

NATIONAL BANK OF CANADA

BOARD OF DIRECTORS

The directors are elected annually by the shareholders to supervise the management of commercial activities and internal affairs of National Bank of Canada (the “Bank”), in accordance with the law. The Board of Directors (the “Board”) oversees the management of the Bank, safeguards its assets, and ensures its viability, profitability and development. Thus, the Board approves the direction and the policies under which the Bank will be managed. The President and Chief Executive Officer organizes its activities taking responsibility for the day-to-day management, under the framework established by the Board. The mandate of each other is clearly defined.

The Board evaluates the performance of the President and Chief Executive Officer according to the direction and the policies adopted. In order to do so, the President and Chief Executive Officer updates the Board on his and his team’s work, according to the objectives set, and he identifies in a timely manner any material gap in the accomplishment of the objectives set by the Bank.

The Board approves all matters falling within its competence, in accordance with its mandate, applicable laws, the Bank’s by-laws and internal policies.

MANDATE

COMPOSITION

1. Composition – The Board is composed of directors who possess extensive complementary knowledge and competencies, 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. Directors have the necessary time and interest to perform their duties effectively.

2. Eligibility – A majority of the members of the Board must consist of directors who are Canadian residents. A maximum of two thirds of the members of the Board are persons affiliated with the Bank in accordance with the *Bank Act*(Canada) (the “Act”).

3. Independence – A majority of the members of the Board are independent as defined by the Canadian Securities Administrators. The Board, either directly or through one of its committees, adopts structures and procedures to ensure the Board functions independently of management.

4. In Camera Meetings – The members of the Board who are independent are scheduled to meet regularly, without any members of the Bank’s management being present, at the end of each Board meeting under the direction of the Chairman of

the Board. They can also request the meeting to be *in camera* at any time during the meeting.

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

MINUTES

6. Recording - The minutes of each meeting of the Board, duly approved by the Board, are entered by the Secretary in a register kept specifically for that purpose.

INTEGRITY AND CONFLICT OF INTEREST

7. Integrity – Directors act with integrity and exercise impartial judgment in performing their duties and fulfilling their responsibilities. Directors are bound by the provisions of the Code of Conduct and Ethics and other rules of ethics applicable to directors, officers and employees of the Bank and its subsidiaries.

8. Conflict of Interest – Directors are required to disclose any conflict of interest to the Chairman of the Board or to the Chair of the Conduct Review and Corporate Governance Committee in accordance with the Act.

9. Change in Function or Status – Directors must inform the Chairman of the Board or the Chair of the Conduct Review and Corporate Governance Committee as soon as possible of any change in professional or personal status that could have an impact on their role as directors.

ROLES AND RESPONSIBILITIES

General

10. The main duty of the Board is to oversee the management of the Bank, safeguard its assets, and ensure its viability, profitability and development. In discharging its duties, the Board is assisted by three committees: the Audit and Risk Management Committee, the Conduct Review and Corporate Governance Committee, and the Human Resources Committee. The Board assigns responsibility for managing and directing the operations of the Bank to management. The Board assumes the duties and responsibilities set out herein.

11. The Board actively participates in reviewing and approving major strategies and business objectives.

12. The Board regularly obtains reasonable assurance that the Bank is operating within an appropriate control framework and that risk management is assured.

13. The Board ensures that it is effectively governed.

14. The Board reviews the processes that ensure the Bank's operations comply with applicable legislation and regulations.

Strategic Planning Process

15. The Board:

a) Periodically reviews and approves a strategic plan in which the Bank establishes its mission, vision, business objectives and strategy, taking into account the business opportunities and risks for the Bank;

b) Reviews and approves the business plans relating to the Bank's operations, which the Board deems important, and reviews them regularly to ensure that they remain appropriate and prudent, given the Bank's economic and business environment, its resources and its results;

c) Reviews and approves the Bank's operating results as well as its actual versus projected financial results, in light of the Bank's business objectives, strategic plan and business plans; and

d) Reviews and approves operating budgets and material expenses not included in the operating budget.

