

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada (the permanent information record in Québec). Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary, National Bank of Canada, National Bank Tower, 600 de La Gauchetière West, Montreal, Québec, H3B 4L2, telephone (514) 394-6080.

These securities have not been and will not be registered under the Securities Act of 1933, as amended, of the United States of America. Accordingly, these securities may not be offered, sold or delivered in the United States and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States.

Short Form Prospectus

New Issue

January 22, 2003



NATIONAL BANK OF CANADA

\$200,000,000

(8,000,000 Shares)

Non-Cumulative Fixed Rate First Preferred Shares Series 15

This prospectus qualifies the distribution of 8,000,000 Non-cumulative Fixed Rate First Preferred Shares Series 15 (the "Preferred Shares Series 15") in the capital of National Bank of Canada (also referred to as the "Bank"). Non-cumulative preferential cash dividends on the Preferred Shares Series 15, if, as and when declared, will be payable quarterly on the fifteenth day of February, May, August and November of each year commencing May 15, 2003. The dividend rate on the Preferred Shares Series 15 for each quarter will be 5.85% per annum. The initial dividend, if, as and when declared, will be payable on May 15, 2003 in the amount of \$0.416712 per share, based upon an anticipated closing date of January 31, 2003.

The Preferred Shares Series 15 will not be redeemable prior to May 15, 2008. Subject to obtaining the consent of the Superintendent of Financial Institutions (Canada) (the "Superintendent"), the Bank may, at its option, redeem for cash the Preferred Shares Series 15 on or after May 15, 2008, in whole or in part, at any time, at a price equal to \$26.00 per share, if redeemed prior to May 15, 2009, at \$25.75 per share, if redeemed during the twelve months prior to May 15, 2010, at \$25.50 per share, if redeemed during the twelve months prior to May 15, 2011, at \$25.25 per share, if redeemed during the twelve months prior to May 15, 2012, and at \$25.00 per share, if redeemed on or after May 15, 2012, in each case together with all declared and unpaid dividends thereon to the date fixed for redemption. See "Details of the Offering".

The Toronto Stock Exchange has conditionally approved the listing of the Preferred Shares Series 15. Listing is subject to the Bank fulfilling all the requirements of The Toronto Stock Exchange on or before April 15, 2003.

In the opinion of counsel, the Preferred Shares Series 15 will qualify for investment under certain statutes as set forth under "Eligibility for Investment".

Price: \$25.00 per share to yield 5.85%

National Bank Financial Inc., RBC Capital Markets Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Merrill Lynch Canada Inc. and Trilon Securities Corporation (collectively the "Underwriters") as principals, conditionally offer 8,000,000 Preferred Shares Series 15, subject to prior sale, if, as and when issued by the Bank and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters on behalf of the Bank by McCarthy Tétrault LLP, and on our behalf by Desjardins Ducharme Stein Monast, a general partnership. **National Bank Financial Inc. is an indirect wholly-owned subsidiary of the Bank. The Bank is a related and connected issuer of National Bank Financial Inc. under applicable securities legislation by virtue of the Bank's indirect ownership of National Bank Financial Inc. RBC Capital Markets Inc. is an independent underwriter and is not related or connected to the Bank or to National Bank Financial Inc. and has acted as underwriter in connection with this offering of Preferred Shares Series 15 and, in that capacity, has participated with all other Underwriters in due diligence meetings relating to this prospectus with the Bank and its representatives, has reviewed this prospectus and has had an opportunity to propose such changes to this prospectus as it considered appropriate and has participated, together with the other Underwriters in establishing the terms of the Preferred Shares Series 15 and the price at which the Preferred Shares Series 15 will be sold to purchasers by the Bank. See "Plan of Distribution".**

	Price to public	Underwriters' fee ⁽¹⁾	Net proceeds to the Bank ⁽²⁾
Per share	\$25.00	\$0.75	\$24.25
Total	\$200,000,000	\$6,000,000	\$194,000,000

(1) The Underwriters' fee is \$0.25 for each share purchased by certain institutions and \$0.75 per share for all other shares. The total represents the Underwriters' fee and net proceeds assuming no Preferred Shares Series 15 are purchased by such institutions.

(2) Before deducting expenses of the issue payable by the Bank estimated at \$250,000.

Subscriptions for the Preferred Shares Series 15 will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering should take place on or about January 31, 2003 or such later date as the Bank and the Underwriters may agree upon, but in any event, not later than February 28, 2003. A book-entry only certificate representing the Preferred Shares Series 15 distributed hereunder will be issued in registered form only to The Canadian Depository for Securities Limited ("CDS"), or its nominee, and will be deposited with CDS on closing of this offering. A purchaser of Preferred Shares Series 15 will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares Series 15 are purchased. No certificate evidencing the Preferred Shares Series 15 will be issued to purchasers, and registration will be made in the depository service of CDS.

