

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions or for the account or benefit of U.S. persons. See "Plan of Distribution".

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

Final Short Form Prospectus

New Issue

April 9, 2008



NATIONAL BANK OF CANADA

\$150,000,000

(6,000,000 Shares)

Non-Cumulative Fixed Rate First Preferred Shares Series 20

This short form prospectus qualifies the distribution of 6,000,000 Non-Cumulative Fixed Rate First Preferred Shares Series 20 (the "Preferred Shares Series 20") in the capital of National Bank of Canada (also referred to as the "Bank"). Non-cumulative preferential cash dividends on the Preferred Shares Series 20, if, as and when declared by the board of directors of the Bank (the "Board of Directors"), will be payable quarterly on the fifteenth day of February, May, August and November of each year. The dividend rate on the Preferred Shares Series 20 for each quarter will be 6.00% per annum. The initial dividend, if, as and when declared, will be payable on August 15, 2008 in the amount of \$0.494178 per share, based upon an anticipated closing date of April 16, 2008. See "Details of the Offering".

The Preferred Shares Series 20 will not be redeemable prior to May 15, 2013. Subject to the provisions of the *Bank Act* (Canada) (the "Bank Act") and the prior consent of the Superintendent of Financial Institutions (Canada) (the "Superintendent"), the Bank may, at its option, redeem for cash the Preferred Shares Series 20 on or after May 15, 2013, in whole or in part, at any time, at a price equal to \$26.00 per share, if redeemed during the twelve months prior to May 15, 2014, at \$25.75 per share, if redeemed during the twelve months prior to May 15, 2015, at \$25.50 per share, if redeemed during the twelve months prior to May 15, 2016, at \$25.25 per share, if redeemed during the twelve months prior to May 15, 2017, and at \$25.00 per share, if redeemed on or after May 15, 2017, in each case together with all declared and unpaid dividends thereon to the date fixed for redemption. See "Details of the Offering".

The Preferred Shares Series 20 do not have a fixed maturity date and are not redeemable at the option of the holders of Preferred Shares Series 20. See "Risk Factors".

The Bank may, with the consent of the Superintendent, give registered holders of the Preferred Shares Series 20 notice that they have the right, pursuant to the terms of the Preferred Shares Series 20, at their option, to convert their Preferred Shares Series 20 on the date specified in the notice into fully-paid and non-assessable shares of a further series of First Preferred Shares (the "New Preferred Shares") on a share for share basis. See "Details of the Offering".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Preferred Shares Series 20. Listing will be subject to the Bank fulfilling all of the requirements of the TSX on or before June 30, 2008.

Price: \$25.00 per share to yield 6.00%

National Bank Financial Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Merrill Lynch Canada Inc., Laurentian Bank Securities Inc. and Brookfield Financial Corp. (collectively the "Underwriters") as principals, conditionally offer the Preferred Shares Series 20, 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 Ogilvy Renault 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. See "Plan of Distribution".

	Price to public	Underwriting fee ⁽¹⁾	Net proceeds to the Bank ⁽²⁾⁽³⁾
Per Preferred Share Series 20	\$25.00	\$0.75	\$24.25
Total	\$150,000,000	\$4,500,000	\$145,500,000

(1) The underwriting fee is \$0.25 for each share purchased by certain institutions and \$0.75 per share for all other shares. The total represents the underwriting fee and net proceeds assuming no Preferred Shares Series 20 are purchased by such institutions.

(2) Before deducting expenses of the issue payable by the Bank estimated at \$250,000.

(3) The Bank has granted the Underwriters an over-allotment option (the “Over-Allotment Option”) to purchase up to an additional 900,000 Preferred Shares Series 20 at the offering price hereunder, exercisable at any time but not later than 30 days following the closing date. If the Over-Allotment Option is exercised in full, the total “Price to Public”, “Underwriting Fee” and “Net Proceeds to the Bank”, before deducting expenses of the offering, would be \$172,500,000, \$5,175,000 and \$167,325,000 respectively (assuming no Preferred Shares Series 20 are sold to those institutions referred to in Note (1) above). This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Preferred Shares Series 20 issuable upon exercise of the Over-Allotment Option. See “Plan of Distribution”.

A purchaser who acquires Preferred Shares Series 20 forming part of the Underwriters’ over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

<u>Underwriters’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	900,000	At any time but not later than 30 days following the closing date.	\$25.00

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares Series 20. See “Plan of Distribution”.

Subscriptions for the Preferred Shares Series 20 will be received 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 the closing of this offering will take place on or about April 16, 2008 or such later date as the Bank and the Underwriters may agree upon, but in any event, not later than May 16, 2008. A book-entry only certificate representing the Preferred Shares Series 20 distributed hereunder will be issued in registered form only to CDS Clearing and Depository Services Inc. (“CDS”), or its nominee, and will be deposited with CDS on closing of this offering. A purchaser of Preferred Shares Series 20 will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares Series 20 are purchased. No certificate evidencing the Preferred Shares Series 20 will be issued to purchasers, except in limited circumstances, and registration will be made in the depository service of CDS. See “Depository Services”.

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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Eligibility for Investment

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Ogilvy Renault LLP, counsel to the Underwriters, the Preferred Shares Series 20 to be issued under this short form prospectus, if issued on the date hereof, would be, at that time, qualified investments under the *Income Tax Act* (Canada) (the “Tax Act”) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans and registered disability savings plans.

Caution Regarding Forward-Looking Statements

Some of the statements contained or incorporated by reference in this short form prospectus, including those relating to the Bank’s strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or similar expressions, are forward-looking statements within the meaning of securities laws. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of the Bank. These statements are not historical facts but instead represent only the Bank’s expectations, estimates and projections regarding future events.

