

## INFORMATION STATEMENT DATED JANUARY 16, 2012

*This information statement (the "Information Statement") has been prepared solely for the purpose of assisting prospective purchasers in making an investment decision with respect to the Deposit Notes described therein. This Information Statement constitutes an offering of these Deposit Notes only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Deposit Notes. No securities commission or similar authority in Canada has in any way passed upon the merits of the Deposit Notes offered hereunder and any representation to the contrary is an offence. The Deposit Notes offered under this Information Statement have not been, and will not be, registered under the "United States Securities Act of 1933", as amended or any state securities law and, subject to certain exemptions, may not be offered or sold in the United States or to U.S. persons or other non-residents of Canada.*



NATIONAL BANK OF CANADA

### **NBC Canadian Blue Chip III Deposit Notes<sup>TM</sup>, Series 33**

This offering is for NBC Canadian Blue Chip III<sup>TM</sup> Deposit Notes, Series 33 (the "Deposit Notes") issued by National Bank of Canada (the "Bank") maturing on or about September 9, 2020 (the "Maturity Date"). The Deposit Notes are principal-protected deposit notes which aim to provide Holders thereof with a return at maturity linked to the price performance of a notional reference portfolio composed of the common shares of 20 Canadian companies listed on the Toronto Stock Exchange (the "Reference Portfolio").

The Reference Portfolio is composed of Reference Shares (as defined herein) from different sectors of the Canadian equity market. Information technology and Healthcare sectors are not represented in the Reference Portfolio and as of January 9, 2012, Materials was the most volatile sector of the Canadian equity market.

On the Maturity Payment Date (as defined herein), Holders will be entitled to receive, in respect of each Deposit Note held, repayment of their initial deposit amount, being \$100 per Deposit Note (the "Initial Deposit Amount"). In addition, depending on the performance of the Reference Portfolio at maturity, Holders will be entitled to receive on the Maturity Payment Date a Variable Return (as defined herein). The Maturity Redemption Amount is equal to the sum of the Initial Deposit Amount and the Variable Return. The Variable Return will be equal to the greater of (i) zero and (ii) the product of \$100 and the Reference Portfolio Return (as defined herein). The Reference Portfolio Return is the arithmetic average (expressed as a percentage and rounded to two decimal places) of the Reference Share Returns of the 20 Reference Shares over the period starting on the Issuance Date of the Deposit Notes and ending on the Valuation Date (as defined herein). The return of each Reference Share, or Reference Share Return, will be that of the Reference Share's percentage gain or loss measured from its closing price on the Issuance Date to its closing price on the Valuation Date, being (subject to certain exceptions) the fifth Business Day preceding the Maturity Date. The Reference Share Return is a price return, and will not take into account dividends paid in respect of the Reference Share. As of January 9, 2012, the dividends paid on account of all of the Reference Shares in the Reference Portfolio represented an annual return of approximately 3.87%.

On the first Business Day following the four and a quarter year anniversary of the Issuance Date (the "Bank Early Redemption Day"), the Bank will be entitled to call for redemption all of the Deposit Notes then outstanding at a price of \$135.98 per Deposit Note, namely a 35.98% premium with respect to the Initial Deposit Amount representing an annual compounded rate of return of approximately 7.5% on the Bank Early Redemption Day. With the exception of a payment made on the Bank Early Redemption Day, or upon a Reimbursement Under Special Circumstances (as defined herein), no payment will be made prior to the Maturity Date. See "Description of the Deposit Notes - Reimbursement Under Special Circumstances and Payment".

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**PRICE: \$100 per Deposit Note**  
**MINIMUM SUBSCRIPTION: \$1,000 (10 Deposit Notes)**

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The Reference Portfolio is used solely as a notional Reference Portfolio for the purpose of calculating the Variable Return. No actual funds will be invested in the purchase of Reference Shares. Holders will not be the owners of, nor have any rights or interests in or to, the Reference Shares and therefore, will not have recourse to the Reference Shares to satisfy amounts owing under the Deposit Notes.

**The Deposit Notes will constitute direct, unsecured and unsubordinated debt obligations of the Bank. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu* as among themselves and will be payable rateably without any preference or priority. The Deposit Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution. Moreover, there is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund or any other deposit insurance regime. A Holder should consult with his or her investment advisor as to whether the Holder's investment in the Deposit Notes is eligible for protection in light of such Holder's particular circumstances. The Deposit Notes are not qualified by prospectus or registered under any securities laws.**

The Deposit Notes will not be listed on any stock exchange or other market. National Bank Financial Inc., (the "Market Maker") intends to maintain, under normal market conditions, a daily secondary market for the Deposit Notes. The Market Maker is under no obligation to facilitate or arrange for such a secondary market, and such secondary market, when commenced, may be suspended at any time at the sole discretion of the Market Maker, without any prior notice to Holders. Therefore, there can be no assurance that a secondary market will be available or that such market will be liquid or sustainable. The price paid to a Holder in connection with a sale made during the 720 days including and following the Issuance Date (as defined herein) of the Deposit Notes under the secondary market maintained by the Market Maker will reflect a pre-determined early trading charge. A Holder who sells their Deposit Notes prior to maturity may receive less than its Initial Deposit Amount, even if the performance of the Reference Shares up to that time has been positive, and as a result, such Holder may suffer a loss. See "Secondary Market for the Deposit Notes" and "Risk Factors - No assurance of a secondary market and possible illiquidity of any developing secondary market". **Investors who cannot accept that the secondary market is limited in this way or who must have access to a secondary market at all times should not invest in the Deposit Notes.**

The Bank has entered into an agency agreement (the "Agency Agreement") with National Bank Securities Inc. (the "Agent") pursuant to which the Agent has agreed to offer Deposit Notes for sale on a best efforts basis, if, as and when issued by the Bank, in accordance with the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on behalf of the Bank and the Agent. **The Agent is a wholly owned subsidiary of the Bank. As a result, the Bank is a related issuer of the Agent under applicable securities legislation.** See "Plan of Distribution".

**Subscriptions for the Deposit Notes may be made using the FundSERV network under the order code "NBC1612".** Upon acceptance of a subscription at closing (in whole or in part as provided below), a confirmation of acceptance will be sent out by prepaid mail or other means of delivery to the subscriber. If for any reason, at the sole discretion of the Bank, the closing of this offering does not occur, all subscription funds will be returned to subscribers without interest or deduction. Prospective purchasers may make alternative arrangements with the Agent or other selling firms in respect of interest, independently from the Bank. See "Plan of Distribution".

Closing of the offering of the Deposit Notes will take place on March 9, 2012, or such other date agreed to between the Bank and the Agent, but in any event no later than April 9, 2012 (the "Issuance Date"). Subscriptions 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. A global certificate for the full amount of the issue of Deposit Notes will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") and will be deposited with CDS on the Issuance Date. Subject to limited exceptions, certificates evidencing the Deposit Notes will not be available to Holders and registration of ownership of the Deposit Notes will be made only through CDS's book-entry system. See "Description of the Notes – Book-Entry System".

Investors should be aware that the Deposit Notes are not securities issued by a mutual fund and purchasers do not benefit from certain rights and recourses otherwise provided by certain securities laws in connection with the issuance of such securities, including the right to receive a prospectus and other customary information documents provided by issuers, a right of cancellation and certain other rights of action to rescind a purchase, revise the price of a purchase or seek damages in case documents show false or misleading information. However, purchasers will receive a copy of this Information Statement, which grants purchasers a contractual right of cancellation described herein under "Right of Cancellation".

"NBC Canadian Blue Chip III<sup>TM</sup> Deposit Notes, Series 33" is a trademark of the National Bank of Canada.

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## **ABOUT THIS INFORMATION STATEMENT**

This Information Statement has been prepared for the sole purpose of assisting prospective investors in making an investment decision with respect to the Deposit Notes. The Bank has taken reasonable care to ensure that the facts stated in this Information Statement with respect to the description of the Deposit Notes are true and accurate in all material respects.

All information in this Information Statement with respect to publicly traded securities and the issuer of those securities, prices and other information is taken or derived solely from information published by that issuer or by the providers of the Reference Shares or other publicly available information. Neither the Bank and the Agent or any of their respective affiliates makes any assurances, representations or warranties with respect to the accuracy, reliability or completeness of such information. See also "Use of Reference Shares".

Furthermore, neither the Bank and the Agent or any of their respective affiliates makes any recommendation concerning the Reference Shares or the suitability of investing in the Reference Shares generally or the Deposit Notes in particular. In connection with the issue and sale of the Deposit Notes, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement or the global certificate evidencing the Deposit Notes and neither the Bank and the Agent or any of their respective affiliates accepts any responsibility for any information not contained herein or therein.

Certain statements included in this Information Statement constitute forward looking statements, including but not limited to those identified by the expressions "believe", "estimate", "expect", and similar expressions to the extent that they relate to the Bank or the Agent, as the case may be. These forward looking statements are not historical facts, but reflect the Bank's or Agent's current expectations regarding future results or events. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risk Factors" and in other sections of this Information Statement.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Bank and the Agent, in accordance with legislation in effect at the date hereof, the Deposit Notes offered hereby will, at the Issuance Date, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs"), Registered Disability Savings Plans ("RDSPs"), Tax-Free Savings Accounts ("TFSA") and deferred profit sharing plans ("DPSPs"), other than DPSPs under which the Bank or any person or partnership with which the Bank does not deal at arm's length within the meaning of the Tax Act is an employer, and may be held in such plan or fund subject to the terms thereof.

However, the Deposit Notes will be prohibited investments (within the meaning of the Tax Act) to a TFSA of a holder who owns a significant interest (as defined in the Tax Act) in the Bank or who does not deal at arm's length with the Bank or a holder who owns a significant interest of an entity which does not deal at arm's length with the Bank.

Purchasers who wish to purchase Deposit Notes using the FundSERV network for registered accounts such as RRSPs will need to have their own self-directed registered accounts. See "FundSERV".

## SUMMARY OF THE OFFERING

*The following is a summary of the terms of the Deposit Notes and more detailed information appearing elsewhere in this Information Statement. Because this is a summary, it does not contain all of the information that may be important to an investor and investors should read the more detailed information appearing elsewhere in this Information Statement. Capitalized terms used but not defined in this summary are defined under “Definitions” and elsewhere in this Information Statement.*

<b>Issuer:</b>	National Bank of Canada.
<b>Deposit Notes Offered:</b>	NBC Canadian Blue Chip III <sup>TM</sup> Deposit Notes, Series 33.
<b>Initial Deposit Amount:</b>	\$100 per Deposit Note.
<b>Minimum Subscription:</b>	\$1,000 (10 Deposit Notes).
<b>Issuance Date:</b>	On or about March 9, 2012 but no later than April 9, 2012.
<b>Maturity Date:</b>	The date falling on the eighth and a half year anniversary date of the Issuance Date. Assuming a closing on March 9, 2012, the Maturity Date will be September 9, 2020.
<b>Investment Rationale for the Deposit Notes:</b>	<p>The Deposit Notes are principal-protected deposit notes which aim to provide Holders thereof with a return at maturity linked to the price performance of a notional reference portfolio composed of common shares of 20 Canadian companies listed on the Toronto Stock Exchange (the “Reference Portfolio”).</p> <p>The Reference Portfolio is used solely as a notional reference for the purpose of calculating the Variable Return. No actual funds will be invested in the purchase of Reference Shares. Holders will not be the owners of, nor have any rights or interests in or to, the Reference Shares and therefore, will not have recourse to the Reference Shares to satisfy amounts owing under the Deposit Notes.</p>
<b>Maturity Redemption Amount:</b>	On the Maturity Payment Date, Holders will be entitled to receive, in respect of each Deposit Note held, repayment of their Initial Deposit Amount. In addition, depending on the Reference Portfolio Return at maturity, Holders will be entitled to receive on the Maturity Payment Date a Variable Return. The Maturity Redemption Amount is equal to the sum of the Initial Deposit Amount and the Variable Return.
<b>Variable Return:</b>	An amount per Deposit Note equal to the greater of (i) zero and (ii) the product of \$100 and the Reference Portfolio Return.
<b>Reference Portfolio Return:</b>	The Reference Portfolio Return is the arithmetic average (expressed as a percentage and rounded to two decimal places) of the Reference Share Returns of the 20 Reference Shares over the period starting on the Issuance Date of the Deposit Notes and ending on the Valuation Date.

**Reference Share Return:** On any day, the price return of any of the Reference Share, which may be positive or negative.

The Reference Share Return for a Reference Share will be equal to, on any day (t), a number (which may be positive or negative), expressed as a percentage, determined as per the following formula:

$$\frac{\text{Reference Share Price (t)} - \text{Reference Share Price on the Issuance Date}}{\text{Reference Share Price on the Issuance Date}}$$

where: Reference Share Price on any day (t) means the closing price of a Reference Share on the Exchange as reported by the applicable Price Source, provided that if the primary exchange on which a particular Reference Share forming part of the Reference Portfolio is not opened for trading or if there is no closing price on that day, the closing price on the immediately preceding day on which such exchange is opened for trading will be used, except if this occurs on the Issuance Date or on the Valuation Date, in which case the closing price on the immediately following day on which such exchange is opened for trading will be used, subject to a maximum postponement of five Business Days, after which time the closing price will be a value equal to the Calculation Agent’s estimate of the Reference Share Price as at such date, reasonably taking into account all relevant market circumstances.

The Reference Share Return of each of the Reference Shares is a price return, and will not take into account dividends paid in respect of the Reference Shares. As of January 9, 2012, the dividends paid on account of all of the Reference Shares in the Reference Portfolio represented an annual return of approximately 3.87%.

**Reference Portfolio:** A notional Reference Portfolio composed of the common shares of 20 Canadian companies with a large market capitalization listed on the Toronto Stock Exchange. The table below sets forth the shares comprising the Reference Portfolio and certain other information.

Prospective investors are advised that the Reference Portfolio is the expected Reference Portfolio to be used as of the Issuance Date, but is subject to change as explained hereinafter. The Bank may replace a maximum of two Reference Shares currently included in the Reference Portfolio before the Issuance Date if certain material events, financial or otherwise, occur in respect of such Reference Share that the Bank may consider, at its sole discretion, to be detrimental to the interest of investors in the Deposit Notes. Any replacement Reference Share selected for replacement shall be of an issuer of a similar size operating in a similar industry. Investors will be advised of any such replacement through a notice which will provide investors with the right to cancel their subscription to the Deposit Notes. The Bank is not in the obligation to replace a Reference Share even if certain material events detrimental to the Holders occur in respect of such Reference Share. Following the Issuance Date, the Bank will replace a Reference Share of the Reference Portfolio only upon occurrence of a Substitution Event as indicated under the heading “Extraordinary Events” in this Information Statement. The definitive Reference Portfolio will be posted by the Bank on the web site [www.fpsgroup.ca](http://www.fpsgroup.ca).

Reference Shares	Bloomberg Ticker Symbol*	Exchange
BCE Inc.	BCE CT Equity	Toronto
Bank of Montreal	BMO CT Equity	Toronto
Canadian Imperial Bank of Commerce	CM CT Equity	Toronto
Canadian National Railway Company	CNR CT Equity	Toronto
Encana Corporation	ECA CT Equity	Toronto

Enbridge Inc.	ENB CT Equity	Toronto
Fortis Inc.	FTS CT Equity	Toronto
Husky Energy Inc.	HSE CT Equity	Toronto
Loblaw Companies Limited	L CT Equity	Toronto
Power Corporation of Canada	POW CT Equity	Toronto
Rogers Communications Inc.	RCI/ B CT Equity	Toronto
Saputo Inc.	SAP CT Equity	Toronto
Shoppers Drug Mart Corporation	SC CT Equity	Toronto
Shaw Communications Inc.	SJR/B CT Equity	Toronto
Sun Life Financial Inc.	SLF CT Equity	Toronto
Teck Resources Limited	TCK/B CT Equity	Toronto
TELUS Corporation	T CT Equity	Toronto
The Toronto-Dominion Bank	TD CT Equity	Toronto
Thomson Reuters Corporation	TRI CT Equity	Toronto
TransCanada Corporation	TRP CT Equity	Toronto

\* Source: Bloomberg as of January 9, 2012

**The sector diversification of the Reference Portfolio by weight is set out below:**

Sector diversification	Weighting
Financial Services	25%
Energy	20%
Consumer Staples	15%
Telecommunication Services	15%
Consumer Discretionary	10%
Utilities	5%
Materials	5%
Industrials	5%

The Reference Portfolio is composed of Reference Shares from different sectors of the Canadian equity market. Information Technology and Health Care sectors are not represented in the Reference Portfolio and as of January 9, 2012 Materials was the most volatile sector of the Canadian equity market. **Historical volatility is not a guarantee of future volatility.**

**Bank Early Redemption:**

On the Bank Early Redemption Day, being the first Business Day following the four and a quarter year anniversary of the Issuance Date, the Bank will be entitled to call for redemption all of the Deposit Notes then outstanding at a price of \$135.98 per Deposit Note, namely a 35.98% premium with respect to the Initial Deposit Amount representing, on the Bank Early Redemption Day, an annual compounded rate of return of approximately 7.5%. With the exception of a payment made on the Bank Early Redemption Day, or upon a Reimbursement Under Special Circumstances, no payment will be made prior to the Maturity Date. See “Description of the Deposit Notes - Reimbursement Under Special Circumstances and Payment”.

**Extraordinary Events:**

Upon the occurrence of a Potential Adjustment Event or a Merger Event, the Calculation Agent may (i) make the corresponding adjustment, if any, to any one or more of the Initial Value of the relevant Reference Share, the formula for calculating the Reference Share Return of such Reference Share, or any other component or variable relevant to the

determination of a Reference Share Price and (ii) determine the effective date of the adjustments. In addition, upon the occurrence of a Substitution Event, the Calculation Agent may replace the affected Reference Share.

Moreover, the occurrence of a Market Disruption Event in respect of a Reference Share may delay the determination of a Reference Share Return and consequently the calculation of the Reference Portfolio Return and the Variable Return that may be payable. Payment of the Variable Return will be made on the fifth Business Day after all Reference Share Returns used in the calculation of the Reference Portfolio Return have been determined.