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Eligibility for Investment

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Desjardins Ducharme Stein Monast, a general partnership, counsel to the Underwriters, the Preferred Shares Series 15 offered hereby, at the date of issue, will be eligible investments, without resort to the so-called “basket provisions”, or their purchase will not be prohibited, in each case subject to general investment provisions, and in certain cases subject to prudent investment standards and to additional requirements relating to investment or lending policies or goals, and, in certain cases, the filing of such policies and goals, under or by the following statutes:

- (i) *Insurance Companies Act* (Canada);
- (ii) *Trust and Loan Companies Act* (Canada);
- (iii) *Pension Benefits Standards Act, 1985* (Canada);
- (iv) *An Act respecting insurance* (Québec), for an insurer, as defined therein, incorporated under the laws of Québec, other than a guarantee fund;
- (v) *An Act respecting trust companies and savings companies* (Québec), for a trust company, as defined therein, which invests its own funds and funds received as deposits and a savings company as defined therein;
- (vi) *Supplemental Pension Plans Act* (Québec);
- (vii) *Loan and Trust Corporations Act* (Ontario);
- (viii) *Pension Benefits Act* (Ontario);
- (ix) *Insurance Act* (Alberta);
- (x) *Loan and Trust Corporations Act* (Alberta);
- (xi) *Employment Pension Plans Act* (Alberta); and
- (xii) *Financial Institutions Act* (British Columbia).

In the opinion of such counsel, the Preferred Shares Series 15 offered hereby will, at the date of issue, also be qualified investments under the *Income Tax Act* (Canada) (the “Tax Act”) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

Documents Incorporated by Reference

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary, National Bank of Canada, National Bank Tower, 600 de la Gauchetière West, Montreal, Quebec H3B 4L2, telephone (514) 394-6080. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of the Bank at the above-mentioned address and telephone number.

The following documents (which are not specifically listed in the prospectus or any amendment or supplement delivered herewith) which have been filed by the Bank with the Superintendent and the various securities commissions or similar authorities in Canada, are specifically incorporated by reference in and form an integral part of this prospectus:

- (a) Annual Information Form as contained in the Bank's Annual Report for the year ended October 31, 2001;
- (b) Audited consolidated financial statements for the fiscal year ended October 31, 2001 which include comparative consolidated financial statements for the fiscal year ended October 31, 2000 together with the auditors' report thereon and management's discussion and analysis as contained in the Bank's Annual Report for the year ended October 31, 2001;
- (c) First Quarterly Report to shareholders of the Bank for the quarter ended January 31, 2002, which includes Unaudited Interim Consolidated Financial Statements for the quarters ended January 31, 2002 and 2001;
- (d) Second Quarterly Report to shareholders of the Bank for the quarter ended April 30, 2002, which includes Unaudited Interim Consolidated Financial Statements for the quarters ended April 30, 2002 and 2001;
- (e) Third Quarterly Report to shareholders of the Bank for the quarter ended July 31, 2002, which includes Unaudited Interim Consolidated Financial Statements for the quarters ended July 31, 2002 and 2001;
- (f) Fourth Quarterly Report to shareholders of the Bank for the quarter ended October 31, 2002, which includes Unaudited Interim Consolidated Financial Statements for the quarters ended October 31, 2002 and 2001, contained in a press release dated December 5, 2002;
- (g) Material change report dated June 11, 2002 concerning the acquisition of Altamira;
- (h) Management Proxy Circular dated January 24, 2002 in connection with the Bank's annual meeting of shareholders held on March 13, 2002, excluding those portions which, pursuant to National Instrument 44-101 of the Canadian Securities Administrators, are not required to be incorporated by reference; and
- (i) Press release of the Bank dated October 16, 2002 in connection with National Bank Financial Inc. and OSC Staff submissions in the YBM proceedings.

Any documents of the type referred to in the preceding paragraph and any material change report (excluding confidential material change reports) filed by the Bank with a securities commission or any similar authority in Canada, after the date of this short form prospectus and prior to the termination of the offering, will be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

National Bank of Canada

The Bank was formed through a series of amalgamations and its roots date back to 1859 with the founding of Banque Nationale in Quebec City. The Bank's head office is located at the National Bank's Tower, 600 de La Gauchetiere West, Montreal, Québec H3B 4L2.

A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at October 31, 2001 is included in the Annual Report for the year ended October 31, 2001.

