NATIONAL BANK OF CANADA

Notice of Annual Meeting of Shareholders
March 2, 2005
and
Management Proxy Circular

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NATIONAL BANK OF CANADA

January 13, 2005

Dear Shareholder,

We are pleased to invite you to attend the Annual Meeting of Shareholders of National Bank of Canada to be held at 9:30 a.m., on Wednesday, March 2, 2005, at the Fairmont The Queen Elizabeth Hotel, 900 René-Lévesque Boulevard West, Montreal, Quebec.

At this Annual Meeting, you will have an opportunity to consider certain information about the Bank and you will be called upon to vote on the business set out in this Notice of Annual Meeting.

We also invite you to consult the attached Management Proxy Circular, which contains important information, in particular, about exercising your voting rights.

Sincerely,

Jean Douville
Chairman of the Board

Réal Raymond
President and Chief Executive Officer

NATIONAL BANK OF CANADA

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date: Wednesday, March 2, 2005
Time: 9:30 a.m. (Eastern time)
Place: Fairmont The Queen Elizabeth Hotel
900 René-Lévesque Boulevard West
Montreal, Quebec
Canada

Business of the Meeting:

1. Receive the consolidated financial statements for the financial year ended October 31, 2004 and the auditors' report thereon;
2. Elect directors;
3. Appoint the auditor;
4. Consider shareholder proposals, as set out in Schedule A to the Circular; and
5. Transact such other business as may properly be brought before the Meeting.

Holders of record of common shares of the Bank at 5:00 p.m. on January 13, 2005 are entitled to receive the Notice of Annual Meeting of Shareholders. On that date, 168,519,379 common shares of the Bank were issued and outstanding. Each holder of common shares is entitled to cast one vote per share held, unless restricted in the *Bank Act* (Canada).

By order of the Board of Directors,

Linda Caty
Vice-President and Corporate Secretary

January 13, 2005

Holders of common shares of the Bank who are unable to attend the Meeting are requested to complete, date and sign the enclosed form of proxy. Proxies may be returned by mail in the postage-paid envelope provided to National Bank Trust Inc., Share Ownership Management, P.O. Box 888, Station B, Montreal, Quebec, Canada H3B 9Z9 or sent by fax to (514) 871-3673. In order to be valid, the form of proxy must reach National Bank Trust Inc. no later than 5:00 p.m. on February 28, 2005.

For any questions regarding the Circular, the form of proxy or the exercise of voting rights, please call 1-877-288-1230.

As at December 29, 2004 (unless otherwise indicated)

SECTION 1

Voting Information

SOLICITATION OF PROXIES

This Management Proxy Circular (the "Circular") is provided in connection with the solicitation by the management of National Bank of Canada (the "Bank") of proxies to be used at the Annual Meeting of Holders of Common Shares of the Bank (the "Meeting"), for the purposes indicated in the Notice of Meeting, to be held at 9:30 a.m. (Eastern time) on Wednesday, March 2, 2005, at the Fairmont The Queen Elizabeth Hotel, 900 René-Lévesque Boulevard West, Montreal, Quebec, and at any continuation thereof after an adjournment. The solicitation of proxies will be done by mail, electronically, by telephone or in person. Employees, officers, directors or agents of the Bank will solicit the proxies. The Bank will also use the services of an outside agency, Georgeson Shareholder Canada Inc., to solicit proxies on its behalf. The Bank estimates the cost for such solicitation will be approximately $33,000, which it will assume.

VOTING COMMON SHARES

Holders of record of common shares of the Bank at 5:00 p.m. on January 13, 2005 or their duly authorized agents are entitled to receive the Notice of Annual Meeting and to vote at the Meeting. After such date, any person who acquires common shares of the Bank must request, no later than 10 days before the Meeting, that their name be included on the register of shareholders of the Bank in order to be entitled to vote. To do so, such person must contact the transfer agent by writing to National Bank Trust Inc., Share Ownership Management, P.O. Box 888, Station B, Montreal, Quebec, Canada H3B 9Z9, or by calling one of the following numbers: 1-800-341-1419 or (514) 871-7171.

On January 13, 2005, the date the register of the Bank was closed, 168,519,379 common shares of the Bank were issued and outstanding.

Holders of common shares are entitled to cast one vote per share held. However, the *Bank Act* (Canada) (the "Act") contains provisions which specifically prohibit the exercise of voting rights attached to the shares of the Bank held by the government of Canada or a province or a government of a foreign country, as well as any agency thereof.

To the knowledge of the directors and officers of the Bank, no individual or corporation beneficially owns, directly or indirectly, or exercises control or direction over common shares carrying more than 10% of the voting rights attached to the common shares of the Bank.

Holders of common shares of the Bank may vote in person at the Meeting or may complete, sign and return the enclosed form of proxy. This form of proxy authorizes a proxyholder to represent and to vote on behalf of the holder of common shares at the Meeting.

NON-REGISTERED SHAREHOLDERS

The names of shareholders whose shares are held in the name of a broker or other intermediary do not appear on the list of shareholders of the Bank. To vote, these shareholders must ask the broker or other intermediary to send them the material relating to the Meeting, complete the request for voting instructions sent by the broker or other intermediary and, if they wish to vote in person, insert their name as the proxyholder.

APPOINTMENT OF PROXYHOLDERS

The proxyholders designated in the enclosed form of proxy are directors and/or officers of the Bank. If a shareholder wishes to appoint a proxyholder other than one of the persons designated in the form of proxy, the shareholder may do so by striking out the names appearing thereon and inserting the name of such person in the blank space provided. If the shareholder is a legal entity, an estate or a trust, the form of proxy must be signed by a duly authorized officer or agent. A proxyholder is not required to be a shareholder of the Bank. In order to be valid, the form of proxy must be returned by mail in the postage-paid envelope provided to National Bank Trust Inc., Share Ownership Management, P.O. Box 888, Station B, Montreal, Quebec, Canada H3B 9Z9, or by fax to (514) 871-3673, no later than 5:00 p.m. on February 28, 2005.

SECTION 1

Voting Information (cont.)

VOTING BY PROXY

Common shares represented by a proxy are to be voted by the proxyholder designated in the enclosed form of proxy as instructed by the shareholder.

If no instructions are given, the voting rights attached to the common shares will be exercised by the proxyholder who is a director and/or officer of the Bank by voting as follows:

- **FOR** the election of all nominees proposed as director by the management of the Bank;
- **FOR** the appointment of the auditor;
- **AGAINST** the shareholder proposals set out in Schedule A to the Circular.

If no instructions are given, any other proxyholder will have discretionary authority when exercising the voting rights attached to the common shares concerning these matters.

The proxy confers on the proxyholder designated therein discretionary authority with respect to any proposed amendments or variations to the matters set out therein and any other business which may properly come before the Meeting. Any proxy previously given is thereby revoked.

As at the date hereof, management of the Bank is not aware of any amendment or other matter which may properly come before the Meeting.

REVOCATION OF PROXIES

Shareholders may revoke a proxy by delivering a written notice to the Bank to that effect signed by them or their duly authorized agents to:

- the Head Office of the Bank, c/o Corporate Secretary's Office, National Bank of Canada, 600 de La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2, no later than the last business day preceding the day of the Meeting, namely at 5:00 p.m. on March 1, 2005, or any continuation thereof after an adjournment; or
- the Secretary of the Meeting on the day of the Meeting, or any continuation thereof after an adjournment.

CONFIDENTIALITY OF VOTES

In order to protect the confidential nature of voting by proxy, the votes exercised by proxy are received and compiled for the Meeting by National Bank Trust Inc., the transfer agent and registrar of the Bank. National Bank Trust Inc. submits a copy of the form of proxy to the Bank only when a shareholder clearly wishes to express a personal opinion to management or when necessary to comply with legal requirements.

SECTION 2

Business of the Meeting

FINANCIAL STATEMENTS AND AUDITORS' REPORT
The consolidated financial statements of the Bank for the financial year ended October 31, 2004 and the auditors' report thereon are included in the Annual Report of the Bank, which has been mailed to shareholders with this Circular.

ELECTION OF DIRECTORS
This section presents the professional experience of the nominees for election to the Board of Directors (the "Board") of the Bank. The names of the public corporations on whose boards the nominees currently serve or have served as director in the past five years are also indicated.

Management of the Bank recommends voting **FOR** the election of all the nominees to the Board whose biographies follow.

Each director elected at the Meeting will hold office until the close of the subsequent annual meeting of the Bank.

Lawrence S. Bloomberg
Toronto, Ontario

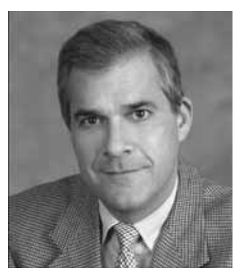
Mr. Bloomberg, 62, is an advisor to National Bank Financial Inc., where he served as Co-Chairman of the Board and Co-Chief Executive Officer from October 1999 to October 2000. Prior to that, Mr. Bloomberg was Chairman of the Board and President and Chief Executive Officer of First Marathon Inc., a company he founded in 1979 and which was integrated with National Bank Financial Inc. in 1999.

Mr. Bloomberg has extensive expertise in the financial sector, both nationally and internationally. He contributed to the growth of several financial companies before starting his own business and becoming one of the Bank's experts in financial matters. As a result of his involvement in several business organizations, he brings valuable insight and a unique perspective to the Board concerning developments in the financial sector in Canada and abroad.

Mr. Bloomberg currently serves as Chairman of the Board of Mount Sinai Hospital. In the past five years, he served on the board of Cinram International Inc.

Director since:	August 1999
Common shareholdings(1):	623,325

Pierre Bourgie
Outremont, Quebec



Mr. Bourgie, 48, has been President and Chief Executive Officer since 1996 of Société Financière Bourgie Inc., a diversified investment company, and President of Montreal Partners Inc., a merchant bank specializing in business financing. He is actively involved in a number of economic, community and cultural organizations.

As a business leader and a director of several companies, Mr. Bourgie brings to the Board his business management skills as well as a keen understanding of corporate governance and international business management.

Mr. Bourgie currently serves on the boards of Saputo Inc. and Canam Group Inc. In the past five years, he served as a director of Hydro-Québec.

Director since:	March 1998
Chair of the Audit and Risk Management Committee	
Member of the Conduct Review and Corporate Governance Committee	
Common shareholdings:	108,513

(1) Common shareholdings include common shares beneficially owned, controlled or directed.

SECTION 2

Business of the Meeting (cont.)

Gérard Coulombe
Sainte-Marthe, Quebec

Mr. Coulombe, 57, has been a Senior Partner of Desjardins Ducharme Stein Monast, General Partnership, since 1977, where he practises business law. He was appointed Chairman of the Board of the firm in 2000. Mr. Coulombe is also Chairman Emeritus of Lex Mundi Ltd., a global association of more than 150 independent law firms. He was formerly with the Department of Finance Canada where he was responsible for negotiating international tax treaties.

Mr. Coulombe sits on the boards of FMI Acquisition Inc., National Bank Life Insurance Company, National Bank Group Inc. and National Bank Acquisition Holding Inc.

He has vast expertise in business management and corporate law, especially regarding financial institutions and crown corporations, as well as the creation of financial and industrial consortiums. He also has a solid understanding of corporate governance matters.

In the past five years, Mr. Coulombe served as a director of Sodisco-Howden Group Inc., which was privatized in December 2004.

Director since:	February 1994
Member of the Human Resources Committee	
Common shareholdings:	3,800
Deferred stock units ("DSUs")[1]:	9,651

Bernard Cyr
Cap Shediac, New Brunswick

Mr. Cyr, 56, has been President of Cyr Holdings Inc., a holding company in the hotel, commercial real estate, restaurant and entertainment sectors, since 1986, and President of Dooly's Inc., an entertainment industry franchisor, since 1993. Mr. Cyr serves on the boards of several companies and is involved with charitable organizations. He was a member of the Bank's Atlantic Canada business development committee from 1996 to 2001.

In addition to his entrepreneurial vision, Mr. Cyr brings to the Board varied experience in the management of small and medium-sized enterprises as well as a thorough understanding of regional markets.

Mr. Cyr currently serves on the board of the New Brunswick Power Corporation.

Director since:	August 2001
Member of the Audit and Risk Management Committee	
Common shareholdings:	6,787

Shirley A. Dawe
Toronto, Ontario

Ms. Dawe, 58, is a Corporate Director and has been President of Shirley Dawe Associates Inc., a Toronto-based management consulting company specializing in the retail sector, since 1986. From 1969 to 1985, she held progressively senior executive positions with Hudson's Bay Company.

Her wide management and consumer marketing experience brought Ms. Dawe to the boards of directors of numerous public and private companies in Canada and the United States. Her expertise in the retail sector led to her appointment on industry-specific public task forces and to academic and not-for-profit boards.

Ms. Dawe brings to the Board a deep understanding of consumer trends and winning business strategies in the North American retail industry coupled with a keen appreciation of corporate governance issues.

Ms. Dawe currently serves on the boards of OshKosh B'Gosh, Inc., The Bon-Ton Stores, Inc. and Henry Birks & Sons Inc. In the past five years, she served as a director of Moore Wallace Incorporated, formerly known as Moore Corporation Limited, and Silcorp Limited.

Director since:	July 1988
Member of the Human Resources Committee	
Member of the Conduct Review and Corporate Governance Committee	
Common shareholdings:	3,560
DSUs:	3,558

Nicole Diamond-Gélinas
Saint-Barnabé-Nord, Quebec

Ms. Diamond-Gélinas, 60, has been President and General Manager of Aspasie Inc., a manufacturer of colour charts, since 1976 and is President of Plastifil Inc., a plastics extrusion and injection molding company. She also heads a company specializing in the sale, leasing and servicing of motor vehicles. Actively involved in her region's business community, she is a member of the Chambre de commerce de Trois-Rivières and was a member of the Mauricie business development committee of the Bank from 1992 to 1998.

Ms. Diamond-Gélinas serves on the board of National Bank Life Insurance Company.

She has first-hand experience of the realities and challenges facing small and medium-sized manufacturers as well as a solid grasp of the economic and social dynamics of regional markets.

Director since:	March 1998
Member of the Audit and Risk Management Committee	
Common shareholdings:	21,933
DSUs:	396

(1) For more information, please refer to the "Forms of Remuneration of Directors of the Bank" section of this Circular.

SECTION 2

Business of the Meeting (cont.)

Jean Douville
Bedford, Quebec

Mr. Douville, 61, has been Chairman of the Board of the Bank since March 10, 2004. He is also Chairman of the Board of UAP Inc., a company specializing in the distribution and reconditioning of replacement parts and accessories for cars, trucks and industrial machinery. Mr. Douville was called to the Quebec Bar in 1968 and began working for UAP Inc. in 1971. He became President of the company in 1981, and was subsequently appointed Chief Executive Officer in 1982 and then Chairman of the Board in 1994.

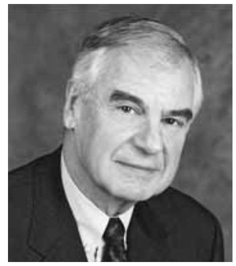
Mr. Douville brings to the Board in-depth knowledge of a key industrial sector in North America as well as experience in managing a large corporation.

Before serving as Chairman of the Board of the Bank, he was successively Chair of the Audit and Risk Management Committee and Chair of the Conduct Review and Corporate Governance Committee.

He currently serves on the board of Genuine Parts Company. In the past five years, he served as a director of Leroux Steel Inc. and Van Houtte Inc.

Director since:	**November 1991**
Chairman of the Board of Directors	
Common shareholdings:	**5,003**
DSUs:	**5,928**

Marcel Dutil
Outremont, Quebec



Mr. Dutil, 62, is Chairman of the Board and Chief Executive Officer of Canam Group Inc. He is the founder of this industrial company, which mainly designs and manufactures frames, joists and steel decks.

In building his business from the ground up, Mr. Dutil has acquired solid experience in the areas of management and market development, especially international markets.

