

## IMPORTANT NOTICE

**THIS INFORMATION MEMORANDUM MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S")) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the information memorandum attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached information memorandum (the "**Information Memorandum**"). In accessing the Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from The Bank of Nova Scotia (the "**Issuer**") as a result of such access.

**Restrictions:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

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UNDER NO CIRCUMSTANCES SHALL THIS INFORMATION MEMORANDUM CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

**Confirmation of Your Representation:** By accessing this Information Memorandum you confirm to Australia and New Zealand Banking Group Limited as arranger and dealer (the "Arranger" and "Dealer") and the Issuer, that (i) you understand and agree to the terms set out herein, (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions, (iii) you consent to delivery of the Information Memorandum by electronic transmission, (iv) you will not transmit the attached Information Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Arranger, (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Australian Covered Bonds; and (vi) you are not a "retail client" (as defined in Section 761G of the Australian Corporations Act (Cth) 2001).

You are reminded that the attached Information Memorandum has been delivered to you on the basis that you are a person into whose possession this Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Information Memorandum, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Information Memorandum by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this Information Memorandum by e-mail, your use of this

e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arranger or Dealer or any affiliate of the Arranger or Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arranger or Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Recipients of the attached document who intend to subscribe for or purchase the Australian Covered Bonds are reminded that any subscription or purchase may only be made on the basis of the information contained in this Information Memorandum.

This Information Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arranger, the Dealer, the Issuer nor any person who controls or is a director, officer, employee or agent of the Arranger, the Dealer, the Issuer nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Information Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Issuer, Scotiabank Covered Bank Guarantor Limited Partnership, Arranger, or the Dealer.

The distribution of the Information Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Arranger and the Issuer to inform themselves about, and to observe, any such restrictions.



**THE BANK OF NOVA SCOTIA**

*(a Canadian chartered bank)*

**U.S.\$15,000,000,000**

**Global Registered Covered Bond Program**

**unconditionally and irrevocably guaranteed as to payments of principal and interest by  
SCOTIABANK COVERED BOND GUARANTOR LIMITED PARTNERSHIP**

*(a limited partnership established under the laws of the Province of Ontario)*

This Information Memorandum ("**Information Memorandum**") relates to a prospective issue (the "**Issue**") by The Bank of Nova Scotia (the "**Issuer**") of Australian dollar denominated Covered Bonds ("**Australian Covered Bonds**"), except as to certain Program Terms (as defined below), governed by the law in force in New South Wales, Australia, to be issued by the Issuer in the Australian domestic wholesale capital market and guaranteed as to payments of principal and interest by Scotiabank Covered Bond Guarantor Limited Partnership (the "**Guarantor**") pursuant to the Covered Bond Guarantee, governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein, which is secured over the Portfolio and the Guarantor's other assets. Recourse against the Guarantor under the Covered Bond Guarantee is limited to the Charged Property and is subject to the applicable Priorities of Payments.

The Australian Covered Bonds will be issued under the Issuer's Global Registered Covered Bond program (the "**Program**"). This Information Memorandum should be read with the Program prospectus dated 22 January 2014, as supplemented by the first supplementary prospectus dated 5 March 2014, the second supplementary prospectus dated 6 March 2014, the third supplementary prospectus dated 22 May 2014, the fourth supplementary prospectus dated 28 May 2014, the fifth supplementary prospectus dated 28 August 2014, the sixth supplementary prospectus dated 29 August 2014 and the seventh supplementary prospectus dated 20 November 2014 (the "**Program Prospectus**"), which is (together with all documents incorporated by reference therein) deemed to be incorporated in, and form part of, this Information Memorandum.

Terms defined in the Program Prospectus have the same meaning when used in this Information Memorandum.

An investment in Australian Covered Bonds issued under the Program involves risks. See the section entitled "Risk Factors" in the Program Prospectus for a discussion of risk factors to be considered in connection with an investment in the Australian Covered Bonds.

The Australian Covered Bonds will be issued in registered uncertificated form only and will be constituted by a deed poll dated 4 December 2014 executed by the Issuer (such deed poll as modified and/or supplemented and/or restated from time to time, the "**Australian Deed Poll**"). The maximum aggregate nominal amount of all Covered Bonds outstanding at any one time under the Program will not exceed U.S.\$15,000,000,000 (or its equivalent in other currencies). The Issuer and the Guarantor may increase the Program Size in accordance with the terms of the Program Agreement described in the Program Prospectus and applicable regulatory requirements.

The holders of the Australian Covered Bonds will have the benefit of, and be subject to, the second amended and restated trust deed dated 4 December 2014 (the "**Trust Deed**") and an amended and restated agency agreement dated as of 24 September 2013 (the "**Agency Agreement**") (as supplemented by a supplemental agency agreement dated as of 4 December 2014 under which the Issuer has appointed BTA Institutional Services Australia Limited (ABN 48 002 916 396) to act as paying agent and registrar in respect of the Australian Covered Bonds (the "**Australian Agent**") (the "**Supplemental Agency Agreement**"). The Australian Deed Poll and the Australian Terms and Conditions (defined below) must be read in conjunction with the Trust Deed, the Agency Agreement, the Supplemental Agency Agreement and the other Transaction

Documents. A summary of the Program is contained in the Program Prospectus, and a summary of supplemental arrangements applicable to the Australian Covered Bonds is contained in this Information Memorandum.

The Terms and Conditions of any Australian Covered Bonds (the "**Australian Terms and Conditions**") shall be as set out in the Australian Deed Poll as supplemented, modified or replaced by the applicable Pricing Supplement (as defined in this Information Memorandum) in relation to those Australian Covered Bonds. The holders of the Australian Covered Bonds also have the benefit of, and are subject to, the Trust Deed.

The Australian Covered Bonds are not expected to be listed or admitted to trading on any stock exchange.

The Australian Covered Bonds and the related Covered Bond Guarantee described herein have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the benefit of, US persons as defined in Regulation S under the Securities Act ("**Regulation S**") except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. Accordingly, the Australian Covered Bonds are being offered only (i) in offshore transactions to non-US persons in reliance upon Regulation S and (ii) to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Australian Covered Bonds are subject to restrictions on transfer as described herein.

Neither the Issuer nor the Guarantor is a bank or an authorised deposit taking institution authorised to carry on banking business under the Banking Act 1959 of the Commonwealth of Australia (the "**Australian Banking Act**") nor are either of them supervised by the Australian Prudential Regulation Authority. The Australian Covered Bonds are neither "protected accounts" nor "deposit liabilities" within the meaning of the Australian Banking Act. Neither the Australian Covered Bonds nor the Covered Bond Guarantee are the obligations of any government and, in particular, neither are guaranteed by the Commonwealth of Australia. The Issuer is registered in Australia as a foreign company, the Guarantor is not registered as a foreign company in Australia and neither the Issuer nor the Guarantor is otherwise registered, authorised or qualified to carry on financial services or other business in Australia.

None of this Information Memorandum, the Program Prospectus or any other disclosure document in relation to the Australian Covered Bonds has been, and will not be, lodged with the Australian Securities and Investments Commission and is not, and does not purport to be, a document containing disclosure to investors for the purposes of Part 6D.2 or Part 7.9 of the Corporations Act 2001 of the Commonwealth of Australia (the "**Corporations Act**"). Neither this Information Memorandum nor the Program Prospectus is a prospectus or any other disclosure document for the purposes of the Corporations Act. Neither this Information Memorandum nor the Program Prospectus or any other disclosure document is to be provided to any 'retail client' as defined in section 761G of the Corporations Act.

Potential investors should note that (i) neither the Issuer nor the Guarantor is licenced in Australia to provide financial product advice (as that term is defined in Section 766B of the Corporations Act) in relation to the Australian Covered Bonds; (ii) the Issuer recommends that investors read this Information Memorandum in full before making a decision to acquire any Australian Covered Bonds; and there is no cooling-off regime applicable in respect of the acquisition of the Australian Covered Bonds. The offer and sale of the Australian Covered Bonds within Australia will be subject to certain restrictions set out in this Information Memorandum.

**THE AUSTRALIAN COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY CANADA MORTGAGE AND HOUSING CORPORATION ("CMHC") NOR HAS CMHC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION MEMORANDUM, THE AUSTRALIAN COVERED BONDS ARE NEITHER INSURED NOR GUARANTEED BY CMHC OR THE GOVERNMENT OF CANADA OR ANY OTHER AGENCY THEREOF.**

*Arranger and Dealer for the Issue*

**Australia and New Zealand Banking Group Limited  
(ABN 11 005 357 522)**

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## IMPORTANT NOTICE

### Terms and conditions of issue

Each issue of the Australian Covered Bonds will be made pursuant to such documentation as the Issuer may determine. An applicable pricing supplement (each a “**Pricing Supplement**”) will be issued for each Tranche or Series of Australian Covered Bonds. A Pricing Supplement will contain details of the initial aggregate principal amount, issue price, issue date, maturity date, details of interest (if any) payable together with any other terms and conditions not set out in this Information Memorandum that may be applicable to that Tranche or Series of Australian Covered Bonds.

The Issuer may also publish a supplement to the Program Prospectus, this Information Memorandum or additional Supplements which describes the issue of Australian Covered Bonds (or particular classes of Australian Covered Bonds) not otherwise described in this Information Memorandum.

### Intending purchasers to make independent investment decision and obtain tax advice

Each investor contemplating subscribing for, purchasing or otherwise dealing in any Australian Covered Bonds or any rights in respect of any Australian Covered Bonds should:

- make and rely upon (and shall be taken to have made and relied upon) its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of the Issuer;
- determine for themselves the relevance of the information contained in the Program Prospectus and this Information Memorandum, and must base their investment decision solely upon their independent assessment and such investigations as they consider necessary; and
- consult their own tax advisers concerning the application of any tax laws applicable to their particular situation.

No advice is given in respect of the legal or taxation treatment of investors or purchasers in connection with an investment in any Australian Covered Bonds or rights in respect of them and each investor should consult its own professional adviser.

### Selling restrictions and no disclosure

The distribution and use of this Information Memorandum, the Program Prospectus, including any Pricing Supplement, advertisement or other offering material, and the offer or sale of Australian Covered Bonds may be restricted by law in certain jurisdictions and intending purchasers and other investors should inform themselves about such laws and observe any such restrictions. In addition, neither the Financial Conduct Authority (the “**UK Listing Authority**”) nor any other securities regulatory authority has reviewed information contained in this Information Memorandum or the Program Prospectus in connection with the Australian Covered Bonds.

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC AS AMENDED (THE “PROSPECTUS DIRECTIVE”) FOR THIS ISSUE OF AUSTRALIAN COVERED BONDS. THE AUSTRALIAN COVERED BONDS WHICH ARE THE SUBJECT OF THIS INFORMATION MEMORANDUM ARE NOT COMPLIANT WITH THE PROSPECTUS DIRECTIVE AND DO NOT FORM PART OF THE PROGRAM PROSPECTUS, AND THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM OR THE RELEVANT PRICING SUPPLEMENT.**

For a description of certain restrictions on offers, sales and deliveries of the Australian Covered Bonds, and on distribution of this Information Memorandum, the Program Prospectus, any Pricing Supplement or other offering material relating to the Australian Covered Bonds, see “*Subscription and Sale and Transfer and Selling Restrictions*” below.

A person may not (directly or indirectly) offer for subscription or purchase or issue an invitation to subscribe for or buy Australian Covered Bonds, nor distribute or publish this Information Memorandum, the Program Prospectus or any other offering material or advertisement relating to the Australian Covered Bonds except if the offer or invitation complies with all applicable laws, regulations and directives.

