IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW).

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE *U.S. SECURITIES ACT OF 1933*, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OR "BLUE SKY" LAWS OF ANY STATE OR OTHER JURISDICTION OF THE U.S. AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. NOR TO, OR FOR THE ACCOUNT OR BENEFIT OF, "U.S. PERSONS" (AS DEFINED IN **REGULATION S** UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. CERTAIN OF THE SECURITIES WILL BE OFFERED AND SOLD IN THE UNITED STATES TO A LIMITED NUMBER OF "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE **SEC**) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accepting this e-mail and accessing the Prospectus, you shall be deemed to have confirmed and represented to us that (a) you understand and agree to the terms set out herein, (b) you consent to delivery of the Prospectus by electronic transmission, (c) you are either (i) not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the e-mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia or (ii) a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments and qualifying as investment professional under Article 19 of the *Financial Services and Markets Act (Financial Promotion) Order 2005* (the **Order**) or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Order.

This Prospectus has been sent to you in 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 Bank of Nova Scotia, Scotiabank Covered Bond Guarantor Limited Partnership, the Arrangers (as defined below), the relevant Dealer(s) (as defined below) nor any person who controls any of them nor any director, officer, employee or agent of any of them nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from The Bank of Nova Scotia, Scotiabank Covered Bond Guarantor Limited Partnership, the Arrangers or the relevant Dealer(s).

THE BANK OF NOVA SCOTIA

(*a Canadian chartered Bank*)

CAD100,000,000,000
Global Registered Covered Bond Program
unconditionally and irrevocably guaranteed as to payments of interest and principal by
SCOTIABANK COVERED BOND GUARANTOR LIMITED PARTNERSHIP

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

Under this CAD100 billion covered bond program (the **Program**), The Bank of Nova Scotia (the **Bank** or the **Issuer**), as issuer subject to compliance with all relevant laws, regulations and directives, may from time to time issue Covered Bonds denominated in any currency agreed between the Bank and the relevant Dealers. This Prospectus replaces and supersedes any prospectus or supplement with an earlier date.

The payments of all amounts due in respect of the Covered Bonds have been (save as set out herein) unconditionally and irrevocably guaranteed by Scotiabank Covered Bond Guarantor Limited Partnership (the **Guarantor**) pursuant to the Covered Bond Guarantee which is secured over the Portfolio (as defined elsewhere in this Prospectus) and the Guarantor's other assets. Recourse against the Guarantor under the Covered Bond Guarantee is limited to the Portfolio and such assets and is subject to the applicable Priority of Payments.

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers as specified under *Selling Restrictions* herein and to any additional Dealers appointed under the Program from time to time by the Bank, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "relevant Dealers" will, in the case of an issue of Covered Bonds which are to be subscribed for or purchased by one or more Dealers, be to all Dealers agreeing to subscribe for or purchase such Covered Bonds.

The aggregate principal amount of Covered Bonds outstanding will not exceed CAD100 billion or the equivalent in other currencies. The Bank and the Guarantor may increase the "Program Size" in accordance with the terms of the Program Agreement and applicable regulatory requirements.

This Prospectus has been approved by the United Kingdom (the **UK**) Financial Conduct Authority (the **FCA**) as competent authority under Regulation (EU) 2017/1129 (as amended) of the European Parliament and of the Council of 14 June 2017 as it forms part of the domestic law of the UK by virtue of the *European Union (Withdrawal) Act 2018* (as amended, the **EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and such an approval should not be considered as an endorsement of the Issuer, the Guarantor or the quality of any Covered Bonds that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in such Covered Bonds. This Prospectus is valid for a period of 12 months from the date of approval. Applications have been made for Covered Bonds (other than Exempt Covered Bonds) to be admitted during the period of 12 months from the date of approval of this Prospectus to listing on the Official List of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Covered Bonds to be admitted to trading on the Main Market of the London Stock Exchange plc (the **Main Market**).

Additionally, application has been made for Exempt Covered Bonds to be admitted to trading on the International Securities Market of the London Stock Exchange (the ISM).

The ISM is not a regulated market for the purposes of Regulation (EU) No 600/2014 (as amended) as it forms part of the domestic law of the UK by virtue of the EUWA (UK MiFIR). The ISM is a market designated for professional investors. Exempt Covered Bonds which are designated in the relevant Pricing Supplement as being admitted to trading on the ISM (ISM Covered Bonds) are not admitted to listing on the Official List. Such Exempt Covered Bonds do not form part of the Base Prospectus (as defined below) and in relation to such Exempt Covered Bonds neither the FCA nor the London Stock Exchange plc has approved, reviewed or verified the contents of this Prospectus.

The relevant Final Terms Document (or Pricing Supplement, as the case may be) (each as defined below) will state on which market(s) the relevant Covered Bonds will be admitted to trading, if any.

The Main Market is a regulated market for the purposes of UK MIFIR. Exempt Covered Bonds (as defined below) may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to any Series. Exempt Covered Bonds which are neither listed nor admitted to trading on any market may also be issued. References in this Prospectus to Covered Bonds being "listed" (and all related references) shall mean (i) in relation to Covered Bonds other than Exempt Covered Bonds, that such Covered Bonds have been admitted to trading on the Main Market and have been admitted to the Official List and (ii) in relation to Exempt Covered Bonds, that such Exempt Covered Bonds have been listed or admitted to trading on the ISM or such other stock exchange or market as may be specified in the applicable Pricing Supplement (which will not be a regulated market for the purposes of UK MiFIR).

The price and amount of each Tranche of Covered Bonds to be issued under the Program will be determined by the Bank and each relevant Dealer at the time of issue in accordance with prevailing market conditions. Notice of the aggregate nominal amount of interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which are applicable to each Tranche of Covered Bonds will be set out in a Final Terms Document for that Tranche, or the Pricing Supplement with respect to Covered Bonds to be listed on the London Stock Exchange, which will be delivered to the FCA and the London Stock Exchange on or before the date of issue of such Tranche of Covered Bonds.

The Bank and the Guarantor may agree with any Dealer and the Bond Trustee that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds described herein, in which event a supplementary prospectus or stand-alone prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

The Bank is a registered issuer and this Program is a registered program under Part I.1 of the *National Housing Act* (Canada) and the Canadian Registered Covered Bond Programs Guide (as amended from time to time, the ***Guide***) published by Canada Mortgage and Housing Corporation (**CMHC**). CMHC is the administrator of the Canadian covered bond legal framework under Part I.1 of the *National Housing Act* (Canada). The Covered Bonds will be registered covered bonds under Part I.1 of the *National Housing Act* (Canada) and the Guide.

THE COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY CMHC NOR HAS CMHC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. THE COVERED BONDS ARE NEITHER INSURED NOR GUARANTEED BY CMHC OR THE GOVERNMENT OF CANADA OR ANY OTHER AGENCY THEREOF.

NONE OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

AN INVESTMENT IN THE COVERED BONDS IS NOT SUBJECT TO RESTRICTION UNDER THE U.S. VOLCKER RULE AS AN INVESTMENT IN AN OWNERSHIP INTEREST IN A COVERED FUND.

The requirement to publish a prospectus under the UK Prospectus Regulation only applies to Covered Bonds which are to be admitted to trading on a regulated market in the UK and/or offered to the public in the UK other than in circumstances where an exemption is available under section 86 of the FSMA (as defined on page 4 of the Prospectus). The requirement to publish a prospectus under Regulation (EU) 2017/1129, as amended (the **EU Prospectus Regulation**) only applies to Covered Bonds which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Articles 1(4) and/or 3(2) of the EU Prospectus Regulation. References in this Prospectus to Exempt Covered Bonds (**Exempt Covered Bonds**) are to Covered Bonds for which no prospectus is required to be published under the FSMA. Exempt Covered Bonds do not form part of the Base Prospectus (as defined below) and the FCA has neither approved nor reviewed information contained in this Prospectus in connection with the Exempt Covered Bonds. All Covered Bonds will have the benefit of the Covered Bond Guarantee and share equally in the Security granted by the Guarantor in respect of the Charged Property.

See Risk Factors on page 32 for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

The Covered Bonds will constitute deposit liabilities of the Bank for purposes of the *Bank Act* (Canada): see *Terms and Conditions of the Covered Bonds - Events of Default, Acceleration and Enforcement -Issuer Events of Default* and —*Meetings of Covered Bondholders, Modification, Waiver and Substitution*. The Covered Bonds will rank *pari passu* with all deposit liabilities of the Bank 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 Bank from time to time outstanding. The Covered Bonds will not be deposits insured under the *Canada Deposit Insurance Corporation Act* or under any other governmental insurance scheme of any country. The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank: see *Terms and Conditons of the Covered Bonds - Events of Default, Acceleration and Enforcement—Issuer Events of Default* and —*Meetings of Covered Bondholders, Modification, Waiver and Substitution*.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the *U.S. Securities Act of 1933*, as amended (the **Securities Act**), and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons unless (a) such securities are registered under the Securities Act or (b) such offer or sale is made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Covered Bonds are being offered only (i) in offshore transactions to non-U.S. persons in reliance upon Regulation S under the Securities Act (**Regulation S**) and (ii) to qualified institutional buyers (**QIBs**) in reliance upon Rule 144A under the Securities Act (**Rule 144A**). See *Forms of the Covered Bonds* for a description of the manner in which Covered Bonds will be issued. Registered Covered Bonds (as defined below) are subject to certain restrictions on transfer. See *Selling Restriction*. Covered Bonds in bearer form may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of U.S. persons, except in certain transactions permitted by U.S. tax regulations.

The Covered Bonds issued under the Program are expected on issue to be assigned an "AAA" rating by Fitch Ratings, Inc (**Fitch**) an "Aaa" rating by Moody's Investors Service, Inc (**Moody's USA**) and an "AAA" rating by DBRS Limited (**DBRS**). In addition, each of Fitch, Moody's Canada Inc (**Moody's Canada**), Standard & Poor's Ratings Services, a Division of S&P Global Canada Corp (**S&P Canada**) and DBRS has provided issuer ratings for the Issuer as specified herein. 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 assigning rating organization. Whether or not each credit rating applied for in relation to the relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union (the **EU**) or the UK and registered under Regulation (EC) No. 1060/2009 (as amended) (the **EU CRA Regulation**) or, in relation to the UK, such regulation as it forms part of the domestic law of the UK by virtue of the EUWA (the **UK CRA Regulation**) (and together with the EU CRA Regulation, the **CRA Regulations** and each **a relevant CRA Regulation**) will be disclosed in the Final Terms Document or the Pricing Supplement. In general, EU regulated investors are restricted from using a rating for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). In general, UK investors are restricted from using a rating for regulatory purposes, unless such ratings are issued by a credit rating agency established in the UK and registered under the UK CRA Regulation (and such registration has not been withdrawn or suspended). Each of Fitch, Moody's USA, Moody's Canada, S&P Canada and DBRS Limited is not established in the EU or the UK and has not applied for registration under the relevant CRA Regulation. However, Fitch Ratings Ireland Limited, Moody's Deutschland GmbH., S&P Global Ratings Europe Limited and DBRS Ratings GmbH, which are established and registered in the EU, will endorse the ratings of Fitch, Moody's USA, Moody's Canada, S&P Canada and DBRS, respectively, for purposes of the EU CRA Regulation and are, as at the date of this Prospectus, included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the EU CRA Regulation. Fitch Ratings Limited, Moody's Investors Service Limited, S&P Global Ratings UK Limited and DBRS Ratings Limited, which are established and registered in the UK, will endorse the same ratings for purposes of the UK CRA Regulation, and are, as at the date of this Prospectus, included in the list of credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation. Ratings issued in Canada or the United States which have been endorsed by Fitch Ratings Ireland Limited, Moody's Deutschland GmbH., S&P Global Ratings Europe Limited and DBRS Ratings GmbH, may be used in the EU by the relevant market participants. Ratings issued in Canada or the United States which have been endorsed by Fitch Ratings Limited, Moody's Investors Service Limited, S&P Global Ratings UK Limited and DBRS Ratings Limited may be used in the UK by the relevant market participants.

Amounts payable on Floating Rate Covered Bonds will be calculated by reference to one of the Euro Inter-Bank Offered Rate (**EURIBOR**) provided by the European Money Markets Institute (**EMMI**), the Sterling Overnight Index Average (**SONIA**) provided by the Bank of England, the Euro Short-term Rate (**€STR**) provided by the the European Central Bank, the Secured Overnight Financing Rate **(SOFR**) provided by the Federal Reserve Bank of New York (**FRBNY**) the Swiss Average Rate Overnight **(SARON**) provided by SIX Index AG *or the Norwegian Interbank Offered Rate (***NIBOR***) provided by Norske Finansielle Referanser AS (***NORE***)* as specified in the relevant Final Terms Document or Pricing Supplement. As at the date of this Prospectus, the administrator of EURIBOR, €STR, SONIA, SOFR and SARON are not included in the FCA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 as it forms part of the domestic law of the UK by virtue of the EUWA (as amended, the **UK Benchmark Regulation**). As far as the Issuer is aware, the transitional provisions of Article 51 of the UK Benchmark Regulation apply, such that EMMI, the administrator of EURIBOR, SIX Index AG, as administrator of SARON and NORE, the administrator of NIBOR are not currently required to obtain authorisation or registration (or, if located outside the UK, recognition, endorsement or equivalence) and the Bank of England, as administrator of SONIA, the FRBNY, as administrator of SOFR, and the European Central Bank, as administrator of €STR are not required to obtain authorisation/registration by virtue of Article 2 of the UK Benchmark Regulation.

Arrangers and Dealers for the Program

BARCLAYS **SCOTIABANK**

Dealers

BNP PARIBAS **BofA SECURITIES** **CITIGROUP**

DEUTSCHE BANK **GOLDMAN SACHS INTERNATIONAL** **HSBC**

J.P. MORGAN **MORGAN STANLEY** **NATWEST MARKETS**

UBS INVESTMENT BANK **WELLS FARGO SECURITIES**

The date of this Prospectus is 6 October 2023.

GENERAL

This Prospectus has been approved by the FCA as a base prospectus (the **Base Prospectus)** for the purposes of the UK Prospectus Regulation and has been published in accordance with the prospectus rules made under Part VI of the *Financial Services and Markets Act 2000*, as amended (the **FSMA**). This Prospectus is not a prospectus for the purposes of the EU Prospectus Regulation or of Section 12(a)(2) of the Securities Act or any other provision or order under the Securities Act.

The Bank and the Guarantor (the **Responsible Persons**) each accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Responsible Persons the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in the document) and, as far as each of the Bank and the Guarantor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Copies of each Final Terms Document (in the case of Covered Bonds to be admitted to the Official List) or the pricing supplement (in the case of Exempt Covered Bonds) (the **Pricing Supplement**), will be available from the registered office of the Bank and from the specified office of each of the Paying Agents. Final Terms Documents relating to the Covered Bonds which are admitted to trading on the Market and Pricing Supplements for ISM Covered Bonds will also be available for inspection on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

This Prospectus is to be read in conjunction with any supplementary prospectus hereto and all documents which are deemed to be incorporated herein by reference: see *Documents Incorporated by Reference*. This Prospectus will be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

The information contained in this Prospectus was obtained from the Bank, the Guarantor and other sources, but no assurance can be given by the Arrangers, the Dealers or the Bond Trustee as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Dealers or the Bond Trustee as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Bank or the Guarantor in connection with the Program or any Covered Bonds. None of the Arrangers, the Dealers or the Bond Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Bank or the Guarantor in connection with the Program or any Covered Bonds.

The only Persons authorised to use this Prospectus in connection with an offer of Covered Bonds are the relevant Dealer(s) named in the applicable Final Terms Document or the applicable Pricing Supplement.

No Person is or has been authorised by the Bank, the Guarantor, any of the Dealers or the Bond Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Program or any Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, the Guarantor, any of the Dealers or the Bond Trustee.

Notwithstanding anything in this document to the contrary, except as reasonably necessary to comply with applicable securities laws, any Person may disclose to any and all Persons, without limitation of

any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to such Person relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal income tax treatment of the offering.

Neither this Prospectus, including the documents which are deemed to be incorporated herein by reference, nor any other information supplied in connection with the Program or any Covered Bonds (a) is intended to provide the sole basis of any credit or other evaluation, or (b) should be considered as a recommendation by the Bank, the Guarantor, any of the Dealers or the Bond Trustee that any recipient of this Prospectus or any other information supplied in connection with the Program or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank and the Guarantor. Neither this Prospectus nor any other information supplied in connection with the Program or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Bank, the Guarantor, any of the Dealers or the Bond Trustee to any Person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Covered Bonds will in any circumstance imply that the information contained herein concerning the Bank and the Guarantor is correct at any time subsequent to the date hereof, or with respect to documents which are deemed to be incorporated herein by reference, the date indicated on such documents, or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Bond Trustee expressly do not undertake to review the financial condition or affairs of the Bank or the Guarantor during the life of the Program or to advise any investor in any Covered Bonds of any information coming to their attention.

