

Macquarie Infrastructure Corp
Form 10-Q
May 03, 2017

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

☒

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2017

OR

☐

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _____ to _____

Commission File Number: 001-32384

MACQUARIE INFRASTRUCTURE CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

43-2052503
(IRS Employer
Identification No.)

125 West 55th Street
New York, New York 10019

(Address of Principal Executive Offices) (Zip Code)

(212) 231-1000

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year if Changed Since Last Report): **N/A**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-accelerated Filer ☐

Smaller Reporting Company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

There were 82,419,923 shares of common stock, with \$0.001 par value, outstanding at May 2, 2017.

TABLE OF CONTENTS

MACQUARIE INFRASTRUCTURE CORPORATION

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>1</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
<u>Controls and Procedures</u>	<u>26</u>
<u>Consolidated Condensed Balance Sheets as of March 31, 2017 (Unaudited) and December 31, 2016</u>	<u>27</u>
<u>Consolidated Condensed Statements of Operations for the Quarters Ended March 31, 2017 and 2016 (Unaudited)</u>	<u>29</u>
<u>Consolidated Condensed Statements of Comprehensive Income for the Quarters Ended March 31, 2017 and 2016 (Unaudited)</u>	<u>30</u>
<u>Consolidated Condensed Statements of Cash Flows for the Quarters Ended March 31, 2017 and 2016 (Unaudited)</u>	<u>31</u>
<u>Notes to Consolidated Condensed Financial Statements (Unaudited)</u>	<u>33</u>
PART II. OTHER INFORMATION	
<u>Item 1.</u>	<u>49</u>
<u>Legal Proceedings</u>	<u>49</u>
<u>Item 1A.</u>	<u>49</u>
<u>Risk Factors</u>	<u>49</u>
<u>Item 2.</u>	<u>49</u>
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>49</u>
<u>Item 3.</u>	<u>49</u>
<u>Defaults Upon Senior Securities</u>	<u>49</u>
<u>Item 4.</u>	<u>49</u>
<u>Mine Safety Disclosures</u>	<u>49</u>
<u>Item 5.</u>	<u>49</u>
<u>Other Information</u>	<u>49</u>
<u>Item 6.</u>	<u>49</u>
<u>Exhibits</u>	<u>49</u>

Macquarie Infrastructure Corporation is not an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and its obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of Macquarie Infrastructure Corporation.

TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this quarterly report on Form 10-Q (Quarterly Report) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements may appear throughout this Quarterly Report, including without limitation, the Management's Discussion and Analysis of Financial Condition and Results of Operations section. We use words such as believe, intend, expect, anticipate, plan, may, will, should, potential, project and similar expressions to identify forward-looking statements. Such statements include, among others, those concerning our expected financial performance and strategic and operational plans, as well as all assumptions, expectations, predictions, intentions or beliefs about future events. You are cautioned that any such forward-looking statements are not guarantees of future performance and that a number of risks and uncertainties could cause actual results to differ materially from those anticipated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the risks identified in our Annual Report on the Form 10-K for the year ended December 31, 2016, and in other reports we file from time to time with the Securities and Exchange Commission (SEC).

Given the risks and uncertainties surrounding forward-looking statements, you should not place undue reliance on these statements. Many of these factors are beyond our ability to control or predict. Our forward-looking statements speak only as of the date of this Quarterly Report. Other than as required by law, we undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

TABLE OF CONTENTS

PART I

FINANCIAL INFORMATION

**Management's Discussion and Analysis of Financial Condition
and Results of Operations**

The following discussion of the financial condition and results of operations of Macquarie Infrastructure Corporation should be read in conjunction with the consolidated condensed financial statements and the notes to those statements included elsewhere herein.

Macquarie Infrastructure Corporation (MIC) is a Delaware corporation formed on May 21, 2015. MIC's predecessor, Macquarie Infrastructure Company LLC, was formed on April 13, 2004. Except as otherwise specified, all references in this Form 10-Q to MIC, we, us, and our refer to Macquarie Infrastructure Corporation and its subsidiaries.

MIC is externally managed by Macquarie Infrastructure Management (USA) Inc. (our Manager) pursuant to the terms of a Management Services Agreement that is subject to the oversight and supervision of our Board of Directors. The majority of the members of our Board of Directors have no affiliation with Macquarie. Our Manager is a member of the Macquarie Group of companies comprising the Macquarie Group Limited and its subsidiaries and affiliates worldwide. Macquarie Group Limited is headquartered in Australia and is listed on the Australian Stock Exchange.

We currently own and operate a diversified portfolio of businesses that provide services to other businesses, government agencies and individuals primarily in the U.S. The businesses we own and operate are organized into four segments:

International-Matex Tank Terminals (IMTT): a marine terminals business providing bulk liquid storage, handling and other services to third parties at ten terminals in the U.S. and two in Canada;

Atlantic Aviation: a provider of fuel, terminal, aircraft hangaring and other services primarily to owners and operators of general aviation (GA) jet aircraft at 69 airports throughout the U.S.;

Contracted Power (CP): comprising a gas-fired facility and controlling interests in wind and solar facilities in the U.S.; and

MIC Hawaii: comprising an energy company that processes and distributes gas and provides related services (Hawaii Gas), and several smaller businesses collectively engaged in efforts to reduce the cost and improve the reliability and sustainability of energy, all based in Hawaii.

Our businesses generally operate in sectors with barriers to entry including high initial development and construction costs, long-term contracts or the requirement to obtain government approvals and a lack of immediate cost-effective alternatives to the services provided. Overall they tend to generate sustainable, stable and growing cash flows over the long term.

Overview

Use of Non-GAAP measures

In addition to our results under U.S. GAAP, we use certain non-GAAP measures to assess the performance and prospects of our businesses. In particular, we use EBITDA excluding non-cash items, Free Cash Flow and certain proportionately combined financial metrics. Proportionately combined financial metrics reflect MIC Corporate and our ownership interest in each of our businesses.

We measure EBITDA excluding non-cash items as it reflects our businesses' ability to effectively manage the volume of products sold or services provided, the margin earned on those transactions and the management of operating expenses independent of the capitalization and tax attributes of those businesses.