By their very nature, forward looking statements require the Bank to make assumptions and involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward looking statements will not be achieved. Readers are cautioned not to place undue reliance on these statements as a number of important factors could cause results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements due to, among other factors, the matters set out under “Risk Factors” and the factors detailed in the Bank’s filings with Canadian securities regulators, including its annual and interim consolidated financial statements and the notes thereto. Factors that could cause actual results to differ materially from expectations include, but are not limited to: the strength of the Canadian economy in general and the strength of the local economies within Canada in which the Bank conducts operations; the strength of the economies of other nations in which the Bank conducts significant operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada and the Board of Governors of the Federal Reserve System in the United States; changes in trade policy; the effects of competition in the markets in which the Bank operates; inflation; capital market and currency market fluctuations; the impact of changes in the laws and regulations regulating financial services (including banking, insurance and securities); judicial judgments and legal proceedings; developments with respect to the

restructuring proposal relating to asset-backed commercial paper (“ABCP”) and liquidity in the ABCP market; the Bank’s ability to obtain accurate and complete information from or on behalf of its clients or counterparties; the Bank’s ability to successfully realign its organization, resources and processes; its ability to complete strategic acquisitions and integrate them successfully; changes in the accounting policies and methods the Bank uses to report its financial condition, including uncertainties associated with critical accounting assumptions and estimates; operational and infrastructure risks; other factors that may affect future results, including changes in trade policies, timely development of new products and services, changes in estimates relating to reserves, changes in tax laws, technological changes, unexpected changes in consumer spending and saving habits; natural disasters, the possible impact on the business from public health emergencies, conflicts, other international events and other developments, including those relating to the war on terrorism; and the Bank’s anticipation of and success in managing the risks implied by the foregoing. See “Risk Factors”.

The foregoing list of important factors is not exhaustive. When relying on the Bank’s forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Bank do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Bank unless required by applicable laws.

Documents Incorporated by Reference

The following documents have been filed by the Bank with the Superintendent and the various securities commissions or similar authorities in each provinces of Canada and are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the Bank’s Annual Information Form dated January 16, 2008;
- (b) the Unaudited Consolidated Financial Statements for the quarter ended January 31, 2008, which include comparative unaudited consolidated financial statements for the quarter ended January 31, 2007, together with the Management’s Discussion and Analysis as contained in the Bank’s Report to Shareholders for the First Quarter 2008;
- (c) the Audited Consolidated Financial Statements for the year ended October 31, 2007, which include comparative consolidated financial statements for the year ended October 31, 2006, together with the Management’s Discussion and Analysis as contained in the Bank’s Annual Report for the year ended October 31, 2007;
- (d) the Auditors’ Report issued to the shareholders of the Bank on the consolidated financial statements as at October 31, 2007 and 2006 and for the years then ended;
- (e) the Management Proxy Circular dated January 11, 2008 in connection with the Bank’s annual meeting of shareholders held on February 29, 2008;
- (f) the Bank’s Material Change Report dated November 29, 2007 concerning the charge of \$365 million, after tax and compensation adjustments, relating to its holding of ABCP recorded in the fourth quarter ended October 31, 2007; and
- (g) the Bank’s Material Change Report dated December 21, 2007 concerning the decision of Michel Tremblay, Chief Operating Officer, Personal and Commercial Banking and Wealth Management, to leave the Bank.

Any documents of the type referred to in the preceding paragraph and any unaudited consolidated interim-financial statements for three, six or nine month financial periods, any information circulars, any material change reports (excluding confidential material change reports), any business acquisition reports and any other disclosure documents filed by the Bank with a securities regulatory authority in Canada, after the date of this short form prospectus and prior to the completion or withdrawal of this offering, will be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this short form prospectus or contained in this short form prospectus is deemed to be modified or superseded, for

purposes of this short form prospectus, to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this short form prospectus 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 shall not be deemed an admission for any purposes 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 shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

Currency and Accounting Information

Unless otherwise indicated, all dollar amounts appearing in this short form prospectus are stated in Canadian dollars.

All amounts appearing under “Consolidated Capitalization of the Bank” and “Earnings Coverage” are derived from the consolidated financial statements of the Bank, which are presented in accordance with Canadian generally accepted accounting principles.

National Bank of Canada

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

Subsidiaries

A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at October 31, 2007 is included in the Bank's Annual Report for the year ended October 31, 2007.

Business of the Bank

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

Additional information with respect to the Bank's business is included in the Bank's Annual Report for the year ended October 31, 2007.

Recent Developments

Following an application by members of the Pan-Canadian Investors Committee for Third-Party Asset-Backed Commercial Paper (the “Committee”), on March 17, 2008, the Ontario Superior Court of Justice granted an order under the *Companies’ Creditors Arrangement Act* (Canada) (“CCAA”) providing, among other matters, for the calling of a meeting of ABCP noteholders to vote on the Committee’s plan (the “Plan”) to restructure 20 of the trusts covered by last summer’s Montreal Accord, affecting \$32 billion of notes. A detailed disclosure document and other materials intended to provide ABCP noteholders with all information necessary to make an informed decision on the Plan was prepared by the Committee and is in the process of being provided to ABCP noteholders. The meeting of ABCP noteholders is expected to be held on April 25, 2008 (the “Meeting”).

The Committee was formed following the Montreal Accord to create the conditions for an orderly restructuring of the third-party ABCP market in the interest of all stakeholders. Although the Committee has reached an understanding on the principal issues with all major participants, implementation of the Plan is subject to a number of conditions, including (i) settlement of definitive legal documentation implementing the terms of the Plan, (ii) the

approval by ABCP noteholders, voting in person or by proxy at the Meeting, A) constituting a majority of noteholders (regardless of the size of their holdings) and B) who hold not less than 66⅔% of the total aggregate principal amount of affected ABCP which has so voted, (iii) receipt of certain tax rulings from the Canada Revenue Agency, and (iv) the sanction of the Plan by final order of the Court under the CCAA, the material terms of which are acceptable to key signatories to the Plan.

There can be no assurance that the conditions to the Plan will be satisfied.

A key element of the Plan involves the creation of a margin funding facility and is designed to reduce the risk that the restructured notes will be unable to fund margin calls if future circumstances warrant. The margin funding facility, which aggregates to approximately \$14 billion, is being provided by the dealer bank asset providers, certain of the existing ABCP investors and certain Canadian banks. The Bank has committed to contribute to the margin funding facility in an amount of approximately \$815 million. As a result of the Bank's margin funding facility commitment, and based upon the Bank's current Tier-1 regulatory capital ratio, this ratio would decline by approximately 15 basis points, remaining above its target ratio of 8%. The margin funding facility provided by Canadian investors and financial institutions is an integral part of the overall restructuring plan for the ABCP

Since last August, the Bank has worked with its clients to protect the value of their investment in ABCP. To this end, the Bank had made \$670 million in credit lines available to its corporate clients that hold this financial instrument. As at February 18, 2008, business clients have made use of \$119 million of these facilities, which were offered under regular banking terms. In anticipation of the final outcome of the ABCP market restructuring, the Bank is continuing its work to support these clients and minimize the consequences of the ABCP market freeze on their operations. More specifically, the Bank announced on April 8, 2008 that, conditional upon the implementation of the Plan, the credit facilities of the Bank will be made available to its business clients (with the exception of certain clients such as financial institutions, financial intermediaries and government organizations) for a period of two years, with the possibility of being extended each year at the discretion of the Bank. The credit facilities will cover up to 75% of the value of the restructured notes held by the Bank's clients. The Bank will maintain full recourse in the event of default provided that, for certain notes with a higher level of risk according to the evaluation by the Committee and representing approximately 20% of the total ABCP held by business clients, the Bank will waive all recourse, other than the notes given as collateral, and such clients will benefit from any eventual increase in their value. To benefit from the non-recourse credit facilities (which could aggregate \$246 million), business clients must remain clients of the Bank throughout the term of the credit facility. For clients, the cost of these credit facilities will, for the most part, be offset by the interest received on the restructured notes.