As set forth in the applicable Final Terms Document or the applicable Pricing Supplement, the Covered Bonds are being offered and sold (a) in reliance on Rule 144A to QIBs and/or (b) in accordance with Regulation S to non-U.S. persons in offshore transactions. Prospective purchasers are hereby notified that the sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

MiFID II product governance / target market – The Final Terms Document in respect of any Covered Bonds (or Pricing Supplement, in the case of Exempt Covered Bonds) may include a legend entitled "MIFID II PRODUCT GOVERNANCE" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID II Product Governance Rules**), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance Rules.

UK MiFIR Product Governance / target market - The Final Terms Document in respect of any Covered Bonds (or Pricing Supplement, in the case of Exempt Covered Bonds), may include a legend entitled "UK MIFIR PRODUCT GOVERNANCE" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA

Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPS REGULATION PROHIBITION OF SALES TO EEA RETAIL INVESTORS - If the applicable Final Terms Document (or Pricing Supplement, as the case may be) in respect of any Covered Bonds includes a legend entitled "PROHIBITION OF SALES TO EEA RETAIL INVESTORS", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the EU Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPS REGULATION PROHIBITION OF SALES TO UK RETAIL INVESTORS - If the applicable Final Terms Document in respect of any Covered Bonds (or Pricing Supplement, as the case may be), includes a legend entitled "PROHIBITION OF SALES TO UK RETAIL INVESTORS", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of the domestic law of the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in the UK Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of the domestic law of the UK by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE *SECURITIES AND FUTURES ACT 2001 OF SINGAPORE* (AS MODIFIED OR AMENDED FROM TIME TO TIME, THE SFA) - Unless otherwise stated in the applicable Final Terms Document in respect of any Covered Bonds (or Pricing Supplement, as the case may be), all Covered Bonds issued or to be issued under the Program shall be capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any Person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of any Covered Bonds may be restricted by law in certain jurisdictions. The Bank, the Guarantor, the Dealers and the Bond Trustee

do not represent that this Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Guarantor, the Dealers or the Bond Trustee which would permit a public offering of any Covered Bonds in or outside the EEA or the UK or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws, rules and/or regulations. Persons into whose possession this Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of any Covered Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of any Covered Bonds in Canada, the United States, the EEA (including additional restrictions in Belgium, Italy, France, Italy, Denmark, Sweden and The Netherlands), the UK, Australia, Hong Kong, Singapore, Switzerland and Japan; see *Selling Restrictions*.

This Prospectus has been prepared on the basis that any offer of Covered Bonds in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of any Covered Bonds. Accordingly, any Person making or intending to make an offer in the UK of any Covered Bonds which are the subject of an offering contemplated in this Prospectus as completed by a Final Terms Document or a Pricing Supplement in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Bank or any Dealer to publish or supplement a prospectus pursuant to the UK Prospectus Regulation in relation to such offer. Neither the Bank nor any Dealer have authorised, nor do they authorise, the making of any offer of any Covered Bonds in the UK in circumstances in which an obligation arises for the Bank or any Dealer to publish or supplement a prospectus for such offer.

Other than in relation to information incorporated by reference into this Prospectus (for which, see page 88 hereof), any website included in this Prospectus is for information purposes only and does not form part of this Prospectus, nor have the contents of any such website been approved by or submitted to (i) the FCA, or (ii) CMHC, the Government of Canada or any other agency thereof.

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or any Persons acting on behalf of any Stabilizing Manager) in the applicable Final Terms Document or the applicable Pricing Supplement may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or Person(s) acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

In making an investment decision, investors must rely on their own examination of the Bank and the Guarantor and the terms of the Covered Bonds being offered, including the merits and risks involved.

None of the Dealers, the Bank, the Guarantor or the Bond Trustee makes any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws, rules and regulations. Any investor in any Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

Scotia Capital, Inc. is the division of the Bank which conducts its wholesale banking activities, including through various subsidiaries.

U.S. INFORMATION

The Covered Bonds have not been approved or disapproved by the SEC, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities approved or disapproved this Prospectus or confirmed the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this section have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the **Code**), and the regulations promulgated thereunder.

In making an investment decision, investors must rely on their own examination of the Bank and the Guarantor and the terms of the Covered Bonds being offered, including the merits and risks involved.

The Prospectus may be distributed on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Covered Bonds being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally distributed.

Registered Covered Bonds may be offered or sold within the United States or to U.S. persons only to QIBs in transactions exempt from registration under the Securities Act.

Each purchaser or holder of Registered Covered Bonds or any Covered Bond issued in registered form in exchange or substitution therefor, will be required to make, or will be deemed by its acceptance or purchase of any such Covered Bond to have made certain representations and agreements intended to restrict the resale or other transfer of such Covered Bonds as set out in *Selling Restrictions* herein. Unless otherwise stated, terms used in this paragraph have the meanings given to them in *Form of the Covered Bonds*.

AVAILABLE INFORMATION

In addition to the continuous disclosure obligations under the securities laws of the provinces and territories of Canada, the Bank is and the Guarantor has been subject to the informational reporting requirements of the *U.S. Securities Exchange Act of 1934*, as amended (the **Exchange Act**), and in accordance therewith file or have filed reports and other information with the SEC. Under a multijurisdictional disclosure system adopted by the United States and Canada, such reports and other information may be prepared in accordance with the disclosure requirements of the provincial and territorial securities regulatory authorities of Canada, which requirements are different from those of the United States. These reports and other information, when filed or furnished by us in accordance with such requirements, can be inspected and copied by the investors at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. The investors can get further information about the operation of the SEC's Public Reference Room by calling 1-800-SEC-0330 or emailing the SEC staff at library@sec.gov. The Bank's and the Guarantor's filings with the United States Securities and Exchange Commission (**SEC**) are also available to the public through the SEC's website at http://www.sec.gov. The Bank's common shares are listed on the New York Stock Exchange, and reports and other information concerning the Bank can be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, USA.

Additional information with respect to the Bank, the Guarantor, the Portfolio and certain other matters, together with copies of each of the Transaction Documents and the Investor Reports filed by the Bank from time to time, is also available on the Bank's website specified in the applicable Final Terms Document or Pricing Supplement and through the CMHC's covered bond registry at https://www.cmhc-schl.gc.ca/en/finance-and-investing/canadian-registered-covered-bonds/canadian-covered-bonds-registry. Information on or accessible through the Bank's website or the CMHC website does not form part of this Prospectus for the purposes of the UK Prospectus Regulation except where such information or other documents are specifically incorporated by reference or attached to this Prospectus (for which, see page 88 hereof). Neither CMHC's covered bond registry nor the CMHC Guide form part of this Prospectus.

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds, the Bank and Guarantor have undertaken in the Trust Deed to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Bank and Guarantor are neither subject to reporting under Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. The Bank and Guarantor are Foreign Private Issuers under the Exchange Act.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a chartered bank under the *Bank Act* (Canada) (the **Bank Act**) and the Guarantor is a limited partnership established under the laws of the Province of Ontario. The majority of the directors of each of the Bank and the Guarantor reside outside the United States and a substantial portion of the assets of each of the Bank and the Guarantor are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Bank or the Guarantor, as applicable, or such directors, or to enforce judgments against them obtained in the United States predicated upon civil liabilities of the Bank or the Guarantor, as applicable, or such directors under laws other than those of Canada, including any judgment predicated upon U.S. federal securities laws.

FORWARD-LOOKING STATEMENTS

From time to time, the Bank or the Guarantor's public communications include oral or written forward-looking statements. Statements of this type are included in this Prospectus and in the documents incorporated by reference in this Prospectus, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission (SEC), or in other communications. In addition, representatives of the Bank may include forward-looking statements orally to analysts, investors, the media and others. All such statements by the Bank (but not the Guarantor, with respect to U.S. law) are made pursuant to the "safe harbor" provisions of the U.S. *Private Securities Litigation Reform Act of 1995* and any applicable Canadian securities legislation. Forward-looking statements in this Prospectus and the documents incorporated by reference may include, but are not limited to, statements in the Management's Discussion and Analysis in the Bank's 2022 Annual Report under the headings "Outlook" and in other statements regarding the Bank's objectives, strategies to achieve those objectives, the regulatory environment in which the Bank operates, anticipated financial results, and the outlook for the Bank's businesses and for the Canadian, U.S. and global economies. Such statements are typically identified by words or phrases such as "believe," "expect," "foresee," "forecast," "anticipate," "intend," "estimate," "plan," "goal," "target," "project," "commit," "objective," and similar expressions of future or conditional verbs, such as "will," "may," "should," "would," "might," "can" and "could" and positive and negative variations thereof.

By their very nature, forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Bank's predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that the Bank's assumptions may not be correct and that the Bank's financial performance objectives, vision and strategic goals will not be achieved.

The Bank cautions readers not to place undue reliance on these statements as a number of risk factors, many of which are beyond the Bank's control and effects of which can be difficult to predict, could cause the Bank's actual results to differ materially from the expectations, targets, estimates or intentions expressed in such forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which the Bank operates; changes in currency and interest rates; increased funding costs and market volatility due to market illiquidity and competition for funding; the failure of third parties to comply with their obligations to the Bank and its affiliates; changes in monetary, fiscal, or economic policy and tax legislation and interpretation; changes in laws and regulations or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs; changes to the Bank's credit ratings; the possible effects on the Bank's business of war or terrorist actions and unforeseen consequences arising from such actions; operational and infrastructure risks; reputational risks; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services, and the extent to which products or services previously sold by the Bank require the Bank to incur liabilities or absorb losses not contemplated at their origination; the Bank's ability to execute its strategic plans, including the successful completion of acquisitions and dispositions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; global capital markets activity; the Bank's ability to attract, develop and retain key executives; the evolution of various types of fraud or other criminal behaviour to which the Bank is exposed; disruptions in or attacks (including cyber-attacks) on the Bank's information technology, internet, network access, or other voice or data communications systems or services; increased competition in the geographic and business areas in which the Bank operates, including through internet and mobile banking and non-traditional competitors; exposure related to significant litigation and regulatory matters; climate change and other environmental and social risks, including sustainability that may arise, including from the Bank's business activities; the occurrence of natural and unnatural catastrophic events and claims resulting from such events;

inflationary pressures; Canadian housing and household indebtedness; the emergence of widespread health emergencies or pandemics, including the magnitude and duration of the COVID-19 pandemic and its impact on the global economy, financial market conditions and the Bank's business, results of operations, financial condition and prospects; and the Bank's anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results, for more information, please see the "Risk Management" section of the Bank's 2022 Annual Report, as updated by the "Risk Management" section of the Bank's 2023 Third Quarter Report, which documents are incorporated by reference herein, as may be updated by quarterly reports.

Material economic assumptions underlying the forward-looking statements contained in this Prospectus and in the documents incorporated by reference herein are set out in the 2022 Annual Report under the headings "Outlook", as updated by the "Outlook" section of the Bank's 2023 Third Quarter Report, which documents are incorporated by reference herein, as may be updated by quarterly reports to the extent incorporated by reference herein. The "Outlook" and "2023 Priorities" sections are based on the Bank's views and the actual outcome is uncertain. Readers should consider the above-noted factors when reviewing these sections.

When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank's shareholders and analysts in understanding the Bank's financial position, objectives and priorities, and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. Except as required by law, the Bank, the Guarantor, any Dealer or any other person does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

In this Prospectus, all references to "billions" are references to one thousand millions. Due to rounding, the numbers presented throughout this Prospectus may not add up precisely, and percentages may not precisely reflect absolute figures.

All references in this document to **U.S. dollars** and **U.S.$** are to the currency of the United States of America, to **Sterling** and **£** are to the currency of the UK, to **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, to **Australian Dollars**, **AUD** and **A$** are to the currency of Australia, to **$**, **Canadian Dollars**, **Canadian $**, **CAD** and **Cdn$** are to the currency of Canada and to **NOK** are to the currency of Norway. In the documents incorporated by reference in this Prospectus, unless otherwise specified herein or the context otherwise requires, references to "$" are to Canadian dollars.

In this Prospectus, unless the contrary intention appears, a reference to a law or regulation or a provision of a law or regulation is a reference, in each case, to that law or regulation or provision thereof as extended, amended or re-enacted.

The Covered Bonds may not be a suitable investment for all investors

Each of the risks highlighted herein could adversely affect the trading price of any Covered Bonds or the rights of investors under any Covered Bonds and, as a result, investors could lose some or all of their investment. The Bank believes that the factors described herein represent the main risks inherent in investing in Covered Bonds issued under the Program, but the Bank and/or the Guarantor may be unable to pay or deliver the amounts in connection with any Covered Bonds for other reasons and the Bank does not represent that the statements herein regarding the risks of holding any Covered Bonds are exhaustive.

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained in this Prospectus or incorporated herein by reference or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and to assess the impact the Covered Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which the potential investor's financial activities are principally denominated;
- understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds

which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effect on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Further, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Covered Bonds are legal investments for it; (ii) Covered Bonds can be used as collateral for various types of borrowing; (iii) Covered Bonds can be used as repo-eligible securities, and (iv) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

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OVERVIEW OF THE PROGRAM

This section is an overview and does not describe every aspect of the Covered Bonds. This section provides an overview of the material terms of the Covered Bonds that are common to all Series of Covered Bonds and which are more fully described elsewhere in this Prospectus. References to "Conditions" in this overview refer to the Terms and Conditions described elsewhere in this Prospectus. This overview is subject to and qualified in its entirety by reference to all the provisions of the Trust Deed and other Transaction Documents, including definitions of certain terms used in the Trust Deed and other Transaction Documents. In this overview, the meaning of only some of the more important terms is described. This overview is also subject to and qualified by reference to the description of the particular terms of the Series or Tranche described in the applicable Final Terms Document or Pricing Supplement. Those terms may vary from the terms described in this Prospectus.

This overview constitutes a general description of the Program for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980, as it forms part of the domestic law of the UK by virtue of the EUWA.

Issuer.....	The Bank of Nova Scotia. The Bank was granted a charter under the laws of the Province of Nova Scotia in 1832, and commenced operations in Halifax, Nova Scotia in that year. Since 1871, the Bank has been a chartered bank under the *Bank Act* (Canada) (the **Bank Act**), which is its charter, and the Bank is listed in Schedule I to the Bank Act. The head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia, Canada B3J 1W1, and the executive offices are at 40 Temperance Street, Toronto, Ontario, Canada M5H 0B4 (the **Executive Offices**). For purposes of the Bank Act, the main branch of the Bank located at its executive offices in Toronto shall be the branch of account for the deposits evidenced by the Covered Bonds. For a more detailed description of the Bank, see *The Bank of Nova Scotia*.
Legal Entity Identifier (LEI)..	Bank of Nova Scotia: L3I9ZG2KFGXZ61BMYR72
Guarantor.....	Scotiabank Covered Bond Guarantor Limited Partnership. For a more detailed description of the Guarantor, see *The Guarantor*.
Dealers.....	Barclays Bank PLC acting through its investment bank, Barclays Capital Inc., BNP Paribas, BofA Securities, Inc., Citigroup Global Markets Inc., Citigroup Global Markets Limited, Deutsche Bank Aktiengesellschaft, Goldman Sachs International, HSBC Continental Europe, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc, NatWest Markets Plc, Scotiabank (Ireland) Designated Activity Company, The Bank of Nova Scotia, London Branch, UBS AG London Branch, UBS Securities LLC, Wells Fargo

	Securities International Limited and Wells Fargo Securities, LLC.
Seller.....	The Bank, any New Seller or other Limited Partner, who may from time to time accede to, and sell Loans and their Related Security to the Guarantor.
Servicer	The Bank, subject to replacement in accordance with the terms of the Servicing Agreement.
Cash Manager	The Bank, subject to replacement in accordance with the terms of the Cash Management Agreement.
Custodian.....	Computershare Trust Company of Canada, acting through its office located at 100 University Avenue, 8th Floor, North Tower, Toronto, Ontario, Canada M5J 2Y1.
Principal Paying Agent, Transfer Agent and Exchange Agent....	Citibank, N.A., London Branch, acting through its office located at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.
Registrar and Paying Agent:	Citibank Europe plc acting through its office located at 1 North Wall Quay, Dublin 1, Republic of Ireland.
Calculation Agent:	The Bank of Nova Scotia acting through its office located at 40 Temperance Street, Toronto, Ontario, Canada M5H 0B4 or, in respect of a Series of Covered Bonds, the Person identified as the Calculation Agent for such Series of Covered Bonds in the applicable Final Terms Document or Pricing Supplement.
Bond Trustee	Computershare Trust Company of Canada, acting through its office located at 100 University Avenue, 8th Floor, North Tower, Toronto, Ontario, Canada M5J 2Y1. For a more detailed description of the Trust Deed, see *Overview of the Principal Documents—Trust Deed*. For a more detailed description of the Security Agreement, see *Overview of the Principal Documents—Security Agreement*.
Cover Pool Monitor	KPMG LLP, acting through its office at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario, Canada M5H 2S5. For a more detailed description of the Cover Pool Monitor Agreement, see *Overview of the Principal Documents—Cover Pool Monitor Agreement*.
Interest Rate Swap Provider .	The Bank subject to replacement in accordance with the terms of the Interest Rate Swap Agreement.
Covered Bond Swap Provider	The Bank subject to replacement in accordance with the terms of the Covered Bond Swap Agreement.
GDA Provider	The Bank, acting through its main branch in Toronto.

