

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This pricing supplement, together with the prospectus supplement and the short form base shelf prospectus to which it relates, as amended or supplemented, and each document deemed to be incorporated by reference therein, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

These securities have not been, and will not be, registered under the Securities Act of 1933 of the United States of America, as amended, or under any state securities laws and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions, or for the account or benefit of U.S. persons. See “Plan of Distribution”.

Information has been incorporated by reference in this pricing supplement, the prospectus supplement and the short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. See “Documents Incorporated by Reference”. Copies of the documents incorporated herein or therein by reference may be obtained on request without charge from Investor Relations, National Bank of Canada, National Bank Tower, 600 de La Gauchetière Street West, 7th Floor, Montréal, Québec, H3B 4L2, 1-866-517-5455 and are also available electronically at [www.sedar.com](http://www.sedar.com).



# NATIONAL BANK OF CANADA

(a Canadian chartered bank)

Pricing Supplement No.: 1  
Date: January 29, 2018

(to the short form base shelf prospectus of National Bank of Canada (the “Bank”) dated November 21, 2016 as supplemented by the prospectus supplement of the Bank dated January 29, 2018 (the “Prospectus Supplement” and collectively, the “Prospectus”)).

**\$750,000,000**

**3.183%**

**MEDIUM TERM NOTES DUE FEBRUARY 1, 2028**

**(Non-Viability Contingent Capital (NVCC))**

**(subordinated indebtedness)**

The 3.183% medium term notes due February 1, 2028 (Non-Viability Contingent Capital (NVCC)) will be issued under a trust indenture dated January 29, 2018 between the Bank and Computershare Trust Company of Canada, as trustee (the “Trustee”) as supplemented by a supplemental trust indenture to be dated on or about February 1, 2018 between the Bank and the Trustee (together, the “Indenture”). A copy of the Indenture may be obtained on request without charge from the Investor Relations, National Bank of Canada, National Bank Tower, 600 de La Gauchetière Street West, 7th Floor, Montréal, Québec, H3B 4L2, 1-866-517-5455, and will be available following the closing of the offering electronically at [www.sedar.com](http://www.sedar.com).

Designation: 3.183% Medium Term Notes due February 1, 2028 (Non-Viability Contingent Capital (NVCC)) (the “Notes”)

ISIN/CUSIP No.: CA 63309ZNL80 / 63309ZNL8

Principal Amount: \$750,000,000

Commission: 0.35%

Issue Price: 100%

|                           |   |
|---------------------------|---|
| Net Proceeds to the Bank: | \$747,375,000   |
| Currency:                 | Canadian  |
| Issue Date:               | February 1, 2018  |
| Delivery Date:            | February 1, 2018  |
| Maturity Date:            | February 1, 2028  |
| Specified Denominations:  | \$1,000 and integral multiples thereof  |
| Interest:                 | <p>Interest on the Notes at the rate of 3.183% per annum will accrue from February 1, 2018, and will be payable in equal semi-annual payments in arrears on February 1<sup>st</sup> and August 1<sup>st</sup> of each year, commencing August 1, 2018 until February 1, 2023. On and after February 1, 2023, interest on the Notes will be payable at the 3-month CDOR (as defined below) plus 0.72% payable quarterly in arrears on the 1<sup>st</sup> day of February, May, August and November in each year, commencing May 1, 2023 and ending on February 1, 2028.</p> <p><b>“3-month CDOR”</b> shall mean, for any quarterly floating rate interest period, the average bid rate of interest (expressed as an annual percentage rate) rounded to the nearest one-hundred-thousandth of one percent (with 0.000005 percent being rounded up) for Canadian dollar bankers’ acceptances with maturities of three months which appears on the Reuters CDOR Page as of 10:00 a.m., Montréal time, on the first Business Day of such quarterly interest period ; provided that if such rate does not appear on the Reuters CDOR Page on such day or if the Reuters Monitor Money Rates Service is not available or ceases to exist, the 3-month CDOR for such period will be determined using an Alternative CDOR Page as of an Alternative Time on such day. If no such Alternative CDOR Page is available on such day, the 3-month CDOR for such period shall be the average of the bid rates of interest (expressed and rounded as set forth above) for Canadian dollar bankers’ acceptances with maturities of 90 days for same-day settlement as quoted by such of the Schedule I banks (as defined in the <i>Bank Act</i> (Canada)) as may quote such a rate as of 10:00 a.m., Montréal time, on the first Business Day of such quarterly interest period.</p> <p><b>“Alternative CDOR Page”</b> shall mean the display designated as page “CDOR” on Bloomberg or an equivalent service that displays average bid rates of interest for Canadian dollar bankers’ acceptances with maturities of three months.</p> <p><b>“Alternative Time”</b>, for any Alternative CDOR Page, shall mean the time of day at which such Alternative CDOR Page becomes available.</p> <p><b>“Business Day”</b> shall mean a day on which banks are open for business in Montréal and Toronto and which is not a Saturday or a Sunday.</p> <p><b>“Reuters CDOR Page”</b> shall mean the display designated as page “CDOR” on the Reuters Monitor Money Rates Service (or such other page as may replace the CDOR page on that service) for the purpose of displaying, among other things, Canadian dollar bankers’ acceptance rates.</p> |
| Form of Notes:            | <p>The Notes will be issued in book-entry only form. A global certificate representing the Notes will be issued in registered form only in the name of CDS and will be deposited with CDS on closing of the offering.</p>   |

Redemption Provisions:

Subject to the provisions of the *Bank Act* (Canada) and the prior approval of the Superintendent of Financial Institutions (Canada) (the “Superintendent”), on February 1, 2023 or after, the Bank may, at its option, redeem the Notes in whole or in part at any time on not less than 30 nor more than 60 days’ prior notice to the registered holders of the Notes, at a redemption price which is equal to the outstanding principal amount, plus accrued and unpaid interest to, but excluding, the date fixed for redemption. In cases of a partial redemption of the Notes, the Notes to be redeemed will be selected by lot or in such other manner as the Trustee may deem equitable. See “Risk Factors”.

At any time on or after a Special Event Redemption Date prior to February 1, 2023, the Bank may, at its option, with the prior approval of the Superintendent, on giving not less than 30 nor more than 60 days’ prior notice to the registered holders of Notes, redeem all (but not less than all) of the Notes at a redemption price that is equal to the greater of: (i) the Canada Yield Price and (ii) the outstanding principal amount, together in either case, with accrued and unpaid interest to, but excluding, the date fixed for redemption.

