



## **NATIONAL BANK OF CANADA**

*(a Canadian chartered bank)*

**U.S.\$7,000,000,000**

**Legislative Global Covered Bond Programme**

**unconditionally and irrevocably guaranteed as to payments by  
NBC COVERED BOND (LEGISLATIVE) GUARANTOR LIMITED  
PARTNERSHIP**

*(a limited partnership formed under the laws of Ontario)*

This Supplement (the “Supplement”) to the Base Prospectus dated 4 November 2013 (the “Base Prospectus”), as supplemented by the 1<sup>st</sup> Supplementary Prospectus dated 6 December 2013 and the 2<sup>nd</sup> Supplementary Prospectus dated 13 March 2014 (together, the “Prospectus”), which comprises a base prospectus under Article 5.4 of the Prospectus Directive for National Bank of Canada (“NBC”, the “Bank” or the “Issuer”), constitutes a supplementary prospectus in respect of the base prospectus for NBC for purposes of Section 87G of the *Financial Services and Markets Act 2000* (as amended, the “FSMA”) and is prepared in connection with the U.S.\$7,000,000,000 Legislative Global Covered Bond Programme of NBC, unconditionally and irrevocably guaranteed as to payments by NBC Covered Bond (Legislative) Guarantor Limited Partnership (the “Guarantor”), established by NBC.

Terms defined in the Prospectus have the same meaning when used in this Supplement. The Supplement is supplemental to, and shall be read in conjunction with, the Prospectus. This Supplement has been approved by the United Kingdom Financial Conduct Authority, which is the United Kingdom competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom, as a supplement to the Prospectus.

NBC and the Guarantor accept responsibility for the information in this Supplement. To the best of the knowledge of NBC and the Guarantor, having taken reasonable care to ensure that such is the case, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The purpose of this Supplement is to (a) amend the sections of the Base Prospectus entitled (i) “*Risk Factors*” and (ii) “*Glossary*” in order to ensure compliance with a new requirement under the Canadian Registered Covered Bonds Program which comes into effect on 1 July 2014 and which requires the application of an indexation methodology in determining the values of the Properties, and (b) incorporate by reference in the Prospectus NBC’s latest (i) unaudited interim results (including management’s discussion and analysis thereof) and (ii) monthly investor reports for the months of March and April 2014, containing information on the Covered Bond Portfolio.

Save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of Covered Bonds issued under the Programme has arisen or been noted, as the case may be, since the publication of the 2<sup>nd</sup> Supplementary Prospectus dated 13 March 2014.

THE COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY CANADA MORTGAGE AND HOUSING CORPORATION (“CMHC”) NOR HAS CMHC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS SUPPLEMENTARY PROSPECTUS. THE COVERED BONDS ARE NOT INSURED OR GUARANTEED BY CMHC OR THE GOVERNMENT OF CANADA OR ANY OTHER AGENCY THEREOF.

Investors should be aware of their rights under Section 87Q(4)-(6) of the FSMA. An investor which has agreed, prior to the date of publication of this Supplement, to purchase or subscribe for Covered Bonds issued under the Programme, where the securities have not been delivered prior to the publication of this Supplement, may withdraw such acceptance

before the end of the period of two working days beginning with the first working day after the date on which this Supplement is published in accordance with the Prospectus Directive. This right to withdraw shall expire by close of business on 2 July 2014. Investors wishing to withdraw their acceptances should contact their brokers for details.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in, or incorporated by reference in, the Prospectus, the statements in (a) above will prevail.

## AMENDMENTS TO THE PROSPECTUS

By virtue of this Supplement, the “Risk Factors” section of the Prospectus is amended by adding the following to the end of the risk factor entitled “*Factors which are material for the purposes of assessing risks relating to the Covered Bond Portfolio – Maintenance of the Covered Bond Portfolio*” on page 18 of the Base Prospectus:

The Properties subject to the Related Security for Loans in the Covered Bond Portfolio do not undergo periodic valuations and prior to July 1, 2014 are not required to be indexed to account for subsequent market developments. Valuations are obtained when a Loan is originated, but generally not subsequent to origination. As a result, the realizable value on the Covered Bond Portfolio could be negatively affected by a significant decline in the values of properties across regions in which such Properties are located without such decline requiring the Bank to make capital contributions or otherwise resulting in a breach of the Asset Coverage Test prior to indexation being implemented as part of the Asset Coverage Test.

On or before July 1, 2014, the Guarantor will employ an indexation methodology that meets the requirements provided for in the CMHC Guide to determine indexed valuations for Properties in the Covered Bond Portfolio (which methodology may be updated from time to time upon notice to CMHC and will, at any time, be disclosed in the then-current Investor Report, the “**Indexation Methodology**”) for purposes of the Asset Coverage Test, the Amortization Test and the Valuation Calculation, and for all other purposes as required by the CMHC Guide.

By virtue of this Supplement, the “Glossary” section of the Prospectus is amended by adding the definition of “**Indexation Methodology**” in alphabetical order on page 230 of the Base Prospectus with the following meaning: “The meaning given in “*Risk Factors*” on page 19;”

By virtue of this Supplement, the “Glossary” section of the Prospectus is amended by deleting the definition of “**Latest Valuation**” in its entirety and replacing it with the following:

In relation to any Property, the value given to that Property by the most recent valuation addressed to the Seller or, as applicable, an Originator or obtained from an independently maintained risk assessment model, acceptable to reasonable and prudent institutional mortgage lenders in the Seller’s or Originator’s market or the purchase price of that Property or current property tax assessment, as applicable; provided that, commencing July 1, 2014, such value shall be adjusted at least quarterly to account for subsequent price adjustments using the Indexation Methodology;

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published by the Issuer or are published simultaneously with this Supplement are hereby incorporated in, and form part of, the Prospectus:

- (a) the following sections of the Bank’s Report to Shareholders for the three- and six-month periods ended 30 April 2014 (the “**2014 Second Quarter Report**”):
  - (i) management’s discussion and analysis on pages 3 to 36; and
  - (ii) the unaudited interim condensed consolidated financial statements for the three- and six-month periods ended 30 April 2014, with comparative unaudited interim condensed consolidated financial

statements, including the notes thereto, for the three- and six-month periods ended 30 April 2013, prepared in accordance with IFRS, set out on pages 37 to 71,

the remainder of the 2014 Second Quarter Report is not relevant for prospective investors or is covered elsewhere in the Prospectus and is not incorporated by reference;

- (b) NBC's monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on 31 March 2014 (the "**March Investor Report**"); and
- (c) NBC's monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on 30 April 2014 (the "**April Investor Report**" and together with the March Investor Report, the "**Investor Reports**").

A copy of each of the 2014 Second Quarter Report and the Investor Reports has been filed with Morningstar plc (appointed by the United Kingdom Financial Conduct Authority to act as the National Storage Mechanism), and is available for viewing at <http://www.morningstar.co.uk/uk/NSM>.

To the extent that any document or information incorporated by reference in this Supplement, itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Supplement for the purposes of the Prospectus Directive, except where such information or documents are stated within this Supplement as specifically being incorporated by reference or where this Supplement is specifically defined as including such information.

Copies of this Supplement, the Prospectus and the documents incorporated by reference in either can be (i) viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> under the name of the Issuer and the headline "Publication of Prospectus" and (ii) obtained without charge from the Issuer at 600 De La Gauchetière Street West, Montréal, Québec, Canada H3B 4L2, Attention: Investor Relations and the specified office each Paying Agent set out at the end of the Prospectus.