

Prospectus Supplement

To the Short Form Base Shelf Prospectus Dated December 5, 2008

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

This prospectus supplement, together with the short form base shelf prospectus dated December 5, 2008 to which it relates, as amended or supplemented, and each document incorporated by reference into this prospectus supplement or into the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

These securities have not been, and will not be, registered under the Securities Act of 1933 of the United States of America, as amended, or under any state securities laws and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions, or for the account or benefit of U.S. persons. Reference is made to "Plan of Distribution".

Information has been incorporated by reference in this prospectus supplement and the short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. Reference is made to "Documents Incorporated by Reference". Copies of the documents incorporated herein or therein by reference may be obtained on request without charge from the 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.

New Issue

Prospectus Supplement

January 23, 2009



NATIONAL BANK OF CANADA

\$100,000,000
(4,000,000 Shares)

Non-cumulative 5-Year Rate Reset First Preferred Shares Series 26

The holders of Non-cumulative 5-Year Rate Reset First Preferred Shares Series 26 (the "First Preferred Shares Series 26") of National Bank of Canada (the "Bank") will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the board of directors of the Bank (the "Board of Directors"), for the initial period commencing on the closing date and ending on and including February 15, 2014 (the "Initial Fixed Rate Period"), payable quarterly on the fifteenth day of February, May, August and November in each year, at an annual rate equal to \$1.65 per share. The initial dividend, if declared, will be payable on May 15, 2009 and will be \$0.47918 per share, based on the anticipated closing date of January 30, 2009. Reference is made to "Details of the Offering".

For each five-year period after the Initial Fixed Rate Period (each a "Subsequent Fixed Rate Period"), the holders of First Preferred Shares Series 26 will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the fifteenth day of February, May, August and November in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for any Subsequent Fixed Rate Period will be determined by the Bank on the 30th day prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield (as defined herein) on the date on which the Annual Fixed Dividend Rate is determined plus 4.79%. Reference is made to "Details of the Offering".

Option to Convert Into First Preferred Shares Series 27

The holders of First Preferred Shares Series 26 will have the right, at their option, to convert their shares into Non-cumulative Floating Rate First Preferred Shares Series 27 of the Bank (the "First Preferred Shares Series 27"), subject to certain conditions, on February 15, 2014 and on February 15 every five years thereafter. The holders of First Preferred Shares Series 27 will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the fifteenth day of February, May, August and November in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "Quarterly Floating Rate Period"), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 4.79%, calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365, determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period. Reference is made to "Details of the Offering".

Subject to the provisions of the *Bank Act* (Canada) (the "Bank Act") and to the prior consent of the Superintendent of Financial Institutions Canada (the "Superintendent") and to the provisions described below under "Details of the Offering – Certain Provisions of the First Preferred Shares Series 26 as a Series - Restrictions on Dividends and Retirement of Shares", on February 15, 2014 and on February 15 every five years thereafter, the Bank may redeem all or any part of the then outstanding First Preferred Shares Series 26, at the Bank's option without the consent of

the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption. Reference is made to “Details of the Offering”.

The First Preferred Shares Series 26 and the First Preferred Shares Series 27 do not have a fixed maturity date and are not redeemable at the option of the holders of First Preferred Shares Series 26 or First Preferred Shares Series 27. Reference is made to “Risk Factors”.

The Bank has applied to list the First Preferred Shares Series 26 and the First Preferred Shares Series 27 on the Toronto Stock Exchange (the “TSX”). Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

Price: \$25.00 per share to yield initially 6.60% per annum

National Bank Financial Inc., RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., TD Securities Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Wellington West Capital Markets Inc., Blackmont Capital Inc., Brookfield Financial Corp., Dundee Securities Corporation and Raymond James Ltd. (collectively, the “Underwriters”), as principals, conditionally offer the First Preferred Shares Series 26, 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. Reference is made to “Plan of Distribution”.

	Price to the Public ⁽²⁾	Underwriters’ Fee ⁽²⁾⁽³⁾	Net Proceeds to the Bank ⁽¹⁾⁽²⁾
Per First Preferred Share Series 26	\$25.00	\$0.75	\$24.25
Total ⁽²⁾	\$100,000,000	\$3,000,000	\$97,000,000

- (1) Before deduction of expenses of the issue estimated at \$250,000, which, together with the Underwriters’ fee, are payable by the Bank.
- (2) The Underwriters have been granted an option (the “Underwriters’ Option”) to purchase up to an additional 3,000,000 First Preferred Shares Series 26 (the “Option Shares”) at the offering price hereunder, exercisable at any time up to one business day prior to the closing of this offering. This prospectus supplement also qualifies the grant of the Underwriters’ Option and the distribution of the Option Shares. If the Underwriters purchase all of the Option Shares, the total offering price, Underwriters’ fee and net proceeds to the Bank will be \$175,000,000, \$5,250,000 and \$169,750,000, respectively (assuming no shares are sold to those institutions referred to in Note 3 below). Reference is made to “Plan of Distribution”.
- (3) The underwriting fee is \$0.25 for each share sold to certain institutions and \$0.75 per share for all other shares sold. The amounts represent the underwriting fee assuming no shares are sold to such institutions.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the First Preferred Shares Series 26 in accordance with applicable market stabilization rules. Reference is made to “Plan of Distribution”.

Subscriptions will be received by the Underwriters subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will take place on January 30, 2009 or such later date as may be agreed upon by the Bank and the Underwriters, but in any event not later than February 13, 2009. A global certificate representing the First Preferred Shares Series 26 distributed hereunder will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”), or its nominee, and will be deposited with CDS on closing of this offering. A purchaser of First Preferred Shares Series 26 will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the First Preferred Shares Series 26 are purchased.

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.

Table of Contents

	Page
Prospectus Supplement	
About this Prospectus Supplement	S-3
Caution Regarding Forward-looking Statements.....	S-3
Documents Incorporated by Reference.....	S-4
Eligibility for Investment.....	S-5
Currency and Accounting Information.....	S-5
Recent Developments.....	S-5
Consolidated Capitalization of the Bank.....	S-6
Details of the Offering.....	S-6
Bank Act Restrictions and Approvals.....	S-14
Earnings Coverage.....	S-14
Ratings.....	S-15
Plan of Distribution	S-15
Canadian Federal Income Tax Considerations	S-16
Use of Proceeds	S-18
Prior Sales.....	S-18
Market for Securities	S-19
Transfer Agent and Registrar.....	S-20
Risk Factors.....	S-20
Legal Matters.....	S-22
Certificate of the Underwriters	S-23
APPENDIX A - Auditors' Consent.....	S-24

About this Prospectus Supplement

This document consists of two parts, the first part is this prospectus supplement (the “Prospectus Supplement”), which describes the specific terms of this offering. The second part, the accompanying short form base shelf prospectus dated December 5, 2008 (the “Accompanying Prospectus”), gives more general information, some of which may not apply to this offering. If information in this Prospectus Supplement is inconsistent with the Accompanying Prospectus, investors should rely on the information in this Prospectus Supplement. This Prospectus Supplement, the Accompanying Prospectus and the documents incorporated by reference into each of them include important information about the Bank, the First Preferred Shares of the Bank being offered and other information investors should know before investing in the First Preferred Shares Series 26 and First Preferred Shares Series 27.