### **References to credit ratings**

There may be references in the Program Prospectus to credit ratings. The ratings of certain Series of Covered Bonds to be issued under the Program may be specified in the applicable Pricing Supplement. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant assigning organisation. Each rating should be evaluated independently of any other credit rating.

*Credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.*

### **Stabilisation**

Stabilisation activities may only be carried on outside Australia and on a financial market operated outside Australia.

### **Currencies**

All references in this document to “**Australian dollars**”, “**AUD**” and “**A\$**” refer to the lawful currency for the time being of the Commonwealth of Australia, to “**Canadian dollars**”, “**CAD**” and “**C\$**” refer to the lawful currency of Canada and “**USD**”, “**U.S. dollars**” and “**U.S.\$**” refer to the lawful currency of the United States of America.

### **U.S. Foreign Account Tax Compliance Withholding**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Australian Covered Bonds are held within the Austraclear System (as defined below), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Austraclear System in respect of such Australian Covered Bonds. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer’s obligations under the Australian Covered Bonds are discharged once it has paid the Austraclear System and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the Austraclear System and custodians or intermediaries.

## STRUCTURE OVERVIEW

Australian Covered Bonds will be constituted by the Australian Deed Poll. The Australian Deed Poll is executed by the Issuer in favour of the registered holders from time to time of the Australian Covered Bonds (the "**Holders**") and in favour of the Bond Trustee, who holds the benefit of the Australian Deed Poll on trust for the Holders pursuant to the Trust Deed.

Holders will also have the benefit of, and be subject to, the Trust Deed, the Agency Agreement and the other Transaction Documents. Summaries of the principal Transaction Documents are contained on pages 9 to 18 (inclusive) of this Information Memorandum and on pages 136 to 189 (inclusive) of the Program Prospectus.

The application of the Agency Agreement to the Australian Covered Bonds is modified by the Supplemental Agency Agreement, and certain provisions of the Trust Deed have been modified to the extent they would apply to the Australian Covered Bonds. In particular, the Australian Covered Bonds are constituted by the Australian Deed Poll instead of the Trust Deed and are issued on the terms and conditions set out in the Australian Deed Poll (as reproduced in this Information Memorandum) as supplemented, modified or replaced by the applicable Pricing Supplement, instead of in the form and on the terms and conditions set out in the Program Prospectus.

The Australian Covered Bonds, the Australian Deed Poll and the Australian Terms and Conditions are governed by, and shall be construed in accordance with, the law in force in New South Wales, Australia.

The Trust Deed, the Agency Agreement (which includes the Supplemental Agency Agreement), the Covered Bond Swap Agreement and the other Transaction Documents (except for the Australian Deed Poll), are governed by, and shall be construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

The Australian Covered Bonds are not intended to be listed on any securities exchange and are intended to be entered in the system operated by Austraclear Ltd (ABN 94 002 060 773) for holding securities and the electronic recording and settling of transactions in those securities between members of that system (the "**Austraclear System**") instead of the clearing systems described in the Program Prospectus.

Australian Covered Bonds may only be offered (directly or indirectly), and applications will only be invited for the issue of Australian Covered Bonds, if:

- (a) in the case of any offer or invitation or issue made in, into or from Australia (including an offer, invitation or issue to a person in Australia or an issue entered in the Register in Australia): (i) when the offer or invitation is made the aggregate consideration payable by the offeree or invitee at the time of offer or invitation (disregarding moneys lent by the Issuer or its associates), is at least A\$500,000 (where "A\$" means the lawful currency for the time being of Australia) (or the equivalent in another currency) or the offer or invitation (including any resulting issue) does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act; (ii) the offeree or invitee is not a "retail client" as defined in section 761G of the Corporations Act; and (iii) the offer or invitation (including any resulting issue) complies with the Banking (Exemption) Order No. 82 dated 23 September 1996 promulgated by the Assistant Treasurer of Australia as if it applied to the Issuer *mutatis mutandis*; and
- (b) in all cases, the offer or invitation (and any resulting issue) is in compliance with all applicable laws, regulations or directives (including, without limitation, the laws of the jurisdiction in which the offer, invitation or issue takes place).

Persons (who must be outside Australia) who hold interests in respect of Australian Covered Bonds in smaller parcels through Euroclear or Clearstream, Luxembourg should note that they may be unable to receive a transfer of Australian Covered Bonds into their name.



## SUMMARY OF TRUST DEED AND SUPPLEMENTAL AGENCY AGREEMENT

### Trust Deed

The Trust Deed provides for the Australian Covered Bonds to be issued under and constituted by the Australian Deed Poll. Pursuant to the Trust Deed, the holders of the Australian Covered Bonds will also have the benefit of, and be subject to, certain provisions common to Covered Bonds issued under the Program and set out below (the "**Program Terms**"), as supplemented, modified or replaced in relation to any Australian Covered Bonds by the applicable Pricing Supplement. The Program Terms include summaries of, and are subject to, the provisions of the Trust Deed, the Security Agreement, the Agency Agreement and the other Transaction Documents.

As used herein, "**Tranche**" means Australian Covered Bonds which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Australian Covered Bonds together with any further Tranche or Tranches of Australian Covered Bonds which are (i) expressed to be consolidated and form a single series, and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Guarantor has, in the Trust Deed, irrevocably and unconditionally guaranteed payment of Guaranteed Amounts in respect of the Australian Covered Bonds as and when the same will become Due for Payment, but only after service of a Notice to Pay on the Guarantor following service of an Issuer Acceleration Notice on the Issuer (after the occurrence of an Issuer Event of Default) or service of a Guarantor Acceleration Notice on the Guarantor (after the occurrence of a Guarantor Event of Default) and subject to the applicable Priorities of Payments. The recourse of the Holders of Australian Covered Bonds to the Guarantor under the Covered Bond Guarantee will be limited to the Charged Property and will be subject to the applicable Priorities of Payments.

The security for the obligations of the Guarantor under the Covered Bond Guarantee and the other Transaction Documents to which it is a party has been created in and pursuant to, and on the terms set out in, an amended and restated security agreement dated on 24 September 2013 and made between the Guarantor, the Bond Trustee and certain other Secured Creditors (such security agreement as amended and/or supplemented and/or restated from time to time, the "**Security Agreement**"). The obligations of the Guarantor are secured against the Charged Property and recourse against the Guarantor is limited to the Charged Property and is subject to the applicable Priorities of Payments. The Program Terms include summaries of and are subject to, certain provisions of the Trust Deed, the Security Agreement, the Agency Agreement and the other Transaction Documents.

### Program Terms

References in these Program Terms to the Pricing Supplement are to the Pricing Supplement prepared in relation to the Australian Covered Bonds of the relevant Tranche or Series.

In respect of any Australian Covered Bonds, references herein to "**Terms and Conditions**" are to the Australian Covered Bonds Terms and Conditions and any reference herein to a "**Condition**" is a reference to the relevant Condition of the Australian Covered Bonds Terms and Conditions.

Copies of the Trust Deed, the Security Agreement, the Master Definitions and Construction Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents (other than the Program Agreement and any subscription agreements) are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the date of this Information Memorandum at 100 University Avenue, 11th Floor, Toronto, Ontario, Canada, M5J 2Y1. Copies of the applicable Pricing Supplement of the Australian Covered Bonds of each Series are obtainable during normal business hours of the specified office of the Australian Agent, and any holder of the Australian Covered Bonds must produce evidence satisfactory to the Issuer and the Bond Trustee or the Australian Agent as to its holding of Australian Covered Bonds and identity. The holders of the Australian Covered Bonds are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Security Agreement, the Master Definitions and Construction Agreement, the Agency Agreement, each of

the other Transaction Documents (other than the Program Agreement and any subscription agreements) and the applicable Pricing Supplement which are applicable to them and to have notice of each set of Pricing Supplement relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Program Terms shall bear the meanings given to them in the Trust Deed, the applicable Pricing Supplement and/or the Master Definitions and Construction Agreement made between the parties to the Transaction Documents on 24 September 2013, as amended by the amending agreements dated as of 10 July 2014, 15 August 2014 and 4 December 2014 (as the same may be amended and/or supplemented and/or restated from time to time, the "**Master Definitions and Construction Agreement**"), a copy of each of which may be obtained as described above. In the event of inconsistency between the Trust Deed and the Master Definitions and Construction Agreement, the Trust Deed will prevail and in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

## **1. Guarantee**

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same will become Due for Payment has been unconditionally (save as set out below) and irrevocably guaranteed by the Guarantor in favour of the Bond Trustee for and on behalf of the Covered Bondholders pursuant to a guarantee (the "**Covered Bond Guarantee**") in the Trust Deed. However, the Guarantor will have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts when the same will become Due for Payment under the Covered Bonds or the Trust Deed until service of a Notice to Pay by the Bond Trustee on the Guarantor (which the Bond Trustee will be required to serve following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice by the Bond Trustee on the Issuer) or, if earlier, the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice by the Bond Trustee on the Guarantor. The obligations of the Guarantor under the Covered Bond Guarantee are subject to the applicable Priorities of Payments, and subject as aforesaid, are unsubordinated obligations of the Guarantor, which are secured and subject to limitations on recourse as provided in the Security Agreement.

As security for the Guarantor's obligations under the Covered Bond Guarantee and the other Transaction Documents to which it is a party, the Guarantor has granted a security interest over all of its assets under the Security Agreement in favour of the Bond Trustee (for Covered Bondholders and on behalf of the other Secured Creditors).

## **2. Redemption and Purchase**

### **2.1 Redemption due to illegality or invalidity**

- (a) The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee, the Australian Agent (with respect to the Australian Covered Bonds) and, in accordance with Condition 13, all Covered Bondholders (which notice will be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Guarantee Loan made by it to the Guarantor under the Intercompany Loan Agreement, as a result of any change in, or amendment to, the applicable Laws or regulations or any change in the application or official interpretation of such Laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.
- (b) Australian Covered Bonds redeemed pursuant to Program Term 2.1(a) will be redeemed at their Early Redemption Amount referred to in Condition 6.7 together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### 3. Events of Default, Acceleration and Enforcement

#### 3.1 Issuer Events of Default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Program Term 3.1 means the Covered Bonds of a Series together with the Covered Bonds of any other Series constituted by the Trust Deed and/or the Australian Deed Poll) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Canadian Dollars converted into Canadian Dollars at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders will (subject in each case to being indemnified and/or secured to its satisfaction), give notice (an "**Issuer Acceleration Notice**") in writing to the Issuer that as against the Issuer (but not, for the avoidance of doubt, against the Guarantor under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond will thereupon immediately become, due and repayable at its Early Redemption Amount together with (to the extent not included in the Early Redemption Amount) accrued interest as provided in the Trust Deed if any of the following events (each, an "**Issuer Event of Default**") will occur and be continuing:

- (a) if default is made by the Issuer for a period of 10 Toronto Business Days or more in the payment of any principal or 30 days or more in the payment of any interest due in respect of the Covered Bonds or any of them; or
- (b) if the Issuer fails to perform or observe any of its other obligations not otherwise specified in subparagraph (a) above or subparagraph (f) below under the Covered Bonds or Coupons of any Series or the Trust Deed or any other Transaction Documents to which the Issuer is a party (other than the Program Agreement and any subscription agreement), but excluding any obligation of the Issuer to comply with the Asset Coverage Test or any Loan Representations and Warranties given by the Issuer thereunder or pursuant thereto, and (except where the Bond Trustee considers such failure to be incapable of remedy when no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the Issuer requiring the same to be remedied; or
- (c) if an Insolvency Event has occurred with respect to the Issuer; or
- (d) if an Asset Coverage Test Breach Notice has been served and not revoked (in accordance with the terms of the Transaction Documents) on or before the immediately succeeding Calculation Date following service of such Asset Coverage Test Breach Notice; or
- (e) if the Pre-Maturity Test in respect of any series of Hard Bullet Covered Bonds is breached less than six months prior to the Final Maturity Date of such series of Hard Bullet Covered Bonds and the Guarantor has not taken the necessary actions to cure the breach before the earlier to occur of: (i) 10 Toronto Business Days from the date that the Sellers are notified of the breach of the Pre-Maturity Test and (ii) the Final Maturity Date of that Series of Hard Bullet Covered Bonds; or
- (f) if a Ratings Trigger prescribed by the Conditions or the Transaction Documents (and not otherwise specifically provided for in this Program Term 3.1) is breached and the prescribed remedial action is not taken within the specified time period, unless, in respect of any Ratings Trigger other than the Account Bank Required Ratings, the Standby Account Bank Required Ratings, the Servicer Deposit Threshold Ratings or the Cash Management Deposit Ratings, such breach occurs at a time that the Guarantor is Independently Controlled and Governed,

*provided* that the condition, event or act described in subparagraphs (b) to (e) above will only constitute an Issuer Event of Default if the Bond Trustee has certified in writing to the Issuer and the Guarantor that such condition, event or act is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Upon the Covered Bonds becoming immediately due and payable against the Issuer pursuant to this Program Term 3.1, the Bond Trustee will forthwith serve on the Guarantor a notice to pay (the "**Notice to Pay**") pursuant to the Covered Bond Guarantee. If a Notice to Pay has been served, the Guarantor will be required to make payments of Guaranteed Amounts when the same will become Due for Payment in accordance with the terms of the Covered Bond Guarantee and the Trust Deed.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or will take such proceedings against the Issuer in accordance with the first paragraph of Program Term 3.3.

The Trust Deed provides that all funds received by the Bond Trustee from the Issuer or any liquidator or Person with similar powers appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice (the "**Excess Proceeds**"), will be deposited by the Bond Trustee on behalf of the Covered Bondholders, as soon as practicable, into the GDA Account, and following a Guarantor Event of Default and service of a Guarantor Acceleration Notice, deposited or paid in such other manner as the Bond Trustee may direct, and in either case, will be distributed in accordance with the applicable Priorities of Payments. The Excess Proceeds will thereafter form part of the Charged Property and, if deposited into the GDA Account, will be used by the Guarantor in the same manner as all other funds from time to time standing to the credit of the GDA Account and distributed in accordance with the applicable Priorities of Payments.

By subscribing for or purchasing Covered Bonds, each Covered Bondholder will be deemed to have irrevocably directed the Bond Trustee to deposit the Excess Proceeds into the GDA Account in the manner described above, or following a Guarantor Event of Default and service of a Guarantor Acceleration Notice, deposit or pay the Excess Proceeds in such other manner as the Bond Trustee may direct, *provided* that in each case, distributions thereof will be made in accordance with the applicable Priorities of Payments.

Upon deposit of any Excess Proceeds into the GDA Account, the Guarantor will be deemed to have assumed all of the obligations of the Issuer (other than the obligation to make any payments in respect of additional amounts which may become payable by the Issuer pursuant to Condition 7), and be solely liable as principal obligor, and not as a guarantor, in respect of the obligation to pay to the Covered Bondholders and/or Couponholders interest and principal in respect of Covered Bonds to which the Excess Proceeds relate (to the extent distributable to Covered Bondholders under the applicable Priorities of Payments), and the Covered Bondholders and/or Couponholders will have no rights against the Issuer with respect to payment of such Excess Proceeds.

### 3.2 **Guarantor Events of Default**

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Program Term 3.2 means the Covered Bonds of a Series together with the Covered Bonds of any other Series constituted by the Trust Deed and/or the Australian Deed Poll) then outstanding as if they were a single Series (with the nominal amount of Covered Bonds not denominated in Canadian Dollars converted into Canadian Dollars at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders will (subject in each case to being indemnified and/or secured to its satisfaction), give notice (the "**Guarantor Acceleration Notice**") in writing to the Issuer and the Guarantor, that (i) each Covered Bond of each Series is, and each Covered Bond of each Series will as against the Issuer (if not already due and repayable against the Issuer following service of an Issuer Acceleration Notice), thereupon immediately become, due and repayable at its Early Redemption Amount together with (to the extent not already included in the Early Redemption Amount) accrued interest, and (ii) all amounts payable by the Guarantor under the Covered Bond Guarantee will thereupon immediately become due

and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with (to the extent not already included in the Early Redemption Amount) accrued interest, in each case as provided in the Trust Deed and thereafter the Security will become enforceable if any of the following events (each, a "**Guarantor Event of Default**") will occur and be continuing:

- (a) if default is made by the Guarantor for a period of seven days or more in the payment of any Guaranteed Amounts which are Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount which is Due for Payment under Condition 6.1 when the Guarantor will be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or
- (b) if default is made by the Guarantor in the performance or observance of any obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series or as described in subparagraph (f) below) under the Trust Deed, the Security Agreement or any other Transaction Document (other than the obligation of the Guarantor to (i) repay the Demand Loan within 60 days of a demand therefor or an obligation to do so pursuant to the terms of the Intercompany Loan Agreement, and (ii) make a payment under a Swap Agreement if it has insufficient funds therefor) to which the Guarantor is a party, and except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the Guarantor requiring the same to be remedied; or
- (c) if an Insolvency Event has occurred with respect to the Guarantor; or
- (d) if there is a failure to satisfy the Amortisation Test (as set out in the Guarantor Agreement) on any Calculation Date following an Issuer Event of Default that is continuing; or
- (e) if the Covered Bond Guarantee is not, or is claimed by the Guarantor not to be, in full force and effect; or
- (f) if a Ratings Trigger prescribed by the Terms and Conditions or the Transaction Documents (and not otherwise specifically provided for in this Program Term 3.2) is breached and the prescribed remedial action is not taken within the specified time period, unless, in respect of any Ratings Trigger other than the Account Bank Required Ratings, the Standby Account Bank Required Ratings, the Servicer Deposit Threshold Ratings or the Cash Management Deposit Ratings, such breach occurs at a time that the Guarantor is Independently Controlled and Governed,

*provided* that the condition, event or act described in subparagraphs (b) to (e) above will only constitute a Guarantor Event of Default if the Bond Trustee has certified in writing to the Issuer and the Guarantor that such condition, event or act is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series.

Following the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice on the Guarantor, the Bond Trustee may or will take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Program Term 3.3.

Upon service of a Guarantor Acceleration Notice, the Covered Bondholders will have a claim against the Guarantor, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount in respect of each Covered Bond together with (to the extent not included in the Early Redemption Amount) accrued but unpaid interest and any other amount due under such Covered Bonds (other than additional amounts payable under Condition 7) as provided in the Trust Deed.

### **3.3 Enforcement**

The Bond Trustee may at any time, at its discretion and without further notice, take such proceedings against the Issuer or the Guarantor, as the case may be, and/or any other Person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds, the Coupons or any other Transaction Document, but it will not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Coupons or any other Transaction Document unless (i) it has been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Canadian Dollars at the relevant Covered Bond Swap Rate as aforesaid), and (ii) it has been indemnified and/or secured to its satisfaction against all liabilities to which it may thereafter render itself liable or which it may incur by so doing.

In exercising any of its powers, trusts, authorities and discretions, the Bond Trustee will, subject to applicable Law, only have regard to the interests of the Covered Bondholders of all Series and will not have regard to the interests of any other Secured Creditors.

The Bond Trustee may at any time, at its discretion and without further notice but subject to applicable Law, take such proceedings against the Guarantor and/or any other Person as it may think fit to enforce the provisions of the Security Agreement or any other Transaction Document in accordance with its terms and may, at any time after the Security has become enforceable, take such proceedings or steps as it may think fit to enforce the Security, but it will not be bound to take any such proceedings or steps unless (i) it has been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series as aforesaid) or a request in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into Canadian Dollars at the relevant Covered Bond Swap Rate as aforesaid), and (ii) it has been indemnified and/or secured to its satisfaction against all liabilities to which it may thereafter render itself liable or which it may incur by so doing. In exercising any of its powers, trusts, authorities and discretions under this paragraph, the Bond Trustee will, subject to applicable Law, only have regard to the interests of the Covered Bondholders of all Series and will not have regard to the interests of any other Secured Creditors.

No Covered Bondholder or Couponholder will be entitled to proceed directly against the Issuer or the Guarantor or to take any action with respect to the Trust Deed, any other Transaction Document, the Covered Bonds, the Coupons, or the Security unless the Bond Trustee having become bound so to proceed, fails to do so within 30 days and such failure is continuing. Notwithstanding any other provision of these Conditions, for so long as there are U.S. Registered Covered Bonds outstanding, in accordance with Section 316(b) of the Trust Indenture Act, the right of any holder to receive payment of principal and interest on the Covered Bonds on or after the due date for such principal or interest, or to institute suit for the enforcement of payment of that principal or interest, may not be impaired or affected without the consent of the holders of the Covered Bonds, provided that no such right of enforcement will exist (i) in respect of a postponement of an interest payment which has been consented to by the holders of the Covered Bonds in accordance with the Trust Deed or (ii) to the extent that the institution or prosecution of such suit or the entry of judgment therein would, under applicable Law, result in the surrender, impairment, waiver or loss of the security granted pursuant to the Trust Deed or the relevant Security Agreements upon any property subject to such security.

### **4. Meetings of Covered Bondholders, Modification, Waiver and Substitution**

Covered Bondholders, Couponholders and other Secured Creditors should note that the Issuer, the Guarantor and the Principal Paying Agent may without their consent or the consent of the Bond Trustee agree to modify any provision of any Pricing Supplement which is of a formal, minor or technical nature or is made to correct a proven or manifest error or to comply with any mandatory provisions of Law.

The Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Program Terms or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Bond Trustee and will be convened by the Issuer at the request in writing of Covered Bondholders holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. The quorum at any such meeting in respect of any Covered Bonds of any Series for passing an Extraordinary Resolution is one or more Persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more Persons being or representing Covered Bondholders of such Series whatever the nominal amount of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes the modification of any Series Reserved Matter, the quorum will be one or more Persons holding or representing not less than two thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned such meeting one or more Persons holding or representing not less than one third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series will, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series of Covered Bonds. Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Bond Trustee there is no conflict between the holders of such Covered Bonds, in which event the provisions of this paragraph will apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Program Term 3 or to direct the Bond Trustee to take any enforcement action pursuant to Program Term 3 (each a "**Program Resolution**") will only be capable of being passed at a single meeting of the holders of the Covered Bonds of all Series then outstanding. Any such meeting to consider a Program Resolution may be convened by the Issuer, the Guarantor or the Bond Trustee or by Covered Bondholders, in the case of a direction to accelerate the Covered Bonds pursuant to Program Terms 3.1 and 3.2 or to take enforcement action pursuant to Program Term 3.3, holding at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding. The quorum at any such meeting for passing a Program Resolution is one or more Persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more Persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of all Series then outstanding. A Program Resolution passed at any meeting of the Covered Bondholders of all Series will be binding on all Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders in respect of such Covered Bonds.