In analyzing the financial performance of our businesses, we focus primarily on cash generation and Free Cash Flow in particular. We believe investors use Free Cash Flow as a measure of our ability to sustain and potentially increase our quarterly cash dividend and to fund a portion of our growth.

TABLE OF CONTENTS

See Management's Discussion and Analysis of Financial Condition and Results of Operations *Results of Operations* *Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding non-cash items, Free Cash Flow and Proportionately Combined Metrics* for further information on our calculation of EBITDA excluding non-cash items, Free Cash Flow and our proportionately combined metrics and for reconciliations of non-GAAP measures to the most comparable GAAP measures.

At IMTT, we focus on providing bulk liquid storage, handling and other services to customers who place a premium on ease of access and operational flexibility. The substantial majority of IMTT's revenue is generated pursuant to take-or-pay contracts providing access to storage tank capacity and ancillary services.

At Atlantic Aviation, our focus is on attracting and maintaining relationships with GA aircraft owners and pilots and encouraging them to purchase fuel and other services from our fixed based operations (FBOs). Atlantic Aviation's gross margin is correlated with the number of GA flight movements in the U.S. and the business's ability to service a portion of the aircraft involved in those operations.

The businesses that comprise our CP segment generate revenue by producing and selling electric power pursuant primarily to long-dated power purchase agreements (PPAs) or tolling agreements all with creditworthy off-takers.

MIC Hawaii comprises Hawaii Gas and several smaller businesses collectively engaged in efforts to reduce the cost and improve the reliability and sustainability of energy in Hawaii. The businesses of MIC Hawaii generate revenue primarily from the provision of gas services to commercial, residential and governmental customers, the generation of power and the design and construction of building mechanical systems.

Dividends

Since January 1, 2016, MIC has paid or declared the following dividends:

Declared	Period Covered	\$ per Share	Record Date	Payable Date
May 2, 2017	First quarter 2017	\$ 1.32	May 15, 2017	May 18, 2017
February 17, 2017	Fourth quarter 2016	1.31	March 3, 2017	March 8, 2017
October 27, 2016	Third quarter 2016	1.29	November 10, 2016	November 15, 2016
July 28, 2016	Second quarter 2016	1.25	August 11, 2016	August 16, 2016
April 28, 2016	First quarter 2016	1.20	May 12, 2016	May 17, 2016
February 18, 2016	Fourth quarter 2015	1.15	March 3, 2016	March 8, 2016

We currently intend to maintain, and where possible, increase our quarterly cash dividend to our shareholders. The MIC Board has authorized a quarterly cash dividend of \$1.32 per share for the quarter ended March 31, 2017, or a 0.8% increase over the dividend for the quarter ended December 31, 2016 and 10.0% increase over the dividend for the quarter ended March 31, 2016. In determining whether to adjust the amount of our quarterly dividend, our Board will take into account such matters as the state of the capital markets and general business conditions, the Company's financial condition, results of operations, capital requirements, capital opportunities and any contractual, legal and regulatory restrictions on the payment of dividends by the Company to its stockholders or by its subsidiaries to the Company, and any other factors that it deems relevant, subject to maintaining a prudent level of reserves and without creating undue volatility in the amount of such dividends where possible. Moreover, the Company's senior secured credit facility and the debt commitments at our businesses contain restrictions that may limit the Company's ability to pay dividends. Although historically we have declared cash dividends on our shares, any or all of these or other

factors could result in the modification of our dividend policy, or the reduction, modification or elimination of our dividend in the future.

TABLE OF CONTENTS**Results of Operations****Consolidated****Key Factors Affecting Operating Results for the Quarter:**

growth in contributions from Atlantic Aviation; and
 contributions from acquisitions; partially offset by
 unrealized losses from commodity hedges at Hawaii Gas; and
 implementation of a shared services initiative.

Our consolidated results of operations are as follows:

	Quarter Ended March 31, 2017	2016	Change Favorable/(Unfavorable) \$
(\$ In Thousands, Except Share and Per Share Data) (Unaudited)			
	\$363,804	\$312,241	51,563
	87,653	84,146	3,507
	451,457	396,387	55,070
	154,706	116,463	(38,243)
	47,225	33,060	(14,165)
administrative	76,952	72,284	(4,668)
related party	18,223	14,796	(3,427)
	57,681	53,221	(4,460)
ingibles	17,693	17,787	94
enses	372,480	307,611	(64,869)
	78,977	88,776	(9,799)
se)	34	33	1
	(25,482)	(56,895)	31,413
	1,182	3,429	(2,247)
income taxes	54,711	35,343	19,368
e taxes	(22,073)	(15,167)	(6,906)
	\$32,638	\$20,176	12,462
utable to noncontrolling	(3,377)	(2,179)	1,198
able to MIC	\$36,015	\$22,355	13,660
The Redemption Amount at Maturity will be based on the Ending Level of the Reference Asset (subject to adjustments as described herein). Therefore, for example, if the closing level of the Reference Asset declined substantially as of the Calculation Date compared to the Pricing Date, the Redemption Amount at Maturity may be significantly less than it would otherwise have been had the Redemption Amount at Maturity been linked to the closing level of the Reference Asset price on the Calculation Day. Although the actual level of the Reference Asset price may fluctuate at other times during the term of the Securities may be higher than the			

Level, you will not benefit from the closing level of the Reference Asset at any time other than the Calculation Day.

If the Levels of the Reference Asset or the Reference Asset Constituent Stocks Change, the Market Value of Your Securities May Not Change in the Same Manner

Your Securities may trade quite differently from the performance of the Reference Asset or the Reference Asset constituent stocks. Changes in the levels of the Reference Asset or the Reference Asset constituent stocks may not result in a comparable change in the market value of your Securities. We discuss some of the reasons for this disparity under "—The

P-16

Price at Which the Securities may be Sold prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount They Were Originally Purchased" below.

Holding the Securities is Not the Same as Holding the Reference Asset or its Constituent Stocks

Holding the Securities is not the same as holding the Reference Asset or its constituent stocks. As a holder of the Securities, you will not be entitled to the vote or rights to receive dividends or other distributions or other rights that the Reference Asset constituent stocks would enjoy.