Caution Regarding Forward-looking Statements

From time to time, the Bank makes written forward-looking statements. Statements of this type are included in this Prospectus Supplement and the Accompanying Prospectus, in the “Major Economic Trends and Challenges” section and under “Medium-term objectives” in the “Overview” section of the Bank’s Annual Report for the year ended October 31, 2008 incorporated by reference in this Prospectus Supplement, in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission and in other communications, for the purpose of describing the economic environment in which the Bank will operate during fiscal 2009 and the objectives it has set for itself for that period. All such statements are made pursuant to the “safe harbour” provisions of the Canadian securities regulations and the *United States Private Securities Litigation Reform Act of 1995*. These forward-looking statements include, among others, statements with respect to the economy (particularly the Canadian and American economy), market changes, observations regarding the Bank’s objectives and its strategies for achieving them, projected Bank returns and certain risks faced by the Bank. These forward-looking statements are typically identified by future or conditional verbs or words such as “may,” “could,” “should,” “would,” “will,” “project,” “suspect,” “outlook,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan” and words and expressions of similar import.

By their very nature, such forward-looking statements require the Bank to make assumptions and involve inherent risks and uncertainties, both general and specific. The Bank recommends that investors and other readers not place undue reliance on these statements, as a number of important factors, many of which are beyond the Bank's control, could cause actual future results, conditions, actions or events to differ materially from the targets, projections, expectations, estimates or intentions expressed in the forward-looking statements. These factors include, but are not limited to, the management of credit, market and liquidity risks; the strength of the Canadian and United States economies and the economies of other countries in which the Bank conducts business; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar; the effects of changes in monetary policy, including changes in interest rate policies of the Bank of Canada and the United States Federal Reserve; the effects of competition in the markets in which the Bank operates; the impact of changes in the laws and regulations governing financial services (including banking, insurance and securities) and tax laws; judicial decisions and legal proceedings; the impact of the restructuring relating to asset-backed commercial paper ("ABCP") on the Bank's balance sheet and the likelihood that the Bank be subject to certain litigation and other related risks; liquidity in the ABCP market and the further deterioration of the credit spreads which may lead to impairment charges on the Bank's ABCP holding; the Bank's ability to obtain accurate and complete information from its clients or counterparties; the Bank's ability to successfully align 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; the Bank's ability to recruit and retain key officers; operational risks, including risks related to the Bank's reliance on third parties to provide components of the Bank's business infrastructure as well as other factors that may affect future results, including changes in trade policies; timely development of new products and services; changes in estimates related to reserves; 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 related to the war on terrorism; and the Bank's success in anticipating and managing the foregoing risks. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. Reference is made to "Risk Factors".

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found under "Risk Management" and "Factors That Could Affect Future Results" in the Bank's 2008 Annual Report. Investors and others who base themselves on the Bank's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Bank also cautions investors and other readers not to place undue reliance on these forward-looking statements. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.

The forward-looking information contained in this Prospectus Supplement is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes.

Documents Incorporated by Reference

This Prospectus Supplement is deemed to be incorporated by reference into the Accompanying Prospectus of the Bank solely for the purpose of the First Preferred Shares Series 26 offered hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the Accompanying Prospectus and reference should be made to the Accompanying Prospectus for full particulars. The following documents have been filed with the securities regulatory authorities in each province of Canada and are specifically incorporated by reference into, and form an integral part of, this Prospectus Supplement:

- (a) the Bank's Annual Information Form dated January 22, 2009;
- (b) the Audited Consolidated Financial Statements for the year ended October 31, 2008, which include comparative consolidated financial statements for the year ended October 31, 2007, together with the Management's Discussion and Analysis as contained in the Bank's Annual Report for the year ended October 31, 2008;
- (c) the Auditors' Report issued to the shareholders of the Bank on the consolidated financial statements as at October 31, 2008 and 2007 and for the years then ended; and

- (d) the Management Proxy Circular dated January 9, 2009 in connection with the Bank's annual meeting of shareholders to be held on February 27, 2009.

Any documents of the type described in Section 11.1 of Form 44-101F1 – Short Form Prospectus filed by the Bank with the securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of the offering contemplated hereby shall be deemed to be incorporated by reference in this Prospectus Supplement.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus Supplement or the Accompanying Prospectus or contemplated in this Prospectus Supplement or the Accompanying Prospectus will be deemed to be modified or superseded for the purposes of this Prospectus Supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not to be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement.

Eligibility for Investment

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Ogilvy Renault LLP, counsel to the Underwriters, the First Preferred Shares Series 26, if issued on the date of this Prospectus Supplement, would be, on such date, 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, registered disability savings plans and tax-free savings accounts.

Currency and Accounting Information

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

Unless otherwise indicated, all amounts appearing under "Earnings Coverage" are derived from the consolidated financial statements of the Bank, which are presented in accordance with Canadian generally accepted accounting principles.

Recent Developments

On December 24, 2008, the Pan-Canadian Investors Committee for Third-Party Structured ABCP (the "Committee") announced that an agreement had been reached with all key stakeholders, including the governments of Canada, Quebec, Ontario and Alberta, regarding the restructuring of \$32 billion of third-party ABCP. Pursuant to the terms of the agreement, the governments and certain participants in the restructuring have agreed to provide in the aggregate \$4.45 billion of additional margin facilities to support the proposed restructuring plan. That total includes \$1 billion of additional margin funding support to be provided by the investors who constitute the investors in Master Asset Vehicle I. As an investor in Master Asset Vehicle I, the Bank's pro rata portion of that amount is approximately \$98 million and is in addition to the Bank's prior commitment of approximately \$812 million of margin funding in support of the restructuring.

The Committee announced on January 21, 2009 that the restructuring had been fully implemented and that noteholders should expect to receive new notes in the coming days.

On January 21, 2009, DBRS announced that it had assigned final ratings of "A" to the Master Asset Vehicle I Class A-1 and Class A-2 Notes and to the Master Asset Vehicle II Class A-1 and Class A-2 Notes which will be issued to investors under the ABCP restructuring plan by Master Asset Vehicle I and Master Asset Vehicle II, the two newly formed vehicles created in connection with the plan.

Investors should refer to the additional disclosure relating to the third-party structured ABCP contained in the Bank's 2008 Annual Report, including the sections entitled "Caution regarding forward-looking statements", "Factors that may affect future results" and "Asset-Backed Commercial Paper".

