



# NATIONAL BANK OF CANADA

*(a Canadian chartered bank)*

**CAD 15,000,000,000**

## **Legislative Global Covered Bond Programme**

**unconditionally and irrevocably guaranteed as to payments by**

## **NBC COVERED BOND (LEGISLATIVE) GUARANTOR LIMITED PARTNERSHIP**

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

This Supplement (the “**Supplement**”) to the base prospectus dated 9 July 2019 as supplemented by the first supplementary prospectus dated 29 August 2019 (the “**Prospectus**”), which comprises a base prospectus under Article 5.4 of the Prospectus Directive for National Bank of Canada (“**NBC**” or the “**Bank**”), constitutes a supplementary prospectus in respect of the base prospectus for NBC for purposes of Section 87G of the *Financial Services and Markets Act 2000* (as amended, the “**FSMA**”), as that provision stood immediately prior to 21 July 2019, and is prepared in connection with the CAD 15,000,000,000 Legislative Global Covered Bond Programme of NBC, unconditionally and irrevocably guaranteed as to payments by NBC Covered Bond (Legislative) Guarantor Limited Partnership (the “**Guarantor**”), established by NBC.

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

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

The purpose of this Supplement is to: (i) incorporate by reference in the Prospectus NBC’s: (a) 2019 Annual Information Form (as defined below); (b) latest audited annual results (including management’s discussion and analysis thereof); and (c) monthly investor reports for the months of August 2019, September 2019 and October 2019, containing information on the Covered Bond Portfolio; (ii) update certain paragraphs of the description of the Covered Bond Swap Agreement, and certain defined terms used, as set out in the sections of the Prospectus entitled “Summary of the Principal Documents – Covered Bond Swap Agreement” and “Glossary”, as set out under Heading II; and (iii) update the section of the Prospectus entitled “Description of the Canadian Registered Covered Bond Programs Regime” in respect of certain changes to the Canadian Mortgage and Housing Corporation Guide, as set out under Heading III.

Save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus which is capable of affecting the assessment of Covered Bonds issued under the Programme has arisen or been noted, as the case may be, since the publication of the first supplementary prospectus dated 29 August 2019.

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

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

**I. By virtue of this Supplement the section entitled “Documents Incorporated by Reference” shall be supplemented as follows:**

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

- (a) the Bank’s Annual Information Form dated 3 December 2019 (the “**2019 Annual Information Form**”);
- (b) the following sections of the Bank’s Annual Report for the year ended 31 October 2019 (the “**2019 Annual Report**”) which are incorporated by reference in the 2019 Annual Information Form:
  - (i) Management’s Discussion and Analysis of the Bank for the fiscal year ended 31 October 2019 on pages 13 to 110 of the 2019 Annual Report;
  - (ii) a discussion of major economic trends on page 20 of the 2019 Annual Report;
  - (iii) a business segment analysis on pages 24 to 42 of the 2019 Annual Report;
  - (iv) a discussion of securitization and off-balance sheet arrangements on pages 48 to 49 of the 2019 Annual Report;
  - (v) a discussion of critical accounting estimates on pages 95 to 100 of the 2019 Annual Report;
  - (vi) information concerning risk management on pages 58 to 94 of the 2019 Annual Report;
  - (vii) a description of the Bank’s share capital on pages 180 to 182 of the 2019 Annual Report;
  - (viii) information concerning principal subsidiaries of the Bank on page 203 of the 2019 Annual Report; and
  - (ix) the Bank’s audited consolidated financial statements for the years ended 31 October 2019 and 2018, together with the notes thereto and the independent auditor’s report thereon dated 3 December 2019 on pages 111 to 209 of the 2019 Annual Report, included therein,

the remainder of the 2019 Annual Report is either not relevant for prospective investors or is covered elsewhere in the Prospectus and is not incorporated by reference;

- (c) NBC’s monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on 30 August 2019 (the “**August Investor Report**”);
- (d) NBC’s monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on 30 September 2019 (the “**September Investor Report**”); and
- (e) NBC’s monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on 31 October 2019 (the “**October Investor Report**” and together with the August Investor Report and the September Investor Report, the “**Investor Reports**”).

Copies of the 2019 Annual Information Form, pages 13 to 209 of the 2019 Annual Report and the Investor Reports have been filed with Morningstar plc (appointed by the United Kingdom Financial Conduct Authority to act as the National Storage Mechanism), and is available for viewing at <http://www.morningstar.co.uk/uk/NSM>.

