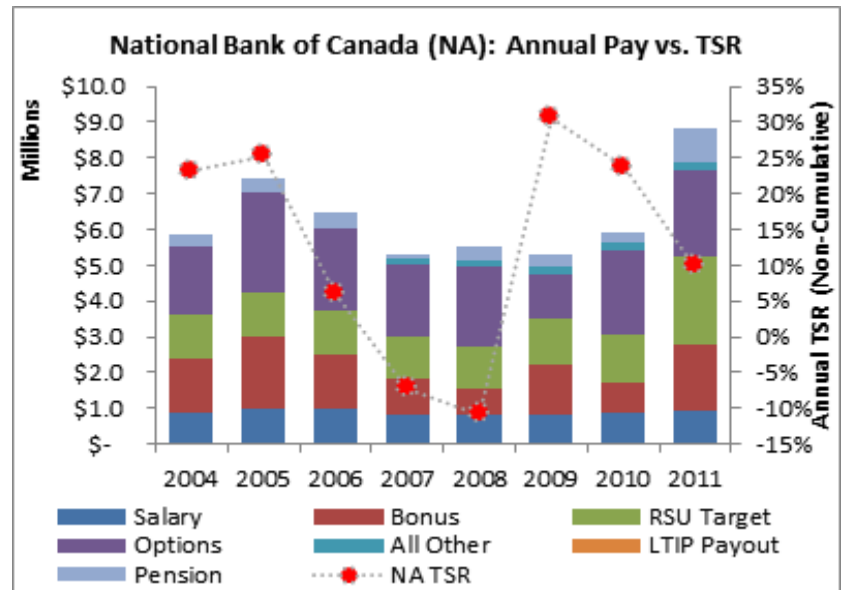
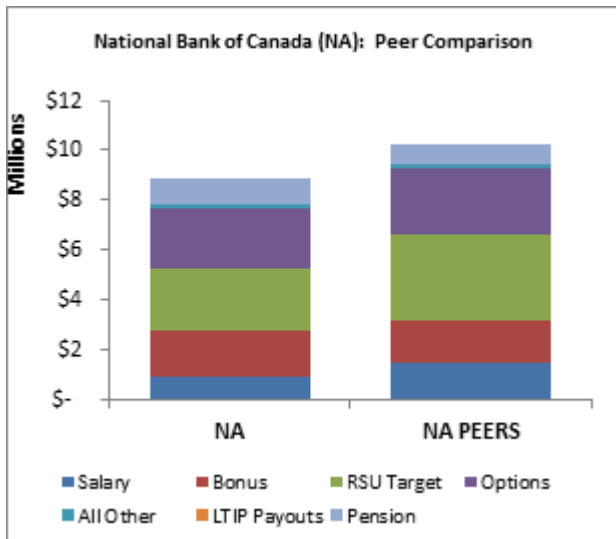


# National Bank of Canada (NA): 2004-2011 Pay for Performance

PAY FOR PERFORMANCE SCORE				
1 YEAR = 2	4 YEAR = 3	6 YEAR = 5	8 YEAR = 8	TOTAL: 18/24

Over the past 8 years, NA's share performance has been quite volatile, but largely on an upward trajectory, with a strong 8-year TSR of 139%. NA was not impacted as strongly by the 2008 crisis as some of its peers, and has rebounded very strongly, posting a 4-year TSR of 53%, including the crisis year. This volatility does not extend to CEO pay, with six years since 2004 falling between \$5m and \$7m total CEO pay. However, NA's CEO pay and TSR were positive in all of our observation periods, resulting in a very good Pay for Performance Score of 18/24.

In 2011, NA ranked 9th out of 11 peers in total CEO pay, while ranking in the top 5 in TSR (1st), ROE (5th) and ROA (5th). **While NA's CEO pay change and TSR are both positive in our 8-year observations, performance (139% TSR) outpaced pay (1.8% increase) by a wide margin.**



COMPANY'S DISCLOSED PEER FIRMS	
TICKER	NAME
TSE:MFC	Manulife Financial Corporation
TSE:IAG	Industrial Alliance
TSE:PWF	Power Financial Corporation
TSE:GWO	Great-West Lifeco
TSE:SLF	Sun Life Financial Inc.
TSE:RY	Royal Bank of Canada
TSE:BMO	Bank of Montreal
TSE:CM	Canadian Imperial Bank of Commerce
TSE:TD	The Toronto-Dominion Bank
TSE:BNS	Bank of Nova Scotia

