

## Short Form Base Shelf Prospectus

*This short form prospectus is referred to as a base shelf prospectus and has been filed under legislation in each of the provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.*

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

*Information has been incorporated by reference in this short form base shelf prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary, National Bank of Canada, National Bank Tower, 600 de La Gauchetière Street West, Montréal Québec, H3B 4L2, (514 394-6081) and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## Short Form Base Shelf Prospectus

New Issue

October 5, 2012



# NATIONAL BANK OF CANADA

**\$5,000,000,000**

**Debt Securities (unsubordinated indebtedness)**

**Debt Securities (subordinated indebtedness)**

**First Preferred Shares**

**Common Shares**

National Bank of Canada (the “Bank”) may from time to time offer and issue the following securities: (i) unsecured unsubordinated debt securities (“Senior Debt Securities”); (ii) unsecured subordinated debt securities (“Subordinated Debt Securities” and collectively with the Senior Debt Securities, the “Debt Securities”); (iii) First Preferred Shares in series (“First Preferred Shares”); and (iv) common shares (“Common Shares”), or any combination thereof. The Debt Securities, First Preferred Shares and Common Shares (collectively, the “Securities”) offered hereby may be offered separately or together, in amounts, at prices and on terms to be set forth in an accompanying shelf prospectus supplement (a “Prospectus Supplement”). All shelf information omitted from this short form base shelf prospectus (the “Prospectus”) will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. The Bank may sell up to \$5,000,000,000 in aggregate initial offering price of Securities (or the Canadian dollar equivalent thereof if any of the Securities are denominated in a foreign currency or currency unit) during the 25 month period that this Prospectus, including any amendments thereto, remains valid.

The specific terms of the Securities in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and may include, where applicable: (i) in the case of Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, maturity, interest provisions, authorized denominations, offering price, any terms for redemption at the option of the Bank or the holder, any exchange or conversion terms and any other specific terms; (ii) in the case of First Preferred Shares, the designation of the particular series, aggregate principal amount, the number of shares offered, the issue price, the dividend rate, whether cumulative or non-cumulative dividends, the dividend payment dates, any terms for redemption at the option of the Bank or the holder, any exchange or conversion terms and any other specific terms; and (iii) in the case of Common Shares, the number of shares and offering price.

The outstanding Common Shares of the Bank, the outstanding First Preferred Shares Series 15, 16, 20, 21, 24 and 26 are currently listed on the Toronto Stock Exchange.

This Prospectus does not qualify for issuance Debt Securities in respect of which the payment of interest may be determined, in whole or in part, by reference to one or more underlying interests, including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. For greater certainty, this Prospectus may qualify for issuance Debt Securities in respect of which the payment of interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or a bankers' acceptance rate, or to recognized market benchmark interest rates such as LIBOR.

The Securities may be sold through underwriters or dealers purchasing as principals, through agents designated by the Bank (such underwriters, dealers and agents are collectively referred to in this Prospectus as "Investment Dealers" and individually as an "Investment Dealer") or by the Bank directly pursuant to applicable statutory exemptions, from time to time. See "Plan of Distribution". Each Prospectus Supplement will identify each Investment Dealer engaged in connection with the offering and sale of those Securities to which the Prospectus Supplement relates, and will also set forth the terms of the offering of such Securities, including the net proceeds to the Bank and, to the extent applicable, any fees payable to the Investment Dealers. The offerings are subject to approval of certain legal matters on behalf of the Bank by McCarthy Tétrault LLP.

The Bank's head and registered office is located at the National Bank Tower, 600 de la Gauchetière Street West, 4th Floor, Montréal, Québec, H3B 4L2.

**The Debt Securities will be direct unsecured obligations of the Bank and will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act*.**

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### Forward-Looking Statements

From time to time, the Bank makes written and oral forward-looking statements, such as those contained in the “Major Economic Trends” and “Outlook for National Bank” sections of the Bank’s Annual Report for the year ended October 31, 2011 (the “2011 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 2012 and the objectives it has set for itself for that period. These forward-looking statements are made pursuant to the “safe harbour” provisions of Canadian and U.S. securities legislation. 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 terms and expressions of similar import.