Any Notes redeemed by the Bank shall be cancelled and shall not be reissued.

“**Canada Yield Price**” means a price equal to the price for the Notes to be redeemed, calculated on the Business Day immediately preceding the date on which the Bank gives notice of the redemption of the Notes, to provide an annual yield thereon from the date fixed for redemption to, but excluding, February 1, 2023 equal to the GOC Redemption Yield (as defined below) plus 0.27%.

“**GOC Redemption Yield**” means, on any date, the arithmetic average of the interest rates quoted to the Bank by two registered Canadian investment dealers selected by the Bank, and approved by the Trustee, as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry, if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption with a maturity date of February 1, 2023.

“**Regulatory Event Date**” means the date specified in a letter from the Superintendent to the Bank on which the Notes will no longer be recognized in full as eligible “Tier 2 Capital” or will no longer be eligible to be included in full as risk-based “Total Capital” on a consolidated basis under the guidelines for capital adequacy requirements for banks as interpreted by the Superintendent.

“**Special Event Redemption Date**” means a Regulatory Event Date or the date of the occurrence of a Tax Event, as the case may be.

“**Tax Event**” means the Bank has received an opinion of independent counsel of a nationally recognized law firm in Canada experienced in such matters (who may be counsel to the Bank) to the effect that, as a result of: (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws, or any regulations thereunder, or any application or interpretation thereof, of Canada or any political subdivision or taxing authority thereof or therein, affecting taxation; (b) any judicial decision, administrative pronouncement, published or private ruling, regulatory procedure, rule, notice, announcement, assessment or reassessment (including any notice or announcement of intent to adopt or issue such decision, pronouncement, ruling, procedure, rule, notice, announcement, assessment or reassessment) (collectively, an “administrative action”); or (c) any amendment to, clarification of, or change in, the official position with respect to or the interpretation of any administrative action or any interpretation or pronouncement that provides for a position with respect to such administrative action that differs

from the theretofore generally accepted position, in each of case (a), (b) or (c), by any legislative body, court, governmental authority or agency, regulatory body or taxing authority, irrespective of the manner in which such amendment, clarification, change, administrative action, interpretation or pronouncement is made known, which amendment, clarification, change or administrative action is effective or which interpretation, pronouncement or administrative action is announced on or after the date of issue of the Notes, there is more than an insubstantial risk (assuming any proposed or announced amendment, clarification, change, interpretation, pronouncement or administrative action is effective and applicable) that the Bank is, or may be, subject to more than a de minimus amount of additional taxes, duties or other governmental charges or civil liabilities because the treatment of any of its items of income, taxable income, expense, taxable capital or taxable paid-up capital with respect to the Notes (including the treatment by the Bank of interest on the Notes) or the treatment of the Notes, as or as would be reflected in any tax return or form filed, to be filed, or otherwise could have been filed, will not be respected by a taxing authority.

Conversion Option:

On any interest payment date, a holder of the Notes may, but only upon notice from the Bank, which may be given from time to time only with the prior approval of the Superintendent and other required regulatory approvals, convert all, but not less than all, of the Notes held by such holder on the date specified in the notice into an equal aggregate principal amount of subordinated indebtedness issued by the Bank, which qualifies as regulatory capital. If given, such notice from the Bank shall be given not less than 30 days, nor more than 60 days prior to the date fixed for the conversion.

NVCC Automatic  
Conversion:

Upon the occurrence of a Trigger Event (as defined in the Prospectus Supplement), each outstanding Note will be, and will be deemed, for all purposes, to be, automatically converted (a “NVCC Automatic Conversion”) without the consent of the holder thereof, into that number of fully-paid Common Shares determined by dividing (a) the product of the Multiplier and the Note Value, by (b) the Conversion Price. In any case where the aggregate number of Common Shares to be issued to a holder of Notes pursuant to a NVCC Automatic Conversion includes a fraction of a Common Share, such number of Common Shares to be issued to such holder shall be rounded down to the nearest whole number of Common Shares and no cash payment shall be made in lieu of such fractional Common Share.

**Investors should therefore carefully consider the disclosure with respect to the Bank, the Notes, the Common Shares and the consequences of a Trigger Event included and incorporated by reference in this Pricing Supplement.**

As promptly as practicable after the occurrence of a Trigger Event, the Bank shall announce the NVCC Automatic Conversion by way of a press release and shall give notice of the NVCC Automatic Conversion to the then registered holders of the Notes. From and after the Trigger Event, the Notes shall cease to be outstanding, the holders of the Notes shall cease to be entitled to interest on such Notes, including any accrued but unpaid interest as of the date of the NVCC Automatic Conversion, and any Notes shall represent only the right to receive upon surrender of such Note the applicable number of Common Shares described above. A NVCC Automatic Conversion shall be mandatory and binding upon both the Bank and all holders of the Notes notwithstanding anything else including: (a) any prior action to or in furtherance of redeeming, exchanging or converting the Notes pursuant to the other terms and conditions of the Indenture; and (b) any delay in or impediment to the issuance or delivery of the Common Shares to the holders of the Notes. See “Risk Factors” for a discussion of the circumstances that may result in a Trigger Event and the consequences of a Trigger Event to a holder of Notes.

The Floor Price is subject to adjustment in the event of (a) the issuance of Common

Shares or securities exchangeable for or convertible into Common Shares to all holders of Common Shares as a stock dividend, (b) the subdivision, redivision or change of the Common Shares into a greater number of Common Shares, or (c) the reduction, combination or consolidation of the Common Shares into a smaller number of Common Shares.

No adjustment of the Floor Price will be required unless the cumulative effect of such adjustment would result in a change of at least 1% of the Floor Price in the prevailing Floor Price, provided, however, that in such case any adjustment that would otherwise be required then to be made will be carried forward and will be made at the time of and together with the next subsequent adjustment which, together with any adjustment so carried forward, will amount to at least 1% of the Floor Price.

In the event of a capital reorganization, consolidation, merger or amalgamation of the Bank or comparable transaction affecting the Common Shares, the Bank shall take necessary action to ensure that the holders of Notes receive, pursuant to a NVCC Automatic Conversion, after such capital reorganization, consolidation, merger, amalgamation or comparable transaction, the number of shares or other securities that the holders of Notes would have received if the NVCC Automatic Conversion occurred immediately prior to the record date of the capital reorganization, consolidation, merger, amalgamation or comparable transaction.