FY 2011 FINANCIAL PERFORMANCE RANKINGS						
#	PEER	TSR	PEER	ROE	PEER	ROA
1	TSE:NA	9.8%	TSE:CM	19.9%	TSE:BNS	0.9%
2	TSE:TD	6.0%	TSE:BNS	17.5%	TSE:GWO	0.9%
3	TSE:BMO	3.7%	TSE:GWO	17.2%	TSE:TD	0.8%
4	TSE:BNS	1.9%	TSE:NA	17.1%	TSE:CM	0.8%
5	TSE:CM	1.2%	TSE:PWF	15.9%	TSE:NA	0.7%
6	TSE:RY	-6.7%	TSE:TD	13.1%	TSE:PWF	0.7%
7	TSE:PWF	-12.6%	TSE:RY	12.5%	TSE:BMO	0.7%
8	TSE:GWO	-18.6%	TSE:BMO	12.4%	TSE:RY	0.6%
9	TSE:IAG	-26.6%	TSE:IAG	4.6%	TSE:IAG	0.3%
10	TSE:MFC	-34.5%	TSE:MFC	0.2%	TSE:MFC	0.0%
11	TSE:SLF	-36.4%	TSE:SLF	-2.3%	TSE:SLF	-0.1%

CEO COMPENSATION RANKINGS AGAINST COMPANY'S DISCLOSED PEER FIRMS										
	PEER	TOTAL PAY	PEER	SALARY	PEER	BONUS	PEER	TOTAL CASH	PEER	TOTAL EQUITY
1	TSE:RY	\$12,680,149	TSE:PWF	\$3,919,000	TSE:CM	\$3,404,000	TSE:CM	\$4,904,000	TSE:BNS	\$8,477,746
2	TSE:BMO	\$11,672,664	TSE:BNS	\$1,500,000	TSE:GWO	\$1,980,874	TSE:PWF	\$3,919,000	TSE:RY	\$8,359,020
3	TSE:TD	\$11,426,077	TSE:TD	\$1,500,000	TSE:TD	\$1,960,000	TSE:TD	\$3,460,000	TSE:BMO	\$7,952,422
4	TSE:BNS	\$11,378,942	TSE:CM	\$1,500,000	TSE:NA	\$1,800,000	TSE:RY	\$3,226,712	TSE:TD	\$7,860,381
5	TSE:CM	\$10,498,798	TSE:RY	\$1,476,712	TSE:RY	\$1,750,000	TSE:GWO	\$2,996,707	TSE:SLF	\$7,517,528
6	TSE:SLF	\$10,022,637	TSE:SLF	\$1,086,090	TSE:MFC	\$1,584,435	TSE:BNS	\$2,900,000	TSE:MFC	\$6,351,742
7	TSE:PWF	\$9,888,697	TSE:BMO	\$1,026,250	TSE:BNS	\$1,400,000	TSE:NA	\$2,754,473	TSE:CM	\$5,003,798
8	TSE:MFC	\$9,594,334	TSE:GWO	\$1,015,833	TSE:BMO	\$1,150,000	TSE:MFC	\$2,570,985	TSE:NA	\$4,888,512
9	TSE:NA	\$8,857,798	TSE:MFC	\$986,550	TSE:SLF	\$500,000	TSE:BMO	\$2,176,250	TSE:PWF	\$4,008,947
10	TSE:GWO	\$4,629,234	TSE:NA	\$954,473	TSE:SLF	\$0	TSE:SLF	\$1,586,090	TSE:GWO	\$1,231,644
11	TSE:IAG	\$1,748,420	TSE:IAG	\$724,100	TSE:IAG	\$0	TSE:IAG	\$724,100	TSE:IAG	\$781,320

# PAY FOR PERFORMANCE SCORING

For 2012, the Clarkson Centre for Board Effectiveness (CCBE), prepared a Pay for Performance report for each firm currently listed on the TSX 60 Index that has at least 8 years of historical compensation or share price data available. The CCBE's Performance Score measures how closely CEO pay and TSR are aligned over four different time horizons. Compensation data is gathered from the firm's public filings, and valued at the time of grant. Options are valued using the binomial tree fair value method, and PSUs are valued at the grant date value of the target payout. TSR is calculated using a 30-day average start and end date share price, and assumes the reinvestment of dividends.

CCBE collected pay and performance data for up to ten peer companies for each TSX 60 constituent. Peer companies were selected from each TSX 60 constituent's performance benchmarking peer group, as disclosed in its most recent Management Information Circular. If a performance peer group was not disclosed, the CCBE collected information on the disclosed constituents of the total pay benchmarking peer group. If a peer group had more than 10 constituents, we randomly selected ten from among the disclosed list.

Our Pay for Performance Score takes into account alignment between change in CEO pay and TSR in 1-, 4-, 6- and 8-year observations. CEO pay change is 'smoothed' to account for outlying years. For example, in our 8-year observation we calculate CEO pay change as the percent change of the sum of total CEO pay from 2004-2007 against the sum of total CEO pay from 2008-2011. This helps to normalize our longer observations for unusual events like CEO turnover and large one-time payouts. The Pay for Performance Score gives significantly more weight to longer-term observations than shorter ones.

1-YEAR SCORE	4-YEAR SCORE	6-YEAR SCORE	8-YEAR SCORE
A = 3	A = 4	A = 7	A = 10
B = 3	B = 3	B = 5	B = 8
C = 2	C = 2	C = 3	C = 5
D = 1	D = 1	D = 1	D = 3
E = 0	E = 0	E = 0	E = 0

