

ANNUAL INFORMATION FORM

December 3

2019



DISTRIBUTION NOTICE OF THIS ANNUAL INFORMATION FORM

This annual information form (“Annual Information Form”) must be accompanied by copies of all documents incorporated herein by reference when it is provided to security holders or other interested parties.

Parts of the Annual Information Form are presented in the Annual Report to Shareholders, including Management’s Discussion and Analysis for the fiscal year ended October 31, 2019 (the “Annual Report”) and are incorporated herein by reference.

The Annual Report is available on the nbc.ca and sedar.com websites.

EXPLANATORY NOTE

In this Annual Information Form, unless otherwise indicated, information is presented as at October 31, 2019.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS IN THIS ANNUAL INFORMATION FORM

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the “Economic Review and Outlook” section of the 2019 Annual Report, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2020 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank’s objectives and its strategies for achieving them, Bank projected financial returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as “outlook,” “believe,” “anticipate,” “estimate,” “project,” “expect,” “intend,” “plan,” and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2020 and how that will affect the Bank’s business are among the main factors considered in setting the Bank’s strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank’s control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk, all of which are described in more detail in the Risk Management section beginning on page 58 of the 2019 Annual Report, general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank’s business, changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the U.S. *Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; and potential disruptions to the Bank’s information technology systems, including evolving cyberattack risk.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the “Risk Management” section of the 2019 Annual Report. Investors and others who rely on the Bank’s forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.

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ABBREVIATIONS USED

CSA:	Canadian Securities Administrators
Meeting:	Annual Meeting of the Holders of Common Shares of National Bank of Canada to be held on April 24, 2020
Bank:	National Bank of Canada
BIS:	Bank for International Settlements
OSFI:	Office of the Superintendent of Financial Institutions (Canada)
Audit Committee:	Audit Committee of the Board
Circular:	Management Proxy Circular in respect of the most recent annual meeting of holders of Common Shares that involved the election of directors
Board:	Board of Directors of the Bank
RMC:	Risk Management Committee of the Board
CPA:	Chartered Professional Accountants
CRCGC:	Conduct Review and Corporate Governance Committee of the Board
HRC:	Human Resources Committee of the Board
DBRS:	DBRS Limited
Deloitte:	Deloitte LLP
Fitch:	Fitch Ratings Ltd.
NVCC:	Non-viability Contingent Capital
IFRS:	International Financial Reporting Standards
Act:	<i>Bank Act</i> , S.C. 1991, c. 46
Moody's:	Moody's Investors Service
Annual Information Form:	This annual information form
Annual Report:	The Bank's annual report to shareholders, including Management's Discussion and Analysis and the consolidated audited annual financial statements for the fiscal year ended October 31, 2019
MD&A:	Management's Discussion and Analysis of the Bank's consolidated annual financial statements for the fiscal year ended October 31, 2019
SEDAR:	System for Electronic Document Analysis and Retrieval
S&P:	Standard & Poor's Financial Services LLC
TSX:	Toronto Stock Exchange

CORPORATE STRUCTURE

Name, Address and Incorporation

The Bank is a Canadian bank governed by the Act and its head office is located at 600 De La Gauchetière Street West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

The Bank's roots date back to 1859 with the founding of Banque Nationale in Quebec City. The Bank's current charter is the result of a series of amalgamations, first with Banque d'Hochelaga in 1924 to form Bank Canadian National, which then merged with The Provincial Bank of Canada in 1979 to form National Bank of Canada. In 1985, the Bank acquired The Mercantile Bank of Canada. In 1992, the Bank merged with National Bank Leasing Inc., its wholly owned subsidiary.

Bank Subsidiaries (Intercorporate Relationships)

A list of the main Bank subsidiaries with a description of intercorporate relationships can be found on the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

Fiscal 2019: The Bank recorded net income of \$2,322 million for fiscal 2019 compared to \$2,232 million for the corresponding period of 2018, an increase of 4%. Diluted earnings per share were \$6.34, as against \$5.94 for fiscal 2018. This increase was attributable to net income growth across most business segments, tempered by a slowdown in the Financial Markets segment during the first half of fiscal 2019. Specified items, net of income taxes, had an adverse impact of \$6 million on net results in 2019. The specified items recorded during fiscal 2019, net of income taxes, included a gain of \$68 million on the disposal of Fiera Capital Corporation shares, a gain of \$43 million on the disposal of tangible assets, a \$27 million loss following the reassessment of the fair value of the Bank's participation in NSIA Participations, impairment losses on tangible and intangible assets of \$42 million, provisions for onerous contracts of \$33 million, \$8 million in litigation charges relating to Maple Financial Group Inc. and \$7 million in severance pay. Return on equity (ROE) was 18.0% for fiscal 2019 compared to 18.4% in 2018. The Bank's Common Equity Tier 1 (CET1), Tier 1 and total capital ratios were, respectively, 11.7%, 15.0% and 16.1% as at October 31, 2019, i.e. above the regulatory requirements, compared to ratios of 11.7%, 15.5% and 16.8%, respectively, as at October 31, 2018. CET1 capital ratio was stable. Net income, net of dividends, and common share issuances under the Stock Option Plan compensated for the implementation of the *Standardized Approach for Measuring Counterparty Credit Risk* (SA-CCR), the growth in risk-weighted assets, the common share repurchases during the year ended October 31, 2019, and the remeasurements of pension plans and other post-employment benefit plans. Lastly, the dividend payout ratio was 42% in 2019 compared to 41% in 2018. In the Personal and Commercial segment, total revenues were up 4% year over year, mainly due to growth in net interest income resulting from higher personal and commercial loan and deposit volumes, the growth of which was tempered by a slight decrease in the net interest margin, which was 2.23% in 2019 versus 2.24% in 2018. In the Wealth Management segment, total revenues were up 3% year over year, mainly due to higher net interest income that was driven by the growth in loan and deposit volumes, as well as by higher fee-based revenues given net inflows across all solutions and a steady rise in stock market performance. Revenues in the Financial Markets Sector were stable, with growth stemming from global market revenues being mitigated by commercial banking financial services and investment banking services. In the U.S. Specialty Finance and International segment, revenues were up 12% year over year, driven mainly by the revenues from the Advanced Bank of Asia Limited subsidiary, which is

experiencing sustained growth arising from increasing loan and deposit volumes.

Fiscal 2018: The Bank recorded net income of \$2,232 million for fiscal 2018 compared to \$2,024 million for the corresponding period of 2017, an increase of 10%. Diluted earnings per share were \$5.94, as against \$5.38 in fiscal 2017. These increases were driven by net income growth across all business segments. In addition, return on equity (ROE) was 18.4% for fiscal 2018 compared to 18.1% in 2017. The Bank's Common Equity Tier 1 (CET1), Tier 1 and total capital ratios were, respectively, 11.7%, 15.5% and 16.8% as at October 31, 2018, i.e. above the regulatory requirements, compared to ratios of 11.2%, 14.9% and 15.1%, respectively, as at October 31, 2017. The increase in the CET1 capital ratio stems essentially from net income, net of dividends, common share issuances under the Stock Option Plan, remeasurements of pension plans and other post-employment benefit plans, factors that were mitigated by the growth in risk-weighted assets and the common share repurchases during the year ended October 31, 2018, as well as by the impact of adopting IFRS 9 on November 1, 2017. Lastly, the dividend payout ratio was 41% in 2018 compared to 42% in 2017. In the Personal and Commercial segment, total revenues were up 6% year over year, essentially due to growth in net interest income resulting from higher personal and commercial loan and deposit volumes and from an improved net interest margin, which was 2.2% in 2018 versus 2.19% in 2017. In the Wealth Management segment, total revenues were up 9% year over year, mainly due to higher net interest income that was driven by improved margins as well as by higher fee-based revenues given net inflows across all solutions and a steady rise in stock market performance. In the Financial Markets segment, total revenues were up 8% owing to global market revenues, commissions and commercial banking financial services. In the U.S. Specialty Finance and International segment, revenues were up 18% year over year, partly driven by an increase in Credigy Ltd.'s revenues, particularly due to growth in loan volumes, and partly driven by the revenues from the Advanced Bank of Asia Limited subsidiary, which are experiencing sustained growth arising from increasing loan and deposit volumes.

