

NATIONAL BANK OF CANADA

Dividend Reinvestment and Share Purchase Plan

Offering Circular

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May 1997, December 2006,
and May 2009

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DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

1. This Offering Circular covers the common shares of National Bank of Canada (the "**Bank**") that may be issued by the Bank or acquired on the secondary market under the Dividend Reinvestment and Share Purchase Plan (the "**Plan**").
2. Subject to the restrictions of the *Bank Act* (Canada) (the "**Bank Act**"), the Plan provides a means for holders of Bank shares of any class or series deemed eligible for the Plan by the Bank (the "**Eligible Shares**") to acquire common shares in the share capital of the Bank (the "**Common Shares**") without payment of brokerage fees or administration fees for enrolling in the Plan.
3. Participants in the Plan may acquire Common Shares in either of the following ways:
 - a) Dividend reinvestment option: by reinvesting cash dividends paid on the Eligible Shares held by them (the "**Reinvestment Option**")
 - b) Optional cash payments option: by making optional cash payments of a minimum amount of \$500 per cash payment, to a maximum of \$5,000 per quarter (the "**Payment Option**")
4. The price of Common Shares purchased with cash dividends paid on Eligible Shares or with optional cash payments will be the price determined in the manner provided for in the "Purchase Price of Common Shares" section below.
5. Reinvesting dividends under the Plan does not relieve participants of liability for tax on those dividends. Shareholders should consult their tax advisors about the tax consequences of participating in the Plan. For more information, see the "Tax Considerations" section below.

THE PLAN

ELIGIBILITY FOR PARTICIPATION IN THE PLAN

Registered Shareholders

6. Shareholders whose Eligible Shares are registered in their name in the Bank's records are called registered shareholders. Registered shareholders, who have the minimum number of Eligible Shares required for each of the two options below, may enroll in the Plan in accordance with the following conditions:

- a) Reinvestment Option - if they are registered holders of at least 100 Eligible Shares of a given class or series, reinvest all or part of the cash dividends paid on their Eligible Shares to purchase Common Shares;
- b) Payment Option - if they are registered holders of at least one Eligible Share, purchase Common Shares by making optional cash payments.

7. Holders of Eligible Shares who are entitled to receive cash dividends payable in a foreign currency must elect to receive such payments in a Canadian dollar equivalent thereof before joining the Plan.

8. Registered shareholders may choose what percentage of their Eligible Shares they wish to register for the purposes of the Plan.

Beneficial Owners

9. Beneficial owners are shareholders whose Eligible Shares are held in their name by a nominee, such as a broker, another intermediary or their duly authorized representative (an "**Intermediary**"). These shares are therefore not registered under the beneficial owner's name in the Bank's records. Beneficial owners of Eligible Shares may participate in the Plan through the Intermediary that holds the certificates representing the Eligible Shares.

10. Beneficial owners whose Eligible Shares are registered in the name of an Intermediary may join the Plan through the Payments Option without becoming registered shareholders of the Bank if the Intermediary delivers to Computershare Trust Company of Canada (the "**Agent**") a duly completed authorization form, together with written confirmation that the first optional cash payment has been made in accordance with the requirements of the Plan.

11. Beneficial owners are invited to contact their Intermediary for instructions on enrolling in the Plan and whether they can register only a portion of the shares held by their Intermediary. The administrative practices of Intermediaries may vary and the procedure to follow may differ from that set out in the Plan.

Foreign Shareholders

12. Holders of Eligible Shares who are resident in the United States or any of its territories or possessions **may not** participate in the Plan, as the Common Shares issued thereunder are not registered under the *Securities Act of 1933* (United States), as amended.

13. Other holders of Eligible Shares who are resident outside Canada may participate in the Plan unless prohibited from doing so by the law of their country of residence. In this case, the dividends payable are reinvested net of the amount of the applicable withholding tax. For more information, see the "Tax Considerations" section below.

Legal and Regulatory Restrictions Applicable to the Plan

14. The Bank reserves the right to prohibit any holder of Eligible Shares who does not comply with the applicable regulatory requirements from enrolling in the Plan; it further reserves the right to terminate the participation of a holder in the Plan in the situations set out in the "Termination of Participation" section.