Business of the Bank

The Bank maintains offices and provides services in each of the Canadian provinces. It offers a full range of financial services to individuals, commercial enterprises, financial institutions and governments both in Canada and abroad.

Details of the Offering

The following is a summary of the rights, privileges, restrictions and conditions of the first preferred shares of the Bank (the "First Preferred Shares") as a class and of the Preferred Shares Series 15. The Bank will furnish upon request a copy of the text of the provisions attaching to the Preferred Shares Series 15.

Certain Provisions of the First Preferred Shares as a Class

The authorized First Preferred Share capital of the Bank consists of an unlimited number of First Preferred Shares, without par value, which may be issued for a maximum aggregate consideration of \$1,000,000,000 or the equivalent thereof in foreign currencies. The Board of Directors of the Bank may by resolution divide any unissued First Preferred Shares into series and fix the number of shares in each series and determine the designation, rights, privileges, restrictions and conditions thereof.

Priority

The First Preferred Shares of each series will rank on a parity with First Preferred Shares of every other series and are entitled to preference over the Second Preferred Shares, the Common Shares, and any other shares of the Bank ranking junior to the First Preferred Shares with respect to the payment of dividends and upon any distribution of assets in the event of liquidation, dissolution or winding-up of the Bank.

Restrictions

The Bank will not, without the approval of the holders of the First Preferred Shares, create or issue any shares ranking in priority to or *pari passu* with the First Preferred Shares, nor create or issue any additional series of First Preferred Shares, unless all cumulative dividends have been declared and paid or set aside for payment and all declared and unpaid non-cumulative dividends have been paid or set aside for payment.

Voting Rights

The Board of Directors is empowered to set voting rights for each series. The holders of the First Preferred Shares are not entitled to any voting rights as a class except as provided above or by law or with respect to the right to vote on certain matters as specified under "Approval of the Holders of the First Preferred Shares".

Approval of the Holders of the First Preferred Shares

The provisions with respect to First Preferred Shares will not be deleted or modified except with a resolution carried by the affirmative vote of not less than 66²/₃% of the votes cast at a meeting of holders of First Preferred Shares at which a majority of the outstanding First Preferred Shares is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

Certain Provisions of the Preferred Shares Series 15 as a Series

Number and Issue Price

The Preferred Shares Series 15 will have an issue price of \$25.00 per share.

Dividends

The holders of the Preferred Shares Series 15 will be entitled to receive a quarterly non-cumulative preferential cash dividend, as and when declared by the Board of Directors, on the 15th day of each of February, May, August and November in each year (the “Dividend Payment Date”), at a quarterly rate equal to \$0.365625 per share. The first of such dividends, if declared, will be payable on May 15, 2003 and will be \$0.416712 per share, based on the anticipated closing date of January 31, 2003.

The holders of Preferred Shares Series 15 will not be entitled to any dividends other than or in excess of the fixed non-cumulative preferential cash dividends described above.

If the Board of Directors of the Bank in its discretion does not declare and the Bank does not subsequently pay any dividend, or any part thereof, on the Preferred Shares Series 15 on or before the Dividend Payment Date for a particular quarter, then the right of the holders of the Preferred Shares Series 15 to receive such dividend, or any part thereof, for such quarter will be forever extinguished.

See also “Restrictions on Dividends and Retirement of Shares”.

Redemption

The Preferred Shares Series 15 may not be redeemed prior to May 15, 2008. Subject to the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may, on not more than 60 and not less than 30 days notice at the Bank’s option without the consent of the holders, redeem for cash the Preferred Shares Series 15 on or after May 15, 2008 thereafter in whole or in part, at any time, at a price equal to \$26.00 per Preferred Share Series 15, if redeemed prior to May 15, 2009, at \$25.75 per Preferred Share Series 15, if redeemed during the twelve months prior to May 15, 2010, at \$25.50 per Preferred Share Series 15, if redeemed during the twelve months prior to May 15, 2011, at \$25.25 per Preferred Share Series 15, if redeemed during the twelve months prior to May 15, 2012, and at \$25.00 per Preferred Share Series 15, if redeemed on or after May 15, 2012, in each case together with the amount of all declared and unpaid dividends thereon to the date fixed for redemption.

If only part of the then outstanding Preferred Shares Series 15 is at any time to be redeemed, the Preferred Shares Series 15 to be redeemed will be selected by lot, pro rata, or in such other manner as the Board of Directors may determine subject to the approval of The Toronto Stock Exchange.

If the Preferred Shares Series 15 are not held in the CDS book-entry only system and if fewer than all the Preferred Shares Series 15 represented by any certificate will be redeemed, a new certificate for the balance will be issued without cost to the holder. Comparable measures will be taken for Preferred Shares Series 15 held in the CDS book-entry only system.

