. They are not entitled to any product or service at preferred rates or reduced fees due solely to their status as director.

Restrictions on trading and hedging of Bank securities

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

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



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