Mr. Dutil currently serves on the boards of Canam Group Inc. and The Jean Coutu Group (PJC) Inc. In the past five years, he served as a director of Leroux Steel Inc., Donohue Inc., MAAX Inc., which was privatized in June 2004, and Total Containment Inc.

Director since:	**January 1982**
Member of the Human Resources Committee	
Common shareholdings:	**20,331**
DSUs:	**6,212**

Jean Gaulin
San Antonio, Texas, United States

Mr. Gaulin, 62, is a corporate director. He was Chairman of the Board of Ultramar Diamond Shamrock Corporation from January 1, 2000 to January 1, 2002, and also President and Chief Executive Officer from January 1, 1999 to January 1, 2002. In 1996, following the merger of Ultramar Corporation and Diamond Shamrock Inc., he was named Vice-Chairman of the Board, President and Chief Operating Officer of Ultramar Diamond Shamrock. Prior to the merger, he was Chairman of the Board and Chief Executive Officer of Ultramar Corporation. He is also involved in a number of charitable organizations.

Mr. Gaulin was a member of the Board of Directors of National Bank Financial & Co. Inc. until January 2, 2005.

He brings to the Board expertise in the oil industry and solid experience in managing a large North American corporation.

Mr. Gaulin currently serves on the boards of Crane Co., RONA Inc. and Saputo Inc. In the past five years, Mr. Gaulin served as a director of Abitibi-Consolidated Inc. and Ultramar Diamond Shamrock Corporation.

Director since:	**October 2001**
Chair of the Human Resources Committee	
Member of the Audit and Risk Management Committee	
Common shareholdings:	**23,442**
DSUs:	**7,018**

Paul Gobeil, FCA
Île-des-Soeurs, Quebec

Mr. Gobeil, 62, is Vice-Chairman of the Board of Metro Inc. and Chairman of the Board of Export Development Canada. He has been a Member of the Ordre des comptables agréés du Québec since 1965 and a Fellow since 1986. From 1974 to 1985, he held a number of executive positions at Provigo Inc. Elected as the MNA for Verdun in 1985, he was, until 1989, successively Minister Responsible for Administration, President of the Treasury Board and Minister of International Affairs in the Quebec government.

Mr. Gobeil was a member of the Board of Directors of National Bank Financial & Co. Inc. until January 2, 2005.

His corporate governance, financial and accounting management and corporate strategy expertise make him an invaluable asset to the Board.

Mr. Gobeil currently serves on the boards of Hudson's Bay Company, Yellow Pages Income Fund, Canam Group Inc. and Metro Inc. In the past five years, he served as a director of BridgePoint International Inc., DiagnoCure Inc., Nstein Technologies Inc., and MAAX Inc., which was privatized in June 2004.

Director since:	**February 1994**
Chair of the Conduct Review and Corporate Governance Committee	
Member of the Audit and Risk Management Committee	
Common shareholdings:	**10,441**
DSUs:	**16,168**

SECTION 2

Business of the Meeting (cont.)

Réal Raymond
Île-des-Soeurs, Quebec

Mr. Raymond, 54, has been President and Chief Executive Officer of the Bank since March 2002. He is responsible for the strategies, orientations and development of the Bank and its subsidiaries. Mr. Raymond has held a number of positions since joining the Bank in 1970, including that of Senior Vice-President – Treasury and Financial Markets from 1992 to 1997. In 1997, he joined Lévesque Beaubien Geoffrion Inc., now National Bank Financial Inc., where he served as Senior Executive Vice-President – Corporate Financing while maintaining his responsibilities as Senior Vice-President at the Bank. In November 1999, he was named President – Personal and Commercial Bank and, in July 2001, President and Chief Operating Officer of the Bank.

Mr. Raymond chairs the boards of two of the Bank's subsidiaries, National Bank Life Insurance Company and National Bank Trust Inc. He is also President of National Bank Group Inc. and National Bank Acquisition Holding Inc.

Mr. Raymond has an MBA from the Université du Québec à Montréal (UQAM).

He is involved in many professional and community organizations. Mr. Raymond is the Vice-Chair of the board of directors of the Conference Board of Canada. He serves on the board of directors of the Fondation de l'Université du Québec à Montréal, St. Mary's Hospital Foundation and the Montreal Symphony Orchestra. He is also President of The Montreal Museum of Fine Arts Foundation.

Mr. Raymond brings to the Board his diverse expertise in the field of banking as well as an in-depth understanding of business operations and strategies in several sectors of activity.

Director since:	November 1999
Common shareholdings:	29,640
DSUs for officers(1):	65,243

Roseann Runte
Norfolk, Virginia, United States

Ms. Runte, 56, has been President of Old Dominion University in Norfolk, Virginia since July 1, 2001. She also served as President of Victoria University in Toronto from 1994 to 2001. She has a Ph.D. in French from the University of Kansas. She is the author of many books and articles, especially on education and economic and cultural development. Ms. Runte chairs the Commission on International Education. She is a member of the executive committee of the Club of Rome and also serves on the board of the Virginia Advanced Ship Building Information Carrier Design Center. In the past, she sat on various boards of directors in the literary, cultural and economic development sectors, and she served as President of the Canadian Commission for Unesco from 1992 to 1996. She also served on the board of Expo 2000 in Germany.

Drawing on her management experience in the Canadian university milieu and her involvement with boards in Canada and abroad, Ms. Runte brings to the Board her vision of the issues facing markets in a globalized business environment.

Ms. Runte serves on the board of The Jean Coutu Group (PJC) Inc.

Director since:	April 2001
Member of the Conduct Review and Corporate Governance Committee	
Common shareholdings:	2,317
DSUs:	4,579

Marc P. Tellier
Montreal, Quebec

Mr. Tellier, 36, has been President and Chief Executive Officer of Yellow Pages Group, publisher of telephone directories in Canada, since 2001. He has held a number of management positions in sales and finance throughout his career, including Senior Vice-President – Partnership Development at Bell Canada. He was also President and Chief Executive Officer of Sympatico-Lycos Inc., the leading Canadian Internet portal. Mr. Tellier was named one of Canada's "Top 40 under 40" for 2000 by *The Globe and Mail* and is committed to a charitable organization in the Greater Montreal area.

Mr. Tellier brings to the Board management experience in the Canadian communications and media industry.

Mr. Tellier also sits on the Board of the Yellow Pages Income Fund.

Director since:	–
Common shareholdings:	–

(1) For more information, please refer to the "Total Compensation of Named Executive Officers of the Bank" section of this Circular.

SECTION 2

Business of the Meeting (cont.)

To the knowledge of the Bank, no director of the Bank has been, in the 10 years prior to the date of this Circular, a director or an officer of any other company, that while that person was acting in that capacity, (a) was the subject of a cease trade or similar order or an order that denied it access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (b) 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 assets of the director, except for Marcel Dutil, who was on the board of directors of Total Containment Inc. when it was placed under the protection of Chapter 11 of the *United States Bankruptcy Code* on March 4, 2004.

For further information on the number of meetings held by the Board and its committees as well as the attendance of directors at such meetings, and their remuneration during the most recently completed financial year, please refer to the "Corporate Governance" section of this Circular.

Suzanne Leclair and Jean Turmel will not be standing for re-election. E.A. (Dee) Parkinson-Marcoux resigned as a director on December 17, 2004.

APPOINTMENT OF AUDITOR

On the advice of the Audit and Risk Management Committee and the Board, the Bank's management recommends voting **FOR** the appointment of the accounting firm Samson Bélair/Deloitte & Touche, S.E.N.C.R.L. ("SB/DT") as auditor of the Bank for the financial year commencing November 1, 2004 and ending October 31, 2005.

SB/DT has served as auditor of the Bank during the previous five financial years, whereas PricewaterhouseCoopers LLP ("PwC") served as auditor of the Bank in 1999, 2000, 2002 and 2003.

In order to be passed, the proposal regarding the appointment of the auditor must be approved by a majority of votes cast by the holders of common shares present or represented by proxy and entitled to vote at the Meeting.

The chart below sets out the fees billed by SB/DT and PwC to the Bank and its subsidiaries for various services rendered during the past two financial years.

AUDITOR FEES

	2004	2003[1]	
	SB/DT ($)	SB/DT ($)	PwC ($)
Audit services[2]	3,691,258	2,111,504	1,652,369
Audit-related services[3]	–	145,209	25,900
Tax consulting[4]	1,242,348	1,995,816	105,925
Other services[5]	40,066	126,569	361,096
Total	4,973,672	4,379,098	2,145,290

(1) Fees for 2003 are presented taking into account the new, recently published Canadian Securities Administrators' requirements, which clarify the definition of the components of the various service categories.
(2) Audit fees include fees for services related to the audit of the Bank's financial statements or other services that are normally provided by the external auditors in connection with statutory or regulatory filings or engagements. These fees also include fees for comfort letters, statutory audits, attest services, consents and assistance with the preparation and review of documents filed with regulators, as well as in connection with the interpretation of accounting and financial reporting standards.
(3) Audit-related fees include assurance and related services that are performed by the Bank's auditors. These services also include accounting consultations in connection with acquisitions and divestitures and internal control reviews.
(4) Tax consulting fees include fees for assistance with tax planning, during restructurings and when taking a tax position, as well as preparation and review of income and other tax returns and tax opinions.
(5) Other fees include fees for financial services (business recovery), risk management services, legislative and/or regulatory compliance services and merger integration services.

SECTION 2

Business of the Meeting (cont.)

SHAREHOLDER PROPOSALS
Shareholder proposals were received by the Bank within the time limits prescribed in the Act.

A translation of the complete text of the proposals on which the shareholders will be voting is provided in Schedule A to this Circular.

Management of the Bank recommends voting **AGAINST** shareholder proposals Nos. 1 to 5 for the reasons set out at the end of these proposals.

In order to be passed, these proposals must be approved by a majority of the votes cast by the holders of common shares present or represented by proxy and entitled to vote at the Meeting.

Any proposal a shareholder would like to have included at the Annual Meeting of Shareholders to be held in 2006 must be received no later than 5:00 p.m. (Eastern time) on December 2, 2005.

SECTION 3

Information on Compensation

REMUNERATION OF DIRECTORS OF THE BANK
In order to provide competitive remuneration and recognize the ongoing and increasing complexity of the Bank's business, the Board of the Bank, on the recommendation of the Conduct Review and Corporate Governance Committee, has adopted a remuneration program for directors.

The purpose of the remuneration program for directors is to provide the Bank with the tools required to recruit and retain qualified individuals to serve as members of the Board and contribute to the Bank's success. The program also aims to align the interests of the members of the Board of Directors more closely with those of the Bank's shareholders. The Bank offers directors remuneration that is in line with that of its reference market.

Directors are required to hold common shares of the Bank or DSUs valued at not less than five times the amount of their annual retainer as a director of the Bank. They have a period of five years from the date they take office to attain this level. A DSU is a right which has a value equal to the market price of a common share of the Bank at the time the DSUs are credited, i.e., quarterly, to an account in the director's name. Additional DSUs are credited to that account when dividends are paid on common shares. DSUs can only be cashed when the director leaves the Board.

Directors may choose to receive their annual retainer and meeting fees in the form of cash and/or common shares and/or DSUs.

Directors receive the following fees for serving on the Boards of Directors and committees of the Bank and its subsidiaries designated below:

National Bank of Canada	
Annual retainer of a director	
• In cash:	$ 25,000
• In common shares:	$ 7,500
Annual retainer of the Chairman of the Board:	$ 150,000
Committee chair annual retainers	
• In cash:	$ 10,000
• In common shares:	$ 5,000
Committee member annual retainers (including committee chairs)	
• In cash:	$ 3,500
• In common shares:	$ 2,500
Board and committee meeting fees:	$ 1,500

SECTION 3

Information on Compensation (cont.)

National Bank Financial & Co. Inc.	
Annual retainer of a director	
• In cash:	$ 15,000
Committee chair annual retainers	
• In cash:	$ 7,500
Committee member annual retainers (including committee chairs)	
• In cash:	$ 2,500
Board and committee meeting fees:	$ 1,500
National Bank Life Insurance Company	
Annual retainer of a director	
• In cash:	$ 6,000
Committee chair annual retainers	
• In cash:	$ 3,000
Committee member annual retainers (including committee chairs)	
• In cash:	$ 1,800
Board and committee meeting fees:	$ 1,000
National Bank Trust Inc.	
Annual retainer of a director	
• In cash:	$ 6,000
Committee chair annual retainers	
• In cash:	$ 1,000
Committee member annual retainers (including committee chairs)	
• In cash:	$ 1,000
Board and committee meeting fees:	$ 500
FMI Acquisition Inc.	
Annual retainer of a director	
• In cash:	$ 500

For more information on the remuneration received by individual directors during the financial year, please refer to the "Corporate Governance" section of this Circular.

OTHER REMUNERATION PAID TO A DIRECTOR

During the most recently completed financial year, only one director received, directly from one of the Bank's subsidiaries, remuneration other than that received in his capacity as a Bank director. Under a service contract entered into in February 2001 with National Bank Financial Inc. and renewed in October 2002, Lawrence S. Bloomberg serves as advisor to National Bank Financial and, as such, receives an annual retainer, commissions, a business development allowance and reimbursement for various administrative expenses incurred when carrying out his duties. For the financial year ended October 31, 2004, Mr. Bloomberg received a total of $1,593,306.

The directors of the Bank who are also officers of the Bank do not receive any remuneration in their capacity as directors of the Bank or any of its subsidiaries. However, the Bank and its subsidiaries reimburse these directors for the expenses they incur to attend meetings.

SECTION 3

Information on Compensation (cont.)

COMPENSATION PAID TO OFFICERS

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

Dear Shareholder,

I am pleased to present, in the following pages, the report of the Human Resources Committee on the Compensation of Officers of the Bank.

The Board mandates the Human Resources Committee to supervise and approve the human resources policies and practices of the Bank that support the Bank's performance objectives and shareholders' interests.

More specifically, the Committee:
- reviews and comments on the Bank's management succession plan, executive succession planning and the profiles of the Presidents, Senior Vice-Presidents and Vice-Presidents (the "Officers") likely to be promoted;
- reviews the content and recommends that the Board adopt policies in matters of total compensation for employees and Officers of the Bank while ensuring that they are in keeping with shareholders' interests and the Bank's long-term growth;
- appraises the performance of the President and Chief Executive Officer and reviews the performance appraisals of the other Officers submitted by the President and Chief Executive Officer;
- annually reviews the total compensation of all Officers based on their performance;
- oversees the management of the pension plans and pool fund.

In exercising its role and responsibilities, the Committee applies four major corporate governance principles:
- <u>Independence</u>
  The Committee analyzes the information and recommendations received, taking into consideration management's perspectives and shareholders' interests. To this end, the Committee works directly with internal and external compensation consultants and reviews the practices of widely held companies in Canada, including major financial institutions, to ensure that the Bank provides competitive compensation to its Officers.

- <u>Performance follow-up</u>
  Each year, the Committee follows up on the Officer performance appraisal program by:
  - approving the performance objectives set at the beginning of the year. The objectives include criteria to benchmark the Bank's financial performance against that of its peer group, monitoring the Bank's strategic plan, the customer satisfaction level and human resources management indicators;
  - periodically monitoring achievement of pre-determined performance objectives throughout the year and at the end of the year;
  - awarding incentive compensation that is clearly linked to the Bank's performance objectives, as compared with the performance of the other Canadian banks.

- <u>Succession planning and development</u>
  The Committee oversees the Human Resources strategic planning and management succession program and annually monitors the progress of Officers who have a key position in the Bank, as well as candidates identified in the succession plan. The Committee is concerned with fostering the loyalty of key succession candidates by ensuring that their functions are challenging, their compensation is competitive and their competencies are broadened.

- <u>Quality of communications</u>
  The Committee considers it essential to inform shareholders of the work accomplished and decisions made during the year and to show that its members act openly on behalf of shareholders and ensure that their interests are protected.

At the end of the financial year ended October 31, 2004, the Committee comprised five directors. The Committee is chaired by myself. The other members are Gérard Coulombe, Shirley A. Dawe, Marcel Dutil and E.A. (Dee) Parkinson-Marcoux[1].

