Prospectus Supplement

To the Short Form Base Shelf Prospectus Dated November 21, 2016

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

This prospectus supplement, together with the short form base shelf prospectus dated November 21, 2016 to which it relates, as amended or supplemented, and each document incorporated by reference into this prospectus supplement or into the 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.

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. Reference is made to "Plan of Distribution".

Information has been incorporated by reference in this prospectus supplement and the short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. *Reference is made to "Documents Incorporated by Reference". Copies of the documents incorporated herein or therein by reference 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 are also available electronically at www.sedar.com.*

New Issue | **Prospectus Supplement** | June 5, 2017

NATIONAL BANK OF CANADA

$400,000,000
(16,000,000 Shares)

Non-cumulative 5-Year Rate Reset First Preferred Shares Series 38
(Non-Viability Contingent Capital (NVCC))

The holders of Non-cumulative 5-Year Rate Reset First Preferred Shares Series 38 (Non-Viability Contingent Capital (NVCC)) (the "Series 38 Preferred Shares") of National Bank of Canada (the "Bank") will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the board of directors of the Bank (the "Board of Directors"), for the initial period commencing on the closing date and ending on and including November 15, 2022 (the "Initial Fixed Rate Period"), payable quarterly on the fifteenth day of February, May, August and November in each year, at an annual rate equal to $1.1125 per share. The initial dividend, if declared, will be payable on November 15, 2017 and will be $0.4724 per share, based on the anticipated closing date of June 13, 2017. Reference is made to "Details of the Offering".

For each five-year period after the Initial Fixed Rate Period (each a "Subsequent Fixed Rate Period"), the holders of Series 38 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the fifteenth day of February, May, August and November in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by $25.00. The Annual Fixed Dividend Rate for any Subsequent Fixed Rate Period will be determined by the Bank on the 30th day prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield (as defined herein) on the date on which the Annual Fixed Dividend Rate is determined plus 3.43%. Reference is made to "Details of the Offering".

Option to Convert Into Series 39 Preferred Shares

The holders of Series 38 Preferred Shares will have the right, at their option, to convert their shares into Non-cumulative Floating Rate First Preferred Shares Series 39 of the Bank (Non-Viability Contingent Capital (NVCC)) (the "Series 39 Preferred Shares"), subject to certain conditions, on November 15, 2022 and on November 15 every five years thereafter. The holders of Series 39 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the fifteenth day of February, May, August and November in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "Quarterly Floating Rate Period"), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by $25.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 3.43%, calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365, determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period. Reference is made to "Details of the Offering".

Subject to the provisions of the *Bank Act* (Canada) (the "Bank Act") and to the prior consent of the Superintendent of Financial Institutions Canada (the "Superintendent") and to the provisions described below under "Details of the Offering – Provisions Common to the Series 38 Preferred Shares and the Series 39 Preferred Shares - Restrictions on Dividends and Retirement of Shares", on November 15, 2022 and on November 15, every five years thereafter, the Bank may redeem all or any part of the then outstanding Series 38 Preferred Shares, at the Bank's option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of $25.00 together with all declared and unpaid dividends to the date fixed for redemption. Reference is made to "Details of the Offering".

The Series 38 Preferred Shares and the Series 39 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series 38 Preferred Shares or Series 39 Preferred Shares. Reference is made to "Risk Factors".

Effective January 1, 2013 in accordance with capital adequacy requirements adopted by the Office of the Superintendent of Financial Institutions Canada ("OSFI"), non-common capital instruments issued after January 1, 2013, including subordinated debt securities or first preferred shares, must include terms providing for the full and permanent conversion of such securities into common shares upon the occurrence of certain trigger events relating to financial viability (the "Non-Viable Capital Contingency Provisions") in order to qualify as regulatory capital. The terms of the Series 38 Preferred Shares and the Series 39 Preferred Shares provide that such shares will automatically and immediately be converted, on a full and permanent basis, into a specified number of common shares of the Bank (the "Common Shares") upon the occurrence of a Trigger Event (as defined herein). Reference is made to "Details of the Offering".

The Bank has applied to list the Series 38 Preferred Shares, the Series 39 Preferred Shares and the Common Shares into which such shares may be converted upon the occurrence of a Trigger Event on the Toronto Stock Exchange (the "TSX"). Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

Price: $25.00 per share to yield initially 4.45% per annum

National Bank Financial Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Brookfield Financial Securities L.P., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., Industrial Alliance Securities Inc., Laurentian Bank Securities Inc., Manulife Securities Incorporated and Raymond James Ltd. (collectively, the "Underwriters"), as principals, conditionally offer the Series 38 Preferred Shares, subject to prior sale, if, as and when issued by the Bank and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Bank by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys LLP.

National Bank Financial Inc., one of the Underwriters, is a wholly-owned subsidiary of the Bank. Therefore, the Bank is a related and connected issuer of National Bank Financial Inc. under applicable securities legislation. Reference is made to "Plan of Distribution".

	Price to the Public	Underwriters' Fee(1)	Net Proceeds to the Bank(2)
Per Series 38 Preferred Share	$25.00	$0.75	$24.25
Total..	$400,000,000	$12,000,000	$388,000,000

(1) The underwriting fee is $0.25 for each share sold to certain institutions and $0.75 per share for all other shares sold. The amounts represent the underwriting fee assuming no shares are sold to such institutions.

(2) Before deduction of expenses of the issue estimated at $350,000, which, together with the Underwriters' fee, are payable by the Bank.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 38 Preferred Shares in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time.

The Underwriters may decrease the price at which the Series 38 Preferred Shares are distributed from the initial offering price of $25.00. Reference is made to "Plan of Distribution".

Subscriptions will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will take place on June 13, 2017 or such later date as may be agreed upon by the Bank and the Underwriters, but in any event not later than July 10, 2017. A "book-entry only" certificate representing the Series 38 Preferred Shares distributed hereunder will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS"), or its nominee, and will be deposited with CDS or such other person as CDS may appoint as "Custodian" (as such term is defined in the underwriting agreement referred to under "Plan of Distribution") on closing of this offering. A purchaser of Series 38 Preferred Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Series 38 Preferred Shares are purchased. See "Book-Entry Only Securities" in the accompanying short form base shelf prospectus dated November 21, 2016 (the "Accompanying Prospectus").

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.

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About this Prospectus Supplement

This document consists of two parts, the first part is this prospectus supplement (the "Prospectus Supplement"), which describes the specific terms of this offering. The second part, the Accompanying Prospectus, gives more general information, some of which may not apply to this offering. If information in this Prospectus Supplement is inconsistent with the Accompanying Prospectus, investors should rely on the information in this Prospectus Supplement. This Prospectus Supplement, the Accompanying Prospectus and the documents incorporated by reference into each of them include important information about the Bank, the First Preferred Shares of the Bank being offered and other information investors should know before investing in the Series 38 Preferred Shares and Series 39 Preferred Shares.

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 Prospectus Supplement and the Accompanying 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, 2016 (the "2016 Annual Report"), in the management's discussion and analysis for the three and six-month period ended April 30, 2017 (the "Q2 2017 MD&A") and in the "Major Economic Trends" and the "Outlook for National Bank" sections of the management's discussion and analysis included in the 2016 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 2017 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 2017 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 48 of the 2016 Annual Report and on page 26 of the Q2 2017 MD&A), 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 2016 Annual Report and the Q2 2017 MD&A. 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 Prospectus Supplement is deemed to be incorporated by reference into the Accompanying Prospectus of the Bank solely for the purpose of the Series 38 Preferred Shares offered hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the Accompanying Prospectus and reference should be made to the Accompanying Prospectus for full particulars.