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 2012 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. Tax laws in the countries in which the Bank operates, primarily Canada and the United States, are major factors it considers when establishing its effective tax rate. 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 materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. These factors include the management of credit, market and liquidity risks; general economic conditions of the financial market in Canada, the United States and other countries in

which the Bank conducts business, including the impact of the debt crisis affecting certain European countries; the downward adjustment of the long-term sovereign debt rating of the United States attributed by Standard & Poor's and the downward adjustment of the sovereign debt rating of other European countries; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada and the U.S. Federal Reserve; the effects of competition in the markets in which the Bank operates; the impact of changes in the laws and regulations regulating financial services (including banking, insurance and securities) and enforcement thereof; judicial proceedings, regulatory proceedings or claims, class actions or other recourses of various nature; the situation with respect to the restructured notes of the master asset vehicle conduits, in particular the realizable value of the underlying assets; the Bank's ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank's ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions, judgments and estimates; the Bank's ability to recruit and retain key officers; operational risks, including risks related to the Bank's reliance on third parties to ensure access to the infrastructure essential to the Bank's business as well as other factors that may affect future results, including changes in trade policies; timely development of new products and services; changes in estimates relating to reserves; changes in tax laws; technological changes; unexpected changes in consumer spending and saving habits; natural disasters; the possible impact on the business from public health emergencies, conflicts, other international events and developments, including those relating to the war on terrorism; and the Bank's success in anticipating and managing the foregoing risks. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition, or liquidity. See "Risk Factors".

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found under the "Risk Management" and "Factors That Could Affect Future Results" sections of the 2011 Annual Report. Investors and others who base themselves 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. The Bank also cautions readers not to place undue reliance on these forward-looking statements. 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**

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 Prospectus:

- (a) the Bank's annual information form dated December 7, 2011;
- (b) the unaudited interim condensed consolidated financial statements for the quarter ended July 31, 2012, which include comparative unaudited interim condensed consolidated financial statements for the quarter ended July 31, 2011, together with the management's discussion and analysis as contained in the Bank's report to shareholders for the third quarter 2012;
- (c) the audited consolidated financial statements for the year ended October 31, 2011, which include comparative consolidated financial statements for the year ended October 31, 2010, together with the management's discussion and analysis as contained in the Bank's annual report for the year ended October 31, 2011;
- (d) the independent auditor's report issued to the shareholders of the Bank on the consolidated financial statements as at October 31, 2011 and 2010 and for the years then ended; and
- (e) the Bank's management proxy circular dated February 17, 2012 in connection with the Bank's annual meeting of shareholders held on April 4, 2012.

**Any documents of the type referred to in the preceding paragraph and any unaudited interim condensed consolidated financial statements for three, six or nine month financial periods, any information circulars, any material change reports (excluding confidential material change reports), any business acquisition reports and**

any other disclosure documents filed by the Bank with a securities regulatory authority in Canada after the date of this Prospectus and prior to the completion or withdrawal of any offering hereunder, are deemed to be incorporated by reference in this Prospectus.

Updated earnings coverage ratios, as required, will be filed quarterly with the applicable securities commissions or similar authorities in Canada, either as Prospectus Supplements or as exhibits to the Bank's unaudited interim condensed and audited annual financial statements, and will be deemed to be incorporated by reference into this Prospectus. Where the Bank updates its disclosure of earnings coverage ratios by Prospectus Supplement, the Prospectus Supplement filed with the applicable securities commissions or similar authorities that contains the most recent updated disclosure of earnings coverage ratios will be delivered to all subsequent purchasers of Securities together with this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contemplated in this Prospectus will be deemed to be modified or superseded for purposes of this Prospectus 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 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 Prospectus.

A Prospectus Supplement containing the specific terms of an offering of Securities will be delivered to purchasers of such Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of the Prospectus Supplement solely for the purposes of the offering of the Securities covered by that Prospectus Supplement unless otherwise expressly provided therein.