Jean Gaulin
Jean Gaulin
Committee Chair

(1) E.A. (Dee) Parkinson-Marcoux resigned as a director and a member of the Human Resources Committee on December 17, 2004.

SECTION 3

Information on Compensation (cont.)

Committee's Achievements in the 2003–2004 Financial Year
During the 2003–2004 financial year, the Committee analyzed various strategic orientations relating to Officer compensation and organizational issues. More specifically, the Committee:
- reviewed the total direct compensation of Bank Officers;
- approved the variable-compensation program of certain Officers of National Bank Financial Group, which has been in effect since November 1, 2004;
- approved a restricted stock unit compensation program for certain Officers, which has been in effect since November 1, 2004;
- carried out the performance appraisal of the President and Chief Executive Officer;
- examined the annual performance appraisals of the other Bank Officers submitted by the President and Chief Executive Officer;
- examined the competency profile of the Officers in order to ensure succession planning and development of Bank Officers;
- initiated a process to accelerate the preparation of a leadership development program at the Bank;
- monitored, in particular, the succession of the President – Financial Markets, Treasury and Investment Bank;
- examined the opportunity to amend the Bank's pension plan.

Principles Governing Officer Compensation
Compensation is one of the tools used by the Bank to attract, motivate and foster the loyalty of high-calibre Officers who are focused on improving the performance of the Bank and generating value for shareholders.

The Committee sets total direct compensation at the median total direct compensation of the reference market, which comprises widely held Canadian companies, including major financial institutions, adjusted to take into consideration characteristics specific to the Bank. In doing so, the Committee solicits the opinion of external compensation specialists.

The recommendations of the Committee are based on the following guiding principles:
- the compensation of Officers is linked to the creation of shareholder value;
- the annual bonus program supports the Bank's strategic objectives and offers fully competitive total cash compensation, taking into account the financial results of the Bank and its segments;
- the long-term variable compensation program aligns Officers' interests with the long-term interests of the Bank's shareholders and the Bank's long-term growth;
- the proportion of variable compensation in relation to base salary increases in line with the function's level of responsibility and impact on the Bank's results;
- employee benefits and the pension plan are comparable, on the whole, to those offered by the reference market.

Components of the Compensation of Officers of the Bank
The total direct compensation of Officers of the Bank consists of a cash component (i.e., base salary and an annual bonus) and long-term variable compensation, which is complemented by a benefits package. The target value of each of these components (excluding benefits) varies in line with the level of responsibility. The base salary component may represent 17% to 58% of this compensation; the annual bonus, 17% to 21%; and long-term variable compensation, 22% to 67%.

<u>Base Salary</u>
The Committee reviews the base salary of each Officer annually, taking into account his or her level of responsibility, experience and performance. To ensure that the base salaries of Officers are competitive, the Committee uses the median salaries of the Bank's reference market, adjusted to take into consideration characteristics specific to the Bank. In 2004, the Committee approved recommendations to adjust the base salaries of certain of its Officers in order to maintain them at the median salaries of the Bank's reference market.

<u>Variable Compensation Programs</u>
Annual Bonus Program
The Bank offers an annual bonus program to all its employees. Under the terms of this program, the total bonus envelope to be shared is calculated according to:
(1) the Bank's overall financial results ("Return on Equity" (ROE) and "Growth in Earnings per Share" (GEPS)) and those of its business segments versus the objectives set at the beginning of the year;
(2) the Bank's financial performance compared with that of the five major Canadian banks.

For the President and Chief Executive Officer and the members of the Executive Committee, with the exception of G.F. Kym Anthony, Jean Turmel and Louis Vachon, 80% of the envelope is created based on ROE and 20% on GEPS.

SECTION 3

Information on Compensation (cont.)

Moreover, the bonus paid to each Officer, including the President and Chief Executive Officer, is based not only on the Bank's financial results, but also on such criteria as customer satisfaction, management quality and individual Officer performance.

Lastly, certain Officers in the Financial Markets segment participate in an annual bonus program based on the profitability of their respective groups. Under this program, an amount equal to 30% of the bonus paid is deferred.

Deferred Stock Unit Plan for Officers
The objective of the Deferred Stock Unit Plan for Officers ("DSUs for Officers") is to align the interests of certain Bank Officers more closely with those of shareholders by tying a portion of their compensation to the future value of the Bank's common shares. A DSU for Officers is a right which has a value equal to the market closing price of a common share of the Bank on the Toronto Stock Exchange on the day preceding the grant. Additional DSUs for Officers are credited to the Officer's account and are calculated proportionately to the dividends paid on common shares. DSUs for Officers may only be cashed when the Officer retires or leaves the Bank. In general, the member may then request that all or some of his or her vested DSUs for Officers be redeemed by filing up to eight notices of redemption of DSUs for Officers no later than December 1 of the first calendar year after the calendar year in which the Officer ceased to be employed at the Bank.

In the case of the President – Financial Markets, Treasury and Investment Bank, 33% of his annual bonus is paid in the form of DSUs for Officers.

Since 2002, the President and Chief Executive Officer has been paid a portion (30%) of his long-term compensation in the form of DSUs for Officers replacing stock options in part. In addition, since 2003, the Senior Vice-Presidents on the Executive Committee have been able, at their option, to receive up to 30% of their long-term compensation in the form of DSUs for Officers rather than stock options.

Restricted Stock Unit Plan
A Restricted Stock Unit Plan ("RSU Plan") was approved to ensure that the compensation of certain Officers is competitive and to foster retention. Under the Plan, a fixed percentage of the annual bonus is paid in the form of RSUs. The value of these units corresponds to the closing market price of the common shares of the Bank on the Toronto Stock Exchange on the day preceding the grant. The units vest only at the end of the third year after the grant date, which is also their maturity date. A cash payment will be equal to the number of vested units multiplied by the price corresponding to the average closing market price of the common shares of the Bank on the Toronto Stock Exchange for the 20 days preceding the date the units vest. This Plan came into effect at the beginning of the 2004–2005 financial year.

Stock Option Plan
The purpose of the Stock Option Plan is also to encourage Officers and other designated persons of the Bank or its subsidiaries to contribute to the growth of shareholder investment by giving them the opportunity to benefit from the appreciation in the value of the common shares of the Bank. Each year, when granting options, the Committee reviews the number and term of previously granted options. After setting the terms and conditions, the Committee grants options, on an annual basis, to Officers and other designated persons of the Bank and its subsidiaries. Options vest over four years and may be exercised in whole or in part before the expiration date determined by the Committee at the time they are granted, up to a maximum of 10 years. Options expire on their expiration date or, in the event of certain circumstances provided for in the Stock Option Plan, within prescribed periods. No options may be exercised in the first year after they are granted. Officers can exercise their vested options between the 2nd and 30th calendar day following publication of the Bank's quarterly financial statements.

In order to further align the interests of the Officers on the Bank's Executive Committee with those of shareholders, the Board added a condition to the exercise of option grants. Accordingly, each Officer on the Bank's Executive Committee must, upon exercising any stock options granted since December 2002, hold the amount equivalent to the gain, after tax considerations, in the form of common shares of the Bank for one year. Moreover, Officers on the Bank's Executive Committee must also disclose their intention to exercise any stock options of the Bank, regardless of the grant date, by way of a news release, five business days prior to the exercise date.

SECTION 3

Information on Compensation (cont.)

As at October 31, 2004, 6,180,960 options were outstanding with strike prices ranging from $11.00 to $41.00 and expiring between December 2005 and December 2013. During the most recently completed financial year, 1,376,900 options were granted and 1,240,055 options were exercised at strike prices ranging from $11.00 to $30.95. As at October 31, 2004, 2,826,403 options could be exercised at prices ranging from $11.00 to $30.95. The maximum number of common shares that may be issued under the Stock Option Plan is 18,930,437. This maximum number was approved by the shareholders at the annual meeting of shareholders on March 7, 2001. As at October 31, 2004, 16,155,918 common shares were reserved under the Plan.

The maximum number of common shares reserved for a participant may not exceed 5% of the total number of common shares issued and outstanding. The Bank abides by this rule. No participant is reserved a number of common stock options that exceeds 5% of the total number of shares issued and outstanding.

The Stock Option Plan was revised by the Board on October 24, 2002.

Stock Appreciation Rights Plan
The Stock Appreciation Rights Plan (the "SAR Plan") has the same objectives as the Stock Option Plan. The Committee grants common stock appreciation rights ("SARs") to Officers and other designated persons of the Bank and its subsidiaries. Plan participants may receive, on the exercise date of the SAR, a cash amount equal to the difference between the market price of a common share on the exercise date of the SAR and the exercise price of the SAR.

During the most recently completed financial year, only certain Officers and supervisory managers who were not Canadian residents were granted SARs.

The SAR Plan was revised by the Board on December 14, 2000.

Employee Share Ownership Plan
The Bank encourages share ownership by its employees through its Employee Share Ownership Plan. Under this Plan, employees who meet the eligibility criteria may contribute up to 8% of their gross salary per year by way of payroll deductions. The Bank's contribution consists in paying an amount equal to 25% of the employee's contribution, up to $1,500 per year. After one year of continuous participation, the Bank's contributions are vested in the employee. Moreover, any subsequent contribution is vested as soon as it is made.

Share Ownership
Since 2002, the Bank has requested that its Officers maintain minimum holdings of Bank common shares, including DSUs for Officers, vested SARs and stock options, proportionate to each Officer's compensation and position. The value of the minimum holdings of common shares equals the previous three years' average base salary received by a given Officer, multiplied by a factor established by the Bank's guidelines, as follows:

(i) 5.0 for the President and Chief Executive Officer
(ii) 2.0 for Executive Committee members
(iii) 1.5 for Senior Vice-Presidents
(iv) 1.0 for Vice-Presidents

Existing Officers have been given a period of three years as of December 20, 2002 to meet these minimum shareholding requirements. In the case of new Officers hired or promoted after this date, this period is extended to five years.

Compensation of the President and Chief Executive Officer
The Committee assesses the overall performance of the President and Chief Executive Officer on the basis of his contribution to:
- the financial results obtained by the Bank versus the objectives set at the beginning of the financial year and the results obtained by the five other major Canadian banks;
- the development of competitive advantages enabling the Bank to consolidate its strategic positioning within the financial industry;
- the continued development of customer service quality;
- the risk profile and credit quality of the Bank;
- the existence of appropriate management information systems and a risk classification system for purposes of risk management control;
- the relationships with shareholders, customers, employees, governments and communities.

SECTION 3

Information on Compensation (cont.)

In August 2004, the Committee members reviewed the total direct compensation package of the President and Chief Executive Officer to ensure that it was competitive with the median of the Bank's reference market, adjusted to take into account the characteristics specific to the Bank. Decisions were based on a study conducted by an outside consulting firm.

Réal Raymond's annual base salary was therefore set at $1,000,000. This adjustment takes into account the retirement of Jean Turmel, President – Financial Markets, Treasury and Investment Bank, and consequently Mr. Raymond's greater involvement in managing these business segments. The annual bonus target was maintained at 100% of base salary while the value of his long-term variable compensation was raised from 350% to 400% of base salary, 275% of which is paid in the form of options and 125% in DSUs.

Under the annual bonus program, Mr. Raymond received a bonus of $1,500,000 for exceeding pre-established performance objectives and to underscore his contribution to the Bank's outstanding results in fiscal 2003-2004. Mr. Raymond was also granted 198,400 stock options and 25,950 DSUs for Officers. The "Summary of Total Compensation of Named Executive Officers" table presents Mr. Raymond's compensation in detail.

Comparison of Financial Results with the Objectives of the President and Chief Executive Officer
The Bank recorded very solid results for the financial year ended October 31, 2004, posting record net income of $725 million, up 16% over $624 million in 2003. The Bank met all its financial objectives. Accordingly, earnings per share rose to $4.10, a 22% increase over $3.37 in 2003, compared to its objective of between 5% and 10% growth. The 20% drop in specific credit losses accounted for a reversal in the general allowance for credit risk. Credit losses totalled $86 million in 2004, down substantially by $91 million or 51% from the previous year. The allowance for credit losses exceeded impaired loans by $190 million. At 18.8%, return on common shareholders' equity was also above the target range of 15% to 17% and was comparable to the return of 16.5% in the 2003 financial year and to the average of 19.4% for the other banks in 2004. The Bank maintained its capitalization, with the Tier 1 capital ratio standing at 9.6%, which was also above the target range of 8.75% to 9.50%. The dividend payout ratio in 2004 was 35%, in line with the target range of 35% to 45%.

Under Mr. Raymond's leadership, the Bank was able to make more than satisfactory progress in a fast-changing financial industry. The Bank in fact posted results commensurate with industry levels, thus earning market recognition for the quality of its current and future performance achieved as a result of the determination, diligence and professionalism with which it pursued its strategy to be a super-regional bank. All business segments contributed to these results by increasing their respective net income. Similarly, there was generalized enhancement in portfolio quality, reflected in an across-the-board drop in allowances for credit losses and in impaired loans.

In the Personal and Commercial segment, the partnership strategy for the delivery of banking products was a resounding success, as seen in the rapid growth of loans made through this distribution channel. There was also strong growth in our niche market of loans to the energy industry. Sustained efforts by the branch network in sales of wealth management products resulted in increased share of wallet for the Bank and its subsidiaries.

In the area of Wealth Management activities, full-service brokerage made a strong comeback after a fairly difficult few years. Moreover, owing to branches' fine sales efforts, National Bank Mutual Funds turned in the best performance in the banking industry, and the second best among the big fund families in terms of net inflows to assets under management. Finally, Private Investment Management, a high-end product that has given the Bank a strong presence on the discretionary wealth management market, was an unmitigated success.

In the Financial Markets segment, five years after acquiring First Marathon, National Bank Financial has risen to become one of Canada's top-tier investment dealers, especially in advisory services and merger and acquisition financing, adding to its enviable position as a distributor of equities and fixed-income securities. This year's results for the Financial Markets segment once again showed that the strategy of building a vast, diversified portfolio of activities, where risk is effectively managed, was the best way to ensure solid medium-term growth with acceptable volatility in the short term.

SECTION 3

Information on Compensation (cont.)

With respect to customer satisfaction, Mr. Raymond's sustained efforts to mobilize all employees to provide superior customer service throughout the Bank have yielded the desired results. The development of products such as new GICs and the Strategic Portfolios, extended branch business hours, enhanced functionalities through electronic delivery channels such as the Internet, and targeted action to eliminate the most obvious irritants have resulted in significantly higher satisfaction levels among individuals and businesses.

Mr. Raymond maintained a high profile in business circles and the community by participating in over 40 public events during the year, including 27 meetings which brought together more than 630 investors and analysts.

In closing, given the performance of Mr. Raymond and his team, the Bank's share price rose by 19.2% in one year, for a total return to shareholders, including dividends, of 23% during the year.

This report is submitted by the Human Resources Committee.

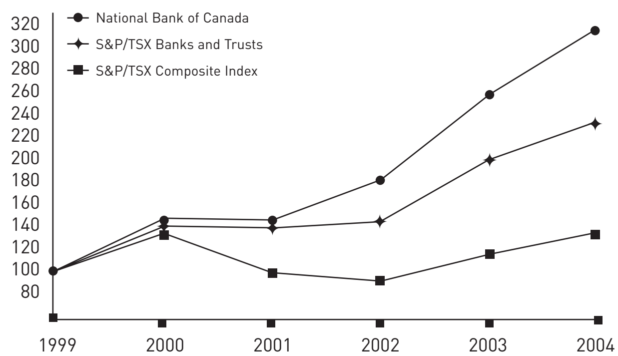
Jean Gaulin, Chair
Gérard Coulombe
Shirley A. Dawe
Marcel Dutil

SECTION 3

Information on Compensation (cont.)

PERFORMANCE OF COMMON SHARES OF THE BANK
The following performance graph shows the cumulative total return for $100 invested in common shares of the Bank on October 31, 1999, as compared to the total cumulative return of the S&P/TSX Banks and Trusts subindex and the S&P/TSX Composite Index for the five most recently completed financial years, assuming dividends are fully reinvested at the market price on each dividend payment date.