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 Supplement:

(a) the Bank's Annual Information Form dated December 1, 2016;

(b) the unaudited interim condensed consolidated financial statements for the three and six-month period ended April 30, 2017, which include comparative unaudited interim condensed consolidated financial statements for the three and six-month period ended April 30, 2016, together with the management's discussion and analysis as contained in the Bank's report to shareholders for the second quarter 2017;

(c) the audited annual consolidated financial statements for the year ended October 31, 2016, which include comparative audited annual consolidated financial statements for the year ended October 31, 2015, together with the management's discussion and analysis as contained in the Bank's 2016 Annual Report;

(d) the Independent Auditor's Report issued to the shareholders of the Bank on the audited annual consolidated financial statements as at October 31, 2016 and 2015 and for the years then ended;

(e) the Bank's management proxy circular dated February 24, 2017 in connection with the Bank's annual meeting of shareholders held on April 21, 2017; and

(f) the template version (as defined in National Instrument 41-101 – General Prospectus Requirements (“NI 41-101”)) of the term sheet dated June 1, 2017 (the “Term Sheet”) regarding the offering of the Series 38 Preferred Shares.

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 NI 41-101) filed by the Bank with the securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of the offering contemplated hereby shall be deemed to be incorporated by reference in this Prospectus Supplement.

Any marketing materials, including the Term Sheet, are not part of this Prospectus Supplement to the extent that the contents thereof have been modified or superseded by a statement contained in this Prospectus Supplement or an amendment to this Prospectus Supplement.

The Term Sheet reflected an offering amount of $300,000,000 (12,000,000 Series 38 Preferred Shares) and an option granted by the Bank to the Underwriters to purchase up to an additional 4,000,000 additional Series 38 Preferred Shares at the offering price at any time up to two business days prior to closing. The Underwriters exercised this option in full on June 1, 2017.

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

Eligibility for Investment

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Torys LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) (the “Tax Act”) and the regulations thereunder, the Series 38 Preferred Shares, if issued on the date of this Prospectus Supplement, would be, on such date, qualified investments under the Tax Act and the regulations thereunder for a trust governed by a registered retirement savings plan (“RRSP”), a registered retirement income fund (“RRIF”), a registered education savings plan (“RESP”), a deferred profit sharing plan, a registered disability savings plan (“RDSP”) or a tax-free savings account (“TFSA”).

Notwithstanding that the Series 38 Preferred Shares may be qualified investments for a trust governed by an RRSP, RRIF or TFSA, the annuitant under an RRSP or RRIF or the holder of a TFSA will be subject to a penalty tax with respect to the Series 38 Preferred Shares if the Series 38 Preferred Shares are a “prohibited investment” for the RRSP, RRIF or TFSA, as the case may be. The Series 38 Preferred Shares will generally not be a “prohibited investment” provided the annuitant or the holder, as the case may be: (i) deals at arm’s length with the Bank for purposes of the Tax Act; and (ii) does not have a “significant interest” (as defined in the Tax Act) in the Bank. In addition, the Series 38 Preferred Shares will generally not be a “prohibited investment” if they are “excluded property” (as defined in subsection 207.01(1) of the Tax Act) for an RRSP, RRIF or TFSA. Pursuant to Proposals (as defined below) released on March 22, 2017, the rules in respect of “prohibited investments” are also proposed to apply to (i) RDSPs and the holders thereof and (ii) RESPs and the subscribers thereof. Holders of a TFSA or a RDSP, annuitants under an RRSP or RRIF and subscribers of an RESP should consult their own tax advisors regarding whether the Series 38 Preferred Shares will be prohibited investments in their particular circumstances.

Consolidated Capitalization of the Bank

The following table sets forth the consolidated capitalization of the Bank as at April 30, 2017, before and after giving effect to the sale by the Bank of the Series 38 Preferred Shares. This table should be read in conjunction with the Bank's unaudited interim condensed consolidated financial statements for the three and six-month period ended April 30, 2017 and the Bank's Q2 2017 MD&A:

	As at April 30, 2017 ($ millions)	As adjusted as at April 30, 2017(1) ($ millions)
Subordinated Debentures	**10**	**10**
Innovative Instruments	**769**	**769**
Shareholders' Equity		
Preferred	**1,650**	**2,050**
Common	**2,793**	**2,793**
Contributed Surplus	**57**	**57**
Retained Earnings	**7,164**	**7,152**
Accumulated other comprehensive income (loss)	**221**	**221**
Total Shareholders' Equity	**11,885**	**12,273**
Total Capitalization	**12,664**	**13,052**

Notes:

(1) Giving effect to the receipt of anticipated gross proceeds from the sale of the Series 38 Preferred Shares, which increased preferred share capital by $400 million and reduced retained earnings by $12 million.

Details of the Offering

Description of First Preferred Shares as a Class

The First Preferred Shares of each series rank *pari passu* with the First Preferred Shares of every other series and outstanding First Preferred Shares (including any First Preferred Shares issued hereunder if a trigger event has not occurred as contemplated under the specific Non-Viable Capital Contingency Provisions applicable to such First Preferred Shares) are entitled to preference over the second preferred shares and Common Shares of the Bank and over any other shares ranking junior to the First Preferred Shares with respect to the payment of dividends and in the distribution of property in the event of the Bank's liquidation, dissolution or winding-up.

The Series 38 Preferred Shares and the Series 39 Preferred Shares will each be issued as a series of First Preferred Shares of the Bank. Reference is made to the description of the First Preferred Shares of the Bank as a class under the heading "Description of First Preferred Shares" in the Accompanying Prospectus.

The authorized First Preferred Share capital of the Bank consists of an unlimited number of First Preferred Shares without nominal or par value, issuable for a maximum aggregate consideration of $5 billion or the equivalent thereof in foreign currencies.

Certain Provisions of the Series 38 Preferred Shares as a Series

Definition of Terms

The following definitions are relevant to the Series 38 Preferred Shares.

"**Annual Fixed Dividend Rate**" means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 3.43%.

"**Bloomberg Screen GCAN5YR Page**" means the display designated as page "GCAN5YR<INDEX>" on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada Bond yields.

"**Fixed Rate Calculation Date**" means, for any Subsequent Fixed Rate Period, the 30^{th} day prior to the first day of such Subsequent Fixed Rate Period.

"**Government of Canada Yield**" on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers, other than National Bank Financial Inc., selected by the Bank, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

"**Initial Fixed Rate Period**" means the period commencing on the closing date and ending on and including November 15, 2022.

"**Subsequent Fixed Rate Period**" means for the initial Subsequent Fixed Rate Period, the period commencing November 16, 2022 and ending on and including November 15, 2027, and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including November 15 in the fifth year thereafter.

Issue Price

The Series 38 Preferred Shares will have an issue price of $25.00 per share.

Dividends

During the Initial Fixed Rate Period, the holders of the Series 38 Preferred Shares will be entitled to receive fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, on the fifteenth day of each of February, May, August and November of each year, at an annual rate equal to $1.1125 per share. The initial dividend, if declared, will be payable on November 15, 2017 and will be $0.4724 per share, based on the anticipated closing date of June 13, 2017.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of Series 38 Preferred Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the fifteenth day of each of February, May, August and November of each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by $25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Bank on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Series 38 Preferred Shares. The Bank will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Series 38 Preferred Shares.

If the Board of Directors does not declare a dividend, or any part thereof, on the Series 38 Preferred Shares on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Series 38 Preferred Shares to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

Reference is also made to "Provisions Common to the Series 38 Preferred Shares and the Series 39 Preferred Shares - Restrictions on Dividends and Retirement of Shares" below and "Bank Act Restrictions and Restrictions on Payment of Dividends" of the Accompanying Prospectus.

Redemption

The Series 38 Preferred Shares will not be redeemable prior to November 15, 2022. Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading "Provisions Common to the Series 38 Preferred Shares and the Series 39 Preferred Shares - Restrictions on Dividends and Retirement of Shares", on November 15, 2022 and on November 15 every five years thereafter, the Bank may redeem all or any part of the then outstanding Series 38 Preferred Shares, at the Bank's option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of $25.00 together with all declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Series 38 Preferred Shares are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions. Reference is also made to the provisions described in the Accompanying Prospectus under the heading "Bank Act Restrictions and Restrictions on Payment of Dividends".

The Series 38 Preferred Shares do not have a fixed maturity and are not redeemable at the option of the holders. Reference is made to "Risk Factors".