All redemptions of the Preferred Shares Series 15 are subject to the provisions of the *Bank Act* and the consents of the Superintendent and to the provisions described below under “Restrictions on Dividends and Retirement of Shares”.

Purchase for Cancellation

Subject to the provisions of the *Bank Act*, the consent of the Superintendent and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any Preferred Shares Series 15 at the lowest price or prices, at which, in the opinion of the Board of Directors of the Bank, such shares are obtainable. See “*Bank Act* Restrictions”.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Preferred Shares Series 15 will be entitled to receive \$25.00 per Preferred Share Series 15, together with all dividends declared and unpaid to and including the date of distribution, before any amount will be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the Preferred Shares Series 15. The holders of Preferred Shares Series 15 will not be entitled to share in any further distribution of the assets of the Bank.

Restrictions on Dividends and Retirement of Shares

As long as any of the Preferred Shares Series 15 are outstanding, the Bank will not, without the prior approval of the holders of such Preferred Shares Series 15 given as specified below under “Shareholder Approvals”:

- (a) declare or pay or set aside for payment any dividends on any shares of any class of shares of the Bank ranking junior to the Preferred Shares Series 15 (other than stock dividends ranking junior to the Preferred Shares Series 15);
- (b) call for redemption or redeem, call for purchase or purchase, or otherwise retire or reduce or make any return of capital in respect of shares of any class of shares of the Bank ranking junior to the Preferred Shares Series 15;
- (c) call for redemption or redeem, call for purchase or purchase, or otherwise retire or reduce or make any return of capital in respect of part only of the Preferred Shares Series 15; or
- (d) call for redemption or redeem, call for purchase or purchase, or otherwise retire or reduce or make any return of capital in respect of any shares of any class of shares of the Bank ranking *pari passu* with the Preferred Shares Series 15, except in satisfaction of an obligation to purchase or obligation in respect of a sinking fund, of a right of retraction or of any other mandatory redemption provision of any given series of any preferred shares,

unless all dividends up to and including the dividend payment date for the last completed period for which dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the First Preferred Shares and there shall have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative First Preferred Shares (including the Preferred Shares Series 15) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the First Preferred Shares.

Issue of Additional Series of First Preferred Shares

The Bank may issue other series of First Preferred Shares without the authorization of the holders of the Preferred Shares Series 15.

Amendments to Preferred Shares Series 15

The Bank will not without, but may from time to time with, the approval of the holders of the Preferred Shares Series 15 given as specified below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 15. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent make any such deletion or variation which might affect the classification afforded to the Preferred Shares Series 15 from time to time for capital adequacy requirements pursuant to the *Bank Act* and the Regulations and Guidelines thereunder.

Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 15 may be given by resolution carried by the affirmative vote of not less than 66²/₃% of the votes cast at a meeting of holders of Preferred Shares Series 15 at which a majority of the outstanding Preferred Shares Series 15 is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

In connection with any action to be taken by the Bank which requires the approval of the holders of Preferred Shares Series 15 voting as a series or as part of a class, each such share will entitle the holder thereof to one vote.

Voting Rights

The holders of the Preferred Shares Series 15 as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of the Bank unless and until the first time at which the rights of such holders to any undeclared dividends have become extinguished as described above under “Dividends”.

In that event, the holders of the Preferred Shares Series 15 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are elected and will be entitled to one vote for each share held. The voting rights of the holders of the Preferred Shares Series 15 will forthwith cease upon payment by the Bank of the first quarterly dividend on the Preferred Shares Series 15 to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the Preferred Shares Series 15 have again become extinguished, such voting rights will become effective again and so on from time to time.

Tax Election

The Bank will make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends paid (or deemed to be paid) by the Bank on the Preferred Shares Series 15.

Depository Services

Book-Entry Only Form

Except as otherwise provided below, the Preferred Shares Series 15 will be issued in “book-entry only” form and must be purchased or transferred through participants in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. On the closing date, the Bank will cause a global certificate representing the Preferred Shares Series 15 to be delivered to, and registered in the name of, CDS. Except as described below, no beneficial owner of Preferred Shares Series 15 will be entitled to a certificate or other instrument from the Bank or CDS evidencing that beneficial owner’s ownership thereof, and no beneficial owner will be shown on the records maintained by CDS except through a book-entry account of a participant acting on behalf of such beneficial owner. Each beneficial owner of Preferred Shares Series 15 will receive a customer confirmation of purchase from the registered dealer from which the Preferred Shares Series 15 are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order.