See "Caution Regarding Forward-Looking Statements" and "Risk Factors".

Consolidated Capitalization of the Bank

The following table sets forth the consolidated capitalization of the Bank as at January 31, 2008, before and after giving effect to the sale by the Bank of the Preferred Shares Series 20. This table should be read in conjunction with the Bank's consolidated interim financial statements (unaudited) and the Bank's Management's Discussion and Analysis for the three months ended January 31, 2008:

	January 31, 2008	As adjusted as at January 31, 2008⁽¹⁾
		(unaudited)
		(\$ millions)
Subordinated Debentures	1,656	1,656
Innovative Instruments⁽²⁾	926	926
Shareholders' Equity		
Preferred	400	550
Common	1,590	1,590
Contributed Surplus	33	33
Accumulated other comprehensive income (loss)	(115)	(115)
Retained Earnings	<u>2,941</u>	<u>2,941</u>
Total Shareholders' Equity	<u>4,849</u>	<u>4,999</u>
Total Capitalization	<u>7,431</u>	<u>7,581</u>

Notes:

- (1) Adjusted to give effect to the receipt of anticipated gross proceeds from the sale of the Preferred Shares Series 20 (not including the proceeds from the sale of the Preferred Shares Series 20 pursuant to the Over-Allotment Option).
- (2) Represents \$225 million of NBC CapS – Series 1 issued by NBC Capital Trust, US\$300 million of preferred shares issued by NB Capital Corporation and \$400 million of NBC CapS II – Series 1 issued by NBC Asset Trust; for more information on the classification of the innovative capital instruments, refer to notes 12 and 18 of the audited consolidated financial statements of the Bank for the year ended October 31, 2007 and to note 11 of the interim consolidated financial statements of the Bank for the first quarter ended January 31, 2008.

Details of the Offering

The authorized capital of the Bank consists of: (i) an unlimited number of Common Shares, without par value; (ii) an unlimited number of First Preferred Shares, without par value, issuable for a maximum aggregate consideration of \$5 billion or the equivalent thereof in foreign currencies; and (iii) 15 million Second Preferred Shares, without par value, issuable for a maximum aggregate consideration of \$300 million or the equivalent thereof in foreign currencies. As at April 8, 2008, there were 158,434,306 Common Shares, 16 million First Preferred Shares and no Second Preferred Shares issued and outstanding.

The following is a summary of the rights, privileges, restrictions and conditions of the First Preferred Shares as a class and of the Preferred Shares Series 20 as a series:

Certain Provisions of the First Preferred Shares as a Class

Issuable in Series

The First Preferred Shares may be issued, from time to time, in one or more series with such series designation, rights, privileges, restrictions and conditions as the Board of Directors of the Bank may determine by resolution.

Priority

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

Creation and Issue of Shares

Pursuant to the Bank Act, the Bank may not, without the approval of the holders of the First Preferred Shares, create any other class of shares ranking equal with or superior to the First Preferred Shares. In addition, the Bank may not, without the prior approval of the holders of the First Preferred Shares as a class given as specified below under “Shareholder Approvals” (in addition to such approvals as may be required by the Bank Act or any other legal

requirement), (i) create or issue any shares ranking in priority to or *pari passu* with the First Preferred Shares; or (ii) create or issue any additional series of First Preferred Shares, unless at the date of such creation or issuance all cumulative dividends up to and including the dividend payment for the last completed period for which such cumulative dividends are payable, have been declared and paid or set aside for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding, and all declared and unpaid non-cumulative dividends have been paid or set aside for payment in respect of each series of non-cumulative First Preferred Shares then issued and outstanding. Currently, there are no outstanding First Preferred Shares which carry the right to cumulative dividends.

Voting Rights

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

Approval of the Holders of the First Preferred Shares

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

Certain Provisions of the Preferred Shares Series 20 as a Series

Number and Issue Price

The Preferred Shares Series 20 will have an issue price of \$25.00 per share.

Dividends

The holders of the Preferred Shares Series 20 will be entitled to receive, in respect of each Preferred Share Series 20, a quarterly non-cumulative preferential cash dividend, as and when declared by the Board of Directors, on the 15th day of each of February, May, August and November in each year (the “Dividend Payment Date”), at a quarterly rate equal to \$0.375 per share. The first of such dividends, if declared, will be payable on August 15, 2008 and will be \$0.494178 per share, based on the anticipated closing date of April 16, 2008.

The holders of Preferred Shares Series 20 will not be entitled to any dividends other than or in excess of the fixed non-cumulative preferential cash dividends described above.

If the Board of Directors of the Bank in its discretion does not declare and the Bank does not subsequently pay the above mentioned dividend, or any part thereof, on the Preferred Shares Series 20 on or before the Dividend Payment Date for a particular quarter, then the right of the holders of the Preferred Shares Series 20 to receive such dividend, or any part thereof, for such quarter will be forever extinguished.

See “Restrictions on Dividends and Retirement of Shares” and “Bank Act Restrictions and Restrictions on Payment of Dividends”.

Redemption

The Preferred Shares Series 20 may not be redeemed prior to May 15, 2013. Subject to the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may, on not more than 60 and not less than 30 days notice at the Bank's option without the consent of the holders, redeem for cash the Preferred Shares Series 20 on or after May 15, 2013 in whole or in part, at any time, at a price equal to \$26.00 per Preferred Share

Series 20, if redeemed during the twelve months prior to May 15, 2014, at \$25.75 per Preferred Share Series 20, if redeemed during the twelve months prior to May 15, 2015, at \$25.50 per Preferred Share Series 20, if redeemed during the twelve months prior to May 15, 2016, at \$25.25 per Preferred Share Series 20, if redeemed during the twelve months prior to May 15, 2017, and at \$25.00 per Preferred Share Series 20, if redeemed on or after May 15, 2017, in each case together with the amount of all declared and unpaid dividends thereon to the date fixed for redemption.