Account Bank	The Bank, acting through its main branch in Toronto.
Standby Account Bank	Canadian Imperial Bank of Commerce, acting through its office at 161 Bay Street, 11th Floor, Toronto, Ontario, Canada M5J 2S8. For a more detailed description of the Bank Account Agreement, see *Overview of the Principal Documents—Bank Account Agreement*.
Standby GDA Provider	Canadian Imperial Bank of Commerce, acting through its office at 161 Bay Street, 11th Floor, Toronto, Ontario, Canada M5J 2S8.
Intercompany Loan Provider	The Bank, acting through its main branch in Toronto.
Program Size	CAD 100 billion (or its equivalent in other currencies) aggregate principal amount of Covered Bonds issued and outstanding at any time as described herein. The Bank and the Guarantor may increase the Program Size in accordance with the terms of the Program Agreement and applicable regulatory requirements.
Legislative Framework.....	The legislative framework established by Part I.1 of the NHA, including the CMHC Guide.
Issuance of Series	Covered bonds will be issued in series (each, a **Series**). Each Series may comprise one or more tranches (**Tranches** and each, a **Tranche**) issued on different issue dates. The Covered Bonds of each Series will all be subject to identical terms, except that the issue date, issue price, first interest payment date and the amount of the first payment of interest may be different in respect of different Tranches. The Covered Bonds will be issued by the Bank, as a CMHC registered issuer, under its CMHC registered covered bond program, which is registered pursuant to Part I.1 of the NHA.
Currency and Denomination .	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Bank and the relevant Dealer(s) and as set out in the applicable Final Terms Document or Pricing Supplement, as the case may be. Covered Bonds may be issued on a fully-paid basis at any price and in such denominations as may be agreed between the Issuer and the relevant Dealer(s) or Covered Bondholder, as the case may be, and as indicated in the applicable Final Terms Document or Pricing Supplement, save that the minimum denomination of each Covered Bond to be admitted to trading on a regulated market within the UK or offered to the public in circumstances which would otherwise require a prospectus under the EU Prospectus Regulation or the UK Prospectus Regulation, or that will be admitted or listed for trading on the ISM, will be at least €100,000 (or, if

the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency as at the Issue Date of such Covered Bonds) or such other higher amount as may be required from time to time by the relevant regulator (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Maturities ..... Such maturities as may be agreed between the Bank and the Dealers or Covered Bondholders, as the case may be, and as indicated in the applicable Final Terms Document or Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required, from time to time, by the relevant regulator (or equivalent body) or any laws or regulations applicable to the Bank or the relevant Specified Currency.

Form of the Covered Bonds .. The Covered Bonds will be issued in bearer or registered form as described in *Form of the Covered Bonds*. Registered Covered Bonds will not be exchanged for Bearer Covered Bonds and vice versa.

Interest..... Covered Bonds may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed or floating rate (detailed in a formula or otherwise) and may vary during the term of the relevant Series.

Types of Covered Bonds..... Unless otherwise specified in the Final Terms Document or Pricing Supplement, the types of Covered Bonds that may be issued pursuant to this Prospectus are (i) Fixed Rate Covered Bonds and (ii) Floating Rate Covered Bonds or (iii) any combination thereof.

Fixed Rate Covered Bonds .... Fixed Rate Covered Bonds will bear interest at a Fixed Rate, which will be payable on such date or dates as may be agreed between the Bank and the Dealers and on redemption and will be calculated on the basis of such day count basis as may be agreed between the Bank and the Dealers as set out in the applicable Final Terms Document or Pricing Supplement, *provided* that if an Extended Due for Payment Date is specified in the applicable Final Terms Document or Pricing Supplement, interest following the Due for Payment Date will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 (Interest) at the applicable Rate of Interest, including, if applicable as may be determined in accordance with Condition 4.1 (Interest on Floating Rate Covered Bonds) (in the same manner as the rate of interest for Floating Rate Covered Bonds) even where the relevant Covered Bonds are Fixed Rate Covered Bonds.

Floating Rate Covered Bonds Floating Rate Covered Bonds will bear interest at a rate determined on such basis as may be agreed between the Bank and the Dealers, as set out in the applicable Final Terms Document or Pricing Supplement.

Other provisions in relation to Floating Rate Covered Bonds	Floating Rate Covered Bonds may also have a Maximum Rate of Interest, a Minimum Rate of Interest or both, as indicated in the applicable Final Terms Document or Pricing Supplement. Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Bank and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on a day count basis, in each case as may be agreed between the Bank and the relevant Dealer(s).
Benchmark Discontinuation (for Original Reference Rates other than SOFR).....	In the case where the Original Reference Rate of Covered Bonds (other than SOFR) used to calculate an Interest Rate (or a component thereof) does not (or, in respect of Covered Bonds the interest basis for which is SARON or €STR, the case where the SARON Fallbacks specified in Condition 4.2(h) or the €STR Fallbacks specified in Condition 4.2(b)(ii), respectively, do not) enable the rate of interest (or a component thereof) to be determined, then, on the occurrence of a Benchmark Event, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser (as defined in *Terms and Conditions of the Covered Bonds*)) determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments (and, if the Issuer is unable to appoint an Independent Adviser or unable to make the relevant determination in consultation with an Independent Adviser, determined by the Issuer itself) in accordance with Condition 4.2(f) without the requirement for any consent or approval of the Covered Bondholders.
€STR Index Cessation Event (€STR).....	In the case of Covered Bonds with €STR as the Original Reference Rate required to calculate an Interest Rate (or a component thereof), on the occurrence of a €STR Index Cessation Event and on a €STR Index Cessation Effective Date, the then current benchmark will be replaced by a replacement rate giving effect to the ECB Recommended Rate (as defined in Condition 4.2(b)(ii)); provided that if there is no such rate, the current benchmark will be replaced by a replacement rate giving effect to EDFR plus an adjustment spread; provided further that, if both an ECB Recommended Rate Index Cessation Event and an ECB Recommended Rate Index Cessation Effective Date subsequently occur, then the current benchmark will be replaced by a replacement rate giving effect to the EDFR (as defined in the Conditions) plus the arithmetic mean of the daily difference between the ECB Recommended Rate and the EDFR over an observation period. If these specific fallback provisions do not determine the rate of interest, the generic Benchmark Discontinuation provisions described in the paragraph immediately above shall apply.
USD Benchmark Transition Event (SOFR).....	On the occurrence of a USD Benchmark Transition Event (which applies in respect of Covered Bonds where the Original Reference Rate used to calculate the Rate of Interest (or any

component thereof) is SOFR) the Issuer or its designee may (subject to certain conditions) determine a Benchmark Replacement to replace the then-current USD Benchmark for all purposes relating to the Covered Bonds in respect of such determination on such date and all determinations on all subsequent dates and will have the right to make Benchmark Replacement Conforming Changes from time to time in accordance with Condition 4.2(g), without the requirement for any consent or approval of the Covered Bondholders.

SARON Index Cessation Event (SARON)..... In the case of Covered Bonds with SARON as the Original Reference Rate used to calculate an Interest Rate (or a component thereof), on the occurrence of a SARON Index Cessation Event and on a SARON Index Cessation Effective Date, the then current benchmark will be replaced by a replacement rate and an adjustment spread, if any (determined by the Issuer in accordance with Condition 4.2(h)) for all purposes and determinations on such date and all subsequent dates). In connection with the implementation of a replacement rate, the Issuer may also make SARON Benchmark Amendments without any requirement for consent or approval of the Covered Bondholders. If these specific fallback provisions do not determine the rate of interest, the generic Benchmark Discontinuation for Original Reference Rates (other than SOFR) described above shall apply.

Hard Bullet Covered Bonds... Hard Bullet Covered Bonds may be offered and will be subject to a Pre-Maturity Test. The intention of the Pre-Maturity Test is to test the liquidity of the Guarantor's assets in respect of Hard Bullet Covered Bonds maturing within 12 months from the relevant Pre-Maturity Test Date when the Bank's credit ratings have fallen below the Pre-Maturity Required Ratings.

Listing ..... Covered Bonds will be listed on the Main Market of the London Stock Exchange unless otherwise specified in the applicable Final Terms Document or Pricing Supplement.

Additionally, application has been made for Exempt Covered Bonds to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of UK MiFIR. The ISM is a market designated for professional investors.

Exempt Covered Bonds which are designated in the relevant Pricing Supplement as being admitted to trading on the ISM are not admitted to listing on the Official List.

Redemption ..... The applicable Final Terms Document or the Pricing Supplement relating to each Tranche of Covered Bonds will indicate either that the relevant Covered Bonds of such Series cannot be redeemed prior to their stated maturity (other than following an Issuer Event of Default and a Guarantor Event of Default or as indicated below) or that such Covered Bonds will be redeemable at the option of the Bank upon giving notice to the Covered Bondholders, on a date or dates specified prior to

such stated maturity and at a price or prices and on such other terms as may be agreed between the Bank and the Dealers (as set out in the applicable Final Terms Document or Pricing Supplement).

Early redemption will be permitted for taxation reasons and illegality as described in Conditions 6.2 (Redemption for taxation reasons) and 6.5 (Redemption due to illegality or invalidity), but will otherwise be permitted only to the extent specified in the applicable Final Terms Document or Pricing Supplement.

Extendable obligations under the Covered Bond Guarantee .....

The applicable Final Terms Document or Pricing Supplement may provide that (if a Notice to Pay has been served on the Guarantor) the Guarantor's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts corresponding to the Final Redemption Amount of the applicable Series of Covered Bonds on the Final Maturity Date (subject to applicable grace periods) may be deferred until the Extended Due for Payment Date. In such case, such deferral will occur automatically (i) if the Bank fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and (ii) if the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds are not paid in full by the Guarantor by the Extension Determination Date (for example, because the Guarantor has insufficient funds in accordance with the Priorities of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Priorities of Payments). To the extent that a Notice to Pay has been served to the Guarantor and the Guarantor has sufficient time and sufficient funds to pay in part the Final Redemption Amount, such partial payment will be made by the Guarantor on any Interest Payment Date up to and including the relevant Extended Due for Payment Date as described in Condition 6.1 (Final redemption). Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 (Interest) and at the applicable Rate of Interest, including, if applicable, as may be determined in accordance with Condition 4.1 (Interest on Floating Rate Covered Bonds) (in the same manner as the rate of interest for Floating Rate Covered Bonds) even where the relevant Covered Bonds are Fixed Rate Covered Bonds. The Guarantor will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date and any unpaid amounts in respect thereof will be due and payable on the Extended Due for Payment Date.

Taxation ..... Payments made by the Bank or the Guarantor in respect of Covered Bonds or 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 is required by law. In the event that payments by the Bank in respect of Covered Bonds are or become subject to withholding or deduction imposed by a tax jurisdiction specified in Condition 7 (Taxation), the Bank will (subject to customary exceptions provided in Condition 7 (Taxation)) pay such additional amounts as will result in the Covered Bondholders receiving such amounts as would otherwise have been receivable in respect of the Covered Bonds had no such withholding or deduction been required. Under the Covered Bond Guarantee, the Guarantor will not be liable to pay any additional amounts as a consequence of any applicable withholding or deduction for, or on account of, taxes required by law from a payment by the Guarantor under the Covered Bond guarantee, including such additional amounts which may become payable by the Bank under Condition 7 (Taxation).

Canadian Taxation ..... If: (i) any portion of interest payable on a Covered Bond is contingent or dependent on the use of, or production from, property in Canada or is computed by reference to revenue, profit, cashflow, commodity price or any other similar criteria or by reference to dividends paid or payable to shareholders of a corporation; (ii) the recipient of interest payable on a Covered Bond does not deal at arm's length with the Bank or the Guarantor for purposes of the Income Tax Act; (iii) interest is payable in respect of a Covered Bond owned by a person with whom the Bank or the Guarantor does not deal at arm's length for purposes of the Income Tax Act; (iv) the recipient of interest payable on a Covered Bond is a "specified shareholder" of the Bank or any of the Partners or a non-resident person that does not deal at arm's length with a specified shareholder of the Bank or any of the Partners (in each case within the meaning of the Income Tax Act for purposes of the thin capitalization rules contained in subsection 18(4) of the Income Tax Act) ; or (v) the recipient is a "specified entity" (as proposed to be defined in the Income Tax Act under the Tax Proposals with respect to "hybrid mismatch arrangements") in respect of the Bank or the Guarantor or any transferee resident or deemed to be resident in Canada to whom the holder disposes of a Covered Bond, such interest may be subject to Canadian non-resident withholding tax. A "specified shareholder" of the Bank is a person who owns, or is deemed to own, alone or together with persons with whom that person does not deal at arm's length for purposes of the Income Tax Act, shares entitled to 25 per cent. or more of the votes that could be cast at an annual shareholders' meeting or shares having a fair market value of

25 per cent or more of the fair market value of all the issued and outstanding shares of the Bank. Special rules, which are not discussed in this overview, may apply to a Non-Resident Holder (as defined under *Certain Tax Legislation Affecting the Covered Bonds——Canadian Taxation)* that is an insurer that carries on an insurance business in Canada and elsewhere. Additional opinions from Canadian tax counsel may be required. See the discussion under the caption *Certain Tax Legislation Affecting the Covered Bonds——Canadian Taxation*.

U.S. Taxation ..... See the discussion under *Certain Tax Legislation Affecting the Covered Bonds—United States Taxation*.

UK Taxation ..... See the discussion under *Certain Tax Legislation Affecting the Covered Bonds—UK Taxation*.

ERISA ..... In general, a Covered Bond may be purchased by U.S. benefit plan investors as defined in Section 3(42) of the *U.S. Employee Retirement Income Security Act of 1974*, as amended (**ERISA**), subject to certain conditions. See *Certain Considerations for ERISA and Other Employee Benefit Plans.*

Cross Default ..... If a Guarantor Acceleration Notice is served in respect of the Covered Bonds, then the obligation of the Guarantor to pay Guaranteed Amounts in respect of all Covered Bonds outstanding will be accelerated. If an Issuer Acceleration Notice is served in respect of a series of Covered Bonds, all outstanding Covered Bonds issued under the Program will accelerate against the Bank but will be subject to, and have the benefit of, the Guaranteed Amounts under the Covered Bond Guarantee.

Status of the Covered Bonds .. The Covered Bonds will constitute deposit liabilities of the Bank for purposes of the Bank Act, however the Covered Bonds will not be insured under the *Canada Deposit Insurance Corporation Act* (**CDIC Act**) or any other governmental insurance scheme of any other country, and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* with all deposit liabilities of the Bank without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Bank, present and future, except as prescribed by law.

The Covered Bonds are not treated as bail-inable instruments under Canada's Bank Recapitalization (Bail-in) Conversion Regulations, the Bank Recapitalization (Bail-in) Issuance Regulations and the Compensation Regulations and therefore are not subject to conversion under the Canadian bail-in regime for domestic systemically important banks.

Governing Law and Jurisdiction	The Covered Bonds and the Transaction Documents (other than the Australian Deed Poll) will be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. Ontario courts have non-exclusive jurisdiction in the event of litigation in respect of the contractual documentation and the Covered Bonds governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.
Terms and Conditions	A Final Terms Document or Pricing Supplement will be prepared in respect of each Tranche of Covered Bonds. The terms and conditions applicable to each Tranche (other than a reopening of an issue of Covered Bonds, the terms and conditions of which were set out in a previously approved Prospectus) will be those described under *Terms and Conditions of the Covered Bonds.*
Clearing System	Euroclear, Clearstream, Luxembourg, DTC, CDS and/or, in relation to any Covered Bonds, any other clearing system as may be specified in the applicable Final Terms Document or Pricing Supplement.
Selling Restrictions	There will be specific restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of offering material in Canada, the United States, the EEA (including additional restrictions in Belgium, Denmark, France, Italy, Sweden and The Netherlands), the UK, Australia, Hong Kong, Singapore, Switzerland and Japan, as well as such other restrictions as may be required in connection with a particular issue of Covered Bonds as set out in the applicable Final Terms Document or Pricing Supplement.
Covered Bond Guarantee.....	Payment of interest and principal in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the Guarantor. The obligations of the Guarantor to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that a Covered Bond Guarantee Activation Event has occurred. The obligations of the Guarantor under the Covered Bond Guarantee will accelerate against the Guarantor upon the service of a Guarantor Acceleration Notice. The obligations of the Guarantor under the Covered Bond Guarantee constitute direct obligations of the Guarantor secured against the assets of the Guarantor, including the Portfolio. Payments made by the Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the applicable Priorities of Payments.