No Assurance that the Investment View Implicit in the Securities is Successful

It is impossible to predict with certainty whether and the extent to which the level of the Reference Asset will rise or fall. There can be no assurance that the level of the Reference Asset will rise above the Starting Level or that the percentage decline from the Starting Level to the Ending Level will not be greater than the Threshold Percentage. The Ending Level may be influenced by a complex and interrelated political, economic, financial and other factors that may affect the Reference Asset constituent stocks. You should be willing to accept the risks of the price performance of equity securities in general and the Reference Asset constituent stocks in particular, and the risk of losing most of your initial investment.

Furthermore, we cannot give you any assurance that the future performance of the Reference Asset or the Reference Asset constituent stocks will result in you receiving an amount greater than or equal to the Principal Amount of your Securities. Certain periods of historical performance of the Reference Asset or the Reference Asset constituent stocks would have resulted in you receiving less than the Principal Amount of your Securities if you had owned notes or securities similar to these Securities in the past. See "Information Regarding the Reference Asset" in this pricing supplement for further information regarding the historical performance of the Reference Asset.

The Reference Asset Reflects Price Return Only and Not Total Return

The return on your Securities is based on the performance of the Reference Asset, which reflects the changes in the market prices of the Reference Asset constituent stocks. It is not, however, linked to a "total return" index of the Reference Asset, which, in addition to reflecting those price returns, would also reflect the dividends paid on the Reference Asset constituent stocks. The return on your Securities will not include such a total return feature or dividend component.

Past Performance is Not Indicative of Future Performance

The actual performance of the Reference Asset over the life of the Securities, as well as the amount payable at maturity, may bear little relation to the performance of the Reference Asset or to the hypothetical return example set forth elsewhere in this pricing supplement. We cannot predict the future performance of the Reference Asset.

We May Sell an Additional Aggregate Principal Amount of the Securities at a Different Issue Price

We may decide to sell an additional aggregate Principal Amount of the Securities subsequent to the date of this pricing supplement. The issue price of the Securities in the subsequent sale may differ substantially (higher or lower) from the Original Offering Price you paid as provided on the cover of this pricing supplement.

Changes Affecting the Reference Asset Could Have an Adverse Effect on the Value of the Securities

The policies of STOXX Limited, the index sponsor (the "Sponsor") concerning the additions, deletions and substitutions of the Reference Asset constituent stocks, and the manner in which the Sponsor takes account of certain changes in the prices of those Reference Asset constituent stocks may adversely affect the level of the Reference Asset. The policies of the Sponsor with respect to the calculation of the Reference Asset could also adversely affect the level of the Reference Asset. The Sponsor may discontinue or suspend calculation or dissemination of the Reference Asset. Any such actions could have a material adverse effect on the value of the Securities.

**The Bank Cannot Control Actions by the Sponsor and the Sponsor's
Obligation to Consider Your Interests**

P-17

The Bank and its affiliates are not affiliated with the Sponsor and have no ability to control or predict its actions, including any errors in or discontinuance of public disclosure regarding methods or policies relating to the calculation of the Reference Asset. The Sponsor is not involved in the Securities offering in any way and has no obligation to consider your interest as an owner of the Securities in taking any actions that might negatively affect the market value of the Securities.

The Eurozone Financial Crisis Could Negatively Impact Investors' Investments in the Securities

A number of countries in the eurozone are undergoing a financial crisis that is affecting their economies, their ability to meet their sovereign financial obligations, and the confidence of their financial institutions. Countries in the eurozone that are not currently experiencing a financial crisis may do so in the future as a result of developments in other eurozone countries. The economic, political, legal, and regulatory ramifications of this financial crisis, including any legal or regulatory changes made in response to the crisis, are impossible to predict. During the crisis, the USD/EUR exchange rate may be significantly more volatile than it has been in the past (as may the exchange rate between the euro and other currencies). In response to this crisis, governments and regulatory bodies may have taken, and may in the future take, extraordinary measures to intervene in the currency markets for the euro and the economies and financial institutions of the eurozone. Increased volatility caused by the crisis and any economic, legal or regulatory changes made to address, or otherwise resulting from, the crisis and any intervention in the currency markets or eurozone economies may have an adverse effect on the USD/EUR exchange rate or the exchange rate between the euro and other currencies. There is also a possibility that more eurozone countries may cease to use the euro, which could also affect the exchange rate between the euro and other currencies and potentially the convertibility of the euro in such countries. There is also the possibility that the euro may cease to exist or the USD/EUR exchange rate may otherwise become unavailable. If these events were to happen, the closing level of the Reference Index, and the value of the Securities, could be adversely affected.

The Price at Which the Securities May Be Sold Prior to Maturity Will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased

The price at which the Securities may be sold prior to maturity will depend on a number of factors. Some of these factors include, but are not limited to, (i) current or anticipated changes in the level of the Reference Asset over the term of the Security, (ii) volatility of the level of the Reference Asset and the

perception of future volatility of the level of the Reference Asset, (iii) interest rates generally, (iv) any actual or anticipated changes in our ratings or credit spreads, (v) dividend yields on the securities included in the Reference Asset, and (vi) time remaining to maturity. In particular, because the provisions of the Security relating to the Redemption Amount at Maturity and the Capped Value behave like options, the value of the Security will vary in ways which are non-linear and may not be intuitive.

Depending on the actual or anticipated level of the Reference Asset and the relevant factors, the market value of the Securities may decrease and you may receive substantially less than 100% of the Original Offering Price if you sell your Securities prior to maturity. We anticipate that the value of the Securities will always be at a discount to the Capped Value.

The Securities Lack Liquidity

The Securities will not be listed on any securities exchange or automated quotation system. Therefore, there may be little or no secondary market for the Securities. Scotia Capital (USA) Inc. may, but is not obligated to, make a market in the Securities. Even if there is a secondary market, it may not provide sufficient liquidity to allow you to trade or sell the Securities easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the Securities, the price at which you may be able to trade the Securities is likely to depend on the price, if any, at which Scotia Capital (USA) Inc. is willing to purchase the Securities from you. If at any time Scotia Capital (USA) Inc. was not to make a market in the Securities, it is likely that there would be no secondary market for the Securities. Accordingly, you should be willing to hold your Securities to maturity.