Five-Year Cumulative Total Return on a $100 Investment



	Oct. 1999 ($)	Oct. 2000 ($)	Oct. 2001 ($)	Oct. 2002 ($)	Oct. 2003 ($)	Oct. 2004 ($)
National Bank of Canada	100.00	144.48	144.74	180.72	259.26	318.82
S&P/TSX Banks and Trusts	100.00	140.25	138.53	144.39	199.92	233.67
S&P/TSX Composite Index	100.00	134.41	97.50	90.01	114.17	132.58

SECTION 3

Information on Compensation (cont.)

TOTAL COMPENSATION OF NAMED EXECUTIVE OFFICERS OF THE BANK

Summary of Total Compensation of Named Executive Officers

The following table, presented in accordance with Canadian securities legislation, shows the total compensation paid by the Bank and its subsidiaries to each of the individuals named therein ("Named Executive Officers"), during each of the three most recently completed financial years.

		Annual Compensation			Long-Term Compensation		All Other Compensation (4)
					Awards	Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Other Annual Compen-sation ($) (2)	Securities Under Options (#) (3)	Long-Term Bonus Program ($)	($)
Réal Raymond	2004	879,123 (5)	1,500,000	0	198,400	1,250,790 (7)	N/A
President and	2003	764,821	1,300,000	0	169,600	947,100	N/A
Chief Executive Officer	2002	692,137	800,000	4,339	149,940	450,000	N/A
Michel Labonté	2004	300,328 (6)	275,000	810	31,500	140,384 (8)	N/A
Senior Vice-President	2003	248,548	250,000	370	33,500	N/A	N/A
Finance, Technology and Corporate Affairs	2002	222,082	170,000	355	25,300	N/A	N/A
Jean Turmel	2004	500,000	4,138,485	832	85,400	2,069,536 (9)	N/A
President – Financial Markets,	2003	500,000	3,833,200	36	113,000	1,916,598	N/A
Treasury and Investment Bank	2002	500,000	3,567,333	4,037	124,900	1,783,667	N/A
Louis Vachon	2004	250,000	2,309,440	2,419	28,000	N/A	989,760
Senior Vice-President	2003	250,000	2,519,641	892	37,000	N/A	1,079,847
Treasury and Financial Markets (10)	2002	250,000	2,009,582	169	28,300	N/A	861,250
G.F. Kym Anthony	2004	400,000	3,283,333	35,094	28,000	N/A	1,641,667
President and Chief Executive Officer	2003	400,000	1,577,333	11,016	37,000	N/A	788,667
National Bank Financial (11)	2002	370,000	2,750,273	15,808 (12)	42,800	N/A	900,000

(1) The figures in this column have been revised, as regards Mr. Vachon and Mr. Anthony, to designate the annual bonus earned during each financial year ended October 31.

(2) The amounts in this column only represent benefits relating to loans granted at preferred interest rates to Named Executive Officers. The Named Executive Officers also have the use of a leased car and may, at their option, participate in the Employee Share Ownership Plan of the Bank. The aggregate value of these other benefits for the most recently completed financial year does not exceed the lesser of: $50,000 or 10% of the salary and bonuses paid annually to the Named Executive Officers. It should be noted that for Mr. Anthony, this amount was paid to him under the EdgeStone Affiliate Fund co-investment program.

(3) These securities were granted under the Stock Option Plan of the Bank. For further information, refer to the "Stock Option Plan" section of this Circular.

(4) The figures in this column represent the portion of the annual bonus earned but not vested during each financial year ended October 31. Vesting and payment of these amounts are deferred for up to three years.

(5) On August 30, 2004, the base salary of Mr. Raymond was increased from $860,000 to $1,000,000.

(6) On August 30, 2004, the base salary of Mr. Labonté was increased from $300,000 to $307,500.

(7) Under the Deferred Stock Unit Plan for Officers (for more information, please refer to the "Deferred Stock Unit Plan" section of this Circular), a portion of the long-term compensation of Mr. Raymond was paid in DSUs for Officers in December 2004, representing 25,950 DSUs for Officers based on a price of $48.20. The total number of DSUs for Officers held by Mr. Raymond as at October 31, 2004 was 38,989, valued at $1,901,883, based on the share price as at October 31, 2004 ($48.78). This aggregate amount excludes the November 2004 dividend payment and the December 2004 grant.

(8) Mr. Labonté chose to receive 30% of his long-term compensation in DSUs for Officers in December 2003, representing 3,424 DSUs for Officers based on a price of $41.00. The total number of DSUs for Officers held by Mr. Labonté as at October 31, 2004 was 3,505, valued at $170,974, based on the share price as at October 31, 2004 ($48.78).

(9) With regard to the bonus for 2004, Mr. Turmel received 33% of his bonus in the form of DSUs for Officers in two installments, representing 28,360 DSUs for Officers based on a price of $43.86 per share, and 17,130 DSUs for Officers based on a price of $48.20 per share. The total number of DSUs for Officers held by Mr. Turmel as at October 31, 2004 was 202,709, valued at $9,888,145, based on the share price as at October 31, 2004 ($48.78). This aggregate amount excludes the November 2004 dividend payment and the December 2004 grant. For further information, refer to the "Variable Compensation Programs" section of this Circular.

(10) Mr. Vachon has held the position of Chairman of the Board of National Bank Financial Group, Chairman of the Board of Natcan Investment Management Inc. and Senior Vice-President of the Bank since January 1, 2005.

(11) Mr. Anthony has held the position of President and Chief Executive Officer of National Bank Financial Group and Senior Vice-President of the Bank since January 1, 2005.

(12) This amount has been revised. It represents the amount paid to him under the EdgeStone Affiliate Fund co-investment program.

SECTION 3

Information on Compensation (cont.)

Summary of Long-Term Variable Compensation of Named Executive Officers

The table below specifies the number of options granted to Named Executive Officers under the Stock Option Plan for the year ended October 31, 2004. These options are exercisable by their holders as follows: 25% as of December 2004; with an additional 25% exercisable as of December 2005, another 25% exercisable as of December 2006, and the remainder as of December 2007. These options expire on December 11, 2013. During the 30 business days prior to the options being granted, the closing price of the common shares of the Bank on the Toronto Stock Exchange fluctuated between $40.17 and $42.05.

Name	Number of Options Granted	Per cent of Total Options/SARs Granted to Employees in Financial Year	Option Exercise Price ($)	Market Value of a Common Share on the Date Preceding the Grant ($)	Expiration Date
Réal Raymond	198,400	14.2	41.00	41.00	11/12/2013
Michel Labonté	31,500	2.3	41.00	41.00	11/12/2013
Jean Turmel	85,400	6.2	41.00	41.00	11/12/2013
Louis Vachon	28,000	2.0	41.00	41.00	11/12/2013
G.F. Kym Anthony	28,000	2.0	41.00	41.00	11/12/2013

Since the initial approval of the Stock Option Plan and the SAR Plan, as well as during the most recently completed financial year, the Bank has not repriced downward any options or freestanding SARs held by its Officers and Named Executive Officers.

The following table lists, for each of the Named Executive Officers, the number of securities affected by options or SARs exercised during the most recently completed financial year, the aggregate value realized and, lastly, the number and value of unexercised in-the-money options and SARs outstanding as at October 31, 2004. The value of unexercised options at financial year-end is equal to the difference between the exercise price of the options and the closing price of common shares of the Bank on the Toronto Stock Exchange on the last business day of the financial year, namely, $48.78 per common share. The value of unexercised SARs at financial year-end is equal to the difference between the exercise price of the SARs and the closing price of common shares of the Bank on the Toronto Stock Exchange on the last business day of the financial year, namely, $48.78 per common share.

Name	Number of Securities Affected by Exercised Options/SARs	Aggregate Value Realized ($)	Unexercised Options/SARs at Financial Year-End		Value of Unexercised In-the-Money Options/SARs at Financial Year-End (1)	
			Exercisable (#)	Unexercisable (#)	Exercisable ($)	Unexercisable ($)
Réal Raymond	122,000 (2)	3,452,600	206,595	422,645	4,436,912	5,895,806
Michel Labonté	11,700 (2)	365,760	109,775	76,025	2,952,067	1,116,979
Jean Turmel	0	0	460,425	254,675	12,255,917	3,999,742
Louis Vachon	0	0	90,900	77,400	2,284,873	1,185,618
G.F. Kym Anthony	0	0	30,650	77,150	609,406	1,157,101

(1) The amounts indicated are based on a price of $48.78 per common share, namely, the closing price on the last business day of the financial year ended October 31, 2004.

(2) Mr. Raymond and Mr. Labonté exercised SARs only during the most recently completed financial year.

SECTION 3

Information on Compensation (cont.)

Under the Bank's long-term compensation programs, only the Stock Option Plan allows issuance of the Bank's equity securities. The following table contains the required information pursuant to Canadian securities legislation.

Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants or Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($)	(c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by securityholders	6,180,960	30.20	6,522,447
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	6,180,960	30.20	6,522,447

Report of the Human Resources Committee of National Bank Financial on the Compensation of the Named Executive Officer
The Named Executive Officer of National Bank Financial receives a base salary, an annual bonus, long-term variable compensation and a competitive benefits package.

His compensation is approved by the Human Resources Committee of National Bank Financial & Co. Inc., which is comprised of outside, independent directors. The Committee members are Jean Gaulin, who is the Chair, Pierre Ducros, Paul Gobeil and Robert Parizeau. The recommendation of the Committee is ratified by the Board of Directors of National Bank Financial & Co. Inc.

Base Salary
In order to establish the base salary, National Bank Financial refers to the salaries of its comparison market, which consists of national brokerage firms associated with the major Canadian banks. It also takes into consideration the characteristics specific to National Bank Financial as well as the Officer's level of responsibility, experience and performance. Since the emphasis is on incentive compensation, the officer's base salary is adjusted in line with the comparison market on an *ad hoc* basis.

Annual Bonus Program
The annual bonus program is an important part of the Named Executive Officer's compensation. Its purpose is to reward his contribution to results and his performance throughout the financial year. The Named Executive Officer is rewarded through the bonus fund reserved for members of the Policies Committee of National Bank Financial. This bonus fund is funded by setting aside a certain percentage of the income before income taxes and long-term bonuses of the company. The percentage of income may vary up or down depending on the return on equity. A defined portion of these funds is reserved for the Named Executive Officer.

The Committee may also adjust the level of bonuses up or down by a maximum of 15% of the amount available to reflect the Named Executive Officer's performance, based on the assessment of a series of criteria predetermined with the Officer at the beginning of the financial year and as warranted by the financial performance of the company.

Under this program, bonuses are paid every six months and also include a deferred portion. The Named Executive Officer is required to defer one third of his bonus, which is paid in equal cash installments over a three-year period.

Long-Term Variable Compensation Program
The Named Executive Officer is eligible each year for a stock option grant in accordance with the terms and conditions of the Bank's Stock Option Plan.

Comparison of Financial Results with the Objectives of the Named Executive Officer of National Bank Financial
Net income at National Bank Financial for the 2004 financial year amounted to $82 million, up $24 million or 41% from net income of $58 million recorded the previous year. Results for 2004 exceeded the target of $76 million by nearly 8%.

SECTION 3

Information on Compensation (cont.)

Revenues for the year totalled $891 million compared to $808 million for the 2003 financial year, for an increase of $83 million or 10%. Growth was divided almost equally between Individual Investor Services and the Institutional and Corporate and Investment Banking groups. At Individual Investor Services, the first half of the year was marked by a significant rise in business during the bull market that had begun in the summer of 2003. After a lull during the summer of 2004, a renewed surge in the stock market buoyed by strong corporate profits in North America and a positive outlook for growth worldwide pushed up revenues once again. Higher revenues at Corporate and Investment Banking were attributable to National Bank Financial's role as advisor and/or financial arranger for a number of merger and acquisition projects undertaken by long-time clients. In many cases, U.S. companies were the targets and the transactions were among the largest involving Canadian companies in 2004. Based on transaction data compiled by Bloomberg L.P., National Bank Financial ranked among the premier firms in the Canadian mergers and acquisitions market in 2004.

Moreover, National Bank Financial improved its productivity during the financial year. Income before income taxes represented 14% of revenues in 2004 as against 11% for the previous year.

In conclusion, excellent revenue growth and improved productivity enabled National Bank Financial to post return on capital of 14% in 2004 compared to 11.1% in 2003 and the target of 13% for 2004.

This report is submitted by the Human Resources Committee of National Bank Financial & Co. Inc.

Jean Gaulin, Chair
Pierre Ducros
Paul Gobeil
Robert Parizeau

RETIREMENT BENEFITS FOR NAMED EXECUTIVE OFFICERS OF THE BANK

Pension Plan and Post-Retirement Allowance Program
The Named Executive Officers of the Bank participate in a defined benefit pension plan and the Post-Retirement Allowance Program. A pension, up to the maximum pension prescribed by law, is payable under the registered pension plan, while the Post-Retirement Allowance Program provides for any supplemental pension, where applicable. The combined effect of these two plans can be defined as follows:

- For each year of service credited, the plans grant a life pension equal to 2% of the average pensionable earnings, defined as the average earnings for the 60 highest-paid consecutive months. Pensionable earnings include the salary and the bonus, depending on conditions that vary according to level:
    - For Named Executive Officers at the level of President, the calculation is based on the full salary and the eligible annual bonus is limited to:
        - 100% of the salary for the President and Chief Executive Officer, and
        - $571,000 for the President – Financial Markets, Treasury and Investment Bank.
    - For Named Executive Officers at the Senior Vice-President level, the calculation is based on the salary, and 25% of the annual bonus (up to 20% of salary). The aggregate of the salary and the eligible bonus is limited to $250,000 each year.

The normal retirement age is 60. However, these pension plans allow for early retirement, with the employer's consent, as of 55 years of age. The pension is reduced by the lesser of:

- 4% for each year prior to age 60, or
- 2% for each year by which the sum of the age and years of service falls short of 90.

Moreover, the Named Executive Officers of the Bank, at the level of President or Senior Vice-President, contribute 9% of their salary to the pension plan, or up to $12,130 per annum, and at retirement, the accumulated sum is converted to a supplementary pension, subject to the application of legal restrictions.

SECTION 3

Information on Compensation (cont.)

Estimated Annual Benefits Payable at Retirement

The following tables contain the estimated annual benefits payable under the Bank's pension plan and the Post-Retirement Allowance Program to the Named Executive Officers of the Bank at the level of President and Senior Vice-President.

Estimated Pensions Payable as of Age 60(1)

President

Average Pensionable Earnings (2) ($)	Years of Membership (3) (4) 15 ($)	20 ($)	25 ($)	30 ($)	35 ($)
1,000,000	296,797	396,260	495,724	595,187	694,954
1,250,000	371,797	496,260	620,724	745,187	869,954
1,500,000	446,797	596,260	745,724	895,187	1,044,954
1,750,000	521,797	696,260	870,724	1,045,187	1,219,954
2,000,000	596,797	796,260	995,724	1,195,187	1,394,954

Senior Vice-President

Average Pensionable Earnings (2) ($)	Years of Membership (3) (4) (5) 15 ($)	20 ($)	25 ($)	30 ($)	35 ($)
200,000	56,797	76,260	95,724	115,187	134,954
225,000	64,297	86,260	108,224	130,187	152,454
250,000	71,797	96,260	120,724	145,187	169,954
300,000	71,797	96,260	120,724	145,187	169,954

(1) The estimated pensions do not take into account the pension generated by the additional contributions accumulated by the Named Executive Officer.
(2) The amounts in the "Salary" and "Bonus" columns of the "Summary of Total Compensation of Named Executive Officers" table in this Circular are used to calculate the average pensionable earnings, subject to the maximums set out above.
(3) Years of service credited as at October 31, 2004 and estimated on the normal retirement date are as follows:

Name	Years of Service Credited as at October 31, 2004	Estimated Years of Service Credited on Normal Retirement Date
Réal Raymond	29.7	35.0
Jean Turmel	34.8	35.0
Louis Vachon	6.8	24.6
Michel Labonté	11.6	12.7
G.F. Kym Anthony*	0	10.5

The maximum number of years recognized for the purposes of the Post-Retirement Allowance Program is 35.