Security for Covered Bond Guarantee ..... To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the Guarantor has granted a first ranking security interest over all of its present and future acquired assets, including the Portfolio, in favour of the Bond Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the terms of the Security Agreement.

Intercompany Loan ..... Under the terms of the Intercompany Loan Agreement, the Bank has made available to the Guarantor an interest bearing Intercompany Loan, comprising a Guarantee Loan and a revolving Demand Loan, in a combined aggregate amount equal to the Total Credit Commitment, subject to increases and decreases as described below. The Intercompany Loan is denominated in Canadian Dollars. The interest rate on the Intercompany Loan is a Canadian Dollar floating rate determined by the Bank from time to time, subject to a maximum of (i) prior to the Interest Rate Swap Effective Date, the yield on the Portfolio, and (ii) following the Interest Rate Swap Effective Date, the amount received by the Guarantor pursuant to the Interest Rate Swap Agreement, and, in each case, less a minimum spread and an amount for certain expenses of the Guarantor.

The balances of the Guarantee Loan and Demand Loan will fluctuate with the issuances and redemptions of Covered Bonds and the requirements of the Asset Coverage Test.

To the extent the Portfolio increases or is required to be increased to meet the Asset Coverage Test, the Bank may increase the Total Credit Commitment to enable the Guarantor to acquire Loans and their Related Security from the Seller.

The balances of the Guarantee Loan and the Demand Loan will be disclosed in each Investor Report. For a more detailed description of the Intercompany Loan, see *Overview of the Principal Documents—Intercompany Loan Agreement*.

Guarantee Loan ..... The Guarantee Loan is in an amount equal to the balance of outstanding Covered Bonds at any relevant time plus that portion of the Portfolio required in accordance with the Asset Coverage Test as overcollateralization for the Covered Bonds in excess of the amount of then outstanding Covered Bonds (see *Overview of the Principal Documents—Guarantor Agreement—Asset Coverage Test*).

Demand Loan ..... The Demand Loan is a revolving credit facility, the outstanding balance of which is equal to the difference between the balance of the Intercompany Loan and the balance of the Guarantee Loan at any relevant time. At any time prior to a Demand Loan Repayment Event, the Guarantor may borrow, repay or re-borrow any amount repaid by the Guarantor under the Intercompany Loan for a permitted

purpose provided, among other things, (i) such drawing does not result in the Intercompany Loan exceeding the Total Credit Commitment, and (ii) no Issuer Event of Default or Guarantor Event of Default has occurred and is continuing.

For a more detailed description of the Demand Loan, see *Overview of the Principal Documents—Intercompany Loan Agreement*.

The Proceeds of the Intercompany Loan .....

The Guarantor used the Initial Advance under the Intercompany Loan to purchase Loans and their Related Security for inclusion in the Portfolio from the Seller in accordance with the terms of the Mortgage Sale Agreement and has and may use additional Advances:

(a) to purchase additional Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement; and/or

(b) to invest in Substitute Assets in an amount not exceeding the prescribed limit under the CMHC Guide; and/or

(c) subject to complying with the Asset Coverage Test and the CMHC Guide to make Capital Distributions to the Limited Partner; and/or

(d) to make deposits of the proceeds in the Guarantor Accounts (including, without limitation, to fund the Reserve Fund and the Pre-Maturity Liquidity Required Amount, in each case to an amount not exceeding the prescribed limit).

Capital Contributions.....

The Limited Partner may from time to time make Capital Contributions to the Guarantor including Capital Contributions of Loans and their Related Security. The Managing GP and the Liquidation GP respectively hold 99 per cent. and one per cent. of the 0.05 per cent. general partner interest in the Guarantor. The Limited Partner holds the substantial economic interest in the Guarantor (99.95 per cent.).

Consideration .....

Under the terms of the Mortgage Sale Agreement, the Seller will sell Loans and their Related Security to the Guarantor for the Portfolio on a fully serviced basis for consideration equal to the fair market value of such Loans on their Transfer Date, or if so determined by the Limited Partner, the Limited Partner may make Capital Contributions of Loans and their Related Security on a fully serviced basis to the Guarantor in exchange for additional interests in the capital of the Guarantor.

Interest Rate Swap Agreement	The Guarantor has entered into the Interest Rate Swap Agreement with the Interest Rate Swap Provider to provide a hedge, following the Interest Rate Swap Effective Date, against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest or fixed rates of interest), the amounts payable on the Intercompany Loan and (following the Covered Bond Swap Effective Date) the Covered Bond Swap Agreement. For a more detailed description of the Interest Rate Swap Agreement, see *Overview of the Principal Documents—Interest Rate Swap Agreement*.
Covered Bond Swap Agreement	To provide a hedge against currency risks arising, following the Covered Bond Swap Effective Date, in respect of amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable in respect of its obligations under the Covered Bond Guarantee, the Guarantor has entered into the Covered Bond Swap Agreement (which may include a new ISDA Master Agreement schedule and confirmation(s) and credit support annex, if applicable, for each Tranche and/or Series of Covered Bonds) with the Covered Bond Swap Provider. For a more detailed description of the Covered Bond Swap Agreement, see *Overview of the Principal Documents—Covered Bond Swap Agreement*.

STRUCTURE OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in any Covered Bonds should be based on a consideration of this Prospectus as a whole, including the documents incorporated herein by reference.

The following overview is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the Final Terms Document or the Pricing Supplement relevant thereto. Covered Bonds may also be issued in such other form and on such other terms as the Bank may from time to time agree with the relevant Dealers, in which case a supplemental prospectus or stand-alone Prospectus will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds. Words and expressions defined elsewhere in this Prospectus will have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Prospectus.

Structure Diagram

* *Cashflows under the Interest Rate Swap Agreement and the Covered Bond Swap Agreement will be exchanged only after the Interest Rate Swap Effective Date or the Covered Bond Swap Effective Date, respectively.*

Structure Overview

- **The Bank of Nova Scotia**

The Bank is a leading bank in the Americas. The Bank is dedicated to helping its customers, their families and their communities become better off through a broad range of advice, products and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking and capital markets.

- **Scotiabank Covered Bond Guarantor Limited Partnership**

The Guarantor is a limited partnership established under the laws of the Province of Ontario whose principal business is to provide a guarantee of the obligations of the Bank pursuant to covered bonds issued by it, from time to time, pursuant to the Program and certain ancillary activities with respect thereto.

- **The Global Registered Covered Bond Program**

The Bank intends to issue, offer and sell Covered Bonds under the Program outside of the United States or in accordance with Rule 144A pursuant to this Prospectus. These Covered Bonds will be issued under a sixth amended and restated trust deed dated 6 October 2023, governed by Ontario law (as amended and/or supplemented and/or restated from time to time, the **Trust Deed**). The Bond Trustee acts as the trustee under the Trust Deed. All Series of the Covered Bonds under the Program will have the benefit of the covered bond guarantee (the **Covered Bond Guarantee**) issued by the Guarantor and be secured by a pledge of the Portfolio to the Bond Trustee. The Bank anticipates that it will continue to issue Covered Bonds by means other than this Prospectus under the Trust Deed from time to time.

On 25 March 2013, the Bank was accepted as a registered issuer under Part I.1 of the *National Housing Act* (Canada) (the **NHA**) and the CMHC Guide in accordance with their terms and on 22 July 2013, the Program was registered as a registered program under Part I.1 of the NHA and the CMHC Guide. All future Covered Bonds issued by the Bank under the Program will be covered bonds issued under its registered covered bond program pursuant to Part I.1 of the NHA and the CMHC Guide.

The Legislative Framework sets out certain statutory protections for holders of covered bonds under Canadian federal and provincial bankruptcy, insolvency and fraudulent conveyance laws. The CMHC Guide elaborates on the role and powers of CMHC as administrator of the Legislative Framework and sets out the conditions and restrictions applicable to registered covered bond issuers and registered covered bond programs.

- **Portfolio**

The assets in the **Portfolio** consist primarily of first lien Canadian residential mortgage loans and their related security interest in residential property, cash and in some cases certain Substitute Assets up to a certain threshold amount. As required by the CMHC Guide, the Portfolio does not include any residential mortgages that are insured by a Prohibited Insurer such as CMHC.

- **Asset Coverage Test**

An Asset Coverage Test is conducted on the Portfolio on the last day of each Calculation Period (the **Calculation Date**). The Asset Coverage Test determines whether the assets and cashflows of the Guarantor satisfy the required overcollateralization which is intended to ensure that the Guarantor is able to meet its obligations under the Covered Bond Guarantee following the occurrence of the Covered Bond Guarantee Activation Event. If the Asset Coverage Test is not met on two consecutive Calculation Dates, an Asset Coverage Test Breach Notice will be served to the Guarantor and if not revoked (in accordance with the terms of the Transaction Documents) on or before the Guarantor Payment Date immediately following the next Calculation Date after service of such Asset Coverage Test Breach Notice will constitute an Issuer Event of Default and entitle the Bond Trustee to serve a Notice to Pay on the Guarantor.

The Bank will use all reasonable efforts to ensure that the Guarantor is in compliance with the Asset Coverage Test which should reduce the risk of there ever being a breach of the Asset Coverage Test although there is no assurance of this result and the sale of Loans and their Related Security by the Seller to the Guarantor, advances under the Intercompany Loan or additional Capital Contributions by

the Limited Partner may be required to avoid or, before or after delivery of an Asset Coverage Test Breach Notice, remedy a breach of the Asset Coverage Test. There is no specific recourse available to the Guarantor in respect of any failure by the Bank to make a Capital Contribution in any circumstances, including following receipt of an Asset Coverage Test Breach Notice. See *Overview of the Principal Documents—Guarantor Agreement—Asset Coverage Test*.

- **OC Valuation**

The CMHC Guide requires that the Guarantor confirm that the cover pool's Level of Overcollateralization exceeds 103 per cent. at all times. The Level of Overcollateralization (expressed as a percentage) shall be calculated at the same time as the Asset Coverage Test and the Bank must provide immediate notice to CMHC if the Level of Overcollateralization falls below the Guide OC Minimum. See *Overview of the Principal Documents—Guarantor Agreement—OC Valuation*.

- **Amortization Test**

The Amortization Test is conducted on the Portfolio on each Calculation Date following an Issuer Event of Default that is continuing. The Amortization Test has been structured to determine whether the assets of the Guarantor, including the Loans and their Related Security in the Portfolio, have fallen below the threshold required to ensure that the assets of the Guarantor are sufficient to meet its obligations under the Covered Bond Guarantee following service of a Notice to Pay. A breach of the Amortization Test will constitute a Guarantor Event of Default and will entitle the Bond Trustee to serve a Guarantor Acceleration Notice on the Guarantor. See *Overview of the Principal Documents—Guarantor Agreement—Amortization Test*.

- **Valuation Calculation**

The Guarantor is required to perform the Valuation Calculation to monitor exposure to the volatility to interest rate and currency exchange rates by measuring the present value of the Portfolio relative to the market value of the obligations guaranteed under the Covered Bond Guarantee. However, there is no obligation on the part of the Bank or the Guarantor to take any action in respect of the Valuation Calculation to the extent it shows the market value of the Portfolio is less than the market value of the obligations guaranteed under the Covered Bond Guarantee. See *Overview of the Principal Documents—Guarantor Agreement—Valuation Calculation*.

- **The Covered Bond Guarantee**

Pursuant to the Covered Bond Guarantee, the Guarantor has irrevocably and unconditionally guaranteed the due and punctual payment of the Guaranteed Amounts on the Covered Bonds of each Series issued by the Bank in accordance with the Trust Deed.

- **Program Structure Overview**

The Covered Bond Guarantee is secured by a pledge of certain assets of the Guarantor, which includes the Portfolio, to the Bond Trustee pursuant to the terms of the Security Agreement. The Guarantor purchased the initial Loans and their Related Security included in the Portfolio from the Bank using amounts borrowed from the Bank under the Intercompany Loan. Proceeds from the Intercompany Loan may also be used to purchase additional Loans and their Related Security for the Portfolio and for other purposes as described in *Overview of the Principal Documents—Mortgage Sale Agreement*. The Guarantor and the Bank have entered into an Interest Rate Swap Agreement and will enter into a new confirmation for each Series of Covered Bonds that are issued by the Bank under the Covered Bond Swap Agreement. Following the Interest Rate Swap Effective Date, the Interest Rate Swap Agreement will convert interest received on the Portfolio to an amount in excess of the interest rate payable on the Intercompany Loan and, for each Series, the Covered Bond Swap Agreement converts a certain portion

of the Canadian Dollar payments from the Interest Rate Swap Agreement (or if not then in place for any reason, the Portfolio) to the currency and interest amounts payable on the related Covered Bonds. No cashflows will be exchanged under either of the Swap Agreements until after the occurrence of certain specified events.

- **Risk Factors**

An investment in the Covered Bonds involves risks. Investors should carefully consider all of the information set forth in this Prospectus and any applicable Final Terms Document or Pricing Supplement and, in particular, should evaluate the specific factors set forth below under *Risk Factors* in deciding whether to invest in the Covered Bonds.

- **Corporate Offices**

The Bank's executive offices are located at 40 Temperance Street, Toronto, Ontario, Canada M5H 0B4 and the head office is located at 1709 Hollis Street, Halifax, Nova Scotia, Canada B3J 1W1. The telephone number is (416) 866-3672.

The Guarantor's address is 40 Temperance Street, 14th Floor, Toronto, Ontario, Canada M5H 0B4. The telephone number is (416) 866-3672.

RISK FACTORS

In purchasing Covered Bonds, investors assume the risk that the Bank may become insolvent or otherwise be unable to make all payments due in respect of the Covered Bonds. The Bank and the Guarantor believe that the following factors, which are specific to the Bank and the Guarantor, may affect its ability to fulfill its obligations under the Covered Bonds.

In addition, material risk factors which are specific to the Covered Bonds issued under the Program are also described below.

The Bank and Guarantor believe that the factors described below represent the material risks inherent in investing in Covered Bonds issued by the Bank at the date of this Prospectus. If any or a combination of these risks actually occurs, the business, results of operation, financial condition and/or prospects of the Bank could be materially and adversely affected, which could result in the Bank or Guarantor being unable to pay interest, principal or other amounts on or in connection with any Covered Bonds issued by it or materially and adversely affect the trading price of any such Covered Bonds.

Prospective investors should note that the risks relating to the Bank and Guarantor summarised in this section are risks that the Bank and Guarantor believe to be essential to an assessment by the prospective investor of whether to make an investment in the Covered Bonds and the Bank and Guarantor do not represent that the statements below regarding the risks of investing in the Covered Bonds are exhaustive. Additional risks and uncertainties not presently known to the Bank or Guarantor or that they currently believe to be immaterial could also have a material impact on their results of operations or financial condition or affect the ability of the Bank or Guarantor to pay interest, principal or other amounts on or in connection with the Covered Bonds issued by it. As the risks which the Bank and Guarantor face relate to events and depend on circumstances that may or may not occur, prospective investors should also read the detailed information set out elsewhere in this document (including information incorporated by reference) and any applicable Final Terms Document or Pricing Supplement to reach their own views prior to making any investment decisions.

The Covered Bonds are not a suitable investment for a prospective investor that does not understand their terms or the risks involved in holding the Covered Bonds.

This section of the Prospectus is divided into the following main categories: Risks relating to the Bank; Risks relating to the Covered Bonds; Risks relating to the Guarantor; Risks relating to the Portfolio; and Bank and Program related legal and regulatory risks.

1. Risks relating to the Bank

1.1. Principal Risks.

As a large, international financial services company, the Bank faces risks that are inherent in the business and marketplaces in which it operates. As part of its Risk Management Framework, the Bank has a comprehensive risk identification and assessment process. This includes, on an annual basis, an Bank-wide risk assessment that identifies and evaluates the risks faced by the Bank. From this assessment, management determines on an annual basis, a list of Principal Risks, which includes those risks which management considers of primary importance and having a significant impact or influence on the Bank's primary business and revenue generating activities or inherent in the Bank's business and can have significant negative strategic, business, financial and/or reputational consequences.

1.1.1. Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Bank. Credit risk arises in the Bank's direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Bank.