In connection with any meeting of the Covered Bondholders of more than one Series where such Covered Bonds are not denominated in Canadian Dollars, the nominal amount of the Covered Bonds of any Series not denominated in Canadian Dollars will be converted into Canadian Dollars at the relevant Covered Bond Swap Rate.

The Bond Trustee, the Guarantor and the Issuer may also agree, without the consent of the Covered Bondholders or Couponholders of any Series and without the consent of the other Secured Creditors (and for this purpose the Bond Trustee may disregard whether any such modification relates to a Series Reserved Matter), to:

- (a) any modification of the terms and conditions applying to Covered Bonds of one or more Series (including these Program Terms), the related Coupons or any Transaction Document provided that in the sole opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or

- (b) any modification of the terms and conditions applying to Covered Bonds of any one or more Series (including these Program Terms), the related Coupons or any Transaction Document which is in the sole opinion of the Bond Trustee of a formal, minor or technical nature or is to correct a manifest error or an error which is, in the sole opinion of the Bond Trustee, proven, or is to comply with mandatory provisions of Law.

Notwithstanding the above, the Issuer, the Guarantor and the Principal Paying Agent may agree, without the consent of the Bond Trustee, the Covered Bondholders or Couponholders or any of the other Secured Creditors, to any modification of any of the provisions of any Pricing Supplement which is of a formal, minor or technical nature or is made to correct a proven or manifest error or to comply with any mandatory provisions of Law.

The Bond Trustee may also agree, without the consent of the Covered Bondholders of any Series, and/or the related Couponholders, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds of any Series, or determine, without any such consent as aforesaid, that any Issuer Event of Default or Guarantor Event of Default or Potential Issuer Event of Default or Potential Guarantor Event of Default will not be treated as such, provided that, in any such case, it is not, in the sole opinion of the Bond Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any Series. The Bond Trustee may also agree, without the consent of the Covered Bondholders of any Series, the related Couponholders or any other Secured Creditor, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Transaction Documents, provided that, in any such case, it is not, in the sole opinion of the Bond Trustee, materially prejudicial to the interests of any of the Covered Bondholders of any Series.

Any such modification, waiver, authorisation or determination will be binding on all Covered Bondholders of all Series of Covered Bonds, the related Couponholders and the other Secured Creditors, any such modification will be notified by the Issuer to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with the relevant Terms and Conditions as soon as practicable thereafter. Notwithstanding any other provision of these Conditions, for so long as there are U.S. Registered Covered Bonds outstanding, any such modification, waiver, authorization or determination will be made in accordance with and subject to Section 316 of the Trust Indenture Act. The right of any holder of U.S. Registered Covered Bonds to receive payment of principal and interest will not be impaired unless made in accordance with Section 316 of the Trust Indenture Act,

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee will have regard to the general interests of the Covered Bondholders of each Series as a class (but will not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders (whatever their number)) and, in particular, but without limitation, will not have regard to the consequences of any such exercise for individual Covered Bondholders or the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub division thereof and the Bond Trustee will not be entitled to require, nor will any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Bond Trustee or any other Person any indemnification or payment in respect of any Tax or stamp duty consequences of any such exercise upon individual Covered Bondholders and/or Couponholders, except to the extent already provided for in Condition 7 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

Provided that the Bond Trustee has received a certificate signed by two Authorized Signatories of the Issuer and a certificate from the Guarantor stating that immediately after giving effect to the matters set out below in this paragraph, no Issuer Event of Default or Potential Issuer Event of Default (in respect of the Issuer) or Guarantor Event of Default or Potential Guarantor Event of Default (in respect of the Guarantor), respectively, has occurred and is continuing and certain other conditions as are specified in Section 21.3 of the Trust Deed are satisfied, but without the consent of the Covered Bondholders of any Series and the Coupons related thereto, or of any other Secured Creditor, another Subsidiary of the Issuer or any direct or indirect holding company of the



Issuer may assume the obligations of the Issuer as principal obligor under the Trust Deed and the other Transaction Documents in respect of all Series of Covered Bonds on the same basis. The Trust Deed provides that any such assumption will be notified to the holders of all Series of Covered Bonds (in accordance with the relevant Terms and Conditions of such Covered Bonds).

For the purposes hereof:

**"Potential Issuer Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default; and

**"Potential Guarantor Event of Default"** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a Guarantor Event of Default.

## **5. Indemnification of Bond Trustee. Contracting with the Issuer and/or the Guarantor**

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Bond Trustee is of the opinion that the interests of the Covered Bondholders of any one or more Series would be materially prejudiced thereby, the Bond Trustee will not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25 per cent. of the aggregate Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding.

The Trust Deed and the Security Agreement contain provisions for the indemnification of the Bond Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured to its satisfaction.

The Trust Deed and the Security Agreement also contain provisions pursuant to which the Bond Trustee is entitled, inter alia: (i) to enter into business transactions with the Issuer, the Guarantor and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of the Issuer's Subsidiaries; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders or Couponholders or any other Secured Creditors; and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Bond Trustee will not be responsible for any loss, expense or liability, which may be suffered as a result of any Loans or their Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar Persons on behalf of the Bond Trustee. The Bond Trustee will not be responsible for: (i) supervising the performance by the Issuer, the Guarantor or any other party to the Transaction Documents of their respective obligations under the Transaction Documents, and the Bond Trustee will be entitled to assume, until it has received written notice to the contrary, that all such Persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer, the Guarantor or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test; or (iv) monitoring whether Loans and their Related Security satisfy the Eligibility Criteria. The Bond Trustee will not be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Transaction Documents.

## 6. Rating Agency Condition

By subscribing for or purchasing Covered Bond(s), each Covered Bondholder shall be deemed to have acknowledged and agreed that a credit rating of a Series of Covered Bonds by the Rating Agencies is an assessment of credit risk and does not address other matters that may be of relevance to Covered Bondholders, including, without limitation, in the case of satisfaction of the Rating Agency Condition, whether the related action or event is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not prejudicial to, some or all of the Covered Bondholders.

In being entitled to have regard to the fact that a Rating Agency Condition has been satisfied with respect to a particular Rating Agency, each of the Issuer, the Guarantor, the Bond Trustee and the Secured Creditors (including the Covered Bondholders) is deemed to have acknowledged and agreed that the satisfaction of the Rating Agency Condition does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the Guarantor, the Bond Trustee the Secured Creditors (including the Covered Bondholders) or any other Person or create any legal relations between the Rating Agencies and the Issuer, the Guarantor, the Bond Trustee, the Secured Creditors (including the Covered Bondholders) or any other Person whether by way of contract or otherwise.

By subscribing for or purchasing Covered Bond(s), each Covered Bondholder shall be deemed to have acknowledged and agreed that:

- (a) confirmation of the satisfaction of the Rating Agency Condition, to the extent required, may or may not be given at the sole discretion of each Rating Agency;
- (b) depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide confirmation of the satisfaction of the Rating Agency Condition in the time available, or at all, and the Rating Agency shall not be responsible for the consequences thereof;
- (c) a confirmation of satisfaction of the Rating Agency Condition, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the Covered Bonds form a part; and
- (d) a confirmation of satisfaction of the Rating Agency Condition represents only a restatement of the opinions given, and shall not be construed as advice for the benefit of any Covered Bondholders or any other party.

If satisfaction of the Rating Agency Condition is a condition to any action or step under any Transaction Document or is otherwise required, or a written request for such a confirmation of satisfaction of the Rating Agency Condition is delivered to that Rating Agency by any of the Bank, the Guarantor, and/or the Bond Trustee, as applicable (each, a “**Requesting Party**”), and either (i) one or more of the Rating Agencies indicates that it does not consider satisfaction of the Rating Agency Condition necessary in the circumstances or (ii) no such confirmation or other response is received by one or more of the Rating Agencies within 30 days (or in the case of Moody's or Fitch, 10 Business Days) of the date of actual receipt of such request by such Rating Agency (each, a “**Non-Responsive Rating Agency**”), the Requesting Party will be entitled to disregard the requirement for satisfaction of the Rating Agency Condition with respect to the Non-Responsive Rating Agency and proceed on the basis of the confirmations or other responses received by each other Rating Agency on the basis that satisfaction of the Rating Agency Condition with respect to the Non-Responsive Rating Agency is not required in the particular circumstances of the request. The failure by a Rating Agency to respond to a written request for a confirmation of satisfaction of the Rating Agency Condition will not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step.

**Australian Agent and Registrar**

BTA Institutional Services Australia Limited (ABN 48 022 916 396) has been appointed by the Issuer under the Supplemental Agency Agreement to act as Issuing and Paying Agent and Registrar in respect of the Australian Covered Bonds and to carry out certain other functions in accordance with the terms and subject to the conditions set out in the Supplemental Agency Agreement.

The Issuer has also appointed AET SPV Management Pty Ltd (ABN 67 088 261 349) as its agent to receive service of process in Australia in connection with the Australian Covered Bonds.

No other agents appointed under the Transaction Documents will act as agents in respect of the Australian Covered Bonds.

## TERMS AND CONDITIONS OF THE AUSTRALIAN COVERED BONDS

*The following are the terms and conditions of the Australian Covered Bonds (the "Terms and Conditions" or the "Conditions"), which as supplemented, modified or replaced in relation to any Australian Covered Bonds by the applicable Pricing Supplement in relation to any Tranche of Australian Covered Bonds, will be applicable to each Series of Australian Covered Bonds issued under the Australian Deed Poll unless otherwise specified in the applicable Pricing Supplement. To avoid doubt these Terms and Conditions do not apply to any other Covered Bonds.*

These Terms and Conditions apply to those Covered Bonds, known as "**Australian Covered Bonds**", which are issued in registered uncertificated (or inscribed) form by The Bank of Nova Scotia (the "**Issuer**" or the "**Bank**") as part of the Issuer's Global Registered Covered Bond program (the "**Program**") and are constituted by the Deed Poll made by the Issuer dated 4 December 2014 (such deed poll as modified and/or supplemented and/or restated from time to time, the "**Australian Deed Poll**"). The Australian Covered Bonds are also issued with the benefit of, and subject to, the "**Program Terms**" set out in the Australian Information Memorandum (as defined below).

The Australian Covered Bonds take the form of entries in a register (the "**Australian Register**") established and maintained by BTA Institutional Services Australia Limited (ABN 48 022 916 396) (or such other registrar as is specified in the relevant Pricing Supplement or appointed in accordance with the Terms and Conditions or the Agency Agreement (defined below)) (the "**Australian Agent**") in Sydney, New South Wales, Australia or such other place in Australia as is agreed between the Issuer and the Australian Agent.