Fiscal 2017⁽¹⁾: The Bank recorded net income of \$2,024 million for fiscal 2017 compared to \$1,256 million for the corresponding period of 2016. Diluted earnings per share were \$5.38, as against \$3.29 for fiscal 2016. These increases were driven by net income growth across all business segments and by the fact that, in fiscal 2016, a \$183 million, net of income taxes, sectoral provision for credit losses had been recorded for oil and gas producers and service companies. In addition, a greater amount of unfavourable specified items had been recorded in fiscal 2016. The specified items, net of income taxes, reduced the 2017 net income by \$25 million compared to a \$357 million net income reduction in 2016. In 2016, these items, net of income taxes, had included

(1) On November 1, 2016, the Bank modified the presentation of segment disclosures to be consistent with the presentation adopted by the Bank for the fiscal year 2017. This presentation reflects the fact that the activities of subsidiary Credigy Ltd., which had previously been presented in the Financial Markets segment, and that the activities of subsidiary Advanced Bank of Asia Limited and of other international investments, which had previously been presented in the Other heading, are now presented in the U.S. Specialty Finance and International segment. The Bank made this change to better align the monitoring of its activities with its management structure. These changes have not been reflected in fiscal 2016 history.

a \$145 million write-off of the Bank's equity interest in associate Maple Financial Group Inc., a \$96 million restructuring charge, \$42 million in acquisition-related charges, \$32 million in intangible asset impairment losses and \$18 million in litigation charges. Net income excluding specified items for the year ended October 31, 2017 totalled \$2,049 million, up 27% from \$1,613 million in 2016, and the 2017 diluted earnings per share excluding specified items stood at \$5.45, up 25% from \$4.35 in 2016. Common Equity Tier 1 (CET1), Tier 1 and total capital ratios, under Basel III, stood at 11.2%, 14.9% and 15.1%, respectively, as at October 31, 2017, well above regulatory requirements, compared to the ratios of 10.1%, 13.5% and 15.3%, respectively, as at October 31, 2016. Lastly, the dividend payout ratio was 42% in 2017 compared to 66% in 2016. In the Personal and Commercial segment, total revenues were up 6% year over year, essentially due to growth in net interest income resulting from higher personal and commercial loan and deposit volumes and from an improved net interest margin, which was 2.19% in 2017 versus 2.17% in 2016. In the Wealth Management segment, total revenues were up 11% year over year, mainly due to higher net interest income that was driven by deposit growth and improved margins as well as by higher fee-based revenues given net inflows across all solutions and a steady rise in stock market performance. In the Financial Markets segment, total revenues were up 24% year over year owing to all revenue categories, in particular the segment's Other revenue category, which in 2016 had included the write-off of the Bank's equity interest in associate Maple Financial Group Inc.; the segment's total revenues excluding specified items rose 10%. In the U.S. Speciality Finance and International segment, revenues were up 32% year over year, partly driven by a 26% increase in Credigy Ltd.'s revenues, particularly due to growth in loan volumes, and partly driven by the revenues from the Advanced Bank of Asia Limited subsidiary, which have been consolidated into the Bank's results since the third quarter of 2016 and that are experiencing sustained growth arising from increasing loan and deposit volumes. These increases more than offset the \$41 million non-taxable gain on the revaluation of the previously held equity interest in Advanced Bank of Asia Limited that had been recorded in 2016.

DESCRIPTION OF THE BUSINESS

Business

The description of the Bank's business can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Products and Services

Information on the Bank's products and services can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Specialized Skills and Knowledge

Information on the required specialized skills and knowledge can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Competitive Conditions

A summary of the competitive conditions in the main markets and geographic areas in which the Bank conducts its business can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

New Products

Information on new products can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Intangible Assets

Information on the Bank's intangible assets can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Environmental Protection

Environmental Measures: For several years, the Bank and its subsidiaries have been increasing their efforts to soundly manage the impact their activities may have on the environment. Accordingly, they have adopted various environmentally friendly practices and programs notably aimed at reducing the amount of energy consumed, increasing materials recovered and recycled, managing ecological maintenance products and carrying out space planning projects using a sustainable approach based on Leadership in Energy and Environmental Design (LEED) environmental certification principles.

Moreover, the Bank has participated in the Carbon Disclosure Project (CDP) since 2008. This organization asks large publicly traded Canadian corporations to answer a questionnaire to assess the management of climate change and environmental risks linked to their operations. This voluntary participation allows the Bank to ensure that its Carbon footprint is kept up to date.

Through sound environmental management, the Bank and one of its subsidiaries, National Bank Realty Inc., operate the Bank's buildings and premises, current and future, in a sustainable manner by following acknowledged standards and adhering to applicable regulations. The Bank has also committed to taking the necessary actions to improve its environmental footprint by reducing its energy use, while encouraging all its partners, service providers and employees to adopt environmentally responsible best practices.

Information on the Bank's activities related to the environment, social and governance issues can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Impact of environmental requirements: To manage their credit risk exposure, the Bank and its subsidiaries have incorporated environmental criteria into their credit policies and introduced controls to make sure that environmental standards are met. These policies set out the measures to be taken to identify and mitigate any credit risk stemming from potential environmental risks, both now and in the future. Accordingly, all financing applications undergo risk classification and, as applicable, a multi-step analysis, including a specific environmental assessment. To date, the environmental risks involved have not had a material impact on the Bank's operations.

Number of Employees

The Bank had 25,487 employees at the end of the fiscal year on October 31, 2019. The number of employees includes employees from Credigy Ltd. and Advanced Bank of Asia Limited.

Assets under Administration and Assets under Management

Information on the Bank's assets under administration and assets under management can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Loans by Borrower Category

The distribution of gross loans by borrower category can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Investment Policies and Lending and Investment Restrictions

Information on investment policies and lending and investment restrictions can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Provision for Credit Losses

Information on the provision for credit losses can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Social Responsibility

The description of the social and environmental policies implemented by the Bank can be found in the Bank's Social Responsibility Report and is incorporated herein by reference.

It is available on the nbc.ca website under "Social Responsibility" and on the sedar.com website.

RISK FACTORS

Information on the main risk factors for the Bank can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

ASSET-BACKED SECURITIES OUTSTANDING

Information on the Bank's asset-backed securities outstanding can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

DIVIDENDS

Information on the amount of dividends declared and paid during the three most recently completed fiscal years can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

CAPITAL STRUCTURE

As at October 31, 2019, the Bank's authorized share capital consisted of an unlimited number of common shares without par value, issuable for a consideration determined by the Board, and an unlimited number of first preferred shares without par value, issuable for a maximum aggregate consideration of \$5,000,000,000, or the equivalent thereof in foreign currencies, issuable in series. The Bank's authorized share capital also consisted of 15,000,000 second preferred shares without par value, and issuable for a maximum aggregate consideration of \$300,000,000, or the equivalent in foreign currency. The main features of each of these classes and series are described below. The Bank's by-laws and the actual terms and conditions of such shares take precedence over the following summary of share capital.

The details on the Bank's capital structure are described in more detail in the "Risk Management" section beginning on page 58 of the 2019 Annual Report.

Common Shares

As at October 31, 2019, there were 20,894 registered holders of common shares in the Bank's register of common shares.

The common shares carry and are subject to the rights, privileges, restrictions and conditions set out below:

Dividends

Holders of common shares are entitled to receive dividends, in such amounts and payable at such times as the Board determines.

Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Bank, after payment to the holders of first preferred shares and to the holders of second preferred shares of the amounts described under "First Preferred Shares" and under "Second Preferred Shares" or holders of shares of any other class of Bank shares ranking senior to common shares, respectively, the remaining property of the Bank will be distributed rateably among the holders of common shares.

Voting Rights

Subject to certain restrictions, holders of common shares are entitled to cast one vote per share at all meetings of shareholders of the Bank, except meetings at which only holders of a specified class or series of shares are entitled to vote.

First Preferred Shares

As at October 31, 2019, the First Preferred Shares, Series 30, 31, 32, 33, 34, 35, 38, 39, 40, 41, 42 and 43 ("**First Preferred Shares**") are part of the Bank's authorized share capital, but only Series 30, 32, 34, 38, 40 and 42 have been issued and are outstanding (**issued and outstanding series**).

The first preferred shares carry and are subject to the rights, privileges, restrictions and conditions set out below:

Rank

First preferred shares have priority over common shares and any other Bank shares with a rank lower than first preferred shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Bank.

Issuance in Series

First preferred shares may be issued, subject to the provisions of the Act, in one or more series. The Board may, by resolution, establish the number of shares in, and determine the respective designations, rights, privileges, restrictions and conditions of each series (other than series already issued and outstanding), including the rate, amount or calculation method and terms and conditions of redemption, purchase or conversion and sinking fund or purchase fund provisions.

Creation or issue of superior or equal ranking shares

The Bank may not, without prior approval of the holders of the first preferred shares, and subject to the approvals required by the Act, or any other legal requirement, create or issue shares ranking equal with or superior to first preferred shares or create or issue any additional series of first preferred shares as specified in the conditions of the series.

Changes to Series

The Bank may not, without prior approval of the holders of the first preferred shares of the series concerned, and subject to the approvals required by the Act, or any other legal requirement, delete or change the relevant provisions of the first preferred shares. Holders of first preferred shares of the series concerned may give their approval by resolution adopted through the affirmative vote of at least 66 ⅔% of the votes cast at a meeting of the holders of the shares of the series concerned, where the majority of shares outstanding in the series concerned is represented or, if such a quorum is not obtained at this meeting, any rescheduled meeting where the shareholders are present or represented by proxy would constitute the quorum needed.

Dividends

Holders of all series of first preferred shares are entitled to receive dividends in such amounts and payable at such times as the Board determines, in accordance with the conditions of the series. Holders of any series of first preferred shares are entitled to preference over the holders of common shares, second preferred shares and shares of any other class of Bank shares ranking junior to the first preferred shares. In the case of cumulative dividends, the priority will cover all dividends accrued (which for such purpose will be calculated as if such dividends were accruing from day to day) and unpaid. In the case of non-cumulative dividends, the priority will cover all declared and unpaid dividends. Holders of any series of first preferred shares are not entitled to any dividends other than those expressly provided for in the rights, privileges, restrictions and conditions attached to such series of first preferred shares.

Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Bank, before any amount is paid or any property distributed to the holders of common shares, second preferred shares, or shares of any other class of Bank shares ranking junior to the first preferred shares, the holders of each series of first preferred shares are entitled to receive (i) an amount equal to the price at which such shares were issued, (ii) such premium, if any, as has been provided for with respect to such series, and (iii) in the case of cumulative first preferred shares, all cumulative accrued and unpaid dividends and, in the case of non-cumulative first preferred shares, all non-cumulative dividends declared and remaining unpaid on and including the date of distribution. After payment to the holders of first preferred shares of the amounts so payable to them, they may not participate in any further distribution of the property or assets of the Bank.