Upon a new management proxy circular, annual information form or new consolidated annual financial statements, together with the independent auditor's report thereon and management's discussion and analysis contained therein, being filed by the Bank with the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, management proxy circular, or annual consolidated financial statements and all interim condensed consolidated financial statements, material change reports, and information circulars filed prior to the commencement of the Bank's financial year in which the new management proxy circular, annual information form or annual financial statements are filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder.

### **Currency and Accounting Information**

Unless otherwise indicated, all dollar amounts appearing in this Prospectus are stated in Canadian dollars.

The audited consolidated financial statements for the year ended October 31, 2011 contained in the 2011 Annual Report were prepared in accordance with Canadian generally accepted accounting principles. As of November 1, 2011, the Bank has adopted International Financial Reporting Standards ("IFRS"). Adopting the IFRS required adjustments to the opening consolidated financial situation and to equity at the time of transition. The unaudited interim condensed consolidated financial statements for the first quarter ended January 31, 2012, the first quarter following the transition, were prepared using accounting policies and methods prescribed by International Accounting Standard 34 *Interim Financial Reporting*, and IFRS 1 *First-Time Adoption of IFRS* and present IFRS comparative consolidated financial statements for the year ended October 31, 2011, including an opening consolidated financial situation as at November 1, 2010.

All amounts appearing under "Earnings Coverage Ratios" are calculated under IFRS and give effect to the issuance, repurchase, repayment and redemption of all preferred shares and debentures since November 1, 2010.

## **National Bank of Canada**

The Bank, a chartered bank subject to the provisions of the *Bank Act* (Canada) (the “Bank Act”), was formed through a series of amalgamations and its roots date back to 1859 with the founding of Banque Nationale in Québec City. The Bank’s head and registered office is located at the National Bank Tower, 600 de La Gauchetière Street West, Montréal, Québec H3B 4L2.

### **Subsidiaries**

A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at October 31, 2011 is included in the 2011 Annual Report.

### **Business of the Bank**

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

Additional information with respect to the Bank’s business is included in the 2011 Annual Report.

### **Change to Capital of the Bank**

There have been no material changes to the share and loan capital of the Bank since the date of the most recently filed interim condensed consolidated financial statements.

### **Description of the Debt Securities**

#### **Debt Securities**

The following is a general description of the Debt Securities. The particulars of any series of Debt Securities offered and the extent to which the general terms described below may apply to such Debt Securities will be described in one or more Prospectus Supplements. Since the terms of a series of Debt Securities may differ from the general information provided in this Prospectus, in all cases you should rely on the information in the Prospectus Supplement where it differs from information in this Prospectus.

Senior Debt Securities will be the Bank’s direct unsubordinated obligations that rank equally and rateably with all of the Bank’s unsecured and unsubordinated debt, including deposit liabilities, other than certain governmental claims in accordance with applicable law.

Subordinated Debt Securities will be the Bank’s direct unsecured obligations, constituting subordinated indebtedness for the purposes of the *Bank Act*, ranking equally and rateably with all of the Bank’s other subordinated indebtedness from time to time outstanding. In the event of the Bank’s insolvency or winding-up, the Bank’s subordinated indebtedness, including any Subordinated Debt Securities, will be subordinate in right of payment to the prior payment in full of the Bank’s deposit liabilities and all of the Bank’s other liabilities, including Senior Debt Securities, except those which by their terms rank equally in right of payment with, or are subordinate to, such subordinated indebtedness.

Subject to regulatory capital requirements applicable to the Bank, there is no limit on the amount of Senior Debt Securities or Subordinated Debt Securities the Bank may issue.