Conversion of Series 38 Preferred Shares into Series 39 Preferred Shares

Holders of Series 38 Preferred Shares will have the right, at their option, on November 15, 2022 and on November 15 every five years thereafter (a "Series 38 Conversion Date"), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their Series 38 Preferred Shares registered in their name into Series 39 Preferred Shares on the basis of one Series 39 Preferred Share for each Series 38 Preferred Share. The conversion of Series 38 Preferred Shares may be effected upon written notice given not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 38 Conversion Date. Once received by the Bank, such written notice is irrevocable.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 38 Conversion Date, give notice in writing to the then registered holders of the Series 38 Preferred Shares of the above-mentioned conversion right. On the Fixed Rate Calculation Date, the Bank will give notice in writing to the then registered holders of the Series 38 Preferred Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate (as defined herein) applicable to the Series 39 Preferred Shares for the next Quarterly Floating Rate Period (as defined herein).

Holders of Series 38 Preferred Shares will not be entitled to convert their shares into Series 39 Preferred Shares if the Bank determines that there would remain outstanding on a Series 38 Conversion Date less than 1,000,000 Series 39 Preferred Shares, after having taken into account all Series 38 Preferred Shares tendered for conversion into Series 39 Preferred Shares and all Series 39 Preferred Shares tendered for conversion into Series 38 Preferred Shares. The Bank will give notice in writing thereof to all registered holders of Series 38 Preferred Shares at least seven days prior to the applicable Series 38 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 38 Conversion Date less than 1,000,000 Series 38 Preferred Shares, after having taken into account all Series 38 Preferred Shares tendered for conversion into Series 39 Preferred Shares and all Series 39 Preferred Shares tendered for conversion into Series 38 Preferred Shares, then, all of the remaining outstanding Series 38 Preferred Shares will automatically be converted into Series 39 Preferred Shares on the basis of one Series 39 Preferred Share for each Series 38 Preferred Share on the applicable Series 38 Conversion Date, without the consent of the holders, and the Bank will give notice in writing thereof to the then registered holders of such remaining Series 38 Preferred Shares at least seven days prior to the Series 38 Conversion Date.

Upon exercise by the holder of this right to convert Series 38 Preferred Shares into Series 39 Preferred Shares, the Bank reserves the right not to issue Series 39 Preferred Shares to any person in certain situations. Reference is made to "Details of the Offering - Right Not to Deliver Shares upon Conversion".

If the Bank gives notice to the registered holders of the Series 38 Preferred Shares of the redemption of all the Series 38 Preferred Shares, the Bank will not be required to give notice as provided hereunder to the registered holders of the Series 38 Preferred Shares of any dividend rate or of the conversion right of holders of Series 38

Preferred Shares and the right of any holder of Series 38 Preferred Shares to convert such Series 38 Preferred Shares will cease and terminate in that event.

Certain Provisions of the Series 39 Preferred Shares as a Series

Definition of Terms

The following definitions are relevant to the Series 39 Preferred Shares.

"**Floating Quarterly Dividend Rate**" means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 3.43%, calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365.

"**Floating Rate Calculation Date**" means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

"**Quarterly Commencement Date**" means the 16th day of each of February, May, August and November in each year.

"**Quarterly Floating Rate Period**" means, for the initial Quarterly Floating Rate Period, the period commencing on November 16, 2022 and ending on and including February 15, 2023, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

"**T-Bill Rate**" means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on 90-day Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

Issue Price

The Series 39 Preferred Shares will have an issue price of $25.00 per share.

Dividends

The holders of the Series 39 Preferred Shares will be entitled to receive floating rate non-cumulative preferential cash dividends as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the fifteenth day of each of February, May, August and November of each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by $25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Bank on the 30th day prior to the first day of each Quarterly Floating Rate Period. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Series 39 Preferred Shares. The Bank will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to all registered holders of the then outstanding Series 39 Preferred Shares.

If the Board of Directors does not declare a dividend, or any part thereof, on the Series 39 Preferred Shares on or before the dividend payment date for a particular Quarterly Floating Rate Period, then the entitlement of the holders of the Series 39 Preferred Shares to receive such dividend, or to any part thereof, for such Quarterly Floating Rate Period will be forever extinguished.

Reference is also made to "Provisions Common to the Series 38 Preferred Shares and the Series 39 Preferred Shares - Restrictions on Dividends and Retirement of Shares" below and "Bank Act Restrictions and Restrictions on Payment of Dividends" of the Accompanying Prospectus.

Redemption

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under “Provisions Common to the Series 38 Preferred Shares and the Series 39 Preferred Shares - Restrictions on Dividends and Retirement of Shares”, on not more than 60 nor less than 30 days’ notice, the Bank may redeem all or any part of the then outstanding Series 39 Preferred Shares, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of (i) $25.00 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on November 15, 2027 and on November 15 every five years thereafter, or (ii) $25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after November 15, 2022.

If less than all the outstanding Series 39 Preferred Shares are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions. Reference is also made to the provisions of the Accompanying Prospectus under the heading “Bank Act Restrictions and Restrictions on Payment of Dividends”.

The Series 39 Preferred Shares do not have a fixed maturity date and are not redeemable at the option of the holders. Reference is made to “Risk Factors”.

Conversion of Series 39 Preferred Shares into Series 38 Preferred Shares

Holders of Series 39 Preferred Shares will have the right, at their option, on November 15, 2027 and on November 15 every five years thereafter (a “Series 39 Conversion Date”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their Series 39 Preferred Shares registered in their name into Series 38 Preferred Shares on the basis of one Series 38 Preferred Share for each Series 39 Preferred Share. The conversion of Series 39 Preferred Shares may be effected upon written notice given not earlier than the 30^{th} day prior to, but not later than 5:00 p.m. (Toronto time) on the 15^{th} day preceding, a Series 39 Conversion Date. Once received by the Bank, such written notice is irrevocable.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 39 Conversion Date, give notice in writing to the then holders of the Series 39 Preferred Shares of the above-mentioned conversion right. On the Floating Rate Calculation Date, the Bank will give notice in writing to the then registered holders of Series 39 Preferred Shares of the Floating Quarterly Dividend Rate for the next Quarterly Floating Rate Period and, on the Floating Rate Calculation Date immediately prior to each Series 39 Conversion Date, the Annual Fixed Dividend Rate in respect of the Series 38 Preferred Shares for the next succeeding Subsequent Fixed Rate Period.

Holders of Series 39 Preferred Shares will not be entitled to convert their shares into Series 38 Preferred Shares if the Bank determines that there would remain outstanding on a Series 39 Conversion Date less than 1,000,000 Series 38 Preferred Shares, after having taken into account all Series 39 Preferred Shares tendered for conversion into Series 38 Preferred Shares and all Series 38 Preferred Shares tendered for conversion into Series 39 Preferred Shares. The Bank will give notice in writing thereof to all registered holders of the Series 39 Preferred Shares at least seven days prior to the applicable Series 39 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 39 Conversion Date less than 1,000,000 Series 39 Preferred Shares, after having taken into account all Series 39 Preferred Shares tendered for conversion into Series 38 Preferred Shares and all Series 38 Preferred Shares tendered for conversion into Series 39 Preferred Shares, then, all, but not part, of the remaining outstanding Series 39 Preferred Shares will automatically be converted into Series 38 Preferred Shares on the basis of one Series 38 Preferred Share for each Series 39 Preferred Share on the applicable Series 39 Conversion Date, without the consent of the holders, and the Bank will give notice in writing thereof to the then registered holders of such remaining Series 39 Preferred Shares at least seven days prior to the Series 39 Conversion Date.

Upon exercise by the holder of this right to convert Series 39 Preferred Shares into Series 38 Preferred Shares, the Bank reserves the right not to issue Series 38 Preferred Shares to any person in certain situations. Reference is made to “Details of the Offering - Right Not to Deliver Shares upon Conversion”.

If the Bank gives notice to the registered holders of the Series 39 Preferred Shares of the redemption on a Series 39 Conversion Date of all the Series 39 Preferred Shares, the Bank will not be required to give notice as provided hereunder to the registered holders of the Series 39 Preferred Shares of any dividend rate or of the conversion right of holders of Series 39 Preferred Shares and the right of any holder of Series 39 Preferred Shares to convert such Series 39 Preferred Shares will cease and terminate in that event.