15. The Plan is subject to the provisions of the *Bank Act* prohibiting, in particular, the issue or transfer of shares to persons for reasons relating to the percentage of the holdings that such persons or a group of such persons may hold thereafter in any class of shares of the Bank.

16. The Bank is not aware that the prohibition applies to any shareholder or group of shareholders of the Bank as at the date hereof. However, the Bank may be required to refuse the enrollment of, or terminate, by means of prior notice from the Agent, the participation of shareholders who do not comply with the provisions of the *Bank Act* or any other applicable legislation or regulation.

Eligibility for Participation in the Plan

17. The Bank may, from time to time and at its discretion, decide that a shareholder or group of shareholders may not participate or continue to participate in the Plan. For example, the Bank may deny the right to participate in the Plan to any shareholder if such shareholder's participation would cause a violation of any applicable laws or if the Bank has reason to believe that such shareholder has been engaging in market activities, or has been artificially accumulating securities of the Bank, for the purpose of taking undue advantage of the Plan to the detriment of the Bank.

ENROLLMENT IN THE PLAN

18. Holders of Eligible Shares who wish to reinvest their dividends in Common Shares or who wish to invest by purchasing Common Shares through the Payments Option may participate in the Plan by contacting the Agent or consulting the Bank's website (www.nbc.ca/investorrelations) to obtain an authorization form. They should then complete the authorization form and return it to Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

Federal Anti-Money Laundering and Terrorist Financing Legislation

19. As a trust company, the Agent is required to obtain and record various items of information and take other steps in respect of certain accounts it establishes for individuals or entities. In particular, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the regulations made thereunder (collectively, the "PCMLTFA") are applicable to participants in the Plan who elect to purchase additional securities using the Payment Option.

20. The PCMLTFA requires the Agent to verify the identity of account holders or their representatives. The only feasible method is to obtain a duly completed Participant Declaration and a personal cheque or certified cheque drawn on a Canadian financial institution or the Canadian branch of a foreign bank authorized under the *Bank Act*. The cheque must clear through such a financial institution. No voided cheques will be accepted.

21. By completing the Authorization Form, the holder of Eligible Shares (the "Participant") gives the following instructions to the Bank:

- a) Reinvestment Option - forward to the Agent all cash dividends paid on the Eligible Shares so that the Agent can acquire Common Shares; or
- b) Payment Option - direct the Agent to use the optional cash payments received and the dividends to be paid on the Common Shares acquired under the Payment Option to purchase Shares for the account of the Participant.

22. The amount of the optional cash payments is a minimum of \$500 per payment, to a maximum of \$5,000 per fiscal quarter of the Bank. The Bank's fiscal quarters end on the last business day of January, April, July and October of each year.

23. Payments may be made at any time by forwarding a cheque or money order in Canadian dollars payable to Computershare Trust Company of Canada to the following address: Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.

24. The first such payment should be sent with the authorization form, which is available from the Agent or from the Bank's website at www.nbc.ca/investorrelations. For subsequent payments, Participants may use the detachable portion of the statement of account sent by the Agent.

25. Once the Participant has enrolled in the Plan, participation will continue automatically until it is terminated, in accordance with the provisions of the Plan. For more information on this topic, see the "Termination of Participation" section below.

COMMON SHARE PURCHASE DATES

26. Purchases of Common Shares via the Reinvestment Option are made by the Agent on the date of each payment of dividends on Eligible Shares (the "**Dividend Payment Date**").

27. Purchases of Common Shares via the Payment Option are made on a monthly basis by the Agent on the last business day of each month (the "**Investment Date**").

Reinvestment Option

28. When a shareholder enrolls in the Reinvestment Option, the authorization form must be received by the Agent before the close of business on the record date for the payment of a dividend on Eligible Shares in order for that dividend to be reinvested in Common Shares on the next Dividend Payment Date. If the authorization form is received by the Agent after the close of business on a record date for a particular dividend on Eligible Shares, that dividend will be paid to the Participant in the usual manner and the first reinvestment of dividends on Eligible Shares will commence on the next Dividend Payment Date for Eligible Shares.