Consolidated Capitalization of the Bank

The following table sets forth the consolidated capitalization of the Bank as at October 31, 2008, before and after giving effect to (i) the sale by the Bank of 6,800,000 Preferred Shares Series 24 on January 14, 2009 and (ii) the sale by the Bank of Preferred Shares Series 26. This table should be read in conjunction with the Bank's consolidated annual financial statements and the Bank's Management's Discussion and Analysis for the year ended October 31, 2008 as contained in the Bank's Annual Report for the year ended October 31, 2008:

	<u>As at October 31,</u> <u>2008</u>	<u>As adjusted as at</u> <u>October 31, 2008</u> ⁽¹⁾⁽²⁾
		(unaudited) (\$ millions)
Subordinated Debentures	2,255	2,255
Innovative Instruments ⁽³⁾	975	975
Shareholders' Equity		
Preferred	774	1,044
Common	1,656	1,656
Contributed Surplus	31	31
Retained Earnings	3,110	3,110
Accumulated other comprehensive income (loss)	<u>(62)</u>	<u>(62)</u>
Total Shareholders' Equity	<u>5,509</u>	<u>5,779</u>
Total Capitalization	<u>8,739</u>	<u>9,009</u>

Notes:

- (1) Adjusted to give effect to the receipt of anticipated gross proceeds from the sale of the Preferred Shares Series 26 (not including the proceeds from the sale of the Preferred Shares Series 26 pursuant to the Underwriters' Option).
- (2) Adjusted to give effect to the receipt of gross proceeds from the issue of Preferred Shares Series 24 on January 14, 2009.
- (3) Represents \$225 million of NBC CapS – Series 1 issued by NBC Capital Trust, \$400 million of NBC CapS II – Series 1 issued by NBC Asset Trust and \$350 million of NBC CapS II – Series 2 issued by NBC Asset Trust; for more information on the classification of the innovative capital instruments, refer to notes 17 and 21 of the audited consolidated financial statements of the Bank for the year ended October 31, 2008.

Details of the Offering

Description of First Preferred Shares as a Class

The First Preferred Shares Series 26 and the First Preferred Shares Series 27 will each be issued as a series of First Preferred Shares of the Bank. Reference is made to the description of the First Preferred Shares of the Bank as a class under the heading "Description of First Preferred Shares" in the Accompanying Prospectus.

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

Certain Provisions of the First Preferred Shares Series 26 as a Series

Definition of Terms

The following definitions are relevant to the First Preferred Shares Series 26.

"**Annual Fixed Dividend Rate**" means, for any Subsequent Fixed Rate Period, the rate of interest (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with

0.000005% being rounded up)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 4.79%.

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

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

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

“**Initial Fixed Rate Period**” means the period commencing on the closing date and ending on and including February 15, 2014.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period commencing February 16, 2014 and ending on and including February 15, 2019, and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including February 15 in the fifth year thereafter.

Issue Price

The First Preferred Shares Series 26 will have an issue price of \$25.00 per share.

Dividends

During the Initial Fixed Rate Period, the holders of the First Preferred Shares Series 26 will be entitled to receive fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, on the fifteenth day of each of February, May, August and November of each year, at an annual rate equal to \$1.65 per share. The initial dividend, if declared, will be payable on May 15, 2009 and will be \$0.47918 per share, based on the anticipated closing date of January 30, 2009.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of First Preferred Shares Series 26 will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the fifteenth day of each of February, May, August and November of each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Bank on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of First Preferred Shares Series 26. The Bank will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding First Preferred Shares Series 26.

If the Board of Directors does not declare a dividend, or any part thereof, on the First Preferred Shares Series 26 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the First Preferred Shares Series 26 to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

Reference is also made to “Restrictions on Dividends and Retirement of Shares” below and “Bank Act Restrictions and Restrictions on Payment of Dividends” of the Accompanying Prospectus.

Redemption

The First Preferred Shares Series 26 will not be redeemable prior to February 15, 2014. Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, on February 15, 2014 and on February 15 every five years thereafter, the Bank may redeem all or any part of the then outstanding First Preferred Shares Series 26, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding First Preferred Shares Series 26 are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions. Reference is also made to the provisions described in the Accompanying Prospectus under the heading “Bank Act Restrictions and Restrictions on Payment of Dividends”.

The First Preferred Shares Series 26 do not have a fixed maturity and are not redeemable at the option of the holders. Reference is made to “Risk Factors”.

Conversion of First Preferred Shares Series 26 into First Preferred Shares Series 27

Holder of First Preferred Shares Series 26 will have the right, at their option, on February 15, 2014 and on February 15 every five years thereafter (a “Series 26 Conversion Date”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their First Preferred Shares Series 26 registered in their name into First Preferred Shares Series 27 on the basis of one Preferred Share Series 27 for each Preferred Share Series 26. The conversion of First Preferred Shares Series 26 may be effected upon notice given not earlier than the 30th day prior to, but not later than 5:00 p.m. (Montréal time) on the 15th day preceding, a Series 26 Conversion Date.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 26 Conversion Date, give notice in writing to the then registered holders of the First Preferred Shares Series 26 of the above-mentioned conversion right. On the 30th day prior to each Series 26 Conversion Date, the Bank will give notice in writing to the then registered holders of the First Preferred Shares Series 26 of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holder of First Preferred Shares Series 26 will not be entitled to convert their shares into First Preferred Shares Series 27 if the Bank determines that there would remain outstanding on a Series 26 Conversion Date less than 600,000 First Preferred Shares Series 27, after having taken into account all First Preferred Shares Series 26 tendered for conversion into First Preferred Shares Series 27 and all First Preferred Shares Series 27 tendered for conversion into First Preferred Shares Series 26. The Bank will give notice in writing thereof to all registered holders of First Preferred Shares Series 26 at least seven days prior to the applicable Series 26 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 26 Conversion Date less than 600,000 First Preferred Shares Series 26, after having taken into account all First Preferred Shares Series 26 tendered for conversion into First Preferred Shares Series 27 and all First Preferred Shares Series 27 tendered for conversion into First Preferred Shares Series 26, then, all of the remaining outstanding First Preferred Shares Series 26 will automatically be converted into First Preferred Shares Series 27 on the basis of one Preferred Share Series 27 for each Preferred Share Series 26 on the applicable Series 26 Conversion Date, without the consent of the holders, and the Bank will give notice in writing thereof to the then registered holders of such remaining First Preferred Shares Series 26 at least seven days prior to the Series 26 Conversion Date.