Provisions Common to the Series 38 Preferred Shares and the Series 39 Preferred Shares

Purchase for Cancellation

Subject to the provisions of the Bank Act, the prior consent of the Superintendent and the provisions described below under the heading "Restrictions on Dividends and Retirement of Shares", the Bank may at any time purchase for cancellation any of the Series 38 Preferred Shares or any of the Series 39 Preferred Shares in the open market at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Conversion of Series 38 Preferred Shares and of Series 39 Preferred Shares Upon Occurrence of Non-Viable Contingent Capital Trigger Event

Upon the occurrence of a Trigger Event, each outstanding Series 38 Preferred Share and each outstanding Series 39 Preferred Share will automatically and immediately be converted, on a full and permanent basis, into a number of Common Shares equal to (Multiplier x Share Value) ÷ Conversion Price (rounding down, if necessary, to the nearest whole number of Common Shares) (a "NVCC Automatic Conversion"). For the purposes of the foregoing:

> "**Conversion Price**" means the greater of (i) $5.00, and (ii) the Current Market Price of the Common Shares. The floor price of $5.00 is subject to adjustment in the event of (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all holders of Common Shares as a stock dividend, (ii) the subdivision, redivision or change of the Common Shares into a greater number of Common Shares, or (iii) the reduction, combination or consolidation of the Common Shares into a lesser number of Common Shares. The adjustment shall be computed to the nearest one-tenth of one cent provided that no adjustment of the floor price shall be required unless such adjustment would require an increase or decrease of at least 1% of the floor price then in effect.
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> "**Current Market Price**" of the Common Shares means the volume weighted average trading price of the Common Shares on the 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.
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> "**Multiplier**" means 1.0.
>
> "**Share Value**" means $25.00 plus declared and unpaid dividends as at the date of the Trigger Event.
>
> "**Trigger Event**" has the meaning set out in the OSFI Guideline for Capital Adequacy Requirements (CAR), Chapter 2 – Definition of Capital, effective November 2016, as such term may be amended or superseded by the OSFI from time to time, which term currently provides that each of the following constitutes a Trigger Event:

- the Superintendent publicly announces that the Bank has been advised, in writing, that the Superintendent is of the opinion that the Bank has ceased, or is about to cease, to be viable and that, after the conversion of all contingent instruments and taking into account any other factors or circumstances that are considered relevant or appropriate, it is reasonably likely that the viability of the Bank will be restored or maintained; or

- 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.

Fractions of Common Shares will not be issued or delivered pursuant to a NVCC Automatic Conversion and no cash payment will be made in lieu of a fractional Common Share. Notwithstanding any other provision of the Series 38 Preferred Shares or the Series 39 Preferred Shares, the conversion of such shares shall not be an event of default and the only consequence of a Trigger Event under the provisions of such shares will be the conversion of such shares into Common Shares.

In the event of a capital reorganization, consolidation, merger or amalgamation of the Bank or comparable transaction affecting the Common Shares, the Bank will take necessary action to ensure that holders of Series 38 Preferred Shares and Series 39 Preferred Shares, as applicable, receive, pursuant to a NVCC Automatic Conversion, the number of Common Shares or other securities that such holders would have received if the NVCC Automatic Conversion occurred immediately prior to the record date for such event.

Right Not to Deliver Shares upon Conversion

Upon (i) exercise by the holder of his right to convert Series 38 Preferred Shares into Series 39 Preferred Shares, (ii) exercise by the holder of his right to convert Series 39 Preferred Shares into Series 38 Preferred Shares, or (iii) a NVCC Automatic Conversion, the Bank reserves the right not to (a) deliver some or all, as applicable, of Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, as the case may be, issuable thereupon to any person whom the Bank or its transfer agent has reason to believe is an Ineligible Person (as defined below) or any person who, by virtue of that conversion or upon a NVCC Automatic Conversion, would become a Significant Shareholder (as defined below), or (b) record in its securities register a transfer or issue of the Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, as the case may be, 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 for such persons, the Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, as the case may be, that would have otherwise been delivered to such persons and will attempt to facilitate the sale of such Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, as the case may be, 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 Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, as the case may be, 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 any such Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, as the case may be, will be divided among the applicable persons in proportion to the number of Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, as the case may be, that would otherwise have been delivered to them upon the conversion or upon a NVCC Automatic Conversion after deducting the costs of sale and any applicable withholding taxes. For the purposes of the foregoing:

“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.

“Ineligible Person” means any person whose address is in, or whom the Bank or its transfer agent 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 of Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, as the case may be, upon the exercise of rights of conversion or upon a NVCC Automatic Conversion (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), 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.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, provided that a NVCC Automatic Conversion has not occurred, the holders of Series 38 Preferred Shares or Series 39 Preferred Shares will be entitled to receive $25.00 per share, together with all dividends declared and unpaid to the date of payment, before any amount may be paid or any of our assets distributed to the registered holders of any shares ranking junior to the Series 38 Preferred Shares or the Series 39 Preferred Shares, as applicable. The holders of Series 38 Preferred Shares and Series 39 Preferred Shares will not be entitled to share in any further distribution of the Bank's assets. If a NVCC Automatic Conversion has occurred, all Series 38 Preferred Shares and all Series 39 Preferred Shares shall have been converted into Common Shares which will rank on a parity with all other Common Shares.

Restrictions on Dividends and Retirement of Shares

So long as any of the Series 38 Preferred Shares or Series 39 Preferred Shares are outstanding, the Bank will not, without the approval of the holders of the relevant series given as specified below:

(a) pay any dividends on the Common Shares or any other shares ranking junior to the relevant series (other than stock dividends payable in shares of the Bank ranking junior to the relevant series);

(b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the relevant series (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the relevant series);

(c) redeem, purchase or otherwise retire less than all the relevant series then outstanding; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of First Preferred Shares of the Bank, redeem, purchase or otherwise retire any other shares ranking on a parity with the relevant series;

unless, in each such case, all dividends up to and including the dividend payment date for the last completed period for which dividends will be payable will have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the First Preferred Shares and there will have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative First Preferred Shares (including the Series 38 Preferred Shares and the Series 39 Preferred Shares) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the First Preferred Shares. Reference is made to "Bank Act Restrictions and Restrictions on Payment of Dividends" of the Accompanying Prospectus.

Issue of Additional Series of First Preferred Shares

The Bank may issue other series of First Preferred Shares ranking on a parity with the Series 38 Preferred Shares and the Series 39 Preferred Shares without the authorization of the holders of either the Series 38 Preferred Shares or the Series 39 Preferred Shares, if at the date of such issuance all cumulative dividends up to and including the dividend payment date for the last completed period for which such cumulative dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding, if any, and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative First Preferred Shares then issued and outstanding.

Amendments to Series

The Bank will not, without the approval of the holders of the applicable series given as specified below under "Shareholder Approvals", delete or vary any rights, privileges, restrictions and conditions attaching to the Series 38 Preferred Shares or the Series 39 Preferred Shares. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Series 38 Preferred Shares or the Series 39 Preferred Shares from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder.

Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Series 38 Preferred Shares or the Series 39 Preferred Shares may be given by a resolution carried by the affirmative vote of not less than $66^{2}/_{3}\%$ of the votes cast at a meeting of holders of the relevant series which a majority of the outstanding shares of the relevant series is represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

In addition to the aforementioned approval, any amendments to the rights, privileges, restrictions and conditions attaching to the Series 38 Preferred Shares or the Series 39 Preferred Shares that affect the classification afforded to the Series 38 Preferred Shares or the Series 39 Preferred Shares from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder can only be made with the consent of the Superintendent.

Voting Rights

Subject to the provisions of the Bank Act, the holders of Series 38 Preferred Shares or Series 39 Preferred Shares as such will not be entitled to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the rights of such holders to any undeclared dividends have become extinguished as described under “Certain Provisions of the Series 38 Preferred Shares as a Series - Dividends” and “Certain Provisions of the Series 39 Preferred Shares as a Series - Dividends”. In that event, the holders of the relevant series will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each share held. The voting rights of the holders of shares of the relevant series will forthwith cease upon payment by the Bank of the first quarterly dividend on the shares of such series to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the shares of the relevant series have again become extinguished, such voting rights will become effective again and so on from time to time.