See “Reference Portfolio– Extraordinary Events”.

**Reimbursement Under Special Circumstances:**

Notwithstanding the Maturity Date, the Bank may redeem the Deposit Notes prior to the Maturity Date under certain special circumstances of an income tax nature affecting the Bank but outside its control. See “Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment”. In the case of this special redemption, it is possible that Holders of Deposit Notes may only be entitled to receive the Initial Deposit Amount per Deposit Note.

**Secondary Market for the Deposit Notes:**

There is currently no established trading market for the Deposit Notes. The Bank does not intend to apply for listing of the Deposit Notes on any securities exchange or quotation system.

The Market Maker intends to maintain until the Valuation Date, under normal market conditions, a daily secondary market for the Deposit Notes. If the trading markets for one or more of the Reference Shares are disrupted, or if trading of one or more of the Reference Shares is suspended or terminated, or if any other Market Disruption Event occurs, the Market Maker will generally deem that normal market conditions do not exist.

The Market Maker is under no obligation to facilitate or arrange a secondary market, and the Market Maker in its sole discretion, may stop maintaining a market for the Deposit Notes at any time, without any prior notice to Holders. There can be no assurance that a secondary market will be available or that such market will be liquid or sustainable.

**Holders who have purchased Deposit Notes using the FundSERV network will be limited to the FundSERV network to sell Deposit Notes.** The FundSERV network carries certain restrictions in respect of the sale of Deposit Notes, including the selling procedures that require an irrevocable sale order be initiated at a bid price that will not be known previously to placing such sale order. See “FundSERV – Sale of Deposit Notes using the FundSERV network”.

A Holder wishing to sell Deposit Notes through the secondary market maintained by the Market Maker on the FundSERV network will be subject to certain procedures and limitations. A Holder wishing to sell Deposit Notes will need to initiate an irrevocable request to sell the Deposit Notes to the Market Maker. Provided the order is received before 1:00 p.m. (Montreal time) or such other time as may be established by the Market Maker (the “Sale Deadline Time”) on any Business Day, the request will be treated on the same day. Any request received after such time or on a day that is not a Business Day will be deemed to be a request sent and received before the following Sale Deadline Time on the following Business Day.

The sale of the Deposit Notes for which an irrevocable request to sell has been provided will be effected at a sale price established after the close of market on the day the request is treated. The bid price will represent the Market Makers bid price for the Deposit Notes (i.e. the price it is offering to purchase Deposit Notes on the secondary market for the applicable day). There is no guarantee that the bid price for any day is the highest bid price

possible in any secondary market for the Deposit Notes, but will represent the Market Maker's bid price generally available to all Holders, including clients of the Market Maker.

Any sale order will need to be for a minimum of \$1,000 of principal amount of Deposit Notes (10 Deposit Notes), unless a Holder holds a lesser amount of Deposit Notes, in which case such sale order shall be for the balance of Deposit Notes held. The Market Maker may however waive such minimum sale requirement at its sole discretion, without any obligation on its part.

Holders should realize that this secondary market procedure may limit the liquidity of the secondary market for their Deposit Notes and the price obtained therefore. Holders should consider such market in deciding whether to invest in the Deposit Notes.

The bid price of a Deposit Note will be dependent on a varied number of factors at any time, which may include the return of each Reference Share since the Issuance Date and other interrelated factors, including, without limitation, the volatility of the prices of the Reference Shares, prevailing interest rates and the time remaining to the Maturity Date. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. See "Secondary Market for the Deposit Notes".

Any sale of Deposit Notes through the market maintained by the Market Maker within the first 720 days including and following the Issuance Date will be subject to an early trading charge per Deposit Note, as set out below:

<b>If sold</b>	<b>Early Trading Charge per Deposit Note</b>
From 0 to 60 days (inclusively) following the Issuance Date	\$6.00
From 61 to 120 days (inclusively) following the Issuance Date	\$5.50
From 121 to 180 days (inclusively) following the Issuance Date	\$5.00
From 181 to 240 days (inclusively) following the Issuance Date	\$4.50
From 241 to 300 days (inclusively) following the Issuance Date	\$4.00
From 301 to 360 days (inclusively) following the Issuance Date	\$3.50
From 361 to 420 days (inclusively) following the Issuance Date	\$3.00
From 421 to 480 days (inclusively) following the Issuance Date	\$2.50
From 481 to 540 days (inclusively) following the Issuance Date	\$2.00
From 541 to 600 days (inclusively) following the Issuance Date	\$1.50
From 601 to 660 days (inclusively) following the Issuance Date	\$1.00
From 661 to 720 days (inclusively) following the Issuance Date	\$0.50
Thereafter	Nil

Holders should be aware that any valuation price for the Deposit Notes appearing in a Holder's periodic investment account statement, as well as any bid price quoted to the Holder to sell Deposit Notes, will be before the application of the applicable early sales charge.

There will not be any secondary market for the Deposit Notes other than the market described above. Investors who cannot accept that the secondary market is limited in this way or who must have access to a secondary market at all times should not invest in the Deposit Notes.

**A Holder who sells Deposit Notes prior to maturity may receive less than the Initial Deposit Amount per Deposit Note, even if the performance of the Reference Shares up to that time has been positive, and as a result, such Holder may suffer a loss. See “Risk Factors – No assurance of a secondary market and possible illiquidity of any developing secondary market.”**

Holders should consult their investment advisors on whether it would be more favourable in the circumstances at any time to sell the Deposit Notes (assuming the availability of a secondary market) or to hold the Deposit Notes until the Maturity Date. Holders should also consult and rely on their own tax advisors as to the tax consequences arising from the sale of a Deposit Note prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See “Certain Canadian Federal Income Tax Considerations”.

**Use of Proceeds and Hedging:**

The Bank will use the proceeds of the offering of Deposit Notes, after payment of the expenses related to such offering, for general banking purposes. The Bank may also use those proceeds in transactions intended to hedge the Bank’s obligations under the Deposit Notes. See “Use of Proceeds and Hedging” and “Risk Factors – Hedging transactions may affect the Reference Shares”.

**Rank:**

The Deposit Notes will constitute direct, unsecured and unsubordinated debt obligations of the Bank. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu* as among themselves and will be payable rateably without any preference or priority. **The Deposit Notes will not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial Institution.** See “Description of the Deposit Notes – Rank; No Deposit Insurance”. Moreover, there is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund or any other deposit insurance regime. A Holder should consult with his or her investment advisor on whether the Holder’s investment in the Deposit Notes is eligible for protection in light of the Holder’s particular circumstances.

**Not eligible for deposit insurance coverage:**

**The Deposit Notes will not constitute deposits that are eligible under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution.**

**Credit Rating:**

The Deposit Notes have not been rated by any rating agencies. The long term deposits of the Bank, at the date of this Information Statement, are rated AA (low) by DBRS, A by Standard & Poor’s and Aa2 by Moody’s. There can be no assurance that, if the Deposit Notes were specifically rated by these rating agencies, they would have the same rating as the other deposit liabilities of the Bank. A credit rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

**Calculation Agent :**

The Bank.

**Book-Entry System:**

The Deposit Notes will be issued in book-entry form and will be evidenced by a single nominative global certificate held by CDS, or on its behalf, as registered holder of the Deposit Notes. Registration of the interests in and transfers of the Deposit Notes will be made only through the Book-Entry System of CDS. Subject to a limited exception, no Holder of Deposit Notes will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof and no Holder will be shown on the records maintained by CDS except through a CDS Participant. See “Description of the Deposit Notes – Book-Entry System”.

Holders purchasing Deposit Notes using the FundSERV network will have an indirect beneficial interest in the global certificate held by CDS. See “FundSERV – Deposit Notes Purchased using the FundSERV network”.

All amounts payable in respect of the Deposit Notes will be made available by the Bank in book-entry form through CDS. Upon receipt of any payment on the Deposit Notes, the Bank expects that CDS will immediately credit participants’ accounts in amounts proportional to their respective beneficial interests.

**FundSERV:**

**The Deposit Notes may be purchased using the FundSERV network.** The FundSERV order code for the Deposit Notes is “NBC1612”. A purchaser of Deposit Notes using the FundSERV network will receive from the Bank credit for interest accruing on funds so delivered in the form of additional Deposit Notes (or fractions of thereof). The number of additional Deposit Note(s) for a purchaser will be equal to the dollar amount of interest that would accrue on the funds delivered at a rate of 0.25% per annum from and including the first Business Day after such funds are received by the Agent to but excluding the Issuance Date, divided by the \$100 purchase price of a Deposit Note. For the avoidance of doubt, such interest will not be payable in cash.

If for any reason, at the sole discretion of the Bank, the closing of this offering does not occur, notwithstanding the foregoing, all subscription funds will be returned to subscribers without interest or deduction. See “FundSERV – Deposit Notes Purchased using the FundSERV network” for a description of the mechanics and restrictions involved in the use of the FundSERV network for the purchase of Deposit Notes.

**Certain Canadian Federal  
Income Tax  
Consequences:**

The amount of the excess of the payment at maturity or upon a Bank Early Redemption over the Initial Deposit Amount of a Deposit Note that is payable to an Initial Holder will be included in the Initial Holder’s income, as interest, in the taxation year in which the Valuation Date or the Bank Early Redemption Day, as the case may be, is reached. Generally, an Initial Holder should realize a capital gain (or capital loss) on the disposition of a Deposit Note (other than on a payment from the Bank) equal to the amount by which the proceeds of disposition net of any reasonable costs of disposition exceed (or are exceeded by) the adjusted cost base of the Deposit Note to the Initial Holder. Counsel to the Bank and the Agent understand that the CRA is currently reviewing its administrative policies and assessing practices with regard to prescribed debt obligations, including considering the relevance of the existence of a secondary market for such obligations in determining whether there is a deemed accrual of any amount of interest, bonus or premium on such obligations. There can be no assurance that the CRA’s administrative policies and assessing practices will not be subject to adverse development, change or qualification, including with respect to the tax characterization of amounts received on the disposition of the Deposit Notes prior to maturity. **Initial Holders who dispose of a Deposit Note, particularly those who dispose of a Deposit Note shortly prior to the Maturity Date or the Bank Early Redemption Day should consult and rely on their own tax advisors with respect to their particular circumstances.** See “Certain Canadian Federal Income Tax Considerations”.

**Eligibility for Investment:**

Based on legislation in effect on the date hereof, the Deposit Notes will, at the Issuance Date, be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, RESPs, RDSPs, TFSAs and DPSPs, other than DPSPs under which the Bank or any person or partnership with which the Bank does not deal at arm’s length within the meaning of the Tax Act is an employer, and may be held in such plan or fund subject to the terms thereof. However, the Deposit Notes will be prohibited investments (within the meaning of the Tax Act) to a TFSA of a holder who owns a significant interest (as defined in the Tax Act) in the Bank or who does not deal at arm’s length with the Bank or a holder who owns a significant interest of an entity which does not deal at arm’s length with the Bank.

Purchasers who wish to purchase Deposit Notes using the FundSERV network for

registered accounts such as RRSPs will need to have their own self-directed registered accounts. See “FundSERV”.

**Deposit Notes are not fixed-rate investments:**

The Deposit Notes have certain investment characteristics that differ from those of conventional fixed income investments in that they may not provide Holders with a return or income stream prior to maturity, or a return at maturity, calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. The return on the Deposit Notes (if any), unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that if the Reference Portfolio does not generate a positive return, the Deposit Notes will produce no return on the Holders’ original investment. There is no assurance that the Reference Portfolio will be able to generate a positive return over the term of the Deposit Notes to maturity. Therefore, there is no assurance that a Holder will receive any amount at maturity other than repayment of the Holder’s Initial Deposit Amount with the Bank. The Initial Deposit Amount, will be repaid only if the Deposit Notes are held to maturity. Moreover, the value of an investment in the Deposit Notes may diminish over time owing to inflation and other factors that adversely affect the present value of future payments. Prospective purchasers should take into account additional risk factors associated with this offering of Deposit Notes. See “Risk Factors”.

**Target investors:**

- Investors looking to participate in the growth potential of a diversified portfolio composed of the common shares of 20 Canadian companies;
- Investors looking to diversify their portfolio across different sectors in the Canadian equity markets through large market capitalization companies. Information Technology and Health Care sectors are not represented;
- Investors seeking protection of their capital at maturity;
- Investors who, in order to benefit from the Deposit Notes structure and capital protection, are prepared to waive the aggregate dividend yield provided by each Reference Share, representing approximately 32.90% (which represents an annual return of approximately 3.87%) over the term, on the assumption that the dividend yield remains constant and that the dividends are not reinvested;
- Investors seeking the potential for higher returns in a low interest rate environment;
- Investors with a long-term investment horizon who are prepared to hold the Deposit Notes to maturity;
- Investors who do not need or do not expect certainty of return and can accept seeing the value of their investment in the Deposit Notes diminish over time due to inflation; and
- Investors who are prepared to assume the risks as described in the Risk Factors section.

A person should only reach a decision to invest in the Deposit Notes after carefully considering, with his or her advisors, the suitability of this investment in light of his or her investment objectives and the information set out in this Information Statement, including the risk factors. The Bank, the Agent and the Market Maker make no recommendation as to the suitability of the Deposit Notes for investment with respect to investor’s particular circumstances.

**Amendments to the Deposit Notes:**

The terms of the Deposit Notes may be amended without the consent of the Holders by agreement between the Bank and the Agent if, in the reasonable opinion of the Bank and the Agent, the amendment would not materially and adversely affect the interests of the Holders. In other cases, the terms of the Deposit Notes may be amended by the Bank if the amendment is approved by a resolution passed by the favourable votes of the Holders of

not less than 66 2/3% of the Deposit Notes represented at a meeting convened for the purposes of considering the resolution, or by written resolution signed by Holders of not less than 66 2/3% of the Deposit Notes.

**Conflict of interest:**

The Calculation Agent will be solely responsible for the determination and calculation of the Reference Portfolio Return, the Payment at Maturity, the Actualized NAV in connection with a Reimbursement Under Special Circumstances and any other determinations and calculations with respect to any cash distributions in connection with the Deposit Notes, the Calculation Agent will also be solely responsible for determining whether a Market Disruption Event has occurred and for making certain other determinations with regard to the Deposit Notes and the Reference Portfolio. No calculation agent other than the Bank or an affiliate will be retained to make or confirm the determinations and calculations made by the Calculation Agent. The Bank, as Calculation Agent and the market maker of the secondary market, may have economic interests which differ from and may be adverse to those of the Holders, including with respect to certain determinations that the Calculation Agent must make in connection with amounts owing by the Bank under the Deposit Notes. The Calculation Agent will carry out its duties and functions in good faith and will use its reasonable judgment.

**Risk Factors:**

Prospective investors should carefully consider all of the information set forth in this Information Statement and, in particular, should evaluate the specific risk factors set forth under “Risk Factors” for a discussion of certain risks involved in evaluating an investment in the Deposit Notes. Such risk factors include, without limitation, the following:

- Risks Relating to the Offering of Deposit Notes, including:
  - Suitability for investment; Deposit Notes may not be a suitable investment for some investors;
  - Uncertain return until maturity; No guarantee that the Deposit Notes will show any return; Deposit Notes are linked only to the price performance of the Reference Shares;
  - Reference Share Return will not reflect the full appreciation of the Reference Shares when dividends are included;
  - Holders have no ownership interest in the Reference Shares;
  - No guarantee of a secondary market and possible illiquidity of any developing secondary market;
  - Return on the Deposit Notes will be limited upon a Bank Early Redemption;
  - Deposit Notes could be redeemed prior to maturity under a Reimbursement Under Special Circumstances;
  - Postponement of the Valuation Date may affect the payment at maturity;
  - Payments at maturity of the Initial Deposit Amount and of the Variable Return (if any) are unsubordinated and unsecured obligations of the Bank and are dependent upon creditworthiness of the Bank;
  - Deferred Payment;
  - Deposit Notes will not be insured under *the Canada Deposit Insurance Corporation Act*;
  - Deposit Notes may not be eligible for protection under the Canadian Investor Protection Fund or any other deposit insurance regime;
  - Conflict of interest may affect the Calculation Agent, the Agent and the Market Maker;
  - Hedging transactions may affect the Reference Shares;

- Deposit Notes are not qualified by prospectus; and
- Taxation.
- Risks Relating to the Reference Shares, including:
  - Trading prices;
  - Exposure to equities;
  - Potential replacement of the Reference Shares; and
  - Neither the Bank nor the Agent nor the Market Maker make any representation or warranty as to the accuracy or completeness of the information regarding the Reference Shares

**Right of Cancellation :** Initial purchasers shall be entitled to a right of cancellation, which must be exercised within two Business Days after the later of (i) the day on which the agreement to purchase the Deposit Notes is entered into and (ii) the day on which this Information Statement is provided to the purchaser.

To exercise their right of cancellation, the initial purchasers may call their investment advisor.

**Availability of information:** All information about the Deposit Notes is available on its website at [www.fpsgroup.ca](http://www.fpsgroup.ca) where the following information will be provided: (a) the most recent bid price of the Deposit Notes (and the applicable Early Trading Charges); and (b) the last available measures on which the Variable Return is determined.

**Fees and Expenses:** The Bank will pay to the Agent amounts to be paid by the Agent to those sale representatives whose clients purchase Deposit Notes, a selling fee of up to \$4.00 per Deposit Note sold under the offering. For greater certainty, the pricing of the Deposit Notes will factor in any selling commission payable to the Agent. Accordingly, the payment of this fee will not affect the performance of the Deposit Notes.

The Bank will not charge any other fee or seek reimbursement of any other expense in respect of the Deposit Notes.

As is generally the case for Bank deposits, the Bank may earn a return on the offering of Deposit Notes. This return may arise from the difference between the amount the Bank may generate in hedging its obligations under the Deposit Notes, less related expenses, and the amount the Bank is obligated to pay under the Deposit Notes. See “Use of Proceeds and Hedging”.

## DEFINITIONS

In this Information Statement, unless the context otherwise requires, terms not otherwise defined herein will have the meaning ascribed thereto hereunder:

**“Actualized NAV”** means an amount calculated in respect of Deposit Notes in a situation in which the Bank determines to make a Reimbursement Under Special Circumstances, all as described under “Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment”.