Notwithstanding any other provision of the Notes, a NVCC Automatic Conversion of such notes shall not be an event of default and the only consequence of a Trigger Event under the provisions of such notes will be the conversion of such notes into Common Shares.

**“Conversion Price”** means the greater of the Current Market Price and the Floor Price.

**“Current Market Price”** means the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (“TSX”), if such shares are then listed on the TSX, for the 10 consecutive Trading Days ending on the Trading Day preceding the date of the Trigger Event. If the Common Shares are not then listed on the TSX, for the purpose of the foregoing calculation reference shall be made to the principal securities exchange or market on which the Common Shares are then listed or quoted or, if no such trading prices are available, “Current Market Price” shall be the fair value of the Common Shares as reasonably determined by the Board of Directors of the Bank.

**“Floor Price”** means \$5.00, as such price may be adjusted.

**“Multiplier”** means 1.5.

**“Note Value”** means the principal amount of the Note plus accrued and unpaid interest thereon as of the date of the Trigger Event.

**“Trading Day”** means, with respect to any stock exchange or market, a day on which shares may be traded through the facilities of that stock exchange or in that market.

Ineligible Persons,  
Significant Shareholders  
and Ineligible Government  
Holders:

Upon a NVCC Automatic Conversion, the Bank reserves the right not to (i) deliver some or all, as applicable, of the Common Shares to any person whom the Bank or its transfer agent has reason to believe is an Ineligible Person or any person who, by virtue of the NVCC Automatic Conversion, would become a Significant Shareholder or (ii) record in its securities register a transfer or issue of Common

Shares to any person whom the Bank or its transfer agent has reason to believe is an Ineligible Government Holder based on a declaration submitted to the Bank or its transfer agent by or on behalf of such person. In such circumstances, the Bank will hold, as agent of such persons, the Common Shares that would have otherwise been delivered to such persons and will attempt to facilitate the sale of such Common Shares to parties other than the Bank and its affiliates on behalf of such persons through a registered dealer to be retained by the Bank on behalf of such persons. Those sales (if any) may be made at any time and at any price. The Bank will not be subject to any liability for failure to sell such Common Shares on behalf of such persons or at any particular price on any particular day. The net proceeds received by the Bank from the sale of such Common Shares will be divided among the applicable persons in proportion to the number of Common Shares that would otherwise have been delivered to them upon the NVCC Automatic Conversion after deducting the costs of sale and any applicable withholding taxes.

**“Ineligible Government Holder”** means any person who is the federal or a provincial government in Canada or agent or agency thereof, or the government of a foreign country or any political subdivision of a foreign country, or any agent or agency of a foreign government, in each case to the extent that the recording in the Bank’s securities register of a transfer or issue of any share of the Bank to such person would cause the Bank to contravene the *Bank Act* (Canada).

**“Ineligible Person”** means any person whose address is in, or whom the Bank or the Trustee has reason to believe is a resident of, any jurisdiction outside of Canada to the extent that the issuance or delivery by the Bank to such person, upon a NVCC Automatic Conversion, of Common Shares (i) would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction, or (ii) would cause the Bank to be in violation of any law to which the Bank is subject.

**“Significant Shareholder”** means any person who beneficially owns, directly or indirectly, through entities controlled by such person or persons associated with or acting jointly or in concert with such person (as determined in accordance with the *Bank Act* (Canada)), shares of any class of the Bank in excess of 10% of the total number of outstanding shares of that class in contravention of the *Bank Act* (Canada).

Status and Subordination:

In the absence of a NVCC Automatic Conversion, the Notes will be direct unsecured subordinated indebtedness of the Bank ranking equally and rateably with all other subordinated indebtedness of the Bank from time to time issued and outstanding.

Following a NVCC Automatic Conversion, holders of the Notes immediately prior to the NVCC Automatic Conversion will receive Common Shares in exchange for the Notes and such Common Shares will rank equally with all other common shares. See “NVCC Automatic Conversion”.

The Notes will not be deposits 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 institution.

The terms of the Notes do not contain any restriction on the Bank’s ability to incur additional indebtedness that ranks senior to the Notes.

Events of Default:

An event of default will occur only if the Bank becomes insolvent or bankrupt or resolves to wind-up or liquidate or is ordered wound-up or liquidated. A NVCC Automatic Conversion upon the occurrence of a Trigger Event does not constitute

an event of default with respect to the Notes.

If a Trigger Event occurs, the event of default provisions described in the paragraph above will not be relevant to holders of the Notes since all Notes will have been converted into Common Shares which will rank equally with all other Common Shares of the Bank.

At any time prior to a Trigger Event, if an event of default has occurred and is continuing, the Trustee may, in its discretion and shall, upon the request of holders of not less than 25% in principal amount of the Notes then outstanding, declare the principal of and interest on all outstanding Notes to be immediately due and payable.

There will be no right of acceleration in the case of a default in the payment of interest or a default in the performance of any other covenant of the Bank in the Trust Indenture, although a legal action could be brought to enforce such covenant.

|                            |  |
|----------------------------|--|
| Use of Proceeds:           | The net proceeds of this offering will be used for general corporate purposes and added to the Bank's capital base.  |
| Purchase for Cancellation: | The Bank may, at its option and at any time, with the prior approval of the Superintendent and subject to any applicable law, purchase the Notes in the market or by tender (available to all holders of Notes) or by private contract at any price. All Notes purchased by the Bank shall be cancelled and may not be reissued. |
| Ratings (Expected):        | DBRS Limited (" <b>DBRS</b> "), "BBB (high) / Stable"<br>Moody's Investors Service, Inc. (" <b>Moody's</b> "), "Baa3 (hyb)"<br>Standard & Poor's Ratings Services (" <b>S&amp;P</b> "), "BBB"  |

The "BBB (high)" rating expected to be assigned to the Notes by DBRS is the 4<sup>th</sup> highest of DBRS' ten rating categories, which range from AAA to D. DBRS uses high or low designations to indicate the relative strength of the securities being rated within a particular rating category. DBRS uses three categories of rating trends - "positive", "stable" or "negative" - to provide guidance in respect of its opinion regarding the outlook for the rating of the issuer in question. The rating trend indicates the direction in which DBRS considers the Bank's rating is headed should present tendencies continue. The "Baa3 (hyb)" rating expected to be assigned to the Notes by Moody's is the 4<sup>th</sup> of nine categories used by Moody's, which range from AAA to C. The modifier 3 indicates that the obligation ranks at the lower range of the applicable rating category. A "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms. S&P has ten rating categories, ranging from AAA to D, and uses + or - designations to indicate the relative standing of the securities being rated within a particular rating category. The "BBB" rating expected to be assigned to the Notes by S&P indicates that the Notes rank in the middle of S&P's 4<sup>th</sup> highest rating category.

Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of particular securities for any particular investor. The credit ratings assigned to the Notes may not reflect the potential impact of all risks on the value of the Notes. A rating is therefore not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

Dealers:

National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., Casgrain & Company Limited, Desjardins Securities Inc., HSBC Securities (Canada) Inc., Industrial Alliance Securities Inc., Laurentian Bank Securities Inc., Manulife Securities Incorporated and Merrill Lynch Canada Inc. (collectively, the “Dealers”). National Bank Financial Inc. is a wholly-owned subsidiary of the Bank. By virtue of such ownership, the Bank is a related and connected issuer of National Bank Financial Inc. under applicable securities legislation. See “Plan of Distribution”.

Method of Distribution:

Agency

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank makes written and oral forward-looking statements. Statements of this type are included in this Pricing Supplement and the Prospectus, including those documents incorporated by reference, such as those statements contained in the management's discussion and analysis as contained in the Bank's Annual Report for the year ended October 31, 2017 (the "2017 Annual Report"), and in the "Major Economic Trends" and the "Outlook for National Bank" sections of the management's discussion and analysis included in the 2017 Annual Report, in other filings with Canadian securities regulators, and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2018 and the objectives it hopes to achieve for that period. These forward-looking statements are made in accordance with current securities legislation in Canada and the United States. They include, among others, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, observations regarding the Bank's objectives and its strategies for achieving them, Bank-projected financial returns, and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook", "believe", "anticipate", "estimate", "project," "expect," "intend," "plan," and similar terms and expressions.

By their very nature, such forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2018 and how that will affect the Bank's business are among the main factors considered in setting the Bank's strategic priorities and objectives and in determining its financial targets, including provisions for credit losses. In determining its expectations for economic growth, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies.

There is a strong possibility that express or implied projections contained in these forward-looking statements will not materialize or will not be accurate. The Bank recommends that readers not place undue reliance on these statements, as a number of factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ significantly from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk (all of which are described in more detail in the "Risk Management" section beginning on page 51 of the 2017 Annual Report, general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business, including regulatory changes affecting the Bank's business, capital and liquidity; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the *U.S. Foreign Account Tax Compliance Act* (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank, and potential disruptions to the Bank's information technology systems, including evolving cyber attack risk.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the "Risk Management" section of the 2017 Annual Report. Investors and others who rely on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.

### DOCUMENTS INCORPORATED BY REFERENCE

This Pricing Supplement is deemed to be incorporated by reference into the Prospectus solely for the purpose of the offering of the Notes. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars thereof.

The following documents have been filed with the securities regulatory authorities in each province of Canada and are specifically incorporated by reference into, and form an integral part of, this Pricing Supplement:

- (i) the indicative term sheet dated January 29, 2018 and the final term sheet dated January 29, 2018, in each case delivered to potential investors with respect to this offering and filed on SEDAR (collectively, the “Marketing Materials”).

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* filed by the Bank and any template version of marketing materials (as defined in National Instrument 41-101 - *General Prospectus Requirements*) filed by the Bank with the applicable securities regulatory authorities in Canada after the date of this Pricing Supplement and prior to the termination of the offering of Notes contemplated hereby shall be deemed to be incorporated by reference in this Pricing Supplement.

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

The Marketing Materials are not part of this Pricing Supplement or the Prospectus to the extent that the contents of such materials have been modified or superseded by a statement contained in this Pricing Supplement or any amendment. In addition, any template version of any other marketing materials filed with the securities regulatory authorities in each province of Canada in connection with this offering after the date hereof but prior to the termination of the distribution of the Notes under this Pricing Supplement is deemed to be incorporated by reference herein and in the Prospectus.

### ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Torys LLP, counsel to the Dealers, the Notes to be issued by the Bank pursuant to this Pricing Supplement, if issued on the date of this Pricing Supplement, would be, on such date, qualified investments under the Income Tax Act (Canada) (the “Tax Act”) and the regulations thereunder for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), registered education savings plans (“RESPs”), registered disability savings plans (“RDSPs”), deferred profit sharing plans (other than a trust governed by a deferred profit sharing plan to which contributions are made by the Bank or an employer with which the Bank does not deal at arm’s length within the meaning of the Tax Act) and tax-free savings accounts (“TFSA”).

Notwithstanding that the Notes may be “qualified investments” under the Tax Act for a trust governed by a TFSA, RDSP, RESP, RRSP or RRIF, if a Note is a “prohibited investment” within the meaning of the Tax Act, the annuitant, subscriber or holder of such trust, as the case may be, will be subject to penalty taxes as set out in the Tax Act.

The Notes, if issued on the date of this Pricing Supplement, would not be, on such date, a “prohibited investment” (within the meaning of the Tax Act) for a trust governed by a TFSA, RDSP, RESP, RRSP or RRIF provided the holder of the TFSA or RDSP, the subscriber of the RESP, or the annuitant under the RRSP or RRIF, as the case may be, deals at arm’s length with the Bank for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the Bank.

Prospective investors should consult and rely on their own tax advisors.