If the Bank becomes insolvent, the *Bank Act* provides that priorities among payments of the Bank’s deposit liabilities and payments of all of the Bank’s other liabilities (including payments in respect of Senior Debt Securities and Subordinated Debt Securities) are to be determined in accordance with the laws governing priorities and, where applicable, by the terms of the indebtedness and liabilities. Because the Bank has subsidiaries, the Bank’s right to participate in any distribution of the assets of the Bank’s subsidiaries, upon a subsidiary’s dissolution, winding-up liquidation or reorganization or otherwise, and thus your ability to benefit indirectly from such distribution, is subject to the prior claims of creditors of that subsidiary, except to the extent that the Bank may be a creditor of that subsidiary and the

Bank's claims are recognized. There are legal limitations on the extent to which some of the Bank's subsidiaries may extend credit, pay dividends or otherwise supply funds to, or engage in transactions with, the Bank or some of the Bank's other subsidiaries.

**Neither the Bank's Senior Debt Securities nor their Subordinated Debt Securities will constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act*.**

The specific terms of Debt Securities that the Bank may issue under this Prospectus will be described in one or more Prospectus Supplements and may include, where applicable: the specific designation, aggregate principal amount, the currency or the currency unit for which such securities may be purchased, maturity, interest provisions, authorized denominations, offering price, any terms for redemption at the Bank's option or the holder's option, any exchange or conversion terms and any other specific terms.

Debt Securities may be issued up to the aggregate principal amount which may be authorized from time to time by the Bank. The Bank may issue Debt Securities under one or more indentures (each a "Trust Indenture"), in each case between the Bank and a trustee (a "Trustee") determined by the Bank in accordance with applicable laws, or pursuant to an issue and paying agency agreement (between the Bank and an agent, which agent may be an affiliate of or otherwise non-arm's length to the Bank). Any series of Debt Securities may also be created and issued without a Trust Indenture or an issue and paying agency agreement. The Bank may also appoint a calculation agent in connection with any Debt Securities issued under this Prospectus, which agent may be an affiliate of or otherwise non-arm's length to the Bank. Reference is made to the applicable Prospectus Supplement which accompanies this Prospectus for the terms and other information with respect to the Debt Securities being offered thereby, including: (i) the designation, aggregate principal amount and authorized denominations of the Debt Securities; (ii) the currency for which the Debt Securities may be purchased and the currency in which the principal and any interest is payable (in either case, if other than Canadian dollars); (iii) the percentage of the principal amount at which the Debt Securities will be issued; (iv) the date or dates on which the Debt Securities will mature; (v) the rate or rates (if any); (vi) the dates on which such interest will be payable and the record dates for such payments; (vii) the Trustee under the Trust Indenture pursuant to which the debt Securities are to be issued; (viii) any redemption term or terms under which such Debt Securities may be defeased; (ix) whether the Debt Securities are to be issued in registered form, "book-entry only" form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof; (x) any exchange or conversion terms (including terms relating to the conversion of the Debt Securities into Common Shares); (xi) the ratings, if any, issued by rating agencies in respect of the Debt Securities; and (xii) any other specific terms.

Unless otherwise specified in the Prospectus Supplement which accompanies this Prospectus, principal, premium (if any) and interest payable on Debt Securities are to be payable at any branch in Canada of the Bank provided that such payments may also be made at the option of the Bank by electronic or wire transfer or, by cheque mailed, delivered or otherwise transferred to the persons in whose names the Debt Securities are registered.

Debt Securities may, at the option of the Bank, be issued in fully registered form, in bearer form or in "book-entry only" form. See "Book-Entry Only Securities" below. Debt Securities in registered form will be exchangeable for other Debt Securities of the same series and tenor, registered in the same name, for the same aggregate principal amount in authorized denominations and will be transferable at any time or from time to time at the corporate trust office of the Trustee for the Debt Securities. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto.

### **Description of First Preferred Shares**

The following describes certain general terms and provisions of the First Preferred Shares. The particular terms and provisions of a series of First Preferred Shares offered by a Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in such Prospectus Supplement.

The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the First Preferred Shares of the Bank as a class.

### ***Issuable in Series***

The authorized preferred share capital of the Bank includes an unlimited number of First Preferred Shares, without par value, issuable for a maximum aggregate consideration of \$5 billion or the equivalent thereof in foreign currencies. The First Preferred Shares may be issued, from time to time, in one or more series with such series designation, rights, privileges, restrictions and conditions as the Board of Directors may determine by resolution.