**“Agency Agreement”** has the meaning ascribed thereto under “Plan of Distribution”.

**“Agent”** means National Bank Securities Inc., a wholly-owned subsidiary of the Bank.

**“Bank Early Redemption”** has the meaning ascribed thereto under “Description of the Deposit Notes – Bank Early Redemption”.

**“Bank Early Redemption Day”** means the first Business Day following the four and a quarter year anniversary of the Issuance Date, provided that if such date falls on a day that is not a Business Day, such date will be postponed until the next Business Day. Assuming a closing on March 9, 2012 the Bank Early Redemption Day will be June 9, 2016.

**“Book-Entry System”** means the record entry securities transfer and pledge system established and governed by one or more agreements between CDS and CDS Participants pursuant to which the operating rules and procedures for such system are established and administered by CDS, including in relation to the Bank and CDS.

**“Business Day”** means any day, other than a Saturday or a Sunday or a day on which commercial banks in either Montreal or Toronto are required or authorized by law to remain closed. If a deadline specified in this Information Statement in respect of Deposit Notes falls on a day which is not a Business Day, the deadline will be postponed to the following Business Day.

**“Calculation Agent”** means the Bank.

**“CDS”** means CDS Clearing and Depository Services Inc., or its nominee.

**“CDS Participants”** means a broker, dealer, bank or other financial institution or other person for whom CDS effects book-entry transfers and pledges of Deposit Notes under the Book-Entry System.

**“CRA”** means the Canada Revenue Agency.

**“Custodian”** means National Bank Trust Inc., an affiliate of the Bank, or any other person appointed by the Bank for that purpose.

**“DBRS”** means DBRS Limited.

**“Deposit Notes”** means the NBC Canadian Blue Chip III<sup>TM</sup> Deposit Notes, Series 33.

**“Exchange”** means, in respect of a Reference Share, the primary exchange or trading system on which that Reference Share is listed and traded from time to time.

**“Exchange Day”** means, in respect of a Reference Share, any day on which the Exchange for that Reference Share is scheduled to be open for trading during the regular trading sessions, notwithstanding any such Exchange closing prior to its scheduled weekday closing time, without regard to after hours or any other trading outside of the regular trading sessions hours.

**“FundSERV”** means the network maintained and operated by FundSERV Inc. for electronic communication with participating companies, including the receiving of orders, order match, contracting, registrations and settlement of orders, transmission of confirmation of purchases, and the redemption of investments or instruments.

**“Global Note”** has the meaning ascribed thereto under “Book-Entry System”.

**“Holder”** means an owner of record or beneficial owner of a Deposit Note.

**“Information Statement”** means the present information statement dated January 16, 2012.

**“Initial Deposit Amount”** means \$100 per Deposit Note. For greater certainty, the Initial Deposit Amount for fractional Deposit Notes will be equal to a corresponding fraction of \$100 per Deposit Note and Holders who have sold Deposit Notes prior to the Maturity Payment Date will not be entitled to receive any Initial Deposit Amount in respect of such Deposit Notes that have been sold.

**“Initial Holder”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

**“Issuance Date”** means the date as of which is issued a global certificate for the full amount of the Deposit Notes, being on or about March 9, 2012, or such other date agreed to between the Bank and the Agent, but in any event no later than April 9, 2012.

**“Market Disruption Event”** has the meaning ascribed thereto under “Description of the Deposit Notes – Market Disruption Event”.

**“Market Maker”** means National Bank Financial Inc., a wholly-owned subsidiary of the Bank.

**“Maturity Date”** means the date falling on the eighth and a half year anniversary date of the Issuance Date provided that if such date is not a Business Day, it will be deemed to be the next Business Day.

**“Maturity Payment Date”** means the date falling on the fifth Business Day following the Valuation Date, provided, however, that if the Reference Portfolio Return is not determined on such Valuation Date because the date at which the Reference Share Price of one or more Reference Shares to be determined is postponed, then the Maturity Payment Date will be the fifth Business Day following the latest of such postponed dates at which the Reference Portfolio Return is determined; in each case where the Maturity Payment Date is so postponed, there will be no interest or other compensation made in respect of any such delay.

**“Maturity Redemption Amount”** means, at the Maturity Date, an amount per Deposit Note equal to the sum of (a) the Initial Deposit Amount, and (b) the Variable Return.

**“Moody’s”** means Moody’s Investors Service, Inc.

**“Permitted Investments”** means fixed income and/or money market instruments consisting of debt issued by the Government of Canada or its agencies, debt issued by the provinces of Ontario, Quebec, Alberta or British Columbia or bankers’ acceptances issued by Canadian banks or cash deposits with Canadian banks with a rating of at least R-1 (low), A-1 or P-1 by DBRS Limited, Standard & Poor’s, a division of the McGraw-Hill Companies, Inc. and Moody’s Investors Service, Inc. respectively. The term to maturity of the Permitted Investments shall not be beyond the Valuation Date.

**“Price Source”** means Bloomberg, or, if such price source is discontinued or otherwise unavailable, any other price source deemed reliable and appropriate by the Calculation Agent acting in good faith.

**“Reference Portfolio”** means, the notional portfolio made up of the Reference Shares, as described in this Information Statement under “Reference Portfolio”.

**“Reference Portfolio Return”** means the arithmetic average (expressed as a percentage and rounded to two decimal places) of the Reference Share Returns of the 20 Reference Shares over the period starting on the Issuance Date of the Deposit Notes and ending on the Valuation Date.

**“Reference Share”** means, each of the shares of the companies forming part of the Reference Portfolio, which will be, on the Issuance Date as per the table set forth in the “Reference Portfolio – Composition”.

**“Reference Share Price”** means, on any day, the closing price of a Reference Share on the Exchange as reported by the applicable Price Source, provided that if the primary exchange on which a particular Reference Share forming part of the Reference Portfolio is not opened for trading or if there is no closing price on that day, the closing price on the immediately preceding day on which such exchange is opened for trading will be used, except if this occurs on the Issuance Date or on the Valuation Date, in which case the closing price on the immediately following day on

which such exchange is opened for trading will be used, subject to a maximum postponement of five Business Days, after which time the closing price will be a value equal to the Calculation Agent's estimate of the Reference Share Price as at such date, reasonably taking into account all relevant market circumstances.

**"Reference Share Return"** means, on any day (t) for a Reference Share, a number (which may be positive or negative), expressed as a percentage, determined as per the following formula:

$$\frac{\text{Reference Share Price (t)} - \text{Reference Share Price on the Issuance Date}}{\text{Reference Share Price on the Issuance Date}}$$

The Reference Share Return of each of the Reference Shares is a price return, and will not take into account dividends paid in respect of the Reference Shares.

**"Reimbursement Under Special Circumstances"** means a special reimbursement of the Deposit Notes, prior to the Maturity Date, in the circumstances and the manner described under "Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment".

**"Related Exchange"** means, in respect of a Reference Share, the primary exchange or trading system on which futures or options on the Reference Share are listed and traded from time to time.

**"Sale Deadline Time"** means, 1:00 p.m. on any Business Day or such other time as may be established by the Market Maker.

**"SEDAR"** means the Canadian System for Electronic Document Analysis and Retrieval maintained by Canadian securities regulators.

**"Special Circumstances"** has the meaning ascribed thereto under "Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment".

**"Special Reimbursement Date"** means, the special payment date established in connection with a Reimbursement under Special Circumstances as described hereunder "Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment".

**"Tax Act"** means the *Income Tax Act* (Canada).

**"Trading Day"** means any day where the primary exchanges for 90% of the securities in the Reference Portfolio are opened for trading.

**"Valuation Date"** means, the fifth Business Day preceding the Maturity Date, provided that if such day is not a Trading Day, it will be postponed until the next Trading Day, subject to a maximum of five Business Days, and subject to a Market Disruption Event.

**"Variable Return"** means, the greater of (i) zero and (ii) an amount in Canadian dollars equal to \$100 multiplied by the Reference Portfolio Return.

**"\$"** means Canadian dollars.

## 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 and registered office is located at the National Bank Tower, 600 de La Gauchetière Street West, Montreal, Quebec, H3B 4L2. The Bank offers a full range of financial services to individuals, commercial enterprises, financial institutions and governments both in Canada and abroad.

Prospective purchasers may obtain more information on the Bank by consulting the Bank's public disclosure documents, filed by the Bank with the various securities commissions or similar authorities in each of the provinces of Canada through the Internet on SEDAR at [www.sedar.com](http://www.sedar.com).

### INVESTMENT RATIONALE FOR THE DEPOSIT NOTES

The Deposit Notes are principal-protected deposit notes which aim to provide Holders with a return at maturity based to the price return of common shares of 20 Canadian companies included in a notional Reference Portfolio and listed on the Toronto Stock Exchange.

### REFERENCE PORTFOLIO

#### General

The Reference Portfolio is used solely as a notional reference for the purpose of calculating the Variable Return. No actual funds will be invested in the purchase of Reference Shares. Holders will not be the owners of, nor have any rights or interests in or to, the Reference Shares and therefore, will not have recourse to the Reference Shares to satisfy amounts owing under the Deposit Notes.

#### Composition

A notional portfolio composed of the common shares of 20 Canadian companies listed on the Toronto Stock Exchange. The table below sets forth the Reference Shares comprising the Reference Portfolio and certain other information and is followed by a brief description of each issuer of the Reference Shares including a chart illustrating the price performance of each Reference Share. **Historical performance is not a guarantee of future performance.**

**All information concerning each Reference Share is derived from, and based solely upon, publicly available information and neither the Bank, the Agent nor any of their respective affiliates assumes any responsibility for the accuracy, reliability or completeness of such information. Furthermore, such information is not incorporated by reference into and does not form part of this document. All data and information below regarding the issuers of the Reference Shares and the Reference Shares is sourced from Bloomberg. See "Reference Portfolio – Liability Disclaimer" below.**

Prospective investors are advised that the Reference Portfolio is the expected Reference Portfolio to be used as of the Issuance Date, but is subject to change as explained hereinafter. The Bank may replace a maximum of two Reference Shares currently included in the Reference Portfolio before the Issuance Date if certain material events, financial or otherwise, occur in respect of such Reference Share that the Bank considers, at its sole discretion, to be detrimental to the interest of investors in the Deposit Notes. Any replacement Reference Share selected for replacement shall be of an issuer of a similar size operating in a similar industry. Investors will be advised of any such replacement through a notice which will provide investors with the right to cancel their subscription to the Deposit Notes. The Bank is not obligated to replace a Reference Share even if certain material events detrimental to the Holders occur in respect of such Reference Share. Following the Issuance Date, the Bank will replace a Reference Share contained in the Reference Portfolio only upon occurrence of a Substitution Event as indicated under the heading "Extraordinary Events" in this Information Statement. The definitive Reference Portfolio will be posted by the Bank on the web site [www.fpsgroup.ca](http://www.fpsgroup.ca).

Reference Shares	Bloomberg Ticker Symbol*	Primary Exchange
BCE Inc.	BCE CT Equity	Toronto
Bank of Montreal	BMO CT Equity	Toronto
Canadian Imperial Bank of Commerce	CM CT Equity	Toronto
Canadian National Railway Company	CNR CT Equity	Toronto
Encana Corporation	ECA CT Equity	Toronto
Enbridge Inc.	ENB CT Equity	Toronto
Fortis Inc.	FTS CT Equity	Toronto
Husky Energy Inc.	HSE CT Equity	Toronto
Loblaw Companies Limited	L CT Equity	Toronto
Power Corporation of Canada	POW CT Equity	Toronto
Rogers Communications Inc.	RCI/ B CT Equity	Toronto
Saputo Inc.	SAP CT Equity	Toronto
Shoppers Drug Mart Corporation	SC CT Equity	Toronto
Shaw Communications Inc.	SJR/B CT Equity	Toronto
Sun Life Financial Inc.	SLF CT Equity	Toronto
Teck Resources Limited	TCK/B CT Equity	Toronto
TELUS Corporation	T CT Equity	Toronto
The Toronto-Dominion Bank	TD CT Equity	Toronto
Thomson Reuters Corporation	TRI CT Equity	Toronto
TransCanada Corporation	TRP CT Equity	Toronto

\* Source: Bloomberg as of January 9, 2012

**The sector diversification of the Reference Portfolio by weight is set out below:**

Sector diversification	Weighting
Financial Services	25%
Energy	20%
Consumer Staples	15%
Telecommunication Services	15%
Consumer Discretionary	10%
Utilities	5%
Materials	5%
Industrials	5%

#### **BCE Inc.**

BCE Inc. provides a full range of communication services to residential and business customers in Canada. Under the Bell brand, the company's services include local, long distance and wireless phone services, high speed and wireless Internet access, IP-broadband services, value-added business solutions and direct-to-home satellite and VDSL television services.

**Bank of Montreal**

Bank of Montreal is a Canadian chartered bank which operates throughout the world. The bank offers commercial, corporate, governmental, international, personal banking, and trust services. Bank of Montreal also offers full brokerage, underwriting, investment and advisory services.

**Canadian Imperial Bank of Commerce**

Canadian Imperial Bank of Commerce provides banking and financial services to consumers, individuals, and corporate clients in Canada and around the world.

**Canadian National Railway Company**

Canadian National Railway Company operates a network of railway tracks in Canada and the United States. The company transports forest products, grain and grain products, coal, sulphur, fertilizers, and automotive products and provides intermodal services. Canadian National operates a fleet of locomotives and railcars.

**Encana Corporation**

Encana Corporation explores for, develops, produces, and markets natural gas, crude oil, and natural gas liquids. The company operates in North and South America.

**Enbridge Inc.**

Enbridge Inc. provides energy transportation, distribution, and related services in North America and internationally. The company operates a crude oil and liquids pipeline system, is involved in international energy projects, and is involved in natural gas transmission and midstream businesses. Enbridge also distributes natural gas and electricity and provides retail energy products.

**Fortis Inc.**

Fortis Inc. holds investments in several electric distribution utilities located in Canada, Belize, and the Cayman Islands. The company also has subsidiaries involved in electricity generation in New York State and Belize. In addition, Fortis, through its non-utility subsidiary, has investments in commercial real estate and hotels throughout Atlantic Canada.

**Husky Energy Inc.**

Husky Energy Inc. is involved in the exploration, development, and production of crude oil and natural gas in Canada and internationally. Husky Energy Inc. also conducts upgrading operations, pipeline operations, commodity trading, and energy infrastructure projects. In addition, Husky manufactures and markets refined products and operates a retail network.

**Loblaw Companies Limited**

Loblaw Companies Limited is a retail and wholesale food distributor with operations across Canada. Loblaw Companies Limited's operations include both company and franchisee operated stores, warehouses, and cash and carry outlets.

**Power Corporation of Canada**

Power Corporation of Canada is a diversified management and holding company. The Company has holdings in the financial services and communications sectors in North America. Power Corp., through European-based Pargesa

Group, invests in communications, utility, industrial, energy, financial services and food companies in Europe. The company also has diversified interests in Asia.

### **Rogers Communications Inc.**

Rogers Communications Inc. is a diversified Canadian communications and media company. The company's activities include wireless voice and data communications services over its national GSM and HSPA networks; cable television, telephone and high speed Internet access services over its broadband networks; and radio and TV broadcasting, televised shopping, magazines, and sports entertainment.

### **Saputo Inc.**

Saputo Inc. manufactures dairy and grocery products. The company manufactures Italian cheeses, European cheeses, and North American cheeses. Saputo also operates a distribution network through which it markets a variety of imported cheeses and non-dairy products to complement its cheese offerings. The company also produces and distributes snack cakes, cookies, breads, and soups.

### **Shoppers Drug Mart Corporation**

Shoppers Drug Mart Corporation is a drugstore retailer in Canada. The company offers pharmacy services, health information, and beauty products.

### **Shaw Communications Inc.**

Shaw Communications, Inc. provides broadband cable television, Internet, and satellite television services.

### **Sun Life Financial Inc.**

Sun Life Financial Inc. is an international financial services organization providing a diverse range of wealth accumulation and protection products and services. Sun Life Financial Inc. provides insurance, mutual funds, annuities, pensions, investment management, trust services, and banking services. Sun Life serves individuals and corporate customers worldwide.

### **Teck Resources Limited**

Teck Resources Limited is an integrated natural resource group with activities in mining, smelting, and refining. The company mines zinc, copper molybdenum, gold, and metallurgical coal in the United States, Canada, Peru, and Chile. Teck Resources Limited also produces refined metals, specialized metal products, and other products.

### **TELUS Corporation**

TELUS Corporation is a telecommunications company providing a variety of communication products and services. The company provides voice, data, Internet, and wireless services to businesses and consumers in Canada.

### **The Toronto-Dominion Bank**

The Toronto-Dominion Bank conducts a general banking business through branches and offices located throughout Canada and overseas. The bank and other subsidiaries offer a broad range of banking, advisory services, and discount brokerage to individuals, businesses, financial institutions, governments, and multinational corporations.

### **Thomson Reuters Corporation**

Thomson Reuters Corporation is an electronic information and solutions company that serves the global business and professional marketplace. Thomson Reuters Corporation provides proprietary online systems and CD-ROM products

in information sectors such as legal and regulatory, financial, scientific reference and healthcare, and corporate training.

## TransCanada Corporation

TransCanada Corporation is the parent company of TransCanada PipeLines Limited. TransCanada Corporation is focused on natural gas transmissions and power services. TransCanada's network of pipelines transports the majority of Western Canada's natural gas production to markets in Canada and the United States. The company also has interests in power plants in Canada and the United States.