If only part of the then outstanding Preferred Shares Series 20 is at any time to be redeemed, the Preferred Shares Series 20 to be redeemed will be selected by lot, pro rata, or in such other manner as the Board of Directors may determine subject to the approval of the TSX. If the Preferred Shares Series 20 are not held in the CDS book-entry only system and if fewer than all the Preferred Shares Series 20 represented by any certificate will be redeemed, a new certificate for the balance will be issued without cost to the holder. Comparable measures will be taken for Preferred Shares Series 20 held in the CDS book-entry only system.

The Preferred Shares Series 20 do not have a fixed maturity date and are not redeemable at the option of the holders. See “Risk Factors”.

All redemptions of the Preferred Shares Series 20 are subject to the provisions of the Bank Act and the consent of the Superintendent. See “Bank Act Restrictions and Restrictions on Payment of Dividends”.

Conversion into Another Series of Preferred Shares at the Option of the Holder

The Bank may create a further series of First Preferred Shares (the “New Preferred Shares”) having rights, privileges, restrictions and conditions attaching thereto which would qualify such New Preferred Shares as risk-based Tier 1 Capital of the Bank under the then current Capital Guidelines if applicable, and if not applicable having such rights, privileges, restrictions and conditions as the Board of Directors may determine, provided that, in each case, such New Preferred Shares do not constitute “term preferred shares” or “short term preferred shares” under the Tax Act. In such event, the Bank may, with Superintendent approval, give registered holders of the Preferred Shares Series 20 written notice that they have the right, pursuant to the terms of the Preferred Shares Series 20, at their option, to convert their Preferred Shares Series 20 on the date specified in the notice into fully-paid and non-assessable New Preferred Shares on a share for share basis. Notice shall be given by the Bank in writing not more than 60 days and not less than 30 days prior to such conversion date.

Upon exercise by the holder of this right to convert Preferred Shares Series 20 into New Preferred Shares, the Bank reserves the right not to issue New Preferred Shares to 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 by the Bank to such person of Preferred Shares Series 20 would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction. See also “Restrains on Bank Shares under the Bank Act”.

Purchase for Cancellation

Subject to the provisions of the Bank Act, the prior consent of the Superintendent and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any Preferred Shares Series 20 at the lowest price or prices at which, in the opinion of the Board of Directors, such shares are obtainable. See “Bank Act Restrictions and Restrictions on Payment of Dividends”.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Preferred Shares Series 20 will be entitled to receive \$25.00 per Preferred Share Series 20, together with all dividends declared and unpaid to and including the date of distribution, before any amount will be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the Preferred Shares Series 20. The holders of the Preferred Shares Series 20 will not be entitled to share in any further distribution of the assets of the Bank.

Restrictions on Dividends and Retirement of Shares

So long as any of the Preferred Shares Series 20 are outstanding, the Bank will not, without the approval of the holders of the Preferred Shares Series 20 given as specified below:

- (a) declare any dividend on the Common Shares or any other shares ranking junior to the Preferred Shares Series 20 (other than stock dividends on shares ranking junior to the Preferred Shares Series 20); or
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Preferred Shares Series 20 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Preferred Shares Series 20); or
- (c) redeem, purchase or otherwise retire less than all the Preferred Shares Series 20; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Bank, redeem, purchase or otherwise retire any other shares ranking on a parity with the Preferred Shares Series 20;

unless all dividends up to and including those payable on the dividend payment date for the last completed period for which 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 and on all other cumulative shares ranking on a parity with the First Preferred Shares and there shall have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative First Preferred Shares (including the Preferred Shares Series 20) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the First Preferred Shares. See “Bank Act Restrictions and Restrictions on Payment of Dividends”.

Issue of Additional Series of First Preferred Shares

The Bank may issue other series of First Preferred Shares ranking on a parity with the Preferred Shares Series 20, without the authorization of the holders of the Preferred Shares Series 20, if at the date of such issuance all cumulative dividends up to and including the dividend payment 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 Preferred Shares Series 20

The Bank will not without, but may from time to time with, the approval of the holders of the Preferred Shares Series 20 given as specified below under “Shareholder Approvals” delete or vary any rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 20. 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 to the Preferred Shares Series 20 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 Preferred Shares Series 20 may be given by resolution carried by the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of holders of Preferred Shares Series 20 at which a majority of the outstanding Preferred Shares Series 20 is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

In connection with any action to be taken by the Bank which requires the approval of the holders of Preferred Shares Series 20 voting as a series or as part of a class, each such share will entitle the holder thereof to one vote.

Voting Rights

Subject to the provisions of the Bank Act, the holders of the Preferred Shares Series 20 will not be entitled to receive notice of or to attend or to 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 above under “Dividends”.

In that event, the holders of the Preferred Shares Series 20 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are elected and will be entitled to one vote for each Preferred Share Series 20 held. The voting rights of the holders of the Preferred Shares Series 20 will forthwith cease upon payment by the Bank of the first quarterly dividend on the Preferred Shares Series 20 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 Preferred Shares Series 20 have again become extinguished, such voting rights will become effective again and so on from time to time.

Tax Election

The Preferred Shares Series 20 are “taxable preferred shares” as defined in the Tax Act. The Bank will make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends paid (or deemed to be paid) by the Bank on the Preferred Shares Series 20. See “Canadian Federal Income Tax Considerations”.

Depository Services

Book-Entry Only Form

Except as otherwise provided below, the Preferred Shares Series 20 will be issued in “book-entry only” form and must be purchased, transferred, converted or redeemed through participants (the “Participants”) in the depository service of CDS or its nominee. Participants include securities brokers and dealers, banks and trust companies. On the closing date, the Bank will cause a global certificate representing the Preferred Shares Series 20 to be delivered to, and registered in the name of, CDS or its nominee. Except as otherwise provided below, no beneficial owner of Preferred Shares Series 20 will be entitled to a certificate or other instrument from the Bank or CDS evidencing that beneficial owner's ownership thereof, and no beneficial owner will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such beneficial owner. Each beneficial owner of Preferred Shares Series 20 will receive a customer confirmation of purchase from the registered dealer from which the Preferred Shares Series 20 are purchased in accordance with the practices and procedures of that dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order.