The Bank's credit exposure includes (i) corporate and commercial, (ii) traded products and (iii) retail. Traded products are transactions such as OTC derivatives (including foreign exchange and commodity based transactions), Securities Financing Transactions (including repurchase/reverse repurchase agreements, and securities lending/borrowing), and on-exchange instruments. See the table entitled "Total credit risk exposures and risk-weighted assets" on page 123 of the Bank's 2022 Annual Report incorporated by reference in the Prospectus for more information. The Bank's credit risk framework and policies set out, among other things, the credit risk rating systems and associated parameter estimates, the delegation of authority for granting credit, and the calculation of allowance for credit losses. The Bank's credit risk rating system is subject to rigorous validation, governance and oversight framework, and is regularly reviewed. The Bank's regional credit risk is spread across its key markets (Canada 67 per cent., United States 9 per cent., Chile 7 per cent., Mexico 5 per cent. and Other 12 per cent.).

For the nine months ended 31 July 2023 the Bank's provision for credit losses totalled $819 million ($1,382 million for the year ended 31 October 2022). The Bank makes provisions as an estimate of expected future credit losses in the loans portfolio. The provisions are based on several assumptions and accordingly actual losses may differ from the estimates Notwithstanding such provisions and the efforts made to manage such risks diligently, there is no guarantee that procedures put in place can assess accurately and mitigate all of the risks of exposure to borrowers and counterparty's failure to honour contractual obligations or the worsening of the credit rating of borrowers and counterparties, and the failure of any such procedures may negatively impact the Bank's financial condition, reputation and/or results of operations.

1.1.2. Market Risk.

Market risk is the risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices), the correlations between them, and their levels of volatility.

The Board of Directors reviews and approves market risk policies and limits annually. The Bank's Asset-Liability Committee (ALCO) and Market Risk Management and Policy Committee (MRMPC) oversee the application of the framework set by the Board, and monitor the Bank's market risk exposures and the activities that give rise to these exposures. The MRMPC establishes specific operating policies and sets limits at the product, portfolio, business unit and business line levels, and for the Bank in total. Limits are reviewed at least annually. Global Risk Management provides independent oversight of all significant market risks, supporting the MRMPC and ALCO with analysis, risk measurement, monitoring, reporting, proposals for standards and support for new product development. The Bank uses a variety of metrics and models to measure and control market risk exposures. These measurements are selected based on an assessment of the nature of risks in a particular activity. The principal measurement techniques are Value At Risk (VaR), Incremental Risk Charge, stress testing, and sensitivity analysis.

Market risk arises in the Bank's (a) trading activities and (b) non–trading activities, with the two principal non-trading market risks being the risks of interest rate and exchange rate volatility, described further below. The market risk arising from the Bank's trading activities is managed in accordance with Board-approved policies, and aggregate VaR and stress testing limits. The quality of the Bank's VaR is validated by regular backtesting analysis, in which the VaR is compared to both theoretical profit and loss results based on fixed end of day positions and actual reported profit and loss. See the table entitled

"*Trading portfolio risk management*" on page 84 of the 2023 Third Quarter Report incorporated in the Prospectus by reference for more information on the VaR by type of market risk along with Stressed VaR.

The Bank is subject to interest rate risk arising from the Bank's lending, funding and investment activities and is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve, the volatility of interest rates and mortgage prepayment rates. The Bank has adopted policies and global limits to control the risk to net interest income and the economic value of shareholders' equity.

The Bank's interest rate risk exposure calculations are generally based on the earlier of contractual re-pricing or maturity of on-balance sheet and off-balance sheet assets and liabilities, although certain assets and liabilities such as credit cards and deposits without a fixed maturity are assigned to a maturity profile based on the longevity of the exposure.

The table below (non-trading interest rate sensitivity) shows the pro-forma after tax impact on the Bank's net interest income over the next 12 months and economic value of shareholders' equity of an immediate and sustained 100 basis points increase and 100 basis points decrease in interest rates across major currencies as defined by the Bank. These calculations are based on models that consider a number of inputs and are on a constant balance sheet and make no assumptions for management actions to mitigate the risk.

	As at									
	July 31, 2023						April 30, 2023		July 31, 2022	
	Net interest income			**Economic value of equity**						
($ millions)	**Canadian dollar**	**Other currencies**	**Total**	**Canadian dollar**	**Other currencies**	**Total**	Net interest income	Economic value of equity	Net interest income	Economic value of equity
+100 bps	**$(194)**	**$ 166**	**$(28)**	**$(542)**	**$(487)**	**$(1,029)**	$(46)	$(1,247)	$(267)	$(1,579)
-100 bps	**179**	**(175)**	**4**	**349**	**277**	**626**	(2)	796	231	1,027

Foreign currency risk is the risk of loss due to changes in spot and forward rates and it arises in the Bank's unhedged funding and investment activities primarily from the Bank's net investment in foreign operations as well as foreign currency earnings in its domestic and remitting foreign branch operations. The Bank's revenues, expenses and income denominated in currencies other than the Canadian dollar are subject to fluctuations in the movement of the Canadian dollar relative to such currencies.

As at 31 July 2023 a one per cent. increase (or decrease) in the Canadian dollar against all currencies in which the Bank operates decreases (increases) the Bank's before-tax annual earnings by approximately $68 million (30 April 2023 – $71 million; 31 July 2022 – $43 million) (31 October 2022 - $55 million) in the absence of hedging activity, primarily from exposure to the U.S. dollars. A strengthening or weakening of the Canadian dollar compared to the U.S. dollar, Mexican peso, Peruvian Sol, Colombian Peso and Chilean Peso could reduce or increase, as applicable, the translated value of the Bank's foreign currency denominated revenue, expenses and earning and could have a significant impact on the Bank's overall business and financial results. For information on impact of foreign currency translation, see table entitled "*Impact of foreign currency translation*" on page 15 of the Bank's 2023 Third Quarter Report. The Bank has adopted specific policies to manage market risk and the monitoring of the associated foreign exposure limits described above. Despite such policies, the Bank remains exposed to the risks of fluctuations in currency and risk of loss as a result of market risks which may have a negative impact on the business, financial condition and/or results of operations of the Bank.

1.1.3. Liquidity Risk.

Liquidity risk is the risk that the Bank is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due under derivative contracts, settlement of securities borrowing and repurchase transactions, and lending and investment commitments.

Liquidity risk is managed through a framework and supporting policies as well as limits that are approved by the Board of Directors. The Board receives reports on risk exposures and performance against approved limits. The Asset-Liability Committee (ALCO) provides senior management oversight of liquidity risk.

Liquid assets are a key component of liquidity management and the Bank holds these types of assets in sufficient quantity to meet potential needs for liquidity management. The Bank maintains large holdings of unencumbered liquid assets to support its operations. These assets generally can be sold or pledged to meet the Bank's obligations. As at 31 July 2023, unencumbered liquid assets were $317 billion, and $260 billion as at 31 October 2022. The Bank's liquidity pool is held across major currencies, mostly comprised of Canadian and U.S dollar holdings.

Liquidity Risk is measured and controlled through a range of metrics with applicable limits, including the liquidity coverage ratio, net stable funding ratio, net cumulative cash flow, funding concentration, minimum liquidity buffer, maximum amount of pledged assets, minimum liquidity stress surplus, and maximum cash gaps guidance levels.

The Bank is required to maintain an adequate level of unencumbered high-quality liquid assets that can be converted into cash to meet liquidity needs over a 30 calendar day horizon under a pre-defined significantly severe liquidity stress scenario. This is measured by the Liquidity Coverage Ratio (LCR) which is based on a 30-day liquidity stress scenario, with assumptions defined in the OSFI Liquidity Adequacy Requirements (LAR) Guideline. The LCR is calculated as the ratio of high quality liquid assets to net cash flows. Currently, the Bank is subject to a regulatory minimum LCR of 100 per cent. The Bank's LCR as at 31 July 2023 was 133 per cent. and 131 per cent. as at 30 April 2023. For additional information on the Bank's LCR, see table on page 42 of the Bank's 2023 Third Quarter Report. Effective liquidity risk management is essential to maintain the confidence of depositors and counterparties, to manage the Bank's cost of funds and support its core business activities even in adverse circumstances. Any significant deterioration in the Bank's liquidity position may lead to an increase in funding costs or constrain the volume of new lending. These factors may adversely impact the Bank's profitability and financial performance and condition.

1.1.4. Money Laundering, Terrorist Financing and Sanctions Risk.

Money Laundering, Terrorist Financing (ML/TF) and Sanctions risks are the susceptibility of the Bank to be used by individuals or organizations to launder the proceeds of crime, finance terrorism, or violate economic sanctions. This also includes the risk that the Bank does not conform to applicable Anti-Money Laundering (AML) / Anti-Terrorist Financing or Sanctions legislation or does not apply adequate controls reasonably designed to detect and deter ML/TF and sanctions violations or to file any required regulatory reports.

The Bank is subject to the expanding and ever-evolving anti-money laundering/anti-terrorist financing and economic sanctions laws and regulations internationally across the Bank's footprint. Money laundering, terrorist financing, and economic sanctions violations represent material risk to the Bank including regulatory, legal, financial and reputational exposure. In the case of economic sanctions, the trend towards retaliatory sanctions laws and regulations and anti-blocking statutes in certain jurisdictions increases the potential for situations to arise involving conflicts of law, due to the Bank's global footprint.

Regulators have also evidenced an increased focus on risks associated with anti-money laundering and terrorist financing. Sanctions authorities continue to be very active with the number of "listed" persons increasing.

If the Bank was found to be in breach of its regulatory obligations, it could be subject to a material fine and/or restrictions on its business operations. The Bank maintains an AML Program which includes policies, procedures and control standards relating to client identification and due diligence, transaction monitoring, payment and name screening, as well as investigation and reporting of suspicious activity. The AML Program is designed with the goal of preventing, deterring, detecting and reporting suspected money laundering and terrorist financing activities across the organization, and ensuring compliance with the laws and regulations of the various jurisdictions in which the Bank operates.

1.1.5. Operational Risks.

Operational risk is the risk of loss resulting from people, inadequate or failed processes and systems, or from external events. Operational risk includes third party risk and legal risk but excludes strategic risk and reputational risk. It exists in some form in each of the Bank's business and support activities, and third parties to whom activities have been outsourced. It can result in financial loss, regulatory sanctions and damage to the Bank's reputation. Operational risk management refers to the discipline of systematic identification, assessment, measurement, mitigation, monitoring, and reporting of operational risk.

Similar to all large organizations, the Bank is exposed to many types of operational risk, including the risk of fraud by employees or outsiders, unauthorized transactions by employees, temporary loss or shortage of employees, or operational errors, including clerical or record keeping errors or errors resulting from faulty or disabled computer or telecommunications systems. Given the high volume of transactions the Bank processes on a daily basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. Shortcomings or failures in the Bank's internal processes, people or systems, including any of the Bank's financial, accounting or other data processing systems, could lead to, among other consequences, direct or indirect financial loss, regulatory sanctions, and reputational damage. In addition, despite the contingency plans the Bank has in place, the Bank's ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the Bank's businesses and the communities in which they are located.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List or as an authorised firm regulated by the Financial Conduct Authority.

The Bank's Operational Risk Management Framework sets out an integrated approach to identify, assess, control, mitigate and report operational risks across the Bank. The Bank applies the Standardized Approach for calculating operational risk capital as per the applicable Basel Standards. As at 31 October 2022, the risk weighted assets of the Bank amounted to $462.4 billion, $50.2 billion of which was for operational risks.

1.1.6. Cyber security and Information Technology (IT) Risk.

IT Risk is the risk of financial loss, disruption or damage to reputation from a failure of information technology systems. Cyber Security risks are the unique IT risks faced as a result of using interconnected systems and digital technologies.

The Cybersecurity and IT risk landscape continues to evolve across the financial industry. The increasing use of digital delivery channels to deliver financial services exposes the Bank to various vectors of attack. Threat actors (individuals, organized crime rings and nation state sponsored) continue to target financial institutions to steal data, money or to disrupt operations. The ongoing geopolitical tensions increase the risk of escalations through retaliatory cyber attacks. Those events may negatively impact the Bank's operational environment, its customers and other third parties. The Bank continues

to expand its cyber security capabilities to defend against potential threats and minimize the impact to the business.

Cybersecurity risk arises from multiple threats includes risks in the form of cyber-attacks, data breaches, cyber extortion and similar compromises and continues to impact financial institutions and other businesses in Canada and around the globe. Threats are not only increasing in volume but in their sophistication as adversaries use ever evolving technologies and attack vectors. The technology environment of the Bank, its customers and the third parties providing services to the Bank, may be subject to attacks, breaches or other compromises. Incidences like these can result in disruption to operations, misappropriation or unauthorized release of confidential, financial or personal information, reputational damage, regulatory investigations and fines, among other things. The Bank proactively monitors and manages these risks by investing in technology and talent expertise to ensure appropriate risk-based remediation activities, and in enhanced tooling to support the Bank's ability to improve cyber resiliency and reinforce protection against events and factors outside of its control. In addition, the Bank purchases insurance coverage to help mitigate against certain potential losses associated with cyber incidents. In the event of a successful cyber-attack, the Bank would be exposed to financial loss, reputational loss, the risk of not achieving its business objectives as well as major disruption in its operations.

(a) Technology Innovation and disruption.

Risks and impacts emanating from digitalisation of money (e.g., crypto currency and decentralised finance), consumer directed finance, such as open banking, and continued digital innovations (e.g., adoption of cloud computing and artificial intelligence/machine learning) increase strategic risk and potential vulnerabilities, requiring ongoing investments to adapt to new technologies in a secure manner. New unregulated participants can disrupt a bank's operating model with the use of advanced technologies, agile delivery methodologies and analytical tools offering bank-like products with lower fixed costs. Competition from non-financial companies could adversely affect the Bank's business strategies, financial performance, and reputation. The increasing role of data, models, and artificial intelligence in decision making processes and operations, evolving regulatory expectations, increasing sensitivities and concerns on their appropriate use, and the potential for bias in the decision-making process, can also result in reputational risk.

(b) Third Party Service Providers.

The Bank continues to rely on third parties for the delivery of some critical services. The emergence of a concentrated number of dominant service providers, combined with an uncertain geopolitical and macroeconomic climate, increases compliance, operational, data and cyber risk for service providers. Regulatory focus in third party risk management is evolving and includes the financial industry's approach to cloud technology, data protection, and operational resilience.

The Bank continues to enhance third party risk assessment and governance to ensure a solid risk management framework to support engagements with third party service providers. The Bank continues to invest in enhancing its governance of third parties, resourcing capabilities, and technology to ensure it manages third party risk prudently. Third party service providers other than IT vendors, as well as service providers to those third parties (i.e. fourth party vendors) can also fall victim to systems, data and privacy breaches if their control environments fail to operate effectively. Any such breaches could impact the Bank if the Bank's data is shared with such vendors in the course of their provision of services to the Bank. A successful cyber attack on, or data breaches or other compromises involving, third party service providers or fourth party vendors, can result in major disruption to the Bank's operations, misappropriation or unauthorised release of its confidential, financial or personal information, reputational damage, regulatory investigations and fines, among other things.

1.1.7. Compliance Risk.

Compliance Risk is the risk of an activity not being conducted in conformity with applicable laws, rules, regulations and prescribed practices ("regulatory requirements"), as well as compliance-related internal policies and procedures, and ethical standards expected by regulators, customers, investors, employees and other stakeholders. Compliance Risk includes Regulatory Compliance Risk, Conduct Risk, and Privacy Risk.

As a global organization, with operations in numerous jurisdictions world-wide, the Bank is subject to (and must comply with) various regulatory requirements established by governments, regulators and self-regulating bodies. In a world of increasingly complex and evolving regulatory requirements and escalating enforcement activity, the Bank must keep pace with regulatory expectations as well as accepted industry best practices and ethical standards across its global footprint. See "Business Line Overview" on pages 37 to 53 of the Bank's 2022 Annual Report incorporated by reference in the Prospectus for a detailed description of the Bank's business segments and the jurisdictions in which it operates. Although the Bank continually monitors and evaluates the potential impact of regulatory developments to assess the impact on its businesses and to implement any necessary changes, regulators and private parties may challenge our compliance. Failure to comply with legal and regulatory requirements may result in fines, penalties, litigation, regulatory sanctions, enforcement actions and limitations or prohibitions from engaging in business activities, all of which may negatively impact the Bank's financial performance, the execution of its business strategy and its reputation. See Note 23 (Provisions) of the Bank's 2022 Annual Report and Note 19 (Corporate Income Taxes) of the Bank's 2023 Third Quarter Report for more information on ongoing litigation and investigations. The scope of compliance requirements and the associated cost for the Bank are increasing as well with evolving regulatory expectations such as cyber security, data risk, consumer protection and privacy, model risk, third-party risk and operational resilience. This focus could lead to more regulatory or other enforcement actions.