### ***Priority***

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

### ***Creation and Issue of Shares***

Pursuant to the Bank Act, the Bank may not, without the approval of the holders of the First Preferred Shares, create any other class of shares ranking equal with or superior to the First Preferred Shares. In addition, the Bank may not, without the prior approval of the holders of the First Preferred Shares as a class given as specified below under “Approval of the Holders of the First Preferred Shares” (in addition to such approvals as may be required by the Bank Act or any other legal requirement), (i) create or issue any shares ranking in priority to or *pari passu* with the First Preferred Shares; or (ii) create or issue any additional series of First Preferred Shares, unless at the date of such creation or issuance all cumulative dividends up to and including the dividend payment for the last completed period for which such cumulative dividends are payable, have been declared and paid or set aside for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding, and all declared and unpaid non-cumulative dividends have been paid or set aside for payment in respect of each series of non-cumulative First Preferred Shares then issued and outstanding. Currently, there are no outstanding First Preferred Shares which carry the right to cumulative dividends.

### ***Voting Rights***

The holders of the First Preferred Shares are not entitled to any voting rights as a class except as provided below or by law or in the rights, privileges, restrictions and conditions attaching to any series of First Preferred Shares, and except with respect to the right to vote on certain matters as specified under “Approval of the Holders of the First Preferred Shares”.

### ***Approval of the Holders of the First Preferred Shares***

The approval of all amendments to the provisions attaching to the First Preferred Shares as a class and any other approval to be given by the holders of the First Preferred Shares may be given in writing by the holders of not less than all of the outstanding First Preferred Shares or by a resolution passed by the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of holders of First Preferred Shares duly held for the purpose of considering the subject matter of such resolution at which a quorum of the outstanding First Preferred Shares is represented in person or by proxy. A quorum at any meeting of holders of First Preferred Shares is a majority of the outstanding First Preferred Shares, except at an adjourned meeting for which there is no quorum requirement.

### **Description of Common Shares**

The authorized common share capital of the Bank consists of an unlimited number of Common Shares without nominal or par value, of which 161,757,102 were outstanding as at October 4, 2012. The holders of Common Shares are entitled to vote at all meetings of the shareholders of the Bank except meetings at which only holders of a specified class or series of shares are entitled to vote. The holders of Common Shares are entitled to receive dividends as and when declared by the Board of Directors of the Bank, subject to the preference of the holders of the preferred shares (including the First Preferred Shares) of the Bank. After payment to the holders of the preferred shares of the Bank of the amount or amounts to which they may be entitled, and after payment of all outstanding debts, the holders of Common Shares shall be entitled to receive the remaining property of the Bank upon the liquidation, dissolution or winding-up thereof.



## **Book-Entry Only Securities**

Securities issued in “book-entry only” form must be purchased, transferred or redeemed through participants (“CDS Participants”) in the depository service of CDS Clearing and Depository Services Inc. or a successor or its nominee (collectively, “CDS”), as described below. Each of the Investment Dealers named in an accompanying Prospectus Supplement offering securities in “book-entry only” form will be a CDS Participant. On the closing of a book-entry only offering, the Bank will cause a global certificate or certificates representing the aggregate number of Securities subscribed for under such offering to be delivered to, and registered in the name of, CDS. Except as described below, no purchaser of Securities will be entitled to a certificate or other instrument from the Bank or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a CDS Participant acting on behalf of such purchaser. Each purchaser of Securities will receive a customer confirmation of purchase from the Investment Dealer from which the Securities are purchased in accordance with the practices and procedures of that Investment Dealer. The practices of Investment Dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. Reference in this Prospectus to a holder of Securities means, unless the context otherwise requires, the owner of the beneficial interest in the Securities.