## Historical Data

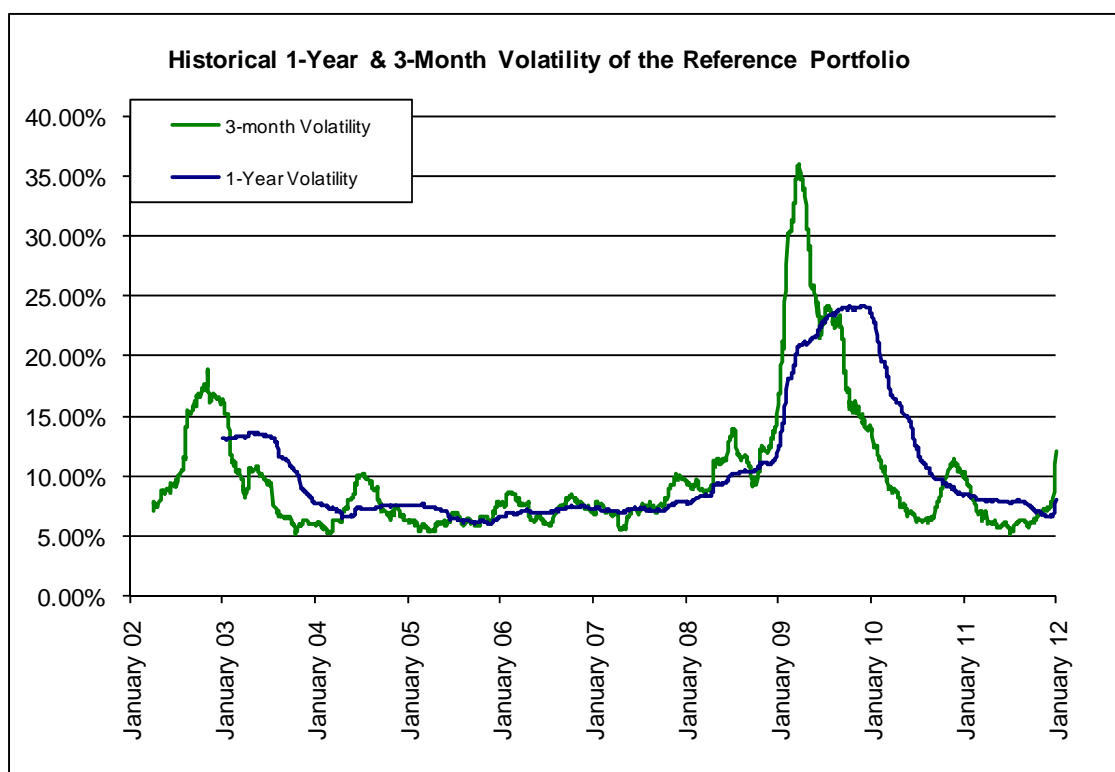
The following table shows the calendar year and year-to-date (“YTD”) price performance of the Reference Shares and the Reference Portfolio. The YTD price performance is as of January 9, 2012. **Historical performance is not a guarantee of future performance.** Each year is measured starting from the December of the previous year indicated. For example: the year 2002 below refers to the year as measured from December 31, 2001 to December 31, 2002.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD
Bank of Montreal	16.13%	28.33%	7.96%	12.53%	6.15%	-18.36%	-44.52%	78.72%	2.92%	-2.78%	3.69%
BCE Inc.	-20.86%	1.40%	0.07%	-3.63%	13.23%	26.27%	-36.62%	15.40%	21.86%	20.18%	-1.22%
Canadian Imperial Bank of Commerce	-20.66%	47.06%	12.86%	5.79%	28.65%	-28.23%	-27.58%	33.39%	14.94%	-5.80%	1.63%
Canadian National Railway Company	-14.90%	25.63%	33.66%	27.47%	7.52%	-6.83%	-4.01%	28.05%	15.71%	20.80%	-0.66%
Enbridge Inc.	-1.82%	26.03%	11.17%	21.74%	10.81%	-0.65%	-1.12%	22.93%	15.71%	35.38%	-1.37%
Encana Corporation	18.11%	4.55%	34.12%	53.68%	2.09%	25.79%	-15.61%	12.79%	-14.72%	-35.06%	1.38%
Fortis Inc.	11.82%	12.19%	18.00%	39.68%	22.66%	-2.62%	-15.18%	16.63%	18.48%	-1.80%	-0.39%
Husky Energy Inc.	0.00%	42.50%	45.93%	72.26%	32.27%	14.27%	-30.77%	-2.56%	-11.74%	-7.53%	-0.41%
Loblaw Companies Limited	2.90%	24.84%	7.81%	-21.73%	-13.45%	-30.38%	2.94%	-3.12%	19.16%	-4.68%	-3.64%
Power Corporation of Canada	-7.60%	34.44%	28.10%	2.13%	11.47%	13.71%	-44.13%	30.29%	-5.27%	-13.91%	-2.14%
Rogers Communications Inc.	-45.94%	45.57%	47.33%	56.49%	41.06%	29.65%	-18.67%	-10.66%	5.84%	13.44%	-0.99%
Saputo Inc.	-12.81%	29.18%	12.99%	-6.29%	8.74%	61.42%	-25.68%	38.70%	28.72%	-1.39%	-1.61%
Shaw Communications Inc.	-51.95%	24.28%	8.73%	15.05%	46.29%	28.10%	-8.59%	0.28%	-1.48%	-5.15%	1.23%
Shoppers Drug Mart Corporation	30.55%	22.22%	24.32%	18.00%	13.89%	6.33%	-9.78%	-5.49%	-12.95%	4.07%	0.15%
Sun Life Financial Inc.	-21.33%	20.93%	24.30%	16.39%	5.54%	12.96%	-48.95%	6.36%	-0.46%	-37.23%	4.81%
TELUS Corporation	-28.04%	48.71%	39.58%	32.14%	11.83%	-7.62%	-24.82%	-8.23%	33.33%	26.74%	-1.21%
Teck Resources Limited	-8.81%	89.05%	68.35%	68.07%	41.66%	-19.39%	-83.01%	511.63%	67.82%	-41.88%	4.85%
The Toronto-Dominion Bank	-17.21%	27.29%	15.32%	22.46%	14.05%	-0.32%	-37.48%	51.81%	12.57%	2.75%	0.62%
Thomson Reuters Corporation	-13.13%	12.10%	-10.22%	-6.17%	21.99%	-16.72%	-11.64%	-4.63%	9.69%	-26.88%	3.34%
TransCanada Corporation	15.35%	21.64%	6.89%	22.99%	10.80%	-0.17%	-18.18%	9.10%	4.97%	17.22%	-2.25%
<b>Reference Portfolio</b>	<b>-8.51%</b>	<b>29.40%</b>	<b>21.86%</b>	<b>22.45%</b>	<b>16.86%</b>	<b>4.36%</b>	<b>-25.17%</b>	<b>41.07%</b>	<b>11.26%</b>	<b>-2.18%</b>	<b>0.29%</b>

The following table shows the price performance of the Reference Shares and the Reference Portfolio as of January 9, 2012. The performance for periods that are less than one year are cumulative and are not annualized and the performance for periods of one year or more are annualized. **Historical performance is not a guarantee of future performance.**

	1 month	3 months	6 months	1 year	2 years	3 years	4 years	5 years	10 years
Bank of Montreal	2.26%	0.77%	-5.45%	-0.50%	3.83%	19.93%	0.63%	-3.36%	4.79%
BCE Inc.	2.97%	8.06%	10.83%	17.87%	22.75%	19.93%	2.31%	6.81%	1.69%
Canadian Imperial Bank of Commerce	4.27%	2.03%	-0.81%	-2.91%	5.69%	12.51%	2.10%	-5.35%	2.87%
Canadian National Railway Company	0.82%	10.19%	4.61%	18.87%	16.63%	20.01%	15.66%	9.75%	12.58%
Enbridge Inc.	2.43%	12.42%	18.67%	36.89%	26.00%	23.72%	16.85%	13.78%	13.56%
Encana Corporation	-2.05%	-2.84%	-34.69%	-32.74%	-27.05%	-13.88%	-15.08%	-7.50%	6.32%
Fortis Inc.	2.03%	3.97%	2.28%	-1.80%	7.62%	11.21%	3.59%	3.99%	11.14%
Husky Energy Inc.	-2.20%	9.54%	-7.67%	-7.10%	-9.84%	-8.58%	-14.42%	-7.33%	11.61%
Loblaw Companies Limited	-2.83%	0.54%	-4.19%	-4.06%	4.11%	1.18%	1.19%	-6.11%	-3.18%
Power Corporation of Canada	2.91%	-1.15%	-12.10%	-15.97%	-10.19%	1.79%	-10.78%	-7.70%	2.06%
Rogers Communications Inc.	5.71%	10.65%	1.89%	12.44%	11.30%	6.14%	-1.30%	2.07%	10.91%
Saputo Inc.	-0.03%	-8.00%	-17.58%	-5.40%	13.16%	24.43%	7.51%	15.73%	11.12%
Shaw Communications Inc.	0.79%	-1.82%	-5.96%	0.00%	-0.75%	-0.44%	-2.30%	1.37%	2.01%
Shoppers Drug Mart Corporation	-4.16%	0.32%	4.25%	3.08%	-4.33%	-1.41%	-6.30%	-4.02%	8.48%
Sun Life Financial Inc.	8.13%	-20.44%	-31.57%	-35.26%	-22.51%	-12.00%	-21.75%	-16.28%	-4.96%
TELUS Corporation	2.87%	9.31%	5.39%	24.32%	28.81%	17.47%	5.34%	0.46%	9.29%
Teck Resources Limited	-0.71%	11.89%	-24.93%	-39.23%	-5.08%	74.79%	2.36%	-0.54%	18.80%
The Toronto-Dominion Bank	4.76%	4.82%	-4.49%	3.45%	9.75%	18.61%	3.73%	2.18%	6.05%
Thomson Reuters Corporation	3.00%	-3.53%	-20.98%	-24.58%	-9.66%	-2.91%	-7.11%	-9.88%	-5.32%
TransCanada Corporation	2.76%	4.84%	6.87%	18.16%	11.20%	9.23%	1.98%	2.16%	8.38%
<b>Reference Portfolio</b>	<b>1.69%</b>	<b>2.58%</b>	<b>-5.78%</b>	<b>-1.72%</b>	<b>4.60%</b>	<b>14.42%</b>	<b>0.50%</b>	<b>0.75%</b>	<b>7.96%</b>

The following is a chart illustrating the historical 1-Year and 3-Month volatility of the Reference Portfolio from the period beginning on February 18, 2002 (which is the actual end of the first 3-Month volatility period starting on November 21, 2001, which is the date where Shoppers Drug Mart Corporation started trading) and ending on January 9, 2012. **Historical volatility is not a guarantee of future volatility.**



## Extraordinary Events

### *Potential Adjustment Event*

Following the declaration by a Company of the terms of any Potential Adjustment Event in respect of its Reference Shares, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrating effect on the theoretical value of the relevant Reference Share and, if so, may (i) make the corresponding adjustments, if required, to one or more of the Initial Values of that Reference Share, to the formula for calculating the Reference Share Return of such Reference Share, or to any other component or variable relevant to the determination of a Reference Share Price as determined to be appropriate by the Calculation Agent in order to account for the diluting or concentrative effect and (ii) determine the effective date of the adjustments. The Calculation Agent may (but need not) determine any appropriate adjustments by reference to the adjustments in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Reference Share traded on such options exchange. Save as expressly provided below, the Calculation Agent will make no adjustment in respect of any distribution of cash.

“Company” means an issuer of a Reference Share.

“Initial Value” means any of the Reference Share Prices used in the calculation of a Reference Share Return for the purpose of calculating the Reference Portfolio Return.

“Potential Adjustment Event” means, in respect of a Reference Share, the occurrence of any of the following events:

- (a) a subdivision, consolidation or reclassification of relevant Reference Shares (unless resulting in a Merger Event), or a free distribution or dividend of any such Reference Shares to existing holders by way of bonus, capitalization or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Reference Shares of (i) such Reference Shares, or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the applicable Company equally or proportionally with such payments to holders of such Reference Shares, or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the applicable Company as a result of a spin-off or other similar transaction, or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend in respect of such Reference Shares (where the characterization of a dividend as “extraordinary” will be determined by the Calculation Agent );
- (d) a call by the applicable Company in respect of the relevant Reference Shares that are not fully paid;
- (e) a repurchase by the applicable Company or any of its subsidiaries of the relevant Reference Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (f) in respect of the applicable Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent , provided that any adjustment effected as a result of such an event will be readjusted upon any redemption or such rights; or
- (g) any other event that may have a diluting or concentrating effect on the theoretical value of the relevant Reference Shares.

### *Merger Event and Tender Offer*

On or after a Merger Date or Tender Offer Date, the Calculation Agent will either (i) (A) make adjustment(s), if any, to any one or more of the Initial Value of the relevant Reference Share, the formula for calculating the Reference Share Return of such Reference Share, or any other component or variable relevant to the determination of the Reference Share Return as the Calculation Agent determines appropriate to account for the economic effect on the Deposit Notes of the relevant Merger Event or Tender Offer, which may, but need not, be determined by reference to the adjustments made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Reference Shares traded on such options exchange and (B) determine the effective date of the adjustments, or (ii) if the Calculation Agent determines that no adjustments that it could make under (i) will produce a commercially reasonable result, the Calculation Agent may deem the relevant Merger Event or Tender Offer to be a Substitution Event subject to the provisions of “Substitution Event” below.

“Merger Event” means, in respect of a Reference Share, any (i) reclassification or change of the relevant Reference Shares that results in a transfer of or an irrevocable commitment to transfer all of such Reference Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the relevant Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in a reclassification or change of all of such Reference Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Reference Shares of such Company that results in a transfer of or an irrevocable commitment to transfer all such Reference Shares (other than such Reference Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of such Company or its subsidiaries with or into another entity in which such Company is the continuing entity and which does not result in a reclassification or change of all such Reference Shares outstanding but results in the outstanding Reference Shares (other than Reference Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Reference Shares immediately following such event (commonly referred to as a “reverse merger”), in each case if the Merger Date is on or before the date on which the Reference Share Return in respect of such Reference Share is determined.

“Merger Date” means the Issuance Date of a Merger Event or, where an Issuance Date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“Tender Offer” means, in respect of a Reference Share, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding relevant Reference Shares of the applicable Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“Tender Offer Date” means, in respect of a Tender Offer, the date on which the relevant Reference Shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

### *Substitution Event*

Upon the Calculation Agent becoming aware of the occurrence of a Substitution Event in respect of a Reference Share in the Reference Portfolio (the “Deleted Reference Share”), the following will apply, effective on a date as determined by the Calculation Agent (the “Substitution Date”):

- (a) any adjustments set out in “Potential Adjustment Event ” above in respect of such Reference Share will not apply;
- (b) the Calculation Agent may choose (in its absolute discretion) a new share (the “Replacement Reference Share”) of a large company listed on a major exchange or market quotation system as a substitute for such Deleted Reference Share;

- (c) such Deleted Reference Share will be deleted from the Reference Portfolio and will not be considered as a Reference Share for purposes of determining the Reference Portfolio Return on or after the Substitution Date;
- (d) the Replacement Reference Share will be a Reference Share in the Reference Portfolio, the issuer of such Replacement Reference Share will be the Company in respect of such Replacement Reference Share, and the primary exchange or market quotation system on which such Replacement Reference Share is listed will be the Exchange in respect of such Replacement Reference Share; and
- (e) the Calculation Agent will determine in its discretion the Reference Share Price of such Replacement Reference Share by taking into account all relevant market circumstances, including the Reference Share Price of such Deleted Reference Share and the Reference Share Price or estimated value on the Substitution Date of the Deleted Reference Share and the Reference Share Price on the Substitution Date of the Replacement Reference Share, and will make adjustments, if any, to any one or more of the formula for calculating the Reference Share Return of such Replacement Reference Share, or any other component or variable relevant to the determination of a Reference Share Return as the Calculation Agent determines appropriate to account for the economic effect on the Deposit Notes of the relevant Substitution Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the applicable substitution).

Upon choosing a Replacement Reference Share, the Calculation Agent will promptly post details of such substitution on the website [www.fpsgroup.ca](http://www.fpsgroup.ca). For greater certainty, the Replacement Reference Share chosen by the Calculation Agent may be any share of a large company, and may be a company that was the continuing entity in respect of a Merger Event. The Calculation Agent may decide not to choose a Replacement Reference Share as a substitute for a Deleted Reference Share if the Calculation Agent determines that there are no appropriate shares of a large company listed on a major exchange or market quotation system which offer sufficient liquidity in order for the Calculation Agent to place, maintain or modify hedges in respect of such shares; in that event, see “Extraordinary Non Replacement Event” below.

“Substitution Event” means, in respect of a Reference Share, any Nationalization, Insolvency or Delisting in respect of such Reference Share, or any Merger Event or Tender Offer in respect of such Reference Share that is deemed by the Calculation Agent to be a Substitution Event, or the occurrence and continuation for at least three consecutive applicable Exchange Days of a Market Disruption Event in respect of such Reference Share.

“Nationalization” means, in respect of a Reference Share, that all such Reference Shares or all the assets or substantially all the assets of the applicable Company are nationalized, expropriated or otherwise required to be transferred to any governmental agency, authority or entity.

“Insolvency” means, in respect of a Reference Share, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the applicable Company, (i) all the relevant Reference Shares of such Company are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Reference Shares of such Company become legally prohibited from transferring them.

“Delisting” means, in respect of a Reference Share, that the relevant primary Exchange announces that pursuant to the rules of such Exchange, the Reference Shares cease (or will cease) to be listed, traded or publicly quoted on such Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such Exchange.

#### *Market Disruption Event*

If the Calculation Agent determines that a Market Disruption Event (as defined below) in respect of a Reference Share has occurred and is continuing on the Valuation Date in respect of such Reference Share, then the applicable Reference Share Price will be calculated on the basis that such Valuation Date will be postponed for the purposes of the Reference Share only (and not the other Reference Shares) to the next Exchange Day on which there is no Market Disruption Event in effect in respect of such Reference Share.

However, there will be a limit for postponement of the Valuation Date. If on the fifth Exchange Day following the date originally scheduled as the Valuation Date, such date has not occurred, then despite the occurrence of any Market Disruption Event in respect of such Reference Share on or after such fifth Exchange Day:

- (i) such fifth Exchange Day will be the Valuation Date, in respect of such Reference Share; and
- (ii) where on that fifth Exchange Day a Market Disruption Event in respect of such Reference Share has occurred and is continuing, then the Reference Share Price of such Reference Share for such Valuation Date used for determining the Reference Share Return will be a value equal to the Calculation Agent's estimate of the Reference Share Price of such Reference Share as at such Valuation Date, reasonably taking into account all relevant market circumstances.