Voting Rights

Subject to the provisions of the Act and except as otherwise provided in the rights, privileges, restrictions and conditions attaching to any series of first preferred shares, the holders of first preferred shares do not, as such, have any voting rights for the election of directors of the Bank, the appointment of the independent auditor, or for any other purpose nor are they entitled to receive any notice of or attend shareholders' meetings.

Redemption

Subject to the consent of the OSFI and the provisions of the Act, the Bank may, at its discretion, redeem for cash the first preferred shares, in whole or in part, on the dates and at the amounts set out the conditions of the series.

Conversion

Subject to certain conditions, holders of first preferred shares will have the right, at their discretion, to convert all or part of their shares into the corresponding number of first preferred shares of another series, on a fixed date, in accordance with the series conditions.

Series 23: First Preferred Shares, Series 23:

The First Preferred Shares, Series 23 are part of the Bank's authorized share capital, but no shares in this series had been issued as at October 31, 2019.

Each NBC CapS II – Series 2 can be exchanged automatically, without the consent of the holders, for 40 First Preferred Shares, Series 23 upon the occurrence of any one of the following events: (i) proceedings are commenced for the winding-up of the Bank; (ii) OSFI takes control of the Bank; (iii) the Bank posts a Tier 1 capital ratio of less than 5% or a total capital ratio of less than 8%; or (iv) OSFI has directed the Bank to increase its capital or to provide additional liquidity and the Bank elects to cause such automatic exchange or the Bank does not comply with such direction to the satisfaction of OSFI. First Preferred Shares, Series 23 pay semi-annual non-cumulative cash dividends and have been redeemable at the Bank's option, subject to the prior approval of OSFI, since July 31, 2013, but are not redeemable at the option of the holders.

Automatic conversion of non-viability contingent capital (NVCC)

In accordance with the capital adequacy requirements adopted by OSFI, non-common capital instruments issued after January 1, 2013, including subordinated debt securities and first preferred shares, must include terms providing for the full and permanent conversion of such securities into common shares upon the occurrence of certain trigger events relating to financial viability in order to qualify as regulatory capital.

The conditions of the first preferred shares provide that these shares will automatically and immediately be converted, on a full and permanent basis, into a specified number of common shares of the Bank as determined using an automatic conversion formula (value of the share, which is \$25.00 for first preferred shares, plus all declared and unpaid dividends for these shares, divided by the conversion price, which for first preferred shares is the greater of a floor price of \$5.00 (subject to certain adjustments) and the market price of the Bank's common shares or, in the absence of such a market price, their fair value) upon the occurrence of a trigger event.

A trigger event is defined as follows: (i) OSFI publicly announces that the Bank has been advised, in writing, that OSFI is of the opinion that the Bank has ceased, or is about to cease to be viable and that, after the conversion of all Preferred Shares and all other contingent instruments issued by the Bank, and taking into account any other factors or circumstances that are considered relevant or appropriate, it is reasonably likely that the viability of the Bank will be restored or maintained or (ii) a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection, or equivalent support, from the federal government or any provincial government or political subdivision or agent or agency thereof without which the Bank would have been determined by OSFI to be non-viable.

Second Preferred Shares

Second preferred shares are part of the Bank's authorized share capital, but no shares in this category had been issued as at October 31, 2019. Second preferred shares carry and are subject to the rights, privileges, restrictions and conditions set out below:

Rank

Second preferred shares rank senior to the common shares and the shares of any other class of Bank shares that rank junior to the second preferred shares, but rank junior to the first preferred shares with regard to dividends and return of capital in the event of the liquidation, dissolution or winding-up of the Bank.

Issuance in Series

Second preferred shares may be issued from time to time in one or more series. The Board may, by resolution, subject to the provisions of the Act, set the number of shares in, and determine the respective designations, rights, privileges, restrictions and conditions of each series, including the rate,

amount or calculation method and terms and conditions of redemption, purchase or conversion and sinking fund or purchase fund provisions.

Creation or issue of superior or equal ranking shares

The Bank may not, without prior approval of the holders of the second preferred shares, and subject to the approvals required by the Act, or any other legal requirement, create or issue shares ranking equal with or superior to second preferred shares or create or issue any additional series of second preferred shares as specified in the conditions of the series.

Changes to Series

The Bank may not, without prior approval of the holders of the second preferred shares of the series concerned, and subject to the approvals required by the Act, or any other legal requirement, delete or change the relevant provisions of the second preferred shares. Holders of first preferred shares of the series concerned may give their approval by resolution adopted through the affirmative vote of at least 66 ⅔% of the votes cast at a meeting of the holders of the shares of the series concerned, where the majority of shares outstanding in the series concerned is represented or, if such a quorum is not obtained at this meeting, any rescheduled meeting where the shareholders are present or represented by proxy would constitute the quorum needed.

Dividends

Holders of second preferred shares are entitled to receive dividends in such amounts and payable at such times as the Board determines. With respect to dividends, holders of any series of second preferred shares have priority over the holders of common shares or any other class of Bank shares ranking junior to the second preferred shares. In the case of cumulative dividends, the priority will cover all dividends accrued (which for such purpose will be calculated as if such dividends were accruing from day to day) and unpaid. In the case of non-cumulative dividends, the priority will cover all declared and unpaid dividends. The holders of any series of second preferred shares are not entitled to any dividends other than those expressly provided for in the rights, privileges, restrictions and conditions attached to such series of second preferred shares.

Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Bank, before any amount is paid or any property distributed to the holders of common shares or shares of any other class of Bank shares ranking junior to the second preferred shares, the holders of each series of second preferred shares are entitled to receive (i) an amount equal to the price at which such shares were issued, (ii) such premium, if any, as has been provided for with respect to such series, and (iii) in the case of cumulative second preferred shares, all cumulative accrued and unpaid dividends, and in the case of non-cumulative second preferred shares, all non-cumulative dividends declared and remaining unpaid up to and including the date of distribution. After payment to the holders of second preferred shares of the amounts so payable to them, they may not participate in any further distribution of the property or assets of the Bank.

Voting Rights

Subject to the provisions of the Act and except as otherwise provided in the rights, privileges, restrictions and conditions attaching to any series of second preferred shares, the holders of second preferred shares do not, as such, have any voting rights for the election of directors of the Bank, the appointment of the independent auditor, or for any other purpose nor are they entitled to receive any notice of or attend shareholders' meetings.

Restrictions on Bank Shares under the Act

The Act contains restrictions on the issue, transfer, acquisition, beneficial ownership and voting of all shares of a chartered bank. The following is a summary of such restrictions.

Subject to certain exceptions specified in the Act, no person may be a major shareholder of a bank if the bank has equity of \$12 billion or more. While the equity of the Bank is less than \$12 billion and the Act would otherwise permit a person to own up to 65% of any class of shares of the Bank, the Bank is deemed to be a bank to which the ownership restrictions for banks with equity of \$12 billion or more apply until the Minister of Finance (Canada) specifies, on application by the Bank, that these restrictions no longer apply to the Bank.

A person is a major shareholder of a bank where a) the aggregate of shares of any class of voting shares of a bank beneficially owned by that person, by entities controlled by that person and by any person acting jointly or in concert with that person is more than 20% of all of the outstanding shares of that class of shares; or b) the aggregate of shares of any class of non-voting shares of a bank beneficially owned by that person, by entities controlled by that person and by any person acting jointly or in concert with that person is more than 30% of all of the outstanding shares of that class of shares.

Furthermore, no person may have a significant interest in any class of shares of a bank, without approval under the Act. A person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank. Subject to certain exceptions, the Act also prohibits the registration of a transfer or issue of any shares of the Bank to Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty, in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them.

Notes

Information on the Bank's notes can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Credit Ratings

The table below details the ratings assigned to the Bank's outstanding securities by the following credit rating agencies as at October 31, 2019. Credit ratings must not be construed as recommendations to purchase, sell or hold securities of the Bank. The credit ratings assigned by ratings agencies represent their assessment of the Bank's credit quality based on qualitative information provided to them. Credit ratings may be revised at any time based on macro-economic factors or on the current and projected financial condition of the Bank.

The Bank has made customary payments to each of the ratings agencies in connection with the assignment of ratings and/or may have made such payments in respect of other services during the past two years.

Credit ratings are one of the main factors that influence the Bank's ability to access financial markets at a reasonable cost. A downgrade in the Bank's credit ratings could adversely affect the cost, size and term of future funding.

Funding and liquidity levels remained sound and robust, and the Bank continues to enjoy excellent access to the market for its funding needs. Refer to Appendix A for additional information on credit ratings.

	Moody's	S&P	DBRS ⁽³⁾	Fitch
Short-term debt	P-1	A-1	R-1 (mid)	F1
Canadian commercial paper	---	A-1 (mid)	---	---
Long-term deposit	Aa3	---	AA (low)	A+
Long-term non bail-inable senior debt ⁽¹⁾	Aa3	A	AA (low)	A+
Senior debt ⁽²⁾	A3	BBB+	A (high)	A+
Subordinated debt	Baa2	BBB+	A	A
Subordinated debt (NVCC)	Baa2 (hyb)	BBB	BBB (high)	---
Preferred shares (NVCC)	Ba1 (hyb)	P-3 (high)	Pfd-2 (low)	---
Covered bonds program	Aaa	---	AAA	AAA
Rating outlook	Stable	Stable	Positive	Stable

⁽¹⁾ Includes Senior debt issued prior to September 23, 2018 and Senior debt issued on or after September 23, 2018 which is excluded from the Bank Recapitalization (Bail-in) Regime.

⁽²⁾ Subject to conversion under the Bank Recapitalization (Bail-in) Regime.