CDS will be responsible for establishing and maintaining book-entry accounts for Participants having interests in the Preferred Shares Series 20. If (i) required to do so by applicable law or the rules of any securities exchange, (ii) the book-entry only system ceases to exist, (iii) the Bank determines, or CDS notifies the Bank in writing, that CDS is no longer willing or able to discharge properly the responsibilities as depository with respect to the Preferred Shares Series 20 and the Bank is unable to locate a qualified successor, or (iv) the Bank at its option elects, or is required by law, to terminate the book-entry only system, then physical certificates representing the Preferred Shares Series 20 will be issued to beneficial owners thereof or their nominees.

Neither the Bank nor the Underwriters will assume any liability for (i) any aspect of the records relating to the beneficial ownership of the Preferred Shares Series 20 held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the Preferred Shares Series 20, or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS, and persons other than Participants having an interest in the Preferred Shares Series 20 must look solely to Participants, for payments or deliveries made by or on behalf of the Bank to CDS in respect of Preferred Shares Series 20.

Transfers and Conversions

Transfers of ownership and conversions of Preferred Shares Series 20 will be effected only through records maintained by CDS for such Preferred Shares Series 20 with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Beneficial owners of Preferred Shares Series 20 other than Participants, wishing to purchase, sell, convert or otherwise transfer ownership of, or other interests in, the Preferred Shares Series 20, may do so only through Participants. The ability of a beneficial owner to pledge Preferred Shares Series 20 or otherwise take action with respect to such beneficial owner's interest in Preferred Shares Series 20 (other than through a Participant) may be limited due to the lack of a physical certificate. See also "Restrictions on Bank Shares under the Bank Act".

Manner of Effecting Redemption

A redemption of Preferred Shares Series 20 will be effected through records maintained by CDS or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. See "Bank Act Restrictions and Restrictions on Payment of Dividends".

Payment of Dividends and Other Amounts

As long as CDS or its nominee is the registered holder of the Preferred Shares Series 20, CDS or its nominee will be considered the sole owner of the Preferred Shares Series 20 for the purposes of receiving payments on the Preferred Shares Series 20. As such, payment of dividends and other amounts in respect of the Preferred Shares Series 20 will be made by the Bank to CDS or its nominee.

The Bank expects that CDS or its nominee, upon receipt of any payment in respect of the Preferred Shares Series 20, will credit the Participants' accounts, on the date an amount is payable, with payments in amounts proportionate to the number of Preferred Shares Series 20 held by such Participants as shown on the records of CDS or its nominee. The Bank also expects that payments by the Participants to the owners of beneficial interests in such Preferred Shares Series 20 held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants. The responsibility and liability of the Bank in respect of the Preferred Shares Series 20 issued in book-entry form are limited to making payment of any amount due on such Preferred Shares Series 20 to CDS or its nominee.

Bank Act Restrictions and Restrictions on Payment of Dividends

Under the Bank Act, the Bank, with the prior consent of the Superintendent, may redeem or purchase any of its shares, including the Preferred Shares Series 20, unless there are reasonable grounds for believing that the Bank is, or the redemption or purchase would cause the Bank to be, in contravention of any regulation made under the Bank Act respecting the maintenance by banks of adequate capital and adequate and appropriate forms of liquidity, or any direction to the Bank made by the Superintendent pursuant to Subsection 485(3) of the Bank Act regarding its capital or its liquidity. No such direction to the Bank has been made to date.

The Bank is prohibited under the Bank Act from paying or declaring a dividend if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of any regulation made under the Bank Act respecting the maintenance by banks of adequate capital and adequate and appropriate forms of liquidity, or any direction to the Bank made by the Superintendent pursuant to Subsection 485(3) of the Bank Act regarding its capital or its liquidity. As at the date hereof, this limitation would not restrict a payment of quarterly dividends on the Preferred Shares Series 20. Further, no such direction to the Bank has been made to date.

Pursuant to agreements made between (i) the Bank, Computershare Trust Company of Canada and NBC Capital Trust and (ii) the Bank, Computershare Trust Company of Canada and NBC Asset Trust (together with NBC Capital Trust, the "Trusts"), the Bank has covenanted with the holders of the outstanding Trust Capital Securities of the Trusts (individually, the NBC CapS – Series 1 and the NBC CapS II – Series 1 and, collectively, the "NBC CapS") that, if the Trusts fail to pay in full a required distribution on any series of NBC CapS, the Bank will refrain from declaring dividends of any kind on its common shares or preferred shares until the month commencing immediately

after the third month (with respect to the NBC CapS II – Series 1), or fourth month (with respect to the NBC CapS – Series 1), in which the Bank ordinarily declares dividends from time to time on the common shares or the preferred shares, unless the Trusts first pay the required distribution (or the unpaid portion thereof) to the respective holders of NBC CapS.

Restraints on Bank Shares under the Bank Act

The Bank Act contains restrictions on the issue, transfer, acquisition, beneficial ownership and voting of all shares of a chartered bank. The following is a summary of such restrictions. No person shall be a major shareholder of a bank if the bank has equity of \$8 billion or more. While the equity of the Bank is less than \$8 billion and the Bank Act would otherwise permit a person to own up to 65% of any class of shares of the Bank, the Bank is deemed to be a bank to which the ownership restrictions for banks with equity of \$8 billion or more apply until the Minister of Finance (Canada) specifies, on application by the Bank, that these restrictions no longer apply to the Bank.

A person is a major shareholder of a bank where: (i) the aggregate of shares of any class of voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate of shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person, or persons acting jointly or in concert, shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank.

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

Purchasers of the Preferred Shares Series 20 may be required to furnish declarations relative to ownership in a form prescribed by the Bank.

Canadian Federal Income Tax Considerations

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Ogilvy Renault LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a beneficial owner of Preferred Shares Series 20 acquired pursuant to this short form prospectus (for the purpose of this section, a “Holder”) who, for purpose of the Tax Act and at all relevant times, is resident or is deemed to be resident in Canada, deals at arm's length with and is not affiliated with the Bank, holds the Preferred Shares Series 20 as capital property and is not exempt from tax under Part I of the Tax Act. Generally, the Preferred Shares Series 20 will be considered to constitute capital property to a Holder provided that the Holder does not acquire or hold the Preferred Shares Series 20 in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold the Preferred Shares Series 20 as capital property may, in certain circumstances, be entitled to have the Preferred Shares Series 20 and other “Canadian Securities”, as defined in the Tax Act, treated as capital property by making the irrevocable election permitted under subsection 39(4) of the Tax Act.