CDS will be responsible for establishing and maintaining book-entry accounts for its participants having interests in the Preferred Shares Series 15. If (i) required to do so by applicable law or the rules of any securities exchange, (ii) the book-entry only system ceases to exist, (iii) the Bank determines that CDS is no longer willing or able to discharge properly the responsibilities as depository with respect to the Preferred Shares Series 15 and the Bank is unable to locate a qualified successor, or (iv) the Bank at its option elects, or is required by law, to withdraw the Preferred Shares Series 15 from the book-entry only system, then physical certificates representing the Preferred Shares Series 15 will be issued to beneficial owners thereof or their nominees.

Neither of the Bank nor the Underwriters will assume any liability for (i) any aspect of the records relating to the beneficial ownership of the Preferred Shares Series 15 held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the Preferred Shares Series 15 unless certificated, or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of participants. The rules governing CDS provide that it acts as the agent and depository for the participants. As a result, participants must look solely to CDS, and persons other than participants having an interest in Preferred Shares Series 15 must look solely to participants, for payments or deliveries made by or on behalf of the Bank to CDS in respect of Preferred Shares Series 15.

Transfers

Transfers of ownership of Preferred Shares Series 15 will be effected only through records maintained by CDS for such Preferred Shares Series 15 with respect to interests of participants and on the records of participants with respect to interests of persons other than participants. Beneficial owners of Preferred Shares Series 15 who are not participants, but who desire to purchase, sell or otherwise transfer ownership of, or other interests in, the Preferred Shares Series 15, may do so only through participants. The ability of a beneficial owner to pledge Preferred Shares Series 15 or otherwise take action with respect to such beneficial owner’s interest in Preferred Shares Series 15 (other than through a participant) may be limited due to the lack of a physical certificate.

Manner of Effecting Redemption

A redemption of Preferred Shares Series 15 will be effected through records maintained by CDS with respect to interests of participants, and on the records of participants with respect to interests of persons other than participants.

Payment of Dividends and Other Amounts

As long as CDS is the registered holder of the Preferred Shares Series 15, CDS will be considered the sole owner of the Preferred Shares Series 15 for the purposes of receiving payments on the Preferred Shares Series 15. As such, payment of dividends and other amounts in respect of the Preferred Shares Series 15 will be made by the Bank to CDS.

The Bank expects that CDS, upon receipt of any payment in respect of the Preferred Shares Series 15, will credit the participants' accounts, on the date an amount is payable, with payments in amounts proportionate to the number of Preferred Shares Series 15 held by such participants as shown on the records of CDS. The Bank also expects that payments by the participants to the owners of beneficial interests in such Preferred Shares Series 15 held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participants. The responsibility and liability of the Bank in respect of the Preferred Shares Series 15 issued in book-entry form are limited to making payment of any amount due on such Preferred Shares Series 15 to CDS.

Bank Act Restrictions

Under the *Bank Act*, the Bank, with the prior consent of the Superintendent, may redeem or purchase any of its shares, including the Preferred Shares Series 15, unless there are reasonable grounds for believing that the Bank is, or the redemption or purchase would cause the Bank to be, in contravention of any regulation made under the *Bank Act* respecting the maintenance by banks of adequate capital and adequate and appropriate forms of liquidity, or any direction to the Bank made by the Superintendent pursuant to Subsection 485(3) of the *Bank Act* regarding its capital or its liquidity. No such direction to the Bank has been made to date.

The Bank is prohibited under the *Bank Act* from paying or declaring a dividend if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of any regulation made under the *Bank Act* respecting the maintenance by banks of adequate capital and adequate or appropriate forms of liquidity, or any direction to the Bank made by the Superintendent pursuant to Subsection 485(3) of the *Bank Act* regarding its capital or its liquidity. As at the date hereof, this limitation would not restrict a payment of quarterly dividends on the Preferred Shares Series 15. Further, no such direction to the Bank has been made to date.

The Bank is also prohibited under Subsection 79(5) of the *Bank Act* from paying or declaring a dividend in any financial year without the approval of the Superintendent, if, on the day the dividend is declared, the total of all dividends declared by the Bank in that year would exceed the aggregate of the Bank's net income up to that day in that year and of its retained net income for the preceding two financial years. As of the date hereof, this limitation would not restrict a payment of quarterly dividends on the Preferred Shares Series 15.

Restraints on Bank Shares under the Bank Act

The *Bank Act* contains restrictions on the issue, transfer, acquisition, beneficial ownership and voting of all shares of a chartered bank. By way of summary, no person is permitted to have a significant interest in any class of shares of a Schedule I bank, including the Bank. For purposes of the *Bank Act*, a person has a significant interest in a class of shares of a bank where the aggregate of any shares of that class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person (as contemplated by the *Bank Act*) exceeds 10% of all of the outstanding shares of that class of shares of the bank.