The Holders of the Australian Covered Bonds (as defined below) have the benefit of and are subject to:

- (a) a second amended and restated trust deed dated 4 December 2014 (such trust deed as amended, supplemented or replaced, the "**Trust Deed**") made between the Issuer, Scotiabank Covered Bond Guarantor Limited Partnership as guarantor (the "**Guarantor**") and Computershare Trust Company of Canada, as bond trustee (in such capacity, the "**Bond Trustee**" which expression shall include any successor as bond trustee); and
- (b) an amended and restated agency agreement dated as of 24 September 2013 (such agency agreement as amended, replaced or supplemented (including as supplemented by the Supplemental Agency Agreement (as defined below)), the "**Agency Agreement**") and made between the Issuer, the Guarantor, the Bond Trustee, The Bank of Nova Scotia, London Branch and The Bank of Nova Scotia - New York Agency and the other agents named therein and supplemented in relation to the Australian Covered Bonds by a supplemental agency agreement dated as of 4 December 2014 in respect of Australian Covered Bonds (the "**Supplemental Agency Agreement**") made between the Issuer and the Australian Agent pursuant to which the Australian Agent has been appointed to act as registrar and issuing and paying agent in respect of Australian Covered Bonds and, for greater certainty, pursuant to which it is confirmed that the other registrars, issuing agents, paying agents, transfer agents, exchange agents and calculation agents named therein do not act in any capacity in relation to the Australian Covered Bonds.

The Pricing Supplement may specify any other agency agreement that applies to Australian Covered Bonds issued by the Issuer.

In respect of any Australian Covered Bonds, references herein to these "Terms and Conditions" are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Pricing Supplement and any reference herein to a "**Condition**" is a reference to the relevant Condition of the Terms and Conditions of the relevant Australian Covered Bonds.

The Bond Trustee acts for the benefit of the holders for the time being of the Australian Covered Bonds (the "**Holders**" or "**Holders of the Australian Covered Bonds**", which expression shall, in relation to any Australian Covered Bonds, mean the persons whose names are for the time being entered in the Australian Register as the Holders of the Australian Covered Bonds (notwithstanding that such person may be the operator of a clearing system who holds the Australian Covered Bonds on behalf of the accountholders in that system)) and for holders of each other series of Covered Bonds in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Australian Covered Bonds which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Australian Covered Bonds together with any further Tranche or Tranches of Australian Covered Bonds which are (i) expressed to be consolidated and form a single series, and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Guarantor has, in the Trust Deed, irrevocably and unconditionally guaranteed payment of Guaranteed Amounts in respect of the Australian Covered Bonds as and when the same will become Due for Payment, but only after service of a Notice to Pay on the Guarantor following service of an Issuer Acceleration Notice on the Issuer (after the occurrence of an Issuer Event of Default) or service of a Guarantor Acceleration Notice on the Guarantor (after the occurrence of a Guarantor Event of Default) and subject to the applicable Priorities of Payments. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the Charged Property and will be subject to the applicable Priorities of Payments.

The security for the obligations of the Guarantor under the Covered Bond Guarantee and the other Transaction Documents to which it is a party has been created in and pursuant to, and on the terms set out in, an amended and restated security agreement dated 24 September 2013 and made between the Guarantor, the Bond Trustee, and certain other Secured Creditors (such security agreement as amended and/or supplemented and/or restated from time to time, the "**Security Agreement**"). The obligations of the Guarantor are secured against the Charged Property and recourse against the Guarantor is limited to the Charged Property and is subject to the applicable Priorities of Payments.

These Terms and Conditions include summaries of, and are subject to, certain provisions of the Trust Deed, the Australian Deed Poll, the Security Agreement and the Agency Agreement and the other Transaction Documents.

Copies of the Trust Deed, the Australian Deed Poll, the Security Agreement, the Master Definitions and Construction Agreement (as defined below), the Agency Agreement, the Information Memorandum, the Program Prospectus and each of the other Transaction Documents (other than the Program Agreement and any subscription agreements) are available for inspection during normal business hours at the registered office for the time being of the Australian Agent. Copies of the applicable Pricing Supplement of all Australian Covered Bonds of each Series (including in relation to unlisted Australian Covered Bonds of any Series) are obtainable during normal business hours of the specified office of the Australian Agent, by any Holder of the Australian Covered Bonds or person in whose security record the Australian Covered Bonds are credited within the Austraclear System (a "**Relevant Account Holder**") subject to producing evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the Australian Agent as to its holding of each Australian Covered Bond and identity. The Holders of the Australian Covered Bonds are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Australian Deed Poll, the Security Agreement, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction Documents (other than any dealer agreements and any subscription agreements) and the applicable Pricing Supplement.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Terms and Conditions shall bear the meanings given to them in the Trust Deed, the applicable Pricing Supplement and/or the Master Definitions and Construction Agreement made between the parties to the Transaction Documents on 24 September 2013, as amended by the amending agreements dated as of 10 July 2014, 15 August 2014 and 4 December 2014 (as the same may be amended and/or supplemented and/or restated from

time to time, the “**Master Definitions and Construction Agreement**”), a copy of each of which may be obtained as described above.

*Text included in these Terms and Conditions in italics is included for information purposes only and does not form part of these Terms and Conditions. Further information in relation to the Australian Covered Bonds and the Program may be found in the Information Memorandum dated 4 December 2014 (the “**Australian Information Memorandum**”) and the Program prospectus dated 22 January 2014, as supplemented by the first supplementary prospectus dated 5 March 2014, the second supplementary prospectus dated 6 March 2014, the third supplementary prospectus dated 22 May 2014, the fourth supplementary prospectus dated 28 May 2014, the fifth supplementary prospectus dated 28 August 2014, the sixth supplementary prospectus dated 29 August 2014 and the seventh supplementary prospectus dated 20 November 2014 (the “**Program Prospectus**”), which is annexed to and deemed to be incorporated in, and form part of, the Australian Information Memorandum.*

## **1. Form, Denomination and Title**

Australian Covered Bonds are issued in registered form and will not be serially numbered, unless otherwise agreed between the Issuer and the Australian Agent. No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an Australian Covered Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable Law or regulation.

Each entry in the Australian Register constitutes a separate and individual acknowledgement to the Bond Trustee on behalf of, and to, the relevant Holder of the indebtedness of the Issuer to the relevant Holder. The obligations of the Issuer in respect of each Australian Covered Bond constitute separate and independent obligations which the Holder to whom those obligations are owed and the Bond Trustee are entitled to enforce in accordance with (and subject to) these Conditions, the Trust Deed and the Australian Deed Poll without having to join any other Holder or any predecessor in title of a Holder.

The Australian Covered Bond is a Fixed Rate Australian Covered Bond or a Floating Rate Australian Covered Bond, depending on the Interest Basis specified in the applicable Pricing Supplement.

Australian Covered Bonds are issued in the Specified Denominations specified in the Pricing Supplement.

The Australian Covered Bonds are denominated in Australian dollars.

Title to Australian Covered Bonds passes upon entry of the transfer in the Australian Register. The Issuer shall procure that the Australian Agent keep a register or registers in which shall be entered the names and addresses of the Holders of Australian Covered Bonds and particulars of the Australian Covered Bonds held by them, together with such other details as are required to be shown on the Australian Register by, or for the effective operation of, these Terms and Conditions, by the Agency Agreement, by Law or which the Issuer and Australian Agent determine should be shown in the Australian Register.

The Australian Covered Bonds are debt obligations of the Issuer owing under the Australian Deed Poll and take the form of entries in the Australian Register. The Holders of Australian Covered Bonds also have the benefit of, and are subject to, certain provisions set forth in the Trust Deed. Each entry in the Australian Register constitutes a separate and individual acknowledgment to the Bond Trustee on behalf of, and to, the relevant Holder of Australian Covered Bonds of the indebtedness of the Issuer to the relevant Holder of Australian Covered Bonds.

The obligations of the Issuer to the Bond Trustee and each Holder of Australian Covered Bonds constitute separate and independent obligations which the Bond Trustee (or a Holder of Australian Covered Bonds in certain circumstances set out in the Trust Deed), is entitled to enforce in accordance with (and subject to) these Terms and Conditions, the Trust Deed and the Australian Deed Poll, without having to join any other Holder or any predecessor to title of a Holder.

Entries in the Australian Register in relation to an Australian Covered Bond constitute conclusive evidence that the person so entered is the registered owner of the Australian Covered Bond subject to rectification for fraud and error. No Australian Covered Bond will be registered in the name of more than four persons or in the name of an unincorporated association. Australian Covered Bonds registered in the name of more than one person are held by those persons as joint tenants.

Australian Covered Bonds will be registered by name only without reference to any trusteeship. The person registered in the Australian Register as a Holder of an Australian Covered Bond will be treated by the Issuer, the Bond Trustee and the Australian Agent as the absolute owner of that Australian Covered Bond and none of the Issuer, the Bond Trustee or the Australian Agent will, except as ordered by a court of competent jurisdiction or as required by Law, be obliged to take notice of any other claim to an Australian Covered Bond.

Upon a person acquiring title to any Australian Covered Bond by virtue of becoming registered as the Holder of that Australian Covered Bond, all rights and entitlements arising by virtue of the Australian Deed Poll, the Trust Deed, the Security Agreement, the Agency Agreement and each of the other Transaction Documents (except as otherwise required by applicable Law or regulatory requirement) in respect of that Australian Covered Bond vest absolutely in the registered owner of the Australian Covered Bond, such that no person who has previously been registered as the owner of the Australian Covered Bond has or is entitled to assert against the Issuer, the Bond Trustee or the Australian Agent or the registered Holder of the Australian Covered Bond for the time being and from time to time any rights, benefits or entitlements in respect of the Australian Covered Bond.

## **2. Transfer of Australian Covered Bonds**

An Australian Covered Bond may, upon the terms and subject to these Terms and Conditions, terms and conditions set forth in the Agency Agreement and as required by Law, be transferred in whole but not in part in accordance with this Condition 2. Unless lodged in Austraclear System, the Australian Covered Bonds will be transferable by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified by, and obtainable from, the Australian Agent. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Agent may require to prove the title of the transferor or the transferor's right to transfer the Australian Covered Bond and be signed by both the transferor and the transferee. Any such transfer will be subject to such reasonable regulations as the Issuer and the Australian Agent may from time to time prescribe (the initial such regulations being set out in the Supplemental Agency Agreement). Interests in Australian Covered Bonds entered in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.

The transferor of an Australian Covered Bond is deemed to remain the Holder of that Australian Covered Bond until the name of the transferee is entered in the Australian Register in respect of that Australian Covered Bond. Transfers will not be registered later than eight calendar days prior to the maturity date of the Australian Covered Bond.

Australian Covered Bonds may only be transferred if:

- (a) in the case of a transfer in, into or from Australia (including any transfer to or by a person in Australia or any transfer of Australian Covered Bonds entered in the Australian Register in Australia): (i) the aggregate consideration payable by the transferee at the time of transfer within Australia, is at least A\$500,000 (or the equivalent in another currency and in either case, disregarding moneys lent by the transferor or its associates to the transferee) or the offer or invitation giving rise to the transfer does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act; (ii) the transferee is not a "retail client" as defined in section 761G of the Corporations Act; and (iii) the transfer complies with Banking (Exemption) Order No. 82 dated 23 September 1996 promulgated by the Assistant Treasurer of Australia as if it applied to the Issuer *mutatis mutandis*; and
- (b) in all cases, the transfer is in compliance with all applicable laws, regulations or directives (including, without limitation, the laws of the jurisdiction in which the transfer takes place).

A transfer to an unincorporated association is not permitted.

Transfers will be registered without charge by or on behalf of the Issuer or the Australian Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer or the Australian Agent may require in respect of) any tax, duty or governmental charges (if any) which may be imposed in relation to the transfer.

A person becoming so entitled to an Australian Covered Bond as a consequence of the death or bankruptcy of a Holder of that Australian Covered Bond or a vesting order or a person administering the estate of a Holder of that Australian Covered Bond may, upon producing such evidence as to that entitlement or status as the Australian Agent considers sufficient, transfer the Australian Covered Bond or, if so entitled, become registered as the Holder of the Australian Covered Bond.