If the Bank gives notice to the registered holders of the First Preferred Shares Series 26 of the redemption of all the First Preferred Shares Series 26, the Bank will not be required to give notice as provided hereunder to the registered holders of the First Preferred Shares Series 26 of an Annual Fixed Dividend Rate or of the conversion right of holders of First Preferred Shares Series 26 and the right of any holder of First Preferred Shares Series 26 to convert such First Preferred Shares Series 26 will cease and terminate in that event.

Purchase for Cancellation

Subject to the provisions of the Bank Act, the prior consent of the Superintendent, and the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any Preferred Share Series 26 in the open market at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Restrictions on Dividends and Retirement of Shares

So long as any of the First Preferred Shares Series 26 are outstanding, the Bank will not, without the approval of the holders of outstanding First Preferred Shares Series 26 given as specified below:

- (a) pay any dividends on the Common Shares or any other shares ranking junior to the First Preferred Shares Series 26 (other than stock dividends payable in shares ranking junior to the First Preferred Shares Series 26);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the First Preferred Shares Series 26 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the First Preferred Shares Series 26);
- (c) redeem, purchase or otherwise retire less than all the First Preferred Shares Series 26; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of First Preferred Shares of the Bank, redeem, purchase or otherwise retire any other shares ranking on a parity with the First Preferred Shares Series 26;

unless, in each such case, all dividends up to and including the dividend payment date for the last completed period for which dividends will be payable will have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the First Preferred Shares and there will have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative First Preferred Shares (including the First Preferred Shares Series 26) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the First Preferred Shares. Reference is made to “Bank Act Restrictions and Restrictions on Payment of Dividends” of the Accompanying Prospectus.

Issue of Additional Series of First Preferred Shares

The Bank may issue other series of First Preferred Shares ranking on a parity with the First Preferred Shares Series 26 without the authorization of the holders of the First Preferred Shares Series 26, if at the date of such issuance all cumulative dividends up to and including the dividend payment date for the last completed period for which such cumulative dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding, if any, and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative First Preferred Shares then issued and outstanding.

Amendments to First Preferred Shares Series 26

The Bank will not, without the approval of the holders of the First Preferred Shares Series 26 given as specified below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the First Preferred Shares Series 26. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the First Preferred Shares Series 26 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 First Preferred Shares Series 26 may be given by a resolution carried by the affirmative vote of not less than 66²/₃% of the votes cast at a meeting of holders of First Preferred Shares Series 26 at which a majority of the outstanding First Preferred Shares Series 26 is represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the First Preferred Shares Series 26 will be entitled to receive \$25.00 per share together with all dividends declared and unpaid to the date of payment before any amount will be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the First Preferred Shares Series 26. The holders of the First Preferred Shares Series 26 will not be entitled to share in any further distribution of the assets of the Bank.

Voting Rights

Subject to the provisions of the Bank Act, the holders of First Preferred Shares Series 26 as such will not be entitled to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the rights of such holders to any undeclared dividends have become extinguished as described above under “Dividends”. In that event, the holders of First Preferred Shares Series 26 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each Preferred Share Series 26 held. The voting rights of the holders of the First Preferred Shares Series 26 will forthwith cease upon payment by the Bank of the first quarterly dividend on the First Preferred Shares Series 26 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 First Preferred Shares Series 26 have again become extinguished, such voting rights will become effective again and so on from time to time.

In connection with any action to be taken by the Bank which requires the approval of the holders of First Preferred Shares Series 26 voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

Tax Election

The First Preferred Shares Series 26 will be “taxable preferred shares” as defined in the Tax Act for the purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the First Preferred Shares Series 26. The terms of the First Preferred Shares Series 26 will 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 the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the First Preferred Shares Series 26.

Business Days

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

Certain Provisions of the First Preferred Shares Series 27 as a Series

Definition of Terms

The following definitions are relevant to the First Preferred Shares Series 27.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate of interest (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 4.79%, calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365.

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

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

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period commencing on February 16, 2014 and ending on and including May 15, 2014, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

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

Issue Price

The First Preferred Shares Series 27 will have an issue price of \$25.00 per share.

Dividends

The holders of the First Preferred Shares Series 27 will be entitled to receive floating rate non-cumulative preferential cash dividends as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the fifteenth day of each of February, May, August and November of each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Bank on the 30th day prior to the first day of each Quarterly Floating Rate Period. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of First Preferred Shares Series 27. The Bank will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to all registered holders of the then outstanding First Preferred Shares Series 27.

If the Board of Directors does not declare a dividend, or any part thereof, on the First Preferred Shares Series 27 on or before the dividend payment date for a particular Quarterly Floating Rate Period, then the entitlement of the holders of the First Preferred Shares Series 27 to receive such dividend, or to any part thereof, for such Quarterly Floating Rate Period will be forever extinguished.

Reference is also made to “Restrictions on Dividends and Retirement of Shares” below and “Bank Act Restrictions and Restrictions on Payment of Dividends” of the Accompanying Prospectus.

Redemption

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, on not more than 60 nor less than 30 days’ notice, the Bank may redeem all or any part of the then outstanding First Preferred Shares Series 27, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of (i) \$25.00 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on February 15, 2019 and on February 15 every five years thereafter, or (ii) \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date after February 15, 2014.

If less than all the outstanding First Preferred Shares Series 27 are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions. Reference is also made to the provisions of the Accompanying Prospectus under the heading “Bank Act Restrictions and Restrictions on Payment of Dividends”.

The First Preferred Shares Series 27 do not have a fixed maturity date and are not redeemable at the option of the holders. Reference is made to “Risk Factors”.

Conversion of First Preferred Shares Series 27 into First Preferred Shares Series 26

Holders of First Preferred Shares Series 27 will have the right, at their option, on February 15, 2019 and on February 15 every five years thereafter (a “Series 27 Conversion Date”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their First Preferred Shares Series 27 registered in their name into First Preferred Shares Series 26 on the basis of one First Preferred Share Series 26 for each First Preferred Share Series 27. The conversion of First Preferred Shares Series 27 may be effected upon notice given not earlier than the 30th day prior to, but not later than 5:00 p.m. (Montréal time) on the 15th day preceding, a Series 27 Conversion Date.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 27 Conversion Date, give notice in writing to the then holders of the First Preferred Shares Series 27 of the above-mentioned conversion right. On the 30th day prior to each Series 27 Conversion Date, the Bank will give notice in writing to the then registered holders of First Preferred Shares Series 27 of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holders of First Preferred Shares Series 27 will not be entitled to convert their shares into First Preferred Shares Series 26 if the Bank determines that there would remain outstanding on a Series 27 Conversion Date less than 600,000 First Preferred Shares Series 26, after having taken into account all First Preferred Shares Series 27 tendered for conversion into First Preferred Shares Series 26 and all First Preferred Shares Series 26 tendered for conversion into First Preferred Shares Series 27. The Bank will give notice in writing thereof to all registered holders of the First Preferred Shares Series 27 at least seven days prior to the applicable Series 27 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 27 Conversion Date less than 600,000 First Preferred Shares Series 27, after having taken into account all First Preferred Shares Series 27 tendered for conversion into First Preferred Shares Series 26 and all First Preferred Shares Series 26 tendered for conversion into First Preferred Shares Series 27, then, all, but not part, of the remaining outstanding First Preferred Shares Series 27 will automatically be converted into First Preferred Shares Series 26 on the basis of one Preferred Share Series 26 for each Preferred Share Series 27 on the applicable Series 27 Conversion Date, without the consent of the holders, and the Bank will give notice in writing thereof to the then registered holders of such remaining First Preferred Shares Series 27 at least seven days prior to the Series 27 Conversion Date.