Risk Management

16. The Board:

a) Reviews and approves the overall risk philosophy and risk appetite 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;

b) Requires that management report on the major risks to which the Bank is exposed, the integrity of procedures and controls to manage those risks and the overall effectiveness of the risk management process. Requires that management adopt an internal process for assessing capital adequacy that takes into account the risks deemed important for the Bank;

c) Reviews and approves the Bank's organizational structure and risk controls and plans an independent assessment of risk controls;

d) Receives the reports related to the implementation and the use of internal control systems and bank management

information systems, as well as procedures implemented in order to ensure their efficiency and, in collaboration with the Audit and Risk Management Committee, revises annually the adequacy of these systems;

e) Requires that management adopt a process aimed at determining the Bank's appropriate level of capital in terms of the risks assumed and oversees its implementation and application;

f) Discusses and approves all major policies of the Bank, including those setting acceptance, monitoring, management and reporting rules for material risks to which the Bank is exposed, as well as changes to risk management policies;

g) Approves all certifications, reports and any other declarations required from time to time by a regulatory authority and that it considers to fall within the Board's purview;

h) Approves all material aspects of risk ratings and assessment processes;

i) Ensures that the Bank's risk management activities, however organized, have sufficient independence, status and visibility, and are subject to periodic reviews; and

j) Includes a review of requisite or related changes in risk management and controls in its review of the changes in strategies or new business initiatives.

Succession Planning and Director Compensation

17. The Board approves the appointment of any new nominee for the position of director, reviews and approves directors' compensation, how that compensation is paid, and the allowances given to directors to ensure that they reflect the importance of the function of director and that the incentive measures provided for in the compensation programs do not adversely affect the role and responsibilities of this function.

18. The Board oversees its succession planning process implemented by the Conduct Review and Corporate Governance Committee.

Succession Planning for Management

19. The Board approves the appointment of officers and ensures that they are qualified and competent.

20. On the recommendation of the Human Resources Committee, the Board approves the annual objectives and key performance indicators relating to the compensation of the President and Chief Executive Officer.

21. On the recommendation of the Human Resources Committee, the Board approves the compensation of the President and Chief Executive Officer and of the members of the Office of the President.

22. With the support of the Human Resources Committee, the Board oversees the succession planning process for management positions, including, in particular, that of President and Chief Executive Officer.

Independent Auditor

23. On the recommendation of the Audit and Risk Management Committee, the Board recommends to the shareholders the appointment of the independent auditor and approves its remuneration.

Communication and Disclosure

24. The Board approves the policies on the communication and disclosure of information to shareholders, investors and the general public.

25. The Board ensures that the information presented to shareholders is reliable and provided in a timely manner.

26. The Board reviews and approves the annual consolidated financial statements of the Bank and related independent auditor's report, the interim consolidated financial statements of the Bank, the annual and interim Management's Discussion and Analysis, the processes for presenting and disclosing annual and interim financial information, the audit processes and management information systems and all other material financial information, including the Annual Information Form or press releases and documents designated by the Office of the Superintendent of Financial Institutions in order to ensure their integrity, the effectiveness of processes and compliance with applicable accounting standards.

27. The Board ensures that measures are in place to receive feedback from Bank clients, shareholders, investors as well as any person, including financial analysts. In that regard, the Board designates one person to receive all comments.

Integrity and Ethics

28. The Board ensures that the rules of conduct and ethics are maintained, in particular by adopting a code for directors, officers and employees of the Bank and its subsidiaries, and that the Bank has an ongoing, appropriate and effective process to guarantee compliance with these rules.

29. The Board ensures that any material breach of the Code of Conduct and Ethics by a director or member of management is disclosed in accordance with continuous disclosure obligations.

30. The Board requires that management set up a compliance program to ensure the Bank's compliance with the Act, applicable laws and regulations and any other obligations.