In addition, these restrictions do not permit Schedule I banks, including the Bank, to issue or transfer shares of any class 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 a foreign country.

The *Bank Act* prohibits any person from exercising voting rights attached to shares beneficially owned by Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or by the government of a foreign country or any political subdivision, agent or agency of a foreign country.

Purchasers of the Preferred Shares Series 15 may be required to furnish declarations relative to ownership in a form prescribed by the Bank.

Common Shares

The holders of Common Shares are entitled to vote at all meetings of the shareholders of the Bank except where only the holders of a specified class of shares are entitled to vote.

After the payment to the holders of the First Preferred Shares of the amount or amounts to which they may be entitled, the holders of the Common Shares shall be entitled to receive the remaining property of the Bank upon dissolution.

Canadian Federal Income Tax Considerations

In the opinion of McCarthy Tétrault LLP, counsel to the Bank and Desjardins Ducharme Stein Monast, a general partnership, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a beneficial owner of Preferred Shares Series 15 acquired pursuant to this prospectus who, within the meaning of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Bank, holds the Preferred Shares Series 15, as the case may be, as capital property and is not exempt from tax under Part I of the Tax Act. This summary does not take into account the "mark-to-market" rules contained in the Tax Act which apply to certain financial institutions. Furthermore, the summary does not apply to a "specified financial institution" (as defined in the Tax Act) that receives (or is deemed to receive), either alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Preferred Shares Series 15 outstanding at the time a dividend is received.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Consequently, investors are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof (the "Proposals") and the current administrative practices published by the Canada Customs and Revenue Agency. No assurances can be given that the Proposals will become law as proposed or at all. This summary does not otherwise take into account any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign tax considerations.

Dividends

Dividends (including deemed dividends) received on the Preferred Shares Series 15 by an individual (other than certain trusts) will be included in computing the individual's income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends (including deemed dividends) received on the Preferred Shares Series 15 by a corporation will be included in computing income and generally will be deductible in computing the taxable income of the corporation.

The Preferred Shares Series 15 will be "taxable preferred shares" as defined in the Tax Act. The terms of the Preferred Shares Series 15 require the Bank to make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends paid (or deemed to be paid) by the Bank on the Preferred Shares Series 15.

A "private corporation", as defined in the Tax Act, or any other corporation controlled whether by reason of a beneficial interest in one or more trusts or otherwise by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Preferred Shares Series 15 to the extent such dividends are deductible in computing its taxable income.

Dispositions

A holder who disposes of or is deemed to dispose of the Preferred Shares Series 15 (either on redemption of the shares for cash or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. In the case of a holder that is a corporation, partnership or trust, the amount of any capital loss otherwise determined may be reduced by the amount of dividends (including deemed dividends) previously received on the shares to the extent and under the circumstances described in the Tax Act.

Generally, one-half of any such capital gain will be included in computing the holder's income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder's net taxable capital gains in accordance with the rules contained in the Tax Act. Capital gains realized by an individual may give rise to a liability for minimum tax.

Canadian controlled private corporations (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on taxable capital gains.

Redemption

If the Bank redeems for cash, cancels or otherwise acquires the Preferred Shares Series 15 other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital of such shares at such time. The difference between the amount paid by the Bank and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

Share Capital and Subordinated Indebtedness

Certain selected consolidated financial data set forth below has been derived from the Bank's interim consolidated financial statements for the twelve month period ended October 31, 2002 or the Bank's consolidated financial statements and related notes for the year ended October 31, 2001, as applicable. The following table shows the share capital and subordinated indebtedness of the Bank as at the respective dates shown:

	<u>October 31,</u> <u>2002</u>	<u>October 31,</u> <u>2001</u>
	(unaudited)	(audited)
	(\$ millions)	
Subordinated Indebtedness	1,592	1,647
Capital Stock		
Preferred	300 ⁽¹⁾	492
Common	1,639 ⁽²⁾	1,668
Retained Earnings	1,962	1,956

(1) After giving effect to this offering, Capital Stock — Preferred would have amounted to \$500 million as at October 31, 2002.

(2) On January 15, 2003, the Bank announced its intention to make a normal course issuer bid on The Toronto Stock Exchange to buy back up to 9,100,000 Common Shares in total during a maximum period of 12 months commencing January 20, 2003 and ending January 19, 2004. The Bank will determine the actual number of Common Shares that it will purchase as well as the timing of any such purchases. The Bank will pay the market price for the Common Shares at the time of acquisition.