⁽³⁾ On July 29, 2019, DBRS Limited (DBRS) changed the trend on all ratings of National Bank of Canada and its related entities to Positive from Stable.

MARKET FOR SECURITIES ⁽¹⁾**Trading Price and Volume**

As at October 31, 2019, the common shares and the First Preferred Shares, Series 30, 32, 34, 36, 38, 40 and 42 of the Bank were listed in Canada on the TSX. The First Preferred Shares, Series 23, 31, 33, 35, 37, 39, 41 and 43 and the second preferred shares are part of the Bank's authorized share capital, although no shares of these series or of that class had been issued as at October 31, 2019.

The following table shows the monthly price ranges and trading volumes of each of the Bank's securities listed on the TSX for the fiscal year ended October 31, 2019.

		2018/11	2018/12	2019/01	2019/02	2019/03	2019/04	2019/05	2019/06	2019/07	2019/08	2019/09	2019/10
shares Common (NA)	High (\$)	61.41	61.00	61.89	62.99	63.13	63.93	64.32	62.88	64.41	64.16	66.57	68.15
	Low (\$)	59.15	54.37	55.44	61.08	60.10	60.50	60.40	60.39	62.20	60.09	61.80	64.47
	Volume	17,427,299	24,561,730	24,613,024	19,061,178	42,338,749	20,615,634	25,351,477	25,644,081	21,431,252	19,109,780	27,253,939	22,391,887
Series 30 (NA.PR.S)	High (\$)	22.58	21.02	20.79	19.28	19.24	18.90	18.77	17.80	18.35	17.96	17.75	17.69
	Low (\$)	20.01	17.74	18.54	18.10	18.25	18.18	17.13	16.21	17.75	15.68	16.64	16.71
	Volume	156,358	286,553	246,063	259,610	314,115	165,314	185,340	268,330	211,690	301,840	161,691	267,481
Series 32 (NA.PR.W)	High (\$)	22.02	20.44	19.65	18.65	18.54	18.42	17.64	16.53	17.19	16.92	16.38	16.31
	Low (\$)	19.11	16.51	17.75	17.32	17.32	17.18	16.17	15.49	16.50	13.89	15.06	15.49
	Volume	100,381	350,428	120,788	253,212	233,316	134,943	92,864	184,313	231,380	138,527	102,298	167,945
Series 34 (NA.PR.X)	High (\$)	25.92	26.17	25.92	25.95	26.30	26.35	26.06	26.05	26.15	25.92	25.94	25.91
	Low (\$)	25.44	25.29	25.40	25.51	25.72	25.81	25.60	25.65	25.70	25.35	25.43	25.46
	Volume	162,477	159,404	236,637	103,411	250,444	148,005	174,567	76,010	85,685	178,125	67,469	94.76
Series 36 (NA.PR.A)	High (\$)	25.80	26.29	25.65	25.77	26.11	26.13	25.90	25.79	25.94	25.88	25.83	25.82
	Low (\$)	25.15	25.20	25.21	25.40	25.57	25.63	25.50	25.42	25.50	25.03	25.33	25.30
	Volume	124,286	186,533	291,365	560,442	422,507	217,830	71,813	104,434	251,882	136,885	91,350	123,822
Series 38 (NA.PR.C)	High (\$)	24.90	23.59	23.40	23.15	23.14	23.15	22.97	21.77	22.55	22.35	21.34	21.89
	Low (\$)	22.90	20.10	21.65	21.95	22.33	22.10	20.80	20.64	21.30	19.40	20.23	20.80
	Volume	244,576	319,369	449,518	565,262	387,555	365,820	265,348	207,353	208,773	217,629	198,685	259,730
Series 40 (NA.PR.E)	High (\$)	23.59	21.50	21.75	20.83	20.98	20.75	20.52	19.85	20.35	19.70	19.41	19.22
	Low (\$)	20.50	18.60	19.70	20.05	20.25	19.70	18.88	18.70	19.30	17.79	18.12	18.14
	Volume	235,116	549,621	187,738	146,524	161,547	192,770	156,639	143,096	166,089	138,879	186,122	314,262
Series 42 (NA.PR.G)	High (\$)	24.92	23.07	24.15	22.84	22.92	22.64	22.10	21.43	21.86	20.75	20.36	20.20
	Low (\$)	21.50	19.93	21.33	21.29	21.49	21.27	20.33	20.14	20.10	18.29	18.89	18.90
	Volume	102,807	394,780	190,141	158,713	216,862	120,927	114,420	120,245	116,488	125,488	115,140	186,942

The following table shows the monthly price range and trading volume of the Bank's security listed on the Luxembourg Stock Exchange that was traded in fiscal 2019⁽²⁾.

Date ⁽³⁾	High	Low	Volume
Floating-rate bond (NatlBank Canada 88-87 28/08s)	-	-	nil

⁽¹⁾ It is possible that the securities of the Bank may be listed on other exchanges by certain investors, brokers or other persons, without the Bank's consent or intervention. This section does not include debt classified as deposits.

⁽²⁾ This section does not include debt classified as deposits.

⁽³⁾ There was no trading activity in fiscal 2019.

Prior Sales

Information concerning prior sales can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

ESCROWED SECURITIES

As at October 31, 2019, the securities listed in the table below were, to the Bank's knowledge, all the securities of the Bank held in escrow. Computershare Trust Company of Canada is the custodian, as escrow agent, of said securities. These securities will be released on the dates and as per the conditions set out in the escrow agreements, including the degree to which the specified financial objectives are achieved.

Designation of class	Number of securities held in escrow	Percentage of class
Common Shares	21,510	0.007%

Additional information can be found in the page of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

NORMAL COURSE ISSUER BID OF THE BANK

The description of the Bank's normal course issuer bid can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

Shareholders may obtain, free of charge, a copy of the notice of intent regarding this NCIB, which was approved by the Toronto Stock Exchange, by writing to the Vice-President, Legal Affairs and Corporate Secretary, National Bank of Canada, 600 De La Gauchetière Street West, 4th floor, Montreal, Quebec, Canada H3B 4L2.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

As at October 31, 2019, the following were members of the Board. The main positions they have held since November 1, 2014 are also specified. All directors elected at the Meeting will hold office until their resignation, the election or appointment of their replacement, or until the close of the subsequent annual meeting of holders of Common Shares of the Bank. For further information, please consult the Circular.

BACHAND, Raymond ^{(2) (3)} (Quebec, Canada)	Strategic Advisor for the law firm Norton Rose Fulbright Canada LLP since January 2014. Bank director since October 2014.
BERTRAND, Maryse ^{(1) (4)} (Quebec, Canada)	Corporate director. Strategic Advisor and Counsel for Borden Ladner Gervais LLP law firm from September 2016 to January 2017. Vice-President – Real Estate Services, Legal Services and General Counsel at CBC/Radio-Canada from September 2009 to May 2015. Bank director since April 2012.
BLOUIN, Pierre ^{(1) (4)} (Quebec, Canada)	Corporate director. Chief Executive Officer of Manitoba Telecom Services Inc. from December 2005 to December 2014. Bank director since September 2016.
BOIVIN, Pierre ⁽⁴⁾ (Quebec, Canada)	President and Chief Executive Officer of Claridge Inc. since September 2011. Bank director since April 2013.
CURADEAU GROU, Patricia ⁽²⁾ (Quebec, Canada)	Corporate director. Bank director since April 2019.
DENHAM, Gillian H. ⁽⁴⁾ (Ontario, Canada)	President and Director of Authentum Partners Ltd. Bank director since October 2010.
HOUDE, Jean ⁽³⁾ (Quebec, Canada)	Chairman of the Board of Directors of National Bank of Canada since April 2014. Chairman of the Board of Directors of Énergir inc. since December 2011. Bank director since March 2011.
KINSLEY, Karen ^{(1) (2)} (Ontario, Canada)	Corporate director. Bank director since December 2014.
MCKILLICAN, Rebecca ⁽⁴⁾ (Ontario, Canada)	Chief Retail Officer at McKesson Canada since October 2019. Bank director since October 2017.
PARÉ, Robert ⁽³⁾ (Quebec, Canada)	Strategic Advisor for the firm Fasken Martineau DuMoulin LLP since February 2018. Senior Partner at Fasken Martineau DuMoulin LLP from February 1984 to January 2018. Bank director since April 2018.
SAPUTO, Lino A. Jr. ^{(2) (3)} (Quebec, Canada)	Chief Executive Officer since March 2004 and Chairman of the Board of Directors of Saputo Inc. since August 2017. Vice-Chairman of the Board of Directors of Saputo Inc. from August 2011 to August 2017. Bank director since April 2012.
SAVOIE, Andrée ^{(1) (3)} (New Brunswick, Canada)	President and Chair of the Board of Directors of Acadian Properties Ltd since June 2016. President and Managing Director of Acadian Construction (1991) Ltd. from January 2007 to December 2015. Bank director since April 2015.
THABET, Pierre ^{(1) (2)} (Quebec, Canada)	President of Boa Franc Inc. since September 1983. Bank director since March 2011.
VACHON, Louis (Quebec, Canada)	President and Chief Executive Office of the Bank since June 2007. Bank director since August 2006.

- (1) Member of the AC
(2) Member of the RMC
(3) Member of the CRCGC
(4) Member of the HRC

Executive Officers

The following are the Bank's executive officers, as defined in subsection 1.1(1) of *Regulation 51-102 Continuous Disclosure Obligation* (Quebec), as at October 31, 2019. The positions they have held both at the Bank and outside the Bank since November 1, 2014 are also specified.

