



# NATIONAL BANK OF CANADA

(A bank governed by the Bank Act (Canada))

## U.S.\$12,000,000,000 Euro Note Programme

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This 2<sup>nd</sup> prospectus supplement (the “**2<sup>nd</sup> Supplement**”) is supplemental to, forms part of and must be read in conjunction with, the base prospectus dated 15 June 2023, as supplemented by the 1<sup>st</sup> Supplement dated 1 September 2023 (together, the “**Prospectus**”) prepared by National Bank of Canada (the “**Issuer**” or the “**Bank**”) with respect to its U.S.\$12,000,000,000 Euro Note Programme. Capitalised terms used but not otherwise defined in this 2<sup>nd</sup> Supplement shall have the meanings ascribed thereto in the Prospectus.

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the “**CSSF**”), in its capacity as competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) to approve this 2<sup>nd</sup> Supplement for use in connection with the issue of Notes (other than Exempt Notes) under the Programme. Application has also been made to the Luxembourg Stock Exchange under the Luxembourg law dated 16 July 2019 on prospectuses for securities, as amended or supplemented (the “**Prospectus Law**”), to approve this 2<sup>nd</sup> Supplement for use in connection with (i) the issue of money market instruments which have a maturity of less than twelve months to be admitted to the Regulated Market under the Programme pursuant to Part III of the Prospectus Law, and (ii) Exempt Notes under the Programme pursuant to Part IV of the Prospectus Law.

The Issuer accepts responsibility for the information contained in this 2<sup>nd</sup> Supplement. To the best of the knowledge of the Issuer the information contained in this 2<sup>nd</sup> Supplement is in accordance with the facts and contains no omission likely to affect the import of such information.

This 2<sup>nd</sup> Supplement has been prepared pursuant to Article 23(1) of the Prospectus Regulation and Article 52 of the Prospectus Law. The following information has been filed with the CSSF and the Luxembourg Stock Exchange, and is incorporated by reference into this 2<sup>nd</sup> Supplement: (i) the Bank’s 2023 Annual Report (the “**2023 Annual Report**”), which includes the Issuer’s audited consolidated financial statements for the years ended 31 October 2023 and 2022 and its management discussion and analysis as at and for the years ended 31 October 2023 and 2022; and (ii) the Bank’s 2023 Annual Information Form dated 30 November 2023 (the “**2023 Annual Information Form**”). In addition, this 2<sup>nd</sup> Supplement includes: (a) following the release of the Bank’s management’s discussion and analysis as at and for the years ended 31 October 2023 and 2022, updates to, and inclusion of new, risk factors in the Prospectus; (b) update the Issuer’s rating disclosure in light of the recent outlook changes by Moody’s Investors Service, Inc. (“**Moody’s**”); (c) an update of the Singapore selling restriction in the Prospectus; (d) a new statement in respect of no significant change and no material adverse change; and (e) an update of the litigation statement.

## DOCUMENTS INCORPORATED BY REFERENCE

The following information has been filed with the CSSF and the Luxembourg Stock Exchange and is incorporated by reference into the Prospectus by this 2<sup>nd</sup> Supplement: the 2023 Annual Information Form and the 2023 Annual Report.

The following information appears on the pages of the Bank's 2023 Annual Information Form and 2023 Annual Report as set out below and such information supplements and amends the table on pages 86 to 87 of the Prospectus and further updates the list of documents incorporated by reference in the Prospectus:

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Any information which is not incorporated by reference in the Prospectus (i.e. not included in the cross reference list) is either not relevant to investors or is covered elsewhere in the Prospectus.

The 2023 Annual Information Form is available at the following link:

<https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/relations-investisseurs/assemblee-annuelle/2024/nbc-aif-agm-2024.pdf>

The 2023 Annual Report is available at the following link:

<https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/relations-investisseurs/assemblee-annuelle/2024/na-annual-report-2023.pdf>

## RISK FACTORS

### A. Real estate and household indebtedness

A new risk factor entitled “**The Bank’s revenues and earnings may be affected by changes in Canadian real estate market and Canadian household indebtedness**” shall be inserted into the Prospectus and will replace the risk factor entitled “*The COVID-19 pandemic has impacted the global economy, the financial markets and the Bank, and the ultimate impact of the pandemic will depend on future events that are highly uncertain and cannot be predicted.*” on page 36 of the Prospectus under the section entitled “*Factors which are material for the purpose of assessing the risks associated with the Bank and which may affect the Bank’s ability to fulfil its obligations under Senior Notes issued under the Programme – (b) Risks related to the Issuer’s business activities and industry*”, as follows:

**“The Bank’s revenues and earnings may be affected by changes in Canadian real estate market and Canadian household indebtedness**

With interest rates up sharply and inflation still high, it is normal to wonder how these circumstances are affecting Canadian households, which have high levels of debt. Canadian household debt, when compared internationally, is high in relation to disposable income, much like other countries with strong social safety nets. In recent years, policymakers have introduced a number of financial stability measures to limit Canadian household debt. This has paid off, as shown by the debt ratio, which has been relatively unchanged since 2016. Nonetheless, indebted households are feeling the impact of the current monetary tightening. The labour market has proved resilient for now, and this has limited late payments on loans, but the Issuer is not immune to a potential recession that could make matters worse. The Issuer offers variable rate/variable payment mortgage loans. This means that clients in this situation have been able to gradually adjust their budgets since the start of the multiple rate hikes and avoid overly high payment shock when they renew their mortgage term, as is the case for borrowers that have variable rate/fixed payment mortgages with other lenders. Soaring house prices have been one of the causes of the country's high indebtedness. For the time being, property prices have been resilient in the face of rising interest rates, since their impact has been offset by record population growth over the past few quarters. But a less buoyant job market could push the real estate sector into another slump. A severe recession could cause house prices to plunge, potentially prompting some borrowers to default strategically. Quebec's lower indebtedness compared with the rest of the country, from more affordable housing, combined with the fact that the province has a higher percentage of households in which both spouses are employed, helps to limit the Issuer's

exposure against a significant increase in credit risk. The Issuer takes all these risks into account when establishing lending criteria and estimating credit loss allowances. It should be noted that borrowers are closely monitored on an ongoing basis, and portfolio stress tests are conducted periodically to detect any vulnerable borrowers. The Issuer proactively contacts those identified and proposes appropriate solutions to enable them to continue to meet their commitments.

However, despite these measures, there can be no guarantee that borrowers will not default on their loans, which could have an effect on the Issuer's revenue and earnings."

## **B. Geopolitical Risk and Economic Risk**

The risk factor entitled "***The Bank's revenues and earnings are substantially dependent on the general economic and business conditions in regions where it operates.***" on pages 34 to 36 of the Prospectus under the section entitled "*Factors which are material for the purpose of assessing the risks associated with the Bank and which may affect the Bank's ability to fulfil its obligations under Senior Notes issued under the Programme - (b) Risks related to the Issuer's business activities and industry*" shall be deleted and replaced with the following:

***"The Bank's revenues and earnings are substantially dependent on the general economic, geopolitical and business conditions in regions where it operates.***

Although the Bank operates primarily in Canada, it also has business operations in the United States and other countries. See the sections entitled "*Economic Review and Outlook*" on page 24 of the Issuer's 2023 Annual Report and "*Business Segment Analysis*" on pages 28 to 46 of the Issuer's 2023 Annual Report, each of which is incorporated by reference in this Prospectus, for a description of the global, Canadian and Quebec economies relevant to the Issuer and a detailed analysis of the Bank's principal business segments. The Bank is exposed to financial risks outside Canada and the United States primarily through its interbank transactions on international financial markets or through international trade finance activities. This geographic exposure represents a moderate proportion of the Bank's total risk.

Government decisions and international relations can have a significant impact on the environment in which the Issuer operates. Geopolitical events can lead to volatility, have a negative impact on at-risk assets, and cause financial conditions to deteriorate. They can also directly or indirectly affect banking activities by having repercussions on clients. The war in Ukraine, which has disrupted energy and agricultural supply chains, is a good example. The economic sanctions taken against Russia for its invasion of Ukraine and the steps taken by Russia to significantly reduce natural gas supply to Europe have led to soaring energy costs. This situation has triggered the negative economic headwinds now facing Europe and heightened the risk of a political reaction in the form of new governments taking power and social unrest. Even if the war were to end, the shattered trust suggests that Europe and Russia will continue to take measures to become less dependent on one another, notably regarding energy matters. In addition, the recent clashes between Hamas and Israel add a new risk of regional escalation in the Middle East. The greatest risk is that this conflict spreads and develops into a more direct confrontation between Iran and Israel, which could ultimately disrupt oil deliveries in the Persian Gulf. While new risks could arise at any time, certain concerns are compelling the Bank to monitor other situations at this time. The geopolitical power struggle that for years has pitted the United States against China is one such concern. Businesses, in particular those operating in sectors deemed strategic, run an increasing risk of finding themselves in a maze of contradictory regulations, where complying with U.S. regulations means violating Chinese law, and vice versa. These tensions could also partially undo some of the ties forged between these two

superpowers in the financial markets, and Canada might get caught in the crosshairs of the two countries. Tensions between China and the United States on the subject of Taiwan is another source of disagreement between the two superpowers. While the Issuer does not believe an invasion is imminent, China will continue to exert pressure on Taiwan through a combination of unprecedented military exercises and economic sanctions. Taiwan's importance is highlighted by the fact that it is by far the leading global producer of advanced microchips (over 90% of the market share).