In connection with any action to be taken by the Bank which requires the approval of the holders of Series 38 Preferred Shares or Series 39 Preferred Shares voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

Tax Election

The Series 38 Preferred Shares and the Series 39 Preferred Shares will be “taxable preferred shares” as defined in the Tax Act for the purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of such shares. The terms of each of the Series 38 Preferred Shares and the Series 39 Preferred Shares will require the Bank to make the necessary election under Part VI.1 of the Tax Act to pay tax under Part VI.1 at a rate such that corporate holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 38 Preferred Shares and the Series 39 Preferred Shares, respectively.

Business Days

If any action is required to be taken by the Bank on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

Bank Act Restrictions and Approvals

The Accompanying Prospectus sets out a summary of the restrictions contained in the Bank Act concerning the declaration and payment of dividends. The Bank does not anticipate that such restrictions will prevent a declaration or payment of dividends on the Series 38 Preferred Shares or Series 39 Preferred Shares in the normal course and the Superintendent has not made any direction to the Bank pursuant to the Bank Act regarding its capital or its liquidity. The Accompanying Prospectus also sets out a summary of the restrictions contained in the Bank Act concerning the issue, transfer, acquisition, beneficial ownership and voting of all shares of the Bank.

Earnings Coverage Ratios

The following consolidated earnings coverage ratios, taking into account the First Preferred Shares, innovative capital instruments and subordinated debentures outstanding as of October 31, 2016 and April 30, 2017 (assuming each of the securities was outstanding from the first day of such period) and giving effect to new issues and redemptions, including the issue of the Series 38 Preferred Shares to be distributed under this Prospectus Supplement are calculated for the 12 months ended October 31, 2016 and for the 12 months ended April 30, 2017:

	October 31, 2016	April 30, 2017
Earnings coverage ratios	8.19 times	11.68 times

The Bank's dividend requirements on all of its outstanding First Preferred Shares, after giving effect to new issues and redemptions, including the issue of the Series 38 Preferred Shares to be distributed under this Prospectus Supplement, and adjusted to a before-tax equivalent using a statutory income tax rate of 27.0% for the 12 months ended October 31, 2016 and 26.7% for the 12 months ended April 30, 2017, respectively, amounted to $131 million for the 12 months ended October 31, 2016 and $130 million for the 12 months ended April 30, 2017, respectively. The Bank's disbursement requirements for innovative capital instruments, after giving effect to redemptions, for the 12 months ended October 31, 2016 and for the 12 months ended April 30, 2017 amounted to $55 million and $55 million, respectively. The Bank's interest requirements for subordinated debentures, after giving effect to redemptions, were nil for the 12 months ended October 31, 2016 and for the 12 months ended April 30, 2017. The Bank's earnings before income taxes, non-controlling interest, debentures and innovative capital instruments for the 12 months ended October 31, 2016 and for the 12 months ended April 30, 2017 were $1,522 million and $2,164 million, respectively, which are 8.19 times and 11.68 times, the Bank's aggregate dividend, disbursement on innovative capital instruments and interest requirements for this period, respectively, after giving effect to new issues and redemptions, including the issue of the Series 38 Preferred Shares.

Ratings

The Series 38 Preferred Shares are provisionally rated "Pfd-2 (Low)" by DBRS Limited ("DBRS"). A "Pfd-2" rating is the second highest of five categories available from DBRS for first preferred shares. A reference to "high" or "low" reflects the relative standing within the rating category.

The Series 38 Preferred Shares are provisionally rated "P-3(High)" by S&P, using the S&P Canadian scale for first preferred shares and are provisionally rated "BB+" using S&P's global scale for first preferred shares. The "P-3" rating is the third highest of the five categories used by S&P on its Canadian first preferred share scale. The "BB" rating is the fifth highest of the nine categories used by S&P on its global scale. A reference to "high" or "low" or "+/-" reflects the relative standing within the rating category.

The Series 38 Preferred Shares are provisionally rated "Ba1" (hyb) by Moody's. A "Ba" rating by Moody's is the fifth highest of the nine categories used by Moody's. The modifier "1" indicates that the obligation ranks at the higher of the "Ba" rating category. The "hyb" indicator signals the potential for ratings volatility due to less predictable exogenous (and often non-credit linked) factors such as regulatory and/or government intervention coupled with a hybrid's equity-like features.

The Bank made payments to DBRS, S&P and Moody's in connection with the assignment of ratings on its rated instruments. In addition, the Bank has or may have made payments in respect of certain other services provided to the Bank by each of such rating agencies during the last two years.

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The credit ratings accorded to securities by the rating agencies are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant, and if any such rating is so revised or withdrawn, the Bank is under no obligation to update this Prospectus Supplement. Prospective purchasers of Series 38 Preferred Shares should consult the relevant rating organization with respect to the interpretation and implications of the foregoing ratings.

Plan of Distribution

Pursuant to an agreement (the "Underwriting Agreement") dated June 5, 2017 between the Bank and the Underwriters, the Bank has agreed to sell and the Underwriters have jointly and not solidarily (the equivalent of severally at common law) agreed to purchase on June 13, 2017, or on such other date not later than July 10, 2017 as may be agreed upon, subject to the terms and conditions contained therein, all but not less than all of the 16,000,000 Series 38 Preferred Shares at a price of $25.00 per share payable in cash to the Bank against delivery of the Series 38 Preferred Shares. The offering price was determined by negotiations between the Bank and the Underwriters. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee per share equal to $0.25 with respect to Series 38 Preferred Shares sold to certain institutions and $0.75 with respect to all other Series 38 Preferred Shares sold. Assuming no Series 38 Preferred Shares are sold to such institutions, the total underwriting fee would be $12,000,000.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series 38 Preferred Shares if any of the Series 38 Preferred Shares are purchased under the Underwriting Agreement.

The Bank has applied to list the Series 38 Preferred Shares, the Series 39 Preferred Shares and the Common Shares into which such shares may be converted upon the occurrence of a Trigger Event on the TSX. Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

After the Underwriters have made a reasonable effort to sell all of the Series 38 Preferred Shares at $25.00 per share, the Underwriters may subsequently reduce, and thereafter change, from time to time, the price at which the Series 38 Preferred Shares are offered to an amount not greater than $25.00 per share and, in such case, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series 38 Preferred Shares is less than the gross proceeds paid by the Underwriters to the Bank.

Neither the Series 38 Preferred Shares nor the Series 39 Preferred Shares have been or will 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 may 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.

In connection with this offering, the Underwriters may, subject to applicable laws, over-allot or effect transactions which stabilize or maintain the market price of the Series 38 Preferred Shares at a level other than that which might otherwise prevail in the open market.

Pursuant to the policy statement of certain securities regulators, the Underwriters may not, throughout the period of distribution of Series 38 Preferred Shares, bid for or purchase Series 38 Preferred Shares. The foregoing restriction is subject to certain exceptions including: (i) a bid or purchase permitted under the Universal Market Integrity Rules for the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of such securities.

As a result of these activities, the price of the Series 38 Preferred Shares may be higher than the price that otherwise might exist in the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters may carry out these transactions on any stock exchange on which the Series 38 Preferred Shares are listed, in the over-the-counter market, or otherwise.

National Bank Financial Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of the Bank. As a result, the Bank is a related and connected issuer to National Bank Financial Inc. under applicable securities legislation. The decision to distribute the Series 38 Preferred Shares and the determination of the terms of the distribution were made through negotiation between the Bank and the Underwriters. CIBC World Markets Inc., an Underwriter, in respect of which the Bank is not a related or connected issuer, has participated in the structuring and pricing of the offering and in the due diligence activities performed by the Underwriters for the offering and review of this Prospectus Supplement. National

Bank Financial Inc. will not receive any benefit in connection with this offering other than its share of the Underwriters' fee payable by the Bank.