Where the transferor executes a transfer of less than all Australian Covered Bonds registered in its name, and the specific Australian Covered Bonds to be transferred are not identified, the Australian Agent may register the transfer in respect of such of the Australian Covered Bonds registered in the name of the transferor as the Australian Agent thinks fit, provided the aggregate principal amount of the Australian Covered Bonds registered as having been transferred equals the aggregate principal amount of the Australian Covered Bonds expressed to be transferred in the transfer.

### **3. Status of the Australian Covered Bonds and the Covered Bond Guarantee**

#### **3.1 Status of the Australian Covered Bonds**

The Australian Covered Bonds constitute deposit liabilities of the Issuer for purposes of the *Bank Act* (Canada) and will rank *pari passu* with all deposit liabilities of the Issuer without any preference among themselves and (save for any obligations required to be preferred by Law) at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer from time to time outstanding.

The Australian Covered Bonds will not be deposits insured under the *Canada Deposit Insurance Corporation Act* or under any other government insurance scheme of any country.

The Australian Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer.

*Neither the Issuer nor the Guarantor is a bank or an authorised deposit-taking institution authorised to carry on banking business under the Banking Act 1959 of the Commonwealth of Australia (the "Australian Banking Act") nor are either of them supervised by the Australian Prudential Regulation Authority. The Australian Covered Bonds are neither "protected accounts" nor "deposit liabilities" within the meaning of the Australian Banking Act. The Australian Covered Bonds are not the obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia.*

#### **3.2 Status of the Covered Bond Guarantee**

Pursuant to the Trust Deed, the Australian Covered Bonds have the benefit of the Covered Bond Guarantee.

*For a description of the Covered Bond Guarantee see Program Term 1 on page 10 of the Australian Information Memorandum.*

### **4. Interest**

#### **4.1 Interest on Fixed Rate Australian Covered Bonds**



Each Fixed Rate Australian Covered Bond bears interest on its Principal Amount Outstanding (as defined in Condition 4.5, but subject to Condition 4.3) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable, subject as provided in these Terms and Conditions, in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Interest Period (as defined in Condition 4.5) ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

Except where a Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest will be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction (as defined in Condition 4.5), and rounding the resultant figure to the nearest sub unit (as defined in Condition 4.5) of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Australian Covered Bond in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Australian Covered Bond will be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

The applicable Pricing Supplement may provide that if the payment of the Final Redemption Amount of a Series of Fixed Rate Australian Covered Bonds on its Final Maturity Date is deferred until the applicable Extended Due for Payment Date in accordance with the Terms and Conditions, interest will accrue and be payable on the unpaid portion of the Final Redemption Amount up to the Extended Due for Payment Date at the Rate of Interest specified in the applicable Pricing Supplement which may provide that such Series of Fixed Rate Australian Covered Bonds will continue to bear interest at a Fixed Rate or at a Floating Rate despite the fact that interest accrued and was payable on such Australian Covered Bonds prior to the Final Maturity Date at a Fixed Rate.

#### **4.2 Interest on Floating Rate Australian Covered Bonds**

##### **(a) Interest Payment Dates**

Each Floating Rate Australian Covered Bond bears interest on its Principal Amount Outstanding (subject to Condition 4.3) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date which falls the number of months or other period specified as the Interest Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date,

each such date, an "**Interest Payment Date**".

Such interest will be payable in respect of each Interest Period.

##### **(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Australian Covered Bonds will be determined in the manner specified in the applicable Pricing Supplement.

- (i) ISDA Determination for Floating Rate Australian Covered Bonds

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Floating Rate Australian Covered Bond Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent or other Person specified in the applicable Pricing Supplement under an interest rate swap transaction if the Australian Agent or that other Person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions, and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is the period specified in the applicable Pricing Supplement; and
- (C) unless otherwise stated in the applicable Pricing Supplement, the relevant Reset Date is the first day of that Interest Period.

For the purposes of this subparagraph (i), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Margin", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Australian Covered Bonds

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Floating Rate Australian Covered Bond Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) will be disregarded by the Australian Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of this subparagraph (ii), no offered quotation appears or fewer than three offered quotations appear, in each case as at the Specified Time, the Australian Agent will request each of the Reference Banks to provide the Australian Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Australian Agent with offered quotations, the Rate of Interest for the Interest Period will be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Floating Rate Australian Covered Bond Margin (if any), all as determined by the Australian Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Australian Agent with an offered quotation as provided in subparagraph (ii), the Rate of Interest for the relevant Interest Period will be the rate per annum which the Australian Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Australian Agent by the Reference Banks or any two or more of them, at which such Reference Banks offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Floating Rate Australian Covered Bond Margin (if any) or, if fewer than two of the Reference Banks provide the Australian Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Australian Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Floating Rate Australian Covered Bond Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this section, the Rate of Interest will be determined as at the last preceding Interest Determination Date (though substituting, where a different Floating Rate Australian Covered Bond Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Floating Rate Covered Bond Margin relating to the relevant Interest Period in place of the Floating Rate Covered Bond Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Australian Covered Bonds is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Australian Covered Bonds will be determined as provided in the applicable Pricing Supplement.

(iii) Bank Bill Rate Australian Covered Bonds

If the Pricing Supplement specifies the Interest Rate applicable to the Australian Covered Bonds as being Bank Bill Rate, each Australian Covered Bond shall bear interest during each Interest Period at the relevant Bank Bill Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any).

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement for a Floating Rate Australian Covered Bond specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period will be such Minimum Rate of Interest.

If the applicable Pricing Supplement for a Floating Rate Australian Covered Bond specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period will be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and Calculation of Interest Amounts

The Australian Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Australian Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Australian Covered Bonds for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

(e) Notification of Rate of Interest and Interest Amounts

The Australian Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor, the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Australian Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing or trading and to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Australian Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing or trading and to Holders of the Australian Covered Bonds in accordance with Condition 13.

(f) Determination or Calculation by Bond Trustee

If for any reason at any relevant time after the Issue Date, the Australian Agent defaults in its obligation to determine the Rate of Interest or the Australian Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or (ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Bond Trustee will determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it will think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it will deem fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee will calculate the Interest Amount(s) in such manner as it will deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Bond Trustee may appoint and rely on a determination or calculation by a calculation agent (which will be an investment bank or other suitable entity of international repute). Each such determination or calculation will be deemed to have been made by the Australian Agent.

(g) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Australian Agent or the Bond Trustee will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Australian Agent, the other Agents, the Bond Trustee and all Holders of Australian Covered Bonds and (in the absence of wilful default, negligence, bad faith or fraud) no liability to the Issuer, the Guarantor, Holders of Australian Covered Bonds will attach to the Australian Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **4.3 Interest following a Notice to Pay**

If a Notice to Pay is served on the Guarantor, the Guarantor will, in accordance with the terms of the Trust Deed, pay Guaranteed Amounts corresponding to the amounts of interest described under Condition 4.1 or 4.2 (as the case may be) under the Covered Bond Guarantee in respect of the Australian Covered Bonds on the Original Due for Payment Dates and, if applicable, the Extended Due for Payment Date in accordance with the applicable Priorities of Payments.

#### **4.4 Accrual of interest**

Interest (if any) will cease to accrue on each Australian Covered Bond (or in the case of the redemption of part only of an Australian Covered Bond, that part only of such Australian Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest will continue to accrue as provided in Condition 6.10.

#### **4.5 Business Day, Business Day Convention, Day Count Fractions and other adjustments**

In these Terms and Conditions:

- (a) "**Austraclear Regulations**" means the rules and regulations, together with any instructions or directions, established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System.
- (b) "**Austraclear System**" means the system operated by Austraclear Ltd (ABN 94 002 060 773) ("**Austraclear**") for holding securities and the electronic recording and settling of transactions in those securities between members of that system.
- (c) "**Bank Bill Rate**" if specified in the Pricing Supplement, shall mean the average mid-rate for Bills (having the meaning that term has in the *Bills of Exchange Act 1909* of the Commonwealth of Australia) having a tenor closest to the Interest Period as displayed on the BBSW page (or any replacement page) of the Reuters Monitor System on the first day of that Interest Period as determined by the Calculation Agent. However, if the average mid-rate is not displayed by 10.30am on that day, or if it is displayed but the Calculation Agent determines that there is an obvious error in that rate, "Bank Bill Rate" means the rate determined by the Calculation Agent in good faith at approximately 10.30am on that day, having regard, to the extent possible, to the mid-rate of rates otherwise bid and offered for bank accepted Bills (as defined above) of that tenor at or around that time (including any displayed on the "BBSY" page of the Reuters Monitor System).
- (d) "**Business Day**" means any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Sydney, Australia and any Additional Business Centre specified in the applicable Pricing Supplement.
- (e) If a "**Business Day Convention**" is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur, or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:
  - (i) in any case where Interest Periods are specified in accordance with Condition 4.2(a)(ii), the "**Floating Rate Convention**", such Interest Payment Date (1) in the case of (x) above, will be the last day that is a Business Day in the relevant month and the provisions of (II) below will apply *mutatis mutandis*, or (2) in the case of (y) above, will be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date will be brought forward to the immediately preceding Business Day, and (II) each subsequent Interest Payment Date will be the last Business Day in

the month which falls on the Interest Period after the preceding applicable Interest Payment Date occurred; or

- (ii) the "**Following Business Day Convention**", such Interest Payment Date will be postponed to the next day which is a Business Day; or
  - (iii) the "**Modified Following Business Day Convention**", such Interest Payment Date will be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date will be brought forward to the immediately preceding Business Day; or
  - (iv) the "**Preceding Business Day Convention**", such Interest Payment Date will be brought forward to the immediately preceding Business Day.
- (f) "**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:
- (i) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement, a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "**ICMA Rule Book**"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-U.S. Dollar denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond has been calculated for a coupon period corresponding to the Interest Period;
  - (ii) if "Actual/Actual or Actual/Actual (ISDA)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366, and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
  - (iii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
  - (iv) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
  - (v) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
  - (vi) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + D_2 - D_1}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; and

- (vii) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + D_2 - D_1}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub>, will be 30;

- (viii) if "Australian Bond Basis" or "RBA Bond Basis" is specified in the applicable Pricing Supplement, one divided by the number of Interest Payment Dates in a year (or where the Determination Period does not constitute an Interest Period, the actual number of days in the Determination Period divided by 365 (or, if any portion of the Determination Period falls in a leap year, the sum of:

(A) the actual number of days in that portion of the Determination Period falling in a leap year divided by 366; and

(B) the actual number of days in that portion of the Determination Period falling in a non-leap year divided by 365)); or

- (ix) such other Day Count Fraction as may be specified in the applicable Pricing Supplement.

- (g) "**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or

the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

- (h) "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
- (i) "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
- (j) "**Principal Amount Outstanding**" means, in respect of an Australian Covered Bond, on any day, the principal amount of that Australian Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Holder in respect thereof on or prior to that day.
- (k) If "adjusted" is specified in the applicable Pricing Supplement against the Day Count Fraction, interest in respect of the relevant Interest Period will be payable in arrears on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, as such Interest Payment Date will, where applicable, be adjusted in accordance with the Business Day Convention.
- (l) If "not adjusted" is specified in the applicable Pricing Supplement against the Day Count Fraction, interest in respect of the relevant Interest Period will be payable in arrears on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, but such Interest Payment Dates will not be adjusted in accordance with any Business Day Convention.
- (m) "**sub unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

## 5. Payments

Payments of principal and interest in respect of Australian Covered Bonds will be made in Sydney in Australian dollars to, or to the order of, the persons who, on the relevant Record Date (as defined below), are registered as the Holders of such Australian Covered Bonds or (if so required by the Bond Trustee by notice in writing following the occurrence of an Issuer Event of Default, Potential Issuer Event of Default, Guarantor Event of Default or Potential Guarantor Event of Default in accordance with the Trust Deed or following receipt by the Bond Trustee of any money which it proposes to pay under Article 11 of the Trust Deed) to the Bond Trustee, subject in all cases to all applicable laws and regulations (without prejudice to Condition 8).