If the Bank gives notice to the registered holders of the First Preferred Shares Series 27 of the redemption on a Series 27 Conversion Date of all the First Preferred Shares Series 27, the Bank will not be required to give notice as provided hereunder to the registered holders of the First Preferred Shares Series 27 of an Annual Fixed Dividend Rate or of the conversion right of holders of First Preferred Shares Series 27 and the right of any holder of First Preferred Shares Series 27 to convert such First Preferred Shares Series 27 will cease and terminate in that event.

Purchase for Cancellation

Subject to the provisions of the Bank Act, the prior consent of the Superintendent and the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any of the First Preferred Shares Series 27 in the open market at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

Restrictions on Dividends and Retirement of Shares

So long as any of the First Preferred Shares Series 27 are outstanding, the Bank will not, without the approval of the holders of outstanding First Preferred Shares Series 27 given as specified below:

- (a) pay any dividends on the Common Shares or any other shares ranking junior to the First Preferred Shares Series 27 (other than stock dividends payable in shares of the Bank ranking junior to the First Preferred Shares Series 27);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the First Preferred Shares Series 27 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the First Preferred Shares Series 27);

- (c) redeem, purchase or otherwise retire less than all the First Preferred Shares Series 27 then outstanding; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of First Preferred Shares of the Bank, redeem, purchase or otherwise retire any other shares ranking on a parity with the First Preferred Shares Series 27;

unless, in each such case, all dividends up to and including the dividend payment date for the last completed period for which dividends will be payable will have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the First Preferred Shares and there will have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative First Preferred Shares (including the First Preferred Shares Series 27) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the First Preferred Shares. Reference is made to “Bank Act Restrictions and Restrictions on Payment of Dividends” of the Accompanying Prospectus.

Issue of Additional Series of First Preferred Shares

The Bank may issue other series of First Preferred Shares ranking on a parity with the First Preferred Shares Series 27 without the authorization of the holders of the First Preferred Shares Series 27, if at the date of such issuance all cumulative dividends up to and including the dividend payment date for the last completed period for which such cumulative dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative First Preferred Shares then issued and outstanding, if any, and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment in respect of each series of non-cumulative First Preferred Shares then issued and outstanding.

Amendments to First Preferred Shares Series 27

The Bank will not, without the approval of the holders of the First Preferred Shares Series 27 given as specified below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the First Preferred Shares Series 27. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the First Preferred Shares Series 27 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 First Preferred Shares Series 27 may be given by a resolution carried by the affirmative vote of not less than $66\frac{2}{3}\%$ of the votes cast at a meeting of holders of First Preferred Shares Series 27 at which a majority of the outstanding First Preferred Shares Series 27 is represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the First Preferred Shares Series 27 will be entitled to receive \$25.00 per share together with all dividends declared and unpaid to the date of payment before any amount will be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the First Preferred Shares Series 27. The holders of the First Preferred Shares Series 27 will not be entitled to share in any further distribution of the assets of the Bank.

Voting Rights

Subject to the provisions of the Bank Act, the holders of First Preferred Shares Series 27 as such will not be entitled to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the rights of such holders to any undeclared dividends have become extinguished as described above under “Dividends”. In that event, the holders of First Preferred Shares Series 27 will be entitled to receive notice of,

and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each Preferred Share Series 27 held. The voting rights of the holders of the First Preferred Shares Series 27 will forthwith cease upon payment by the Bank of the first quarterly dividend on the First Preferred Shares Series 27 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 First Preferred Shares Series 27 have again become extinguished, such voting rights will become effective again and so on from time to time.

In connection with any action to be taken by the Bank which requires the approval of the holders of First Preferred Shares Series 27 voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

Tax Election

The First Preferred Shares Series 27 will be “taxable preferred shares” as defined in the Tax Act for the purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate holders of the First Preferred Shares Series 27. The terms of the First Preferred Shares Series 27 will 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 the tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the First Preferred Shares Series 27.

Business Days

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

Bank Act Restrictions and Approvals

The Accompanying Prospectus sets out a summary of the restrictions contained in the Bank Act concerning the declaration and payment of dividends. The Bank does not anticipate that such restrictions will prevent a declaration or payment of dividends on the First Preferred Shares Series 26 or First Preferred Shares Series 27 in the normal course and the Superintendent has not made any direction to the Bank pursuant to the Bank Act regarding its capital or its liquidity. The Accompanying Prospectus also sets out a summary of the restrictions contained in the Bank Act concerning the issue, transfer, acquisition, beneficial ownership and voting of all shares of the Bank.

Earnings Coverage

The Bank’s dividend requirements on its outstanding First Preferred Shares, after giving effect to the issue of the First Preferred Shares Series 26 to be distributed under this Prospectus Supplement, (assuming the Option Shares are issued), 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 October 31, 2008 (assuming the issuance of the First Preferred Shares Series 20, the First Preferred Shares Series 21 and the First Preferred Shares Series 24 on the first day of such period), amounted to \$98 million and \$98 million for the 12 months ended October 31, 2007 and for the 12 months ended October 31, 2008, respectively. The Bank’s disbursement requirements for innovative capital instruments for the 12 months ended October 31, 2007 and for the 12 months ended October 31, 2008 (assuming the issuance of the NBC CapS II - Series 1 and the NBC CapS II – Series 2 on the first day of such period) amounted to \$91 million and \$97 million, respectively. The Bank’s interest requirements for subordinated debentures for the 12 months ended October 31, 2007 and for the 12 months ended October 31, 2008 (assuming the issuance of the Series 6 Medium Term Notes on the first day of such period), amounted to \$128 million and \$112 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 for the 12 months ended October 31, 2008 were \$800 million and \$908 million, respectively (\$1,375 million and \$1,072 million, respectively when excluding the charge related to available for sale ABCP (\$575 million in 2007 and \$164 million in 2008)), which are 2.52 times and 2.96 times the Bank’s aggregate dividend, disbursement on innovative capital instruments and interest requirements for these periods, respectively (4.34 times and 3.49 times, respectively when excluding the charge related to ABCP), after giving effect to the issue of the First Preferred Shares Series 26 (assuming the Option Shares are issued).