A Market Disruption Event may delay the determination of a Reference Share Return and consequently the calculation of the Reference Portfolio Return and the Variable Return that may be payable. Payment of the Variable Return will be made on the fifth Business Day after all Reference Share Returns used in the calculation of the Reference Portfolio Return have been determined.

"Market Disruption Event" means, in respect of a Reference Share, any bona fide event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of the Calculation Agent or any person that does not deal at arm's length with the Calculation Agent which has or will have a material adverse effect on the ability of equity dealers generally to place, maintain or modify hedges of positions in respect of such Reference Share. A Market Disruption Event may include, without limitation, any of the following events:

- (a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Reference Share(s) on the Exchange(s), or (ii) in futures or options contracts or futures contracts relating to the relevant Reference Share(s) on any relevant Related Exchange;
- (b) the closure on any Exchange Day of the relevant Exchange(s) or any Related Exchange(s) prior to its scheduled closing time ("Early Closure") unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the close of trading on such Exchange Day;
- (c) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Reference Share(s) on the Exchange(s), or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Reference Share(s) on any relevant Related Exchange;
- (d) the failure on any Exchange Day of the relevant Exchange(s) of the relevant Reference Share(s) or any Related Exchange to open for trading during its regular trading session;
- (e) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which would make it unlawful or impracticable for the Calculation Agent to perform its obligations under the Deposit Notes or for equity dealers generally to place, maintain or modify hedges of positions in respect of such Reference Share;
- (f) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada or a country in which any applicable Exchange or Related Exchange is located; or
- (g) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has or would have a material adverse effect on the ability of the Calculation Agent to perform its obligations under the Deposit Notes or of equity dealers generally to place, maintain or modify hedges of positions with respect to such Reference Share or a material and adverse effect on the Canadian economy or the trading of securities generally on any relevant Exchange or Related Exchange.

### *Extraordinary Non Replacement Event*

If the Calculation Agent determines that a Substitution Event in respect of a Reference Share has occurred and has decided not to choose a Replacement Reference Share as a substitute for such Reference Share on the grounds the Calculation Agent has determined that there are no appropriate shares of a large company listed on a major exchange or market quotation system which offer sufficient liquidity in order for the Calculation Agent to place, maintain or modify hedges in respect of such shares (an “Extraordinary Non Replacement Event”), then the Calculation Agent may decide to continue the Reference Portfolio without such Deleted Reference Share and make the necessary adjustments such that from thereafter, the Reference Portfolio Return will be calculated on the basis of the remaining Reference Shares, where the weighting of the Deleted Reference Share will be reallocated proportionally to the remaining Reference Shares and will make the necessary adjustments so that the return generated on such Deleted Reference Share up to the event leading to such Extraordinary Non Replacement Event is taken into account as at such date.

### **Liability Disclaimer**

This Information Statement relates only to the Deposit Notes offered hereby and does not relate to the Reference Shares, the Reference Issuers or other securities. The Bank has derived all disclosures contained in this Information Statement regarding the Reference Shares and the Reference Issuers from publicly available information. Further, the Bank and the Agent have not had an opportunity to verify the accuracy or completeness of any such information or to determine if there has been any omission by any of the Reference Issuers to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information has been furnished by the Reference Issuers or which may affect the significance or accuracy of any such information. Neither the Bank nor the Agent have participated in the preparation of any reporting documents of the Reference Issuers or made any due diligence inquiry with respect to the Reference Shares or the Reference Issuers in connection with the offering of the Deposit Notes. Neither the Bank nor the Agent makes any representation that publicly available documents or any publicly available information regarding the Reference Issuers are accurate or complete. Furthermore, the Bank and the Agent cannot give any assurance that all events occurring prior to the date hereof that would affect the trading price of the Reference Shares (and therefore the Maturity Redemption Amount) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the Reference Issuers could affect the value received on any date with respect to the Deposit Notes and, therefore, the value of the Deposit Notes.

Each prospective investor should independently investigate the Reference Issuers and decide whether an investment in the Deposit Notes is appropriate for such prospective investor in light of such investor’s own circumstances.

NONE OF THE REFERENCE ISSUERS ARE AFFILIATES OF THE BANK OR ITS AFFILIATES AND NONE OF THE REFERENCE ISSUERS HAVE PARTICIPATED IN THE PREPARATION OF THIS INFORMATION STATEMENT, NOR DO THEY TAKE ON OR ASSUME ANY RESPONSIBILITY OR LIABILITY AS REGARDS THE ACCURACY OR COMPLETENESS OF SAID INFORMATION; THEY MAKE NO REPRESENTATION AS TO THE ADVISIBILITY OF PURCHASING THE DEPOSIT NOTES. THE DEPOSIT NOTES ARE IN NO WAY SPONSORED, ENDORSED, SOLD OR PROMOTED BY THE REFERENCE ISSUERS. NONE OF THE REFERENCE ISSUERS IS RESPONSIBLE OR LIABLE FOR OR HAS PARTICIPATED IN THE DETERMINATION OF THE TIMING, PRICING OR NUMBER OF DEPOSIT NOTES TO BE ISSUED. NONE OF THE REFERENCE ISSUERS ASSUMES ANY LIABILITY, STATUTORY OR OTHERWISE, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION CONTAINED IN THIS INFORMATION STATEMENT, OR HAS ANY OBLIGATION OR LIABILITY IN CONNECTION WITH THE ADMINISTRATION, MARKETING OR TRADING OF THE DEPOSIT NOTES. THE ISSUANCE OF THE DEPOSIT NOTES IS NOT A FINANCING FOR THE BENEFIT OF ANY OF THE REFERENCE ISSUERS.

### **DESCRIPTION OF THE DEPOSIT NOTES**

The following contains a summary of the material attributes and characteristics of the Deposit Notes and is entirely qualified by and subject to the global certificate referred to below, which contains the full text of such attributes and characteristics. The Bank will provide a copy of the global certificate of the Deposit Notes to any Holder who requests it.

## General

This offering consists of Deposit Notes, sold by the Bank at a price of \$100 each and payable on the Issuance Date. The minimum subscription price per Holder is \$1,000 (10 Deposit Notes). Fractional Deposit Notes over such minimum number of Deposit Notes may be issued and all calculations made in respect of amounts payable on account of a fractional Deposit Note will be prorated accordingly.

**Subscriptions for the Deposit Notes may be made using the FundSERV network under the order code “NBC1612”.** Funds in respect of all subscriptions are payable at the time of subscription. See “Plan of Distribution”.

A global certificate for the full amount of the issue of the Deposit Notes will be issued by the Bank in registered form to CDS on the Issuance Date. Subject to limited exceptions, certificates evidencing the Deposit Notes will not be available to Holders under any circumstances and registration of ownership of the Deposit Notes will be made only through the Book-Entry System of CDS. See “Description of the Deposit Notes – Book-Entry System” and “Description of the Deposit Notes – Definitive Notes”.

Orders for purchases of Deposit Notes may be accepted in whole or in part, and the right to allot Deposit Notes to investors in an amount less than subscribed for by the investors is reserved by the Bank. The Bank reserves the right to discontinue accepting subscriptions at any time without notice. The Bank may at any time prior to closing of a series, in its discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes. Any rejected subscription amount will be returned to investors without any interest or deduction.

The Bank may from time to time issue any additional series of notes or any other notes or other debt instruments or deposit notes which may or may not resemble the Deposit Notes.

## Currency

The Initial Deposit Amount and all payments under the Deposit Notes will be in Canadian dollars.

## Payment upon the Maturity Date

On the Maturity Payment Date, Holders will be entitled to receive, in respect of each Deposit Note held by such Holder, repayment of their Initial Deposit Amount. In addition, depending on the performance of the Reference Portfolio during the term of the Deposit Notes, Holders will be entitled to receive on the Maturity Payment Date a Variable Return. The Maturity Redemption Amount is equal to the sum of the Initial Deposit Amount and the Variable Return.

The Variable Return will be equal to the greater of (i) zero and (ii) an amount in Canadian dollars equal to \$100 multiplied by the Reference Portfolio Return.

The Reference Portfolio Return is the arithmetic average (expressed as a percentage and rounded to two decimal places) of the Reference Share Returns of the 20 Reference Shares over the period starting on the Issuance Date of the Deposit Notes and ending on the Valuation Date.

The Reference Share Return for a Reference Share will be equal to, on any day, a number (which may be positive or negative), expressed as a percentage, determined as per the following formula:

$$\frac{\text{Reference Share Price (t) - Reference Share Price Value on the Issuance Date}}{\text{Reference Share Price on the Issuance Date}}$$

where: Reference Share Price means, on any day, the closing price of a Reference Share on the Exchange as reported by the applicable Price Source, provided that if the Exchange on which a particular Reference Share forming part of the Reference Portfolio is not opened for trading or if there is no closing price on that day, the closing price on the immediately preceding day on which such exchange is opened for trading will be used, except if this occurs on the Issuance Date or on the Valuation Date, in which case the closing price on the immediately following day on which such Exchange is opened for trading will be used, subject to a maximum postponement of five Business Days, after

which time the closing price will be a value equal to the Calculation Agent's estimate of the Reference Share Price as at such date, reasonably taking into account all relevant market circumstances.

Foreign currency fluctuations will not impact the Reference Share Return. The Reference Share Return of each of the Reference Shares is a price return, and will not take into account dividends paid in respect of the Reference Shares. As of January 9, 2012, the dividends paid on account of all of the Reference Shares in the Reference Portfolio represented an annual return of approximately 3.87%.

The Bank will post the Reference Portfolio Return and certain other information regarding the Deposit Notes on the website [www.fpsgroup.ca](http://www.fpsgroup.ca)

The following are examples meant to illustrate the application of the aforementioned calculations and formula. This example uses a hypothetical Reference Portfolio created for a period of one month. **These examples are included for illustration purposes only. The amounts used are hypothetical and are not forecasts or projections of the performance of the Reference Portfolio or the Deposit Notes.**

### Hypothetical example of a positive Variable Return

The following table is based on the assumption that most of the price returns for the Reference Shares will **increase** during the 8.5-year term.

Reference Share	Reference Share Price on the Issuance Date (\$)	Reference Share Price on the Valuation Date (\$)	Reference Share Return
Bank Of Montréal	58.29	111.13	90.64%
BCE Inc.	42.18	34.37	-18.52%
Canadian Imperial Bank Of Commerce	75.59	173.97	130.15%
Canadian National Railway Company	80.01	92.13	15.15%
Enbridge Inc.	37.52	97.08	158.74%
EnCana Corporation	19.25	59.21	207.58%
Fortis Inc.	33.12	60.63	83.06%
Husky Energy Inc.	24.59	57.88	135.38%
Loblaw Companies Ltd.	37.14	228.26	514.59%
Power Corporation of Canada	23.70	49.87	110.42%
Rogers Communications Inc.	39.00	100.95	158.85%
Saputo Inc.	38.23	76.13	99.14%
Shaw Communications Inc.	41.63	26.06	-37.40%
Shoppers Drug Mart Corporation	20.65	72.96	253.32%
Sun Life Financial Inc.	19.90	58.23	192.61%
Teck Resources Ltd.	38.55	218.09	465.73%
TELUS Corporation	57.00	110.15	93.25%
Thomson Reuters Corporation	28.36	189.74	569.04%
Toronto-Dominion Bank	77.32	117.00	51.32%
TransCanada Corporation	43.33	77.63	79.16%

Arithmetic average of the Reference Share Returns	167.61%
Variable Return	\$167.61
Maturity Redemption Amount payable	\$267.61

In this example, the arithmetic average of the Reference Share Returns of the 20 Reference Shares is 167.61%. If the Bank does not exercise its right to call the Deposit Notes prior to maturity, the Variable Return will be \$167.61 and the Maturity Redemption Amount payable on the Maturity Payment Date will be \$267.61 (approximately 12.28% compounded annually over 8.5 years).

### Hypothetical example of a positive Variable Return

The following table is based on the assumption that most of the price returns for the Reference Shares will **increase** during the 8.5-year term.

Reference Share	Reference Share Price on the Issuance Date (\$)	Reference Share Price on the Valuation Date (\$)	Reference Share Return
Bank Of Montréal	58.29	96.71	65.91%
BCE Inc.	42.18	34.37	-18.52%
Canadian Imperial Bank Of Commerce	75.59	133.48	76.58%
Canadian National Railway Company	80.01	83.21	4.00%
Enbridge Inc.	37.52	59.82	59.43%
EnCana Corporation	19.25	42.54	120.99%
Fortis Inc.	33.12	49.05	48.10%
Husky Energy Inc.	24.59	37.76	53.56%
Loblaw Companies Ltd.	37.14	68.59	84.68%
Power Corporation of Canada	23.70	33.38	40.84%
Rogers Communications Inc.	39.00	43.33	11.10%
Saputo Inc.	38.23	43.27	13.18%
Shaw Communications Inc.	41.63	22.58	-45.76%
Shoppers Drug Mart Corporation	20.65	52.91	156.22%
Sun Life Financial Inc.	19.90	47.48	138.59%
Teck Resources Ltd.	38.55	22.67	-41.19%
TELUS Corporation	57.00	63.76	11.86%
Thomson Reuters Corporation	28.36	56.71	99.96%
Toronto-Dominion Bank	77.32	98.66	27.60%
TransCanada Corporation	43.33	43.68	0.81%

Arithmetic average of the Reference Share Returns	45.40%
Variable Return	\$45.40
Maturity Redemption Amount payable	\$145.40

In this example, the arithmetic average of the Reference Share Returns of the 20 Reference Shares is 45.40%. If the Bank does not exercise its right to call the Deposit Notes prior to maturity, the Variable Return will be \$45.40 and the Maturity Redemption Amount payable on the Maturity Payment Date will be \$145.40 (approximately 4.50% compounded annually over 8.5 years).

### Hypothetical example of a nil Variable Return

The following table is based on the assumption that most of the price returns for the Reference Shares will **decrease** during the 8.5-year term.

Reference Share	Reference Share Price on the Issuance Date (\$)	Reference Share Price on the Valuation Date (\$)	Reference Share Return
Bank Of Montréal	58.29	92.30	58.35%
BCE Inc.	42.18	16.98	-59.74%
Canadian Imperial Bank Of Commerce	75.59	53.04	-29.83%
Canadian National Railway Company	80.01	37.87	-52.67%
Enbridge Inc.	37.52	22.48	-40.09%
EnCana Corporation	19.25	25.22	31.01%
Fortis Inc.	33.12	15.64	-52.78%
Husky Energy Inc.	24.59	29.45	19.76%
Loblaw Companies Ltd.	37.14	46.14	24.23%
Power Corporation of Canada	23.70	12.88	-45.65%
Rogers Communications Inc.	39.00	28.81	-26.13%
Saputo Inc.	38.23	31.73	-17.00%
Shaw Communications Inc.	41.63	9.61	-76.92%
Shoppers Drug Mart Corporation	20.65	20.71	0.29%
Sun Life Financial Inc.	19.90	18.71	-5.98%
Teck Resources Ltd.	38.55	66.39	72.22%
TELUS Corporation	57.00	39.08	-31.44%
Thomson Reuters Corporation	28.36	23.76	-16.22%
Toronto-Dominion Bank	77.32	30.95	-59.97%
TransCanada Corporation	43.33	21.44	-50.52%

Arithmetic average of the Reference Share Returns	-17.95%
Variable Return	\$0.00
Maturity Redemption Amount payable	\$100.00

In this example, the arithmetic average Reference Share Returns of the 20 Reference Shares is -17.95%. If the Bank does not exercise its right to call the Deposit Notes prior to maturity, the Variable Return will be nil and the Maturity Redemption Amount payable on the Maturity Payment Date will be \$100 because the Deposit Notes are principal-protected at maturity.

## **Settlement of Payments**

The Bank will be required to make available to Holders of record on the Maturity Date, no later than 10:00 a.m. (Montreal time) on the Maturity Payment Date, funds in an amount sufficient to pay the Maturity Redemption Amount.

If the Bank initiates a Bank Early Redemption, it will also be required to make available to Holders of record on the Bank Early Redemption Day, no later than 10:00 a.m. (Montreal time) on the fifth Business Day following the Bank Early Redemption Day, the amount payable pursuant to such redemption.

All amounts payable in respect of the Deposit Notes will be made available by the Bank through CDS or its nominee. Upon receipt of any such amount, CDS or its nominee will facilitate payment to the applicable CDS Participants or credit the account of such CDS Participants, in amounts proportional to their respective interests as shown on the records of CDS. National Bank Trust Inc., in its capacity as Custodian, will facilitate payment by FundSERV to non-CDS Participants or credit the account of such non-CDS Participants, in amounts proportional to their respective interests. See "Custodian".

Payments by CDS Participants and non-CDS Participants to Holders will be governed by standing instructions and customary practices, as is the case with securities or instruments held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such CDS Participants or non-CDS Participants.

The responsibility and liability of the Bank in respect of Deposit Notes represented by a global certificate evidencing the Deposit Notes is limited to the payment of those amounts due in respect of the global certificate evidencing the Deposit Notes to CDS or its nominee. Upon receipt in full of such amounts by CDS, the Bank will be discharged from any further obligation with regard to such payments. The Bank will not have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership of the Deposit Notes represented by the global certificate evidencing the Deposit Notes or for maintaining, supervising or reviewing records relating to any such ownership.

The Bank retains the right, as a condition of payment of amounts at maturity, to require the surrender for cancellation of any certificate evidencing the Deposit Notes.

## **No Early Retraction**

The Deposit Notes are not retractable at the option of Holders prior to the Maturity Date.

## **Bank Early Redemption**

On the Bank Early Redemption Day the Bank will be entitled to redeem all of the Deposit Notes then outstanding at a price of \$135.98 per Deposit Note (a 35.98% premium over the Initial Deposit Amount), representing an annual compounded rate of return of approximately 7.5% as of the Bank Early Redemption Day. With the exception of a payment made on the Bank Early Redemption Day, or upon a Reimbursement Under Special Circumstances, no payment will be made prior to the Maturity Date. See "Description of the Deposit Notes - Reimbursement Under Special Circumstances and Payment".