### TRADING PRICE AND VOLUME OF THE COMMON SHARES

The following chart sets out the trading price and volume of the Common Shares on the TSX during the 12 months preceding the date of this Pricing Supplement:

|                      | Jan 2017   | Feb 2017   | Mar 2017   | Apr 2017   | May 2017   | June 2017  | July 2017  | Aug 2017   | Sept 2017  | Oct 2017   | Nov 2017   | Dec 2017   | Jan. 1, 2018 to Jan. 26, 2018 |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------------------|
| <b>COMMON SHARES</b> |            |            |            |            |            |            |            |            |            |            |            |            |                               |
| High (\$)            | 56.82      | 59.05      | 59.12      | 56.48      | 54.24      | 55.24      | 56.88      | 57.71      | 60.50      | 62.94      | 64.14      | 64.39      | 65.68                         |
| Low (\$)             | 54.52      | 55.38      | 55.34      | 52.59      | 51.41      | 53.16      | 54.45      | 54.58      | 56.31      | 60.13      | 62.12      | 62.10      | 62.19                         |
| Vol. ('000)          | 23,175,366 | 19,802,006 | 30,940,647 | 26,718,246 | 29,873,403 | 24,411,625 | 14,926,572 | 17,951,968 | 24,719,416 | 20,120,757 | 17,523,036 | 20,304,116 | 16,465,809                    |

### CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Torys LLP, counsel to the Dealers, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Notes who acquires the Notes pursuant to this Pricing Supplement and who, for purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada, deals at arm’s length with and is not affiliated with the Bank, holds the Notes and will hold Common Shares acquired on a NVCC Automatic Conversion as capital property and is not exempt from taxation under Part I of the Tax Act. Generally, the Notes and Common Shares will be considered to constitute capital property to a holder provided that the holder does not use or hold the Notes or the Common Shares in or in the course of carrying on a business of trading or dealing in securities or as part of an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Notes or Common Shares as capital property may, in certain circumstances, be entitled to have them and all of their other “Canadian securities”, as defined in the Tax Act, treated as capital property by making the irrevocable election permitted under subsection 39(4) of the Tax Act. This summary is not applicable to a purchaser an interest in which is a “tax shelter investment” (as defined in the Tax Act), a purchaser who has elected to determine its Canadian tax results in a currency (other than Canadian currency) that is a “functional currency” (as defined in the Tax Act), a purchaser who is a “financial institution” (as defined in the Tax Act) for purposes of certain rules applicable to securities held by financial institutions (referred to as the “mark-to-market” rules) or a purchaser who enters into a “derivative forward agreement” or “synthetic disposition arrangement” (each as defined in the Tax Act) with respect to the Notes. Such purchasers should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the regulations issued thereunder in force as of the date hereof, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) published in writing by the CRA prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations, and, except for the Tax Proposals, does not take into account or anticipate any changes in law or CRA administrative policies

or assessing practices, whether by way of legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations, which may differ materially from those discussed herein. While this summary assumes that the Tax Proposals will be enacted in the form proposed, no assurance can be given that this will be the case, and no assurance can be given that judicial, legislative or administrative changes will not modify or change the statements below.

On July 18, 2017, the Minister of Finance (Canada) released a consultation paper that included an announcement of its intention to amend the Tax Act to address certain perceived tax advantages of earning passive investment income through a private corporation. On October 18, 2017, the Minister of Finance (Canada) announced that the government was considering how to proceed with these proposals while taking into account the feedback received on the consultation paper. No specific amendments to the Tax Act were proposed in connection with these announcements. This summary does not take into account, and the Tax Proposals do not include, the consultation paper. Holders of Notes that are private Canadian corporations should consult their own tax advisors.

**This summary is of a general nature only and is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular holder and no representation with respect to the income tax consequences to any particular holder is made. Prospective purchasers of Notes should consult their own tax advisors with respect to the tax consequences to them of acquiring, holding and disposing of Notes having regard to their own particular circumstances.**

#### *Interest on the Notes*

A holder of a Note 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 any interest or amount that is considered for the purposes of the Tax Act to be interest on the Note that accrued to it to the end of the year or became receivable or was received by it before the end of the year, to the extent that the interest (or amount considered to be interest) was not included in computing its income for a preceding taxation year.

A holder of a Note (other than a holder referred to in the previous paragraph) will be required to include in computing the holder's income for a taxation year any amount received or receivable (depending upon the method regularly followed by the holder in computing income) by the holder as interest or amount considered to be interest in the year on the Note, to the extent that such amount was not included in computing the holder's income for a preceding taxation year.

#### *Dispositions*

On a disposition or deemed disposition of a Note (including a purchase or redemption by the Bank prior to maturity or a repayment by the Bank upon maturity), a holder will generally be required to include in computing its income for the taxation year in which the disposition or deemed disposition occurred the amount of interest (including amounts considered to be interest) that has accrued on the Note to the date of disposition or deemed disposition, to the extent that such amount has not otherwise been included in computing the holder's income for the year in which the disposition or deemed disposition occurred or a preceding taxation year. On a disposition of a Note as a result of a NVCC Automatic Conversion, a holder will be required to include in computing its income for the taxation year in which the NVCC Automatic Conversion occurs any amount that is paid in respect of accrued and unpaid interest on the Note to the date of the NVCC Automatic Conversion, to the extent that such amount has not otherwise been included in computing the holder's income for that year or a preceding taxation year.

Any premium paid by the Bank to a holder on the purchase or redemption of a Note (other than in the open market in the manner any such obligation would normally be purchased in the open market by any member of the public) will generally be deemed to be interest received by the holder at the time of payment to the extent that it can reasonably be considered to relate to, and does not exceed the value at that time of, the interest that would have been paid or payable by the Bank on the Note for a taxation year of the Bank

ending after the time of payment. Such interest will be required to be included in computing the holder's income in the manner described above.

In general, on a disposition or deemed disposition of Notes, a holder will realize a capital gain (or sustain a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the holder's income as interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Notes to the holder immediately before the disposition or deemed disposition. On a NVCC Automatic Conversion, the proceeds of disposition of a Note, and the cost of the Common Shares received, will be equal to the fair market value of the Common Shares received by the holder at the time of the NVCC Automatic Conversion. The cost of a Common Share so received will be averaged with the adjusted cost base to a holder of all other Common Shares owned by the holder as capital property at such time for the purposes of determining the adjusted cost base of each Common Share.

Generally, a holder is required to include in computing its income for a taxation year one-half of the amount of any such capital gain (a "taxable capital gain") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a holder is required to deduct one half of the amount of any such capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the holder in the year and allowable capital losses in a taxation year in excess of taxable capital gains in the taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years. Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

#### *Additional Refundable Tax*

A holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income including amounts in respect of interest and taxable capital gains.

### **PLAN OF DISTRIBUTION**

Under an agreement (the "Agency Agreement") between the Dealers and the Bank dated January 29, 2018, the Dealers have agreed to offer for sale in Canada if, as and when issued by the Bank in accordance with the terms of the Agency Agreement, up to \$750,000,000 principal amount of the Notes at a price of \$1,000 per \$1,000 principal amount of Notes.

The Bank has agreed to indemnify the Dealers against certain liabilities. The Bank has agreed to pay the Dealers a commission of \$3.50 on account of services rendered in connection with the offering of the Notes per \$1,000 principal amount of Notes sold.