Ratings

The First Preferred Shares Series 26 are provisionally rated “Pfd-1 (low)” by DBRS. A “Pfd-1” rating is the highest of five categories available from DBRS for first preferred shares. A reference to “high” or “low” reflects the relative strength within the rating category.

The First Preferred Shares Series 26 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 first preferred shares and are provisionally rated “BBB+” using S&P’s global scale for first preferred shares. The “P-2” rating is the second highest of the five categories used by S&P on its Canadian first 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 First Preferred Shares Series 26 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 First Preferred Shares Series 26 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 First Preferred Shares Series 26. The foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

Plan of Distribution

Pursuant to an agreement (the “Underwriting Agreement”) dated January 23, 2009 between the Bank and the Underwriters, the Bank has agreed to sell and the Underwriters have jointly and not solidarily agreed to purchase on January 30, 2009, or on such other date not later than February 13, 2009 as may be agreed upon, subject to the terms and conditions contained therein, all but not less than all of the 4,000,000 First Preferred Shares Series 26 at a price of \$25.00 per share payable in cash to the Bank against delivery of the First Preferred Shares Series 26. The offering price was determined by negotiations between the Bank and the Underwriters. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee per share equal to \$0.25 with respect to First Preferred Shares Series 26 sold to certain institutions and \$0.75 with respect to all other First Preferred Shares Series 26 sold. Assuming no First Preferred Shares Series 26 are sold to such institutions, the total underwriting fee would be \$3,000,000.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the First Preferred Shares Series 26 if any are purchased under the Underwriting Agreement.

The Bank has granted to the Underwriters an option to purchase the Option Shares at the offering price hereunder, exercisable at any time up to one business day prior to the closing of this offering. This Prospectus Supplement also qualifies the grant of the Underwriters’ Option and the distribution of the Option Shares. The Underwriters will be paid a fee per share equal to \$0.25 with respect to Option Shares sold to certain institutions and \$0.75 per share with respect to all other Option Shares sold.

The Bank has applied to list the First Preferred Shares Series 26 and the First Preferred Shares Series 27 on the TSX. Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

Neither the First Preferred Shares Series 26 nor the First Preferred Shares Series 27 have been or will be registered under the *Securities Act of 1933* of the United States of America, as amended (the “1933 Act”) or any state securities laws and may not be offered or sold within the United States, territories or possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act.

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 Prospectus Supplement, bid

for or purchase the First Preferred Shares Series 26. 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 for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada 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 which stabilize or maintain the market price of the First Preferred Shares Series 26 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 related and connected issuer to National Bank Financial Inc. under applicable securities legislation. The decision to distribute the First Preferred Shares Series 26 and the determination of the terms of the distribution were made through negotiation between the Bank and the Underwriters. RBC Dominion Securities Inc., an Underwriter, in respect of which the Bank is not a related or connected issuer, has participated in the structuring and pricing of the offering and in the due diligence activities performed by the Underwriters for the offering and review of this Prospectus Supplement. National Bank Financial Inc. will not receive any benefit in connection with this offering other than its share of the Underwriters' fee payable by the Bank.

Canadian Federal Income Tax Considerations

In the opinion of McCarthy Tétrault LLP and Ogilvy Renault LLP, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of First Preferred Shares Series 26 pursuant to this Prospectus Supplement who, for purposes of the Tax Act and at all relevant times, is resident in Canada or is deemed to be resident in Canada, deals at arm's length with the Bank, is not affiliated with the Bank, holds the First Preferred Shares Series 26 and will hold any First Preferred Shares Series 27 as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the First Preferred Shares Series 26 and the First Preferred Shares Series 27 will be capital property to a purchaser provided the purchaser does not acquire or hold such shares in the course of carrying on a business or as part of an adventure in the nature of a trade. Certain purchasers who might not otherwise be considered to hold First Preferred Shares Series 26 or First Preferred Shares Series 27 as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a purchaser that is a "financial institution" (as defined in the Tax Act) for the purposes of certain rules applicable to securities held by financial institutions (referred to as the "mark to market rules"), to a purchaser an interest in which would be a "tax shelter investment" or 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). 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 First Preferred Shares Series 26 or the First Preferred Shares Series 27, as the case may be, outstanding at the time the dividend is (or is deemed to be) received. This summary also assumes that all issued and outstanding First Preferred Shares Series 26 and First Preferred Shares Series 27 are listed on a designated stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser and no representation with respect to the income tax consequences to any particular purchaser is made. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to the consequences of acquiring, holding or disposing of First Preferred Shares 26 or First Preferred Shares Series 27 to their particular circumstances.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder in force as of the date hereof, all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Proposals") and counsel's understanding of the

current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the “CRA”) prior to the date hereof. This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may differ materially from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

Dividends

Dividends (including deemed dividends) received on the First Preferred Shares Series 26 or the First Preferred Shares Series 27 by an individual (other than certain trusts) will be included in the individual’s income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Bank as “eligible dividends” in accordance with the Tax Act.

Dividends (including deemed dividends) on the First Preferred Shares Series 26 and the First Preferred Shares Series 27 received by a corporation to which this summary applies will be included in computing income and will generally be deductible in computing its taxable income.

The First Preferred Shares Series 26 and the First Preferred Shares Series 27 will be “taxable preferred shares” as defined in the Tax Act for the purposes of the tax under Part IV.1 of the Tax Act applicable to certain corporate shareholders of the First Preferred Shares Series 26 and First Preferred Shares Series 27. The terms of the First Preferred Shares Series 26 and the First Preferred Shares Series 27 require the Bank to 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 received (or deemed to be received) on the First Preferred Shares Series 26 and the First Preferred Shares Series 27.

A private corporation, as defined in the Tax Act, or any other Canadian resident corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the First Preferred Shares Series 26 and the First Preferred Shares Series 27 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 First Preferred Shares Series 26 or the First Preferred Shares Series 27 (including on redemption of the shares or other acquisition by the Bank but excluding on a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof immediately before the disposition or deemed disposition. The amount of any deemed dividend arising on the redemption or acquisition by the Bank of First Preferred Shares Series 26 or the First Preferred Shares Series 27 will generally not be included in computing the proceeds of disposition of a holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Redemption” below. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the holder’s income as a taxable capital gain 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. Any such capital gain realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a Canadian controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax at a rate of 6 $\frac{2}{3}$ %.

Redemption

If the Bank redeems for cash or otherwise acquires the First Preferred Shares Series 26 or the First Preferred Shares Series 27, other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank, including any redemption premium, in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. Reference is made to “Dividends” above. The difference between the amount paid 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. Reference is made to “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 a First Preferred Share Series 26 into a First Preferred Share Series 27 and a First Preferred Shares Series 27 into a First Preferred Shares Series 26 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 a First Preferred Share Series 27 or First Preferred Share Series 26, as the case may be, received on the conversion will be deemed to be equal to the holder’s adjusted cost base of the converted First Preferred Share Series 26 or First Preferred Share Series 27, as the case may be, immediately before the conversion.