CDS will be responsible for establishing and maintaining book-entry accounts for CDS Participants having interests in the Securities. If (i) the book-entry only system ceases to exist, (ii) the Bank determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Securities and the Bank is unable to locate a qualified successor, (iii) the Bank at its option elects, or is required by applicable law or the rules of any securities exchange, to withdraw the Securities from the book-entry only system, (iv) if an event of default has occurred with regard to the Securities and has not been cured or waived, or (v) as otherwise agreed by the Bank and CDS, then the Securities will be issued in fully registered form to holders or their nominees.

### ***Transfer, Conversion and Redemption of Securities***

Transfers of ownership, conversions or redemptions of Securities will be effected only through records maintained by CDS for such Securities with respect to interests of CDS Participants and on the records of CDS Participants with respect to interests of persons other than CDS Participants. Holders of Securities who are not CDS Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Securities, may do so only through CDS Participants. The ability of a holder to pledge Securities or otherwise take action with respect to such holder’s interest in Securities (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

### ***Payments and Deliveries***

The Bank will make, or cause to be made, payments of principal, redemption price, if any, dividends and interest, as applicable, on Securities to CDS as the registered holder of the Securities and the Bank understands that the payment will be forwarded by CDS to CDS Participants in accordance with the customary practices and procedures of CDS. As long as CDS is the registered owner of the Securities, CDS will be considered the sole owner of the Securities for the purposes of receiving notices or payments on the Securities. As long as the Securities are held in the CDS book-entry only system, the responsibility and liability of the Bank in respect of the Securities is limited to making payments of principal, redemption price, if any, dividends and interest, as applicable, on the Securities to CDS, as registered holder of the Securities. The Bank expects that CDS, upon receipt of any payment in respect of Securities, will credit CDS Participants’ accounts in amounts proportionate to their respective interests in the principal amount of such Securities as shown on the records of CDS in accordance with the customary practices and procedures of CDS. The Bank also expects that payments by CDS Participants to the owners of beneficial interests in Securities held through such CDS Participants will be governed by standing instructions and customary practices, and will be the responsibility of such CDS Participants. The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS, and persons other than CDS Participants having an interest in Securities must look solely to CDS Participants, for payments or deliveries made by or on behalf of the Bank to CDS in respect of such Securities.

Each beneficial owner must rely on the procedures of CDS and, if such beneficial owner is not a CDS Participant, on the procedures of the CDS Participant through which such beneficial owner owns its interest, to exercise any rights with respect to the Securities. The Bank understands that under existing policies of CDS and industry practices, if the Bank requests any action of a beneficial owner or if a beneficial owner desires to give any notice or take any action which a

registered holder is entitled to give or take with respect to the Securities, CDS would authorize the CDS Participant acting on behalf of the beneficial owner to give such notice or to take such action, in accordance with the procedures established by CDS or agreed to from time to time by the Bank, any Trustee and CDS. Any beneficial owner that is not a CDS Participant must rely on the contractual arrangement it has directly, or indirectly through its financial intermediary, with its CDS Participant to give such notice or take such action.

None of the Bank, the Investment Dealers or any Trustee (in the case of Debt Securities) will assume liability or responsibility for (i) any aspect of the records relating to the beneficial ownership of the Securities held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the Securities, or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of CDS Participants.

### **Bank Act Restrictions and Restrictions on Payment of Dividends**

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

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

Pursuant to agreements made between (i) the Bank, Computershare Trust Company of Canada and NBC Capital Trust and (ii) the Bank, Computershare Trust Company of Canada and NBC Asset Trust (together with NBC Capital Trust, the “Trusts”), the Bank has covenanted with the holders of the outstanding Trust Capital Securities of the Trusts (individually, the NBC CapS – Series 1, the NBC CapS II – Series 1 and the NBC CapS II – Series 2, collectively, the “NBC CapS”) that, if the Trusts fail to pay in full a required distribution on any series of NBC CapS, the Bank will refrain from declaring dividends of any kind on its common shares or preferred shares until the month commencing immediately after the third month (with respect to the NBC CapS II – Series 1 and the NBC CapS II – Series 2), or fourth month (with respect to the NBC CapS – Series 1), in which the Bank ordinarily declares dividends from time to time on the common shares or the preferred shares, unless the Trusts first pay the required distribution (or the unpaid portion thereof) to the respective holders of NBC CapS.