Hedging Activities by the Bank May Negatively Impact Investors' Interests in the Securities and Cause Our Respective Interests and Those of Our Customers and Counterparties to Be Contrary to Those of Investors in the Securities

The Bank or one or more of our respective affiliates has hedged or expects to hedge the obligations under the Securities by purchasing futures and/or other financial instruments linked to the Reference Asset. The Bank or one or more of our respective affiliates also expects to adjust the hedge by, among other things, purchasing or selling any of the foregoing, and perhaps

other instruments linked to the Reference Asset or one or more of the Asset constituent stocks, at any time and from time to time, and to unhedge by selling any of the foregoing on or before the Calculation Date.

The Bank or one or more of our respective affiliates may also enter into and unwind hedging transactions relating to other basket- or index-linked Securities whose returns are linked to changes in the level or price of the Reference Asset or the Reference Asset constituent stocks. Any of these activities may adversely affect the level of the Reference Asset—directly or indirectly by affecting the price of the Reference Asset constituent stocks—therefore the market value of the Securities and the amount you will receive, if any, on the Securities. In addition, you should expect that these transactions may cause the Bank, or our respective affiliates, or our respective clients or counterparties, to have economic interests and incentives that do not align and that may be directly contrary to, those of an investor in the Securities. The Bank or our respective affiliates will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions based on the potential effect on an investor in the Securities, and may receive substantial returns with respect to these hedging activities while the value of the Securities may decline.

Market Activities by the Bank or the Underwriters for Their Own Accounts or for Their Respective Clients Could Negatively Impact Investors in the Securities

The Bank, the Underwriters and their respective affiliates provide a wide range of financial services to a substantial and diversified client base. As such, the Bank, the Underwriters and their respective affiliates may act as an investment banker, research provider, investment manager, investment adviser, market maker, trader, prime broker or lender. In those and other capacities, we and/or our affiliates and the Underwriters and/or their respective affiliates may purchase, sell or hold a broad array of investments, actively trade securities (including the Securities or other securities that we have issued), the Reference Asset constituent stocks, derivatives, loans, credit default swaps, indices and other financial instruments and products for our own accounts or for the accounts of our customers, and we and the Underwriters will have other direct or indirect interests in those securities and in other markets that may be inconsistent with your interests and may adversely affect the level of the Reference Asset and/or the value of the Securities. Any of these financial market activities may, individually or in the aggregate, have an adverse effect on the level of the Reference Asset and the market for your Securities, and you should expect that our interests and those of our affiliates and those of the Underwriters and their respective affiliates, or our or their clients or counterparties, will not always be adverse to those of investors in the Securities.

The Bank, the Underwriters and their respective affiliates regularly offer an array of securities, financial instruments and other products into the market, including existing or new products that are similar to the Securities or securities that we may issue, the Reference Asset constituent stocks or securities or instruments similar to or linked to the foregoing. Investors in the Securities should expect that the Bank, the Underwriters and their respective affiliates will offer securities, financial instruments, and other products that may compete with the Securities for liquidity or otherwise.

In addition, our and their affiliates or any dealer participating in the offering of the Securities or its affiliates may, at present or in the future, publish or disseminate reports on the Reference Asset or the Reference Asset constituent stocks. Such research is modified from time to time without notice and may, at present or in the future, express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research reports on the Reference Asset or the Reference Asset constituent stocks could adversely affect the value of the Reference Asset and, therefore, adversely affect the value of an investment and return on the Securities. You are encouraged to derive information concerning the Reference Asset from multiple sources and should not rely on the information expressed by us, the Underwriters or our or their affiliates or any participating dealer or its affiliates.

The Bank, the Underwriters and Their Respective Affiliates Regularly Provide Services to, or Otherwise Have Business Relationships with, a Broad Client Base, Which Has Included and May Include the Issuers of the Reference Asset Constituent Stocks

The Bank, the Underwriters and their respective affiliates regularly provide financial advisory, investment advisory and transactional services to a broad and substantial and diversified client base. You should assume that the Bank and the Underwriters will, at present or in the future, provide such services or otherwise engage in transactions with, among others, the issuers of the Reference Asset constituent stocks, or transact in securities or instruments or with parties that are directly or indirectly related to these entities. These services could include making loans to or equity investments in those companies, providing

P-19

advisory or other investment banking services, or issuing research reports, should expect that the Bank, the Underwriters and their respective affiliates, in providing these services, engaging in such transactions, or acting for or on behalf of accounts, may take actions that have direct or indirect effects on the Securities and other securities that the Bank may issue, the Reference Asset constituting the Securities or other securities or instruments similar to or linked to the foregoing. Such actions could be adverse to the interests of investors in the Securities. In addition, in connection with these activities, certain personnel within the Bank, the Underwriters and their respective affiliates may have access to confidential material non-public information about these parties that would not be available to investors in the Securities.

Other Investors in the Securities May Not Have the Same Interests

The interests of other investors may, in some circumstances, be adverse to the interests of investors in the Securities. Other investors may make requests or recommendations to the Bank regarding the establishment of transactions on terms that are adverse to the interests of investors in the Securities, and investors in the Securities are not required to take into account the interests of any other investor in exercising remedies, voting or otherwise acting in their capacity as noteholders. Further, other investors may enter into transactions with respect to the Securities, assets that are the same or similar to the Reference Asset, the Securities, assets referenced by the Securities (such as stocks or stock indices) or other similar assets or securities which may adversely impact the market for or value of your Securities. For example, an investor could take a short position (directly or indirectly through derivative transactions) in securities similar to your Securities or in respect of the Reference Asset.

The Calculation Agent Can Postpone the Calculation Day for the Redemption Amount if a Market Disruption Event with Respect to the Reference Asset Occurs

If the Calculation Agent determines, in its sole discretion, that, on a day that would otherwise be the Calculation Day, a market disruption event with respect to the Reference Asset has occurred or is continuing for the Reference Asset, the Calculation Day will be postponed until the first following trading day on which no market disruption event occurs or is continuing, although the Calculation Day will not be postponed by more than seven scheduled trading days. Moreover, if the Calculation Day is postponed to the last possible day, but a market disruption event occurs or is continuing on that day, that day will nevertheless be the Calculation Day, and the Calculation Agent will determine the applicable Level that must be used to determine the Redemption Amount at Maturity. Under certain circumstances, the determinations of the Calculation Agent will be confirmed by an independent expert. See "General Terms of the Securities—Unavailability of the Level of the Reference Asset on a Valuation

beginning on page PS-18 and "General Terms of the Notes—Market Events" beginning on page PS-19 and "Appointment of Independent Experts" on page PS-22, in the accompanying product prospectus supplement.