Alternative Minimum Tax

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

Use of Proceeds

The net proceeds to the Bank from the sale of the First Preferred Shares Series 26, after deducting the estimated expenses of the issue and the underwriting fee (assuming no First Preferred Shares Series 26 are sold to institutions) will amount to \$96,750,000. Such net proceeds will be added to the Bank’s funds and will be used for general business purposes.

Prior Sales

On January 14, 2009, the Bank issued 6,800,000 Non-Cumulative 5-Year Rate Reset First Preferred Shares Series 24 (the “First Preferred Shares Series 24”), all at a price of \$25.00 per share to yield 6.60%.

On June 26, 2008, NBC Asset Trust (the “Trust”), a closed-end trust established by Natcan Trust Company, a subsidiary of the Bank, issued 350,000 non-voting transferable trust units called Trust Capital Securities – Series 2 or “NBC CapS II – Series 2” at a price of \$1,000 per NBC CapS II – Series 2 to yield 7.447%. This offering provided the Bank with a cost-effective means of raising regulatory capital. The NBC CapS II – Series 2 are not redeemable for or exchangeable into First Preferred Shares of the Bank at the option of the holder. Each NBC CapS II – series 2 will be exchanged automatically, without the consent of the holders, for 40 newly issued non-cumulative, perpetual First Preferred Shares Series 23 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.

On June 17, 2008, the Bank issued 8,050,000 Non-Cumulative 5-Year Rate Reset First Preferred Shares Series 21 (the “First Preferred Shares Series 21”), all at a price of \$25.00 per share to yield 5.375%.

On April 16, 2008, the Bank issued 6,000,000 Non-Cumulative Fixed Rate First Preferred Shares Series 20 (the “First Preferred Shares Series 20”), and on April 23, 2008, the Bank issued an additional 900,000 First Preferred Shares Series 20 following the exercise of an over-allotment option, all at a price of \$25.00 per share to yield 6.00%.

Market for Securities

The Common Shares, the First Preferred Shares Series 15, 16, 20, 21 and 24, and the Nikkei 225 (2009) notes are listed on the TSX under the symbols “NA”, “NA.PR.K”, “NA.PR.L”, “NA.PR.M.”, “NA.PR.N”, “NA.PR.O” 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 December 31, 2008 and for the 22-day period ended January 22, 2009.

Month	<u>Common Shares (NA)</u>		
	High	Low	Total Volume
January 1 to 22, 2009	\$34.74	\$30.66	15,935,989
December 2008	\$40.74	\$24.25	28,317,409
November 2008	\$46.47	\$32.88	14,657,493
October 2008	\$50.98	\$38.00	22,104,910
September 2008	\$54.58	\$46.27	33,457,591
August 2008	\$52.84	\$46.61	12,603,839
July 2008	\$52.67	\$44.65	16,410,966
June 2008	\$55.39	\$49.97	15,776,471
May 2008	\$54.79	\$51.58	11,996,697
April 2008	\$54.21	\$47.60	12,958,815
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

Month	<u>First Preferred Shares Series 15 (NA.PR.K)</u>		
	High	Low	Total Volume
January 1 to 22, 2009	\$21.19	\$19.95	94,391
December 2008	\$19.99	\$16.42	374,541
November 2008	\$21.98	\$16.01	123,679
October 2008	\$23.50	\$20.00	335,467
September 2008	\$24.00	\$23.39	243,841
August 2008	\$23.69	\$22.92	156,088
July 2008	\$23.74	\$22.60	156,544
June 2008	\$24.84	\$23.45	77,013
May 2008	\$24.91	\$24.27	260,413
April 2008	\$24.99	\$24.50	186,400
March 2008	\$25.47	\$24.62	103,693
February 2008	\$25.96	\$25.18	71,153
January 2008	\$25.74	\$24.31	104,838

Month	<u>First Preferred Shares Series 16 (NA.PR.L)</u>		
	High	Low	Total Volume
January 1 to 22, 2009	\$17.90	\$16.21	185,614
December 2008	\$16.50	\$13.22	447,439
November 2008	\$18.00	\$13.00	216,894
October 2008	\$20.20	\$16.00	177,299
September 2008	\$20.26	\$19.77	166,639
August 2008	\$20.28	\$18.50	378,738
July 2008	\$20.29	\$17.70	199,370
June 2008	\$20.89	\$19.25	192,052
May 2008	\$21.59	\$20.49	210,659
April 2008	\$21.22	\$20.29	164,137
March 2008	\$22.25	\$20.41	242,105
February 2008	\$22.99	\$22.10	119,631
January 2008	\$25.00	\$21.55	189,779

First Preferred Shares Series 20 (NA.PR.M)

Month	High	Low	Total Volume
January 1 to 22, 2009	\$22.65	\$20.45	94,998
December 2008	\$20.98	\$16.56	209,635
November 2008	\$22.62	\$17.65	160,475
October 2008	\$24.92	\$21.05	84,588
September 2008	\$25.05	\$24.31	115,571
August 2008	\$24.90	\$24.00	76,197
July 2008	\$25.09	\$23.25	106,067
June 2008	\$25.15	\$24.50	259,609
May 2008	\$25.49	\$24.96	192,683
April 2008	\$25.02	\$24.80	653,427

First Preferred Shares Series 21 (NA.PR. N)

Month	High	Low	Total Volume
January 1 to 22, 2009	\$23.50	\$21.00	68,335
December 2008	\$23.00	\$18.89	137,288
November 2008	\$25.00	\$21.20	84,960
October 2008	\$25.49	\$22.55	311,620
September 2008	\$25.73	\$25.00	87,859
August 2008	\$25.93	\$25.30	105,249
July 2008	\$25.99	\$24.80	165,820
June 2008	\$25.07	\$24.80	422,864

First Preferred Shares Series 24 (NA.PR.O)

Month	High	Low	Total Volume
January 14 to 22, 2009	\$25.20	\$24.70	566,992

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

Month	High	Low	Total Volume
January 1 to 22, 2009	\$9.90	\$9.85	3,300
December 2008	\$9.80	\$9.39	8,400
November 2008	\$9.70	\$9.60	2,300
October 2008	\$9.85	\$9.45	12,100
September 2008	\$9.77	\$9.75	19,300
August 2008	\$9.80	\$9.70	34,400
July 2008	\$9.75	\$9.63	6,300
June 2008	\$9.67	\$9.60	10,600
May 2008	\$9.79	\$9.51	20,500
April 2008	\$9.65	\$9.25	23,050
March 2008	\$9.60	\$9.27	15,400
February 2008	\$9.70	\$9.42	5,133
January 2008	\$9.55	\$9.50	3,200

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 First Preferred Shares Series 26 and the First Preferred Shares Series 27.