(4) The pension is payable for life, but reduced to take into account the amount payable under the Canada Pension Plan or the Quebec Pension Plan. Upon the member's death, 60% of the pension is payable to the member's spouse. If there is no spouse, part of the pension is payable to the dependent children.
(5) The years of membership in the Post-Retirement Allowance Program are recognized only as of January 1, 1987. However, the figures in this table assume that all the years of membership of the Officer will be recognized under the Post-Retirement Allowance Program at retirement because none of the Named Executive Officers at the Senior Vice-President level were members in the Program before January 1, 1987.

On the basis of current compensation and the years projected until age 60, the estimated annual pensions payable at age 60 are as follows: R. Raymond, $879,000; J. Turmel, $744,000; L. Vachon, $118,000; M. Labonté, $64,000; and G.F.K. Anthony*, $50,000. The pension payable upon conversion of the accumulated contributions of the Named Executive Officer at retirement will be added to each of these amounts.

** G.F. Kym Anthony was not a member of these plans as at October 31, 2004; he has become eligible since November 1, 2004.*

SECTION 3

Information on Compensation (cont.)

TERMINATION OF EMPLOYMENT POLICY

On November 30, 2000, the Board adopted a policy whereby certain executive officers would receive a separation allowance in the event their employment was terminated by the Bank following a change in control. A change in control notably means any change in the ownership of Bank shares following the acquisition of shares, a merger or a business combination, resulting in one shareholder beneficially owning in excess of 20% of the voting shares of the Bank. Under the terms of this policy, the President and Chief Executive Officer would be entitled to a separation allowance equal to his base salary and average annual bonus for the previous three years (or the target annual bonus for eligible executive officers who have been in their position for less than three years) for a period of 36 months, up to the normal retirement age. Certain other executive officers of the Bank are also covered by this policy and would be entitled to receive a separation allowance equal to their base salary and average annual bonus for the previous three years (or the target annual bonus in the case of eligible executive officers who have been in their position for less than three years) for a period of 18 to 24 months, up to the normal retirement age. In all cases, the separation allowance would also include an amount equal to the estimated value of the stock options and SARs that would have been granted to them had their employment not been terminated. Moreover, under the terms of this policy, all stock options and SARs already granted would vest immediately and the executive officers would have up to 12 months in which to exercise the options or SARs.

The Bank and G.F. Kym Anthony have entered into an agreement which sets out the terms and conditions of his compensation in the event that his employment is terminated either by the Bank or following a change in control. The terms and conditions of this agreement are in line with the policy described above, and would provide a separation allowance equal to his base salary and his average annual bonus for the previous two years for a period of 24 months, up to the normal retirement age.

No other termination of employment agreement has been concluded by the Bank.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

In the normal course of business, the Bank grants loans to its directors, Executive Officers[1] and employees.

As at December 3, 2004[2], aggregate indebtedness outstanding to the Bank or any of its subsidiaries (other than loans repaid in full and routine indebtedness as defined by Canadian securities legislation) of directors, Executive Officers, employees, and former directors, Executive Officers and employees of the Bank or any of its subsidiaries was as follows:

Aggregate Indebtedness ($)

Purpose	To the Bank or Its Subsidiaries ($)	To Another Entity ($)
Share purchases	2,007,505	0
Other	464,362,652	0

(1) For the purposes hereof, the term "Executive Officers" has the meaning assigned in paragraph 1.1(1) of National Instrument 51-102 *Continuous Disclosure Obligations* and includes the President and Chief Executive Officer, the President – Financial Markets, Treasury and Investment Bank, the Senior Vice-Presidents, the Vice-Presidents in charge of a principal business unit, division or function of the Bank as well as any members of management of the Bank or its subsidiaries who perform a policy-making function in respect of the Bank.

(2) Information about the aggregate indebtedness was obtained during the period from November 29 through December 3, 2004.

SECTION 3

Information on Compensation (cont.)

The table below shows the indebtedness to the Bank, during the most recently completed financial year, of each individual who is, or during the most recently completed financial year was, a director or Executive Officer of the Bank, of each proposed nominee for election as a director of the Bank, and of each associate of any such director, Executive Officer or proposed nominee. The loans are granted either by the Bank or any of its subsidiaries, or any other entity, if the indebtedness is the subject of a guarantee provided by the Bank or any of its subsidiaries.

Indebtedness of Directors and Executive Officers Under Securities Purchase and Other Programs

Name and Principal Position	Involvement of Bank or Subsidiary	Largest Amount Outstanding During Financial Year Ended October 31, 2004 ($)	Amount Outstanding as at December 3, 2004 ($)	Financially Assisted Securities Purchases During Financial Year Ended October 31, 2004	Security for Indebtedness	Amount Forgiven During Financial Year Ended October 31, 2004 ($)
Securities Purchase Programs						
Salvatore Reda President and Chief Operating Officer Natcan Investment Management Inc.	Indebtedness to National Bank of Canada	445,526 (1)	445,526 (1)	N/A	N/A	N/A
Other Programs						
G.F. Kym Anthony President and Chief Executive Officer National Bank Financial Inc.(2)	Indebtedness to National Bank of Canada	886,525 (3)	1,315,459 (3)	N/A	N/A	N/A
Marc Godin Vice-President Finance and Control	Indebtedness to National Bank of Canada and	258,541 (4)	258,170 (4)	N/A	N/A	N/A
	National Bank Discount Brokerage Inc.	142,645 (5)	159,518 (5)			
Charles Guay President and Chief Operating Officer National Bank Securities Inc.	Indebtedness to National Bank of Canada	205,328 (4)	216,428 (4)	N/A	N/A	N/A
		238,517 (6)	231,416 (6)			
Ricardo Pascoe Senior Vice-President Capital Markets(7)	Indebtedness to National Bank of Canada	4,190,125 (4)	4,165,637 (4)	N/A	N/A	N/A

(1) This amount represents a loan granted by the Bank to acquire common shares in the capital stock of 9130-1564 Québec Inc. This loan is granted under the long-term bonus program of Natcan Investment Management Inc. and is secured by a movable hypothec for repayment of the loan. The principal bears interest at the prime rate of the Bank less 2% and, subject to the usual prepayment clauses, at least 5% of the principal is repayable on December 31 of each year.

(2) G.F. Kym Anthony has held the positions of President and Chief Executive Officer of National Bank Financial Group and Senior Vice-President of the Bank since January 1, 2005.

SECTION 3

Information on Compensation (cont.)

(3) This amount represents one or more personal leveraged loans (the "Leveraged Loans") granted to finance the participant's equity commitments under the EdgeStone Affiliate Fund co-investment program. All Leveraged Loans bear interest at the federal prescribed rate published monthly and are secured by a pledge of the participant's interests in the limited partnerships comprising the EdgeStone Affiliate Fund co-investment program. This program provides Officers and eligible employees of the Bank and of entities that are part of the same group as the Bank the opportunity to co-invest with EdgeStone Capital Equity Fund II-A, L.P., EdgeStone Capital Equity Fund II-B, L.P., EdgeStone Capital Mezzanine Fund II, L.P., EdgeStone Capital Venture Fund, L.P. and EdgeStone Capital Venture Fund II, L.P. (collectively, the "Main Funds") and with the Bank or a company in which the Bank holds an indirect interest. Participants are offered credit facilities by the Bank or the entities that are part of the same group as the Bank (the "Lender") through limited recourse Leveraged Loans. The Leveraged Loans bear interest and will mature on the earliest of: (i) the 10th anniversary date of the establishment of the applicable Main Fund, (ii) the termination of the applicable Affiliate Fund limited partnership, (iii) the sale or disposal of the applicable Affiliate Fund limited partnership interest held by a participant or (iv) the date the principal amount under the Leveraged Loans otherwise becomes due and payable. The Lender will have personal recourse against the participant equal to 50% of the participant's total commitment (equity and leveraged portion). The Lender's recourse for the balance of the Leveraged Loans is limited to the participant's Affiliate Fund limited partnership interest and the distributions thereon.

(4) This amount represents one or more personal loans granted to purchase sundry goods and investments, according to the standards applicable to clients, except for the interest rate, which ranges between half of the prime rate and the Bank's prime rate, or a loan under a relocation agreement. For Ricardo Pascoe, this amount represents loans granted at market conditions, except for $100,000, which bears interest at half of the Bank's prime rate.

This amount may also represent the balance of a personal line of credit, granted according to the standards applicable to clients, except for the interest rate, which ranges between the prime rate less 3% (but not less than the prime rate divided by 2) and the Bank's prime rate.

The aggregate of the personal loans granted and the amounts authorized as a personal line of credit is not to exceed 50% of the annual gross salary of the borrower for the reduced-rate portion. The excess will be loaned at the prime rate for these products.

This amount may also represent any unpaid balance on the MasterCard account, bearing interest at the rate granted to the average client divided by 2.

(5) This amount represents one or more margin loans granted by National Bank Discount Brokerage Inc., allowing the borrower to borrow against the value of the securities held in his portfolio. Portfolio securities are used as collateral security. Such a loan is granted according to standards applicable to clients, including the interest rate, which may range between the prime rate and the prime rate plus 1.25%, depending on the account type and the amount borrowed.

(6) This amount represents one or more loans secured by a mortgage on the borrower's main residence, which exceeds the borrower's annual salary. Such a loan is granted according to the standards applicable to clients, except for the interest rate, which is the rate posted for the Bank's clients less 2%; however, Executive Officers who obtained a loan prior to December 31, 2002 benefit from the previous conditions for a transition period ending December 31, 2005; i.e., the loan is granted according to standards applicable to clients, except for the interest rate, which is offered at one third of the client rate of the Bank on the first $50,000 and at the Bank's client rate less 5% on the amount in excess thereof, but such rate shall at no time be lower than the rate applied to the first $50,000.

This amount may also represent one or more mortgages on the borrower's secondary residence, granted at market terms and conditions.

Furthermore, this amount may represent an All-In-One loan, a margin loan secured by a mortgage on the borrower's principal residence (provided it is a single family dwelling). Such a loan is granted at the prime rate less 2% (but not less than the prime rate divided by 2). All-In-One loans secured by a mortgage on any other real estate owned by the borrower are granted at market terms and conditions.

(7) Ricardo Pascoe has held the position of Senior Vice-President – Treasury and Trading since January 1, 2005.

SECTION 4

Other Information

LIABILITY INSURANCE FOR DIRECTORS AND OFFICERS

The Bank is covered by public liability insurance for directors and Officers of the Bank and its subsidiaries. This policy provides coverage of $100,000,000 with a deductible of $10,000,000 per claim.

This insurance covers directors and Officers of the Bank for acts committed in the performance of their duties as directors or Officers. Illegal acts and those committed for personal gain are excluded from this coverage. The annual premium paid by the Bank is $1,042,000.

REPURCHASE OF SHARES

The Bank currently has a normal course issuer bid (the "Issuer Bid") in place under which it may repurchase for cancellation, from time to time and during the period stipulated hereinafter, through the Toronto Stock Exchange, a maximum of 8,400,000 common shares representing approximately 5% of the outstanding common shares, which shares are subsequently cancelled.

In the opinion of the Board, the purchase of the common shares pursuant to the Issuer Bid constitutes an appropriate use of the Bank's surplus funds. The Issuer Bid, which commenced on January 13, 2005, will run for a period ending on the earliest of (i) the date on which the Bank repurchases the maximum number of common shares, i.e., 8,400,000 common shares, or (ii) the date on which the Bank decides not to repurchase further shares, or (iii) on January 12, 2006. The price that the Bank pays for any common share which it purchases shall be the prevailing market price of a common share on the Toronto Stock Exchange on the purchase date.

Furthermore, the Bank repurchased 8,700,000 common shares as part of its previous normal course issuer bid, which expired on December 7, 2004, representing approximately 5% of the common shares outstanding at the time the previous normal course issuer bid was accepted on December 3, 2003 by the Toronto Stock Exchange.

Shareholders may obtain, free of charge, a copy of the notice of intention regarding the current Issuer Bid of the Bank, which notice of intention was approved by the Toronto Stock Exchange, by writing to the Corporate Secretary's Office of the Bank at 600 de La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

CORPORATE GOVERNANCE

Effective corporate governance is an essential component of the Bank's operations. It is in the interest of shareholders, clients and all partners of the Bank to have sound corporate governance policies and practices in place. The Bank therefore monitors the latest developments in this area and, when necessary, adjusts its practices accordingly.

The chart below shows in detail how Bank practices comply with and sometimes go beyond the Toronto Stock Exchange Guidelines. Canadian Securities Administrators have published corporate governance best practices for comment. Even though the practices have not been finalized, the Bank complies with most of them.

In this section, you will also find the number of meetings held in the most recently completed financial year as well as a table with the attendance record of directors at meetings of the Board and each of its committees and the remuneration received by the directors for their participation.

Lastly, this section includes a summary of the mandates of the Board and its committees[1], a summary of the financial literacy of Audit and Risk Management Committee members as well as a summary of the Bank's guidelines for pre-approving the non-audit services provided by the external auditor.

(1) The mandates of the Board of Directors and the Audit and Risk Management Committee are presented in their entirety for the most recently completed financial year in the "Board of Directors and Its Committees" section of the National Bank of Canada Annual Information Form.

SECTION 4

Other Information (cont.)

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Bank
Responsibility for Stewardship	
1. *The board of directors should explicitly assume responsibility for the stewardship of the Bank*	• The Board's role is to oversee the management of the Bank, safeguard its assets, and ensure its viability, profitability, sustainability and development with a view to enhancing the return on shareholder investment. Furthermore, it is assured of sound management by requiring that management implement and maintain a legislative compliance program. • The Board assumes various duties related to strategic planning, risk assessment, assessment of its effectiveness, succession planning for directors and senior management, as well as the communication and disclosure of information. The Board also adheres to the rules of conduct and ethics, notably by adopting a Code of Professional Conduct for directors, Officers and employees of the Bank. • The Board expects management to be responsible for the day-to-day management and conduct of the Bank's operations. In order to facilitate the Board's oversight role, management provides the Board with an informed opinion specifically on the objectives, strategies, plans and major policies of the Bank. • For further information on the mandate of the Board of Directors, please refer to the "Summary of the Mandates of the Board of Directors and Its Committees" section of this Circular or the "Board of Directors and Its Committees" section of the Annual Information Form of the Bank.
and specifically for:	
Strategic Planning Process	
(a) *the adoption of a strategic planning process;*	• The Board periodically reviews and approves the strategic plan by which the Bank determines its mission, vision, business objectives and strategy. To do so, the Board takes into account business opportunities and risks for the Bank, as well as business plans concerning its major operations. • The Board participated in the strategic planning exercise during which management submitted a preliminary report on the main challenges, orientations and strategic objectives of the Bank. At the end of this process, the corporate strategic plan and the strategic plans for the business segments were approved by the Board.
Principal Risks	
(b) *the identification of the principal risks associated with the business of the bank and ensuring the implementation of appropriate systems to manage these risks;*	• The Board, through its Audit and Risk Management Committee, regularly identifies and assesses the principal risks of the Bank, among which are credit risk, market risk and operational risk, including outsourcing risk. The Board annually adopts and reviews policies regarding these risks, while ensuring their implementation. • The Board approves the report on compliance with Canada Deposit Insurance Corporation Standards of Sound Business and Financial Practices.
Succession Planning	
(c) *succession planning, including appointing, training and monitoring senior management;*	• The Board analyzes and approves the appointment and description of the functions of the President and Chief Executive Officer and other Officers and oversees their training, coaching and succession planning. • The Human Resources Committee annually reviews the profile of individuals who possess the required competencies to hold senior management positions at the Bank, as well as the Bank's succession plan, and determines development needs, as applicable. • The Human Resources Committee submits a report to the Board following the annual appraisal of the performance of Officers and of the prudence with which they manage the Bank's operations. • The President and Chief Executive Officer annually submits a succession plan to the Human Resources Committee, including the progress made by the individuals identified in the plan. • For further information on the mandate of the Human Resources Committee, please refer to the "Summary of the Mandates of the Board of Directors and Its Committees" section of this Circular.