ACHARD, Stéphane (Quebec, Canada)	Executive Vice-President – Commercial Banking and Insurance since June 2018 From March 2017 to June 2018, Senior Vice-President – Personal and Commercial Banking, Canada and International, National Bank of Canada. From September 2016 to February 2017, President and Chief Executive Officer, Shiller Lavy Group Inc. From September 2013 to June 2016, Senior Vice-President and General Manager – Commercial Banking, Cards and Electronic Money, Fédération des Caisses Desjardins du Québec.
BLANCHET, Lucie (Quebec, Canada)	Executive Vice-President – Personal Banking and Client Experience since June 2019 From June 2018 to June 2019, Executive Vice-President – Personal Banking and Marketing, National Bank of Canada. From April 2017 to June 2018, Senior Vice-President – Distribution, Solutions and Processes, Personal Banking, National Bank of Canada. From March 2017 to April 2017, Senior Vice-President – Solutions, Processes and Distribution Model, Personal Banking, National Bank of Canada. From May 2016 to March 2017, Senior Vice-President – Distribution Strategy, Personal and Commercial Banking, National Bank of Canada. From November 2014 to May 2016, Vice-President – Sales and Service, Personal and Commercial Banking, National Bank of Canada.
BONNELL, William (Quebec, Canada)	Executive Vice-President – Risk Management since June 2012
FAGNOULE, Dominique (Quebec, Canada)	Executive Vice-President – Information Technology since June 2016 From June 2015 to June 2016, Executive Vice-President – Information Technology and Strategic Initiatives Office, National Bank of Canada. From October 2013 to June 2015, Executive Vice-President – Information Technology, National Bank of Canada.
FERREIRA, Laurent (Quebec, Canada)	Executive Vice-President and Co-Head – Financial Markets since November 2018 From January 2015 to November 2018, Executive Vice-President and General Manager – Equity Derivatives, National Bank Financial Inc. From September 2009 to January 2015, Executive Vice-President and General Manager – Derivatives, National Bank Financial.
GAGNON, Martin (Quebec, Canada)	Executive Vice-President – Wealth Management and Co-President and Co-Chief Executive Officer, National Bank Financial since July 2016 From May 2012 to July 2016, Senior Vice-President – Intermediary Business Solutions, National Bank of Canada.
GIROUARD, Denis (Quebec, Canada)	Executive Vice-President and Co-Head – Financial Markets since November 2018 From June 2016 to November 2018, Executive Vice-President – Financial Markets, National Bank of Canada. From May 2012 to June 2016, Executive Vice-President, Managing Director, Co-Head – Fixed Income and Deputy Head – Financial Markets, National Bank Financial Inc.
HÉBERT, Brigitte (Quebec, Canada)	Executive Vice-President – Employee Experience since November 2019 From January 2019 to October 2019, Executive Vice-President – Employee Experience and Operations. From June 2018 to January 2019, Executive Vice-President – Human Resources, Corporate Affairs and Operations. From June 2015 to June 2018, Executive Vice-President – Operations, National Bank of Canada. From August 2014 to June 2015, Senior Vice-President – IT Delivery Management, Personal and Commercial Banking, Marketing and Operations, National Bank of Canada.
PARENT, Ghislain (Quebec, Canada)	Chief Financial Officer and Executive Vice-President – Finance since November 2018 From August 2011 to November 2018, Chief Financial Officer and Executive Vice-President – Finance and Treasury, National Bank of Canada.
VACHON, Louis (Quebec, Canada)	President and Chief Executive Officer of the Bank since June 2007

Shareholdings of Directors and Executive Officers

As at October 31, 2019, all the directors and executive officers of the Bank, as a group, directly or beneficially owned or controlled 654,787 common shares, i.e., 0.2% of the Bank's issued and outstanding common shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Bank, no director or executive officer of the Bank is, at the date of the Annual Information Form, or has been, within the 10 years before, a director, chief executive officer or chief financial officer of any company, including the Bank, that while the director or executive officer was acting in such capacity, or after the director or executive officer ceased to act in such capacity, and as a result of an event which occurred while the director or executive officer was performing his or her duties, was the subject of one of the following orders which was in effect for more than 30 consecutive days, namely, any cease trade or similar order or any order that denied it access to any exemption under securities legislation, except for:

- Gillian H. Denham, who, from June 13, 2012 to June 23, 2016, was a member of the Board of Directors of Penn West Petroleum Ltd., a company that was subject to a cease trade order further to the July 2014 announcement by Penn West Petroleum Ltd. of the review of some of its accounting practices and the decision to restate its financial statements. This order terminated on September 23, 2014.

To the knowledge of the Bank, no director or executive officer of the Bank is, at the date of the Annual Information Form, or has been, within the 10 years before, a director or executive officer of any company, including the Bank, that while the director or executive officer was acting in such capacity or within a year of the director or executive officer ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, except for:

- Pierre Boivin, who, until November 26, 2009, was a board member of Toptent Inc., a corporation that filed a commercial proposal with its creditors on April 30, 2010. On August 3, 2010, Toptent Inc. was discharged from the proposal;

In addition, to the knowledge of the Bank, no director or executive officer of the Bank has, in the 10 years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

Furthermore, to the knowledge of the Bank, no director or executive officer of the Bank has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision. Moreover, in the opinion of the Bank, no disclosure concerning a settlement agreement entered into by a director or executive officer of the Bank before December 31, 2000 would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

To the knowledge of the Bank, no director or officer of the Bank has an existing or potential material conflict of interest with the Bank or any of its subsidiaries. Information on related party transactions can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Information on litigation to which the Bank is a party can be found in the pages of the Annual Report specified in the Table of Contents of the Annual Information Form and is incorporated herein by reference.

TRANSFER AGENT AND REGISTRAR

The Bank's registers are maintained in Montreal by:

Computershare Trust Company of Canada
1500 Robert-Bourassa Boulevard, 7th Floor
Montreal, Quebec, Canada H3A 3S8

Telephone: 1-888-838-1407
Fax: 1-888-453-0330
Email: service@computershare.com
Internet: computershare.com

Mailing address:

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario, Canada M5J 2Y1

INTERESTS OF EXPERTS

Deloitte is the Bank's auditor and is independent within the meaning given to this term in the Code of Ethics of the Ordre des comptables professionnels agréés du Québec. This firm has prepared the Auditor's Report to shareholders in respect of the Bank's consolidated financial statements.

INFORMATION ON THE AUDIT COMMITTEE

The mandate of the Audit Committee appears in Appendix B.

Composition of the Audit Committee and Financial Literacy of Members

The Audit Committee is made up entirely of independent directors, as defined by the CSA. As at October 31, 2019, the members of this committee were Karen Kinsley, who is the Chair of this committee, Maryse Bertrand, Pierre Blouin, Andrée Savoie and Pierre Thabet.

The Board has determined that all the Audit Committee members are “financially literate” within the meaning of CSA rules relating to audit committees. All the Audit Committee members have acquired the experience and knowledge required to adequately fulfill their duties as Audit Committee members, from having served as chief executive officers or directors of other corporations or through their education. Several of them serve or have served on the audit committees of various corporations. The text below summarizes the education and experience of each Audit Committee member that are relevant to the performance of their responsibilities.

Maryse Bertrand has a law degree from McGill University and a Master's of Risk Management from the Stern School of Business at New York University. She has served on the Board of Directors for Metro Inc. since January 2015 and has been a member of its Audit Committee since January 2018. She has been a director and member of the Audit and Finance committee for Gildan Activewear Inc. since May 2018, and been a director of the Public Sector Pension Investment Board and a member of its Investment and Risk Committee since September 2018. Additionally, she was a member of the Board of Directors of two Bank subsidiaries, namely, National Bank Life Insurance Company as well as National Bank Trust Inc. from August 2016 to June 2019 and February 2018 and June 2019 respectively. From 2016 to January 2017 she was a strategic advisor and counsel for the law firm Borden Ladner Gervais LLP, and from September 2009 to May 2015, she was Vice-President, Real Estate, Legal Services and General Counsel with CBC/Radio-Canada. Maryse Bertrand has been a member of the Audit Committee since April 2019.

Pierre Blouin holds a Bachelor of Business Administration, with a major in Finance and Marketing, from HEC Montréal and is a Fellow of the Purchasing Management Association of Canada. He was the Chief Executive Officer of Manitoba Telecom Services Inc. from December 2005 to December 2014. He also served on the Board of Directors of Exelence Holdings Inc. from December 2016 to March 2019. He is a member of the Board of Directors of Fortis Inc., and he has been a member of the Human Resources Committee since May 2015 and a member of the Governance and Nominating Committee since May 2016. He has also been on the Board of Directors of Telecon Inc. since February 2019 and a member of the Human Resources Committee since July 2019. Pierre Blouin has been a member of the Audit Committee since April 2017.

Karen Kinsley has a Bachelor of Commerce from the University of Ottawa. She is a Fellow of the Chartered Professional Accountants of Ontario and has received the Certified Director designation (ICD.D) from the Institute of Corporate Directors. Since November 2015, she has served on the Board of Directors and the Audit Committee of Saputo Inc. She has also been a member of the Board of Directors and the Audit Committee of Choice Properties Real Estate Investment Trust since April 2018. She was a member of the Board of Directors and the Audit Committee of CREIT (Canadian Real Estate Investment Trust) from May 2017 to April 2018. From June 2003 to June 2013, she was President and Chief Executive Officer of Canada Mortgage and Housing Corporation (CMHC). She has been a member of the Audit Committee since April 2016 and Committee Chair since April 2017.