## **Reimbursement Under Special Circumstances and Payment**

In the event of a Special Circumstance (as defined below), the Bank may choose to redeem all of the outstanding Deposit Notes (a "Reimbursement Under Special Circumstances") upon 30 Business Days' prior notice provided in writing by the Bank to Holders of the Deposit Notes. Any such notice will be given in the manner described under "Description of the Deposit Notes – Notice to Holders".

A "Special Circumstance" means a circumstance of income tax nature where, in the opinion of the Bank, acting reasonably and in good faith, an amendment or a change is made to an act, regulation, policy, taxation practice or

administration or to the interpretation of an act, regulation, policy, taxation practice policy or taxation administration which would make it illegal or, in the view of the Bank, disadvantageous to the Bank from a legislative, regulatory or financial point-of-view, for the Deposit Notes to remain outstanding.

In the event of the occurrence of a Special Circumstance in which the Bank determines to make a Reimbursement Under Special Circumstances, the Bank, acting in good faith, will set a date for the reimbursement of the Deposit Notes (the “Special Reimbursement Date”). In such event, the Bank will seek market quotations for the value of the Deposit Notes to be redeemed from two financial institutions and will use the average of those quotations; provided that if such quotations are deemed not to be reasonable by the Bank, acting in good faith, or if the Bank is unable to obtain such quotations, the Bank will establish a value for the Deposit Notes, acting in good faith in accordance with industry-accepted methods based on a number of interrelated factors, such as the appreciation and volatility of the Reference Shares, interest rates, hedging costs and the time remaining to the Maturity Date. The value of the Deposit Notes determined in accordance with the foregoing will constitute the “Actualized NAV”. If the Actualized NAV is equal to or greater than the Initial Deposit Amount, then the Maturity Date will be accelerated to the Special Reimbursement Date and Holders of record on such date will be entitled to receive the Actualized NAV (which will not be less than the Initial Deposit Amount). The Bank will make available to Holders, no later than 10:00 a.m. (Montreal time) on the fifth Business Day following the determination of the Actualized NAV, the amount payable pursuant to such redemption, through CDS or its nominee. If, however, the Actualized NAV is less than the Initial Deposit Amount, then the Maturity Date will not be modified and an amount equal to the Actualized NAV will be notionally invested by the Bank in Permitted Investments until the earlier of (i) the date on which such amount equals the Initial Deposit Amount or (ii) the Maturity Date. As a result, investors might receive only the Initial Deposit Amount at such date. Payment of any amount thereunder will be made on the fifth Business Day following such date.

### **Rank; No Deposit Insurance**

The Deposit Notes will constitute direct, unsecured and unsubordinated debt obligations of the Bank. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu* as among themselves and will be payable rateably without any preference or priority. **The Deposit Notes will not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution.**

### **Canadian Investor Protection Fund or any other deposit insurance regime**

There is no guarantee that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund or any other deposit insurance regime. A Holder should consult his or her investment advisor to determine whether the Holder’s investment in the Deposit Notes is eligible for protection in such Holder’s particular circumstances.

### **Book-Entry System**

On the Issuance Date, the Bank will cause a single global certificate (the “Global Note”) evidencing all Deposit Notes purchased pursuant to this offering to be delivered to and registered in the name of a depository (initially being CDS). Registration of interests in and transfers of the Deposit Notes will only be made through the Book-Entry System administered by CDS. Except as described below, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership of the Deposit Notes. Each Holder’s beneficial ownership of Deposit Notes will be shown on the records maintained by the Holder’s broker/dealer, bank, custodian, trust company or other representative that is a participant in CDS (or the relevant depository) or, in certain cases, on the records maintained by the Custodian, as explained more fully below. Interests of participants will be shown on the records maintained by the relevant depository or on the records maintained by the Custodian. Neither the Bank nor any depository will be bound to see to the execution of any trust affecting the ownership of any Deposit Note or be affected by notice of any equitable interest that may be subsisting with respect to any Deposit Note.

The Bank will issue the registered Deposit Notes in the form of the fully registered Global Note that will be deposited with a depository (initially being CDS) and registered in the name of such depository or its nominee in denominations equal to the aggregate Initial Deposit Amount of the Deposit Notes. Unless and until it is exchanged in whole for Deposit Notes in definitive registered form, the registered Global Note may not be transferred except as a whole by and among the depository, its nominee or any successors of such depository or nominee.

The Bank anticipates that the provisions set out below will apply to all arrangements in respect of a depository, including CDS.

Ownership of beneficial interests in a Global Note of a series will be limited to persons who hold interests directly or indirectly through persons, called “participants”, that have accounts with the relevant depository or persons who may hold interests through participants. Upon the issuance of a registered Global Note, the depository will credit, on its book-entry registration and transfer system, the participants’ accounts with the respective Initial Deposit Amounts of the Deposit Notes beneficially owned by the participants. Any dealers, underwriters or Agent’s participating in the distribution of the Deposit Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered Global Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depository, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

So long as the depository, or its nominee, is the registered owner of a registered Global Note, that depository or its nominee, as the case may be, will be considered the sole owner or holder of the Deposit Notes represented by the registered Global Note for all purposes. Except as described below, owners of beneficial interests in a registered Global Note will not be entitled to have the Deposit Notes represented by the registered Global Note registered in their names, will not receive or be entitled to receive physical delivery of the Deposit Notes in definitive form and will not be considered the owners or Holders of Deposit Notes. Accordingly, each person owning a beneficial interest in a registered Global Note must rely on the procedures of the depository for that registered Global Note and, if that person is not a participant, on the procedures of the participant(s) and the Custodian, if any, through which the person owns their interest, to exercise any rights of a Holder. The Bank understands that under existing industry practices, if the Bank requests any action of Holders or if an owner of a beneficial interest in a registered Global Note of a series desires to give or take any action that a Holder is entitled to give or take in respect of the Deposit Notes, the depository for the registered Global Note of a series would authorize the participants and the Custodian, if any, holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them. See “Custodian” below.

Payments on the Deposit Notes represented by a registered Global Note registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the registered Global Note. Neither the Bank, nor any Agent thereof will have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial ownership interests in the registered Global Note or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

The Bank expects that the depository for any of the Deposit Notes represented by a registered Global Note, upon receipt of any payment on the Deposit Notes, will immediately credit participants’ accounts in amounts proportional to their respective beneficial interests in that registered Global Note as shown on the records of the depository. The Bank also expects that payments by participants to owners of beneficial interests in a registered Global Note held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts or customers in bearer form or registered in “street name,” and will be the responsibility of those participants.

### **Definitive Notes**

If the depository for any of the Deposit Notes represented by a registered Global Note is at any time unwilling or unable to continue to properly discharge its responsibility as depository, and a successor depository is not appointed by the Bank within 90 days, the Bank will issue Deposit Notes in definitive form in exchange for the registered Global Note that has been held by the depository.

In addition, the Bank may at any time and in its sole discretion elect not to have any of the Deposit Notes represented by one or more registered Global Notes. If the Bank makes that decision, the Bank will issue Deposit Notes in definitive form in exchange for all of the registered Global Notes representing the Deposit Notes.

Except in the circumstances described above, beneficial owners of the Deposit Notes will not be entitled to have any portions of such Deposit Notes registered in their name, will not receive or be entitled to receive physical delivery of

the Deposit Notes in certificated, definitive form and will not be considered to be the owners or holders of a Global Note.

Any Deposit Notes issued in definitive form in exchange for a registered Global Note will be registered in the name or names that the depository gives to the Bank or its Agent, as the case may be. It is expected that the depository's instructions will be based upon directions received by the depository from participants with respect to ownership of beneficial interests in the registered Global Note that had been held by the depository.

The text of any Deposit Notes issued in definitive form will contain such provisions as the Bank may deem necessary or advisable. The Bank will keep or cause to be kept a register where all registrations and transfers of Deposit Notes will be recorded in definitive form. Such register will be kept at the offices of the paying and transfer agent, or at such other offices notified by the Bank to Holders.

No transfer of a definitive Deposit Note will be valid unless made at such offices upon surrender of the certificate in definitive form for cancellation with a written instrument of transfer in form and as to execution satisfactory to the Bank or its agent, and upon compliance with such reasonable conditions as may be required by the Bank or its agent and with any requirement imposed by law and entered on the register.

Payments on a definitive Deposit Note, if issued, will be made by cheque mailed to the applicable registered Holder at the address of the Holder appearing in the aforementioned register in which registrations and transfers of Deposit Notes are to be recorded or, if requested in writing by the Holder at least five Business Days before the date of the payment and agreed to by the Bank, by electronic funds transfer to a bank account nominated by the Holder with a bank in Canada. Payment under any definitive Deposit Note is conditional upon the Holder first delivering the Deposit Note to the paying and transfer agent who reserves the right on behalf of the Bank in the case of payment of the Variable Return on the Deposit Notes in full at any time, to retain the Deposit Note and mark the Deposit Note as cancelled.

### **Custodian**

The Custodian will hold Deposit Notes (directly or indirectly through its affiliates) for persons who do not have accounts with the relevant depository (including, in certain cases, Holders), referred to herein as non-participants and, as the case may be, for certain participants in the relevant depository, in accordance with their respective entitlements as reflected in a register to be maintained by the Custodian solely on the basis of and in reliance upon instructions received from such participants or non-participants, as the case may be. Upon receiving amounts payable in respect of Deposit Notes, the Custodian will arrange for payment to participants and non-participants (including Holders) in amounts proportional to their respective interests in the Deposit Notes recorded in the register maintained by the Custodian. All records maintained by the Custodian shall, absent manifest error, be final for all purposes and binding on all persons, including the Holders. The Custodian shall not be responsible for its errors if these are made in good faith.

If the depository for any of the Deposit Notes represented by a registered Global Note is at any time unwilling or unable to continue to properly discharge its responsibilities as depository, and a successor depository is not appointed by the Bank within 90 days, the Bank will issue Deposit Notes in definitive form in exchange for the registered Global Note that had been held by the depository. In addition, the Bank may at any time and in its sole discretion decide not to have any of the Deposit Notes represented by one or more registered Global Notes. If the Bank makes that decision, the Bank will issue Deposit Notes in definitive form in exchange for all of the registered Global Notes representing the Deposit Notes.

### **Deferred Payment**

Federal laws of Canada prohibit anyone from charging or receiving interest or other amounts for the advancing of credit at effective rates in excess of 60% per annum. Therefore, when any payment is to be made by the Bank to a Holder at the Maturity Payment Date, payment of that portion of such payment constituting a Variable Return that would exceed 60% per annum may be deferred to ensure compliance with such laws. The Bank will pay any portion so deferred to the Holder together with interest at the Bank's equivalent term deposit rate as soon as Canadian law permits. In addition, the Bank may withhold a portion of any payment to a Holder that the Bank is legally able or required to withhold.

## **Notice to Holders**

The Bank or its nominee will give notice to the Holders of any material events relating to the Deposit Notes, including any amendment to the Deposit Notes that impacts interest payable under the Deposit Notes. All notices sent to the Holders regarding the Deposit Notes will be validly given if (i) given through CDS to CDS participants or (ii) published once in a widely circulated edition of a French language Québec newspaper and in the national edition of a widely circulated edition of an English language Canadian newspaper or (iii) if communicated to the Holders by mail, electronic and/or any other means.

## **Amendments to the Deposit Notes**

The terms of the Deposit Notes may be amended without the consent of the Holders by agreement between the Bank and the Agent if, in the reasonable opinion of the Bank and the Agent, the amendment would not materially and adversely affect the interests of the Holders. In all other cases, the terms of the Deposit Notes may be amended by the Bank if the amendment is approved by a resolution passed by the favourable votes of the Holders of not less than 66 2/3% of the Deposit Notes represented at a meeting convened for the purposes of considering the resolution, or by written resolution signed by Holders of not less than 66 2/3% of the Deposit Notes.

Each Holder is entitled to one vote per Deposit Note held by such Holder for the purposes of voting at a meeting convened to consider a resolution. Quorum for a meeting of holders of Deposit Notes will exist if Holders of 10% or more of the Deposit Notes are present at the meeting. If a quorum is not reached at any meeting, that meeting must be adjourned to a later date not earlier than seven Business Days after the original meeting date, in which case the quorum required will be the Holders present at such adjourned meeting. The Deposit Notes do not carry the right to vote in any other circumstances.

## **Credit Rating**

The Deposit Notes have not been rated by any rating agencies. The long term deposits of the Bank are, at the date of this Information Statement, rated AA (low) by DBRS and A by Standard & Poor's and Aa2 by Moody's. There can be no assurance that, if the Deposit Notes were specifically rated by these rating agencies, they would have the same rating as the other deposit liabilities of the Bank. A credit rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

## **FEES AND EXPENSES**

The Bank will pay to the Agent amounts to be paid by the Agent to those sale representatives whose clients purchase Deposit Notes, a selling fee of up to \$4.00 per Deposit Note sold under the offering. Accordingly, the payment of this fee will not affect the performance of the Deposit Notes.

The Bank will not charge any other fee or seek reimbursement of any other expense in respect of the Deposit Notes.

For greater certainty, the pricing of the Deposit Notes will factor in any selling commission payable to the Agent.

As is generally the case for Bank deposits, the Bank may earn a return on the offering of Deposit Notes. This return may arise from the difference between the amount the Bank may generate in hedging its obligations under the Deposit Notes, net of related expenses, and the amount the Bank is obligated to pay under the Deposit Notes. See "Use of Proceeds and Hedging".

## **FUNDSERV**

**The Deposit Notes may be purchased through dealers and other firms that facilitate purchase and related settlement using the FundSERV network.** The following information about FundSERV is pertinent for such Holders. Holders should consult with their financial advisors as to whether their Deposit Notes will be purchased using the FundSERV network and to obtain further information on FundSERV's procedures applicable to them.

## **General Information**

FundSERV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products with online order access to such financial products. FundSERV was originally designed and is operated as a mutual fund communications network which allows members to in place mutual fund orders electronically. In addition, FundSERV is currently used in respect of other financial products that may be sold by financial planners, such as the Deposit Notes. FundSERV enables its participants to clear certain financial product transactions between participants, to settle the payment obligations arising from such transactions, and to make other payments between themselves.

**Where a Holder's purchase order for Deposit Notes is made by a dealer or other firm using the FundSERV network, such dealer or other firm may not be able to accommodate a purchase of Deposit Notes through certain registered plans for purposes of the Tax Act. Holders should consult their financial advisors as to whether their orders for Deposit Notes will be made using the FundSERV network and any limitation on their ability to purchase Deposit Notes through registered plans.**

### **Deposit Notes Purchased using the FundSERV network**

Deposit Notes will initially be issued in the form of a fully registered global certificate that will be deposited with CDS. Deposit Notes purchased using the FundSERV network will be evidenced by the global certificate. See "Description of the Deposit Notes – Book-Entry System" for further details on CDS as a depository and related matters with respect to the global certificate. Holders of Deposit Notes purchased using the FundSERV network will therefore have an indirect beneficial interest in the global certificate. That beneficial interest will be recorded in CDS as being owned by a Bank affiliate, as a participant in CDS. Such Bank affiliate will hold the Deposit Notes for the Custodian, which will record in its books respective beneficial interests in the Deposit Notes purchased using the FundSERV network which recordings will be made as instructed using the FundSERV network by the participants and non-participants, as the case may be.

### **Purchases using the FundSERV network**

In order to purchase Deposit Notes using the FundSERV network, the full subscription price therefore must be delivered to the Bank in immediately available funds prior to the Issuance Date and will be held in escrow pending the closing of the offering of the Deposit Notes. Despite delivery of such funds, the Bank reserves the right not to accept any offer to purchase Deposit Notes using the FundSERV network, in whole or in part. If a subscription for Deposit Notes using the FundSERV network is not accepted (in whole or in part) or Deposit Notes are not issued to the Holder for any reason, such funds will be returned forthwith to the Holder. In any case, whether or not the Deposit Notes purchased using the FundSERV network are issued, no interest or other compensation will be paid to the Holder on such funds.

### **Sale of Deposit Notes using the FundSERV network**

A Holder wishing to sell Deposit Notes purchased using the FundSERV network prior to the Valuation Date is subject to certain procedures and limitations to which a Holder holding Deposit Notes through a full service broker with direct connections to CDS may not be subject. Any Holder wishing to sell a Deposit Note purchased using the FundSERV network should consult with his or her financial advisor in advance in order to understand the timing and other procedural requirements and limitations of selling. A Holder must sell Deposit Notes purchased using the FundSERV network by using the "redemption" procedures of FundSERV; any other sale is not possible. Accordingly, a Holder will not be able to negotiate a sale price for Deposit Notes purchased using the FundSERV network. Instead, the financial advisor for the Holder will need to initiate an irrevocable request to "redeem" the Deposit Notes purchased using the FundSERV network in accordance with the then established procedures of FundSERV for the Deposit Notes. Provided that the financial advisor initiates the redemption request by 1:00 p.m. (Montreal time) on any Business Day, the request will be treated on the same day. Any request received after such time or on a day that is not a Business Day will be deemed to be a request sent and received before the Sale Deadline Time on the following Business Day. Sale of the Deposit Notes purchased using the FundSERV network will be effected at a sale price established after the close of market on the day the request is treated, equal to the FundSERV "net asset value" of a Deposit Note on the applicable day, as posted to FundSERV by the Market Maker on the day the request has been treated after the close of markets.

Holders should also be aware that, although the “redemption” procedures of FundSERV would be utilized, the Deposit Notes purchased using the FundSERV network will actually be sold in the secondary market to the Market Maker (and not “redeemed”). In turn, the Market Maker will be able to deal with such FundSERV Deposit Notes in its discretion, including, without limitation, to sell those FundSERV Deposit Notes to other parties at any price.

Holders should also be aware that from time to time such “sale” mechanism to sell Deposit Notes purchased using the FundSERV network may be suspended for any reason without notice, thus effectively preventing Holders from selling their Deposit Notes purchased using the FundSERV network. Potential Holders requiring liquidity should carefully consider this possibility before purchasing Deposit Notes using the FundSERV network.