The Bank continues to monitor changes in regulatory guidance and continue to assess the impact of new regulations across its operating footprint and the credit life cycle. For additional information on some of the key regulatory developments that have the potential to impact the Bank's operations, see "Regulatory Developments" on pages 114 to 116 of the Bank's 2022 Annual Report which is incorporated in the Prospectus by reference, as may be updated by quarterly reports.

1.1.8. Environmental, Social and Governance Risk.

Environmental, Social and Governance (ESG) risk refers to the possibility that environmental, social and governance concerns related to the Bank's conduct, business practices or relationships could result in adverse impacts to the Bank.

The Bank is exposed to ESG risks due to both its internal operations and its business activities. The Bank considers Environmental Risk to be the potential adverse impacts to a business due to the loss of, or damage to the natural environment and/or biodiversity, such as land, water, plants, animals, natural resources, ecosystems, and the atmosphere. The Bank considers the physical and transition risks associated with climate change to be a component of Environmental Risk.

Social Risk is defined to be the potential adverse impacts to a business that can arise due to the mismanagement of social considerations that can cause actual or perceived negative impacts on people and communities. Social considerations include, but are not limited to, human rights (including human trafficking and modern slavery); Indigenous rights; labour standards and working conditions; diversity, equity, and inclusion; accessibility; community health, safety, and security; disadvantaged and vulnerable groups; cultural property and heritage; and land acquisition and involuntary resettlement. The Bank's high-level approach to respecting and promoting human rights is communicated in the Code of Conduct and in the Global Human Rights Statement.

Corporate governance refers to the oversight mechanisms and the way in which the Bank is governed. It encompasses the Bank's policies and processes, how decisions are made, and how it deals with the various interests of, and relationships with, its many stakeholders, including shareholders, customers, employees, regulators, and the broader community. Governance Risk refers to the adverse impacts to a business that can arise because of poor or ineffective corporate governance mechanisms and controls.

There is an increasing expectation by various stakeholders of the Bank to address social and environmental challenges (including climate change, human rights, racism, and inequality) and to demonstrate exemplary governance in managing ESG risk. An inability to manage this risk can result in higher cost of capital, funding, regulatory compliance and disclosures. Under current laws, making exaggerated or misleading sustainability claims or "Greenwashing" creates legal and reputational risks. Severe weather can damage the Bank's properties and disrupt its own operations and those of its customers, negatively impacting profitability.

1.1.9. Data Risk.

Data risk is the exposure to the adverse financial and non-financial consequences (e.g., revenue loss, reputational risk, regulatory risk, suboptimal management decisions) caused by mismanagement, misunderstanding or misuse of the Bank's data assets. This risk may arise from a lack of data risk awareness; insufficient data risk oversight, governance and controls; inadequate data management and poor data quality; inferior data security and protection; and inappropriate, unintended or unethical data usage.

Data is considered one of the Bank's most strategic assets and the volume, value and type of data the Bank handles has exponentially increased in recent years. Enhanced rigor towards data management is a concentrated focus for the Bank with the increase in regulatory demands. Data is produced and consumed by different business lines and geographies of the Bank. Failure by the Bank to manage such data in an effective, collaborative and holistic way could adversely affect, the Bank's reputation, regulatory compliance and financial performance and condition.

1.1.10. Model Risk.

Model risk is the risk of adverse financial (e.g., capital, losses, revenue) and reputational consequences arising from the design, development, implementation and/or use of a model. It can originate from inappropriate specification; incorrect parameter estimates; flawed hypotheses and/or assumptions; mathematical computation errors; inaccurate, inappropriate or incomplete data; inappropriate, improper or unintended usage; and inadequate monitoring and/or controls.

The Model Risk Management Framework outlines the Bank's approach for effective governance and oversight of model risk consistent with the policies and processes outlined in the Bank's Model Risk Management Policy (MRMP). The MRMP describes the overarching principles, policies, and procedures that provide the framework for managing model risk. The MRMP also clearly defines roles and responsibilities for key stakeholders involved in the model risk management cycle.

These principles, policies and procedures cover all stages of the model risk management cycle, including development, independent pre-implementation review, approval and post-implementation review. All models, whether developed by the Bank or vendor-supplied, that meet the Bank's model definition are covered by this Policy.

Prior to the implementation of new risk models, rigorous validation and testing is conducted. Validation is conducted when the model is initially developed and when any significant changes are made to the model. The models are also subject to ongoing validation, the frequency of which is determined by model risk ratings. Models may also be triggered for earlier revalidation when there have been significant structural changes in the market or changes to the composition of the portfolio.

Model risk continues to receive increasing regulatory focus given growing adoption of analytics-driven insights across financial institutions. Regulatory guidelines for model risk set out expectations for the establishment of an enterprise-wide risk management framework, including policies and procedures to identify, assess and manage the risks inherent in any model. The Bank proactively monitors and manages the risks associated with the development and use of models. It has an enterprise-wide model risk management policy in place, supported by appropriate processes and procedures, that support the identification and management of material risks associated with models. The Bank also continues to enhance model risk governance practices, processes and controls to effectively monitor and mitigate risks. However, failure to properly manage such risk could adversely impact the Bank's financial performance, position and reputation.

1.1.11. Reputational Risk.

Reputational risk is the risk that negative publicity or stakeholder sentiment regarding the Bank's conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

The Bank has an Enterprise Reputational Risk Policy, as well as policies and procedures for managing suitability risk, and reputational and legal risk related to structured finance transactions. Reputational risk is managed and controlled by the Scotiabank Code of Conduct, governance practices and risk management programs, policies, procedures and training. All directors, officers and employees have a responsibility to conduct their activities in accordance with the Scotiabank Code of Conduct, and in a manner that minimizes reputational risk. The activities of the Legal; Global Tax; Corporate Secretary; Global Communications; Financial Crimes Risk Management; Global Compliance and Global Risk Management departments, as well as the Reputational Risk Committee, are particularly oriented to the management of reputational risk.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Such negative publicity has an impact on the Bank's brand and reputation. Negative publicity and related reputational risk frequently arise as a by-product of some other kind of risk management control failure such as compliance and operational risks. In some cases, reputational risk can arise through no direct fault of an institution, but indirectly as a ripple-effect of an association or problems arising within the industry or external environment.

Damage to the Bank's reputation can result in reduced share price and market capitalization, increased cost of capital, loss of strategic flexibility, inability to enter or expand into markets, loss of client loyalty and business, or regulatory fines and penalties. The sources of reputation risk are widespread; risk to the Bank's reputation can occur in connection with credit, regulatory, legal and operational risks. The Bank can also experience reputation risk from a failure to maintain an effective control environment, exhibit good conduct, or have strong risk culture practices, all of which may have a negative impact on the Bank's reputation, financial performance and condition.

1.1.12. Strategic Risk.

Strategic risk is the risk that the enterprise, business lines or corporate functions of the Bank will make strategic choices that are ineffective or insufficiently resilient to changes in the business environment, or poorly execute such strategies. The Board is ultimately responsible for oversight of strategic risk, by ensuring a robust strategic planning process and approving, on an annual basis, the strategic plan for the Bank. The Annual Strategy Report to the Board of Directors considers linkages between the Bank's Enterprise Risk Appetite Framework with the enterprise strategy, business line strategies and how the corporate functions support the Business Lines. The strategic planning process is managed by Enterprise Strategy. The execution and evaluation of strategic plans is a fundamental element of the Risk Management Framework. On an ongoing basis, Heads of Business Lines and Control Functions identify, manage, and assess the internal and external risks that could impede achievement of, or progress of, strategic objectives. The executive management team regularly meets to evaluate the effectiveness of the Bank's strategic plan, and consider what amendments, if any, are required. For more information on the Bank's strategic goals in each of its business segments, see "Business Line Overview" on pages 37 to 53 of the Bank's 2022 Annual Report incorporated by reference in the Prospectus, as may be updated by quarterly reports, and for information on recent acquisitions and divestitures, see Note 36 (Acquisitions and Divestitures) of the Bank's 2022 Annual Report. The Bank's ability to execute on its objectives and strategic goals will influence its financial performance. Despite the processes in place to manage strategic risk, if the Bank is unable to successfully implement selected strategies or related plans and decisions, if the Bank makes inappropriate strategic choices or if the Bank makes a change to its strategic goals, its financial performance, condition and prospects could be adversely affected.

1.2. Emerging and other risks that could impact future results.

The Bank is exposed to a variety of emerging and other risks that can potentially adversely affect the Bank's business strategies, financial performance, and reputation.

1.2.1. Geopolitical risks and tensions

Geopolitical risks including trade tensions could affect volatility in foreign exchange and capital markets globally. This affects all participants in these markets. In the short run, a market shock could potentially impact the Bank's trading and non-trading market activities and revenues. Over a longer period of time, the more broadly based macroeconomic effects could potentially impact the Bank's exposures to customers and market segments impacted by those shocks.

Geopolitical risks may give rise to increased strategic and business risk for the Bank. This includes concerns over the operational and financial impacts of a volatile global environment, such as trade disputes in Asia, sanctions over the Russian conflict, and political changes in Latin America. The escalations of trade disruptions over the past few years are calling into question the vision of a globalized economy with some government officials pushing to implement policies encouraging companies to spread manufacturing within a group of "like-minded" nations to ensure uninterrupted and diversified access to raw materials, technologies, or products. While such policies seek to mitigate the economic cost associated with geopolitical risk, such measures may paradoxically result in higher cost of capital deployment or more inefficient use of capital allocation. The scope and intensity of geopolitical risk events are difficult to predict.

For discussion on the Bank's economic outlook in Canada and countries in which the Bank operates in, see "Economic Summary and Outlook" on page 14 of the Bank's 2023 Third Quarter Report incorporated by reference in this Prospectus, as may be updated by future quarterly reports.

1.2.2. Macroeconomic Uncertainty

(a) The Bank's earnings are affected by the monetary policies of the Bank of Canada and the Federal Reserve Board.

The monetary policies of the Bank of Canada and the Federal Reserve Board in the United States, as well as other interventions in capital markets, have an impact on the Bank's income. The general level of interest rates may impact the Bank's profitability because interest rate fluctuations affect the spread between interest paid on deposits and interest earned on loans, thereby affecting the Bank's net income.

Furthermore, after a period of low interest rates, Canadians have increased household borrowing at a pace that exceeded their income growth. Canadian household indebtedness and the household debt service ratio are nearing historic highs. Household savings are at record lows leaving little margin to sustain consumption if the macro-economic outlook proves more negative. As a result, higher interest rates could have an adverse impact on consumers' ability to service their debt, leading to increased risk of loan losses for financial institutions that could have a negative effect on the Bank's results, financial condition and prospects. As at 31 October 2022, residential mortgages and consumer loans accounted for $463 billion or 60 per cent of the Bank's total loans and acceptance outstanding. The Bank has no control over changes in monetary policies or capital market conditions, and therefore cannot forecast or anticipate them systematically.

(b) Management of the Bank choose certain accounting policies and methods for reporting the Bank's financial condition and results of operations.

The policies and methods chosen may require management to make estimates or rely on assumptions that impact the reported results. Subsequent to reporting, such estimates and assumptions may require revision, which may materially adversely affect the Bank results of operations and financial condition.

From 1 November 2011, the Bank's financial condition and results of operations for interim and annual reports have been reported using accounting policies and methods prescribed by the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board. For previous years, the Bank's financial condition and results of operations have been reported using accounting policies and methods prescribed by Part V of the Handbook of the Chartered Professional Accountants – Canada – Pre-Changeover Accounting Standards (Canadian GAAP). Effective 1 November 2017, the Bank early adopted the International Financial Reporting Standard (IFRS) 9, Financial Instruments, but did not restate comparative periods, as provided by IFRS 9.

As detailed in the section entitled "Controls and Accounting Policies – Critical Accounting Policies and Estimates" on pages 110 to 114 of the Bank's 2022 Annual Report, incorporated by reference in the Prospectus, certain accounting policies have been identified as being "critical" to the presentation of the Bank's financial condition and results of operations as they (i) require management to make particularly subjective and/or complex judgments and estimates about matters that are inherently uncertain and (ii) carry the likelihood that materially different amounts could be reported under different conditions or using different assumptions and estimates. The reporting of such materially different amounts could materially and adversely affect the Bank's results of operations or reported financial condition. These critical accounting policies and estimates relate to the determination of the Bank's allowance for credit losses, the determination of the fair value of financial instruments and impairment of investment securities, the cost of employee benefits, the provision for corporate income taxes, whether or not structured entities should be consolidated, assessment of impairment of goodwill, indefinite life intangible assets, derecognition of financial assets, provisions, litigation and other off-balance sheet credit risks.

(c) Global inflation may impact customers' ability to service debt.

Global inflation, exacerbated by supply chain issues and geopolitical uncertainties, are expected to keep central banks aggressive in their attempts to mitigate pricing pressures. With interest rates now in restrictive territory and market sentiment deteriorating, the risk of a global recession is increasing. Rapidly rising interest rates and consumer prices, combined with wages that are failing to keep pace with the cost of living, may leave many households vulnerable and affect some customers' ability to service debt. This could result in increased loan delinquencies or impairments and higher credit losses due to deterioration in the financial condition of the Bank's customers and may necessitate further increases in the Bank's provision for credit losses and net charge-offs, both of which could negatively impact the Bank's business, financial condition, liquidity and results of operations.

1.2.3. Talent Attraction and Retention.

Recruiting and retention challenges continue as labour markets remain tight and competitive pressure translates into higher compensation demands. As well, companies face the task of ensuring risk culture and conduct remains robust and consistent in the face of increased employee turnover and new flexible working arrangements. The inability to attract or retain skilled staff can negatively impact the Bank's business objectives and operational efficiencies.

2. Risks Relating to the Covered Bonds

2.1. Risks relating to all Covered Bonds

2.1.1. The Covered Bonds are obligations of the Bank and the Guarantor only and do not extend to any of their affiliates or the parties to the Program, including the Bond Trustee or the Arrangers or Dealers

The payment obligations in relation to the Covered Bonds will be solely obligations of the Bank and, subject to the terms of the Covered Bond Guarantee, obligations of the Guarantor. Accordingly, the payment obligations under the Covered Bonds will not be obligations of, or guaranteed by, any other affiliate of the Bank. In particular, the Covered Bonds will not be obligations of, and will not be guaranteed by, any of the Arrangers, the Dealers, the Bond Trustee, the Cash Manager, the Custodian, any Swap Provider, any of their agents, any company in the same group of companies as such entities or any other party to the Transaction Documents relating to the Program or any officer, director, employer, security holder of any of them. The Bank will be liable solely in its corporate capacity, the Managing GP and Liquidation GP will be liable solely as general partners of the Guarantor in their corporate capacity and the Limited Partner and any future limited partners of the Guarantor will be liable in their corporate capacity solely to the extent of their interests in the Guarantor, for their respective obligations in respect of the Covered Bonds and the Covered Bond Guarantee. Any failure by the Bank or the Guarantor to pay any amount due under the Covered Bonds will not result in any liability whatsoever in respect of such failure being accepted by any of the Arrangers, any of the Dealers, the Bond Trustee, the Custodian, any Swap Provider, any of their agents, the Partners, any company in the same group of companies as such entities or any other party to the Transaction Documents relating to the Program or any officer, director, employer, security holder of any of them. In the event the Bank and the Guarantor are unable to fulfill such obligations, Covered Bondholders will be exposed to the risk that there will be no other Person responsible for fulfilling the obligations of the Bank or the Guarantor in respect of the Covered Bonds and the Covered Bond Guarantee resulting in loss to the Covered Bondholders.

2.1.2. The Covered Bonds will constitute unsecured and uninsured deposit obligations of the Bank

The Covered Bonds will constitute deposit liabilities of the Bank for purposes of the Bank Act, however the Covered Bonds will not be insured under the CDIC Act or any other governmental insurance scheme of any other country, and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* with all deposit liabilities of the Bank without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Bank, present and future, except as prescribed by law. Further, the occurrence of an Issuer Event of Default alone does not constitute a Guarantor Event of Default and does not entitle the Bond Trustee to accelerate payment of the Guaranteed Amounts. The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until service on the Guarantor of (i) a Notice to Pay following service of an Issuer Acceleration Notice on the Bank following the occurrence of an Issuer Event of Default, or (ii) a Guarantor Acceleration Notice following the occurrence of a Guarantor Event of Default (See Condition 3.2 (Status of the Covered Bond Guarantee)). However, failure by the Guarantor to pay amounts when Due for Payment under the Covered Bond Guarantee constitutes a Guarantor Event of Default (subject to any applicable grace periods) and would entitle the Bond Trustee to deliver a Guarantor Acceleration Notice, following which, the Covered Bonds will become immediately due and payable against the Bank and the obligations of the Guarantor under the Covered Bond Guarantee will be accelerated and the Bond Trustee will be entitled to enforce the Security.