It is expected that the closing of the issue of the Notes will take place on or about February 1, 2018, or such later date as the Bank and the Dealers may agree but, in any event, not later than March 1, 2018.

The Bank reserves the right to accept or reject any subscription in whole or in part. While the Dealers have agreed to use their reasonable best efforts to sell the Notes, they are not obligated to purchase any Notes which are not sold. The obligations of the Dealers under the Agency Agreement may be terminated, and the Dealers may withdraw all subscriptions for Notes on behalf of subscribers, at the Dealer's discretion, upon the occurrence of certain stated events.

Each of the Dealers may from time to time purchase and sell Notes in the secondary market, but no Dealer is obligated to do so and may discontinue market-making activities at any time.

The Notes have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered, sold or delivered within the United States of America, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

The Bank has applied to list the Common Shares that would be issued upon a NVCC Automatic Conversion on the TSX. Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

National Bank Financial Inc., one of the Dealers, is a wholly-owned subsidiary of the Bank. By virtue of such ownership, the Bank is a related and connected issuer of National Bank Financial Inc. under applicable securities legislation. The decision to distribute the Notes and the determination of the terms of the distribution were made through negotiations between the Bank on the one hand and the Dealers on the other hand. National Bank Financial Inc. will not receive any benefit in connection with this offering, other than its share of the Dealers' commission payable by the Bank.

Under applicable securities legislation, Scotia Capital Inc. ("SCI") is an independent agent in connection with this offering and is not related or connected to the Bank or to National Bank Financial Inc. In that capacity, SCI has participated with all other Dealers in due diligence meetings relating to this Pricing Supplement with the Bank and its representatives, has reviewed this Pricing Supplement and has had the opportunity to propose such changes to this Pricing Supplement as it considered appropriate. In addition, SCI has participated, together with the other Dealers, in the structuring and pricing of this offering.

### **LEGAL MATTERS**

Certain legal matters in connection with the offering of the Notes will be passed upon by McCarthy Tétrault LLP, on behalf of the Bank, and by Torys LLP, on behalf of the Dealers. The partners, counsel and associates of McCarthy Tétrault LLP and Torys LLP, respectively, as a group, beneficially own, directly or indirectly, less than one percent of any class of security issued by the Bank.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Notes is Computershare Trust Company of Canada or its agent at its principal office in the cities of Vancouver, Calgary, Toronto and Montréal.

### **RISK FACTORS**

An investment in the Notes is subject to certain risks including those set out in the Prospectus and the following. From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Notes and Common Shares for reasons unrelated to the Bank's performance. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, financial difficulties experienced, or a perception in the marketplace of such difficulties, by other financial institutions in Canada, the United States or other countries could adversely affect the Bank and the market price of the Notes and Common Shares. Additionally, the Notes and Common Shares are subject to market value fluctuations based upon factors which influence the Bank's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

#### *Automatic Conversion into Common Shares Upon a Trigger Event*

Upon the occurrence of a Trigger Event and a NVCC Automatic Conversion, an investment in the Notes will become an investment in fully-paid Common Shares without the consent of the holder. See "*NVCC Automatic Conversion*". After a NVCC Automatic Conversion, a holder of Notes will no longer have any rights as a creditor of the Bank and will only have rights as a common shareholder. Absent a NVCC Automatic Conversion, the claims of holders of Notes have certain priority of payment over the claims of holders of equity shares of the Bank. Given the nature of a Trigger Event, a holder of Notes will become a holder of Common Shares at a time when the Bank's financial condition has deteriorated. If the Bank were to become insolvent or wound-up after the occurrence of a Trigger Event, the holders of Common Shares may receive, if anything, substantially less than the holders of Notes might have received had the Notes not been converted into Common Shares. A NVCC Automatic Conversion may also occur at a time when a federal or provincial government or other government agency in Canada has provided, or will provide, a capital injection or equivalent support, the terms of which may rank in priority to the Common Shares with respect to the payment of dividends, rights on liquidation or other terms.

*A Trigger Event May Involve a Subjective Determination Outside the Bank's Control*

The decision as to whether a Trigger Event will occur may involve a subjective determination by the Superintendent that the Bank has ceased, or is about to cease, to be viable and that the conversion of all contingent instruments is reasonably likely, taking into account any other factors or circumstances that are considered relevant or appropriate by the Superintendent, to restore or maintain the viability of the Bank. See the definition of "Trigger Event" in the Prospectus Supplement.

The Office of the Superintendent of Financial Institutions ("OSFI") has stated that the Superintendent will consult with the Canada Deposit Insurance Corporation, the Bank of Canada, the Department of Finance and the Financial Consumer Agency of Canada prior to making a non-viability determination. The conversion of contingent instruments alone may not be sufficient to restore an institution to viability and other public sector interventions, including liquidity assistance, would likely be used along with the conversion of contingent instruments to maintain an institution as a going concern.

In assessing whether the Bank has ceased, or is about to cease, to be viable and that, after the conversion of all contingent instruments, it is reasonably likely that the viability of the Bank will be restored or maintained, OSFI has stated that the Superintendent will consider, in consultation with the authorities referred to above, all relevant facts and circumstances. Those facts and circumstances could include, in addition to other public sector interventions, a consideration of whether, among other things:

- the assets of the Bank are, in the opinion of the Superintendent, sufficient to provide adequate protection to the Bank's depositors and creditors;
- the Bank has lost the confidence of depositors or other creditors and the public (for example, ongoing increased difficulty in obtaining or rolling over short-term funding);
- the Bank's regulatory capital has, in the opinion of the Superintendent, reached a level, or is eroding in a manner, that may detrimentally affect its depositors and creditors;
- the Bank has failed to pay any liability that has become due and payable or, in the opinion of the Superintendent, the Bank will not be able to pay its liabilities as they become due and payable;
- the Bank has failed to comply with an order of the Superintendent to increase its capital;
- in the opinion of the Superintendent, any other state of affairs exists in respect of the Bank that may be materially prejudicial to the interests of the Bank's depositors or creditors or the owners of any assets under the Bank's administration; and
- the Bank is unable to recapitalize on its own through the issuance of Common Shares or other forms of regulatory capital (for example, no suitable investor or group of investors exists that is willing or capable of investing in sufficient quantity and on terms that will restore the Bank's viability, nor is there any reasonable prospect of such an investor emerging in the near-term in the absence of conversion of contingent instruments).

