



NATIONAL BANK OF CANADA

BOARD OF DIRECTORS

The directors are elected annually by the shareholders to supervise the management of business 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. The Board establishes the direction and the policies under which the Bank is managed. The President and Chief Executive Officer organizes the Bank's activities, taking responsibility for day-to-day management within the framework established by the Board. The mandate of each is clearly defined.

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

The Board assumes its role and its responsibilities directly or through its committees.

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 directors are Canadian residents. A maximum of two thirds of the directors may be 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 consultants it engages. The Bank provides the

funds necessary to pay for the services rendered by these 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 must avoid all real, potential or apparent conflict of interest situations with the Bank. A director with an interest in a contract or material transaction with the Bank must disclose the nature and scope of his interest to the Chairman of the Board or to the Chair of the Conduct Review and Corporate Governance Committee in accordance with the applicable legislation. He must leave the meeting of the Board during the review of the contract or transaction and refrain from voting on the matter, barring exceptions provided for by applicable legislation.

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 their professional or personal status that could have an impact on their role as directors.

ROLES AND RESPONSIBILITIES

General

10. The Board is responsible for providing stewardship for the Bank. The Board's main duties include setting directions for the Bank, overseeing its management and operations, safeguarding its assets and ensuring its viability, profitability and development. In discharging its duties, the Board is assisted by four committees: the Audit Committee, the Risk Management Committee, the Conduct Review and Corporate Governance Committee, and the Human Resources Committee. It is also supported by the Internal Audit, Finance, Risk Management and Compliance oversight functions through the Audit Committee and the Risk Management Committee. Lastly, Management is accountable for implementing the Board's decisions, and is responsible for directing and overseeing the operations of the Bank.

11. The Board approves the Bank's short-term and long-term enterprise-wide business objectives, strategy and plans.

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.

15. The Board discusses and approves the Bank's significant operational and business policies, either directly or through one of its committees and recommends, where appropriate, that they be approved by the boards of directors of subsidiaries of the Bank.

16. The Board should ensure that regulators are promptly notified of substantive issues affecting the Bank.

17. The Board exercises adequate oversight of the activities of its subsidiaries in order to meet its responsibilities.

Strategic Planning Process

18. 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 it deems important, in particular its significant strategic initiatives or transactions, 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 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;

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

Risk Management

19. The Board:

a) Reviews and approves the Bank's risk appetite framework, 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;

c) Requires that Management adopt an internal process for assessing capital adequacy that takes into account the risks deemed important for the Bank;

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

e) Requires that Management adopt a process to determine 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;

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

20. The Board approves the appointment of any new nominee for the position of director, reviews and approves director 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.

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

Human Resources

22. The Board approves the appointment of officers, including the heads of the Internal Audit, Finance, Risk Management and Compliance oversight functions, and ensures they are qualified and competent. The Board also has the power

to dismiss them. The Board may delegate to the President and Chief Executive Officer the power to appoint certain officers.

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

24. On the recommendation of the Human Resources Committee, the Board approves the Bank's total compensation, policies and programs including stock-based incentive plans, other employment conditions and benefits applicable to Bank officers and employees.

25. On the recommendation of the Human Resources Committee and, for the heads of oversight functions, on the recommendation of the Audit Committee and the Risk Management Committee, the Board approves the compensation of the President and Chief Executive Officer, the members of the Office of the President, the Senior Vice-President – Internal Audit and the Chief Compliance Officer.

26. With the support of the Human Resources Committee and, for the heads of oversight functions, the Audit Committee and the Risk Management Committee, the Board monitors the succession planning process for Management, including the President and Chief Executive Officer, the members of the Office of the President, the Senior Vice-President – Internal Audit and the Chief Compliance Officer.

Independent Auditor

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

Communication and Disclosure

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

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

30. With the support of the Conduct Review and Corporate Governance Committee, the Board ensures that measures are in place to receive feedback from Bank clients, shareholders, investors as well as any other person, including financial analysts. In that regard, the Board designates one person to receive all comments.

Financial information

31. On the recommendation of the Audit Committee, the Board reviews and approves the annual consolidated financial statements of the Bank and independent auditor's report

thereon, 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, if applicable, and the compliance with applicable accounting standards.

Internal Control

32. The Board receives the reports related to the implementation and use of internal control systems and management information systems of the Bank, as well as procedures implemented in order to ensure their efficiency and, in collaboration with the Audit Committee, annually reviews the adequacy of these systems.

Integrity and Ethics

33. 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.

34. 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.

35. The Board requires that Management set up a compliance program to ensure the Bank's compliance with the Act, the laws and regulations in effect, and any other obligations.

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

Material Transactions

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

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

GOVERNANCE

39. With the support of the Conduct Review and Corporate Governance Committee, the Board stays abreast of corporate governance best practices. On the recommendation of the Committee, the Board approves all changes to the corporate governance rules, policies, procedures and practices in effect at the Bank.

40. 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.

41. 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

42. The Board periodically assesses the performance and effectiveness of the Board and its Committees, as well as the performance of directors, occasionally with the assistance of independent external consultants, in accordance with a process implemented by the Conduct Review and Corporate Governance Committee.

43. The Board regularly evaluates and reviews its mandate.

Mandate of the Chairman of the Board

44. The Board:

- a) Approves the mandate of the Chairman of the Board and periodically 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) Approves the appointment of the Chairman of the Board from among the members of the Board and his compensation and annually assesses his performance.

Exclusive Powers

45. 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

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

Office of the Superintendent of Financial Institutions

47. The Boards reviews the management's reports regarding important developments in the relationship between the Bank and the Office of the Superintendent of Financial Institutions ("OSFI") and annually meets with OSFI's representatives to discuss the results of OSFI's review.

BOARD COMMITTEES

Types of Committees

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

49. 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

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

Committee Mandates

51. 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.

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

Reporting

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

54. Each committee chair makes an oral report on the deliberations of each meeting of the committee he chairs and the recommendations of said committee at a subsequent meeting of the Board.

Ad Hoc or Special Committees

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

EXPECTATIONS OF THE BOARD REGARDING DIRECTORS

56. 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.

57. 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, that take into account each Bank director's needs and knowledge.

EXPECTATIONS OF THE BOARD REGARDING MANAGEMENT

58. 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.

59. 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 26, 2017.

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