The Market Maker will provide the Bank affiliate for posting, under normal market conditions as part of its agreement to maintain a secondary market to the Deposit Notes, a “net asset value” for the Deposit Notes on a daily basis, which value may also be used for valuation purposes in any statement sent to Holders. The bid price will actually represent the Market Maker’s bid price for the Deposit Notes (i.e., the price it is offering to purchase Deposit Notes in the secondary market) for the applicable day, less the applicable early trading charge set forth under “Secondary Market for the Deposit Notes”. There is no guarantee that the bid price for any day is the highest bid price possible in any secondary market for the Deposit Notes, but will represent the Market Maker’s bid price generally available to all Holders, including clients of the Market Maker. This bid price will take into account the amount of Deposit Notes offered for sale in the secondary market and other factors described under “Secondary Market for the Deposit Notes”.

A Holder holding Deposit Notes purchased using the FundSERV network should realize that the Deposit Notes purchased using the FundSERV network may not be transferable to another dealer, if the Holder were to decide to move his or her investment accounts to such other dealer. In that event, the Holder would have to sell the Deposit Notes purchased using the FundSERV network pursuant to the procedures outlined above.

## **SECONDARY MARKET FOR THE DEPOSIT NOTES**

There is currently no established trading market for the Deposit Notes. The Bank does not intend to apply to list the Deposit Notes on any securities exchange or quotation system.

The Market Maker intends to maintain until the Valuation Date, under normal market conditions, a daily secondary market for the Deposit Notes. If the trading markets for one or more of the Reference Shares are disrupted, or if trading of one or more of the Reference Shares is suspended or terminated, or if any other Market Disruption Event occurs, the Market Maker will generally deem that normal market conditions do not exist.

The Market Maker is under no obligation to facilitate or arrange for such a secondary market, and such secondary market, when established, may be suspended at any time at the sole discretion of the Market Maker, without any prior notice to Holders. Therefore, there can be no guarantee that a secondary market will be available or that such market will be liquid or sustainable.

**Holders who have purchased Deposit Notes using the FundSERV network will be limited to the FundSERV network to sell Deposit Notes.** The mutual fund order entry system FundSERV carries certain restrictions with respect to the sale of Deposit Notes, including the selling procedures that require an irrevocable sale order be initiated at a bid price that will not be known prior to initiating such sale order. See “FundSERV — Sale of Deposit Notes using the FundSERV network”.

A Holder wishing to sell Deposit Notes through the secondary market maintained by the Market Maker on the FundSERV network will be subject to certain procedures and limitations. A Holder wishing to sell Deposit Notes will need to initiate an irrevocable request to sell the Deposit Notes to the Market Maker. Provided the order is received before 1:00 p.m. (Montreal time) or such other time as may be established by the Market Maker on any Business Day (the “Sale Deadline Time”), the request will be treated on the same day. Any request received after such time or on a day that is not a Business Day will be deemed to be a request sent and received before the Sale Deadline Time on the following Business Day.

The sale of the Deposit Notes for which an irrevocable request to sell has been provided will be effected at a sale price established after the close of market on the day the request is treated. The bid price will represent the Market

Maker's bid price for the Deposit Notes (i.e. the price it is offering to purchase Deposit Notes on the secondary market for the applicable day). There is no guarantee that the bid price for any day is the highest bid price possible in any secondary market for the Deposit Notes, but will represent the Market Maker's bid price generally available to all Holders, including clients of the Market Maker.

Any sale order will need to be for a minimum of \$1,000 of principal amount of Deposit Notes (10 Notes), unless a Holder holds a lesser amount of Deposit Notes, in which case such sale order shall be for the balance of Deposit Notes held. The Market Maker may however waive such minimum sale requirement at its sole discretion, without any obligation on its part.

Holder should realize that this secondary market procedure may limit the liquidity of the secondary market for their Deposit Notes and the price obtained therefore. Holders should consider such market when deciding whether to invest in the Deposit Notes.

The bid price of a Deposit Note will be dependent on a varied number of factors at any time, which may include the return of each Reference Share since the Issuance Date and other interrelated factors, including, without limitation, the volatility of the prices of the Reference Shares, prevailing interest rates and the time remaining until the Maturity Date. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. See "Secondary Market for the Deposit Notes".

Any sale of Deposit Notes through the market maintained by the Market Maker within the first 720 days including and following the Issuance Date will be subject to an early trading charge per Deposit Note, as set out below:

<b>If sold</b>	<b>Early Trading Charge per Deposit Note</b>
From 0 to 60 days (inclusively) following the Issuance Date	\$6.00
From 61 to 120 days (inclusively) following the Issuance Date	\$5.50
From 121 to 180 days (inclusively) following the Issuance Date	\$5.00
From 181 to 240 days (inclusively) following the Issuance Date	\$4.50
From 241 to 300 days (inclusively) following the Issuance Date	\$4.00
From 301 to 360 days (inclusively) following the Issuance Date	\$3.50
From 361 to 420 days (inclusively) following the Issuance Date	\$3.00
From 421 to 480 days (inclusively) following the Issuance Date	\$2.50
From 481 to 540 days (inclusively) following the Issuance Date	\$2.00
From 541 to 600 days (inclusively) following the Issuance Date	\$1.50
From 601 to 660 days (inclusively) following the Issuance Date	\$1.00
From 661 to 720 days (inclusively) following the Issuance Date	\$0.50
Thereafter	Nil

**Holder should be aware that any valuation price for the Deposit Notes appearing in a Holder's periodic investment account statements, as well as any bid price quoted to the Holder to sell Deposit Notes within the first 720 days including and following the Issuance Date, will be before the application of any applicable early trading charge.**

**A Holder wishing to sell a Deposit Note prior to maturity should consult his or her investment advisor on whether a sale of the Deposit Note will be subject to an early trading charge and, if so, the amount of the early trading charge. If a Holder sells his or her Deposit Notes prior to maturity, such Holder may have to do so at a discount from the Initial Deposit Amount of the Deposit Note even if the performance of the Reference Shares has been positive, and as a result, such Holder may suffer a loss.**

While the Maturity Redemption Amount is based on the full principal amount of the Deposit Notes, the pricing of the Deposit Notes will factor in any selling commission described under “Fees and Expenses” and the Bank’s cost of hedging its obligations under the Deposit Note. As a result, assuming no change in market conditions and any other relevant factors highlighted herein that may affect the price of the Deposit Notes on the secondary market, the price on the secondary market will likely be lower than the original issue price when taking such fees and costs into consideration. This effect is expected to be greater if the Deposit Notes are sold earlier in the term of the Deposit Notes. It is expected that the early trading charge, if any, will correspond to such discount from the original issue price.

There will not be any market for the Deposit Notes other than the market described above. Investors of a series who cannot accept that the secondary market is limited in this way or who must have access to a secondary market at all times should not invest in the Deposit Notes.

The Deposit Notes are intended to be held until maturity. As a result, a sale of the Deposit Notes prior to the Maturity Date may result in a bid price that is less than the Initial Deposit Amount of the Deposit Notes. The bid price of a Deposit Note will be determined by the Market Maker at any time, acting in its sole discretion, and will be dependent upon a number of factors, which may include, among other things:

- supply and demand for the Deposit Notes – an oversupply of Deposit Notes or a weak demand for the Deposit Notes may adversely affect the price of the Deposit Notes;
- inventory positions with market-makers – large inventory positions with market-makers may negatively impact the demand for the Deposit Notes which may adversely affect the price of the Deposit Notes;
- interest rates in the market – an increase in interest rates may bring investors in the market place to favour fixed-income instruments over the Deposit Notes which offer an uncertain potential of return, and therefore adversely affect the demand for and price of the Deposit Notes;
- the return of the Reference Shares since the Issuance Date – a negative return will adversely affect the price of the Deposit Notes;
- the time remaining until the maturity of the Deposit Notes – where the value may be discounted prior to such time;
- the volatility of the Reference Shares (i.e., the frequency and magnitude of changes in the price of the Reference Shares) – high volatility may adversely affect the price of the Reference Shares, adversely affecting the Reference Portfolio Return and therefore the price of the Deposit Notes;
- economic, financial, political, regulatory or judicial events that affect the price of the Reference Shares – which will affect the Reference Share Return and therefore the Reference Portfolio Return and price of the Deposit Notes;
- the liquidity and market price of the Reference Shares and the other Reference Shares or factors that affect stock markets generally – poor liquidity and price will adversely affect the Reference Share Return and therefore the Reference Portfolio Return and price of the Deposit Notes;
- the creditworthiness of the Bank – a deterioration of the creditworthiness of the Bank may bring uncertainty as to the capacity of paying amounts owed under the Deposit Notes at maturity, and therefore adversely affect the demand for and price of the Deposit Notes; and
- the Bank’s right to redeem all of the Deposit Notes on the Bank Early Redemption Day at a price of \$135.98 per Deposit Note.

The effect of any one factor may be offset or amplified by the effect of another factor. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that any trading price for a Deposit Note: may

have a non-linear sensitivity to the increases and decreases in the prices of the Reference Shares (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the prices of the Reference Shares). As well, the trading price for a Deposit Note may be substantially affected by changes in the level of interest rates independent of performance of the Reference Shares.

**A Holder who sells Deposit Notes prior to maturity may receive less than the Initial Deposit Amount per Deposit Note, even if the performance of the Reference Shares has been positive, and as a result, such Holder may suffer a loss.** See “Risk Factors – No Assurance of a Secondary Market and Possible Illiquidity of any Developing Secondary Market.”

Holders should consult their investment advisors as to whether it would be more favourable in the circumstances at any time to sell the Deposit Notes (assuming the availability of a secondary market) or to hold the Deposit Notes until the Maturity Date. Holders should also consult and rely on their own tax advisors as to the tax consequences arising from a sale of a Deposit Note prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See “Certain Canadian Federal Income Tax Considerations”.

### **CALCULATION AGENT**

The Bank will be the Calculation Agent with regard to the Deposit Notes. The Calculation Agent will be solely responsible for the determination and calculation of the Reference Share Returns, the Reference Portfolio Return and the Variable Return, as well as for determining whether a Market Disruption Event has occurred and for making certain other determinations with regard to the Deposit Notes. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding upon the Holders. Since the Bank and the Calculation Agent is the same person, the Calculation Agent may have economic interests adverse to those of the Holders, including with respect to certain determinations that the Calculation Agent must make in under the Deposit Notes. The Calculation Agent will carry out its duties and functions in good faith and using its reasonable judgment. See also “Risk Factors – No independent calculation; Conflict of interest”.

### **PLAN OF DISTRIBUTION**

The Agent and the Bank have entered into an agency agreement (the “Agency Agreement”) pursuant to which the Agent has agreed to offer Deposit Notes for sale on a best efforts basis, if, as and when issued by the Bank, in accordance with the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on behalf of the Bank and the Agent. The Bank may also retain the services of other registered dealers to act as Agents’ in the sale of Deposit Notes. Subscriptions for Deposit Notes may be made using the FundSERV network under the order code “NBC1612”. A purchaser of Deposit Notes using the FundSERV network will receive from the Bank credit for interest accruing on funds so delivered in the form of additional Deposit Notes (or fractions of thereof). The number of additional Deposit Note(s) for a purchaser will be equal to the dollar amount of interest that would accrue on the funds delivered at a rate of 0.25% per annum from and including the first Business Day after such funds are received by the Agent to but excluding the Issuance Date, divided by the \$100 purchase price of a Deposit Note. For the avoidance of doubt, such interest will not be payable in cash. Upon acceptance of a subscription at closing (in whole or in part as provided below), a confirmation of acceptance will be sent out by prepaid mail or other means of delivery to the subscriber. If for any reason, at the sole discretion of the Bank, the closing of this offering does not occur, notwithstanding the foregoing, all subscription funds will be returned to subscribers without interest or deduction. The Agent or other selling firms may however make other arrangements with prospective purchasers where interest may be paid. Any such arrangement will be made independently from the Bank between the Agent or other selling firms and the prospective purchasers and shall not be binding upon the Bank.

Closing of the offering of the Deposit Notes will take place on or about March 9, 2012 or such other date agreed to between the Bank and the Agent, but in any event no later than April 9, 2012. Subscriptions 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. A global certificate for the full amount of the Deposit Notes will be issued in registered form to CDS and will be deposited with CDS on the Issuance Date. Subject to limited exceptions, certificates evidencing the Deposit Notes will not be available to Holders and registration of ownership of the Deposit Notes will be made only through CDS’s book-entry system. See “Description of the Deposit Notes –Book Entry System”.

The Agent is a wholly-owned subsidiary of the Bank. As a result, the Bank is a related issuer of the Agent under applicable securities legislation by virtue of the Bank's ownership of the Agent. The decision to offer the Deposit Notes and the terms of this offering were negotiated at arm's length between the Bank and the Agent.

The obligations of the Agent under the Agency Agreement may be terminated and the Agent may withdraw all subscriptions for Deposit Notes before their issuance on behalf of the subscribers at its discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain other stated events.

The Bank may from time to time issue any additional series of notes or any other notes or other debt instruments or deposit notes which may or may not resemble the Deposit Notes.

In connection with the issue and sale of the Deposit Notes by the Bank, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement or the Global Note and the Bank does not accept responsibility for any information not contained herein.

This Information Statement does not constitute, and may not be used for the purposes of, except pursuant to applicable registration exemptions, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Deposit Notes or the distribution of this Information Statement in the United States or to U.S. Persons (as defined in Regulation S under the United States Securities Act of 1933, as amended) or in any jurisdiction outside Canada where any action is required. No Deposit Notes will be sold in the United States or to U.S. Persons.

#### **USE OF PROCEEDS AND HEDGING**

The Bank will use the proceeds of the offering of Deposit Notes, after payment of the expenses related to such offering, for general banking purposes. The Bank and/or its affiliates may also use those proceeds in transactions intended to hedge the Bank's obligations under the Deposit Notes. The hedging activity of the Bank and/or its affiliates may adversely affect the market value of the Deposit Notes from time to time. See "Risk Factors – Hedging transactions may affect the Reference Shares".

#### **RISK FACTORS**

An investment in the Deposit Notes is subject to certain risk factors that prospective investors should carefully consider before acquiring Deposit Notes, including the following factors.  **Holders who are not prepared to accept the following risk factors should not invest in the Deposit Notes.**

##### **Risks Relating to the Offering of Deposit Notes**

##### **Suitability for investment: Deposit Notes may not be a suitable investment for some investors**

An investor should reach a decision to invest in the Deposit Notes after carefully considering, in conjunction with his or her advisors, the suitability of the Deposit Notes in light of his or her investment objectives and the other information set out in this Information Statement. Neither the Bank nor the Agent makes any recommendation as to whether the Deposit Notes are a suitable investment for any person.

An investment in Deposit Notes is suitable only for investors prepared to assume risks with respect to a return tied to the performance of the Reference Shares. The Deposit Notes have certain investment characteristics that differ from those of conventional fixed income investments in that they do not provide Holders with a return or income stream prior to maturity, or a return at maturity, calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. The return on the Deposit Notes (if any), unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that if the Reference Portfolio does not generate a positive return at maturity, the Deposit Notes will produce no return on the Holders' original investment. There is no guarantee that the Reference Portfolio will be able to generate a positive return at maturity. Therefore, there is no guarantee that a Holder will receive any amount at maturity other than repayment of the Holder's Initial Deposit Amount with National Bank of Canada. Moreover, the value of an investment in the Deposit Notes may diminish over time owing

to inflation and other factors that adversely affect the present value of future payments. Therefore, the Deposit Notes are not suitable investments for investors requiring or expecting certainty of yield.

**Uncertain return until maturity; No guarantee that the Deposit Notes will show any return; Deposit Notes are linked only to the price performance of the Reference Shares**

The return, if any, on the Deposit Notes will not be known until maturity. The Deposit Notes are linked only to the price performance, if any, of the Reference Shares. There can be no guarantee that, as of the Valuation Date, the market price of the Reference Shares will have appreciated since the Issuance Date so as to generate a positive Reference Share Return ensuing in the payment of a Variable Return. Fluctuations in the price of Reference Shares may have a significant impact upon the value of the Deposit Notes.

The market price of the Reference Shares is unpredictable, will be influenced by factors that are beyond the control of the Bank and will fluctuate. Historical prices of the Reference Shares should not be considered to provide any indication of the future performance thereof. Prices of the Reference Shares will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect markets generally, and by various circumstances that can influence the value of a particular security. No guarantee can be given that the values of the Reference Shares will appreciate in the period during which the Deposit Notes are outstanding and that a Variable Return will be paid on the Maturity Payment Date.

**Reference Share Return will not reflect the full appreciation in the Reference Shares when including dividends**

The Reference Share Returns will not reflect the payment of dividends on the Reference Shares. Therefore, the yield based on the methodology for calculating the Reference Share Returns will not be the same as the yield which may be produced if the Reference Shares were purchased directly and held for the same period.

**Holders have no ownership interest in the Reference Shares**

An investment in the Deposit Notes does not constitute an investment in the Reference Shares. The Reference Shares are designed as a reference for the purpose of calculating the Reference Share Returns and the Variable Return payable at maturity. No actual funds will be invested in the purchase of Reference Shares. Holders will not be the owners of, nor have any rights or interests in or to, the Reference Shares and therefore, will not have recourse to the Reference Shares to satisfy amounts owing under the Deposit Notes.

**No guarantee of a secondary market and possible illiquidity of any developing secondary market**

The Deposit Notes are designed for investors with long-term investment horizons who are prepared to hold the Deposit Notes to maturity. The Deposit Notes are not designed as a short-term investment. There is currently no market through which the Deposit Notes may be sold. The Bank does not intend to apply to list the Deposit Notes on any securities exchange or quotation system.

The Market Maker may (but is not obligated to) maintain a secondary market for the purchase and sale of the Deposit Notes. Should there be such a secondary market, it is not possible to predict at what price the Deposit Notes will trade in the secondary market or whether such market will be liquid or illiquid. If the secondary market for the Deposit Notes is limited, there may be few buyers when an investor decides to sell his or her Deposit Notes prior to maturity, affecting the price such a Holder will receive.