There Is No Affiliation Between Any Constituent Stock Issuers or the Sponsor and Us and We Are Not Responsible for Any Disclosure of the Other Reference Asset Constituent Stock Issuers or the Sponsors.

The Bank, the Underwriters and their respective affiliates may currently and from time to time in the future, engage in business with the issuers of the Reference Asset constituent stocks. Wells Fargo & Company, an affiliate of Wells Fargo Securities, LLC, one of the Underwriters, is one of the companies currently included in the Reference Asset. Nevertheless, none of us, the Underwriters, our or their affiliates assumes any responsibility for the accuracy or the completeness of any information about the Reference Asset or any of the Reference Asset constituent stocks. Before investing in the Securities, you should make your own investigation into the Reference Asset and the issuers of the Reference Asset constituent stocks. See the section below entitled "Information Regarding the Reference Asset" in this pricing supplement for additional information about the Reference Asset.

A Participating Dealer or its Affiliates May Realize Hedging Profits in Addition to the Concession Projected by its Proprietary Pricing Models in Addition to any Securities Concession, Creating a Further Incentive for the Participating Dealer to Sell the Securities to You.

If any dealer participating in the distribution of the Securities (referred to as a "participating dealer") or any of its affiliates conducts hedging activities in connection with the Securities, that participating dealer or its affiliate may seek to realize a projected profit from such hedging activities. If a participating dealer receives a concession for the sale of the Securities to you, this projected profit will be in addition to the concession, creating a further incentive for the participating dealer to sell the Securities to you.

P-20

Uncertain Tax Treatment

Significant aspects of the tax treatment of the Securities are uncertain. You should consult your tax advisor about your own tax situation. See "Canadian Income Tax Consequences" and "U.S. Federal Income Tax Consequences" in this pricing supplement.

Information Regarding The Reference Asset

EURO STOXX 50® Index

The following is a summary description of the EURO STOXX 50® Index (referred to in this section as the "Index") based on information obtained from the website of the Sponsor, STOXX Limited at www.stoxx.com. All information regarding the Index contained herein, including its make-up, method of calculation and changes in its components, has been derived from publicly available sources and its accuracy cannot be guaranteed. That information reflects the policies of, and is subject to change by, the index sponsor.

General Description

The EURO STOXX 50® Index is a capitalization-weighted index of 50 companies from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. The Index captures approximately 60% of the free float market capitalization of the STOXX® Total Market Index, which in turn covers approximately 95% of the free float market capitalization of the represented countries.

The Index is weighted by free float market capitalization, subject to a cap of 10% per company. Share prices are taken from each of the Exchanges on which the component shares are traded and the Index is currently updated every fifteen seconds from 9:00 a.m. to 6:00 p.m. (Central European time), in order to provide accurate information on a continuous real time basis. The level of the Index appears on Bloomberg Ticker SX5E. Additional information on the Index is available on the following website: <http://www.stoxx.com/index.html>

Composition

The following table sets forth the top ten industry sectors that comprise the Index by weight as of October 30, 2015. The historical composition of the Index does not necessarily reflect the composition of the Index in the future.

<u>Sector</u>	<u>Weight (%)</u>
---------------	-------------------

Banks	17.3%
Industrial Goods & Services	9.6%
Chemicals	9.4%
Insurance	7.8%
Health Care	7.3%
Personal & Household Goods	6.8%
Oil & Gas	6.6%
Telecommunications	6.3%
Automobiles & Parts	5.7%
Technology	5.7%

P-21

The following table sets forth the top ten companies that comprise the weight as at October 30, 2015.

<u>Company</u>	<u>Weight (%)</u>
Sanofi	4.95%
TOTAL SA	4.80%
Bayer AG	4.52%
Anheuser-Busch InBev SA/NV	3.77%
Daimler AG	3.55%
Banco Santander SA	3.29%
Allianz SE	3.28%
Siemens AG	3.20%
SAP SE	3.13%
BASF SE	3.08%

License Agreement between the Index Sponsor and the Bank

STOXX Limited (“The Sponsor”) and its licensors (the “Licensors”) relationship to the Bank, other than the licensing of the Index and the trademarks for use in connection with the Securities.

The Sponsor and the Licensors do not:

- sponsor, endorse, sell or promote the Securities;
 - recommend that any person invest in the Securities or any other security;
 - have any responsibility or liability for or make any decisions about the amount or pricing of the Securities;
 - have any responsibility or liability for the administration, management or marketing of the Securities;
 - consider the needs of the Securities or the owners of the Securities in determining, composing or calculating the Index or have any obligation to do so.
- The Sponsor and the Licensors will not have any liability in connection with the Securities. Specifically,

- The Sponsor and the Licensors do not make any warranty, express or implied, and disclaim any and all warranty about:
 - the results to be obtained by the Securities, the owner of the Securities or any other person in connection with the use of the Index and the data included in the Index;
 - the accuracy or completeness of the Index and its data;
 - the merchantability and the fitness for a particular purpose or use of the Index and its data;
- The Sponsor and the Licensors will have no liability for any errors, omissions or interruptions in the Index or its data;
- under no circumstances will The Sponsor or the Licensors be liable for any direct, indirect, profits or indirect, punitive, special or consequential damages or losses, including but not limited to, lost profits, that may be suffered by any person. The Sponsor or its Licensors knows that they might occur.

The licensing agreement between the Bank and The Sponsor is solely for the benefit of the Bank and not for the benefit of the owners of the Securities or any other parties.