Certain Canadian Federal Income Tax Considerations

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Torys LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a holder of Series 38 Preferred Shares acquired pursuant to this Prospectus Supplement, Series 39 Preferred Shares acquired on a conversion of Series 38 Preferred Shares and Common Shares acquired pursuant to a NVCC Automatic Conversion, who, for the purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm's length with the Bank, is not affiliated with the Bank, holds the Series 38 Preferred Shares and will hold any Series 39 Preferred Shares and Common Shares (as applicable) as capital property and is not exempt from tax under Part I of the Tax Act (a "Holder").

Generally, the Series 38 Preferred Shares, the Series 39 Preferred Shares and the Common Shares will be capital property to a Holder provided the Holder does not acquire or hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure or concern in the nature of trade. Certain Holders whose Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares would not otherwise qualify as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, owned by such Holder in the taxation year of the election and in all subsequent taxation years, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary does not apply to a holder (i) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) who has made a "functional currency" election under the Tax Act to determine its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian currency; (iv) that has entered into, with respect to the Series 38 Preferred Shares, Series 39 Preferred Shares or the Common Shares, a "derivative forward agreement" or "synthetic disposition arrangement" (each as defined in the Tax Act); or (v) who receives dividends on the Series 38 Preferred Shares, the Series 39 Preferred Shares, or the Common Shares under or as part of a "dividend rental arrangement" (as defined in the Tax Act). Such holders should consult their own tax advisors. Furthermore, this summary is not applicable to a Holder that is a "specified financial institution" (as defined in the Tax Act) that receives (or is deemed to receive), alone or together with persons with whom it does not deal at arm's length, in the aggregate, dividends in respect of more than 10% of the Series 38 Preferred Shares or the Series 39 Preferred Shares, as the case may be, outstanding at the time the dividend is received or deemed to be received. This summary also assumes that all issued and outstanding Series 38 Preferred Shares and Series 39 Preferred Shares will be listed on a "designated stock exchange" (as defined in the Tax Act) in Canada (which currently includes the TSX) at such times as dividends (including deemed dividends) are received (or deemed to be received) on such shares.

This summary is of a general nature only and is not intended to be, nor should it 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. Accordingly, prospective Holders are urged to consult their own tax advisors with respect to the consequences of acquiring, holding or disposing of Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares in their particular circumstances.

This summary is based upon the current provisions of the Tax Act, the regulations 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 "Proposals") and counsel's understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency prior to the date hereof. Except for the Proposals, this summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may differ materially from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

Dividends

Dividends (including deemed dividends) received on the Series 38 Preferred Shares, the Series 39 Preferred Shares or the Common Shares by a Holder who is an individual (other than certain trusts) will be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Bank as "eligible dividends" in accordance with the Tax Act.

Dividends (including deemed dividends) on the Series 38 Preferred Shares, the Series 39 Preferred Shares or the Common Shares received by a Holder that is a corporation will be included in computing the corporation's income and will generally be deductible in computing its taxable income. In the case of a corporate Holder, it is possible that in certain circumstances all or part of a dividend may be treated as proceeds of disposition or a capital gain of such Holder from the disposition of a capital property and not as a dividend. Holders that are corporations should consult their own tax advisors having regard to their particular circumstances.

The Series 38 Preferred Shares and the Series 39 Preferred Shares will be "taxable preferred shares" as defined in the Tax Act for the purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate Holders of the Series 38 Preferred Shares and Series 39 Preferred Shares. The terms of each of the Series 38 Preferred Shares and the Series 39 Preferred Shares require the Bank to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 38 Preferred Shares and the Series 39 Preferred Shares, respectively.

A Holder that is a "private corporation", as defined in the Tax Act, or any other Canadian resident corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 38⅓% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Series 38 Preferred Shares, the Series 39 Preferred Shares or the Common Shares to the extent such dividends are deductible in computing its taxable income.

Dispositions

A Holder who disposes of or is deemed to dispose of the Series 38 Preferred Shares, the Series 39 Preferred Shares or the Common Shares (including, generally, on redemption of the shares or other acquisition by the Bank but excluding on a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of such shares to the Holder thereof immediately before the disposition or deemed disposition. The amount of any deemed dividend arising on the redemption or acquisition by the Bank of Series 38 Preferred Shares, the Series 39 Preferred Shares or the Common Shares will generally not be included in computing the proceeds of disposition of a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See "Redemption" below. If the Holder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the Holder's income as a taxable capital gain. One-half of any such capital loss (an allowable capital loss) realized in a taxation year must be deducted from the Holder's taxable capital gains realized in that year in accordance with the rules contained in the Tax Act. Allowable capital losses in excess of taxable capital gains realized in a 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, to the extent and under the circumstances described in the Tax Act. Taxable capital gains of a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to an additional 10⅔% refundable tax.

Redemption

If the Bank redeems for cash or otherwise acquires the Series 38 Preferred Shares, the Series 39 Preferred Shares or the Common Shares, other than by a purchase in the open market in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank, including any redemption premium, in excess of the paid-up capital in respect of such shares at such time as computed for purposes of the Tax Act. See “Dividends” above. Generally, the difference between the amount paid by the Bank and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Dispositions” above.

Conversion

The conversion of (i) a Series 38 Preferred Share into a Series 39 Preferred Share or Common Share; and (ii) a Series 39 Preferred Share into a Series 38 Preferred Share or Common Share, will be deemed not to be a disposition of property and, accordingly, will not give rise to a capital gain or capital loss. The cost to a Holder of a Series 38 Preferred Share, Series 39 Preferred Share or Common Share, as the case may be, received on the conversion will be deemed to be an amount equal to the adjusted cost base to the Holder of the converted Series 38 Preferred Share or Series 39 Preferred Share, as the case may be, immediately before the conversion. The adjusted cost base of the Series 38 Preferred Shares, Series 39 Preferred Shares or Common Shares, respectively, held by the Holder will be determined in accordance with the averaging rules in the Tax Act.

Alternative Minimum Tax

A capital gain realized, or a dividend received or deemed to be received, by a Holder who is an individual or trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax under the Tax Act.

Use of Proceeds

The net proceeds to the Bank from the sale of the Series 38 Preferred Shares, after deducting the estimated expenses of the issue and the underwriting fee (assuming no Series 38 Preferred Shares are sold to certain institutions) will amount to $387,650,000. Such net proceeds will be used for general corporate purposes and added to the Bank’s capital base.

Market for Securities

The Common Shares and the First Preferred Shares Series 28, 30, 32, 34 and 36 are listed on the TSX under the symbols “NA”, “NA.PR.Q”, “NA.PR.S”, “NA.PR.W”, “NA.PR.X” and “NA.PR.A”, respectively.

Trading Price and Volume

The following tables show the monthly price ranges and total monthly volumes of shares or notes traded on the TSX for each month in the twelve month period preceding this Prospectus Supplement.

Common Shares (NA)

Month	**High**	**Low**	**Total Volume**
June 1 to 2, 2017	$54.14	$53.21	1,961,926
May 2017	$54.24	$51.41	29,873,403
April 2017	$56.48	$52.59	26,718,246
March 2017	$59.12	$55.34	30,940,647
February 2017	$59.05	$55.38	19,802,006
January 2017	$56.82	$54.52	23,175,366
December 2016	$56.18	$50.31	31,036,004
November 2016	$50.61	$46.71	22,549,313
October 2016	$48.00	$45.11	19,529,476
September 2016	$47.98	$46.09	22,259,892
August 2016	$47.75	$43.93	22,420,593
July 2016	$45.80	$43.58	15,984,219
June 2016	$47.05	$42.42	37,612,058

First Preferred Shares Series 28 (NA.PR.Q)

Month	High	Low	Total Volume
June 1 to 2, 2017	$24.68	$24.45	4,830
May 2017	$24.97	$24.41	140,538
April 2017	$24.90	$24.62	381,868
March 2017	$24.79	$24.28	109,057
February 2017	$24.74	$24.40	110,359
January 2017	$24.83	$24.30	112,460
December 2016	$24.95	$23.92	127,079
November 2016	$24.93	$23.75	148,370
October 2016	$24.66	$23.57	169,571
September 2016	$24.25	$23.35	76,775
August 2016	$24.83	$23.84	84,485
July 2016	$24.52	$23.75	64,068
June 2016	$24.45	$23.05	134,514