Payment Option

29. Payments made under the Payment Option must be received by the Agent before the close of business on the business day preceding an Investment Date in order to be applied to the purchase of Common Shares of the Bank on said Investment Date. Optional cash payments received by the Agent after the business day preceding an Investment Date will not bear interest and will be used to purchase Common Shares on the following Investment Date. Postdated cheques payable on or before the business day before an Investment Date may be forwarded to the Agent.

30. All Common Shares purchased under the Payment Option with amounts received by the Agent no later than the second to last business day of February, May, August and November may be entitled to a dividend which will be reinvested in Common Shares on the next Dividend Payment Date.

31. Participants may change their instructions concerning any investment under the Payments Option if written notification addressed to the Agent is received by the Agent no later than the close of business on the last business day preceding the Investment Date.

32. All funds received from a Participant under the Plan are fully invested by the Agent in order to purchase Common Shares and fractions of Common Shares, as applicable.

33. All dividends paid by the Bank on Eligible Shares held by the Agent for the account of a Participant will be automatically reinvested in additional Common Shares on the next Dividend Payment Date for such Eligible Shares.

PURCHASE PRICE OF COMMON SHARES

34. Common Shares purchased under the Plan can be either acquired directly from the Bank or purchased on the secondary market through a broker. The purchase method is determined by the Bank.

35. The price of Common Shares to be acquired from the Bank by the Agent under the Reinvestment or Payment Option will be the average of the closing prices of a board lot of Common Shares traded on the Toronto Stock Exchange during the five business days immediately preceding a Dividend Payment Date or an Investment Date, as applicable (the "**Average Subscription Price**").

36. In the case of an acquisition of Common Shares issued by the Bank under the Reinvestment Option, there may be a discount of up to 5% from the Average Subscription Price. The Bank will determine from time to time and in its sole discretion the amount of any applicable discount as well as the classes and series of Eligible Shares to which such discount applies. The Bank will announce by way of press release any applicable discount from the Average Subscription Price.

37. The price of Common Shares purchased by the Agent on the secondary market under the Reinvestment or Payment Option will be the average purchase price of such Common Shares during the 10 business days immediately following a Dividend Payment Date or an Investment Date, as applicable (the "**Average Purchase Price**").

38. Each Participant's account will be credited with the number of Common Shares purchased for that Participant, including fractions of Common Shares computed to three decimal places, which is equal to the amount to be invested on behalf of each Participant divided by the Average Subscription Price or the Average Purchase Price, as applicable.

ADMINISTRATION OF PLAN AND STATEMENTS OF ACCOUNT

39. The Agent will administer the Plan for the Participants pursuant to an agreement with the Bank.

40. The Common Shares acquired or purchased under the Plan will be registered in the name of the Agent and no share certificates will be issued to the Participant unless specifically requested.

41. As soon as possible following the Dividend Payment Date, the Agent will send Participants a statement of account setting out the number of Common Shares purchased under the Reinvestment or Payment Option, the purchase method for the Common Shares and the price of such shares. This statement is an essential record for income tax purposes and should be retained.

42. The Agent is responsible for deducting the necessary withholding tax for the account of the Participant. The Agent also sends each Participant the tax information slips needed to complete his/her tax return.

Administration Fees

43. Subject to the provisions of the "Termination of Participation" section, all administrative costs of the Plan will be paid by the Bank, including the fees and expenses of the Agent.

TERMINATION OF PARTICIPATION

44. Subject to the restriction set out hereinbelow, Participants may terminate their participation in the Plan at any time by way of written notice to the Agent. The Agent must receive the notice at least five days before the dividend payment record date. Any request received after this date will be processed after the corresponding Dividend Payment Date.

45. Upon termination of participation, the Participant will receive a certificate from the Agent for his whole Common Shares and an amount equal to the value of any fraction of a Common Share plus any cash balance held for his/her account. The amount of the payment for any fraction of a Common Share will be based on the average purchase price paid by the Agent for the purchase of Common Shares on the last Investment Date.