P-22

Historical Information

The following table sets forth the quarterly high and low closing levels of the Reference Asset, based on daily closing levels. The closing level of the Reference Asset on November 24, 2015 was 3,409.60. ***Past performance of the Reference Asset is not indicative of the future performance of the Reference Asset.***

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
1/3/2011	3/31/2011	3,068.00	2,721.24	2,910.00
4/1/2011	6/30/2011	3,011.25	2,715.88	2,848.00
7/1/2011	9/30/2011	2,875.67	1,995.01	2,179.00
10/3/2011	12/30/2011	2,476.92	2,090.25	2,316.00
1/3/2012	3/30/2012	2,608.42	2,286.45	2,477.00
4/2/2012	6/29/2012	2,501.18	2,068.66	2,264.00
7/2/2012	9/28/2012	2,594.56	2,151.54	2,454.00
10/3/2012	12/31/2012	2,659.95	2,427.32	2,635.00
1/2/2013	3/31/2013	2,749.27	2,570.52	2,624.00
4/1/2013	6/28/2013	2,835.87	2,511.83	2,602.00
7/1/2013	9/30/2013	2,936.20	2,570.76	2,893.00
10/1/2013	12/31/2013	3,111.37	2,902.12	3,109.00
1/2/2014	3/31/2014	3,172.43	2,962.49	3,161.00
4/1/2014	6/30/2014	3,314.80	3,091.52	3,228.00
7/1/2014	9/30/2014	3,289.75	3,006.83	3,225.00
10/1/2014	12/31/2014	3,277.38	2,874.65	3,146.00
1/2/2015	3/31/2015	3,731.35	3,007.91	3,697.00
4/1/2015	6/30/2015	3,828.78	3,424.30	3,424.00
7/1/2015	9/30/2015	3,686.58	3,019.34	3,100.00
10/1/2015*	11/24/2015	3,468.21	3,069.05	3,409.60

As of the date of this pricing supplement, available information for the fourth calendar quarter of 2015 includes data for the period from October 1, 2015 through November 24, 2015. Accordingly, the "Quarterly High," "Quarterly Low" and "Quarterly Close" data indicated are for this shortened period and do not reflect complete data for the fourth calendar quarter of 2015.

P-23

The graph below illustrates the performance of the Reference Asset from January 2, 2004 through November 24, 2015. The dotted line represents a hypothetical Threshold Level of 2727.68 which is equal to 80.00% of the Ending Level of the Reference Asset on November 24, 2015. ***Past performance of the Reference Asset is not indicative of the future performance of the Reference Asset.***

We obtained the information regarding the historical performance of the Reference Asset in the tables and graph above from Bloomberg Financial Markets.

We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Financial Markets and have not undertaken an independent review or due diligence of the information. The historical performance of the Reference Asset should not be taken as an indication of its future performance, and no assurance can be given as to the future performance of the Reference Asset. We cannot give you assurance that the performance of the Reference Asset will result in any positive return on your initial investment.

P-24

Supplemental Plan of Distribution (Conflicts of Interest)

Pursuant to the terms of a distribution agreement, Scotia Capital (USA) Inc., an affiliate of The Bank of Nova Scotia, will purchase the Securities from the Bank of Nova Scotia for distribution to other registered broker-dealers or will distribute the Securities directly to investors.

Scotia Capital (USA) Inc. or one of our affiliates will purchase the aggregate Principal Amount of the Securities and as part of the distribution, will distribute the Securities to Wells Fargo Securities LLC at a discount of \$32.20 (3.22%) per \$1,000 Principal Amount of the Securities. Wells Fargo Securities, LLC will provide selected dealers, which may include Wells Fargo Advisors, LLC ("WFA"), with a selling concession of \$15.00 (1.50%) per \$1,000 Principal Amount of the Securities, and WFA will receive a distribution expense of \$0.75 (0.075%) per \$1,000 Principal Amount of the Securities for Securities sold by WFA.

In addition, Scotia Capital (USA) Inc. or another of its affiliates or agents may use this pricing supplement in market-making transactions after the initial offering of the Securities. While the Underwriters may make markets in the Securities, they are under no obligation to do so and may discontinue any market-making activities at any time without notice. See the sections titled "Supplemental Plan of Distribution" in the accompanying prospectus supplement and prospectus supplement.

The price at which you purchase the Securities includes costs that the Underwriters or their affiliates expect to incur and profits that the Bank of Nova Scotia or their affiliates expect to realize in connection with their activities related to the Securities, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops for the Securities. As a result, you may experience an immediate and substantial decline in the market value of your Securities on the Original Issue Date.

Conflicts of Interest

Each of Scotia Capital (USA) Inc., and Scotia Capital Inc. is an affiliate of the Bank and, as such, has a "conflict of interest" in this offering within the meaning of FINRA Rule 5121. In addition, the Bank will receive the gross proceeds from the initial public offering of the Securities, thus creating an additional

interest within the meaning of Rule 5121. Consequently, the offering conducted in compliance with the provisions of Rule 5121. Neither Scotia Capital (USA) Inc. nor Scotia Capital Inc. is permitted to sell Securities through an offering to an account over which it exercises discretionary authority without prior specific written approval of the account holder.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities underwriting, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financial brokerage activities. The Underwriters and their respective affiliates from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Bank, for which they may or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and may actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Bank. The Underwriters and their respective affiliates may also make investment recommendations and may express independent research views in respect of such securities and instruments and may at any time hold, or recommend to clients that they hold, long and/or short positions in such securities and instruments.

P-25

The Bank's Estimated Value of the Securities

The Bank's estimated value of the Securities set forth on the cover of this pricing supplement is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the Securities, valued using our internal funding rate for structured debt described below, and (2) the derivative or derivatives underlying the economic value of the Securities. The Bank's estimated value does not represent a minimum price which the Bank would be willing to buy your Securities in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the Bank's estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The discount is based on various factors, including other things, our view of the funding value of the Securities as well as the costs of issuance, operational and ongoing liability management costs of the Securities in comparison to those costs for our conventional fixed-rate debt. For additional information, see "Additional Risk Factors—The Bank's Estimated Value of the Securities Determined by Reference to Credit Spreads for Our Conventional Fixed-Rate Debt." The value of the derivative or derivatives underlying the economic value of the Securities is derived from the Bank's or a third party hedge provider's internal pricing models. These models are dependent on inputs such as current market prices of comparable derivative instruments and on various other factors, some of which are market-observable, and which can include volatility, interest rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, the Bank's estimated value of the Securities is determined when the terms of the Securities are set based on the conditions and other relevant factors and assumptions existing at that time. See "Additional Risk Factors—The Bank's Estimated Value Does Not Represent a Minimum Price of the Securities and May Differ from Others' Estimates."