Risk Factors

An investment in First Preferred Shares Series 26 is subject to certain risks.

The value of First Preferred Shares Series 26 and the First Preferred Shares Series 27, respectively, will be affected by the general credit worthiness of the Bank. We refer you to the risks described in the Accompanying Prospectus and the documents incorporated by reference in this Prospectus Supplement (including subsequently filed documents incorporated by reference), including under the section entitled “Management’s Discussion and

Analysis” contained in the Bank’s Annual Report for the year ended October 31, 2008. This analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Bank’s business, financial condition or results of operations.

Real or anticipated changes in credit ratings on the First Preferred Shares Series 26 or the First Preferred Shares Series 27, if any, may affect the market value of the First Preferred Shares Series 26 and the First Preferred Shares Series 27, respectively. In addition, real or anticipated changes in credit ratings can affect the cost at which the Bank can transact or obtain funding, and thereby affect the Bank’s liquidity, business, financial condition or results of operations.

The First Preferred Shares Series 26 and the First Preferred Shares Series 27 are non-cumulative and dividends are payable at the discretion of the Board of Directors. Reference is made to “Earnings Coverage Ratios”, which is relevant to an assessment of the risk that the Bank will be unable to pay dividends on the First Preferred Shares Series 26 or the First Preferred Shares Series 27.

The First Preferred Shares Series 26 rank, and the First Preferred Shares Series 27 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 debt, before payments may be made on the First Preferred Shares Series 26 or First Preferred Shares Series 27.

Prevailing yields on similar securities will affect the market value of the First Preferred Shares Series 26 and the First Preferred Shares Series 27. Assuming all other factors remain unchanged, the market value of the First Preferred Shares Series 26 and the First Preferred Shares Series 27 will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the First Preferred Shares Series 26 and the First Preferred Shares Series 27 in an analogous manner.

The redemption or purchase by the Bank of the First Preferred Shares Series 26 and the First Preferred Shares Series 27 is subject to the consent of the Superintendent and other restrictions contained in the Bank Act. Reference is made to “Bank Act Restrictions and Restrictions on Payment of Dividends” of the Accompanying Prospectus.

Neither the First Preferred Shares Series 26 nor the First Preferred Shares Series 27 have a fixed maturity date and are not redeemable at the option of the holders of First Preferred Shares Series 26 or First Preferred Shares Series 27, as applicable. The ability of a holder to liquidate its holdings of First Preferred Shares Series 26 or First Preferred Shares Series 27, as applicable, may be limited.

The dividend rate in respect of the First Preferred Shares Series 26 and the First Preferred Shares Series 27 will reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

An investment in the First Preferred Shares Series 26, or in the First Preferred Shares Series 27, as the case may be, may become an investment in First Preferred Shares Series 27, or in First Preferred Shares Series 26, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under “Conversion of First Preferred Shares Series 26 into First Preferred Shares Series 27” and “Conversion of First Preferred Shares Series 27 into First Preferred Shares Series 26” above. Upon the automatic conversion of the First Preferred Shares Series 26 into First Preferred Shares Series 27, the dividend rate on the First Preferred Shares Series 27 will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the First Preferred Shares Series 27 into First Preferred Shares Series 26, the dividend rate on the First Preferred Shares Series 26 will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30th day prior to the first day of each such five-year period.

Stock market volatility may affect the market price of the First Preferred Shares Series 26 and the First Preferred Shares Series 27 for reasons unrelated to the Bank’s performance. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or other countries could adversely affect the Bank and the market

price of the First Preferred Shares Series 26 or the First Preferred Shares Series 27. Additionally, the respective value of the First Preferred Shares Series 26 and the First Preferred Shares Series 27 is subject to market value fluctuations based upon factors which influence the Bank's operations, such as legislation or regulatory developments, competition, technological change and global capital market activity.

There can be no assurance that an active trading market will develop for the First Preferred Shares Series 26 after the offering or for the First Preferred Shares Series 27 following the issuance of any of those shares, or if developed, that such a market will be sustained at the offering price of the First Preferred Shares Series 26 or the issue price of the First Preferred Shares Series 27.

Legal Matters

Legal matters in connection with the issue and sale of the First Preferred Shares Series 26 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 1% of the issued and outstanding securities of the Bank or of any associate or affiliate of the Bank.

Certificate of the Underwriters

Dated: January 23, 2009

To the best of our knowledge, information and belief, the short form base shelf prospectus dated December 5, 2008, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the *Bank Act* (Canada) and the regulations thereunder and by the securities legislation of all provinces of Canada.

NATIONAL BANK FINANCIAL INC.

By: *(Signed)* MAUDE LEBLOND

RBC DOMINION SECURITIES INC.

By: *(Signed)* RAJIV BAHL

CIBC WORLD MARKETS INC.

By: *(Signed)* PAUL ST-MICHEL

BMO NESBITT BURNS INC.

By: *(Signed)* PIERRE-OLIVIER
PERRAS

SCOTIA CAPITAL INC.

By: *(Signed)* ÉRIC MICHAUD

TD SECURITIES INC.

By: *(Signed)* JONATHAN BROER

DESJARDINS SECURITIES INC.

By: *(Signed)* THOMAS L. JARMAI

HSBC SECURITIES (CANADA) INC.

By: *(Signed)* LUC BUISSON

LAURENTIAN BANK SECURITIES INC.

By: *(Signed)* MICHEL RICHARD

WELLINGTON WEST CAPITAL MARKETS INC.

By: *(Signed)* SCOTT LARIN

BLACKMONT CAPITAL INC.

By: *(Signed)* CHARLES A.V. PENNOCK

BROOKFIELD FINANCIAL
CORP.

By: *(Signed)* MARK MURSKI

DUNDEE SECURITIES
CORPORATION

By: *(Signed)* VILMA JONES

RAYMOND JAMES LTD.

By: *(Signed)* J. GRAHAM FELL

APPENDIX A

Auditors' Consent

We have read the Prospectus Supplement of National Bank of Canada (the "Bank") dated January 23, 2009 relating to the sale and issuance of \$100,000,000 Non-Cumulative 5-Year Rate Reset First Preferred Shares Series 26 to the Short Form Base Shelf Prospectus dated December 5, 2008 relating to the offering of up to \$4,500,000,000 in aggregate of Debt Securities (subordinated indebtedness), Common Shares and First Preferred Shares (collectively, the "Prospectus"). 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, 2008 and 2007 and the Consolidated Statements of Income, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for each of the years then ended. Our report is dated December 3, 2008 except as for Note 34b) which is under the date of December 11, 2008.

(signed) Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
Chartered Accountants
Montreal, Canada
January 23, 2009