Earnings Coverage

The Bank's dividend requirements on its outstanding First Preferred Shares, after giving effect to the issue of the Preferred Shares Series 15 to be distributed under this short form prospectus, and adjusted to a before-tax equivalent using effective income tax rates of 36.7% and 38.1% for the 12 months ended October 31, 2002 and October 31, 2001 respectively, amounted to \$52 million for the 12 months ended October 31, 2002 and \$76 million for the 12 months ended October 31, 2001. The Bank's interest requirements for the 12 months ended October 31, 2002 and October 31, 2001, after giving effect to the issue and redemption of all subordinated indebtedness up to the date of this prospectus, amounted to \$110 million and \$109 million, respectively. The Bank's earnings before interest and income tax for the 12 months ended October 31, 2002 and October 31, 2001 were \$753 million and \$907 million, respectively, which are 4.7 times and 4.9 times the Bank's aggregate dividend and interest requirements for these periods, respectively.

Ratings

The Preferred Shares Series 15 are rated Pfd-2n by Dominion Bond Rating Services Limited ("DBRS"). As used by DBRS, "Pfd-2n" denotes "Satisfactory Credit Quality" and represents the second highest category available from DBRS for preferred shares. A reference to "high" or "low" reflects the relative strength within the rating category. The reference to "n" signifies that the preferred shares are non-cumulative.

The Preferred Shares Series 15 are rated P-2 (High) by Standard & Poor's ("S&P"), the second highest of five categories of ratings used by S&P on its Canadian preferred share scale. In certain cases, preferred shares may have a "high" or "low" characterization to reflect an issuer's relative strength within a rating category.

Prospective purchasers of Preferred Shares Series 15 should consult the rating organization with respect to the interpretation and implications of the foregoing provisional ratings. Neither of the foregoing ratings should be construed as a recommendation to buy, sell or hold securities, including the Preferred Shares Series 15. Either of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

Plan of Distribution

Under an agreement dated January 15, 2003 (the ‘‘Underwriting Agreement’’) between the Bank and National Bank Financial Inc., RBC Capital Markets Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Merrill Lynch Canada Inc. and Trilon Securities Corporation (collectively the ‘‘Underwriters’’), the Bank has agreed to sell and the Underwriters, acting as underwriters, have jointly and not solidary agreed to purchase all but no less than 8,000,000 Preferred Shares Series 15 (the ‘‘Offered Shares’’) on January 31, 2003 or such later date as may be agreed upon, but not later than February 28, 2003, subject to the terms and conditions stated therein, at a price of \$25.00 per share, payable in cash to the Bank against delivery of such Preferred Shares Series 15.

The Bank has agreed to pay the Underwriters a fee per Preferred Share Series 15 equal to \$0.25 with respect to Preferred Shares Series 15 sold to certain institutions and \$0.75 with respect to all other Preferred Shares Series 15. Assuming that no Preferred Shares Series 15 are sold to such institutions, the Underwriters’ fee will be \$6,000,000. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all such Offered Shares if any of the Offered Shares are purchased under the Underwriting Agreement.

Pursuant to policy statements of the Commission des valeurs mobilières du Québec and the Ontario Securities Commission, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase the Preferred Shares Series 15. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. In connection with this offering and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions intended to stabilize or fix the market price of the Preferred Shares Series 15 at a higher level than the market price that would exist in a free market. Such transactions, if commenced, may be discontinued at any time.

National Bank Financial Inc. is an indirect wholly-owned subsidiary of the Bank and by virtue of this ownership, the Bank may be considered a connected or related issuer to National Bank Financial Inc. under applicable legislation. The decision to distribute the Preferred Shares Series 15 and the determination of the terms of the distribution were made through negotiation between the Bank and the Underwriters. National Bank Financial Inc. will not receive any benefit in connection with this offering other than a portion of the Underwriters’ fee payable by the Bank.

At least one underwriter, RBC Capital Markets Inc., is an independent underwriter and is not related or connected to the Bank or to National Bank Financial Inc. and has acted as underwriter in connection with this offering of Preferred Shares Series 15 and, in that capacity, has participated with all other Underwriters in due diligence meetings relating to this prospectus with the Bank and its representatives, has reviewed this prospectus and has had an opportunity to propose such changes to this prospectus as it considered appropriate and has participated, together with the other Underwriters in establishing the terms of the Preferred Shares Series 15 and the price at which the Preferred Shares Series 15 will be sold to purchasers by the Bank.

Use of Proceeds

The net proceeds to the Bank from the sale of the Preferred Shares Series 15 offered hereby, after deducting estimated expenses of the issue and the Underwriters’ commission to be paid out of the general corporate funds of the Bank, will amount to approximately \$193,750,000. Such proceeds will be used for general banking purposes. The purpose of this issue is to enlarge the Bank’s Tier 1 capital base.