Payments to Holders in respect of the Australian Covered Bonds will be made: (i) if the Australian Covered Bond is held by Austraclear and entered in the Austraclear System, by crediting on the relevant Interest Payment Date, the Maturity Date or other date on which payment is due the amount then due to the account or accounts (which must be in Australia unless otherwise agreed by the Issuer) to which payments should be made in accordance with the Austraclear Regulations or as otherwise agreed with Austraclear; and (ii) if the Australian Covered Bond is not held by Austraclear and entered in the Austraclear System, by crediting on the Interest Payment Date, the Maturity Date or other date on which payment is due, the amount then due to an account (which must be in Australia) previously notified by the Holders of the Australian Covered Bond to the Issuer and the Australian Agent.

The Issuer is regarded as having made payment on an Australian Covered Bond to an account upon the giving of all necessary instructions for the transfer of the relevant funds to the account so long as: (a) the payment is actually made in accordance with such instructions; or (b) if instructions for the transfer are not given effect to in accordance with normal banking procedures because the account does not exist or is not an account to which the relevant payment may be made or because the details of the account do not match the details recorded in the Register, the Issuer cancels the transfer instruction and pays the relevant amount to an account in Australia



specified by the relevant Holder (net of any applicable deduction or withholding) upon being furnished by the Holder with appropriate account details and evidence of entitlement satisfactory to the Issuer and the Australian Agent.

If (after the application of any applicable business day convention) any day for payment in respect of any Australian Covered Bond is not a Business Day in the city in which the account is located, such payment shall not be made until the next following day which is a Business Day, and no further interest shall be paid in respect of the delay in such payment. No commissions or expenses shall be charged to the Holders of Australian Covered Bonds in respect of such delay.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 7), any Law implementing an intergovernmental approach thereto. If at any time payment in Australia is prohibited by Law, the Issuer will nominate another place outside Australia where payment is to be made.

In this Condition, “**Business Day**” means any day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, Australia; and “**Record Date**” means, in the case of payments of principal or interest, close of business in Sydney, Australia on the date which is the eighth business day before the due date of the relevant payment of principal or interest.

Payment of any amount to the Bond Trustee shall discharge the obligation of the Issuer to pay the corresponding amount to the Holder. The Issuer's obligation may also be discharged as provided in the Trust Deed.

No commissions or expenses shall be charged to the Holders of Australian Covered Bonds in respect of such payments.

Notwithstanding the foregoing, the relevant provisions relating to the payment of Australian Covered Bonds the terms of which permit the Issuer to pay and/or discharge its obligations with respect of such Australian Covered Bonds by the payment or delivery of securities and/or other property or any combination of cash, securities and/or other property shall be set forth in the applicable Pricing Supplement. Any such payment and/or discharge shall not in any way relieve the Guarantor from its obligations with respect to any other Series of Covered Bonds or directly or indirectly afford the Holders of Australian Covered Bonds any priority over any other Series of Covered Bonds in respect of the assets of the Issuer.

Any reference in these Terms and Conditions to principal in respect of the Covered Bonds will be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Covered Bonds;
- (c) the Early Redemption Amount of the Covered Bonds, but excluding any amount of interest referred to therein;
- (d) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (e) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and

- (f) any Excess Proceeds attributable to principal which may be deposited by the Bond Trustee into the GDA Account in respect of the Covered Bonds, and following a Guarantor Event of Default and service of a Guarantor Acceleration Notice deposited or paid in such other manner as the Bond Trustee may direct.

Any reference in these Terms and Conditions to interest in respect of the Covered Bonds will be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **6. Redemption and Purchase**

### **6.1 Final redemption**

Unless previously redeemed or purchased and cancelled as specified below, each Australian Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Final Maturity Date.

Without prejudice to Program Term 3, if an Extended Due for Payment Date is specified in the applicable Pricing Supplement for a Series of Australian Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Pricing Supplement (in each case after the expiry of the grace period set out in Program Term 3.1(a)) and following service of a Notice to Pay on the Guarantor by no later than the date falling one Business Day prior to the Extension Determination Date, the Guarantor has insufficient funds available under the Guarantee Priorities of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Australian Covered Bonds on the date falling on the earlier of (a) the date which falls two Toronto Business Days after service of a Notice to Pay on the Guarantor or, if later, the Final Maturity Date (in each case after the expiry of the grace period set out in Program Term 3.2(a)), and (b) the Extension Determination Date, under the Covered Bond Guarantee, then (subject as provided below) payment of the unpaid portion of the Final Redemption Amount by the Guarantor under the Covered Bond Guarantee will be deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (a) and (b) above will be paid by the Guarantor to the extent it has sufficient funds available under the Guarantee Priorities of Payments on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date.

The Issuer will confirm to the Australian Agent as soon as reasonably practicable and in any event at least four Business Days prior to the Final Maturity Date of a Series of Australian Covered Bonds whether (a) payment will be made in full of the Final Redemption Amount in respect of a Series of Australian Covered Bonds on that Final Maturity Date or (b) payment will not be made in full of the Final Redemption Amount in respect of a Series of Australian Covered Bonds on that Final Maturity Date. Any failure by the Issuer to notify the Australian Agent will not affect the validity or effectiveness of the extension.

The Guarantor will notify the relevant Holders (in accordance with Condition 13), the Rating Agencies, the Bond Trustee and the Australian Agent as soon as reasonably practicable and in any event at least one Business Day prior to the date specified in (a) or (b) of the second preceding paragraph (as appropriate) of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Australian Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such parties will not affect the validity or effectiveness of the extension nor will any rights accrue to any of them by virtue thereof.

In the circumstances outlined above, the Guarantor will on the earlier of (a) the date falling two Toronto Business Days after service of a Notice to Pay or, if later, the Final Maturity Date (in each case after the expiry of the grace period set out in Program Term 3.2(a)), and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the funds (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priorities of Payments) *pro rata* in part

payment of an amount equal to the Final Redemption Amount of each Australian Covered Bond of the relevant Series of Australian Covered Bonds and will pay Guaranteed Amounts constituting the corresponding part of Scheduled Interest in respect of each such Australian Covered Bond on such date. The obligation of the Guarantor under the Covered Bond Guarantee to pay any amounts in respect of the balance of the Final Redemption Amount not so paid will be deferred as described above. Such failure to pay by the Guarantor will not constitute a Guarantor Event of Default.

Any discharge of the obligations of the Issuer as a result of the payment of Excess Proceeds to the Bond Trustee will be disregarded for the purposes of determining the liabilities of the Guarantor under the Covered Bond Guarantee in connection with this Condition 6.1.

## **6.2 Redemption for taxation reasons**

The Australian Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Australian Covered Bond is not a Floating Rate Australian Covered Bond) or on any Interest Payment Date (if the relevant Australian Covered Bond is a Floating Rate Australian Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13, the Holders (which notice will be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest on the relevant Australian Covered Bonds, that the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 7. Australian Covered Bonds redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 together (if appropriate) with interest accrued to (but excluding) the date of redemption.

## **6.3 Redemption at the option of the Issuer ("Issuer Call")**

If an Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given not less than 15 nor more than 30 days' notice or such other period of notice as may be specified in the applicable Pricing Supplement to the Bond Trustee, the Australian Agent, the Registrar (in the case of the redemption of Registered Covered Bonds) and, in accordance with Condition 13, the Holders (which notice will be irrevocable) redeem all or only some of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). The Issuer will be bound to redeem the Australian Covered Bonds on the date specified in such notice. In the event of a redemption of only some of the Australian Covered Bonds, such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount (if any) as specified in the applicable Pricing Supplement. In the case of a partial redemption of Australian Covered Bonds, the Australian Covered Bonds to be redeemed (the "**Redeemed Australian Covered Bonds**") will be selected individually by lot not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). No exchange of the relevant Australian Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect will be given by the Issuer to the Holders in accordance with Condition 13 at least five days (or such shorter period as is specified in the applicable Pricing Supplement) prior to the Selection Date.

## **6.4 Redemption at the option of the Covered Bondholders ("Investor Put")**

If an Investor Put is specified in the Pricing Supplement for an Australian Covered Bond, then if and to the extent specified in the applicable Pricing Supplement, upon the Holder giving to the Issuer, in accordance with Condition 13, not less than 30 nor more than 60 days' notice (which notice will be irrevocable), the Issuer will, upon the expiry of such notice provided that the Cash Manager has notified the Bond Trustee in writing that there will be sufficient funds available to pay any termination payment due to the Covered Bond Swap Provider, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part) such Australian Covered Bond on the Optional Redemption Date and at the relevant Optional

Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

To exercise the right to require redemption of an Australian Covered Bond, the Holder must deliver on any Business Day falling within the above mentioned notice period at the specified office of any Australian Agent a duly signed and completed notice of exercise of the Investor Put in the form (for the time being currently) obtainable from any specified office of any Australian Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 6.4.

It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

#### **6.5 Redemption due to illegality or invalidity**

Pursuant to the Trust Deed, the Australian Covered Bonds are also redeemable at the option of the Issuer in certain circumstances where the Transaction Documents may not be lawfully performed. The Issuer is entitled to effect such redemption under these Conditions.

*For a description of these circumstances see Program Term 2.1 on page 10 of the Australian Information Memorandum.*

#### **6.6 General**

Prior to the publication of any notice of redemption pursuant to Conditions 6.2 or 6.5, the Issuer will deliver to the Bond Trustee a certificate signed by two Authorized Signatories stating that the Issuer is entitled or required to effect such redemption and setting forth a statement of facts showing that the conditions set out in Conditions 6.2 or, as the case may be, 6.5 for such right or obligation (as applicable) of the Issuer to arise have been satisfied and the Bond Trustee will be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions set out above, in which event it will be conclusive and binding on all Holders.

#### **6.7 Early Redemption Amounts**

For the purpose of Program Terms 2.1(a) and 3 and Conditions 6.2, each Australian Covered Bond will be redeemed (unless otherwise stated in the applicable Pricing Supplement) at its Early Redemption Amount calculated at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its Principal Amount Outstanding, together with interest accrued to (but excluding) the date fixed for redemption.

#### **6.8 Purchases**

The Issuer or any of its Subsidiaries, or the Guarantor, may at any time purchase or otherwise acquire Australian Covered Bonds at any price in the open market either by tender or private agreement or otherwise. If purchases are made by tender, tenders must be in accordance with the applicable Law in which the tender is being made. Such Australian Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant Subsidiary, cancelled (except that any Australian Covered Bonds purchased or otherwise acquired by the Guarantor must immediately be cancelled).

#### **6.9 Cancellation**

All Australian Covered Bonds which are redeemed will forthwith be cancelled. All Australian Covered Bonds so cancelled and any Australian Covered Bonds purchased or otherwise acquired and cancelled pursuant to Condition 6.8 cannot be reissued or resold.