31. The Board ensures that the President and Chief Executive Officer and other members of management are highly principled and that they foster a culture of integrity throughout the institution.

Material Transactions

32. The Board discusses and approves any activity, contract or agreement that is not in line with the Bank's mission, is not in its normal course of business or that exceeds the materiality thresholds set by the Board from time to time.

33. The Board reviews and approves policies with respect to major initiatives and activities.

GOVERNANCE

34. The Board regularly reviews and approves sound governance practices.

35. The Board discusses and determines the structure and general corporate governance principles applicable to the principal business units, divisions and functions of the group comprising the Bank and its subsidiaries in order to enhance the effectiveness of the oversight carried out by the Board.

36. The Board ensures that procedures are in place for communication between the Board and its committees and the principal business units, divisions and functions of the group comprising the Bank and its subsidiaries.

Assessing the Effectiveness of the Board and Reviewing its Mandate

37. The Board regularly assesses the performance and effectiveness of the Board, its committees and directors, in accordance with a process implemented by the Conduct Review and Corporate Governance Committee.

38. The Board regularly evaluates and reviews its mandate.

Mandate of the Chairman of the Board

39. The Board:

- a) Approves the mandate of the Chairman of the Board and reviews it from time to time in the absence of the members of the Bank's management who serve on the Board and the Chairman of the Board; and

b) Annually appoints the Chairman of the Board from among the members of the Board, sets his compensation and assesses his performance.

Exclusive Powers

40. The Board approves all matters that the Act assigns exclusively to directors, in particular the approval of dividends, certain related party transactions as provided for in the Act, and procedures to resolve conflicts of interest.

Residual Powers

41. The Board assumes any responsibility not delegated to management.

BOARD COMMITTEES

Types of Committees

42. The Board is responsible for overseeing the management of the Bank and may set up the appropriate committees to assist it in this role.

43. The Board may, from time to time, review the types of committees it forms, appoint members and delegate the appropriate authority to such committees, and approve their respective mandates.

Composition

44. The directors appoint the committee members and ensure that each committee's composition complies with all applicable regulations.

Committee Mandates

45. Together with the Conduct Review and Corporate Governance Committee, the Board develops and approves the mandates of each Board committee as well as those of the committee Chairs. The mandates describe their respective roles and responsibilities.

46. The Board delegates responsibility for approving and reviewing committee mandates to each committee.

Minutes of Committee Meetings

47. The Board committees record the minutes of each of their meetings, and the minutes are made available to the Board.

Ad Hoc or Special Committees

48. The Board may, from time to time, form appropriate *ad hoc* or special committees.

EXPECTATIONS OF THE BOARD REGARDING DIRECTORS

49. The Board requires that directors comply with this mandate, particularly with regard to the amount of time directors must devote to their duties, the competency requirements, and the rules of conduct and ethics. The directors must also comply with the Charter of Expectations for directors.

50. Together with the Conduct Review and Corporate Governance Committee, the Board oversees the implementation of orientation programs for new directors and continuing education programs on the operations of the Bank and its subsidiaries for all Bank directors that take into account each director's needs and knowledge.

EXPECTATIONS OF THE BOARD REGARDING MANAGEMENT

51. Management is responsible for the day-to-day management of the Bank's operations pursuant to the powers delegated by the Board and in accordance with the laws and regulations applicable to the Bank.

52. Management facilitates Board oversight of business operations and internal administration of the Bank by providing members of the Board with accurate, complete, relevant and timely information and reports. Management reports to the Board, providing it with informed opinions on such matters as the Bank's objectives, strategies, plans and material policies.

APPROVED BY THE CONDUCT REVIEW AND CORPORATE GOVERNANCE COMMITTEE ON OCTOBER 27, 2011.

APPROVED BY THE BOARD OF DIRECTORS ON OCTOBER 27, 2011 AND ENTERED INTO FORCE ON NOVEMBER 1, 2011.