46. Upon termination of participation, a Participant may request that all whole Common Shares held be sold, in whole or in part, on his/her behalf. Such sale will be made through a broker designated by the Agent, as soon as practicable following receipt by the Agent of such notice. The proceeds of such sale, less brokerage commissions and applicable taxes and income taxes, which are paid by the Participant, will be remitted by the Agent to the Participant.

47. Participation in the Plan will also be terminated upon receipt by the Agent of a written notice of the death of the Participant. In such case, a share certificate representing the number of whole Common Shares held for his/her account will be issued in the name of the estate of the deceased Participant. The Agent will send such certificate and a cash payment for any fraction of a Common Share plus any cash balance held for his/her account to the representative(s) of the deceased Participant.

48. In the event a notice of termination of participation in the Plan or a notice of the death of a Participant is received by the Agent between the record date relating to a dividend and the Dividend Payment Date, the account will be closed following the Dividend Payment Date.

49. Common Shares may not be pledged. A Participant who wishes to pledge or otherwise transfer part or all of his/her Common Shares must withdraw such shares from the Plan. The Agent shall then issue in the name of the Participant a certificate representing all the whole Common Shares withdrawn, and, in the case of the withdrawal of all of the Participant's Common Shares, an amount equal to the value of any fraction of a Common Share plus any balance held in cash for the Participant's account.

50. The Bank may, from time to time and at its discretion, terminate the participation of a Participant in the Plan upon prior written notice, in particular, but without limiting the generality of the foregoing, when the number of Common Shares purchased under the Plan is less than one whole Common Share over a period of 12 consecutive months or if fewer than 10 whole Common Shares are held on the Participant's behalf and no optional cash payments have been made during the previous 12 months.

OTHER PROVISIONS

Shareholder Voting

51. Registered shareholders who participate in the Plan may vote whole shares enrolled in the Plan, including Common Shares held by the Agent on their behalf, in the same manner as any other shares of the Bank either by proxy or in person. The Agent will forward to such Participants, as soon as practicable, any proxy solicitation materials.

52. Beneficial owners who participate in the Plan should contact the Intermediary through which their Shares are held as to voting procedures.

Liability of the Bank and the Agent

53. Participants in the Plan acknowledge that the Bank and the Agent are not liable for any damage or loss which may result, directly or indirectly, from any act or omission to act by the Bank or the Agent, when they have acted in good faith.

54. As Common Shares are securities whose monetary value on the stock market fluctuates over time, neither the Bank nor the Agent can assure a profit or protect Participants against a possible loss.

Amendment, Suspension or Termination of the Plan

55. Subject to the approval of the Toronto Stock Exchange when amendments to the provisions of the Plan require its approval, the Bank reserves the right, provided a notice in writing is given to Participants, to amend, suspend or terminate the Plan, in full or in part, at any time and without obtaining the Participants' consent. Nevertheless, such action shall have no retroactive effect that would prejudice the interests of the Participants.

56. In the event the Bank terminates the Plan, each Participant will receive from the Agent a certificate for all whole Common Shares held by him/her as well as an amount equal to the value of any fraction of a Common Share plus any balance held in cash for his/her account.

57. As of the effective date of any suspension of the Plan, no transaction related to the Plan will be made by the Agent, with the exception of cases involving the termination of participation by a Participant or termination imposed by the Bank.

58. The Agent will remit to the Participants all optional cash payments not invested as at the effective date of such suspension as well as any dividend payable which was declared but not paid before said date.

Rules

59. The Bank may make rules and regulations to facilitate the administration of the Plan and reserves the right to regulate and interpret the Plan text as it deems necessary or useful. The Bank may adopt rules and regulations concerning the establishment of Internet-based or other electronic mechanisms with respect to the enrolment in the Plan,

communication of information on the Plan to Participants and any other aspects of the Plan.

Electronic Communications

60. All references in the Plan to the delivery of instructions, notices or other written documents will be deemed to include, subject to the adoption of rules or regulations by the Bank, delivery by electronic means, including the Internet.