## 6.10 Late Payment

If any amount payable in respect of any Australian Covered Bond is improperly withheld or refused upon its becoming due and payable or is paid after its due date, the amount due and payable in respect of such Australian Covered Bond (the "**Late Payment**") will itself accrue interest (both before and after any judgment or other order of a court of competent jurisdiction) from (and including) the date on which such payment was improperly withheld or refused or, as the case may be, became due, to (but excluding) the Late Payment Date in accordance with the rate determined in accordance with Condition 4.1 or 4.2, as the case may be, in each case on the basis of the Day Count Fraction specified in the applicable Pricing Supplement or, if none is specified, on a 30/360 basis.

For the purpose of this Condition 6.10, the "**Late Payment Date**" will mean the earlier of:

- (i) the date which the Bond Trustee determines to be the date on which, upon further presentation of the relevant Australian Covered Bond, payment of the full amount (including interest as aforesaid) in the relevant currency in respect of such Australian Covered Bond is to be made; and
- (ii) the seventh day after notice is given to the relevant Holder (whether individually or in accordance with Condition 13) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Australian Covered Bond is available for payment,

provided that in the case of both (i) and (ii), upon further presentation thereof being duly made, such payment is made.

## 7. Taxation

All payments of principal and interest (if any) in respect of the Australian Covered Bonds by or on behalf of the Issuer or the Guarantor under the Covered Bond Guarantee, as the case may be, will be made without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by Law or regulation or administrative practice of any jurisdiction.

In the event that any payments made by the Issuer are or become subject to a withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of (i) the Government of Canada or any province, territory or political division thereof or any authority or agency therein or thereof having power to tax, or (ii) in the case of Australian Covered Bonds issued by a branch of the Issuer located outside of Canada, the country in which such branch is located or any political subdivision thereof or any authority or agency therein or thereof having power to tax, in respect of any payment of principal and interest on the Australian Covered Bonds, the Issuer will pay such additional amounts as will be necessary in order that the net amounts received by the Holders after such withholding or deduction will equal the respective amounts of principal and interest, if any, which would otherwise have been receivable in respect of the Australian Covered Bonds, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts will be payable with respect to any Australian Covered Bond presented for payment:

- (a) to, or to a third party on behalf of, a Holder who is liable to such taxes, duties, assessments or government charges in respect of such Australian Covered Bond by reason of such Holder having some connection with Canada or the jurisdiction imposing such tax otherwise than the mere holding of such Australian Covered Bond;
- (b) for which payment is made more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amount on presenting the same for payment on or before such thirtieth day;

- (c) where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC or any other Law implementing or complying with, or introduced in order to conform to, such Directive;
- (d) to, or to a third party on behalf of, a Holder of an Australian Covered Bond in respect of whom such tax, duty, assessment or governmental charge is required to be withheld or deducted by reason of such Holder of an Australian Covered Bond being a Person not dealing at arm's length (within the meaning of the Income Tax Act) with the Issuer; or
- (e) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or other charges by reason of such Holder's failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Canada of such Holder, if (i) compliance is required by Law as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other charge and (ii) the Issuer has given such Holder or, if such Holder is not the beneficial owner of the Australian Covered Bond in question, the beneficial owner of such Australian Covered Bond at least 30 days' notice that such Holder or beneficial owner will be required to provide such certification, identification, documentation or other requirement.

As used herein, the "**Relevant Date**" means the date on which payment in respect of the Australian Covered Bond first becomes due and payable but, if the full amount of the funds payable on such date has not been received by the Australian Agent or the Bond Trustee on or prior to such date, the Relevant Date will be the date on which such funds will have been so received and notice to that effect has been given to Holders in accordance with Condition 13.

If any payments made by the Guarantor under the Covered Bond Guarantee are or become subject to any withholding or deduction on account of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Canada, or in the case of Covered Bonds issued by a branch of the Issuer located outside of Canada, the country in which such branch is located or any political sub division thereof or by any authority therein or thereof having power to tax, the Guarantor will not be obliged to pay any additional amount as a consequence.

## **8. Prescription**

The Australian Covered Bonds will become void unless presented for payment within 10 years (in the case of principal) and five years (in the case of interest) in each case from the Relevant Date (as defined in Condition 7) therefor, subject in each case to the provisions of Condition 5.

The Issuer will be discharged from its obligation to pay interest on an Australian Covered Bond to the extent that a cheque which has been duly dispatched in the Specified Currency remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment.

## **9. Events of Default, Acceleration and Enforcement**

Pursuant to the Trust Deed, the Holders may take, or require the Bond Trustee to take, certain actions provided for in the Trust Deed upon the occurrence of certain Issuer Events of Default and Guarantor Events of Default specified in the Trust Deed.

*For a description of the Issuer Events of Default and Guarantor Events of Default applicable to the Australian Covered Bonds and the action that may be taken under the Trust Deed or other Transaction Documents see Program Terms 3.1, 3.2 and 3.3 pages 11 to 14 (inclusive) of the Australian Information Memorandum.*

**10. [Reserved]**

**11. The Australian Agent and Calculation Agent**

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of the Australian Agent and the Calculation Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be an Australian Agent and, if required by the Pricing Supplement, a Calculation Agent; and
- (b) the Issuer will, so long as any Australian Covered Bond is outstanding, maintain an Australian Agent and, if required by the Pricing Supplement, a Calculation Agent (which may be the Australian Agent) having a specified office in a city in New South Wales or Melbourne, Australia approved by the Bond Trustee.

In acting under the Agency Agreement, the Australian Agent and Calculation Agent act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Holder of any Australian Covered Bonds. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

**12. [Reserved]**

**13. Notices**

Notices to Holders shall be published in a leading daily newspaper of general circulation in Australia. It is expected that such notices will normally be published in The Australian Financial Review. Any such notice will be deemed to have been validly given to the Holders on the date of such publication.

Notices to Holders will also be deemed to be validly given if sent by first class mail (or equivalent) or, if posted to an overseas address, by air mail to them (or, in the case of joint Holders, to the first named in the Australian Register) at their respective addresses as recorded in the Australian Register, and will be deemed to have been given on the fourth day after the date of such mailing.

Notwithstanding the foregoing provisions of this Condition 13, if the Australian Covered Bond is held by Austraclear and entered in the Austraclear System, notices to Holders may, or a copy of any notice published or given in accordance with foregoing provisions of this Condition 13 must, be physically delivered to Austraclear for communication by Austraclear to the persons shown in their records as having interests in the Australian Covered Bond.

**14. Meetings of Covered Bondholders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of the Holders of the Australian Covered Bonds and other covered bonds issued under the Program to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The rights of Holders under these Terms and Conditions are subject to modification, waiver or other action pursuant to these provisions.

*For a description of the meeting provisions see Program Term 4 on pages 14 to 17 (inclusive) of the Australian Information Memorandum.*

**15. Indemnification of Bond Trustee. Contracting with the Issuer and/or the Guarantor**

The Trust Deed and the Security Agreement contain provisions for the indemnification of the Bond Trustee and for relief from responsibility and certain other matters pertaining to the Bond Trustee, including provisions relieving the Bond Trustee from taking any action unless indemnified and/or secured to the satisfaction of the Bond Trustee.

*For a description of the provisions relating to the indemnity of the Bond Trustee see Program Term 5 on pages 17 to 18 of the Australian Information Memorandum.*

**16. Further Issues**

The Issuer will be at liberty from time to time (but subject to these Terms and Conditions), without the consent of the Holders of any Australian Covered Bonds or any Secured Creditors to create and issue further Australian Covered Bonds having the same terms and conditions as such Australian Covered Bonds of any Series or the same in all respects and guaranteed by the Guarantor save for the amount and date of the first payment of interest thereon, Issue Date and/or Issue Price and so that the same will be consolidated and form a single Series with the outstanding Australian Covered Bonds of such Series.

**17. Rating Agency Condition**

*For a description of the provisions relating to the Rating Agency Condition see Program Term 6 pages 18 to 19 of the Australian Information Memorandum.*

**18. Governing Law and Jurisdiction**

The Trust Deed, the Agency Agreement (which has been supplemented by the Supplemental Agency Agreement), the Covered Bonds (other than the Australian Covered Bonds), the Coupons, the Interest Rate Swap Agreement, the Covered Bond Swap Agreement, the Program Agreement (other than the Underwriting Agreement), the Security Agreement, the Mortgage Sale Agreement, the Servicing Agreement, the Guarantor Agreement, the Intercompany Loan Agreement, the Subordinated Loan Agreement, the Cash Management Agreement, the Asset Monitor Agreement, the Bank Account Agreement, the Standby Bank Account Agreement, the Guaranteed Investment Contract and the Standby Guaranteed Investment Contract will be governed by and construed in accordance with, the Laws of the Province of Ontario and the federal Laws of Canada applicable therein, unless otherwise indicated.

The Australian Covered Bonds, the Australian Deed Poll and these Terms and Conditions are governed by, and shall be construed in accordance with, the Law in force in New South Wales, Australia.

In the case of Australian Covered Bonds, the Issuer has irrevocably agreed for the benefit of Holders that the courts of New South Wales, Australia and courts of appeal from them are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Australian Covered Bonds, the Australian Deed Poll and these Terms and Conditions and that accordingly any suit, action or proceedings arising out of or in connection with the Australian Covered Bonds, the Australian Deed Poll and these Terms and Conditions (together referred to as "**Australian Proceedings**") may be brought in such courts.

For so long as any Australian Covered Bonds are outstanding, the Issuer will maintain an agent (originally as specified in the relevant Pricing Supplement) to accept service of process on its behalf in New South Wales in respect of any legal action or proceedings as may be brought in the courts of New South Wales, Australia or the federal courts of Australia. If such agent ceases to act the Issuer will appoint another agent.



## **SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS**

In addition to the selling restrictions set forth in the Program Prospectus, the Managers will be required to represent and agree to the following in relation to the Australian Covered Bonds.

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Program or the Covered Bonds has been, or will be, lodged with the Australian Securities and Investments Commission (ASIC). The Dealer has represented and agreed that it:

- (a) has not (directly or indirectly) made or invited, and will not make or invite, an offer of the Covered Bonds for issue, purchase or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any prospectus, offering circular or any other offering material or advertisement relating to the Covered Bonds in Australia,

unless (a) the aggregate consideration payable by each offeree or invitee in Australia (including any person who receives an offer or invitation or offering materials in Australia) is at least A\$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates), or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act, (b) such action complies with all applicable laws, regulations and directives in Australia (including without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act), (c) such action does not require any document to be lodged with ASIC, and (d) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act.

In addition, the Dealer has agreed that it will comply with the directive issued by the Assistant Treasurer of the Commonwealth of Australia dated 23rd September, 1996 as contained in Banking (Exemption) Order No. 82 which requires all offers and transfers to be in parcels of not less than A\$500,000 in aggregate principal amount. Banking (Exemption) Order No. 82 does not apply to transfers which occur outside Australia.

For the purposes of this selling restriction, the Covered Bonds include interests or rights in the Covered Bonds held in the Austraclear System or any other clearing system.

Transfers of Australian Covered Bonds are subject to the further limitations and restrictions specified in the Terms and Conditions (see Condition 2).

The Australian Covered Bonds may also be offered in jurisdictions outside Australia. Any such offers shall be subject to the restrictions on offer or sales of Covered Bonds, or on the distribution of any offering materials in relation to the Covered Bonds, described in the Program Prospectus, the Pricing Supplement and the applicable laws and directives of such jurisdiction.

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