

NBC Canadian Banks Deposit Notes

Series 34

SALES PERIOD:

December 16, 2016 to January 13, 2017 at 4 p.m.

ISSUANCE DATE:

On or about January 20, 2017

VALUATION DATE:

On or about January 15, 2024

MATURITY DATE:

On or about January 22, 2024

INVESTMENT HIGHLIGHTS

Participation Factor of 105%

7-year term

Principal protection

- Principal Amount fully protected at maturity by National Bank of Canada.

Variable return

- The Deposits aim to provide you with a return at maturity linked to the performance of an equally weighted portfolio of the common shares of five (5) Canadian banks.

Liquidity

- A daily secondary market is maintained subject to availability and to early trading charges within the first 360 days including and following the Issuance Date, up to \$3.60 per Deposit. A Holder who sells Deposits prior to maturity may receive less than the Principal Amount per Deposit.

Eligibility

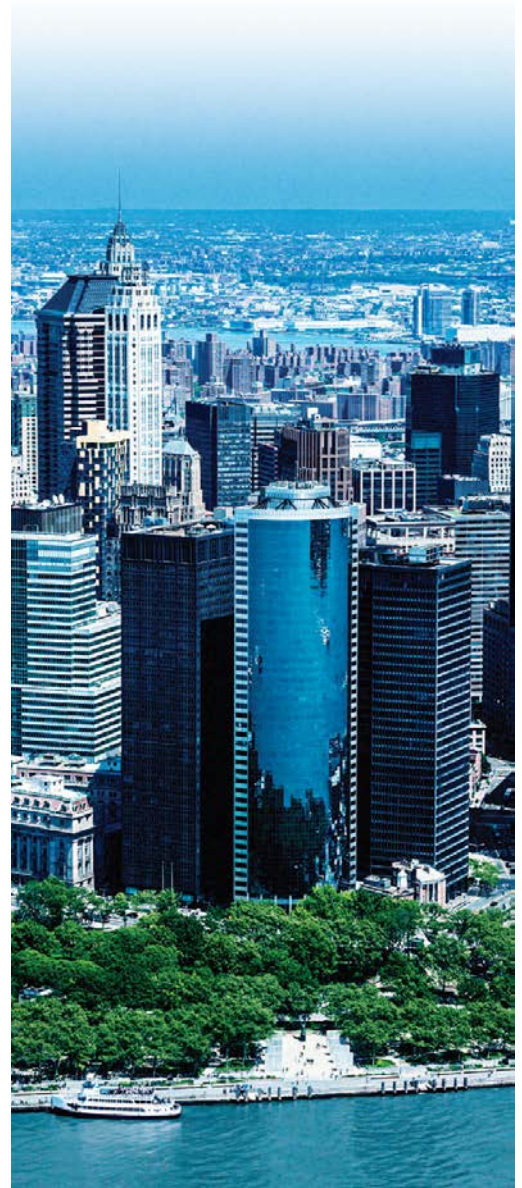
- Eligible for all types of accounts (RRSP, RRF, DPSP, RESP, RDSP and TFSA).
- \$1,000 minimum subscription (10 Deposits).

Currency

- Canadian dollars

The Deposits are not conventional fixed income investments. There are risks associated with this investment (see page 5 for details). Investors should read the Information Statement dated December 15, 2016 (hereafter the "Information Statement") for more detailed risk disclosure and complete information on the Deposits. Please refer to our website for the list of the different terms and conditions, if any, of previous series issued by the Bank. Where an investor purchases Deposits, by phone or in person, the advisor must at the time verbally highlight certain information in respect of the Deposits contained under the heading Oral Disclosure for Sales in Person or by Telephone.

The Deposits will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act*.



→ Should you have any questions, do not hesitate to contact us.

FUNDSERV CODE: NBC3118

1 877 879-6423 | nbcstructuredsolutions.ca



Target Investors

An investment in the Deposits is not suitable for all investors and even if suitable, investors should consider what part the Deposits should serve in an overall investment plan. The Deposits may be suitable for you if:

- you are seeking protection of your capital at maturity;
- you are seeking the potential for higher returns in a low interest rate environment;
- you have a long-term investment horizon and are prepared to hold the Deposits to maturity;
- you do not need or do not expect certainty of return and can accept seeing the value of your investment in the Deposits diminish over time due to inflation;
- you are looking to participate in the growth potential of a portfolio composed of each Reference Asset;
- you are prepared to assume the risks as described in the “Risk Factors” section in the Information Statement; and
- in order to benefit from the Deposit structure and capital protection at maturity, you are prepared to waive the aggregate dividend and/or distribution yield provided by each Reference Asset over the term of the Deposits to maturity, on the assumption that the dividend and/or distribution yield remains constant and that the dividends and/or distributions are not reinvested.