### **Restraints on Bank Shares under the Bank Act**

The Bank Act contains restrictions on the issue, transfer, acquisition, beneficial ownership and voting of all shares of a chartered bank. The following is a summary of such restrictions. No person shall be a major shareholder of a bank if the bank has equity of \$12 billion or more. While the equity of the Bank is less than \$12 billion and the Bank Act would otherwise permit a person to own up to 65% of any class of shares of the Bank, the Bank is deemed to be a bank to which the ownership restrictions for banks with equity of \$12 billion or more apply until the Minister of Finance (Canada) specifies, on application by the Bank, that these restrictions no longer apply to the Bank.

A person is a major shareholder of a bank where: (i) the aggregate of shares of any class of voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate of shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person, or persons acting jointly or in concert, may have a significant interest in any class of shares of a Canadian chartered bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Bank Act, a

person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank.

The Bank Act also prohibits the registration of a transfer or issue of any shares of the Bank to Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them.

### **Earnings Coverage Ratios**

The following earnings coverage ratios do not reflect the issuance of any Securities under this Prospectus.

The Bank's dividend requirements on its outstanding First Preferred Shares, after adjustment for new issues, and adjusted to a before-tax equivalent using a statutory income tax rate of 29% for the 12 months ended October 31, 2011 and 27% for the 12 months ended July 31, 2012, amounted to \$61 million for the 12 months ended October 31, 2011 and \$59 million for the 12 months ended July 31, 2012. The Bank's disbursement requirements for innovative capital instruments for the 12 months ended October 31, 2011 and the 12 months ended July 31, 2012 amounted to \$67 million and \$67 million, respectively. The Bank's interest requirements for subordinated debentures for the 12 months ended October 31, 2011 and July 31, 2012 amounted to \$91 million and \$101 million, respectively. The Bank's earnings before income taxes, non-controlling interest, debentures and innovative capital instruments for the 12 months ended October 31, 2011 and July 31, 2012 were \$1,675 million and \$1,977 million, respectively, which are 7.65 times and 8.69 times the Bank's aggregate dividend, disbursement on innovative capital instruments and interest requirements for these periods, respectively.

Innovative capital instrument represents \$225 million of NBC CapS – Series 1 issued by NBC Capital Trust, \$400 million of NBC CapS II – Series 1 issued by NBC Asset Trust and \$350 million of NBC CapS II – Series 2 issued by NBC Asset Trust; for more information on the classification of the innovative capital instruments, refer to notes 17 and 21 of the audited consolidated financial statements of the Bank for the year ended October 31, 2011.

### **Plan of Distribution**

The Bank may sell Securities to or through underwriters or dealers purchasing as principal, and also may sell Securities to one or more purchasers directly or through agents. Securities may be sold from time to time in one or more transactions at a fixed price or prices which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

A Prospectus Supplement will set forth the terms of any offering of Securities, including the name or names of any Investment Dealers, the initial public offering price, the proceeds to the Bank, any underwriting discount or commission to be paid to any Investment Dealers and any discounts, concessions or commissions allowed or re-allowed or paid by any Investment Dealers to other investment dealers.

The Securities may be sold directly by the Bank at such prices and upon such terms as agreed to by the Bank and the purchaser or through agents designated by the Bank from time to time. Any agent involved in the offering and sale of the Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Bank to such agent will be set forth, in the applicable Prospectus Supplement. Unless otherwise indicated in the applicable Prospectus Supplement, any agent is acting on a best efforts basis for the period of its appointment.

If underwriters are used in the sale, the Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale, at market prices prevailing at the time of sale or at prices related to such prevailing market prices. The obligations of the underwriters to purchase such Securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Securities offered by the Prospectus Supplement if any of such Securities are purchased.