2.1.3. Excess Proceeds received by the Bond Trustee

Following the occurrence of an Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may receive Excess Proceeds. The Excess Proceeds will be paid by the Bond Trustee, as soon as practicable after receipt thereof by the Bond Trustee, on behalf of the Covered Bondholders of the relevant Series, to the Guarantor for the account of the Guarantor and will be held by the Guarantor in the GDA Account (as discussed further in Condition 9.1 (Issuer Event of Default). The Excess Proceeds will thereafter form part of the Security granted pursuant to the Security Agreement and will be used by the Guarantor in the same manner as all other moneys from time to time standing to the credit of the GDA Account. Upon receipt of any Excess Proceeds by the Bond Trustee, the Guarantor will be deemed to have assumed all of the obligations of the Bank (other than the obligation to make any payments in respect of additional amounts which may become payable by the Bank pursuant to Condition 7 (Taxation)) 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 (if any) 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 (if any) will have no rights against the Bank with respect to payment of such Excess Proceeds. However, the obligations of the Guarantor under the Covered Bond Guarantee are, following a Covered Bond Guarantee Activation Event, unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations. Distribution of the Excess Proceeds to Covered Bondholders will be subject to the applicable Priority of Payments and, as a result, there may be delays in Covered Bondholders receiving any such Excess Proceeds and the Covered Bondholders may not receive some or all of the Excess Proceeds but in any event there will be no further recourse to the Bank in respect of any such amounts. By subscribing for Covered Bonds, each Covered Bondholder will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Guarantor in the manner as described above.

2.1.4. Covered Bonds issued under the Program will rank pari passu with each other and will accelerate at the same time

Covered Bonds issued under the Program will either be fungible with an existing Series of Covered Bonds or have different terms from an existing Series of Covered Bonds (in which case they will constitute a new Series). The Bank may also issue Covered Bonds which are not admitted to trading

on the main market of the London Stock Exchange (**Exempt Covered Bonds**). All Covered Bonds issued under the Program from time to time will rank *pari passu* with each other in all respects. Following the occurrence of an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice, all outstanding Covered Bonds issued under the Program will accelerate against the Bank but will be subject to, and have the benefit of, the Guaranteed Amounts under the Covered Bond Guarantee (following a Notice to Pay having been served by the Bond Trustee on the Guarantor).

Following the occurrence of a Guarantor Event of Default and service by the Bond Trustee of a Guarantor Acceleration Notice, all outstanding Covered Bonds will accelerate against the Bank (if not already accelerated following service of an Issuer Acceleration Notice) and the obligations of the Guarantor under the Covered Bond Guarantee will accelerate.

All Covered Bonds issued under the Program will share *pari passu* in the Security granted by the Guarantor under the Security Agreement on a *pro rata* basis. Accordingly, the holders of each Series of Covered Bonds issued under the Program will be required to share recovery proceeds from the Security with all other holders of each other Series of the Covered Bonds issued under the Program on a *pro rata* and *pari passu* basis.

2.1.5. The Bond Trustee's powers may affect the interests of the holders of the Covered Bonds

In the exercise of its powers, trusts, authorities and discretions, the Bond Trustee will only have regard to the interests of the holders of the Covered Bonds. In the exercise of its powers, trusts, authorities and discretions, the Bond Trustee may not act on behalf of the Bank. 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 holders of the Covered Bonds 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 by Extraordinary Resolution of such holders of the relevant Series of Covered Bonds then outstanding or by a direction in writing of such holders of the Covered Bonds representing at least 25 per cent. of the Principal Amount Outstanding of such Covered Bonds.

The Bond Trustee is not obligated to serve an Issuer Acceleration Notice on the Bank upon an Issuer Event of Default or a Notice to Pay on the Guarantor, or to seek enforcement of the provisions of the Trust Deed on the Covered Bonds, except if so directed by Extraordinary Resolution.

In the event the Bond Trustee is not so directed to exercise its powers, trusts, authorities and discretions, Covered Bondholders that approve or would benefit from the exercise of such powers, trusts, authorities and discretions may be adversely affected. See *Certain decisions of Holders of the Covered Bonds taken at the Program level* below.

Accordingly, the powers of the Bond Trustee may adversely affect the investors' interests in the Covered Bonds. See Condition 15 (Indemnification of the Bond Trustee. Contracting with the Bank and/or the Guarantor).

2.1.6. The obligations under the Covered Bond Guarantee may be subject to an Extended Due for Payment Date and payment on the Final Redemption Amount may be deferred beyond the Final Maturity Date

The Final Terms Document or Pricing Supplement for a Series of Covered Bonds may specify that they are subject to an Extended Due for Payment Date. If specified in the applicable Final Terms Document or Pricing Supplement, in circumstances where neither the Bank nor the Guarantor has sufficient funds available to pay in full the Final Redemption Amount due on a Series of Covered Bonds on the relevant Final Maturity Date or within the relevant grace period, then the Final Maturity Date of the relevant Series of Covered Bonds may be deferred to an Extended Due for Payment Date in accordance with Condition 6.1 (Final redemption). If payment has been deferred as discussed below, failure by the

Guarantor to make payment in respect of all or any portion of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) will not constitute a Guarantor Event of Default.

If and to the extent that the Guarantor has sufficient funds available to partially redeem the relevant Series of Covered Bonds, either on the Final Maturity Date or on the applicable Original Due for Payment Dates for that Series of Covered Bonds up to and including the Extended Due for Payment Date, then (assuming that the Guarantor Acceleration Notice and Notice to Pay for the relevant amount have been served to the Guarantor within the relevant timeframes) the Guarantor will make such partial redemption in accordance with the Guarantee Priority of Payments and as described in Condition 6.1 (Final redemption).

Interest will continue to accrue and be payable on the unpaid amount of the relevant Series of Covered Bonds in accordance with Condition 4 (Interest) and at the rate of interest specified in the applicable Final Terms Document or Pricing Supplement and the Guarantor will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date.

Failure by the Guarantor to pay Guaranteed Amounts corresponding to the unpaid portion of the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date or the Extended Due for Payment Date will in each case (subject to any applicable grace period) constitute a Guarantor Event of Default.

2.1.7. Modifications, waivers and substitution under the Covered Bonds (including modifications in relation to the base rate on the Floating Rate Covered Bonds) and Transaction Documents may, in certain circumstances, be made without consent of the Covered Bondholders and without requirement for Rating Agency Condition

The Terms and Conditions contain provisions for calling meetings (including at a physical location or by means of an electronic platform (such as a conference call or videoconference) or a combination thereof) of Covered Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Covered Bondholders including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to the majority. Pursuant to the Trust Deed, in connection with any meeting of the Covered Bondholders of more than one Series, the Covered Bonds of any Series not denominated in Canadian Dollars will be converted into Canadian Dollars at the relevant Covered Bond Swap Rate (See Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution)). An individual Covered Bondholder may not be in a position to affect the outcome of the resolutions adopted by the meetings of Covered Bondholders (see *Overview of the Principal Documents – Trust Deed*).

The Terms and Conditions of the Covered Bonds also provide that the Bond Trustee may, without the consent of Covered Bondholders 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) agree to any modification, waiver or authorization, of any breach, or proposed breach, of any of the provisions of the Covered Bonds of one or more Series (including these Terms and Conditions), 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, (b) determine that any Issuer Event of Default or Guarantor Event of Default will not be treated as such, (c) agree to the substitution of another company as principal debtor under any Covered Bonds in place of the Bank or the Guarantor, or (d) agree to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Bond Trustee, is proven, in the circumstances described in Condition 14 (Meetings of Covered

Bondholders, Modification, Waiver and Substitution). The Covered Bondholders will not be in a position to give instructions to the Bond Trustee in relation to the matters set out above.

The terms of certain of the Transaction Documents provide that, in certain circumstances, the Bank and/or the Guarantor must, and the Bond Trustee may, obtain confirmation from each Rating Agency that any particular action proposed to be taken by the Bank, the Guarantor, the Seller, the Servicer, the Cash Manager, the Bond Trustee or any other party to a Transaction Document will not result in a reduction or withdrawal of the rating of the Covered Bonds in effect immediately before the taking of such action. However, holders of the Covered Bonds should be aware that if a confirmation or some other response by a Rating Agency is a condition to any action or step or is otherwise required under any Transaction Document and a written request for confirmation of the 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, and either (i) the Rating Agency indicates in its sole discretion that it does not consider such confirmation or response 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, ten Business Days) of the date of actual receipt of such request by such Rating Agency, the Bank, the Guarantor and/or the Bond Trustee, as applicable, will be entitled to disregard the requirement for the satisfaction of the Rating Agency Condition, affirmation of rating or other response by such Rating Agency and proceed on the basis that such confirmation or affirmation of rating or other response by such Rating Agency is not required in the particular circumstances of the request. In such circumstances, there can be no assurance that a Rating Agency would not downgrade or place on watch the then current rating of the Covered Bonds or cause such rating to be withdrawn or suspended.

2.1.8. No Rating Agency is a party to any of the Transaction Documents and no Rating Agency will at any time be under an obligation to satisfy the Rating Agency Condition.The Bank will act in its own interest in connection with the Program, and such actions may not be in the best interests of, and may be detrimental to, the holders of Covered Bonds

The Bank has a number of roles pursuant to the Program including, but not limited to, Seller, Servicer, Cash Manager, Swap Provider, GDA Provider, Intercompany Loan Provider, Calculation Agent, and Limited Partner (as further described in *Overview of the Principal Documents*). In respect of the Program, the Bank will act in its own interest subject to compliance with the Transaction Documents. Such actions by the Bank may not be in the best interests of and may adversely affect Covered Bondholders, including by negatively impacting the ability for the Bank to pay to the holders of the Covered Bonds any principal and/or interest due on the Covered Bonds. Subject to compliance with the Transaction Documents, the Bank may act in its own interest without incurring any liability to the holders of any Series or Tranche of Covered Bonds.

2.1.9. Certain decisions of Holders of the Covered Bonds taken at the Program level

Any Extraordinary Resolution to direct the Bond Trustee to serve an Issuer Acceleration Notice following an Issuer Event of Default, to direct the Bond Trustee to serve a Guarantor Acceleration Notice following a Guarantor Event of Default and any direction to the Bond Trustee to take any enforcement action must be passed at a single meeting of the Covered Bondholders of all Series then outstanding. In the event that there is more than one Series of Covered Bonds outstanding, the Covered Bondholders of any particular Series may not have sufficient votes to control any matter voted on at a single meeting of the Covered Bondholders of all Series outstanding. See Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) for additional information.

In the event Covered Bondholders do not wish to have the Bond Trustee serve an Issuer Acceleration Notice or Guarantor Acceleration Notice, as applicable, or *vice versa* and do not have sufficient votes to control the matter at a single meeting of the holders of all Covered Bonds of all Series outstanding, holders of Covered Bonds of other Series could approve the delivery or non-delivery, as applicable, of

such Issuer Acceleration Notice or Guarantor Acceleration Notice notwithstanding the preference of Covered Bondholders of another Series.

2.1.10. Changes of law

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on the laws of the Province of Ontario and the federal laws of Canada applicable therein including banking, bankruptcy and income tax laws in effect as at the date of this Prospectus, unless otherwise indicated. No assurance can be given as to the impact of any possible change to these laws, including the NHA and the regulations and policies thereunder with respect to CMHC guidelines (including the CMHC Guide), the applicable laws, regulations and policies, including as a result of judicial decisions or changes in administrative practices, in respect of such laws, regulations and policies with respect to the issuance of Covered Bonds, the Covered Bonds themselves or the bankruptcy and receivership of the Bank or the Guarantor after the date of this Prospectus, nor can any assurance be given as to whether such change could adversely affect the ability of the Bank to meet its obligations in respect of the Covered Bonds or the Guarantor to meet its obligations under the Covered Bond Guarantee. Any such change could materially adversely impact the value of any Covered Bonds affected by it.

It should also be noted that in November 2019, the European Parliament and the Council of the European Union finalised the legislative package on covered bond reforms made up of a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160), which came into force on 7 January 2020. Member States were provided until 8 July 2021 to implement the directive through national regulations or administrative provisions, and issuers must comply with the new legislation from 8 July 2022. The new covered bond directive replaces current article 52(4) of the UCITS Directive, establishes a revised common base-line for the issuance of covered bonds for EU regulatory purposes (subject to various options that Member States may choose to exercise when implementing the new directive through national laws). The new regulation has been directly applicable in the EU since 8 July 2022 and it amends article 129 of the Capital Requirements Regulation (**CRR**) (and certain related provisions) and further strengthens the criteria for covered bonds that benefit from preferential capital treatment under the CRR regime. Pursuant to a combination of article 129 CRR and article 3 of the covered bond directive, the preferential capital treatment under CRR cannot extend currently to Covered Bonds issued by Canadian issuers (and the holders thereof) and any such extension is dependent on an equivalence determination being made by the EU Commission. How this might affect the marketability of the Covered Bonds and other covered bonds issued by Canadian issuers is ultimately unknown.

In the UK, the FCA has not published a consultation on any potential proposed amendments to domestic law connected with the EU covered bond reforms. Therefore, there can be no assurances or predictions made as to the precise effect of any new regime on the Covered Bonds in the future or whether the new regime will affect the Covered Bonds or the Bank as a foreign issuer.

In addition, Basel III and related future changes approved by the Basel Committee and which may be approved and implemented in the future may have an impact on the capital requirements in respect of the Covered Bonds and/or on incentives to hold the Covered Bonds for investors that are subject to such requirements and, as a result, they may affect the liquidity and/or value of the Covered Bonds. See *Bank and Program related legal and regulatory risks - Regulatory Treatment of Covered Bonds (including Basel III)* below.

2.1.11. Change of Tax Law

Statements in this Prospectus concerning the taxation of investors (see the section entitled *Certain Tax Legislation Affecting the Covered Bonds* on page 306 of this Prospectus) are of a general nature and are based upon current tax law and published practice in the jurisdictions stated. Such law and practice is,

in principle, subject to change, possibly with retrospective or retroactive effect, and this could adversely affect Holders.

In addition, any change in the Bank's tax status or in taxation legislation or practice in a relevant jurisdiction could adversely impact (i) the ability of the Bank to service the Covered Bonds and (ii) the market value of the Covered Bonds.

2.1.12. Credit ratings assigned to the Covered Bonds may not reflect all risks and any Rating Agency may lower or withdraw its rating or place the rating on negative watch

The credit ratings assigned to the Covered Bonds may not reflect the potential impact of all risks related to structure, market, and other factors that may affect the value of the Covered Bonds. The ratings assigned to the Covered Bonds with respect to Fitch address the following: the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date; and the likelihood of ultimate payment of principal in relation to Covered Bonds on (a) their applicable Final Maturity Date, or (b) if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee in accordance with the applicable Final Terms Document or Pricing Supplement, the applicable Extended Due for Payment Date. With respect to DBRS, the ratings assigned to the Covered Bonds address the risk that the Bank will fail to satisfy its financial obligations in accordance with the terms under which the Covered Bonds have been issued and are based on quantitative and qualitative considerations relating to the Bank and the relevant ranking of claims. With respect to Moody's, the ratings assigned to the Covered Bonds address the expected loss posed to investors. Investors may suffer losses if the credit rating assigned to the Covered Bonds does not reflect the true credit risks relating to such Covered Bonds.

Any Rating Agency may lower or withdraw its credit rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced. A downgrade or potential downgrade of these ratings, the assignment of new ratings that are lower than existing ratings, or a downgrade or potential downgrade of the ratings assigned to the Bank or any other securities of the Bank could reduce the number of potential investors in the Covered Bonds and adversely affect the price and liquidity of the Covered Bonds. A rating is based upon information furnished by the Bank or obtained by the Rating Agency from its own sources and is subject to revision, suspension or withdrawal by the Rating Agency at any time.

In general, EEA and UK regulated investors are restricted under the relevant CRA Regulation from using credit ratings for regulatory purposes, unless such credit ratings are issued by a credit rating agency established in the EEA or the UK and registered under the relevant CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA or non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered or UK-registered credit rating agency or the relevant non-EEA or non-UK rating agency is certified in accordance with the relevant CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. The list of registered and certified rating agencies published by FCA on its website in accordance with the UK CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated FCA list. Certain information with respect to the credit rating agencies and credit ratings is disclosed on the cover hereof and under *The Bank of Nova Scotia - Ratings*.

If the regulated status of a rating agency under the relevant CRA Regulation changes, EU or, as applicable, UK regulated investors may no longer be able to use the rating for regulatory purposes and the Covered Bonds may have a different regulatory treatment. This may result in EU or, as applicable, UK regulated investors selling the Covered Bonds which may impact the value of the Covered Bonds on any secondary market.