SECTION 4

Other Information (cont.)

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Bank

Communications Policy

(d) a communications policy;	• The Board advocates transparency in the communication of information to all shareholders, investors, clients and the general public. • In the most recently completed financial year, the Bank set up a Disclosure Committee, whose mission is to supervise the internal control procedures regarding the disclosure of financial information. • A policy reviewed by the Bank's Disclosure Committee and approved by the Board in the most recently completed financial year establishes the procedures for complete, accurate and timely communication between the Bank and its shareholders, clients, financial analysts, the media and the public, and prohibits the selective distribution of information by stipulating that information must be distributed to the general public. • The Audit and Risk Management Committee reviews in particular the Bank's annual and quarterly consolidated financial statements, the related news releases, the Annual Information Form and management's analysis of the financial condition and operating results of the Bank before these are approved by the Board. • The Bank responds to requests from shareholders, investors and financial analysts through its Investor Relations Department, its Corporate Secretary's Office or National Bank Trust Inc., the Bank's transfer agent and registrar. The Bank's quarterly reports and related conference calls are made available in real time on the Bank's website. • Since 2003, the Bank has published an annual social responsibility report detailing its commitment to the community. • Clients with concerns or special needs may contact their branch or TelNat. In the event a dispute cannot be settled through the existing administrative channels, clients may contact the Ombudsman of the Bank.

Integrity of Internal Control

(e) the integrity of internal control and management information systems.	• The Board, through its Audit and Risk Management Committee, examines audit and internal control processes as well as management information systems to determine their integrity and effectiveness. In consultation with the internal auditor and the Bank's management, the Committee examines the effectiveness of the Bank's internal control policies and mechanisms. • The Audit and Risk Management Committee requires that the Internal Audit function is free of any influence that could adversely affect its ability to assume its responsibilities objectively. • An annual Internal Audit plan is submitted to the Committee for its consideration and approval, ensuring the independence and effectiveness of Internal Audit. • The Audit and Risk Management Committee ensures that the Bank's financial reporting process is adequate. • A formal procedure was developed by the Disclosure Committee to enable the President and Chief Executive Officer and the Senior Vice-President – Finance, Technology and Corporate Affairs to certify the integrity and accuracy of the financial information disclosed and the existence of controls surrounding this disclosure.

SECTION 4

Other Information (cont.)

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Bank
Board Independence	
2. *A majority of the directors should be "unrelated".* (1) An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.	• The majority of the directors on the Board and its committees are "unrelated" and independent directors.[1] • It is the responsibility of the Board, on the recommendation of the Conduct Review and Corporate Governance Committee, to determine if each director is unrelated and independent. To do so, the Board examines the relationships maintained by each director with the Bank and its subsidiaries. In general, a director who does not otherwise have a major relationship with the Bank or its subsidiaries will be considered to be unrelated and independent. • At the end of the most recently completed financial year, the Board determined that 11 of the 15 directors were unrelated and independent. The related directors who were not independent are Lawrence S. Bloomberg, Réal Raymond and Jean Turmel, Officers or employees of the Bank or any of its subsidiaries, as well as Gérard Coulombe since he is a partner of Desjardins Ducharme Stein Monast, s.e.n.c., a law firm that provides legal services to the Bank and its subsidiaries. • At the end of the most recently completed financial year, the Audit and Risk Management Committee and the Conduct Review and Corporate Governance Committee were entirely comprised of unrelated and independent directors, whereas for the Human Resources Committee, four of the five members were unrelated and independent. • In order to enhance the independence of the Board, directors meet regularly without the Officers of the Bank being present.
Unrelated Directors	
3. *The application of the definition of "unrelated director" to the circumstances of each director should be the responsibility of the board, as well as the disclosure on an annual basis of the analysis of the application of the principles supporting this conclusion and whether the board has a majority of unrelated directors.*	• The Board, through the Conduct Review and Corporate Governance Committee, ensures compliance with the Toronto Stock Exchange Guidelines. • The Committee analyzed the information provided by the directors and all the business and related party relationships maintained by the directors with the Bank or its subsidiaries to determine if certain Bank directors met the criteria for the definition of an "unrelated director". • Please refer to Guideline 2 "Independence of the Board of Directors" in this chart for more information on the number and the name of the related directors.
Nominating Committee	
4. *The board should appoint a committee of directors composed exclusively of outside, i.e., non-management directors, a majority of whom are unrelated, and assign to such committee the responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.*	• The Conduct Review and Corporate Governance Committee, together with the Chairman of the Board, administers the selection process for new directors and submits its recommendations to the Board. This committee is composed exclusively of unrelated and independent directors. • The Committee recruits and proposes nominees for director. It recommends to the Board those having expertise that enables them to make an active, informed and profitable contribution to managing the Bank, conducting its business and guiding its development. In its assessment of nominees, the Committee also takes into consideration their availability and reputation for honesty and integrity, as well as their knowledge of regional and national issues. • The Committee periodically reviews selection criteria for directors to ensure that they take into account regulatory requirements, expectations as well as the Board's current and future needs with respect to the knowledge, competencies and experience of directors. • The Committee annually reviews the eligibility and availability of directors who are nominated for re-election. For more information on Board meeting attendance by directors, please refer to the "Record of Attendance and Remuneration of Directors" section of this Circular. • For further information on the mandate of the Conduct Review and Corporate Governance Committee, please refer to the "Summary of the Mandates of the Board of Directors and Its Committees" section of this Circular.

SECTION 4

Other Information (cont.)

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Bank

Assessing the Board's Effectiveness

5. *The board should implement a process, to be monitored by the appropriate committee, for assessing the effectiveness of the board and the committees of the board, as well as the contribution of individual directors.*	• The Conduct Review and Corporate Governance Committee is delegated by the Board to implement a process allowing the Committee to assess the performance and effectiveness of the Board, its committees and their members while carrying out their mandate. • As part of this process, directors assessed their performance as well as that of the Board and the committees on which they sit. They evaluated in particular the availability of information required for decision-making and the ability of the members of the Board and the committees to process this information for each strategic activity of the Board and the committees. The assessment also covered the general operation of the Board and its committees. • In order to ensure an impartial process, an independent firm of experts compiled the results of the assessment of the performance and effectiveness of the Board and its committees. The Chair of the Conduct Review and Corporate Governance Committee notified the Committee members of the results of the self-assessment, discussed them with the chairs of the other committees of the Board and then reported on them to the Board. In addition, the Chairman of the Board met with all Board members individually to discuss their respective self-assessments. • Since 1998, the term of office of non-executive directors has been thoroughly reviewed after 10 consecutive annual re-elections and has been limited to 15 consecutive annual re-elections. This policy came into effect in 1998 for existing directors and applies to new directors as of the year they take office.

Orientation and Education of Directors

6. *Provide an orientation and education program for new recruits to the board.*	• The Bank offers its directors a comprehensive orientation and training program: orientation of new directors, continued education in the form of information sessions, and individual meetings with directors and members of senior management. The program is designed to provide an overview of the Bank and its operations. Discussions with Executive Officers allow directors to become more familiar with the Bank and to identify its major challenges more clearly. • The Directors' Handbook, which describes the responsibilities and obligations of directors, the organizational structure and the mandates of the Board and its committees, and contains the Code of Professional Conduct of the Bank, is distributed to all directors.

Effective Board Size

7. *The board should examine its size with a view to determining the impact of the number of directors upon effectiveness, and undertake, where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.*	• The Board, through the Conduct Review and Corporate Governance Committee, annually reviews its size and composition to maintain adequate geographic and industry representation as well as complementary experience and expertise to foster exchange and discussion among directors and effective decision-making. • In this regard, during the financial year ended October 31, 2004, the Board deemed it appropriate to reduce its size, while respecting the minimum requirement of 12 directors as stipulated in the Bank's By-Laws.

SECTION 4

Other Information (cont.)

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Bank

Compensation of Directors

8. *The board should review the adequacy and form of the compensation of directors in light of the risks and responsibilities involved in being an effective director.*	• The Conduct Review and Corporate Governance Committee periodically examines the adequacy and form of directors' remuneration based on their responsibilities, and makes recommendations thereon to the Board. In that regard, the Committee takes into consideration the types of compensation and the amounts paid to directors of Canadian financial institutions and comparable Canadian companies. • The directors, except for those who are also Officers of the Bank, do not benefit, and have never benefited, from any stock option plan. • In order to link the interests of directors more closely to those of shareholders, the Board has reviewed share ownership requirements. Accordingly, directors must hold common shares of the Bank and/or DSUs valued at not less than five times their annual retainer. For more information on the remuneration paid to directors during the most recently completed financial year, please refer to the "Remuneration of Directors of the Bank" section of this Circular.

Committees and Outside Directors

9. *The committees of the board of directors should generally be composed of outside directors(1), a majority of whom are unrelated directors.* (1) An "outside director" is a director who is a non-management member.	• The majority of all Board committees are comprised of outside, independent and unrelated directors. For more information on the exact number of unrelated, independent directors on each committee of the Bank, please refer to Guideline 2 "Board Independence" in this chart. • For more information on the composition and mandates of the committees, please refer to the "Summary of the Mandates of the Board of Directors and Its Committees" section of this Circular.

Approach to Corporate Governance

10. *The board of directors should assume responsibility for developing the approach to governance issues, or assign such responsibility to a committee of the board. The committee would, among other things, be responsible for responding to the TSX Guidelines.*	• The Conduct Review and Corporate Governance Committee is responsible for studying, preparing, implementing and overseeing corporate governance rules, procedures and policies for the Bank. More specifically, it is responsible for examining, on a regular basis, and approving the manner in which the Bank responds to the Toronto Stock Exchange Guidelines. • The Conduct Review and Corporate Governance Committee stays abreast of any new regulations or guidelines concerning corporate governance best practices. • For more information on the composition and mandates of this Committee, please refer to the "Summary of the Mandates of the Board of Directors and Its Committees" section of this Circular.

Position Descriptions

11. *The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. The board should approve or develop the general objectives of the Bank which the CEO is responsible for meeting.*	• The Board and each committee act in accordance with a mandate that sets out their respective roles, duties and responsibilities. • For more information on the composition and mandates of the Board and its committees, please refer to the "Summary of the Mandates of the Board of Directors and Its Committees" section of this Circular. • A description of the duties of the President and Chief Executive Officer is prepared by the Human Resources Committee to define his responsibilities. • The Board approves the general objectives of the Bank annually. On the basis of these objectives, the Human Resources Committee determines the objectives to be achieved by the President and Chief Executive Officer during the financial year, and then reviews his performance based on the objectives achieved. • The Report to Shareholders, distributed quarterly, includes an analysis of the Bank's results and gauges performance based on the achievement of the objectives set for the current year. These reports are available on the Bank's website.

SECTION 4

Other Information (cont.)

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Bank
Board Independence	
12. *The board should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to: (i) appoint a chair of the board who is not a member of management with responsibility to ensure that the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director". Appropriate procedures may involve that the board meet on a regular basis without management present or may involve expressly assigning the responsibility for administering the board's relationship to management to a committee of the board.*	• In order to ensure the Board's independence from management, the duties of Chairman of the Board and of President and Chief Executive Officer of the Bank have been separated since March 13, 2002. It should be noted in particular that since March 10, 2004, the Board has been chaired by Jean Douville, an unrelated and independent director. Mr. Douville has the mandate, together with the Conduct Review and Corporate Governance Committee, to ensure that the Board discharges its responsibilities effectively and independently. • The *Ad Hoc* Nominating Committee for the Chairman of the Board prepared the mandate of the Chairman of the Board. This mandate was approved by the Board. • The directors periodically hold meetings without the Officers of the Bank being present. These meetings provide a forum for exchange and promote open discussion among the members. In the most recently completed financial year, non-executive directors of the Bank met *in camera* five times. • For more information, please refer to Guideline 2 "Board Independence" in this chart.
Audit Committee	
13. *The audit committee should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.*	• The Audit and Risk Management Committee is composed exclusively of directors who are independent and unrelated to the Bank. • The members of the Audit and Risk Management Committee are financially literate and at least one member has accounting or financial experience. For more information on their financial literacy, please refer to the "Summary of the Mandates of the Board of Directors and Its Committees" section of this Circular. • The Board reviewed and approved the mandate of the Audit and Risk Management Committee, which sets out the duties and responsibilities assigned to the Committee members, both in audit and risk management matters. • For more information on the composition and mandate of the Audit and Risk Management Committee, please refer to the "Summary of the Mandates of the Board of Directors and Its Committees" section of this Circular or the "Board of Directors and Its Committees" section of the Annual Information Form of the Bank. • The Audit and Risk Management Committee makes recommendations to the Board regarding the appointment of the external auditors and their compensation, reviews and discusses the report prepared by the external auditors on the elements likely to affect their independence and objectivity. • As part of its audit responsibilities, the Committee reviews quarterly and annual consolidated financial statements, and assesses, in consultation with the internal auditor and management, the effectiveness of internal control policies and procedures. • As part of its risk management responsibilities, the Committee ensures that a proactive detection, assessment and management process exists for material risks and compliance with policies and control measures, in addition to reviewing and recommending to the Board the adoption of various risk management policies for the material risks to which the Bank is exposed. The Committee analyzes, examines and monitors issues related to the management of material financial and non-financial risks to which the Bank is exposed. • The Audit and Risk Management Committee regularly meets with the internal and external auditors, without members of management being present, in order to discuss specific issues. The external auditors attend, as guests, the portion of all meetings of the Committee dealing with audit-related matters.

SECTION 4

Other Information (cont.)

Toronto Stock Exchange Guidelines	Corporate Governance Practices of the Bank
Outside Advisors	
14. *The board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the Bank in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.*	• The Board and its three main committees can engage the services of outside advisors at the expense of the Bank.

Summary of the Number of Board and Committee Meetings
held during the financial year ended October 31, 2004

Board of Directors	11
Conduct Review and Corporate Governance Committee (G)	6
Human Resources Committee (HR)	6
Audit and Risk Management Committee (ARM)	14
Ad Hoc Strategic Planning Committee (AH1)	–
Ad Hoc Nominating Committee for the Chairman of the Board (AH2)	2
Working Group (WG)	1

Record of Attendance and Remuneration of Directors
for the financial year ended October 31, 2004

	Attendance at Meetings			Remuneration in the Form of		Total
Director	Board	Committees	Retainer ($)	Shares ($)	Meeting Fees ($)	Remuneration ($)
Lawrence S. Bloomberg	11/11	–	25,000	7,500	16,500	49,000
Pierre Bourgie (ARM, G, AH1, WG)	11/11	21/21	43,167	17,500	48,000	108,667
Gérard Coulombe (HO, AH2)	11/11	8/8	29,375	10,000	28,500	67,875
Bernard Cyr (ARM)	11/11	14/14	28,500	10,000	37,500	76,000
Shirley A. Dawe (G, HO, AH2)	11/11	14/14	32,875	12,500	37,500	82,875
Nicole Diamond-Gélinas (ARM)	11/11	14/14	28,500	10,000	37,500	76,000
Jean Douville	11/11	24/24	134,083	11,667	28,500	174,250
Marcel Dutil (HO, AH1, AH2)	10/11	8/8	30,250	10,000	27,000	67,250
Jean Gaulin (HO, ARM, AH1, WG)	11/11	18/21	45,667	17,500	43,500	106,667
Paul Gobeil (G, ARM, AH1, AH2, WG)	11/11	23/23	42,375	15,417	51,000	108,792
Suzanne Leclair (G)	11/11	6/6	28,500	10,000	25,500	64,000
E.A. (Dee) Parkinson-Marcoux (HO)	11/11	6/6	28,500	10,000	25,500	64,000
Réal Raymond	11/11	–	–	–	–	–
Roseann Runte (G)	11/11	6/6	28,500	10,000	25,500	64,000
Jean Turmel	9/11	–	–	–	–	–
Total			525,292	152,084	432,000	1,109,376

- *Messrs. Raymond and Turmel are not compensated for serving on the Board.*
- *Messrs. Bloomberg, Raymond and Turmel do not serve on any Board committee.*
- *As Chairman of the Board, Mr. Douville attends all Board committee meetings but receives no meeting fees.*
- *Mr. Douville was compensated for his duties as Chair and member of the Conduct Review and Corporate Governance Committee and as a member of the Audit and Risk Management Committee from November 1, 2003 to March 10, 2004. Effective March 10, 2004, Mr. Douville was compensated as Chairman of the Board.*
- *André Bérard resigned from the Board on March 10, 2004. During the financial year ended October 31, 2004, he attended four Board meetings.*
- *François J. Coutu resigned from the Board on January 22, 2004. During the financial year ended October 31, 2004, he attended two Board meetings and one committee meeting.*
- *Dennis Wood resigned from the Board on March 10, 2004. During the financial year ended October 31, 2004, he attended four Board meetings and two committee meetings.*
- *The Working Group was set up as part of the director self-assessment process.*
- *Directors do not receive stock-based remuneration when they serve on an* ad hoc *committee.*

SECTION 4

Other Information (cont.)