Any public offering price and any discounts or concessions allowed or re-allowed or paid to Investment Dealers may be changed from time to time. The Bank may agree to pay the Investment Dealers a commission for various services relating to the issue and sale of any Securities offered hereby. Any such commission will be paid out of the general corporate funds of the Bank. Investment Dealers who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Bank to indemnification by the Bank against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such Investment Dealers may be required to make in respect thereof.

In connection with any offering of the Securities (unless otherwise specified in a Prospectus Supplement), the Investment Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a higher level than that which might exist in the open market. These transactions may be commenced, interrupted or discontinued at any time.

This Prospectus and related Prospectus Supplement may be used by direct or indirect wholly-owned subsidiaries of the Bank. Those subsidiaries may act as principal or agent in those transactions. The Securities will not be registered under the *Securities Act of 1933* of the United States of America, as amended (the “1933 Act”) or any state securities laws and will not be offered or sold within the United States, territories or possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act.

### **Trading Price and Volume**

Trading prices and volume of the Bank’s Securities will be provided for all of the Bank’s issued and outstanding Common Shares and Preferred Shares in each Prospectus Supplement to this Prospectus.

### **Prior Sales**

Prior sales will be provided as required in a Prospectus Supplement with respect to the issuance of Securities pursuant to such Prospectus Supplement.

### **Risk Factors**

Investment in the Securities is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in any Securities, investors should consider carefully the risks incorporated by reference in this Prospectus (including subsequently filed documents incorporated by reference) and, if applicable, those described in a Prospectus Supplement relating to a specific offering of Securities. Prospective investors should consider the categories of risks identified and discussed in the Bank’s annual information form and management’s discussion and analysis of the Bank incorporated herein by reference and in particular under the headings “Risk Management” and “Factors That Could Affect Future Results” in the 2011 Annual Report.

### **Use of Proceeds**

Unless otherwise specified in a Prospectus Supplement, the net proceeds to the Bank from the sale of the Securities will be added to the general funds of the Bank and utilized for general banking purposes.

### **Interests of Experts**

Samson Bélair/Deloitte & Touche s.e.n.c.r.l., Chartered Professional Accountants, Montréal, Québec, is the external auditor who prepared the independent auditor’s report to shareholders with respect to the consolidated balance sheets of the Bank as at October 31, 2011 and 2010 and the consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the years then ended. Samson Bélair/Deloitte & Touche s.e.n.c.r.l. is independent with respect to the Bank within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

### **Legal Matters**

Unless otherwise specified in the Prospectus Supplement, certain legal matters relating to the Securities offered by a Prospectus Supplement will be passed upon, on behalf of the Bank, by McCarthy Tétrault LLP. As at the date hereof, partners, counsel and associates of McCarthy Tétrault LLP beneficially owned, directly or indirectly, less than 1% of any issued and outstanding securities of the Bank or any associates or affiliates of the Bank.

### **Purchasers' Statutory Rights**

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

### **Certificate of the Bank**

Dated: October 5, 2012

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of all provinces of Canada.

*(Signed)* LOUIS VACHON  
President and  
Chief Executive Officer

*(Signed)* GHISLAIN PARENT  
Chief Financial Officer and  
Executive Vice-President, Finance  
and Treasury

On behalf of the Board of Directors

*(Signed)* MARYSE BERTRAND  
Director

*(Signed)* GÉRARD COULOMBE  
Director

**APPENDIX A**  
**INDEPENDENT AUDITOR'S CONSENT**

We have read the Short Form Base Shelf Prospectus of the National Bank of Canada (the "Bank") dated October 5, 2012 relating to the offering of up to \$5,000,000,000 in aggregate of Debt Securities (unsubordinated indebtedness), Debt Securities (subordinated indebtedness), First Preferred Shares and Common Shares. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus, of our report to the Shareholders of the Bank on the consolidated balance sheets of the Bank as at October 31, 2011 and 2010 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. Our report is dated December 7, 2011.

*(Signed)* Samson Bélair/Deloitte & Touche s.e.n.c.r.l.  
Montréal, Canada  
CPA auditor, CA, public accountancy permit No. A104644,  
October 5, 2012