If a NVCC Automatic Conversion occurs, then the interests of depositors, other creditors of the Bank, and holders of the Bank's securities which are not contingent instruments will all rank in priority to the holders of contingent instruments, including the Notes. Canadian authorities retain full discretion to choose not to trigger non-viable contingent capital notwithstanding a determination by the Superintendent that the Bank has ceased, or is about to cease, to be viable. Under such circumstances, the holders of Notes could be exposed to losses through the use of other resolution tools or in liquidation.

*Number and Value of Common Shares to be Received on a NVCC Automatic Conversion is Variable*

The number of Common Shares to be received for each Note is calculated by reference to the prevailing market price of Common Shares immediately prior to a Trigger Event, subject to the Floor Price. See “NVCC Automatic Conversion.” If there is a NVCC Automatic Conversion at a time when the market price of the Common Shares is below the Floor Price, investors will receive Common Shares with an aggregate market price less than the aggregate principal amount of the Notes being converted.

The Bank is expected to have outstanding from time to time other subordinated debt and preferred shares that will automatically convert into Common Shares upon a Trigger Event. Other subordinated debt or preferred shares that are convertible into Common Shares upon a Trigger Event may also use a lower floor price than that applicable to the Notes to determine the maximum number of Common Shares to be issued to holders of such instruments upon a NVCC Automatic Conversion. Accordingly, holders of Notes will receive Common Shares pursuant to a NVCC Automatic Conversion at a time when other subordinated debt and preferred shares are converted into Common Shares, possibly at a conversion rate that is more favourable to the holder of such instruments than the rate applicable to the Notes, thereby causing substantial dilution to holders of Common Shares, and the holders of the Notes, who will become holders of Common Shares upon the NVCC Automatic Conversion.

*Common Shares Received on a NVCC Automatic Conversion Could be Subject to Further Dilution*

In the circumstances surrounding a Trigger Event, the Superintendent or other governmental authorities or agencies may also require other steps to be taken to restore or maintain the viability of the Bank, such as the injection of new capital and the issuance of additional Common Shares or other securities. Accordingly, holders of the Notes will receive Common Shares pursuant to a NVCC Automatic Conversion at a time when senior debt obligations of the Bank may be converted into Common Shares, possibly at a conversion rate that is more favourable to the holders of such obligations than the rate applicable to the Notes, and additional Common Shares or other securities ranking in priority to the Common Shares may be issued, thereby causing substantial dilution to holders of Common Shares and the holders of the Notes, who will become holders of Common Shares upon the Trigger Event.

*Circumstances Surrounding NVCC Automatic Conversion and Effect on Market Price*

A Trigger Event may involve a subjective determination by the Superintendent that the conversion of all contingent instruments is reasonably likely to restore or maintain the viability of the Bank. A Trigger Event will also occur if a federal or provincial government in Canada publicly announces that the Bank has accepted or agreed to accept a capital injection, or equivalent support, from the federal government or any provincial government or political subdivision or agent or agency thereof without which the Bank would have been determined by the Superintendent to be non-viable. See the definition of “Trigger Event” in the Prospectus Supplement. As a result, a NVCC Automatic Conversion may occur in circumstances that are beyond the control of the Bank. Also, even in circumstances where the market expects the Superintendent to cause a Trigger Event, the Superintendent may choose not to take that action. Because of the inherent uncertainty regarding the determination of when a NVCC Automatic Conversion may occur, it will be difficult to predict, when, if at all, the Notes will be mandatorily converted into Common Shares. Accordingly, trading behavior in respect of the Notes is not necessarily expected to follow trading behavior associated with other types of convertible or exchangeable securities. Any indication, whether real or perceived, that the Bank is trending towards a Trigger Event can be expected to have an adverse effect on the market price of the Notes and the Common Shares, whether or not such Trigger Event actually occurs.

*Credit Ratings*

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

### *Rankings on Insolvency or Winding-Up*

The Notes are direct unsecured subordinate indebtedness of the Bank which, provided such Notes have not been converted into Common Shares upon a Trigger Event, rank equally with other subordinated indebtedness of the Bank in the event of the insolvency or winding-up of the Bank. If the Bank becomes insolvent or is wound-up while the Notes remain outstanding, the Bank's assets must be used to pay deposit liabilities and prior and senior ranking indebtedness before payments may be made on the Notes, other subordinated indebtedness and the Common Shares. Subject to the Bank's regulatory capital requirements, there is no limit on the Bank's ability to incur additional subordinated debt. In addition, the terms of the Notes do not restrict the Bank's ability to incur indebtedness that ranks senior to the Notes.

Upon a NVCC Automatic Conversion of the Notes, the terms of such notes with respect to priority and rights upon liquidation will not be relevant as such securities will have been converted to Common Shares which will rank equally with all other outstanding Common Shares. If the Bank were to become insolvent or wound-up after the occurrence of a Trigger Event, the holders of the Common Shares may receive, if anything, substantially less than the holders of the Notes might have received had the Notes not been converted into Common Shares.

### *Interest Rate Fluctuations*

Prevailing interest rates will affect the market value of the Notes. Assuming all other factors remain unchanged, the market value of the Notes will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

### *Risks associated with Floating Rate Notes*

Investments in floating rate notes entail significant risks not associated with investments in fixed rate notes. The resetting of the applicable rate on a floating rate note may result in lower interest compared to a fixed rate note issued at the same time. The applicable rate on a floating rate note will fluctuate in accordance with fluctuations in the instrument or obligation on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Bank has no control.

### *Reinvestment Risk*

The Notes may be redeemed, in the sole discretion of the Bank but with the prior approval of the Superintendent, on and after February 1, 2023. The Notes may also be redeemed prior to February 1, 2023, at the option of the Bank but with the prior approval of the Superintendent, at any time on or after a Regulatory Event Date or the date of the occurrence of a Tax Event. If the Notes are redeemed prior to their maturity date, investors will be subject to reinvestment risk, since it may not be possible to reinvest in securities with similar risk and yield as the Notes. If the Notes are not redeemed on February 1, 2023, investors will thereafter be subject to uncertainty with respect to both the rate of interest payable on the Notes, which will fluctuate quarterly based on the applicable Bankers' Acceptance Rate, and with respect to the length of the remaining term of the Notes, which will be dependent upon whether or not the Notes are redeemed prior to their maturity date. If the Notes are not redeemed prior to their maturity date, the principal amount on the Notes will not be payable until the maturity date of February 1, 2028.