The Deposits have certain investment characteristics that differ from those of conventional fixed income investments in that they may not provide you with a return or income stream prior to maturity, or a return at maturity, calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. The return on the Deposits, unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that if the Reference Portfolio does not generate a positive return, the Deposits will produce no return on your original investment.

Return Calculation

Payments at maturity of your Deposits will be linked to the price performance of each Reference Asset included in the Reference Portfolio. The Deposits will have a principal amount of \$100 each (the “Principal Amount”). The investment objective of your Deposits is to repay you on the Maturity Payment Date your Principal Amount and provide you with a Variable Return if the Reference Portfolio Return is positive on the Valuation Date.

- **Maturity Redemption Payment:** An amount per Deposit to which you are entitled on the Maturity Date based on the performance of the Reference Portfolio which is equal to your Principal Amount X (1 + Variable Return).
- **Variable Return:** A percentage equal to the product of (i) the Reference Portfolio Return on the Valuation Date and (ii) the Participation Factor, subject to a minimum of zero.
- **Reference Portfolio Return:** On any day, the sum of the Weighted Reference Asset Return of each Reference Asset comprising the Reference Portfolio.
- **Weighted Reference Asset Return:** For each Reference Asset contained in the Reference Portfolio and on any day, the product of (i) the Reference Asset Return and (ii) the Reference Asset Weight.
- **Reference Asset Weight:** The weight of each Reference Asset comprising the Reference Portfolio.
- **Reference Asset Return:** For each Reference Asset contained in the Reference Portfolio and on any day, a number, which may be positive or negative, expressed as a percentage, calculated as follows: (Closing Level on such day / Closing Level on the Issuance Date) - 1.
- **Closing Level:** On any day, the closing price, the closing level or the official net asset value, as applicable, and reported and/or published by the applicable Price Source as specified in the table under “Reference Portfolio”. If there is no closing price, no closing level or no official net asset value, as applicable, reported on that day, then the Closing Level will be the closing price, the closing level or the official net asset value, as applicable, on the immediately preceding day on which such closing price, closing level or official net asset value is reported or published by the applicable Price Source (except if this occurs on the Issuance Date or on the Valuation Date, in which case the closing price, the closing level or the official net asset value, as applicable, on the immediately following day on which such closing price, closing level or official net asset value is reported or published by the applicable Price Source will be used, subject to the provisions under “Extraordinary Events and Special Circumstances” in the Information Statement).

The Reference Asset Return is a price return, and will not take into account dividends and/or distributions paid by the issuer of each Reference Asset. As of December 1, 2016, the dividends and/or distributions paid on account of all of the Reference Assets in the Reference Portfolio represented an annual return of approximately 3.95%.

Reference Portfolio

Exposure to five (5) Canadian banks

Reference Asset name	Reference Asset ticker	Price Source	Closing Level	Reference Asset type	Reference Asset Weight
Common shares of Bank of Montreal	BMO	TSX	Closing Price	Equity Security	20.00%
Common shares of The Bank of Nova Scotia	BNS	TSX	Closing Price	Equity Security	20.00%
Common shares of Canadian Imperial Bank of Commerce	CM	TSX	Closing Price	Equity Security	20.00%
Common shares of Royal Bank of Canada	RY	TSX	Closing Price	Equity Security	20.00%
Common shares of The Toronto-Dominion Bank	TD	TSX	Closing Price	Equity Security	20.00%

Scenario analysis

The following are hypothetical examples that illustrate how the Maturity Redemption Payment shall be calculated under different scenarios. These examples are included for illustration purposes only. The amounts and all other variables used in the following examples are hypothetical and are not forecasts or projections of the Reference Asset Return of each Reference Asset, the Reference Portfolio or the performance of the Deposits. No assurance can be given that the results shown in these examples will be achieved.

(1) Hypothetical example of a positive Variable Return

The following table is based on the assumption that the Reference Portfolio will increase during the 7-year term of the Deposits.

Reference Asset	Issuance Date	Valuation Date		
	Closing Level	Closing Level	Reference Asset Return	Weighted Reference Asset Return
Common shares of Bank of Montreal	\$73.29	\$85.02	16.00%	3.20%
Common shares of The Bank of Nova Scotia	\$55.52	\$128.25	131.00%	26.20%
Common shares of Canadian Imperial Bank of Commerce	\$88.86	\$237.26	167.00%	33.40%
Common shares of Royal Bank of Canada	\$70.07	\$152.75	118.00%	23.60%
Common shares of The Toronto Dominion Bank	\$51.63	\$106.87	107.00%	21.40%
Sum of the Weighted Reference Asset Returns				107.80%

Reference Portfolio Return on the Valuation Date	107.80%
Variable Return : $\text{MAX}[0\%, 107.80\% \times 105\%] =$	113.19%
Maturity Redemption Payment : $\$100 \times [1 + 113.19\%] =$	\$213.19
Annualized compounded return over the 7-year term	11.42%

In this example, the sum of the Weighted Reference Asset Return of the Reference Assets is 107.80%. The Variable Return will be 113.19% and the Maturity Redemption Payment payable on the Maturity Payment Date will be \$213.19 (approximately 11.42% compounded annually over 7 years).