Summary of the Mandates of the Board of Directors and Its Committees

Board

The main duty of the Board is to oversee the management of the Bank, safeguard its assets, and ensure its viability, profitability and development. To do so, it is assisted by three committees: the Audit and Risk Management Committee, the Conduct Review and Corporate Governance Committee, and the Human Resources Committee.

The summary of the mandate presented below sets out the obligations and responsibilities of the Board(1).

The mandate of the Board requires that it be comprised of directors who have extensive complementary knowledge, competencies and skills, as well as relevant expertise enabling them to make an active, informed and profitable contribution to the management of the Bank, the conduct of its business and the orientation of its development. The directors are bound by the provisions of the Code of Professional Conduct and other rules of ethics, and are required to disclose any conflict of interest.

Mandate and Activities

In order to assume its responsibilities, the Board, inter alia:

- reviews, discusses and approves periodically the strategic plan through which the Bank establishes its mission, vision, business objectives and strategy;
- reviews the Bank's actual operating and financial results in relation to projected results;
- reviews and approves operating budgets;
- reviews and approves the overall risk philosophy and risk tolerance of the Bank, recognizes and understands the major risks to which the Bank is exposed and ensures that appropriate systems are set up for effective management of those risks;
- discusses and approves all the major policies of the Bank, particularly the rules pertaining to the acceptance, oversight, management and reporting of material risks to which the Bank is exposed as well as changes thereto with respect to risk management;
- approves the description of the functions of the Chairman of the Board;
- approves the appointment of any new nominee for election as a director, reviews and approves directors' remuneration, the form of remuneration, and the allowances given to directors, and takes charge of the succession planning process for the Board of Directors;
- selects and evaluates the President and Chief Executive Officer, sets his compensation, and ensures succession planning;
- approves the appointment of members of senior management, sets their compensation, ensures their training and development, and plans their succession;
- approves policies on the communication and disclosure of information to shareholders, investors and the general public;
- ensures that measures are in place to receive feedback from Bank shareholders;
- ensures that the rules of conduct and ethics are maintained, in particular by adopting a code of professional conduct for directors, officers and employees of the Bank and its subsidiaries, and ensures that the Bank has an ongoing, appropriate and effective process to guarantee compliance with these rules;
- reviews and approves policies with respect to major initiatives and activities;
- discusses and determines the structure and general corporate governance principles applicable to the Bank's major subsidiaries;
- maintains effective relationships and communicates openly with senior management.

Board Committees

The mandates of the three standing Board committees have a similar working structure, and members are appointed annually. In addition, no officer or employee of the Bank or of a subsidiary of the Bank may be a member of a committee. Similar rules apply to each committee concerning the presiding chair, the secretary and the holding and calling of meetings. All the committees require that a majority of the members be present to constitute a quorum, and that all decisions be approved by a majority of the votes of the members present. The mandates also provide that the Chair of each committee make an oral report, at a subsequent Board meeting, on the deliberations of any committee meeting.

(1) This mandate is presented in its entirety in the "Board of Directors and Its Committees" section of the Bank's Annual Information Form for the most recently completed financial year.

SECTION 4

Other Information (cont.)

AUDIT AND RISK MANAGEMENT COMMITTEE
The Board has delegated certain of its powers to the Audit and Risk Management Committee so that the Committee may assist it in overseeing the management of the Bank in the area of internal controls, external auditors, financial reporting and analysis, and corporate compliance, as well as in the area of risk, capital, liquidity, funding and credit management.

The Committee was entirely comprised of unrelated and independent directors at the end of the most recently completed financial year. All Committee members are financially literate, and at least one member has accounting or financial expertise. Their responsibilities are set out in detail in the summary of this committee's mandate, which was reviewed this year, and is presented below[1].

Members
Pierre Bourgie, Chair
Bernard Cyr
Nicole Diamond-Gélinas
Jean Gaulin
Paul Gobeil

Description of Financial Literacy of Members
All the Committee members are financially literate and can understand the accounting principles used by the Bank in its financial statements, and assess the general application of such principles. They also have relevant experience preparing, auditing, analyzing or evaluating financial statements that present a level of complexity generally comparable to the complexity of the financial statements of the Bank, or supervising persons engaged in such activities. The members also understand the internal controls and procedures for financial reporting.

In fact, all the Committee members have a university degree in administration, commerce, accounting or a related field. Furthermore, they have all acquired relevant experience in serving on boards of directors in addition to being heads of various companies or comptrollers. A number of them also are, or have been, members of audit committees of various companies. They have all acquired the experience and knowledge needed to properly fulfil their role as members of the Committee.

The Committee has at least one financial expert, namely, Paul Gobeil. He has two Master's degrees in accounting sciences and accounting from the Université de Sherbrooke, as well as extensive experience in the area of business and finance. In addition, Mr. Gobeil has been a member of the Ordre des comptables agréés du Québec since 1965 and a Fellow since 1986.

Mandate and Activities
In order to assume its responsibilities, the Committee, inter alia:

Audit
- receives reports directly from the external auditors of the Bank, who also report to the Board as representatives of the shareholders;
- requires management to implement and maintain appropriate internal control procedures and reviews the effectiveness of these procedures;
- recommends to the Board the appointment or dismissal of the internal auditor and makes recommendations regarding the appointment and remuneration of the external auditors;
- ensures cooperation between the Internal Audit sector and external auditors;
- reviews and approves the annual internal audit plan;
- reviews the nature and scope of the work of the external auditors of the Bank as well as their remuneration;
- is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Bank, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- reviews internal and external auditors' reports on a quarterly or annual basis and ensures that the necessary measures are taken to follow up the recommendations resulting from such reports;
- reviews and discusses the report prepared by the external auditors detailing all factors that might have an impact on their independence and objectivity, and recommends measures to be taken by the Board to ensure the independence of the external auditors;

(1) This mandate is presented in its entirety in the "Board of Directors and Its Committees" section of the Bank's Annual Information Form for the most recently completed financial year.

SECTION 4

Other Information (cont.)

- pre-approves all non-audit services to be provided to the Bank or its subsidiary entities by the external auditors, unless it has adopted specific policies and procedures to retain non-audit services and the following conditions have been met: (i) the policies and procedures for pre-approval are detailed as to the targeted services; (ii) the Committee is informed of each non-audit service; and (iii) the procedures do not involve the delegation to management of Committee responsibilities;
- reviews and approves the hiring policies of the Bank with regard to partners, employees and former partners and employees of the present and former external auditors of the Bank;
- reviews the annual report of management on the compliance of the Bank with the regulations governing it.

Financial Reporting and Analysis

- reviews and recommends to the Board the approval of information documents containing audited or unaudited financial information, notably the Annual Information Form and news releases for the publication of quarterly and annual consolidated financial statements of the Bank;
- ensures that adequate procedures are in place for the review of the financial information the Bank discloses to the public;
- reviews the quarterly and annual consolidated financial statements of the Bank and recommends their approval to the Board, and reviews the financial statements of certain subsidiaries;
- reviews all investments and transactions that could adversely affect the financial well-being of the Bank, particularly when brought to its attention by the auditors or management;
- reviews management's report on any dispute, notice of assessment or any other claim of a similar nature which could have a material impact on the financial position of the Bank and ensures that such material claims are properly disclosed in the consolidated financial statements;
- meets, at least annually, with representatives of the Office of the Superintendent of Financial Institutions Canada.

Risk Management

- reviews the declarations and reports regarding compliance with the Standards of Sound Business and Financial Practices of the Canada Deposit Insurance Corporation;
- requires management to report to the Committee on the existence of a control environment at the Bank that supports appropriate, effective and prudent management of its operations and of the risks to which it is exposed and that contributes to the achievement of its business objectives, and reports thereon to the Board;
- requires management to report to the Committee on the fact that the Bank is "in control", namely, that its operations are managed in accordance with strategic, risk, capital, liquidity and funding management processes; that such processes are carried out in a control environment; that major problems are identified; and that the Bank takes timely action to address them, and reports thereon to the Board;
- reviews and recommends to the Board the adoption of policies for managing material risks, notably policies related to credit risk, market risk and operational risk, and reviews these policies once a year;
- reviews changes in impaired loans, ensures that they are monitored and approves the taking of provisions for any impaired loans, according to the rules established in the Credit Risk Management Policy of the Bank;
- reviews and recommends to the Board, subject to the provisions set out in section 497 of the *Bank Act* any transaction contemplated therein between the Bank and a related party.

Varia

- 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 employees of the Bank of concerns regarding questionable accounting or auditing matters.

Guidelines for the Management of Services Provided by External Auditors

This year, the Committee reviewed the Guidelines for the Management of Services Provided by External Auditors, which state that a mandate may be assigned to external auditors for non-audit services if the following conditions are met:

- the specific expertise of the external auditors or their intrinsic knowledge of the Bank's activities allow them to carry out the mandate in the best interests of the Bank, in a timely manner and at a competitive cost;
- the accepted mandate or the services rendered do not compromise the independence of the external auditors within the prevailing regulatory framework;
- the mandate is authorized according to the conditions stated below.

SECTION 4

Other Information (cont.)

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

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

The Committee reviews the pre-approval mechanisms for mandates assigned to the external auditors for non-audit services and, if it deems appropriate, renews them on an annual basis.

All the services offered to the Bank and its subsidiaries by the external auditors of the Bank 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 under financing programs;
(c) approval of an annual envelope to obtain interpretations on the application of generally accepted accounting principles;
(d) approval of an annual envelope for taxation mandates.

Audit mandates that are not presented in (a), non-audit mandates that exceed $100,000, and mandates that will exceed the envelopes presented in (b), (c) and (d) are subject to specific pre-approval, as described below.

The Committee has delegated the responsibility of approving the awarding of specific mandates to its Chair. Consequently, whenever a specific pre-approval is required under these guidelines, Bank management will be required to submit a written request to the Committee Chair.

It is management's responsibility to determine whether a service is included in the set of pre-approved services. Management must consult the Committee Chair in all potentially ambiguous cases.

CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE

The Conduct Review and Corporate Governance Committee assists the Board by overseeing the implementation of corporate governance rules, procedures and policies as well as compliance therewith, in particular by establishing and reviewing the functions of the Board and its committees, and those of the Chairman of the Board. It also periodically reviews the selection and succession criteria and procedures for directors as well as conflicts of interest. Furthermore, it ensures that a process is set up to assess the performance and effectiveness of the Board, the committees and their members.

Within the context of conduct review, it ensures compliance with rules of professional conduct, implementation of mechanisms for the disclosure of information to clients and oversees related party transactions.

At the end of the most recently completed financial year, the Committee was comprised of independent directors who were unrelated to the Bank. Their responsibilities are set out more fully in the summary of this Committee's mandate presented below, which was reviewed this year.

Members
Paul Gobeil, Chair
Pierre Bourgie
Shirley A. Dawe
Suzanne Leclair
Roseann Runte

SECTION 4

Other Information (cont.)

Mandate and Activities
In order to assume its responsibilities, the Committee, inter alia:

Conduct Review
- reviews Bank procedures which ensure that transactions with related parties of the Bank comply with the Act, reviews Bank practices in order to identify any transactions with related parties that may have a material effect on the stability or solvency of the Bank and establishes criteria to define related party transactions of the Bank with a nominal value;
- oversees the mechanisms and procedures established by the Board governing conflicts of interest, use of confidential information, disclosure of information to clients required to be disclosed under the Act, and the consideration of client complaints;
- reviews the code of ethics applicable to directors, officers and employees of the Bank and its subsidiaries.

Corporate Governance
- makes recommendations to the Board concerning the adoption of the Bank's corporate governance orientations, policies and practices and ensures compliance therewith;
- prepares and reviews the mandate of the Chairman of the Board, which sets out the functions to be assumed by the Chairman, and recommends approval thereof to the Board;
- reviews the mandate of the Board, which sets out its expectations for directors and management and defines the role and responsibilities of the Board, and recommends approval thereof to the Board;
- prepares and reviews the selection criteria for directors as well as the procedure for selecting new directors and makes recommendations thereon to the Board, and periodically reviews the mandate and composition of Board committees;
- oversees the process of assessing the performance and effectiveness of the Board and its committees and the directors;
- organizes orientation programs for new directors of the Bank as well as ongoing education programs on the operations of the Bank and its subsidiaries;
- periodically reviews the size of the Board in order to ensure its effectiveness;
- makes recommendations concerning the remuneration and allowances for directors;
- approves the Annual Report of the Bank with respect to corporate governance, taking into account regulatory requirements;
- reviews and recommends to the Board that it approve the Management Proxy Circular, excluding the portion relating to human resources and compensation.

HUMAN RESOURCES COMMITTEE
The Board has delegated certain powers to the Human Resources Committee so that the Committee may assist it in overseeing the management of the Bank. In this regard, the Committee reviews and approves the human resources policies and practices of the Bank.

The Committee annually reviews the salary policy, the approach to total compensation and other employment conditions. In addition to appraising the performance of the President and Chief Executive Officer and other executive officers annually, the Committee periodically reviews the management succession plan of the Bank and its subsidiaries. It also annually reviews pension plan operation and performance.

At the end of the most recently completed financial year, the Committee was comprised of five directors, four of whom were unrelated and independent. Their responsibilities are set out in the summary of this Committee's mandate presented below.

Members
Jean Gaulin, Chair
Gérard Coulombe
Shirley A. Dawe
Marcel Dutil
E.A. (Dee) Parkinson-Marcoux(1)

(1) E.A. (Dee) Parkinson-Marcoux resigned as a director and a member of the Human Resources Committee on December 17, 2004.

SECTION 4

Other Information (cont.)

Mandate and Activities
In order to assume its responsibilities, the Committee, inter alia:

- reviews and approves the description of the functions of the President and Chief Executive Officer and the annual objectives he must achieve;
- periodically reviews the management succession plan of the Bank, the succession planning process for senior management of the Bank as well as the profile of officers possessing the necessary competencies to hold senior management positions at the Bank;
- annually appraises the performance of Officers and reviews their total compensation based on the objectives assigned to them and the results achieved;
- reviews and recommends annually to the Board, the adoption of the salary policies and the approach with respect to total compensation applicable to the Named Executive Officers, other Officers and employees of the Bank;
- studies the various components of compensation for the Officers and makes recommendations to the Board, when appropriate;
- reviews and recommends to the Board that it approve an annual report on the compensation paid to Officers;
- approves the amendments made from time to time to the terms and conditions of the Stock Option Plan, the Stock Appreciation Rights Plan and the Deferred Stock Unit Plan for Officers;
- reviews and recommends to the Board, where applicable, amendments to the Employee Pension Plan and the Pension Plan for Designated Employees;
- revises and approves the mandate of the Retirement Committee and appoints the internal and external members;
- approves the financial statements of the pension plans and the Pool Fund of the Participating Pension Plans of the Bank.