This summary is not applicable to a purchaser an interest in which is a “tax shelter investment” (as defined in the Tax Act), to a purchaser who has elected to determine its Canadian tax results in a currency (other than Canadian currency) that is a “functional currency” (as defined in the Tax Act), or to a purchaser who is a “financial institution” (as defined in the Tax Act) for purposes of certain rules applicable to securities held by financial institutions (referred to as the “mark-to-market” rules). Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser 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 Preferred Shares Series 20 outstanding

at the time a dividend is (or is deemed to be) received. This summary also assumes that all issued and outstanding Preferred Shares Series 20 are listed on a designated stock exchange in Canada (as defined in the Tax Act) at the time such dividends are (or are deemed to be) received on such shares.

This summary is based upon the current provisions of the Tax Act and the regulations issued thereunder in force as of the date hereof, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) published in writing prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations, and, except for the Tax Proposals, does not take into account or anticipate any changes in law or CRA administrative policies or assessing practices, whether by way of legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations which may differ materially from those discussed herein. While this summary assumes that the Tax Proposals will be enacted in the form proposed, no assurance can be given such proposals will be enacted as proposed or at all.

This summary is of a general nature only and is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder and no representation with respect to the income tax consequences to any particular Holder is made. Prospective purchasers of Preferred Shares Series 20 should consult their own tax advisors with respect to the tax consequences of acquiring, holding and disposing of Preferred Shares Series 20 having regard to their own particular circumstances.

Dividends

Dividends (including deemed dividends) received on the Preferred Shares Series 20 by an individual (other than certain trusts) will be included in computing the individual's income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credits rates applicable to any dividends designated by the Bank as eligible dividends in accordance with the provisions of the Tax Act.

Dividends (including deemed dividends) received on the Preferred Shares Series 20 by a corporation to which this summary applies will be included in computing income and generally will be deductible in computing the taxable income of the corporation.

The Preferred Shares Series 20 will be “taxable preferred shares” as defined in the Tax Act. The terms of the Preferred Shares Series 20 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 paid (or deemed to be paid) by the Bank on the Preferred Shares Series 20.

A “private corporation”, as defined in the Tax Act, or any other 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 33 1/3% refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Preferred Shares Series 20 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 Preferred Shares Series 20 (either on redemption for cash or otherwise, but not on conversion of the Preferred Shares Series 20 into New Preferred Shares) 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 less than) the adjusted cost base of such shares to such Holder immediately before the disposition or deemed disposition. The amount of any deemed dividend arising on the redemption or acquisition by the Preferred Shares Series 20 (described below) generally will not be included in computing the proceeds of disposition to a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. If the Holder is a corporation, any capital loss realized on a disposition or deemed disposition of Preferred Shares Series 20 may in certain circumstances be reduced by the amount of any dividends,

including deemed dividends, which have been received on such shares. 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 and one-half of any such capital loss may be deducted from the Holder's taxable capital gains in accordance with the rules contained in the Tax Act. Capital gains realized by an individual may give rise to a liability for alternative minimum tax.

Canadian controlled private corporations (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including amounts in respect of taxable capital gains.

Redemption

If the Bank redeems for cash, cancels or otherwise acquires the Preferred Shares Series 20 other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market or by a conversion of the Preferred Shares Series 20 into New Preferred Shares, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital of such shares at such time. 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. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

Conversion

The conversion of the Preferred Shares Series 20 into New Preferred Shares will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a Holder of New Preferred Shares received on the conversion will be deemed to be equal to the Holder's adjusted cost base of the Preferred Shares Series 20 immediately before the conversion.

Earnings Coverage

The Bank's dividend requirements on its outstanding First Preferred Shares, after giving effect to the issue of the Preferred Shares Series 20 to be distributed under this short form prospectus, assuming complete exercise of the Over-Allotment Option to purchase up to an additional 900,000 Preferred Shares Series 20, and adjusted to a before-tax equivalent using a statutory income tax rate of 33.45% for the 12 months ended October 31, 2007 and for the 12 months ended January 31, 2008, amounted to \$48 million for the 12 months ended October 31, 2007 and for the 12 months ended January 31, 2008 respectively. The Bank's disbursement requirements for innovative capital instruments for the 12 months ended October 31, 2007 and the 12 months ended January 31, 2008 (assuming the issuance of the NBC CapS II -Series 1 on the first day of such period) amounted to \$65 million and \$66 million, respectively. The Bank's interest requirements for subordinated debentures for the 12 months ended October 31, 2007 and January 31, 2008, amounted to \$100 million and \$95 million, respectively. The Bank's earnings before income taxes, non-controlling interest, debentures and innovative capital instruments for the 12 months ended October 31, 2007 and January 31, 2008 were \$800 million and \$756 million respectively (\$1,375 million and \$1,331 million respectively when excluding the charge related to available for sale ABCP (\$575 million)), which are 3.76 times and 3.62 times the Bank's aggregate dividend, disbursement on innovative capital instruments and interest requirements for these periods, respectively (6.46 times and 6.37 times respectively when excluding the charge related to ABCP), after giving effect to the issue of the Preferred Shares Series 20, assuming full exercise of the Over-Allotment Option.

Prior Sales

On January 22, 2008, NBC Asset Trust (the "Trust"), a closed-end trust established by Natcan Trust Company, a subsidiary of the Bank, issued 400,000 non-voting transferable trust units called Trust Capital Securities – Series 1 or "NBC CapS II – Series 1" at a price of \$1,000 per NBC CapS II – Series 1. This offering provided the Bank with a cost-effective means of raising regulatory capital. The NBC CapS II – Series 1 are not redeemable for or

exchangeable into preferred shares of the Bank at the option of the holder. Each NBC CapS II – Series 1 will be exchanged automatically, without the consent of the holders, for 40 newly issued non-cumulative, perpetual First Preferred Shares, Series 19 of the Bank upon the occurrence of one of the following events: (i) proceedings are commenced for the winding-up of the Bank; (ii) the Superintendent takes control of the Bank; (iii) the Bank posts a Tier 1 capital ratio of less than 5% or a total capital ratio of less than 8%; or (iv) the Superintendent has directed the Bank to increase its capital or to provide additional liquidity and the Bank elects to cause such automatic exchange or the Bank does not comply with such direction to the satisfaction of the Superintendent.