Risk Factors

An investment in Preferred Shares Series 15 of the Bank is subject to certain risks.

The value of Preferred Shares Series 15 will be affected by the general creditworthiness of the Bank. The section entitled ‘‘Management’s Discussion and Analysis’’ contained in the Bank’s Annual Report for the year ended October 31, 2001, is incorporated by reference. This analysis discusses, among other things, known material trends and

events, and risks or uncertainties that are reasonably expected to have a material effect on the Bank's business, financial condition or results of operations.

Real or anticipated changes in credit ratings on the Preferred Shares Series 15 may affect the market value of the Preferred Shares Series 15. In addition, real or anticipated changes in credit ratings can affect the cost at which the Bank can transact or obtain funding, and thereby affect the Bank's liquidity, business, financial condition or results of operations.

Increases in interest rates will affect the market value of the Preferred Shares Series 15.

See "Earnings Coverage" and "Share Capital and Subordinated Indebtedness", which are relevant to an assessment of the risk that the Bank will be unable to pay dividends on the Preferred Shares Series 15.

The Preferred Shares Series 15 are equity capital of the Bank which rank equally with other First Preferred Shares of the Bank in the event of an insolvency or winding-up of the Bank. If the Bank becomes insolvent or is wound-up, the Bank's assets must be used to pay deposit liabilities and other debt, including subordinated debt, before payments may be made on Preferred Shares Series 15 and other preferred shares.

Prevailing yields on similar securities will affect the market value of Preferred Shares Series 15. Assuming all other factors remain unchanged, the market value of the Preferred Shares Series 15 will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Legal Matters

Legal matters in connection with the issue and sale of the Preferred Shares Series 15 will be passed upon, on behalf of the Bank, by McCarthy Tétrault LLP and, on behalf of the Underwriters, by Desjardins Ducharme Stein Monast, a general partnership. The partners and associates of McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than one percent of any securities of the Bank, or its affiliates or associates. The partners and associates of Desjardins Ducharme Stein Monast, a general partnership, as a group, beneficially own, directly or indirectly, less than one percent of any securities of the Bank, or its affiliates or associates. Mr. Gérard Coulombe, senior partner of Desjardins Ducharme Stein Monast, a general partnership, has been a director of the Bank since February 3, 1994.

Transfer Agent and Registrar

National Bank Trust Inc. at its principal transfer offices in Halifax, St. John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver will be the transfer agent and registrar for the Preferred Shares Series 15. The Preferred Shares Series 15 will be issued in book entry only form through CDS. Subject to the CDS procedures, registration and transfers of the Preferred Shares Series 15 may be effected at such principal offices of National Bank Trust Inc.

Statutory Rights of Withdrawal and Rescission

Securities legislation in several of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limited prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

Certificate of the Bank

Dated: January 22, 2003

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. For the purposes of the *Securities Act* (Québec), this short form prospectus, as supplemented by the documents incorporated herein by reference, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) RÉAL RAYMOND
President and
Chief Executive Officer

(Signed) JEAN TURMEL
President, Financial Markets,
Treasury and Investment Bank
(as Chief Financial Officer)

On behalf of the Board of Directors

(Signed) PIERRE BOURGIE
Director

(Signed) MARCEL DUTIL
Director

Certificate of the Underwriters

Dated: January 22, 2003

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitute full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. For the purposes of the *Securities Act* (Québec), to our knowledge, this short form prospectus, as supplemented by the documents incorporated herein by reference, contains no misrepresentation that is likely to affect the value of the market price or the securities to be distributed.

NATIONAL BANK FINANCIAL INC.

By: (Signed) IAN MCPHERSON

RBC CAPITAL MARKETS INC.

By: (Signed) BARRY NOWOSELSKI

BMO NESBITT BURNS INC.

By: (Signed) LUC BACHAND

CIBC WORLD MARKETS INC.

By: (Signed) DONALD FOX

SCOTIA CAPITAL INC.

By: (Signed) MARY ROBERTSON

TD SECURITIES INC.

By: (Signed) JEAN-LUC GRAVEL

HSBC SECURITIES (CANADA) INC.

By: (Signed) PATRICK NOLAN

LAURENTIAN BANK SECURITIES INC.

By: (Signed) MICHEL RICHARD

MERRILL LYNCH CANADA INC.

By: (Signed) ERIC MICHAUD

TRILON SECURITIES CORPORATION

By: (Signed) TREVOR KERR



NATIONAL BANK OF CANADA