AD HOC STRATEGIC PLANNING COMMITTEE AND *AD HOC* NOMINATING COMMITTEE FOR THE CHAIRMAN OF THE BOARD
The *Ad Hoc* Strategic Planning Committee was set up by the Board as part of strategic planning for the 2003–2004 financial year in order to work together with the President and Chief Executive Officer thereon.

The Committee is comprised of unrelated and independent directors of the Bank.

Members
Jean Gaulin, Chair
Pierre Bourgie
Jean Douville
Marcel Dutil
Paul Gobeil

The *Ad Hoc* Nominating Committee for the Chairman of the Board was created by the Board during the 2003-2004 financial year to recommend a candidate for Chairman of the Board, and to establish his mandate.

The Committee was comprised of non-executive directors, with only one director related within the meaning of the Toronto Stock Exchange Guidelines.

Members
Paul Gobeil, Chair
Gérard Coulombe
François J. Coutu[1]
Shirley A. Dawe
Marcel Dutil

(1) François J. Coutu resigned as a director and a member of the Human Resources Committee and the *Ad Hoc* Nominating Committee on January 22, 2004.

SECTION 4

Other Information (cont.)

MINUTES
A copy of the minutes of the Annual Meeting of Common Shareholders of the Bank held on March 10, 2004 has been mailed to shareholders, together with this Circular.

ADDITIONAL INFORMATION
Further information about the Bank may be obtained from its website at www.nbc.ca and from the SEDAR website at www.sedar.com.

Financial information concerning the Bank can be found in the consolidated financial statements and Management's Discussion and Analysis for the Bank's most recently completed financial year.

The Bank will provide to any person, upon request, a copy of the Annual Report, 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 for the financial year ended October 31, 2004 with the accompanying auditor's report, a copy of any subsequent quarterly report and a copy of the Management Proxy Circular of the Bank in respect of its most recent Meeting that involved the election of directors. To obtain copies of these documents, please send your request to the Corporate Secretary's Office of the Bank, 600 de La Gauchetière West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

APPROVAL OF THE BOARD OF DIRECTORS
On January 13, 2005, the Board approved the contents of this Management Proxy Circular and the mailing thereof to the shareholders.

Linda Caty
Vice-President and Corporate Secretary

January 13, 2005

SCHEDULE A

SHAREHOLDER PROPOSALS
Proposals Nos. 1 and 2 have been submitted to the management of the Bank by Yves Michaud, a shareholder residing at 4765 Méridian Avenue, Montreal, Quebec, Canada H3W 2C3.

Proposal No. 1
Proposal and statement of the shareholder:
"It is proposed that the Bank close down its subsidiary or subsidiaries in tax havens.

Tax havens are serious threats to a sound market economy because they open the door to tax evasion and tax scams, as well as money laundering operations and other financial transactions conducted by criminal elements.

All Canadian taxpayers are adversely affected by this situation. Encouraging this practice and being a participant on a large scale, as is the case for banks, means depriving Canada and federated states of revenues that otherwise would have been directed to health, education and economic research and development. In April 2001, the OECD published a report on the question of offshore centres, in which Member countries were requested *"to develop measures to counter the distorting effects of harmful tax competition on investment decisions and* <u>*the consequences for national tax bases*</u>*."* Denis Desautels, the former Auditor General of Canada, and Sheila Fraser also pointed out the serious problems relating to tax treaties with countries that practise <u>harmful tax competition</u> such as Barbados, the Bahamas and Bermuda."

<u>Position of the Bank</u>
Various controls have been introduced by the Canadian authorities in order to regulate the domestic and international operations of the Bank and other players in the Canadian financial system including, for instance, the implementation of the Financial Transactions and Reports Analysis Centre of Canada and the adoption of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

This is partially why, in "The OECD's Project on Harmful Tax Practices: The 2004 Progress Report" published on February 4, 2004, the OECD, which advocates an environment in which fair competition can take place in tax matters, considered that the presence of Canada in international banking centres was not harmful because Canada applies *"very high standards regarding transparency and exchange of information for tax purposes."*

The Bank's international operations are subject to Canadian legislative and regulatory provisions as well as to those of each country in which it conducts business, regardless of whether the provisions are tax-related or against money laundering. The Bank abides by these rules, and intends to continue to do so. It has therefore adopted procedures and mechanisms for verifying and detecting suspicious financial transactions. Bank personnel are also trained to recognize, in particular, money laundering activities and other fraudulent transactions; in addition, compliance officers are responsible for monitoring and ensuring compliance with the applicable rules.

In a context of globalization and the pursuit of customer service excellence, the Bank considers it necessary to maintain a presence in international banking centres. This decision is taken in the best interest of the Bank's shareholders and clients and in compliance with the relevant laws and regulations.

For these reasons, management recommends voting **AGAINST** this proposal.

SCHEDULE A

Proposal No. 2
Proposal and statement of the shareholder:
"It is proposed that the Board of Directors of the Bank set a ceiling on the salaries of executive officers of the Bank and its subsidiaries, including all forms of compensation and benefits.

Executive officers' shameless compensation revolts tens of thousands, perhaps hundreds of thousands of shareholders who stand by powerlessly and watch the scramble for unjust enrichment, which is not tied to any real corporate progress. '*The market system is based on a myth for the greater profit of a few,'* writes John Kenneth Galbraith in his latest book, THE ECONOMICS OF INNOCENT FRAUD. '*... managers set their own compensation... This, not surprisingly, can be munificent. In this world of innocent fraud, the inaction of stock market regulators, the powerlessness of shareholders, the collusion of interests and the incompetence of many financial experts are not likely to reverse the trend.'*

Outrageous salaries constantly lure officers to seek their own personal interest before that of shareholders. Reports of so-called compensation experts, to which shareholders are not privy, are just window dressing. It is in the interest of such experts to play along with management, as is the case for compensation committee members. The primary mandate of the Board of Directors is to safeguard shareholder interests. Directors have an absolute obligation to put an end to this mad rush toward increasingly outrageous and provocative compensation."

Position of the Bank

One of the principal mandates delegated by the Bank's Board of Directors to its Human Resources Committee is to recommend an approach to total compensation. With this end in mind, the Committee members annually review the compensation policy and programs for officers and ensure that they are in line with the Bank's business objectives and that they are competitive, an essential aspect in recruiting and retaining key personnel. The Committee members also annually review the compensation paid to each officer, in particular the base salary, annual bonuses and stock option awards, based on the level of duties and responsibilities assumed, the degree of experience and the contribution to the Bank's success.

This Circular contains a detailed description of the total compensation policy for Executive Officers as well as the report of the Human Resources Committee on the subject.

The portion of Named Executive Officers' variable compensation, which is essentially based on the Bank's financial results, represents more than 67% of their total direct compensation. In this way, the Bank's compensation programs are linked to shareholders' interests.

The Bank's Board of Directors considers that it is in the interest of shareholders to maintain a total compensation policy based on the Bank's financial results. In fact, the Bank's shares posted a total return of 23.0% in 2004, versus a return of 16.9% by the S&P/TSX Banks Index, and 20.7% by the S&P/TSX Financial Services Index. In the past five years, the total average annual return of the Bank's shares was 26.1%, higher than the returns of the S&P/TSX Banks Index and the S&P/TSX Financial Services Index. The Bank's shares recorded the best total return over the past five years and the third best total return for the financial year ended October 31, 2004 of Canada's six major banks. In addition, in the past two years, the Bank's net income has grown by 69%, while return on equity rose from 11.3% in 2002 to 16.5% in 2003, and to 18.8% in 2004, allowing the Bank to narrow the gap with the other five major Canadian banks.

The Board of Directors is of the opinion that the Bank's compensation policies serve the interest of shareholders and that arbitrary salary ceilings would not be in best interest of shareholders.

For these reasons, management recommends voting **AGAINST** this proposal.

SCHEDULE A

Proposals Nos. 3, 4 and 5 have been submitted to the management of the Bank by the Association for the Protection of Quebec Savers and Investors (APÉIQ), a shareholder, located at 82 Sherbrooke West, Montreal, Quebec, Canada H1X 2X3.

Proposal No. 3
Proposal and statement of the shareholder:
"It is proposed that National Bank of Canada limit the time that an independent director can serve on the Board of Directors to 10 years.

Given the complexity of the economic, technological and political environment in which companies operate, new directors require a period of familiarization. It is therefore normal for a director to serve on a board for a number of years after gaining a good understanding of the challenges facing the corporation.

Change is also part and parcel of corporate development. It is therefore in the interest of companies to bring new blood to their boards of directors on a regular basis by recruiting individuals who will not only provide new skills but who can also stand back and examine corporate challenges more objectively. Warren Buffett, who is very familiar with how boards of directors work, has been repeatedly critical of the acquiescent attitude in boardrooms, and he has pointed out the problems related to directors' loss of objectivity and independent thought. A constant turnover in independent directors aims to counter the harmful effects of extended directorships for a corporation, such as a dulled ability to perceive and analyze and the suppression of bothersome views for colleagues or officers."

Position of the Bank
Under a Bank policy implemented in 1998, the term of office of non-executive directors is subject to a thorough review after 10 consecutive annual re-elections and is limited to 15 consecutive annual re-elections. This policy has applied to existing directors since 1998 and applies to new directors as of the year they take office.

Moreover, the performance of Board members is assessed annually based on parameters established by the Conduct Review and Corporate Governance Committee.

Management is of the opinion that the aim of the proposal submitted has already been achieved, and management recommends voting **AGAINST** this proposal.

Proposal No. 4
Proposal and statement of the shareholder:
"It is proposed that National Bank of Canada set up a cumulative voting system to elect members of the Board of Directors, thus giving minority shareholders a much more active role in appointing directors.

Electing the members of the Board of Directors is one of the fundamental rights of shareholders. The codes of good governance adopted by various countries encourage enhancing the process to choose and elect directors. Cumulative voting is provided for in Canadian legislation to promote the expression of the will of minority shareholders in the electoral process for corporate directors. Under this system, all or some of the votes held by a shareholder can be cast for one or more nominees for director. Before shareholders can exercise cumulative voting, a company must set up such a system. Given the responsibilities of the Board of Directors in overseeing senior management and its duty to protect the interests of shareholders and the company, it is critical that shareholders be able to participate much more actively in selecting directors."

SCHEDULE A

Position of the Bank
Cumulative voting gives each shareholder a number of votes to elect directors equal to the number of common shares held multiplied by the number of directors to be elected. Each shareholder may cast all his or her votes for a single nominee or allocate them among the nominees for the position of director as he or she pleases. If a shareholder fails to provide instructions on how to allocate his or her votes among the nominees, the votes will then be distributed equally among the nominees selected by the shareholder. Should the number of nominees for the position of director exceed the number of positions to be filled, the nominees with the lowest number of votes will be eliminated until such time as there is only the required number of nominees left to fill all the vacant positions of director.

The main purpose of cumulative voting is to protect minority shareholders from one or more majority shareholders. In the Bank's case, no shareholder owns more than 10% of the shares in any class of shares conferring voting rights on the holders. Cumulative voting is not frequently used in widely held companies.

The Bank believes that if a cumulative voting system were set up, the impartiality of a director elected by a group of shareholders with special interests could be challenged and his or her ability to work collaboratively with the other members of the Board in the interests of all shareholders could be jeopardized.

For these reasons, management recommends voting **AGAINST** this proposal.

Proposal No. 5
Proposal and statement of the shareholder:
"It is proposed that National Bank of Canada replace the Stock Option Plan for Officers by a restricted stock plan where stock must be held for a minimum of two years.

Stock option plans must be eliminated because they have compromised the credibility of corporate compensation policies. These plans are inequitable for shareholders as a whole, and they have been shown to be incompatible with long-term management.

From the shareholders' standpoint, restricted stock grants will become an incentive for officers to manage a company as though they were the owners, focusing on longer-term objectives. Furthermore, the cost of executive officer compensation will be easier to identify in financial statements. It is important to allocate restricted stock that must be held for at least two years, thus forcing officers to keep such stock for a minimum period of time before trading it. In this way, officers will be less inclined to seek short-term profit. This explains why a number of companies in the United States have chosen to replace their stock option plans with restricted stock plans."

Position of the Bank
The Bank's Officers must be motivated to attain the objective of increasing shareholder value. In addition, recruiting, retaining and motivating talented and skilled executives are critical to achieving the return and performance objectives of the Bank.

The Stock Option Plan, exclusively for Officers and certain key Bank employees, is an incentive tool aimed at encouraging them to enhance the return on shareholder investment by linking a portion of their compensation to the Bank's performance. In this way, the interests of Officers are directly tied to those of the Bank's shareholders, which is to shareholders' advantage.

The mandate of the Human Resources Committee is to approve the Bank's compensation policies and practices, including, in particular, the Stock Option Plan. The Committee is therefore responsible for assessing Officers' performance and for granting stock options under the Plan.

The Human Resources Committee also assesses, on an annual basis, the pertinence of using different vehicles of long-term compensation incentives, including stock options and restricted stock-based compensation. For information purposes, the Committee approved, for 2004-2005, the introduction of a restricted stock unit plan under which a pre-set percentage of the annual bonus of certain Officers could be paid in the form of deferred stock units (DSUs). This Circular contains a detailed description of the plan. The Committee concluded that the existing plan is still the most appropriate.

SCHEDULE A

In the past few years, the Bank has implemented procedures governing share ownership by the Bank's Officers. According to these guidelines, Officers must own a minimum number of common shares of the Bank, the value of which is proportional to the base salary received and the position held. Officers who are members of the Executive Committee must, upon exercising stock options awarded since December 2002, hold the amount equivalent to the gain, after tax considerations, in the form of common shares of the Bank for one year. They must also provide prior notice of five business days of their intention to exercise stock options of the Bank. Lastly, they are allowed to trade in Bank securities only during certain predetermined periods of the year. This Circular contains a detailed description of these procedures.

For these reasons, management recommends voting **AGAINST** this proposal.

Information for Shareholders

Stock exchange listings

The common shares of the Bank as well as the First Preferred Shares, Series 13 and 15, are listed on the Toronto Stock Exchange.

Issue or Class	Ticker Symbols	Newspaper Abbreviations
Common Shares	NA	Nat Bk or Natl Bk
First Preferred Shares		
Series 13	NA.PR.J	Nat Bk s13 or Natl Bk s13
Series 15	NA.PR.K	Nat Bk s15 or Natl Bk s15

Dividends

Dividend dates in fiscal 2004–2005
(subject to approval by the Board of Directors of the Bank)

Ex-dividend dates	Record dates	Payment dates
Common Shares		
December 23, 2004	December 27, 2004	February 1, 2005
March 22, 2005	March 24, 2005	May 1, 2005
June 23, 2005	June 27, 2005	August 1, 2005
September 20, 2005	September 22, 2005	November 1, 2005
First Preferred Shares, Series 13 and 15		
January 5, 2005	January 7, 2005	February 15, 2005
April 6, 2005	April 8, 2005	May 15, 2005
July 6, 2005	July 8, 2005	August 15, 2005
October 5, 2005	October 7, 2005	November 15, 2005

Quarterly report publication dates in fiscal 2004–2005

First Quarter	February 24, 2005
Second Quarter	May 26, 2005
Third Quarter	August 25, 2005
Fourth Quarter	December 8, 2005

Information for Shareholders

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TRANSFER AGENT AND REGISTRAR

For information about stock transfers, address changes, dividends, lost stock certificates, tax forms and estate transfers, shareholders are requested to contact the Transfer Agent, National Bank Trust Inc., at the address and telephone numbers below.

National Bank Trust Inc.
Share Ownership Management
1100 University, 9th Floor
Montreal, Quebec, Canada H3B 2G7
Telephone: (514) 871-7171
1-800-341-1419
Fax: (514) 871-7442

For any correspondence:
National Bank Trust Inc.
Share Ownership Management
P.O. Box 888, Station B
Montreal, Quebec, Canada H3B 9Z9

Other shareholder inquiries
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