Andrée Savoie has a Bachelor's degree in Chemical Engineering from McGill University and a Master's degree in Applied Sciences from the University of Ottawa. She has been President and Chair of the Board of Directors of Acadian Properties Ltd. since June 2016. From February 2016 to June 2016, she was Managing Director of Acadian Properties Ltd. From January 2007 to December 2015, she held the position of President and Managing Director of Acadian Construction (1991) Ltd. Since 2011, she has also been a member of the Board of Directors of Assumption Mutual Life Insurance Company where she was a member of its Audit and Review Committees from February 2011 to February 2015, its Investment Committee from February 2011 to February 2019 and its Human Resources Committee from February 2016 to February 2019. She was Vice-Chair of the Board from February 2018 to February 2019, before being appointed Chair of the Board of Directors and the Governance Committee in February 2019. Andrée Savoie has been a member of the Audit Committee since April 2015.

Pierre Thabet has a Bachelor's degree in Administration, specializing in Accounting, from the Université de Moncton. He has been President of Boa-Franc Inc. since 1983. He has also been the President of Prolam Limited Partnership since 1997. From 2006 to 2017, he sat on the Board of Directors of Canam Group Inc., and also served on its Audit Committee from 2011 to 2017. He is involved in various social and economic organizations in his region, and in 2010, he became an entrepreneur coach at the École d'entrepreneuriat de Beauce. Pierre Thabet has been a member of the Audit Committee since January 2019.

GUIDELINES FOR THE MANAGEMENT OF SERVICES PROVIDED BY THE INDEPENDENT AUDITOR AND FEES PAID

The Bank's Audit Committee has put in place guidelines restricting the services that may be provided by the independent auditor in order to maintain its independence, which is essential to ensuring the smooth functioning of the Bank's operations and maintaining the confidence of its shareholders, investors and the general public. The Bank acknowledges that the audit work gives the independent auditor knowledge of the Bank that enables it to carry out other work more effectively and therefore deems it desirable, in certain circumstances, to entrust other work to it besides the annual audit in compliance with the regulatory framework governing the Bank and the independent auditor.

These guidelines state that a mandate may be assigned to the independent auditor for non-audit services provided the following conditions are met: the services are not on the list of prohibited services set out in the guidelines; the specific expertise of the independent auditor or its intrinsic knowledge of the Bank's activities allows it to carry out the mandate more effectively; the accepted mandate or the services rendered do not compromise the independence of the independent auditor within the prevailing regulatory framework; and the mandate is authorized as per the guidelines. The guidelines stipulate that the services must be preapproved by the Audit Committee in accordance with the following conditions: pre-approval policies and procedures are detailed; the Audit Committee is informed of each non-audit service; and procedures do not include delegation of the Audit Committee's responsibilities to Bank management. The Audit Committee has delegated responsibility for approving the awarding of specific mandates to its Chair. Consequently, whenever a specific pre-approval is required under these guidelines, Bank management must consult the Chair of the Audit Committee in the event of ambiguity, to determine whether a service is included in the pre-approved services.

Each year, the Audit Committee recommends to the Board that it approve the fees to be paid to the independent auditor and the envelopes established under the Guidelines for the Management of Services Provided by the Independent Auditor. The following table details fees billed by Deloitte to the Bank and to its subsidiaries for various services rendered during the past two fiscal years

	2019 (\$)	2018 (\$)
Audit fees	3,144,307	3,144,307
Audit-related fees	2,657,611	1,940,177
Subtotal	5,801,918	5,084,484
Tax fees	33,250	25,280
Other fees	508,228	210,394
Total	6,343,396	5,320,158

The audit fees include fees for services related to the audit of the consolidated financial statements of the Bank and the financial statements of its subsidiaries or other services normally provided by the independent auditor in connection with statutory or regulatory filings or engagements required by applicable legislation. They also include fees for examining the Bank's interim condensed consolidated financial statements.

The fees for audit-related services include fees for comfort letters, statutory audits, certification services, consents and assistance with the preparation and review of documents filed with regulators, the interpretation of accounting and financial reporting standards and the translation of reports to shareholders and related services performed by the Bank's independent auditor. They also include fees for accounting consultations in connection with acquisitions and divestitures and internal control reviews.

Tax fees include fees for assistance in tax planning, during restructurings, and when taking a tax position, as well as the preparation and review of income and other tax returns and tax opinions.

Other fees include fees for consulting services for projects, risk management services and statutory and/or regulatory compliance services.

ADDITIONAL INFORMATION

Additional information on the Bank is available on its nbc.ca website and on the sedar.com website. The Bank's financial information is published in the consolidated financial statements and the MD&A, both of which are part of the Annual Report. The Annual Report can also be obtained on the sedar.com website.

The Bank will provide to any shareholder, free of charge and upon request, a copy of the Annual Information Form together with a copy of any document incorporated therein by reference, a copy of the annual consolidated financial statements together with the accompanying auditor's report and MD&A, a copy of any subsequent interim report, a copy of the Circular in respect of its most recent annual meeting of holders of common shares that involved the election of directors, and a copy of any document that is incorporated by reference into a prospectus, short form or other, whenever the securities of the Bank are part of a distribution.

The Circular contains additional information, such as the compensation and indebtedness of directors and executive officers of the Bank and securities authorized for issuance under equity compensation plans. Copies of these documents may be obtained upon request from the Legal Affairs Office of the Bank, 600 De La Gauchetière Street West, 4th Floor, Montreal, Quebec, Canada H3B 4L2.

As part of the Canadian bank resolution powers, certain provisions of, and regulations under the Bank Act (Canada), the Canada Deposit Insurance Corporation Act and certain other Canadian federal statutes pertaining to banks, provide for a bank recapitalization regime for banks designated by OSFI as domestic systemically important banks, which include the Bank.

For a description of Canadian bank resolution powers and the consequent risk factors attaching to certain liabilities of the Bank reference is made to "Regulatory Context" on page 82 of the 2019 Annual Report and to <https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/relations-investisseurs/fonds-propres-et-dette/bail-in-senior-debt-en.pdf>

The information available on the Bank's website does not form a part of this AIF.

APPENDIX A – EXPLANATION OF RATINGS

The following descriptions of the ratings categories assigned by each of the rating agencies are provided in accordance with legislation and were taken from the agencies' respective websites. They do not constitute an endorsement by the Bank of the categories or of the application by the respective rating agencies of their criteria and analyses. More information can be obtained from the respective rating agencies.

Moody's

Short-Term Debt: P-1

A "P-1" rating indicates that an issuer has a superior ability to repay short-term debt obligations.

Long-term deposit: Aa3

An "Aa" rating is judged to be of high quality and is subject to very low credit risk.

Long-term non bail-inable senior debt: Aa3

An "Aa" rating is judged to be of high quality and is subject to very low credit risk.

Senior Debt: A3

An "A" rating is considered medium-upper-grade and is subject to low credit risk.

Subordinated Debt: Baa2

A "Baa" rating is considered to be medium grade, but subject to moderate credit risk and, as such, may possess certain speculative characteristics.

Subordinated Debt (NVCC) Baa2 (hyb)

A "Baa" rating is considered to be medium grade, but subject to moderate credit risk and, as such, may possess certain speculative characteristics.

Preferred Shares (NVCC): Ba1 (hyb)

A "Ba" rating is considered to be speculative and subject to substantial credit risk.

Covered bonds program: Aaa

An "Aaa" rating is judged to be of the highest quality, with the lowest credit risk.

Other Information

Moody's assigns ratings of between "A" and "Caa" to long-term financial instruments, to issuers or to obligations with initial maturities of one year or more, which reflect both the probability of default and the expected financial loss in the event of default.

Moody's appends numerical modifiers "1," "2" and "3" to each generic rating classification from "Aa" through "Caa." The modifier "1" indicates that the obligation ranks in the higher end of its generic rating category; the modifier "2" indicates a mid-range ranking; and the modifier "3" indicates a ranking in the lower end of that generic rating category. Moreover, the addition of "(hyb)" after the rating indicates a hybrid security. Moody's assigns ratings of between "P-1" and "NP" to short-term obligations with initial maturities of 13 months or less,

which reflect both the probability of default and the expected financial loss in the event of default.

Standard & Poor's

Short-Term Senior Debt: A-1

An "A-1" rating is in the highest category and it indicates that the obligor's capacity to meet its financial commitment on the obligation is strong.

Canadian Commercial Paper: A-1 (middle)

An obligation rated "A-1 (middle)" on the Canadian commercial paper rating corresponds to an "A-1" rating on Standard & Poor's global short-term rating scale. This rating reflects a strong capacity for the obligor to meet its financial commitment on the obligation.

Long-term non bail-inable senior debt: A

An "A" rating is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment is still strong.

Senior debt: BBB+

A "BBB" rating exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Subordinated Debt: BBB+

A "BBB" rating exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Subordinated Debt (NVCC): BBB

A "BBB" rating exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Preferred Shares (NVCC): P-3 (high)

A "P-3 (high)" rating corresponds to a "BB+" rating on the Standard & Poor's global scale. A "BB" rating is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments.

Other Information

The ratings from "AAA" to "CCC" may be modified by adding a plus or minus sign to show relative standing within the major rating categories.

DBRS

Short-Term Senior Debt: R-1 (middle)

A rating of "R-1 (middle)" indicates superior credit quality, and the capacity for payment of financial obligations in the short term is very high. The "R-1 (middle)" rating differs from the R-1 (high)" rating to a small degree. It is unlikely that securities rated "R-1 (middle)" will be significantly vulnerable to future events.