### *Bank Recapitalization "Bail-In" Regime*

On June 22, 2016, legislation came into force amending the *Bank Act* (Canada) and the *Canada Deposit Insurance Corporation Act* (Canada) (the "CDIC Act") and certain other federal statutes pertaining to banks to create a bail-in regime for Canada's domestically systemically important banks ("D-SIBs"), which include the Bank. On June 17, 2017, the Government of Canada published in draft for public comment regulations under the CDIC Act and the *Bank Act* (Canada) providing the final details of the conversion, issuance and compensation regimes for bail-in instruments issued by D-SIBs, including the Bank (collectively, the "Bail-In Regulations"). Pursuant to the CDIC Act, in circumstances where the Superintendent has determined that the Bank has ceased, or is about to cease, to be viable, the Governor in

Council may, upon a recommendation of the Minister of Finance that he or she is of the opinion that it is in the public interest to do so, grant an order directing the Canada Deposit Insurance Corporation (“CDIC”) to convert all or a portion of certain shares and liabilities of the Bank into common shares of the Bank (a “Bail-In Conversion”).

The legislation also provides that OSFI will require D-SIBs to maintain a minimum capacity to absorb losses. Higher loss absorbency requirements will be established to ensure that affected banks maintain sufficient capital to absorb the conversions. On June 16, 2017, OSFI published for comment the draft Total Loss Absorbing Capacity Guideline (“TLAC Guideline”) setting forth its expectations in respect of D-SIBs’ minimum capacity to absorb losses. The TLAC Guideline sets forth requirements for a risk-based TLAC ratio and a TLAC leverage ratio, beginning November 1, 2021.

The Bail-In Regulations prescribe the types of shares and liabilities that will be subject to a Bail-In Conversion. In general, any senior debt with an initial term to maturity greater than 400 days, that is unsecured and has been assigned a CUSIP or ISIN number would be subject to a Bail-In Conversion. Shares, other than common shares, and subordinated debt would also be subject to a Bail-In Conversion, unless they are non-viability contingent capital. The draft *Bank Recapitalization (Bail-in) Conversion Regulations* and the draft *Bank Recapitalization (Bail-in) Issuance Regulations* provide that they will come into force 180 days after the regulations are finalized, and the draft *Compensation Regulations* provide that they will come into force on the day they are registered. Based on the draft Bail-In Regulations, shares and liabilities issued before the date the Bail-In Regulations come into force would not be subject to Bail-in Conversion unless, in the case of a liability, the terms of such liability are, on or after the date the Bail-In Regulations come into force, amended to increase its principal amount or to extend its term to maturity. Based on the draft Bail-In Regulations, an instrument with the same terms as the Notes issued by the Bank after the date the Bail-In Regulations come into force, would not be subject to a Bail-In Conversion.

The implementation date of the bail-in regime has not yet been determined. The proposed bail-in regime could adversely affect the Bank’s cost of funding. The Bank continues to monitor bail-in regime developments, as additional details on implementation, scope and timing are expected to follow through regulations.

After the legislation comes into force, holders of the Bank’s subordinated notes (including the Notes), preferred shares and Common Shares, including Common Shares issued following the occurrence of a Trigger Event, may sustain substantial dilution following a Bail-in Conversion including, in the case of holders of subordinated notes (including the Notes) or preferred shares, if the conversion rate of other securities is more favourable to the holders of such securities than the rate applicable to holders of subordinated notes (including the Notes) or preferred shares. The Bail-in Regulations prescribe that holders of bail-in eligible instruments that are subject to a Bail-in Conversion must receive more Common Shares per dollar amount converted than holders of any subordinate ranking bail-in eligible instruments or NVCC instruments converted.

#### *The Notes May be Subject to Write-Off or Write-Down under Current and Proposed Canadian Resolution Powers*

The Canada Deposit Insurance Corporation, Canada’s resolution authority, was granted additional powers in 2009 to transfer certain assets and liabilities of a bank to a newly created “bridge bank” for such consideration as it determines in the event of a bank getting into distress, presumably to facilitate a sale of the bank to another financial institution as a going concern. Upon exercise of such power, any remaining assets and liabilities would remain with the “bad bank” which would then be wound up. As such, in this scenario, any liabilities or securities of the Bank, including the Notes and the Common Shares into which such Notes will be converted upon the occurrence of a NVCC Automatic Conversion, that remain with the “bad bank” would be effectively written off, subject to only partial repayment, devalued or otherwise become worthless, in the ensuing winding-up.

**Certificate of the Dealers**

Dated: January 29, 2018

To the best of our knowledge, information and belief, the Prospectus, together with the documents incorporated in the Prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the Prospectus and this supplement as required by the *Bank Act* (Canada) and the regulations thereunder and by the securities legislation of all the provinces of Canada.

**NATIONAL BANK FINANCIAL INC.**

*(s) Maxime Brunet*

By: Maxime Brunet

**SCOTIA CAPITAL INC.**

*(s) Michael Lay*

By: Michael Lay

**BMO NESBITT  
BURNS INC.**

*(s) Pierre J. Alain*

By: Pierre J. Alain

**CIBC WORLD  
MARKETS INC.**

*(s) Amber Choudhry*

By: Amber Choudhry

**RBC DOMINION  
SECURITIES  
INC.**

*(s) Jean-Francois Dubé*

By: Jean-Francois Dubé

**TD SECURITIES  
INC.**

*(s) Brian Pong*

By: Brian Pong

**CASGRAIN &  
COMPANY LIMITED**

*(s) Roger Casgrain*

By: Roger Casgrain

**DESJARDINS  
SECURITIES INC.**

*(s) Ryan Godfrey*

By: Ryan Godfrey

**HSBC SECURITIES  
(CANADA) INC.**

*(s) David Loh*

By: David Loh

**INDUSTRIAL  
ALLIANCE  
SECURITIES INC.**

*(s) Fred Westra*

By: Fred Westra

**LAURENTIAN BANK  
SECURITIES INC.**

*(s) Michel Richard*

By: Michel Richard

**MANULIFE SECURITIES  
INCORPORATED**

*(s) David MacLeod*

By: David MacLeod

**MERRILL LYNCH CANADA  
INC.**

*(s) Jamie Hancock*

By: Jamie Hancock