First Preferred Shares Series 30 (NA.PR.S)

Month	High	Low	Total Volume
June 1 to 2, 2017	$21.47	$21.10	21,955
May 2017	$22.32	$21.08	185,972
April 2017	$23.13	$22.13	131,798
March 2017	$22.99	$22.00	342,294
February 2017	$23.00	$21.60	169,677
January 2017	$21.99	$19.51	246,070
December 2016	$19.70	$18.90	744,868
November 2016	$19.66	$18.78	276,438
October 2016	$19.38	$18.38	284,105
September 2016	$19.49	$18.25	199,476
August 2016	$19.79	$18.63	192,889
July 2016	$18.89	$17.55	160,148
June 2016	$18.89	$17.15	627,497

First Preferred Shares Series 32 (NA.PR.W)

Month	High	Low	Total Volume
June 1 to 2, 2017	$20.70	$20.48	10,398
May 2017	$21.70	$20.49	274,500
April 2017	$22.38	$21.45	153,672
March 2017	$22.37	$21.40	263,762
February 2017	$22.10	$20.91	297,212
January 2017	$21.45	$18.87	327,594
December 2016	$19.18	$18.29	240,160
November 2016	$18.95	$18.14	187,608
October 2016	$18.79	$17.84	139,239
September 2016	$18.70	$17.49	335,301
August 2016	$19.29	$18.05	213,271
July 2016	$18.25	$16.85	80,159
June 2016	$18.35	$16.46	222,890

First Preferred Shares Series 34 (NA.PR.X)

Month	High	Low	Total Volume
June 1 to 2, 2017	$26.81	$26.55	18,294
May 2017	$27.15	$26.66	241,659
April 2017	$27.47	$26.85	316,452

Month	High	Low	Total Volume
March 2017	$27.13	$26.63	418,264
February 2017	$26.80	$26.54	222,616
January 2017	$26.70	$26.25	322,811
December 2016	$27.10	$26.25	787,273
November 2016	$26.80	$25.99	530,816
October 2016	$26.89	$26.14	489,935
September 2016	$26.85	$26.26	117,006
August 2016	$27.21	$26.29	173,251
July 2016	$26.89	$26.22	207,255
June 2016	$26.40	$25.80	428,617

First Preferred Shares Series 36 (NA.PR.A)

Month	High	Low	Total Volume
June 1 to 2, 2017	$26.49	$26.39	22,734
May 2017	$26.84	$26.40	129,585
April 2017	$27.20	$26.63	104,797
March 2017	$26.98	$26.38	315,531
February 2017	$26.62	$26.26	128,291
January 2017	$26.52	$26.08	282,742
December 2016	$26.71	$25.87	271,299
November 2016	$26.44	$25.59	257,971
October 2016	$26.66	$25.85	966,042
September 2016	$26.53	$26.11	580,673
August 2016	$26.75	$26.10	534,989
July 2016	$26.89	$25.72	1,429,315
June 2016	$25.75	$25.22	2,875,246

Transfer Agent and Registrar

Computershare Trust Company of Canada, at its principal offices in the cities of Vancouver, Calgary, Winnipeg, Toronto and Montréal, will be the transfer agent and registrar for the Series 38 Preferred Shares and the Series 39 Preferred Shares.

Risk Factors

An investment in Series 38 Preferred Shares is subject to certain risks.

The value of Series 38 Preferred Shares and the Series 39 Preferred Shares, respectively, will be affected by the general credit worthiness of the Bank. We refer you to the risks described in the Accompanying Prospectus and the documents incorporated by reference in this Prospectus Supplement (including subsequently filed documents incorporated by reference), including under the section entitled "Management's Discussion and Analysis" contained in the Bank's 2016 Annual Report and in the Q2 2017 MD&A. This analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Bank's business, financial condition or results of operations.

Real or anticipated changes in credit ratings on the Series 38 Preferred Shares or the Series 39 Preferred Shares, if any, may affect the market value of the Series 38 Preferred Shares and the Series 39 Preferred Shares, respectively. 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 the Bank's liquidity, business, financial condition or results of operations.

The Series 38 Preferred Shares and the Series 39 Preferred Shares are non-cumulative and dividends are payable at the discretion of the Board of Directors. Reference is made to "Earnings Coverage Ratios", which is relevant to an assessment of the risk that the Bank will be unable to pay dividends on the Series 38 Preferred Shares or the Series 39 Preferred Shares.

Prevailing yields on similar securities will affect the market value of the Series 38 Preferred Shares and the Series 39 Preferred Shares. Assuming all other factors remain unchanged, the market value of the Series 38 Preferred Shares and the Series 39 Preferred Shares will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Series 38 Preferred Shares and the Series 39 Preferred Shares in an analogous manner.

The redemption or purchase by the Bank of the Series 38 Preferred Shares and the Series 39 Preferred Shares is subject to the consent of the Superintendent and other restrictions contained in the Bank Act. Reference is made to "Bank Act Restrictions and Restrictions on Payment of Dividends" of the Accompanying Prospectus.

Neither the Series 38 Preferred Shares nor the Series 39 Preferred Shares have a fixed maturity date and are not redeemable at the option of the holders of Series 38 Preferred Shares or Series 39 Preferred Shares, as applicable. The ability of a holder to liquidate its holdings of Series 38 Preferred Shares or Series 39 Preferred Shares, as applicable, may be limited.

The dividend rate in respect of the Series 38 Preferred Shares and the Series 39 Preferred Shares will reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

An investment in the Series 38 Preferred Shares, or in the Series 39 Preferred Shares, as the case may be, may become an investment in Series 39 Preferred Shares, or in Series 38 Preferred Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under "Certain Provisions of the Series 38 Preferred Shares as a Series - Conversion of Series 38 Preferred Shares into Series 39 Preferred Shares" and "Certain Provisions of the Series 39 Preferred Shares as a Series - Conversion of Series 39 Preferred Shares into Series 38 Preferred Shares" above. Upon the automatic conversion of the Series 38 Preferred Shares into Series 39 Preferred Shares, the dividend rate on the Series 39 Preferred Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series 39 Preferred Shares into Series 38 Preferred Shares, the dividend rate on the Series 38 Preferred Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period.

Stock market volatility may affect the market price of the Series 38 Preferred Shares and the Series 39 Preferred Shares for reasons unrelated to the Bank's performance. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or other countries could adversely affect the Bank and the market price of the Series 38 Preferred Shares or the Series 39 Preferred Shares. Additionally, the respective value of the Series 38 Preferred Shares and the Series 39 Preferred Shares is subject to market value fluctuations based upon factors which influence the Bank's operations, such as legislation or regulatory developments, competition, technological change and global capital market activity.

There can be no assurance that an active trading market will develop for the Series 38 Preferred Shares after the offering or for the Series 39 Preferred Shares following the issuance of any of those shares, or if developed, that such a market will be sustained at the offering price of the Series 38 Preferred Shares or the issue price of the Series 39 Preferred Shares.

Upon the occurrence of a Trigger Event and a NVCC Automatic Conversion, there is no certainty of the value of the Common Shares to be received by the holders of the Series 38 Preferred Shares or the Series 39 Preferred Shares and the value of such Common Shares could be significantly less than the issue price or face value of the Series 38 Preferred Shares or the Series 39 Preferred Shares, as applicable. A Trigger Event may involve a subjective determination by OSFI that is outside the control 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. If a NVCC Automatic Conversion occurs, then the interest of depositors, other creditors of the Bank, and holders of Bank securities which are not contingent instruments will all rank in priority to the holders of contingent instruments, including the Series 38 Preferred Shares and the Series 39 Preferred Shares. Upon a NVCC Automatic Conversion, the rights, terms and conditions of the Series 38 Preferred Shares and the Series 39 Preferred Shares, including with respect to priority and rights on liquidation, will no longer be relevant as all such shares will have been converted on a full and permanent basis without the consent of the holders thereof into Common Shares ranking on parity with all other outstanding Common Shares. Given the nature of the Trigger Event, a holder of Series 38 Preferred Shares or the Series 39 Preferred Shares will become a holder of Common Shares at a time when the Bank's financial condition has deteriorated. The Series 38 Preferred Shares rank and the Series 39 Preferred Shares will, if issued, rank, equally with other First Preferred Shares of the Bank in the event of an insolvency or winding-up of the Bank where a NVCC Automatic Conversion has not occurred. If the Bank becomes insolvent or is wound-up where a NVCC Automatic Conversion has not occurred, the Bank's assets must be used to pay deposit liabilities and other debt, including subordinated debt, before payments may be made on the Series 38 Preferred Shares or the Series 39 Preferred Shares. If a NVCC Automatic Conversion has occurred, the ranking of the Series 38 Preferred Shares and Series 39 Preferred Shares will not be relevant since all Series 38 Preferred Shares and Series 39 Preferred Shares will be converted into Common Shares which will rank on a parity with all other Common Shares of the Bank.