Long-Term Senior Debt: AA (low)

An "AA" rating indicates superior credit quality, and the capacity for payment of financial obligations is considered high. The "AA" rating only differs slightly from "AAA" and it corresponds to securities that are unlikely to be significantly vulnerable to future events.

Long-term non bail-inable senior debt: AA (low)

An "AA" rating indicates superior credit quality, and the capacity for payment of financial obligations is considered high. The "AA" rating only differs slightly from "AAA" and it corresponds to securities that are unlikely to be significantly vulnerable to future events.

Senior debt: A (high)

An "A" rating indicates good credit quality and a substantial capacity for the payments of financial obligations, but of lesser strength than securities rated "AA." May be vulnerable to future events, but negative factors are considered manageable.

Subordinated Debt: A

An "A" rating indicates good credit quality and a substantial capacity for the payments of financial obligations, but of lesser strength than securities rated "AA." May be vulnerable to future events, but negative factors are considered manageable.

Subordinated Debt (NVCC): BBB (high)

A "BBB" rating indicates adequate credit quality, and the capacity for payment of financial obligations is considered acceptable. Securities rated "BBB" may be vulnerable to future events.

Preferred Shares (NVCC): Pfd-2 (low)

A "Pfd-2" rating indicates satisfactory credit quality. Protection of dividends and principal is still substantial, but earnings, the balance sheet, and coverage ratios are not as strong as "Pfd-1" rated securities. Generally, "Pfd-2" ratings correspond with companies whose senior bonds are rated in the "A" category.

Covered bonds program: AAA

An "AAA" rating is of the highest credit quality. The capacity for the payment of financial obligations is exceptionally high and unlikely to be adversely affected by future events.

Other Information

The "R-1" and "R-2" rating categories can be further qualified with the subcategories "high," "middle" and "low." All long-term rating categories other than AAA and D also contain the subcategories "high" and "low." The absence of either designation indicates that the rating is in the middle of the category.

Fitch Ratings

Short-Term Senior Debt: F1

"F1" indicates the strongest intrinsic capacity for timely payment of financial commitments.

Long-term deposit: A+

"A" ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Long-term non bail-inable senior debt: A+

"A" ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Senior debt: A+

"A" ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Subordinated Debt: A

"A" ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Covered bonds program: AAA

"AAA" ratings denote lowest expectations of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

Other Information

The modifiers "+" or "-" may be appended to a rating to specify relative status within major rating categories.

APPENDIX B – AUDIT COMMITTEE MANDATE

Audit Committee

The Bank's Board of Directors delegates certain powers to the Audit Committee, which has the mandate to oversee the Bank's financial soundness. Among the activities it performs as part of its mandate, the Committee:

- **Obtains reports** on the Bank's management and financial position, the effectiveness and efficiency of the main governance processes and systems, the management of risks and internal controls, and the financial risks it faces.
- **Reviews the recommendations** for addressing such risks and follows up on the recommendations implemented.
- **Ensures** that Management has implemented the appropriate internal controls.
- **Recommends** to the Board the independent auditor candidate who will be proposed to shareholders.



The Committee entrusts certain responsibilities to Bank resources or independent third parties, such as to the Finance and Internal Audit oversight functions and to the independent auditor:

- **The Finance oversight function:** Reporting to the Chief Financial Officer and Executive Vice-President, Finance, the Finance oversight function, oversees the management of financial resources and the governance of financial information. It helps the Bank sectors manage their financial performance, ensures compliance with regulatory requirements, and is responsible for presenting the Bank's information to shareholders.
- **The Internal Audit oversight function:** The Senior Vice-President, Internal Audit is responsible for objectively providing independent assurance and advice to the Committee, the Board and Bank Management on the efficiency of the main governance processes and systems and on the management of risks and internal controls, as well as for offering recommendations and advice for promoting the Bank's long-term strength.
- **The independent auditor:** The independent auditor expresses an opinion on the consolidated financial statements and provides reports. It makes recommendations for improving the Bank's internal controls.

Moreover, the Committee:

- **Oversees** their performance and independence.
- **Ensures** that Management has implemented the measures and procedures to provide quality financial information.
- **Obtains information** about any situation that could jeopardize the Bank's financial soundness.
- **Examines** any document under its responsibility by law, regulation or submitted to any regulatory authority.

1 Role and responsibilities

1.1 Appointment and Mandate of the Oversight Functions and the Independent Auditor's Functions

Independent auditor

Appointment

- The Committee evaluates the independent auditor candidates. It periodically considers whether it is appropriate to launch a call for tenders in order to select a candidate firm to act as independent auditor.
- It proposes the appointment of the independent auditor. It recommends the appointment to the Board, which submits it to a shareholder vote.
- The Committee also makes recommendations concerning the independent auditor's remuneration.
- The Committee can recommend the removal of the independent auditor.

Mandate and annual plan

- The Committee approves the annual plan and the engagement letter which sets out the conditions and scope of services provided by the independent auditor.
- It ensures that the scope of the plan is appropriate, namely that it is based on financial and other material risks.
- In the event of a key change to the annual plan, the Committee assesses, with the support of the independent auditor, whether the change could adversely affect the quality of the audit engagement.
- The Committee must preapprove the audit and any other mandates of the independent auditor and put in place clear procedures and conditions for assigning those and any other mandates:
 - Guideline: Each year, the Committee recommends to the Board of Directors that it approve the guidelines concerning the management of the services provided by the independent auditor.
 - Delegation: The Committee delegates to its Chair the power to approve these mandates.

Oversight function heads

Appointment of the Chief Financial Officer and Executive Vice-President, Finance and of the Senior Vice-President, Internal Audit

- The Committee reads over the recommendations of the President and Chief Executive Officer of the Bank concerning the appointment or replacement of the Senior Vice-President, Internal Audit and the Chief Financial Officer and Executive Vice-President, Finance. The Committee then makes its recommendations to the Board.
- Once a year, the Committee reads over the succession plans for the Senior Vice-President, Internal Audit and the Chief Financial Officer and Executive Vice-President, Finance. The Committee then makes its recommendations to the Board.

Mandate and annual plan

- Each year, the Committee reviews and approves the Internal Audit Charter and the mandate of the Finance oversight function.
- Each year, the Committee reviews and approves the Annual Internal Audit Plan and makes recommendations as necessary.
- The Committee ensures that the oversight functions have the necessary and appropriate resources and structure to fulfill their mandate.
- The Committee approves the budgets of the oversight functions annually.

1.2 Performance, Oversight and Independence of the Oversight Functions and the Independent Auditor

Independent auditor

Self-assessment

At least once a year, the independent auditor presents a report outlining:

- Its internal practices concerning the quality control of its services
- Important matters arising from its most recent quality control and peer reviews or following investigations by professional or government authorities in the previous five years regarding its engagement and the measures taken to settle such matters
- Its assessment and internal procedures for ensuring its independence
- Its business relationship with the Bank

Annual assessment by the Bank

- Before the independent auditor tables its report on the annual consolidated financial statements, the Committee formally assesses the effectiveness of the contribution of the independent auditor, as well as its competencies, resources, independence, support and communication skills.
- The Committee reports to the Board on the effectiveness of the independent auditor.

Periodic assessment by the Bank

- The Committee periodically assesses the overall performance of the independent auditor for all provided services. It is supported by Management and the opinion of the Bank's Senior Vice-President, Internal Audit.
- At least once every five years, the Committee conducts a full assessment of the independent auditor in accordance with the recommendations of CPA Canada and the Canadian Public Accountability Board.

Rotation of partners responsible for the engagement

- The Committee reviews the competencies, performance and independence of the partner responsible for the audit and the audit team.
- The Committee discusses the appropriate time and procedure for rotating each of its partners.

Chief Financial Officer and Executive Vice-President, Finance and Senior Vice-President, Internal Audit

Assessment of independence

- The Committee ensures the independence and effectiveness of the Internal Audit and Finance oversight functions. To fulfill this role, it ensures that these oversight functions are free of any influence that could adversely affect their ability to carry out their responsibilities objectively. The Committee also ensures that these oversight functions have sufficient stature and authority within the Bank.
- The Chief Financial Officer and Executive Vice-President, Finance reports to the President and Chief Executive Officer of the Bank and has direct access to the Committee Chair.
- To ensure the independence of the Internal Audit oversight function, the Committee ensures:
 - That he or she reports in an administrative capacity to the President and Chief Executive Officer
 - That he or she has direct access to the Committee Chair and the President and Chief Executive Officer of the Bank
 - That he or she has access to the required information
 - That he or she regularly meets with the Chair of the Committee without Management being present in order to review the matters raised concerning relations with the Bank's Management and access to required information.

Performance assessment, compensation and oversight

- The Committee periodically assesses the effectiveness of the Finance and Internal Audit oversight functions, as well as their oversight processes. To fulfill this role, with the assistance of independent external consultants, it benchmarks the Finance and Internal Audit oversight functions and processes.
- The Committee annually reviews the performance of the Senior Vice-President, Internal Audit and the Chief Executive Officer and Executive Vice-President, Finance, and helps determine their compensation. The Committee then makes its recommendations to the Board.

1.3 Financial Reporting

Integrity of financial information

- The Committee reviews, together with the independent auditor, the consolidated financial statements, the Annual Report and the Annual Information Form, and ensures that they accurately present the Bank's financial performance and cash flows.
 - *Approval:* It recommends that the Board approve them before they are published, after looking over the independent auditor's conclusions.
- The Committee continuously oversees the independent auditor's work, which may include conclusions regarding the financial statements, reviews, certifications and all other services.
- In the event of disagreement between the independent auditor and Management regarding financial information, the Committee may intervene to reach an agreement.
- The Committee, the independent auditor and Management discuss documents related to the integrity of financial information and any other concerns the independent auditor may have.
- The Committee and the independent auditor discuss the quality and acceptability of the accounting principles applied in preparing the consolidated financial statements.