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(2) Hypothetical example of a nil Variable Return

The following table is based on the assumption that the Reference Portfolio will decrease during the 7-year term of the Deposits.

Reference Asset	Issuance Date	Valuation Date		
	Closing Level	Closing Level	Reference Asset Return	Weighted Reference Asset Return
Common shares of Bank of Montreal	\$73.29	\$49.84	-31.99%	-6.40%
Common shares of The Bank of Nova Scotia	\$55.52	\$90.08	62.25%	12.45%
Common shares of Canadian Imperial Bank of Commerce	\$88.86	\$54.90	-38.22%	-7.64%
Common shares of Royal Bank of Canada	\$70.07	\$58.05	-17.15%	-3.43%
Common shares of The Toronto Dominion Bank	\$51.63	\$40.47	-21.62%	-4.32%
Sum of the Weighted Reference Asset Returns				-9.35%

Reference Portfolio Return on the Valuation Date	-9.35%
Variable Return : $\text{MAX}[0\%, -9.35\% \times 105\%]$ =	0.00%
Maturity Redemption Payment : $\$100 \times [1 + 0.00\%]$ =	\$100.00
Annualized compounded return over the 7-year term	0.00%

In this example, the sum of the Weighted Reference Asset Return of the Reference Assets is -9.35%. The Variable Return will be nil and the Maturity Redemption Payment payable on the Maturity Payment Date will be \$100 because the Deposits are principal-protected at maturity.

Risk Factors

An investment in the Deposits involves certain risks. You should, in consultation with your own financial and legal advisers, carefully consider, among other matters, the following discussion of risks, before deciding whether an investment in the Deposits is suitable. The Deposits are not a suitable investment for a prospective purchaser who does not understand their terms or the risks involved in holding the Deposits. Risk factors include, without limitation, the following:

- Bank's creditworthiness;
- Investors could make no return in the Deposits;
- Risks relating to unsecured nature of the Deposits;
- The Deposits could be redeemed prior to maturity under a Reimbursement Under Special Circumstances;
- Reliance on the Calculation Agent;
- Conflicts of interest may affect the Calculation Agent;
- Hedging transactions may affect the underlying interests;
- The Valuation Date or the date on which the Maturity Redemption Payment is payable may be postponed if a Market Disruption Event occurs on the given date;
- The Reference Asset Returns will not reflect the full appreciation in the Reference Assets when including dividends and other distributions;
- The return on the Deposits may not reflect the full performance of the Reference Portfolio that could be realized if investors held the Reference Assets directly;
- Holders have no ownership interest in the underlying interest or the constituents thereof;
- Concentration risk; the Deposits are linked only to the underlying interests;
- Deferred payment;
- Legal, administrative and regulatory change;
- The Deposits are not qualified by prospectus;
- The Deposits will not be insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime;
- Uncertain trading market for the Deposits; many factors affect the trading value of the Deposits; offer prices for Deposits may not reflect the return of the underlying interest; and
- Conflicts of interest may affect the Market Maker.

As well as certain risk factors related to Equity Linked Deposits:

- Trading prices;
- Exposure to equities;
- Potential replacement of the Reference Shares; and
- Neither the Bank nor the Agent nor the Market Maker make any representation or warranty as to the accuracy or completeness of the information regarding the Reference Shares.

Investors should read the information Statement for complete details of the risk factors.

Suitability Considerations and Guidelines

An investment in the NBC Canadian banks Deposit Notes, Series 34 is not suitable for all investors and even if suitable, investors should consider what part the NBC Canadian banks Deposit Notes, Series 34 should serve in an overall investment plan. The Information Statement includes a summary of various suitability considerations and guidelines. Investors should be encouraged to read the Information Statement carefully.

The statements contained herein are based upon information which we believe to be reliable but we cannot represent that they are complete or accurate. The complete information related to this issue of the Deposits will be contained in the Information Statement which will be sent to investors prior to the closing date. Capitalized terms used herein and not otherwise defined have the meaning ascribed thereto in the Information Statement. This document is for information purposes only and does not constitute an offer to sell or a solicitation of an offer to buy the Deposits referred to herein.

The NBC Canadian banks Deposit Notes, Series 34 are principal-protected at maturity. Variation in the Reference Portfolio Return will have a direct impact on the return payable. It is possible that no return will be paid. The Deposits are not suitable for all types of investors. An investment in the Deposits is subject to a number of risk factors. Potential purchasers should consult the Information Statement before investing in the Deposits. The Deposits will not be insured under the *Canada Deposit Insurance Corporation Act*.