**II. By virtue of this Supplement, the sections of the Prospectus entitled: (A) “Summary of the Principal Documents – Covered Bond Swap Agreement” and (B) “Glossary”, are supplemented as follows:**

- A. The first paragraph under the section entitled “Summary of the Principal Documents – Covered Bond Swap Agreement” is deleted and replaced with the following:

“To provide a hedge against currency and/or other risks, in respect of amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable in respect of its obligations under the Covered Bond Guarantee, the Guarantor has entered into the Covered Bond Swap Agreement with the Covered Bond Swap Provider in respect of each Series of Covered Bonds issued to date, and will enter into a new ISDA Master Agreement, schedule and confirmation(s) and credit support annex, for each Tranche and/or Series of Covered Bonds issued at the time such Covered Bonds are issued. The Covered Bond Swap Provider and the Guarantor will agree to swap Canadian dollar floating rate amounts received by the Guarantor under the Interest Rate Swap Agreement (described above) into the exchange rate specified in the Covered Bond Swap Agreement relating to the relevant Tranche or Series of Covered Bonds. This will allow the Guarantor to hedge certain currency and/or other risks in respect of amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable or that may become payable in respect of its obligations under the Covered Bond Guarantee. However, in certain circumstances, the amounts received by the Guarantor under the Covered Bond Swap Agreement may not match its obligations under the Covered Bond Guarantee. For example, in the event that a reference rate on a specified date is not available, the fallback provisions for determining the reference rate in such circumstances under a Series of Covered Bonds, and thus, the amounts payable by the Guarantor under the Covered Bond Guarantee, may be different than the fallback provisions for determining the reference rate under the relevant Covered Bond Swap Agreement which is used to determine the amounts received by the Guarantor under the Covered Bond Swap Agreement. In addition, the calculation of a reference rate under a Series of Covered Bonds may include an observation look back period which may not be included in the determination of that reference rate under the Covered Bond Swap Agreement. No cash flows will be exchanged under the Covered Bond Swap Agreement unless and until the Covered Bond Swap Effective Date has occurred.”

- B. The definitions of the following defined terms in the section entitled “Glossary” are deleted and replaced with the following:

“Initial Downgrade Trigger Event”.....The occurrence of any of the following events:

- (a) (i) the short-term counterparty risk assessment or the long-term counterparty risk assessment of the Interest Rate Swap Provider or any credit support provider, as applicable, ceases to be at least P-1(cr) or A2(cr), respectively, by Moody’s (provided that, for greater certainty, if the Interest Rate Swap Provider or any credit support provider, as applicable, has one of such ratings from Moody’s, an Initial Downgrade Trigger Event will not occur), or, if such person does not have a short-term counterparty risk assessment assigned by Moody’s, the long-term counterparty risk assessment of such person ceases to be at least A1(cr) by Moody’s, or (ii) the long-term counterparty risk assessment of the Covered Bond Swap Provider or any credit support provider, as applicable, ceases to be at least A2(cr), by Moody’s,
- (b) (i) the short-term issuer default rating, or (ii) the derivative counterparty rating, if one is assigned, and if not, the long-term issuer default rating, in each case, of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, ceases to be at least F1 or A, respectively, by Fitch (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, has one of such ratings from Fitch, an Initial Downgrade Trigger Event will not occur), or
- (c) the short-term unsecured, unsubordinated and unguaranteed debt obligations or the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, cease to be rated at least R-1(low) or A, respectively, by DBRS (provided

that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, has one of such ratings from DBRS, an Initial Downgrade Trigger Event will not occur);”

“Subsequent Downgrade Trigger Event” ..... The occurrence of any of the following events:

(a) the long-term counterparty risk assessment of the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, ceases to be at least A3(cr), by Moody’s, or

(b) (i) the short-term issuer default rating, or (ii) the derivative counterparty rating, if one is assigned, and if not, the long-term issuer default rating, in each case, of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, ceases to be at least F2 or BBB+, respectively, by Fitch (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, has one of such ratings from Fitch, an Subsequent Downgrade Trigger Event will not occur), or

(c) the short-term unsecured, unsubordinated and unguaranteed debt obligations or the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, cease to be rated at least R-2(middle) or BBB, respectively, by DBRS (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, has one of such ratings from DBRS, an Subsequent Downgrade Trigger Event will not occur);”

**III. By virtue of this Supplement, the following is inserted as the third sentence of the first paragraph of the Prospectus under the section entitled “Description of the Canadian Registered Covered Bond Programs Regime”:**

“On 13 November 2019, CMHC advised that further changes would be made to the CMHC Guide effective 1 January 2020, which amendments will include the following: (i) covered bonds must be rated by at least one rating agency (as opposed to the current requirement of at least two rating agencies), (ii) swap counterparties must maintain applicable credit ratings from no less than two rating agencies and (iii) a reduction in the credit ratings thresholds for delivery of registrable mortgage assignments in the Province of Quebec.”

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

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