- The Committee reviews the annual management letter from the independent auditor and follows up on the corrective action taken by Management.
- The Committee obtains all important correspondence between the independent auditor and Management about audit findings.

Financial reporting

- The Committee reviews the press releases concerning financial information, audit processes and management information systems. It ensures their integrity, the effectiveness of processes, and compliance with applicable accounting standards.
- It reviews the process whereby the President and Chief Executive Officer and the Chief Financial Officer certify the integrity of the financial statements.
- The Committee ensures that adequate procedures are in place for publicly disclosing information derived from the financial statements.

1.4 Review of the Bank's Financial Soundness

Annual budget and financial plan

- The Committee reviews and recommends to the Board the Bank's operating budget, which contains information on economic outlooks, consolidated and sector financial objectives, operating expenses and the capital budget.

Investments and transactions

- The Committee is made aware of any investment or transaction having a material effect on the Bank's financial position brought to its attention by Internal Audit, the independent auditor or a member of Management.

Disputes and claims

- The Committee looks over all reports from Management regarding any dispute, notice of assessment or claim that could adversely affect the Bank's financial position.
- It ensures that material claims are properly disclosed in the financial statements.

Taxation

- The Committee reads over any reports relating to tax planning and risks.

Dividends

- The Committee reviews the declaration of dividends and makes recommendations to the Board.

Environmental, social and governance responsibility (ESG)

- The Committee performs its activities in accordance with the Bank's ESG practices and strategies.
- It monitors trends relating to controls and the integration of ESG criteria in financial reporting.

1.5 Control Mechanisms and Reporting

Internal Audit reports

- Reviews the report of the Senior Vice-President, Internal Audit, discusses the main audit reports, and ensures that the necessary steps are taken to follow up on important report recommendations.

Reporting of irregularities related to accounting, auditing or internal controls

- The Committee reviews and reports to the Board any accounting or financial irregularities reported anonymously by employees or directors.

- It ensures that the policy on reporting irregularities and adequate procedures are implemented for the receipt, retention and handling of irregularities reported and the confidential submission of concerns relating to accounting or auditing matters. This policy is reviewed periodically.
- It reviews the Corporate Compliance report on matters reported to the Ombudsman as well as investigation results.

1.6 Ongoing Training

- The Committee is informed of changes to accounting standards that could have an impact on the Bank or the disclosure of its consolidated financial statements.
- The Committee also stays abreast of legislative and regulatory changes in auditing and financial reporting.
- It informs the Board of such changes or new developments.
- To stay informed on matters relating to its mandate, the Committee attends information sessions on matters that fall under its expertise.

1.7 Bank Subsidiaries

- The Committee acts as an Audit Committee for Natcan Trust Company in accordance with the *Trust and Loan Companies Act* (Canada), notably for the approval of the consolidated financial statements and the appointment of the independent auditor.
- The Committee may also act as an Audit Committee for any other subsidiary of the Bank where permitted under its incorporating act. As such, it fulfills all the duties incumbent upon such committee, in accordance with legislation.

2 Powers

2.1 Hiring Independent External Consultants

- The Committee may hire legal advisors or other independent external consultants to assist it in fulfilling its responsibilities.
- The Committee sets and pays its consultants' compensation. The Bank provides the funds necessary to pay for the services of these consultants.

2.2 Investigating and Having Access to the Books, Records, Premises, Offers and Employees

- The Committee may investigate any issue it deems relevant. To conduct its investigation, it may have full access to the Bank's books, records, premises, officers and employees.

2.3 Delegating Powers to a Sub-Committee

- The Committee may, at its discretion, designate a sub-committee to review any issue raised by the current mandate.

2.4 Contacting Officers and Employees Directly

- The Committee may contact the Vice-President – Legal Affairs and Corporate Secretary and any other Bank officer or employee directly.

2.5 Performing any Duties Assigned to it or Stipulated by Law

- The Committee performs any duty required by the legislation in effect or any duty assigned to it by the Board from time to time.
- The Committee submits to the Board all recommendations it deems appropriate with respect to matters that fall within its purview.

3 Composition

3.1 Composition of the Committee

- Appointed by the Board and composed of Board directors.
- Minimum of three members.
- A majority of the members consists of directors who are not affiliated with the Bank; no employee or officer of the Bank or one of its subsidiaries may therefore be part of it.
- Members appointed by the Board upon recommendation from the Committee.
- One Chair, appointed by the Board from among the Committee members.
- One secretary, who is the secretary of the Bank, an assistant secretary or any other person designated by the secretary of the Bank.
- The composition of the Committee is reviewed every year.

Overboarding

- Members of the Committee will not serve on more than three public corporation audit committees, including the Bank's, without the approval of the Board.

3.2 Chair of the Committee

- The duties of the Committee Chair are set out in the mandate of the Chair. The Committee Chair may ask the Chair of the Board to have certain matters for which the Committee is responsible submitted to the Board.

3.3 Selection Criteria for Committee Members

Have the required skills and knowledge

- Each of the Committee members is "financially literate" within the meaning of *Regulation 52-110 respecting Audit Committees* or is able to become financial literate within a reasonable period of time following his or her appointment.

Be independent

- Every member must be independent as defined by the Canadian Securities Administrators.

3.4 Term of Mandate for Committee Members

Duration

All members carry out their duties until a successor is appointed, or until they:

- resign
- are relieved of their duties
- no longer sit as Board directors

Replacing a member after their departure during the year (vacancy)

- A vacancy on the Committee is filled by the Board as it deems appropriate.
- If it does not appoint a new member and the Committee has the required minimum number of members, the Committee's decisions will be valid.

4 Meetings

4.1 Dates of Meetings

Regular meetings scheduled in advance

- At least one meeting per quarter
- Dates, times, goals and locations of meetings are set in advance by the Board for the entire year. This information is sent to members at the beginning of the year. No other notice is sent.

Unscheduled meetings called during the year (as needed)

Who may call them?

- Unscheduled meetings may be called by:
 - ✓ The Chair of the Committee
 - ✓ Any other Committee member
 - ✓ The Chairman of the Board
 - ✓ The President and Chief Executive Officer
 - ✓ The Chief Financial Officer and Executive Vice-President, Finance
 - ✓ The Senior Vice-President, Internal Audit

Date, time and location of such a meeting

- The date, time, goal and location of the meeting are sent to the Committee members by any means of communication, without any required additional notice. The notice also states the purpose of the meeting.

Notice of meeting required unless exception:

- *24-hour notice:* Members must be advised about an unscheduled meeting no less than 24 hours before the time and date set for the meeting.
- *Waiver of notice:* The presence of a member at a meeting constitutes a waiver of this notice of meeting, except if this member is present to specifically oppose the review of any issue, claiming that the meeting was not called in due form.
- *Exception No. 1 – Two-hour notice:* The notice may be sent two hours in advance if there is an emergency called by the Chairman of the Board, the Chair of the Committee or the President and Chief Executive Officer.
- *Exception No. 2 – Without notice:* An unscheduled Committee meeting may be held without notice when all Committee members are present or when the absent members provide a written waiver of notice of meeting.

Exceptional meetings of the Board to review matters of interest to the Committee

- The Committee Chair may call a meeting of the Board to discuss matters of interest to the Committee.

4.2 Attendance: In Person or Remotely

- Meetings may be held by telephone or via any other means that enable all members to communicate with each other adequately and simultaneously. The person participating remotely is presumed to be in attendance.

4.3 Individuals Who May be Invited to Meetings

President and Chief Executive Officer

- He may attend every meeting of the Committee.

Independent Auditor, Executive Vice-President, Finance and Senior Vice-President, Internal Audit

- They are entitled to receive the notices for Committee meetings, attend discussions involving related parties and express their opinion.

Any other person invited by the Committee

- They can attend part of or the entire meeting, based on what has been agreed with the Committee.

In camera meeting

- Part of the meeting must always take place in the absence of the President and Chief Executive Officer or any other Bank officers.
- At every meeting, the Committee meets with the Finance and Internal Audit oversight function, and the independent auditors, individually and in camera.

4.4 Minimum Number of Members Required to Hold a Committee Meeting (Quorum)

- **A majority of the Committee members must be present:** if a member is temporarily absent from a meeting because the topic discussed puts them in a conflict of interest, they will be considered to be present for the meeting (subsection 182(3) of the Bank Act).
- **Not enough members present for quorum?** The Committee Chair can ask the Chairman of the Board to act as a member of the Committee for this meeting and give them voting rights, unless the Chairman of the Board is already a member of the Committee.
- **Is the Chair unavailable to attend?** The Committee selects a Chair from the members of the Committee present at the meeting or asks the Chairman of the Board to chair the meeting.

4.5 Vote

- All decisions to be made by the Committee must be voted on.
- **Majority vote:** The decisions voted on by the Committee must be approved by a majority vote of the members present.
- **Unanimous vote if the meeting only includes two members:** if the Committee is composed of three members and only two members attend a meeting, the decisions to be voted on must be passed unanimously.

4.6 Minutes of the Meeting

- **Minutes:** The secretary is responsible for drafting the minutes after each Committee meeting. These must be approved by the Committee members before being filed with the record of minutes. These minutes are provided to all directors at the next Board meeting for information purposes.
- **Oral report of the Chair to the Board:** The Committee Chair must present an oral report on the deliberations and recommendations of the Committee at the next Board meeting.



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