Closer to home, Canada is also dealing with some tensions. Until recently, India represented an alternative to China as a potential trading partner against a backdrop of persistent tensions with the Middle Kingdom (detention of two Canadians in China and Chinese interference in Canadian elections). However, Ottawa's accusations that the Indian government was involved in the murder of a Canadian citizen have soured relations with India, and the conflict could affect companies that have forged trade links or made investments there. But the potential for confrontation does not end there, as protectionism is gaining popularity, and a growing number of countries are implementing measures to both financially support domestic businesses in key sectors (high tech, health care, and food) and to protect them against global competition through business restrictions. The combined effects of supply shortages and geopolitical tensions have shifted the focus from efficiency to supply security.

In addition, the combined effect of climate change and armed conflict could lead to massive involuntary migration, which has already risen sharply in recent years. This could have economic and political repercussions, with Europe being particularly vulnerable. Lastly, with rising debt levels and interest rates, some governments could face a dilemma as they try to satisfy public demands to maintain social safety nets and respond to pressure from the financial markets to improve their fiscal balance, causing political tensions in the developed countries. The Issuer will continue to monitor all of these developments, analyze any new risks that arise, and assess the impacts that they may have on the organization.

Although the economy recovered quickly during the pandemic, a number of risks still remain while others emerge. The extremely aggressive fiscal stimulus in North America at the start of the pandemic, supply chain issues, and the war in Ukraine led to a resurgence in inflation in 2022 to levels not seen since the early 1980s. The central banks, guarantors of price stability, are determined to curb inflation and have pushed interest rates to the highest levels seen in over two decades. At a time when investors are wondering about future interest rates, which could stay high for a prolonged period, financial conditions have deteriorated substantially worldwide, heightening the risk of recession. Central banks continue to show concern about inflation, while the economy has yet to feel the full impact of previous rate hikes. In an environment characterized by high interest rates, companies may be reluctant to invest, and this does not usually bode well for hiring. Corporate profit margins are under pressure in a context of rising employee compensation and interest expense, which could lead to difficult decisions about staffing levels. Consumers, on the other hand, are likely to limit spending when faced with high prices, amplifying the risks of an economic recession. The global economy could also face a situation not seen since the 1970's stagflation. Such a period, characterized by both economic weakness and high inflation, would place central banks in a dilemma, making them reluctant to support a moribund economy.

Many governments became much more indebted during the pandemic and are now facing an interest payment shock as bonds come due. Government financing needs will be considerable in the years to come, with demographic changes, the fight against climate change, and reindustrialization all risking to exacerbate the pressure on public finances. There is reason to believe that investors could demand compensation for financing more fragile governments. This could limit the power of governments to act in the event of economic weakness.

Lastly, climate issues are an added risk in the current context. If too few measures are adopted on the climate front, severe weather events will intensify and result in economic woes over the long term. Conversely, a too-swift transition could result in other risks, particularly short- and medium-term costs and rising pressure on production costs.

In short, given the ongoing uncertainties in this economic environment, the Issuer remains vigilant in the face of numerous factors and will continue to rely on its strong risk management framework to identify, assess, and mitigate the negative impacts while also remaining within its risk appetite limits.

Nevertheless, the Bank's revenues could be affected by the economic, geopolitical and business conditions prevailing in the countries in which it operates, including as a result of the strength of the economy and inflation, the credit conditions of businesses, financial market and exchange rate fluctuations, monetary policy trends and interest rates. All of these factors affect the business, geopolitical and economic conditions in a given geographic region and, consequently, affect the Issuer's level of business activity and resulting earnings in that region. Although some risks may seem remotely related to the Issuer's business context, strong global economic and financial integration requires a vigilant approach."

## **SINGAPORE SELLING RESTRICTION**

The selling restriction relating to Singapore on pages 280 to 281 is deleted and replaced with the following:

### **"Singapore**

Unless the Final Terms or Pricing Supplement in respect of any Senior Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer will be required to acknowledge that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer will be required to represent, warrant and agree, that it has not offered or sold any Senior Notes or caused the Senior Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Senior Notes or cause the Senior Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Senior Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the Final Terms or Pricing Supplement in respect of any Senior Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer will be required to acknowledge that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer will be required to represent, warrant and agree, that it has not offered or sold any Senior Notes or caused the Senior Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Senior Notes or cause the Senior Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Senior Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional

investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.”