Notices

61. All notices required to be given to Participants under the Plan will be mailed to Participants at the address shown in the records of the Agent.

62. Any written communication which must be sent or delivered to the Agent or any request for information with respect to the Plan should be addressed as follows:

Computershare Trust Company of Canada
Attention: Dividend Reinvestment Dept.
100 University Avenue, 9th Floor
Toronto, Ontario, M5J 2Y1

Telephone: 1-888-838-1407
Fax: 1-888-453-0330

63. Participants who are beneficial owners should contact their Intermediary if they have any questions concerning the Plan.

Use of Proceeds

64. The proceeds received by the Bank from the issue of new Common Shares under the Plan will be used for general corporate purposes.

Governing Law

65. The Plan shall be governed by and construed in accordance with the laws of Quebec and the laws of Canada applicable therein.

TAX CONSIDERATIONS

66. The following is a summary of the principal income tax considerations generally applicable to a Participant who holds Common Shares as capital property. This summary is based on the provisions of the *Income Tax Act* (Canada) (the "**Federal Act**") and the *Taxation Act* (Quebec) in force as of May 27, 2009 and on proposed amendments to such acts.

67. This summary is of a general nature only and does not constitute legal or tax advice for any particular Participant. Participants are therefore advised to consult their tax advisor about their specific situation.

PARTICIPANTS RESIDENT IN CANADA

68. A Participant who is an individual resident in Canada and who participates in the Reinvestment Option will be treated as having received, on each Dividend Payment Date, a dividend equal to the full amount of the cash dividend paid on that date. Such dividend must be included in the Participant's calculation of income and will be subject to dividend gross-up and tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends paid in 2006 and subsequent years on Common Shares of National Bank of Canada are considered "assessable dividends."

69. The amount of the dividend received by a corporation will be included in the calculation of its income but will normally be deductible when calculating its taxable income provided the corporation is not a specified financial institution under the Federal Act. Special rules apply to dividends received by a specified financial institution.

70. Private corporations under the Federal Act and certain other corporations may be required to pay refundable income tax of 33 $\frac{1}{3}$ % under the Federal Act if the amount of a dividend is deductible when calculating their taxable income.

71. For a Participant, the cost of the Common Shares purchased under the Plan is the actual amount paid for the Common Shares by the Agent. The adjusted cost base of such Common Shares for the Participant will be calculated by determining the average cost of Common Shares thus purchased and the adjusted cost base of all other Common Shares held by the Participant as capital property.

72. A Participant who disposes of or is deemed to dispose of Common Shares may realize a capital gain (or capital loss), half of which is taxable (or deductible) to the extent that the proceeds of such disposition, net of related costs, exceed (or are exceeded by) the adjusted cost base of these Common Shares immediately before the disposition.

73. This rule applies similarly to the disposition of fractions of Common Shares upon termination of participation in the Plan. Half of any capital loss incurred by the Participant may generally be deducted from the taxable capital gains realized by the Participant during the year of disposition or any subsequent tax year, subject to the specific rules set out in the applicable taxation legislation.

74. Investment income, including taxable capital gains, earned by a private corporation under Canadian control is subject to a refundable income tax of 6 $\frac{2}{3}$ % under the Federal Act. Such income tax, just like the refundable tax on hand with respect to corporate dividends, will be refunded when the corporation pays a taxable dividend, at a rate of \$1 for every \$3 of dividends paid.

PARTICIPANTS RESIDENT OUTSIDE CANADA

75. Cash dividends paid to Participants who are a non-resident of Canada will be subject to a Canadian withholding tax. The general rate of non-resident income tax is 25%; this rate may be reduced, as the case may be, if the Participant is a resident of a country which has a tax treaty with Canada.

76. On termination of participation in the Plan by a Participant, gains resulting from the receipt of cash proceeds in fractions of Common Shares will generally not be subject to Canadian tax unless those fractions of Common Shares disposed of were used by the non-resident Participant in carrying on a business in Canada.

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