Holders choosing to sell their Deposit Notes prior to maturity will receive an amount which is not necessarily equal to the Initial Deposit Amount and which does not necessarily reflect the appreciation of the Reference Shares up to the date of such sale. Holders who sell Deposit Notes in the secondary market may receive less than the Initial Deposit Amount, even if the Reference Shares have appreciated.

The market for the Deposit Notes expected to be maintained by the Market Maker will be limited to a daily secondary market which carries certain restrictions. The price at which a Holder will be able to sell the Deposit Notes prior to maturity may be at a discount, and this discount could be substantial, from the Initial Deposit Amount of the Deposit Notes, based upon one or more factors. The factors that will affect the trading value of the Deposit Notes are interrelated in complex ways, for example, one factor may offset a potential increase in the trading value of the

Deposit Notes because of the occurrence or operation of another factor. The bid price of a Deposit Note will be dependent on a varied number of factors at any time, which may include the return of each Reference Share since the Issuance Date and other interrelated factors, including, without limitation, the volatility of the prices of the Reference Shares, prevailing interest rates and the time remaining to the Maturity Date. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that any trading price for a Deposit Note: (a) may have a non-linear sensitivity to the increases and decreases in the prices of the Reference Shares (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the prices of the Reference Shares); and (b) may be substantially affected by changes in the level of interest rates independent of performance of the Reference Shares.

### **Return on the Deposit Notes will be limited upon a Bank Early Redemption**

On the Bank Early Redemption Day, the Bank will be entitled to call for redemption all of the Notes then outstanding at a price of \$135.98 per Deposit Note, namely a 35.98% premium with respect to the Initial Deposit Amount representing, on the Bank Early Redemption Day, an annual compounded rate of return of approximately 7.5%. Under such circumstances, the investor may not be able to participate fully in the appreciation of the value of the Reference Portfolio Return that might have occurred up to the Bank Early Redemption Day.

### **Deposit Notes could be redeemed prior to maturity under a Reimbursement Under Special Circumstances**

If a Special Circumstance occurs, the Bank may redeem the Deposit Notes pursuant to a Reimbursement under Special Circumstances. Under such circumstances, the investor will not be able to participate fully in any appreciation of the Reference Portfolio Return that might have occurred up to the payment date pursuant to a Reimbursement under Special Circumstances. Holders may only be entitled to receive the Initial Deposit Amount per Deposit Note.

### **Postponement of the Valuation Date may affect the payment at maturity**

If there is a postponement of the Valuation Date owing to the occurrence of a Market Disruption Event, the payment at maturity actually received by a Holder may be substantially lower than what the payment at maturity would have been if the Valuation Date had not been postponed.

### **Payments at maturity of the Initial Deposit Amount and of the Variable Return (if any) are unsubordinated and unsecured obligations of the Bank and are dependent on the creditworthiness of the Bank**

The Deposit Notes will constitute direct, unsecured and unsubordinated debt obligations of the Bank. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu* as among themselves and will be payable rateably without any preference or priority. Because the obligation to make payments to Holders of the Deposit Notes is incumbent upon the Bank, the likelihood that such Holders will receive the payments owing to them in connection with the Deposit Notes, including the Maturity Redemption Amount, will be dependent upon the financial health and creditworthiness of the Bank.

We refer you to the risks described in the Bank's Annual Report for the year ended October 31, 2011, and the Bank's report to Shareholders for the Fourth Quarter of 2011. This analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonable expected to have a material effect on the Bank's business, financial condition or results of operations.

### **Deferred Payment**

Because the return of the Deposit Notes is unlimited, the potential Maturity Redemption Amount might exceed 60%. In such case, in order to ensure compliance with the *Criminal Code (Canada)*, the Bank will defer payment of the portion of such amount exceeding 60%, when any payment is to be made to a Holder on account of the Maturity Redemption Amount of the Deposit Notes.

### **Deposit Notes will not be insured under the *Canada Deposit Insurance Corporation Act***

The Deposit Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of a deposit taking financial institution. Therefore, a Holder will not be entitled to Canada Deposit Insurance Corporation protection.

### **Deposit Notes may not be eligible for protection under the Canadian Investor Protection Fund or any other deposit insurance regime**

There is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund or any other deposit insurance regime. A Holder should consult with his or her investment advisor as to whether the Holder's investment in the Deposit Notes is eligible for protection in light of such Holder's particular circumstances.

### **Conflict of interest may affect the Calculation Agent, the Agent and the Market Maker**

The Calculation Agent will be solely responsible for the determination of Reference Share Return, the Reference Portfolio Return and the Variable Return, as well as for determining whether a Market Disruption Event has occurred and for making certain other determinations with regard to the Deposit Notes. No calculation agent other than the Bank or an affiliate will be retained to make or confirm the determinations and calculations made by the Calculation Agent. The Bank, as Calculation Agent, and the Agent, as selling agent, may have economic interests which differ from and may be adverse to those of the Holders, including with respect to certain determinations that the Calculation Agent must make in connection with amounts owing by the Bank under the Deposit Notes.

In addition, the Bank and its affiliates, including the Agent and Market Maker, may engage in trading activities related to the Reference Shares that are not for the account of Holders of Deposit Notes or on their behalf. These trading activities may present a conflict between the Holders' interest in the Deposit Notes and the interests that the Bank and/or its affiliates will have in their proprietary accounts in facilitating transactions, including block trades and options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the value of the Reference Shares, could be adverse to the interests of the Holders of Deposit Notes. The Bank and its affiliates may, at present or in the future, engage in business with issuers of the Reference Shares, including by making loans or providing advisory services to those entities. Those services could include investment banking and merger and acquisition and advisory services. These activities may present a conflict between the obligations of the Bank and its affiliates and the interests of Holders. Moreover, a subsidiary of the Bank, may publish research reports with respect to some or all of the issuers of the Reference Shares. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Deposit Notes. Any of these activities of the Bank, the Agent and other affiliates of the Bank thereof may affect the price of the Reference Shares and, therefore, the Reference Share Returns and the value of the Deposit Notes.

### **Hedging transactions may affect the Reference Shares**

As described under "Use of Proceeds and Hedging", on or prior to the Maturity Payment Date, the Bank and its affiliates may hedge some or all of the Bank's anticipated exposure in connection with the Deposit Notes. This may be done by the purchase and sale of Reference Shares and exchange-traded or over-the-counter options on the Reference Shares, or futures contracts on the Reference Shares or options on such futures contracts or by taking positions in any other instruments that it or they may wish to use in connection with hedging. The Bank and its affiliates may also modify a hedge position throughout the term of the Deposit Notes including on the Valuation Date. The Bank and its affiliates, including the Agent, may also from time to time buy or sell shares underlying the Reference Shares or derivative instruments related to the Reference Shares in connection with their normal business practices. Although the Bank does not believe that such activities will have a material impact on the price of the Reference Shares or the price of such options, futures contracts, and options on futures contracts, there can be no assurance that the Bank or an affiliate of the Bank, including the Agent, will not affect such prices and consequently the value of the Reference Shares and the Deposit Notes as a result of such activities. It is possible that the Bank could receive substantial returns or incur substantial losses from these activities while the market value of the Deposit Notes decline or the values of the Reference Shares decline and no Variable Return is paid.

## **Deposit Notes are not qualified by prospectus**

The Deposit Notes are not qualified by prospectus under applicable Canadian securities laws. No Canadian or other regulatory authority has recommended or approved the Deposit Notes, nor has any such regulatory authority reviewed or passed upon the accuracy or adequacy of this Information Statement.

## **Taxation**

Counsel to the Bank and the Agent understand that the Canada Revenue Agency is currently reviewing its administrative policies and assessing practices with regard to instruments such as the Deposit Notes. There can be no assurance that the Canada Revenue Agency's administrative policies and assessing practices will not be subject to adverse development, change or qualification, including with respect to the tax characterization of amounts received on the disposition of Deposit Notes prior to maturity. Any change in or development of new administrative policies and assessing practices respecting instruments such as the Deposit Notes could result in the discussion of tax considerations described under "Certain Canadian Federal Income Tax Considerations" being materially different in certain respects. Holders should refer to "Certain Canadian Federal Income Tax Considerations" below and should read it carefully. **Holders should consult and rely on their own tax advisor about their own tax situation.**

## **Risks Relating to the Reference Shares**

### **Trading prices**

Historical prices of the Reference Shares are not necessarily indicative of their future levels or returns. The trading prices of the Reference Shares will fluctuate and will determine their Reference Share Returns. It is impossible to predict whether the prices of the Reference Shares will increase or decrease. Trading prices of the Reference Shares will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect the capital markets generally and the equity trading markets on which the underlying securities are traded, and by various circumstances that can influence the value of a particular security. The composition of the Reference Portfolio may also change from time to time.

### **Exposure to equities**

The Reference Shares are equity securities. As a result, Holders will be exposed to equities. The value of most investments and, in particular, equity securities, is affected by changes in general market conditions and by changes in investors' perception of inflation expectations and the condition of the issuers of equity securities. These changes may be caused by or anticipated corporate developments, changes in interest rates, changes in the level of inflation, global or regional, political, economic or credit crises, and other political and economic developments. These changes can affect the price of equity securities which can move up or down, without any predictability. A decrease in the price of equities will adversely affect the Reference Shares.

### **Potential replacement of the Reference Shares**

A Reference Share may be replaced with a Replacement Reference Share upon the occurrence of a Substitution Event. Although the Calculation Agent may make certain determinations in certain special circumstances to ensure that a Replacement Reference Share is designated, information regarding certain Replacement Reference Shares may not be readily available to Holders, which may adversely affect the secondary market for trading in the Deposit Notes. Moreover, the Reference Share Return generated on such Replacement Reference Share may not be as good as the Reference Share Return that would have been generated by the Deleted Reference Share if it had not been replaced.

### **Neither the Bank nor the Agent nor the Market Maker make any representation or warranty as to the accuracy or completeness of the information regarding the Reference Shares**

All information regarding the Reference Shares contained in this Information Statement has been obtained from publicly available information, without independent verification. Neither the Bank nor the Agent nor the Market Maker make any representation or warranty as to the accuracy or completeness of such information. Each Holder, as an investor in the Deposit Notes, should make their own investigation regarding the Reference Shares. The Bank

and/or its affiliates are not affiliated with any issuers of the Reference Shares and have no ability to control or predict its actions. The issuers of the Reference Shares are not involved in the offering of the Deposit Notes in any way and have no obligation to consider any interests as an owner of Deposit Notes in taking any actions that might affect the value of the Deposit Notes.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Bank and the Agent, the following is a fair summary of the principal Canadian federal income tax consequences generally applicable to an initial purchaser of the Deposit Notes offered pursuant to this Information Statement who acquires the Deposit Notes on the Issuance Date and who, at all relevant times, for purposes of the Tax Act, is, or is deemed to be, a resident of Canada, deals at arm's length and is not affiliated with the Bank, and acquires and holds the Deposit Notes as capital property (an "Initial Holder"). **For greater certainty, this summary does not apply to a noteholder who acquires the Deposit Notes on the secondary market. Such noteholders should consult and rely on their own tax advisors as to the overall consequences of their acquisition, ownership and disposition of Deposit Notes having regard to their particular circumstances.**

The Deposit Notes will generally be regarded as capital property of an Initial Holder who acquires and holds the Deposit Notes as investments unless the Initial Holder holds the Deposit Notes in the course of carrying on a business or has acquired the Deposit Notes in a transaction or transactions considered to be an adventure in the nature of trade. The determination of whether the Deposit Notes are held as capital property for the purposes of the Tax Act should take into account, among other factors, whether the Deposit Notes are acquired with the intention or secondary intention of selling them prior to the Maturity Date. Certain Initial Holders whose Deposit Notes might not otherwise qualify as capital property may, in certain circumstances, treat such Deposit Notes and all of the Initial Holder's other Canadian securities as capital property by making an irrevocable election provided by subsection 39(4) of the Tax Act.

Deposit Notes acquired by certain "financial institutions" (as defined in the Tax Act) will generally not be held as capital property by Initial Holders and will be subject to special "mark-to-market" rules. This summary does not take into account these mark-to-market rules and taxpayers to whom these rules may be relevant should consult and rely on their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act, or the regulations publicly announced by the federal Minister of Finance prior to the date hereof and counsel's understanding of certain published administrative practices and policies of the Canada Revenue Agency ("CRA"). This summary does not take into account or anticipate any changes in the law (including retroactive changes), whether by judicial, regulatory, administrative or legislative action, nor does it take into account tax laws of any province or territory of Canada, or of any jurisdiction outside Canada. Provisions of provincial income tax legislation vary from province to province in Canada and may differ from federal income tax legislation.

This summary is of a general nature only and is not intended to constitute, nor should it be relied upon or construed as, tax advice to any particular Initial Holder nor is it exhaustive of all possible Canadian federal income tax considerations. For purposes of this summary, it is assumed that an Initial Holder will not undertake nor arrange a transaction in respect of the Deposit Notes primarily in view of obtaining a tax benefit. **Initial Holders should consult and rely on their own tax advisors as to the overall consequences of their acquisition, ownership and disposition of Deposit Notes having regard to their particular circumstances.**

### **Interest prior to Issuance Date**

An Initial Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the funds delivered prior to the Issuance Date (the "Initial Funds") that accrues or is deemed to accrue to the Initial Holder to the end of that taxation year or becomes receivable or is received by the Initial Holder by the end of that taxation year, except to the extent that such amount was included in the Initial Holder's income for a preceding taxation year. Any other Initial Holder, including an individual, will be required to include in computing income for a taxation year any interest on the Initial Funds received or receivable by such Initial Holder in that taxation year (depending upon the method regularly followed by the Initial Holder in computing income) except to the extent that such amount was included in the Initial Holder's income for a preceding taxation year.

### **Accrual of Interest**

In certain circumstances, provisions of the Act can deem interest to accrue on a “prescribed debt obligation” (as defined for purposes of the Act). Counsel’s understanding is that the CRA takes the administrative position that instruments similar to the Deposit Notes constitute “prescribed debt obligations”. Based in part on an understanding of the CRA’s current administrative policies and assessing practices, no amount would be deemed to accrue and as a consequence, there should be no deemed accrual of interest on the Deposit Notes under these provisions prior to the Maturity Redemption Amount or Actualized NAV becoming calculable.

### **Payment at Maturity or under a Bank Early Redemption Option**

The amount of the excess of the payment at maturity or under a Bank Early Redemption Option over the Initial Deposit Amount of a Deposit Note that is payable to an Initial Holder can be ascertained and the right to it arises only at the Valuation Date or, as the case may be, the Bank Early Redemption Day. The amount of such excess, if any, will be included in the Initial Holder’s income, as interest, in the taxation year in which the Valuation Date or, as the case may be, the Bank Early Redemption Day occurs.

### **Disposition of Deposit Notes Prior to the Maturity Date**

It is unclear whether amounts received or deemed to be received by an Initial Holder on a disposition or deemed disposition of a Deposit Note, other than a disposition resulting from a payment by the Bank at the Maturity Date or, as the case may be, the Bank Early Redemption Day, will be considered as giving rise to a capital gain or a capital loss or to income or an ordinary loss. The CRA has not expressed any opinion on this issue. Generally, an amount received or deemed to be received by an Initial Holder on such disposition or deemed disposition of a Deposit Note should give rise to a capital gain (or a capital loss) to the Initial Holder to the extent such amount, net of amounts included in income as interest and any reasonable costs of disposition, exceeds (or is less than) the Initial Holder’s adjusted cost base of the Deposit Note. **Initial Holders who dispose of a Deposit Note to a third party, particularly those who dispose of a Deposit Note shortly prior to the Maturity Date or the Bank Early Redemption Day, should consult and rely on their own tax advisors with respect to their particular circumstances.**

One half of any capital gain realized will constitute a taxable capital gain that must be included in the calculation of the Initial Holder’s income. One half of any capital loss incurred will constitute an allowable capital loss that is deductible against taxable capital gains of the Initial Holder, subject to and in accordance with the provisions of the Tax Act.

An Initial Holder that is a Canadian-controlled private corporation may be subject to a refundable tax of 6 2/3% on investment income, including interest and taxable capital gains. This tax, together with a corporation’s “refundable dividend tax on hand”, will be refunded when the corporation pays taxable dividends at the rate of \$1 for every \$3 of dividends paid.

Capital gains realized by an individual or certain trusts, may give rise to alternative minimum tax under the Tax Act.

### **CRA Review**

Counsel to the Bank and the Agent understands that the CRA is currently reviewing its administrative policies and assessing practices with regard to prescribed debt obligations, including considering the relevance of the existence of a secondary market for such obligations in determining whether there is a deemed accrual of any amount of interest, bonus or premium on such obligations. There can be no assurance that the CRA’s administrative policies and assessing practices will not be subject to adverse development, change or qualification relevant to the Deposit Notes. See "Risk Factors - Taxation."

## **RIGHT OF CANCELLATION**

Purchasers shall be entitled to a right of cancellation, which must be exercised within two Business Days after the later of (i) the day on which the agreement to purchase the Deposit Notes is entered into and (ii) the day on which this Information Statement is provided to the purchaser.

The agreement to purchase the Deposit Notes will be entered into (i) if the order to purchase is received via telephone or electronic means, on the day on which the order to purchase is received, and (ii) if the order to purchase is received in person, on the later of the second day following (a) the day on which the Information Statement is provided to the purchaser and (b) the day on which the order to purchase is received.

Purchasers will be deemed to have been provided the Information Statement (i) on the day recorded as the time of sending by the server or other electronic transmission system, if provided by electronic means; (ii) on the day recorded as the time of sending by a fax machine, if provided by fax; (iii) five Business Days after the postmark date, if provided by mail; and (iv) when it is received, in any other case.

Upon cancellation of the purchase of the Deposit Notes, the purchaser will be entitled to a refund of the Initial Deposit Amount and of any fees relating to the purchase that have been paid by the purchaser. This cancellation right does not extend to Holders buying Deposit Notes on the secondary market. To exercise their right of cancellation, initial purchasers may call their investment advisor.