

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.

NBC has been active in the United Kingdom through its London branch since 1978. Its main operations consist of Corporate Treasury activities and wholesale funding. NBC is authorised by the Prudential Regulatory Authority and subject to regulation by both the Prudential Regulatory Authority and the Financial Conduct Authority (Firm Reference Number: 204681).

NBF has been active in the United Kingdom through its London branch since 1993. Its main operations consist of the distribution of Canadian securities to institutional clients. NBF is authorised and regulated by the Financial Conduct Authority (Firm Reference Number: 124715).

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 Senior Vice President, Finance of NBC. This tax strategy is reviewed annually by the Enterprise Wide Risk Management Committee and is presented to the Disclosure Committee.

Responsibility for managing tax risk in accordance with this tax strategy rests with the Vice-President, Planning and Tax Risk and Tax Counsel, and the NBC Taxation Department (collectively, the “Tax Function”). The Tax Function is an integral part of NBC’s Finance Function and is composed of tax professionals primarily based at NBC’s Head Office.

Responsibility for tax compliance and reporting in respect of UK Taxation rests with the Senior Manager, Compliance & Administration of the London branches. UK tax compliance and reporting is supported by the Accounting Department at NBC’s Head Office and is overseen by the Tax Function. Qualified

independent tax professionals located in the UK provide advice in respect of UK tax compliance and reporting.

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. Members of the NBC Taxation Department participate in the new product and activity approval processes to ensure taxation matters in regard to products or activities of the NBC and NBF London branches are identified and addressed appropriately.

For material transactions, matters involving significant complexity or interpretive uncertainty, and instances where we believe the Tax Function's resources or expertise are insufficient, qualified external tax professionals are retained to provide advice on the interpretation of UK tax law and compliance with our tax obligations.

Periodic review and testing of the Tax Functions' processes and procedures is undertaken by the Bank's Financial Governance and Internal Audit functions to ensure such processes and procedures are effective in achieving tax data integrity and adequate 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, regulatory compliance and reputational 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.