The following line item is added as a new item (vii) to “PART B – OTHER INFORMATION – 7. – DISTRIBUTION” in the form of Final Terms and as a new item 52 to “PART A – CONTRACTUAL TERMS” in the form of Pricing Supplement:

“Singapore Sales to Institutional Investors and Accredited Investors only:	[Applicable] [Not Applicable]”
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## RATINGS FROM MOODY’S

On 6 November 2023, Moody’s revised the Issuer’s outlook to positive from stable. As a result, the ratings table on page 248 shall be deemed to be amended accordingly to reflect this change.

Moody’s is not established in the European Economic Area (the “EEA”) or the UK or registered under the Regulation (EC) No. 1060/2009, as amended (the “EU CRA Regulation”) or, in relation to the UK, such regulation as it forms part of domestic law of the UK by virtue of the EUWA (the “UK CRA Regulation”). However, Moody’s Deutschland GmbH., which is established and registered in the EEA, has endorsed the ratings of Moody’s for purposes of the EU CRA Regulation. Moody’s Investors Service Limited, which is established and registered in the UK, has endorsed the same ratings for purposes of the UK CRA Regulation.

## NO SIGNIFICANT CHANGE / NO MATERIAL ADVERSE CHANGE

The paragraph “No Significant Change / No Material Adverse Change” on page 344 of the Prospectus shall be deemed deleted and replaced with the following:

“As at the date hereof, there has been no significant change in the financial performance or financial position of the Bank or the Bank and its subsidiaries taken as a whole and there has been no material adverse change in the prospects of the Bank and its subsidiaries taken as a whole, in each case since 31 October 2023, being the date of the latest annual audited published consolidated financial statements of the Bank.”

## LEGAL AND ARBITRATION PROCEEDINGS

The paragraph “Legal and Arbitration Proceedings” on page 344 of the Prospectus shall be deemed deleted and replaced with the following:

“Other than as disclosed under the section “Litigation” on page 112, under the subsection entitled “Notice of Assessment” in Note 24 on page 216 and under the subsection entitled “Contingent Liabilities – Litigation” in Note 26 on page 219 of the 2023 Annual Report incorporated by reference in this Prospectus, neither the Bank nor any of its subsidiaries is or has been involved in any governmental, legal and arbitration proceedings relating to claims or amounts that are material in the

context of the issue of the Senior Notes or that may have, or have had in the recent past, significant effects on the Bank's financial position or profitability, nor, so far as the Bank is aware, are any such proceedings pending or threatened during the 12 months before the date of this Prospectus."

## GENERAL

To the extent that there is any inconsistency between (a) any statement in this 2<sup>nd</sup> Supplement or any statement incorporated by reference into the Prospectus by this 2<sup>nd</sup> Supplement and (b) any other statement in or incorporated by reference in the Prospectus prior to the date of this 2<sup>nd</sup> Supplement, the statements in (a) will prevail.

Statements contained in this 2<sup>nd</sup> Supplement will, to the extent applicable and whether expressly, by implication or otherwise, be deemed to modify or supersede statements in the Prospectus (or the documents incorporated in the Prospectus by reference).

Any websites included in the Prospectus or this 2<sup>nd</sup> Supplement are for information purposes only and do not form part of the Prospectus.

The Arrangers and the Dealers have not separately verified the information contained in this 2<sup>nd</sup> Supplement. None of the Arrangers or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this 2<sup>nd</sup> Supplement or any of the information incorporated by reference in this 2<sup>nd</sup> Supplement.

Save as disclosed in this 2<sup>nd</sup> Supplement, there has been no other significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus since the publication of the Prospectus.

Copies of this 2<sup>nd</sup> Supplement, the 2023 Annual Information Form and the 2023 Annual Report can be reviewed on the website of the Luxembourg Stock Exchange at [www.luxse.com](http://www.luxse.com) and may be obtained from the head office of the Issuer and the specified offices of each Paying Agent and Listing Agent, as set out at the end of the Prospectus. In addition, the Canadian Securities Administrators maintain an Internet web site through which all of the documents incorporated by reference herein, or deemed incorporated herein, that the Issuer files electronically can be retrieved. The address of the site is [www.sedarplus.ca](http://www.sedarplus.ca).