

UK TAX STRATEGY

INTRODUCTION

National Bank of Canada (or “NBC”) is a Canadian chartered bank under Schedule I of the *Bank Act* (Canada) and is regulated in Canada by the Office of the Superintendent of Financial Institutions. It is the parent company of the National Bank group. Its head office is located in Montreal, Canada.

National Bank Financial Inc. (“NBF”) is a Canadian corporation and is a registered securities dealer in Canada. NBF is an indirect wholly-owned subsidiary of National Bank of Canada.

Each of NBC and NBF have a branch office registered in the United Kingdom.

SCOPE

This tax strategy applies to all UK permanent establishments or entities which are part of the National Bank group. Currently, these are National Bank of Canada, London branch, and National Bank Financial Inc., London branch (collectively, the “London branches”).

NBC considers the publication of this UK tax strategy as complying with the duty imposed under Schedule 19 of the *Finance Act 2016* in the current fiscal year.

GOVERNANCE ARRANGEMENTS IN RELATION TO UK TAXATION

Responsibility for this tax strategy rests with the Chief Financial Officer and Executive Vice-President, Finance of NBC. This tax strategy is approved annually by the Audit Committee of the Board of Directors.

Responsibility for managing tax risk in accordance with this tax strategy rests with the Vice-President, Taxation, and the NBC Taxation Department (collectively, the “Tax Function”), primarily based at NBC’s Head Office.

Responsibility for tax compliance and reporting in respect of UK Taxation rests with the Head of Compliance of the London branches.

RISK MANAGEMENT IN RELATION TO UK TAXATION

The Tax Function pro-actively partners with business units to provide clear, relevant and practical advice on taxation matters.

The Tax Function supports business units in identifying, assessing, monitoring and managing tax risks in regard to products or activities of the NBC and NBF London branches and in ensuring taxation matters are appropriately addressed.

Where necessary, qualified independent tax professionals located in the UK are retained to provide advice on the interpretation of UK tax law, and on our UK tax compliance and reporting.

Periodic review of certain aspects of the Tax Function is undertaken by the Bank’s Internal Audit and Financial Governance functions, including periodic testing of controls relating to the Tax Function’s processes and procedures by Financial Governance to ensure such processes and procedures are effective in achieving tax integrity and comprehensive tax reporting.

LEVEL OF RISK IN RELATION TO UK TAXATION WE ARE PREPARED TO ACCEPT

NBC's risk appetite framework sets a low tolerance to operational and reputational risk, and requires rigorous management of regulatory compliance risk. Our approach to tax planning and tax compliance as regards UK taxation is consistent with this risk tolerance.

We recognise our duty to pay taxes; however, in balancing the long-term interests of all our stakeholders, including our clients, employees, shareholders, and the communities we serve, we believe this also means not paying more taxes than required by law.

Tax Planning

- Our tax planning supports genuine commercial activity.
- We do not engage in tax planning aimed at achieving a tax result that is contrary to the intentions of Parliament.
- We do not promote or facilitate client or counterparty transactions aimed at achieving a tax result for such parties that is contrary to the intentions of Parliament.
- We are mindful of the impact that tax risk may have on our reputation and in turn, our relationship with our shareholders, our clients, the communities in which we operate, our employees, and the taxation authorities.

Tax Compliance

- We seek to comply with all aspects of UK tax law and are committed to complying with our tax reporting obligations through the preparation and timely filing of tax returns that are correct and complete.
- National Bank of Canada has adopted the Code of Practice on Taxation for Banks.¹

Where required, decision-making on commercial or business opportunities that present potential tax or reputational risks may be escalated to the Global Risk Committee.²

DEALINGS WITH HMRC

We are committed to maintaining a transparent and constructive relationship with HM Revenue & Customs ("HMRC"), based on cooperative, supportive and professional interaction.

If our view on the application or interpretation of UK tax law differs with that of HMRC, we will engage in constructive dialogue with HMRC with a view to achieving resolution, prior to considering any further action in support of our tax position.

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¹ To the extent required for small banks, as provided in section 285(11) *Finance Act 2014*, and statement published by HMRC.

² NBC's risk management framework is presented under Management's Discussion & Analysis in NBC's Annual Report.