Market for Securities

The Common Shares, the First Preferred Shares Series 15 and 16, and the Nikkei 225 (2009) notes are listed on the TSX under the symbols “NA”, “NA.PR.K”, “NA.PR.L” and “NA.NT.J”, respectively.

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 ended March 31, 2008 and for the 8-day period ended April 8, 2008.

Common Shares (NA)

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Total Volume</u>
April 1 to 8, 2008	\$50.00	\$47.48	3,957,431
March 2008	\$50.47	\$43.60	18,615,438
February 2008	\$53.60	\$48.26	11,947,810
January 2008	\$52.48	\$44.51	13,735,907
December 2007	\$55.20	\$49.51	10,255,033
November 2007	\$54.60	\$49.01	17,807,847
October 2007	\$57.16	\$49.99	19,319,102
September 2007	\$56.10	\$51.55	23,074,662
August 2007	\$60.98	\$53.10	31,047,397
July 2007	\$63.23	\$60.46	10,634,905
June 2007	\$64.94	\$60.70	18,208,397
May 2007	\$66.50	\$61.10	14,636,899
April 2007	\$64.38	\$61.91	10,135,604

First Preferred Shares Series 15 (NA.PR.K)

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Total Volume</u>
April 1 to 8, 2008	\$25.00	\$24.50	100,790
March 2008	\$25.47	\$24.62	103,693
February 2008	\$25.96	\$25.18	71,153
January 2008	\$25.74	\$24.31	104,838
December 2007	\$25.19	\$24.21	146,169
November 2007	\$25.29	\$23.01	230,947
October 2007	\$25.65	\$24.26	179,789
September 2007	\$26.30	\$25.00	321,450
August 2007	\$26.44	\$25.81	73,338
July 2007	\$26.95	\$25.63	88,133
June 2007	\$26.50	\$25.27	388,600
May 2007	\$26.90	\$25.86	873,402
April 2007	\$27.15	\$26.56	218,814

First Preferred Shares Series 16 (NA.PR.L)

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Total Volume</u>
April 1 to 8, 2008	\$21.10	\$20.50	85,300
March 2008	\$22.25	\$20.41	242,105
February 2008	\$22.99	\$22.10	119,631
January 2008	\$25.00	\$21.55	189,779
December 2007	\$21.99	\$20.11	461,347
November 2007	\$21.45	\$19.65	451,484
October 2007	\$23.12	\$20.80	214,678
September 2007	\$23.76	\$22.75	249,211
August 2007	\$24.60	\$23.52	117,980
July 2007	\$24.87	\$23.64	137,036
June 2007	\$25.12	\$23.23	208,701
May 2007	\$25.90	\$25.00	308,638
April 2007	\$26.18	\$25.70	99,063

Nikkei 225(2009) Notes (NA.NT.J)

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Total Volume</u>
April 1 to 8, 2008	\$9.55	\$9.55	950
March 2008	\$9.60	\$9.27	15,400
February 2008	\$9.70	\$9.42	5,133
January 2008	\$9.55	\$9.50	3,200
December 2007	\$9.79	\$9.26	1,950
November 2007	\$10.05	\$9.70	7,600
October 2007	\$10.49	\$10.00	18,450
September 2007	\$10.20	\$9.75	11,500
August 2007	\$10.20	\$9.30	21,300
July 2007	\$10.65	\$10.50	12,300
June 2007	\$10.99	\$10.25	17,950
May 2007	\$10.45	\$10.15	19,830
April 2007	\$10.40	\$9.80	25,677

Ratings

The Preferred Shares Series 20 are provisionally rated “Pfd-1 (low)” by DBRS. A “Pfd-1” rating is the highest of five categories available from DBRS for preferred shares. A reference to “high” or “low” reflects the relative strength within the rating category.

The Preferred Shares Series 20 are provisionally rated “P-2 (High)” by Standard & Poor’s Ratings Services (“S&P”), a division of The McGraw-Hill Companies (Canada) Corporation, using the S&P Canadian scale for preferred shares and are provisionally rated “BBB+” using S&P’s global scale for preferred shares. The “P-2” rating is the second highest of the five categories used by S&P on its Canadian preferred share scale. The “BBB” rating is the fourth highest of the nine categories used by S&P on its global scale. A reference to “high” or “low” or “+/-” reflects the relative strength within the rating category.

The Preferred Shares Series 20 are provisionally rated A1 by Moody’s Investors Service, Inc. (“Moody’s”), a subsidiary of Moody’s Corporation. An A rating by Moody’s is the third highest of the nine categories used by Moody’s. The modifier “1” indicates that the obligation ranks at the higher of the “A” rating category.

Prospective purchasers of Preferred Shares Series 20 should consult the rating organization with respect to the interpretation and implications of the foregoing provisional ratings. None of the foregoing ratings should be

construed as a recommendation to buy, sell or hold the Preferred Shares Series 20. The foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

Plan of Distribution

Under an agreement dated April 1, 2008 (the “Underwriting Agreement”) between the Bank and the Underwriters, the Bank has agreed to sell and the Underwriters have jointly and not solidary agreed to purchase all but no less than all of the Preferred Shares Series 20 on April 16, 2008 or such later date as may be agreed upon, but not later than May 16, 2008, subject to the terms and conditions stated therein, at a price of \$25.00 per share, payable in cash to the Bank against delivery of such Preferred Shares Series 20. The Bank has agreed to pay the Underwriters a fee per Preferred Share Series 20 equal to \$0.25 with respect to Preferred Shares Series 20 sold to certain institutions and \$0.75 with respect to all other Preferred Shares Series 20. Assuming that no Preferred Shares Series 20 are sold to such institutions, the Underwriters’ fee will be \$4,500,000.

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 Preferred Shares Series 20 if any are purchased under the Underwriting Agreement.

The Bank has granted the Underwriters the Over-Allotment Option, exercisable at any time but not later than 30 days following the closing date, to purchase up to an additional 900,000 Preferred Shares Series 20 at the offering price (the “Option Shares”). This short form prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Option Shares issuable upon exercise of the Over-Allotment Option. The Underwriters will be paid an underwriting fee equal to \$0.25 per Option Share sold to certain institutions and \$0.75 with respect to all other Option Shares.

A purchaser who acquires Preferred Shares Series 20 forming part of the Underwriters’ over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The TSX has conditionally approved the listing of the Preferred Shares Series 20. Listing will be subject to the Bank fulfilling all of the requirements of the TSX on or before June 30, 2008.