The Bank's estimated value of the Securities will be lower than the Original Offering Price of the Securities because costs associated with selling, distributing and hedging the Securities are included in the Original Offering Price of the Securities. These costs include the selling commissions paid to the Underwriters and other affiliated or unaffiliated dealers, the projected profits that we expect to realize for assuming risks inherent in hedging our obligations under the Securities and the estimated cost of hedging our obligations under the Securities. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more than expected, or it may result in a loss. We or one or more of our affiliates may retain any profits realized in hedging our obligations under the Securities. See "Additional Risk Factors—The Bank's Estimated Value of the Securities Will Be Lower Than the Original Offering Price (Price to Public) of the Securities" in this pricing supplement.

Additional INFORMATION ABOUT THE SECURITIES

Please read this information in conjunction with the summary terms of cover of this document. Notwithstanding anything to the contrary in the accompanying product prospectus supplement for this Security, the amount you will receive at maturity will be the Redemption Amount at Maturity, calculated as provided in this pricing supplement.

Additional Information About the Terminology Used in this Pricing Supplement

This pricing supplement uses certain terminology that differs from that used in the accompanying product prospectus supplement. Please read this pricing supplement and the accompanying prospectus, prospectus supplement, and prospectus supplement with the following mapping in mind.

"Security"	The accompanying product prospectus supplement refers to a Security as a "note"
"Original Offering Price"	The accompanying product prospectus supplement refers to the Original Offering Price as the "original issue price"
"Calculation Day"	The accompanying product prospectus supplement refers to a Calculation Day as a "valuation date"
"Capped Value"	The accompanying product prospectus supplement refers to the Capped Value as the "Maximum Redemption Amount"
"Starting Level"	The accompanying product prospectus supplement refers to the Starting Level as the "Initial Level"
"Ending Level"	The accompanying product prospectus supplement refers to the Ending Level as the "Final Level"
"Redemption Amount at Maturity"	The accompanying product prospectus supplement refers to the Redemption Amount at Maturity as the "Redemption Amount at maturity"
"Threshold Level"	The accompanying product prospectus supplement refers to the Threshold Level as the "Buffer Level"
"Threshold Percentage"	The accompanying product prospectus supplement refers to the Threshold Percentage as the "Buffer Percentage"
"Sponsor"	The accompanying product prospectus supplement refers to the Sponsor as the "Index Sponsor"

P-27

Canadian Income Tax Consequences

The following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser who acquires, as a beneficial owner, Securities, including entitlement to all payments thereunder, pursuant to this initial offering by the Bank made in connection with the original offering of Securities and who, at all relevant times, for purposes of the application of the *Income Tax Act* (Canada) and the Income Tax Regulations (collectively, the "Act"), is not, and is not deemed to be, resident in Canada, deals at arm's length with the Bank and any transferee resident (or deemed to be resident) in Canada, and the purchaser disposes of Securities, does not use or hold Securities in connection with a business carried on in Canada, and is not a "specified non-resident shareholder" for purposes of the Act or a non-resident person not dealing at arm's length with the Bank, a "specified shareholder" (as defined in subsection 18(5) of the Act) or a "Non-Resident Holder". Special rules, which are not discussed in this summary, may apply to a non-Canadian holder that is an insurer carrying on an insurance business in Canada and elsewhere.

This summary is based upon the current provisions of the Act and an understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Act publicly announced by or on behalf of the Minister of Finance (Canada) on or after the date hereof (the "Proposals") and assumes that all Proposals will be enacted in the form proposed. However, no assurances can be given that the Proposals will be enacted as proposed, or at all. This summary does not otherwise take into account any changes in law or administrative practices or assessing practices, whether by legislative, administrative or judicial action, nor does it take into account tax legislation or considerations of any province, territory or country of jurisdiction, which may differ from those discussed herein.

This summary assumes that no interest paid on the Securities will be treated as interest on a debt or other obligation to pay an amount to a person with whom the purchaser does not deal at arm's length, within the meaning of the Act.

This summary is of a general nature only and is not, and is not intended to constitute, legal or tax advice to any particular holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, prospective purchasers should consult their own tax advisors having regard to the particular circumstances.

Interest paid or credited or deemed for purposes of the Act to be paid on a Security (including any amount paid at maturity in excess of the Amount and interest deemed to be paid on the Security in certain cases) on the assignment, deemed assignment or other transfer of a Security to or from any other resident or deemed resident of Canada) to a Non-Resident Holder shall not be subject to Canadian non-resident withholding tax unless any portion of such interest is contingent or dependent on the use of or production from real property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends or payable to shareholders of any class of shares of the capital stock of a corporation (“Participating Debt Interest”) subject to certain exceptions. Pursuant to the published administrative position of the CRA, no portion of interest paid or credited or deemed to be paid or credited on a Security shall be subject to Canadian non-resident withholding tax if the Security is a “Participating Debt Interest.”

No other Canadian federal taxes on income or gains will be payable by a Non-Resident Holder on interest or principal, or on proceeds received by a Non-Resident Holder on the disposition of a Security, including on a redemption, payment on maturity, repurchase or purchase for cancellation.

P-28

U.S. FEDERAL INCOME TAX CONSEQUENCES

The U.S. federal income tax consequences of your investment in the Securities are uncertain. No statutory, judicial or administrative authority directly addresses how the Securities should be treated for U.S. federal income tax purposes. In our opinion of our special tax counsel, Allen & Overy LLP, which is based on current market conditions, it would be reasonable to treat the Securities as pre-paid cash-settled derivative contracts for U.S. federal income tax purposes. Pursuant to the terms of the Securities, you agree to treat the Securities in this manner for all U.S. federal income tax purposes. If your Securities are sold, redeemed or payment on maturity in an amount equal to the difference between the amount you receive at such time and the amount that you paid for the Securities. Such gain or loss should generally be long-term capital gain or loss if you have held your Securities for more than one year.

