

## MANDATE

### BOARD OF DIRECTORS

#### MISSION AND MAIN RESPONSIBILITIES

The main duty of the Board of Directors (the “Board”) of National Bank of Canada (the “Bank”) is to oversee the management of the Bank, safeguard its assets, and ensure its viability, profitability and development. 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 Board assigns responsibility for managing and directing the operations of the Bank to management and assumes the duties and responsibilities set out herein.

#### COMPOSITION AND INDEPENDENCE

The Board is composed of directors who possess 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.

Directors have the necessary time and interest to perform their duties effectively.

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 Professional Conduct and other rules of ethics applicable to directors, officers and employees of the Bank and its subsidiaries.

A majority of the members of the Board are directors who are “independent” within the meaning of the regulations of the Canadian Securities Administrators.

The members of the Board who are independent regularly meet *in camera* at the end of each regular Board meeting under the direction of the Chairman of the Board.

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

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.

## 1. DUTIES AND RESPONSIBILITIES

The Board, either directly or through its committees, has the following duties and responsibilities:

### *(i) Strategic Planning Process*

Review, discuss and approve periodically 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, as well as the business plans relating to the main operations of the Bank.

Review and approve the business plans relating to the Bank's main operations and review them regularly to ensure they remain appropriate and prudent given the Bank's economic and business environment, its resources and its results.

Review and approve the Bank's actual operating results as well as its actual versus projected financial results, in light of the Bank's business objectives, strategic plan and business plans.

Review and approve operating budgets.

### *(ii) Assessing Risks*

Review and approve the overall risk philosophy and risk tolerance of the Bank, recognize and understand the major risks to which the Bank is exposed and ensure that appropriate systems are set up for effective management of those risks.

Require 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.

Plan an independent assessment of risk controls and procedures implemented by the Bank.

Require that management adopt a process aimed at determining the Bank's appropriate level of capital in terms of the risks assumed and oversee its implementation and application.

Discuss and approve 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.

Approve all certifications, reports and any other declarations required from time to time by a regulatory authority and that fall within the Board's purview.

Approve all material aspects of risk ratings and assessment processes.

### *(iii) Mandate of the Chairman of the Board*

Approve the mandate of the Chairman of the Board and review it from time to time in the absence of the executive officers who serve on the Board and the Chairman of the Board.

Assess, on an annual basis, the performance of the Chairman of the Board.

***(iv) Succession Planning and Director Compensation***

Approve the appointment of any new nominee for the position of director, review and approve directors' compensation, how that compensation is paid, and the allowances given to directors, and oversee the succession planning process for the Board introduced by the Conduct Review and Corporate Governance Committee.

***(v) Assessing the Effectiveness of the Board and Revising its Mandate***

Regularly assess the effectiveness of the Board, its committees and its directors, in accordance with a process implemented by the Conduct Review and Corporate Governance Committee.

Review the mandate of the Board periodically.

***(vi) Succession Planning for Senior Management***

Select and evaluate the President and Chief Executive Officer, set his compensation, and ensure succession planning.

Approve the appointment of qualified and competent members of senior management, set their compensation, ensure their training and development, and plan their succession.

***(vii) External Auditors***

Recommend to the shareholders the appointment of the external auditors and approve their remuneration.

***(viii) Communication and Disclosure***

Approve policies on the communication and disclosure of information to shareholders, investors and the general public.

Ensure that measures are in place to receive feedback from Bank clients, shareholders, investors as well as any other stakeholders, including financial analysts.

***(ix) Integrity and Ethics***

Ensure 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 that the Bank has an ongoing, appropriate and effective process to guarantee compliance with these rules.

Ensure that any material breach of the code of ethics and professional conduct by a director or member of senior management is disclosed in accordance with continuous disclosure obligations.

Require that management set up a compliance program to ensure Bank compliance with the *Bank Act* (Canada) (the "Act"), applicable regulations and any other obligations.

Ensure, to the extent possible, that the Chief Executive Officer and other members of senior management are highly principled and that they foster a culture of integrity throughout the organization.

Review and approve sound internal governance policies.

*(x) Material Transactions*

Discuss and approve any activity, contract or agreement that is not compatible with the Bank's mission or is not in its normal course of business.

Review and approve policies with respect to major initiatives and activities.

*(xi) Governance of Major Subsidiaries*

Discuss and determine the structure and general corporate governance principles applicable to the Bank's major subsidiaries in order to enhance the effectiveness of the oversight carried out by the Board.

Ensure that procedures are in place for communication between the Board and committees of the Bank and those of its main subsidiaries.

*(xii) Exclusive Powers*

Approve all matters that the Act assigns exclusively to directors, in particular the approval of dividends, certain related party transactions under the Act, and procedures to resolve conflicts of interest.

*(xiii) Residual Powers*

Assume any responsibility not delegated to management.

2. **BOARD COMMITTEES**

*(i) Types of Committees*

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

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

*(ii) Composition*

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

*(iii) Committee Mandates*

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 Chairman of the Board and committee chairs. The mandates describe their respective roles and responsibilities.

*(iv) Minutes of Committees*

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

*(v) Ad Hoc or Special Committees*

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

3. EXPECTATIONS OF THE BOARD REGARDING DIRECTORS

The Board requires that directors comply with the obligations set out in the “Composition and Independence” section hereof insofar as concerns the rules of conduct and ethics, the amount of time directors must devote to their duties, and the requisite competencies. The directors must also comply with the Charter of Expectations for directors.

Together with the Conduct Review and Corporate Governance Committee, the Board oversees the implementation of orientation programs for new directors and ongoing 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.

4. EXPECTATIONS OF THE BOARD REGARDING MANAGEMENT

*(i) Duty to Report*

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.

Management facilitates Board oversight of business operations and internal administration of the Bank by the members of the Board by providing 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.