The Preferred Shares Series 20 have not been and will not be registered under the *Securities Act of 1933* of the United States of America, as amended (the “1933 Act”) or any state securities laws and 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.

Pursuant to policy statements of the Autorité des marchés financiers (Québec) and the Ontario Securities Commission, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase the Preferred Shares Series 20. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administrated by Market Regulation Services Inc. relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. In connection with this offering and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions intended to stabilize or maintain the market price of the Preferred Shares Series 20 at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

National Bank Financial Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of the Bank. As a result, the Bank is a connected or related issuer to National Bank Financial Inc. under applicable legislation. The decision to distribute the Preferred Shares Series 20 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. National Bank Financial Inc. will not receive any benefit in connection with this offering other than a portion of the Underwriters' fee payable by the Bank.

Use of Proceeds

The net proceeds to the Bank from the sale of the Preferred Shares Series 20 offered hereby, after deducting estimated expenses of the issue and the Underwriters' commission (assuming no Preferred Shares Series 20 are sold to certain institutions and assuming no exercise of the Over-Allotment Option), will amount to approximately \$145,250,000. Such proceeds will be used for general banking purposes. The purpose of this issue is to enlarge the Bank's Tier 1 capital base.

Risk Factors

An investment in Preferred Shares Series 20 of the Bank is subject to certain risks.

The value of Preferred Shares Series 20 will be affected by the general credit worthiness of the Bank. We refer you to the risks described in the documents incorporated by reference in this short form prospectus, including under the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Bank's Annual Report for the year ended October 31, 2007 and the Bank's Report to Shareholders for the First Quarter 2008. This analysis discusses, among other things, known material trends and events, and risks or uncertainties, including the successful resolution of the ABCP market restructuring, 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 Preferred Shares Series 20 may affect the market value of the Preferred Shares Series 20. 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 Preferred Shares Series 20 are non-cumulative and dividends are payable at the discretion of the Board of Directors. Reference is made to "Earnings Coverage", which is relevant to an assessment of the risk that the Bank will be unable to pay dividends on the Preferred Shares Series 20.

The Preferred Shares Series 20 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. If the Bank becomes insolvent or is wound-up, the Bank's assets must be used to pay deposit liabilities and other debt, including subordinated debentures, before payments may be made on the Preferred Shares Series 20.

Prevailing yields on similar securities will affect the market value of Preferred Shares Series 20. Assuming all other factors remain unchanged, the market value of the Preferred Shares Series 20 will decline as prevailing yields for similar securities rise and will increase as prevailing yields for similar securities decline.

The Bank may choose to redeem the Preferred Shares Series 20 from time to time, in accordance with its rights described under the heading "Details of the Offering – Certain Provisions of the Preferred Shares Series 20 as a Series – Redemption", including when prevailing interest rates are lower than the rate borne by the Preferred Shares Series 20. If prevailing rates are lower at the time of redemption, a purchaser may not be able to reinvest the redemption proceeds in a comparable security providing an effective dividend rate (or yield) as high as that of, or on comparable payment terms as, the Preferred Shares Series 20 being redeemed. On or after May 15, 2017, the Bank may redeem Preferred Shares Series 20, at a redemption price equal to the issue price thereof, together with all declared and unpaid dividends thereon. See "Details of the Offering – Certain Provisions of the Preferred Shares Series 20 as a Series – Redemption".

The redemption of the Preferred Shares Series 20 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".

The Preferred Shares Series 20 do not have a fixed maturity date and are not redeemable at the option of the holders of Preferred Shares Series 20. The ability of a holder of Preferred Shares Series 20 to liquidate its holdings of Preferred Shares Series 20 may be limited.

Stock market volatility may affect the market price of the Preferred Shares Series 20 for reasons unrelated to the Bank's performance.

There can be no assurance that an active trading market will develop for the Preferred Shares Series 20 after the offering, or if developed, that such a market will be sustained at the offering price of the Preferred Shares Series 20.

Legal Matters

Legal matters in connection with the issue and sale of the Preferred Shares Series 20 will be passed upon, on behalf of the Bank, by McCarthy Tétrault LLP and, on behalf of the Underwriters, by Ogilvy Renault LLP. The partners, associates and counsel of each of McCarthy Tétrault LLP, and Ogilvy Renault LLP, beneficially own, directly or indirectly, less than one percent of the issued and outstanding securities of the Bank or of any associate or affiliate of the Bank.

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 Preferred Shares Series 20. The Preferred Shares Series 20 will be issued in book-entry only form through CDS. See "Depositary Services". Subject to the CDS procedures, registration and transfers of the Preferred Shares Series 20 may be effected at such principal offices of Computershare Trust Company of Canada.

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 the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

Certificate of the Bank

Dated: April 9, 2008

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

(Signed) LOUIS VACHON
President and
Chief Executive Officer

(Signed) JEAN DAGENAI
Senior Vice-President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) GÉRARD COULOMBE
Director

(Signed) PIERRE BOURGIE
Director

Certificate of the Underwriters

Dated: April 9, 2008

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus 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.

By: *(Signed)* MAUDE LEBLOND

CIBC WORLD MARKETS INC.

By: *(Signed)* PAUL ST-MICHEL

RBC DOMINION SECURITIES INC.

By: *(Signed)* RAJIV BAHL

BMO NESBITT BURNS INC.

By: *(Signed)* PIERRE-OLIVIER PERRAS

SCOTIA CAPITAL INC.

By: *(Signed)* ÉRIC MICHAUD

TD SECURITIES INC.

By: *(Signed)* JONATHAN BROER

HSBC SECURITIES
(CANADA) INC.

By: *(Signed)* MARC GAGNON

MERRILL LYNCH
CANADA INC.

By: *(Signed)* RYAN VOEGELI

LAURENTIAN BANK SECURITIES INC.

By: *(Signed)* PIERRE GODBOUT

BROOKFIELD FINANCIAL CORP.

By: *(Signed)* MARK MURSKI

Auditors' Consent

We have read the Short Form Prospectus dated April 9, 2008 relating to the offering of \$150,000,000 of Non-Cumulative Fixed Rate First Preferred Shares Series 20 of National Bank of Canada (the "Bank"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the Shareholders of the Bank on the Consolidated Balance Sheets of the Bank as at October 31, 2007 and 2006 and the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the years then ended. Our report is dated November 28, 2007.

(Signed) Samson Bélair / Deloitte & Touche s.e.n.c.r.l.
Chartered Accountants
Montréal, Canada
April 9, 2008

(NATIONAL BANK OF CANADA LOGO)