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 determination as to the non-viability of a financial institution. The conversion of contingent instruments alone may not be sufficient to restore an institution to viability and other public sector interventions, including liquidity assistance, could be required 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:

(a) the assets of the Bank are, in the opinion of the Superintendent, sufficient to provide adequate protection to the Bank's depositors and creditors;

(b) 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);

(c) 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;

(d) 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;

(e) the Bank has failed to comply with an order of the Superintendent to increase its capital;

(f) 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

(g) 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 Series 38 Preferred Shares and the Series 39 Preferred Shares. 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 the Series 38 Preferred Shares and the Series 39 Preferred Shares could be exposed to losses through the use of other resolution tools or in liquidation.

The number of Common Shares to be received for each Series 38 Preferred Share and each Series 39 Preferred Share upon a NVCC Automatic Conversion is calculated by reference to the prevailing market price of Common Shares immediately prior to a Trigger Event, subject to the floor price. See “Details of the Offering — Provisions Common to the Series 38 Preferred Shares and the Series 39 Preferred Shares — Conversion of Series 38 Preferred Shares and of Series 39 Preferred Shares Upon Occurrence of Non-Viable Contingent Capital Trigger Event”. 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 Share Value. Investors may also receive Common Shares with an aggregate market price less than the prevailing market price of the Series 38 Preferred Shares or the Series 39 Preferred Shares being converted if such shares are trading at a price above the Share Value.

The Bank is expected to have outstanding from time to time other preferred shares and subordinated debt that will automatically convert into Common Shares upon a Trigger Event. In the case of such subordinated debt, the number of Common Shares to be received on conversion will be calculated by reference to the principal amount of such debt, together with accrued and unpaid interest and, in order to take into account the hierarchy of claims in a liquidation, holders of subordinated debt are expected to receive economic entitlements which are more favourable than preferred shareholders. Subordinated debt that is convertible into Common Shares upon a Trigger Event will likely use, and other preferred shares that are convertible into Common Shares upon a Trigger Event may also use, a lower effective floor price (for example, using a different multiple) than that applicable to the Series 38 Preferred Shares and Series 39 Preferred Shares to determine the maximum number of Common Shares to be issued to holders of such instruments upon a NVCC Automatic Conversion. Accordingly, holders of Series 38 Preferred Shares and Series 39 Preferred Shares will receive Common Shares pursuant to a NVCC Automatic Conversion at a time when subordinated debt is converted into Common Shares at a conversion rate that is more favourable to the holder of such instruments and other preferred shares are converted into Common Shares at a conversion rate that may be more favourable to the holder of such instruments, in each case, than the rate applicable to the Series 38 Preferred Shares and Series 39 Preferred Shares, thereby causing substantial dilution to holders of Common Shares and the holders of Series 38 Preferred Shares and Series 39 Preferred Shares, who will become holders of Common Shares upon the Trigger Event.

No assurance can be given as to the impact of any possible judicial decision or change to the laws of the Province of Québec and the federal laws of Canada applicable therein or administrative practice after the date of this Prospectus Supplement and before the date on which the Preferred Shares are issued. Any such change could materially adversely impact the value of any Preferred Shares affected by it. Such changes in law may include, but are not limited to, the introduction of a “bail-in” regime, described below, which may affect the rights of holders of securities issued by the Bank, including the Series 38 Preferred Shares and the Series 39 Preferred Shares.

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 securities of the Bank, including Series 38 Preferred Shares, Series 39 Preferred Shares and Common Shares into which such shares may be converted upon the occurrence of a Trigger Event, 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**.**

In the federal budget tabled on March 22, 2016, the Government of Canada confirmed its intention to move forward with a bail-in regime.

On June 22, 2016, legislation came into force amending the Bank Act, the *Canada Deposit Insurance Corporation Act* (Canada) and certain other federal statutes pertaining to banks to create a bail-in regime for Canada’s domestic systemically important banks (“D-SIBs”), which include the Bank. The shares and eligible liabilities that will be subject to the conversion powers into common equity mentioned in the legislation (the “Eligible Shares and Liabilities”), as well as the terms and conditions of such conversion, will be prescribed by regulations. The legislation also provides that OSFI will require D-SIBs to maintain a minimum capacity to absorb losses. D-SIBs will be required to maintain a minimum capacity to absorb losses consisting of regulatory capital and liabilities which are subject to the conversion power. The proposed conversion power would apply only to eligible liabilities and shares issued after the implementation of the regime with no retroactive application to existing debt unless, on or after the implementation date, the shares or liabilities are amended or, in the case of liabilities, their term is extended. 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.

If this regime is implemented as currently proposed, any Eligible Shares and Liabilities would be subject to the conversion powers described above and holders of such Eligible Shares and Liabilities may receive Common Shares in exchange for their Eligible Shares and Liabilities in the event that the Bank ceases or is about to cease being viable. Moreover, holders of Common Shares, and holders of other securities who receive Common Shares following the occurrence of a trigger event under the Non-Viable Contingency Capital Provisions, may sustain substantial dilution following the conversion of such Eligible Shares and Liabilities.

Legal Matters

Legal matters in connection with the issue and sale of the Series 38 Preferred Shares will be passed upon, on behalf of the Bank, by McCarthy Tétrault LLP and, on behalf of the Underwriters, by Torys LLP. The partners, associates and counsel of each of McCarthy Tétrault LLP and Torys LLP beneficially own, directly or indirectly, less than 1% of the issued and outstanding securities of the Bank or of any associate or affiliate of the Bank.

Statutory Rights of Withdrawal and Rescission

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 such 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 Underwriters

Dated: June 5, 2017

To the best of our knowledge, information and belief, the short form base shelf prospectus dated November 21, 2016, 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 provinces of Canada.

NATIONAL BANK FINANCIAL INC.

(s) Maude Leblond

By: Maude Leblond

CIBC WORLD MARKETS INC.

(s) Paul St-Michel

By: Paul St-Michel

BMO NESBITT BURNS INC.	**RBC DOMINION SECURITIES INC.**	**SCOTIA CAPITAL INC.**	**TD SECURITIES INC.**
(s) Annie Lapointe	*(s) John Bylaard*	*(s) Adrian Mayor-Mora*	*(s) Jonathan Broer*
By: Annie Lapointe	By: John Bylaard	By: Adrian Mayor-Mora	By: Jonathan Broer
BROOKFIELD FINANCIAL SECURITIES L.P.	**CANACCORD GENUITY CORP.**	**DESJARDINS SECURITIES INC.**	**GMP SECURITIES L.P.**
(s) Mark Murski	*(s) Michael Shuh*	*(s) West Fulford*	*(s) Eric Desrosiers*
By: Mark Murski	By: Michael Shuh	By: West Fulford	By: Eric Desrosiers
INDUSTRIAL ALLIANCE SECURITIES INC.	**LAURENTIAN BANK SECURITIES INC.**	**MANULIFE SECURITIES INCORPORATED**	**RAYMOND JAMES LTD.**
(s) Vilma Jones	*(s) Jean-François Gauthier*	*(s) William Porter*	*(s) Sean C. Martin*
By: Vilma Jones	By: Jean-François Gauthier	By: William Porter	By: Sean C. Martin