For a more detailed discussion of the United States federal income tax consequences with respect to your Securities, you should carefully consider the discussion set forth in "Supplemental Discussion of U.S. Federal Income Tax Consequences" in the accompanying product prospectus supplement and the discussion set forth in "United States Taxation" of the accompanying prospectus. In particular, U.S. holders should review the discussion set forth in "Supplemental Discussion of U.S. Federal Income Tax Consequences—Supplemental U.S. Tax Considerations—U.S. Holders" in the product prospectus supplement and non-U.S. holders should review the discussion set forth in "Supplemental Discussion of U.S. Federal Income Tax Consequences—Supplemental U.S. Tax Considerations—Non-U.S. Holders" in the product prospectus supplement. U.S. holders should also review the discussion under "—Treasury Regulations Requiring Disclosure of Reportable Transactions" and "—Information With Respect to Foreign Financial Assets" and "—Base Erosion and Withholding and Information Reporting" under "United States Taxation" in the prospectus.

Because other characterizations and treatments are possible the timing and character of income in respect of the Securities might differ from the character described above. You should carefully review the discussion set forth in "Alternative Treatments" in the product prospectus supplement for the tax consequences of different characterizations or treatment of your Securities for U.S. federal income tax purposes. It is possible, for example, that the Internal Revenue Service ("IRS") might treat the Securities as a single debt instrument subject to the special tax rules governing contingent payment debt instruments. Alternatively, the IRS may treat the Securities as a series of derivative contracts, each of which matures on the next rebalancing date of the Reference Asset. In which case you would be treated as disposing of the Securities on each rebalancing date in return for a new derivative contract that matures on

rebalancing date, and you would recognize capital gain or loss on each rebalancing date.

The IRS has also issued a notice that may affect the taxation of the Securities. According to the notice, the IRS and the Treasury Department are actively considering whether the holder of an instrument such as the Securities will be required to accrue ordinary income on a current basis, and they are seeking comments on the subject. It is not possible to determine what guidance the IRS will ultimately issue, if any. It is possible, however, that under such guidance, the Securities will ultimately be required to accrue ordinary income on a current basis, and this could be applied on a retroactive basis. Holders are urged to consult with their tax advisors concerning the significance, and the potential impact, of the above considerations. We intend to treat the Securities for U.S. federal income tax purposes in accordance with the treatment described above unless and until such time as the Treasury Department and the IRS determine that some other treatment is more appropriate.

Non-U.S. Holders. Section 871(m) of the U.S. Internal Revenue Code (the "Code") requires withholding (up to 30%, depending on the applicable rate) on certain financial instruments to the extent that the payments or deemed payments on the financial instruments are contingent upon or determined by reference to actual or estimated U.S.-source dividends. Recently issued Treasury regulations expand the scope of withholding under Section 871(m) of the Code to apply to certain equity-linked instruments beginning: (i) January 1, 2018, in respect of instruments issued (or significantly modified) on or after January 1, 2016 and before January 1, 2017, and (ii) January 1, 2017, in respect of instruments issued (or significantly modified) on or after January 1, 2017. Accordingly, withholding pursuant to Section 871(m) of the Code generally will not be required on the Securities. If, however, withholding is required, we (and any paying agent) will not be required to pay additional amounts with respect to the amounts so withheld.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Internal Revenue Code (which are commonly referred to as "FATCA") generally impose a 30% withholding tax on certain payments, including "pass-thru" payments to non-U.S. persons if the payments are attributable to assets that give rise to U.S. source income or gain. Withholding pursuant to FATCA on such

"pass-thru" payments will commence no earlier than January 1, 2019, to recently issued final Treasury regulations and administrative guidance, withholding tax would not be imposed on payments pursuant to obligations that are executed on or before the date that is six months after the date on which Treasury regulations defining "foreign passthru payments" are published (and are not materially modified thereafter). Accordingly, FATCA withholding generally is not expected to be required on the Securities. If, however, withholding is required as a result of future guidance, we (and any payor) will not be required to pay additional amounts with respect to the amount withheld.

Significant aspects of the application of FATCA are not currently clear. Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

PROSPECTIVE PURCHASERS OF THE SECURITIES SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING, TRANSFERRING AND DISPOSING OF SECURITIES AND RECEIVING PAYMENTS ON THE SECURITIES.

VALIDITY OF THE NOTES

In the opinion of Allen & Overy LLP, when the Notes have been duly issued in accordance with the Indenture and issued and sold as contemplated in the prospectus supplement and the prospectus, the Notes will be valid, binding and enforceable obligations of the Bank, entitled to the benefits of the Indenture, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of law and applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith). This opinion is given as of the date hereof and is limited to the laws of the State of New York. This opinion is subject to customary assumptions about the Trustee's authorization, execution and delivery of the Indenture and the genuineness of signatures and to such counsel on the Bank and other sources as to certain factual matters, all as stated in the legal opinion dated November 10, 2014, which has been filed as Exhibit 4 to the Bank's Form F-3 dated November 10, 2014.

In the opinion of Osler, Hoskin & Harcourt LLP, the issue and sale of the Notes has been duly authorized by all necessary corporate action of the Bank and conforms with the Indenture, and when the Notes have been duly executed, authenticated and issued in accordance with the Indenture, the Notes

validly issued and, to the extent validity of the Notes is a matter governed by the laws of the Province of Ontario or Québec, or the laws of Canada applicable therein, will be valid obligations of the Bank, subject to applicable bankruptcy, insolvency and other laws of general application affecting creditors' rights, and equitable principles, and subject to limitations as to the currency in which judgments in Canada may be rendered, as prescribed by the Currency Conversion Law (Canada). This opinion is given as of the date hereof and is limited to the laws of the Province of Ontario and the federal laws of Canada applicable therein. In addition, this opinion is subject to customary assumptions about the truth and accuracy of the authorization, execution and delivery of the Indenture and the genuineness of the signatures and certain factual matters, all as stated in the letter of such opinion dated November 10, 2014, which has been filed as Exhibit 5.2 to the Company's Form F-3 filed with the SEC on November 10, 2014.

P-30