2.1.13. The Covered Bonds have no established trading market when issued and there is no assurance that an active and liquid secondary market will develop for the Covered Bonds

Covered bonds may have no established trading market when issued, and no assurance is provided that an active and liquid secondary market for the Covered Bonds will develop. To the extent a secondary market exists or develops, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired return. Therefore, Covered Bondholders may not be able to sell their Covered Bonds easily or at prices that will provide them with a return comparable to similar investments that have a developed liquid secondary market. This is particularly the case should the Bank be in financial distress, which may result in any sale of the Covered Bonds having to be at a substantial discount to their principal amount or inherent value absent the Bank's financial distress or for Covered Bonds that are especially sensitive to interest rate, currency or market risks or are not admitted to trading on a regulated market or another established securities exchange. See also the risk factors under sub-category *Risks related to the structure of a particular issue of Covered Bond* below. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. There can be no expectation or assurance that the Bank or any of its Affiliates will create or maintain a market in the Covered Bonds. Accordingly, Covered Bondholders must be prepared to hold the Covered Bonds to maturity.

The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under *Selling Restrictions* on page 327 of this Prospectus.

2.1.14. Lack of liquidity in the secondary market may adversely affect the value of the Covered Bonds

No assurance is given that there is an active and liquid secondary market for the Covered Bonds, and there can be no assurance that a secondary market for the Covered Bonds will develop or, if developed, will continue. The Covered Bonds have not been, and will not be, registered under the Securities Act and are subject to certain restrictions on resale and other transfers thereof as set forth under *Selling Restrictions* on page 327 of this Prospectus. Any secondary market that develops may not continue for the life of the Covered Bonds or it may not provide holders of the Covered Bonds with liquidity of investment. As a result, a holder of the Covered Bonds may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the holder of the Covered Bonds to realise a desired yield. Illiquidity may severely and adversely affect the market value of Covered Bonds. To the extent that an issue of Covered Bonds is or becomes illiquid, an investor may have to exercise or wait until redemption of such Covered Bonds, as applicable, to realise greater value than their trading value.

2.1.15. No obligation to maintain a listing

The Bank is not under any obligation to holders of the Covered Bonds to maintain any listing of Covered Bonds and may, in its sole discretion, determine that it is unduly burdensome to maintain such listing and seek to terminate the listing of such Covered Bonds provided it uses all reasonable efforts to seek an alternative admission to listing, trading and/or quotation of such Covered Bonds by another listing authority, securities exchange and/or quotation system that it reasonably determines (including a market which is not a regulated market for the purposes of UK MiFIR or a market outside the UK) provided however that any such listing authority, securities exchange and/or quotation system is commonly used

for the listing and trading of debt securities in the international debt markets. However, if such alternative listing is not available or, in the opinion of the Bank is impractical or unduly burdensome, an alternative listing may not be obtained. See *Overview of the Program* for further details regarding listings. Although there is no assurance as to the liquidity of any Covered Bonds as a result of the listing on a regulated market for the purposes of UK MiFIR or any other market, de-listing such Covered Bonds may have a material effect on a Covered Bondholder's ability to (i) continue to hold such Covered Bonds, (ii) resell the Covered Bonds in the secondary market or (iii) use the Covered bonds as repo-eligible securities.

2.1.16. The Covered Bonds will initially be held in book-entry form and therefore the investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies

Unless and until definitive Registered Covered Bonds are issued in exchange for book-entry interests in the Covered Bonds, owners of the book-entry interests will not be considered owners or holders of the Covered Bonds. Instead, the registered holder, or their respective nominee, will be the sole holder of the Covered Bonds. Payments of principal, interest and other amounts owing on or in respect of the Covered Bonds in global form will be made to the Paying Agent, which will make payments to the relevant Clearing System. Thereafter, payments will be made by the relevant Clearing System to participants in these systems and then by such participants to indirect participants. After payment to the common depositary, none of the Bank, the Bond Trustee, or the Paying Agent will have any responsibility or liability for any aspect of the records related to, or payments of, interest, principal or other amounts to the relevant Clearing System or to owners of book-entry interests.

Since the Covered Bonds are not represented in physical form, it may make it difficult for the investors to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes. Unlike holders of the Covered Bonds themselves, owners of book-entry interests will not have the direct right to act upon the Bank's solicitations or consents or requests for waivers or other actions from holders of the Covered Bonds that the Bank may choose to make in the future. Rather, owners of book-entry interests will be permitted to act only to the extent that they have received appropriate proxies to do so from the relevant Clearing System or, if applicable, from a participant. The Bank cannot assure the investors that procedures implemented for the granting of such proxies will be sufficient to enable the investors to vote on any such solicitations or requests for actions on a timely basis.

2.1.17. Issuance of Covered Bonds in book-entry form may affect liquidity and the ability to pledge the Covered Bonds

Some investors, including some insurance companies and other institutions, are required by law or otherwise to hold physical certificates for securities they invest in and are not permitted to hold securities in book-entry form. Unless a Final Terms Document or Pricing Supplement provides to the contrary, it is expected that the Covered Bonds will be issued in registered form as global Covered Bonds through the relevant Clearing System and, accordingly, some investors may not be permitted to own Covered Bonds. This may reduce the liquidity for the Covered Bonds by limiting the purchasers eligible to purchase the Covered Bonds in the secondary market.

2.2. Risks related to the structure of a particular issue of Covered Bonds

A range of Covered Bonds may be issued under the Program. A number of these Covered Bonds may have features which contain particular risks for potential investors. More than one risk factor may have simultaneous effects with regard to the Covered Bonds such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect, which may not be predictable. Any such combination of risk factors may have an adverse effect on the value of the Covered Bonds. Set out below is a description of such risks:

2.2.1. Covered Bonds where denominations involve integral multiples: definitive Covered Bonds

In relation to any issue of Covered Bonds which has denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that the Covered Bonds may be traded in the clearing systems in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be provided) and would need to purchase or sell a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination before definitive Covered Bonds are issued to such Holder. See *Form of the Covered Bonds – Bearer Covered Bonds* for additional information.

If definitive Covered Bonds are issued, Holders should be aware that definitive Covered Bonds which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

2.2.2. The Covered Bonds may be subject to optional redemption by the Bank

An optional redemption feature of a Series of Covered Bonds is likely to limit their market value and could reduce secondary market liquidity. During any period when the Bank may elect to redeem such Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This may also occur prior to any redemption period.

The Bank may be expected to redeem such Series of Covered Bonds when its cost of borrowing is lower than the interest rate on the Series of Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Series of Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

2.2.3. Fixed Rate Covered Bonds

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

2.2.4. The Bank may issue Covered Bonds that bear interest at a rate that converts from a Fixed Rate to a Floating Rate, or from a Floating Rate to a Fixed Rate

The Bank may issue a Tranche of Covered Bonds that bear interest at a rate that converts from a Fixed Rate to a Floating Rate, or from a Floating Rate to a Fixed Rate, including where such conversion is at the option of the Bank.

Where the Bank has the right to affect such a conversion, this may affect the secondary market and the market value of the Covered Bonds since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing and may result in a lower interest return for the Covered Bondholders of that Series. If the Bank converts from a Fixed Rate to a Floating Rate, in such circumstances, the spread on such Covered Bonds may be less favourable than the prevailing spreads on comparable Floating Rate Covered Bonds tied to the same Reference Rate. In addition, the new Floating Rate at any time may be lower than the rates on the other Covered Bonds. If the Bank converts from a Floating Rate to a Fixed Rate, in such circumstances, the Fixed Rate may be lower than the prevailing rates on the other Covered Bonds.

2.2.5. The regulation and reform of "Benchmarks" may adversely affect the value of and return on Covered Bonds linked to or referencing such "Benchmarks"

Reference rates (such as the Euro Interbank Offered Rate (**EURIBOR**), the Norwegian Interbank Offered Rate (**NIBOR**) and other types of rates or indices which are deemed to be "benchmarks") (each, a **Benchmark** and together the **Benchmarks**) are, and have been, the subject of regulatory scrutiny and national and international regulatory reform and review, with further changes anticipated. This has resulted in regulatory reform and changes to existing Benchmarks.

Such reform of Benchmarks includes Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) which applies to "contributors", "administrators" and "users" of "Benchmarks" in the EEA. Among other things, it (i) requires Benchmark administrators to be authorised or registered (or, if located outside the EEA, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of Benchmarks and (ii) prevents certain uses by EEA supervised entities of Benchmarks of administrators that are not authorised/registered (or, if located outside the EEA, deemed equivalent or recognised or endorsed). Similarly, the UK Benchmarks Regulation (as defined on page 2) applies to "contributors", "administrators" and "users" of "Benchmarks" in the UK. Among other things, it (i) requires Benchmark administrators to be authorised or registered (or, if located outside the UK, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of Benchmarks and (ii) prevents certain uses by UK supervised entities of Benchmarks of administrators that are not authorised/registered (or, if located outside the UK, deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation could have a material impact on any Covered Bonds linked to or referencing a Benchmark, including, in particular, if certain regulatory approvals with respect to the administrator of the Benchmark or the Benchmark itself are not obtained and/or maintained which may restrict certain use by a supervisory entity of the relevant Benchmark, or if the methodology or other terms of the Benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation. Changes to the methodology or other terms of a Benchmark or any announcement by a regulator pursuant to the EU Benchmarks Regulation or UK Benchmarks Regulation that a Benchmark is no longer representative (or risks becoming unrepresentative) could, among other things, have the effect of increasing or otherwise affecting the volatility of the published rate of the relevant Benchmark.

The working group on euro risk-free rates has recommended Euro Short-term Rate (**€STR**) as the new risk-free rate for the euro area. €STR was first published on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative Benchmark. In addition, on 21 January 2021, the euro risk free rate working group published a paper indicating, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallbacks) may increase the risk to the euro area financial system and setting out a set of guiding principles for fallback provisions in new euro-denominated cash products (including bonds). On 11 May 2021, the working group published recommendations relating to fallback trigger events and fallback rates for contracts and financial instruments referring to EURIBOR which follow the guiding principles.

It is not possible to predict whether, and to what extent, EURIBOR, NIBOR or other Benchmarks that are interbank offered rates will continue to be supported and/or available for use by reference to the same or an alternative calculation methodology going forward. This may cause these Benchmarks to perform differently than they have done in the past and may have other consequences which cannot be predicted. More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks may have (without limitation) the following effects on certain Benchmarks: (i) discouraging market participants from continuing to administer or contribute to a Benchmark; (ii) triggering changes in the rules of methodologies used in the Benchmark; or (iii) leading to the

disappearance of the Benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value or liquidity of, and return on, any Covered Bonds linked to, referencing, or otherwise dependent (in whole or in part) on, a Benchmark.

Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such Benchmarks may adversely affect such Benchmarks during the term of the relevant Covered Bonds, the return on the relevant Covered Bonds and the trading market for securities based on the same Benchmark.

2.2.6. Benchmark Discontinuation under the Conditions

In the case of Covered Bonds (i) using a Reference Rate other than SOFR, €STR or SARON to determine the rate of interest (or a component thereof), (ii) using SARON as a Reference Rate where a SARON Index Cessation Event has occurred and the SARON Fallbacks (as defined below) do not enable the rate of interest to be determined, or (iii) using €STR as a reference rate where an €STR Index Cessation Event has occurred and the €STR Fallbacks (each as defined below) do not enable the rate of interest (or a component thereof) to be determined, then, in the event that such Reference Rate becomes unavailable, unlawful or unrepresentative for use in connection with the relevant Covered Bonds or becomes unrepresentative of its underlying market, Condition 4.2(f) provides for certain fallbacks, including the possibility that a successor or alternative interest rate to the Reference Rate could be determined by the Bank in consultation with an Independent Adviser (as defined below), or if the Bank is unable to appoint an Independent Adviser or unable to make the relevant determination in consultation with any Independent Adviser, determined by the Bank itself.

The Conditions provide for other specific fallback arrangements in respect of Covered Bonds where the reference rate is SOFR. If the Bank or its designee determines that a USD Benchmark Transition Event and its related USD Benchmark Replacement Date has occurred, the then current Benchmark will be replaced by a replacement rate (determined by the Bank or its designee (which may be an affiliate of the Bank) in accordance with Condition 4.2(g)) and the Bank or its designee will have the right to make Benchmark Replacement Conforming Changes. In light of the Announcements, a Benchmark Transition Event has now taken place in respect of Covered Bonds referencing U.S. dollar LIBOR but the USD Benchmark Replacement Date has not yet occurred.

In cases where the Bank (whether alone or in consultation with an Independent Adviser or a designee) makes determinations under Conditions 4.2(f) or Condition 4.2(g), it may be entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion.

In the case of Covered Bonds using €STR, to the extent the €STR Reference Rate is discontinued or is no longer published as described in the Terms and Conditions, the applicable rate to be used to calculate the interest rate on such Covered Bonds will be determined using the alternative methods described in Condition 4.2(b)(ii) (**€STR Fallbacks**) or if these do not enable the rate of interest to be determined, Condition 4(m) will apply. In addition, use of the €STR Fallbacks may result in a fixed rate of interest being applied to the Covered Bonds.

For a discussion of the primary specific benchmark discontinuation provisions relating to SARON, please see "***Risks relating to Covered Bonds that that have a Rate of Interest determined by reference to SARON – (ii) If the daily Swiss Average Overnight is discontinued, is no longer representative or may no longer be used, this may adversely affect the value and return on SARON-referenced Covered Bonds"*** below.

In light of the foregoing, investors should be aware that:

(a) any of these fallbacks may result in interest payments that are lower than or that do not otherwise correlate over time with the payments that would have been made on the Covered

Bonds if EURIBOR, NIBOR, SONIA, SOFR, SARON, €STR or any other relevant Benchmark were available in its current form;

(b) if EURIBOR, NIBOR, SONIA, SOFR, SARON, €STR or any other relevant Benchmark is discontinued or is otherwise unavailable or unrepresentative, then, to the extent that an amendment as described in paragraph (c) below has not been made at the relevant time, the rate of interest on the Covered Bonds will be determined by the fall-back provisions provided for under Condition 4.2 (*Interest on Floating Rate Covered Bonds*), although such provisions, being dependent in part upon the provision by reference banks of offered quotations to prime banks in the Euro-zone inter-bank market (in the case of EURIBOR) or in the relevant interbank market (in the case of any other relevant Benchmark,including NIBOR, that is an interbank offered rate), may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may result in the rate of interest for the last preceding Interest Period being fixed as the reference rate for the relevant Interest Period or, in the case of SONIA, SOFR, SARON or €STR, the last published rate being used for all remaining calendar days in the relevant period for purposes of determing the applicable compounded daily rate in accordance with the applicable formula. This may result in the effective application of a fixed rate based on the rate which applied in the previous period when the applicable Benchmark was available or, in the case of SONIA, SOFR, SARON or €STR, a reference rate, based on at least in part, on a prior daily rate for days affected by the Benchmark Event, Benchmark Transition Event, €STR Cessation Event or SARON Index Cessation Event as the case may be;

(c) while an amendment may be made under Condition 4.2(f) (*Benchmark Discontinuation (Independent Adviser*)) or Condition 4.2(g) (*Benchmark Discontinuation (ARRC)*)) to change the base rate on the Floating Rate Covered Bonds from EURIBOR, NIBOR SONIA, SOFR, SARON, €STR or any other relevant Benchmark to a successor rate or an alternative rate and, in either case, an adjustment spread (if any) under certain circumstances broadly related to a discontinuation of such Benchmark and subject to certain conditions being satisfied, there can be no assurance that any such amendment will be made (and even if no adjustment spread can be determined, a successor rate or an alternative rate may nonetheless be used to determine the rate of interest) or, if made, that they (i) will fully or effectively mitigate all or any relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the Floating Rate Covered Bonds which could result in a material adverse effect on the value of and return on such Covered Bonds or (ii) will be made prior to any date on which any of the risks described in this risk factor may arise;

(d) if EURIBOR, NIBOR, SONIA, SOFR, SARON, €STR or any other relevant Benchmark is discontinued or unrepresentative of its underlying market, and whether or not an amendment is made under Condition 4.2(f) (*Benchmark Discontinuation (Independent Adviser)*) or Condition 4.2(g) (*Benchmark Discontinuation (ARRC*)) to change the base rate with respect to the Floating Rate Covered Bonds as described in paragraph (c) above, there can be no assurance that the applicable fall-back provisions under the Swap Agreements would operate so as to ensure that the Benchmark used to determine payments under the Swap Agreements would be the same as that used to determine interest payments under the Intercompany Loan or under the Covered Bonds, or that the Swap Agreements would operate to allow the transactions under the Swap Agreements to effectively mitigate interest rate and currency risks in respect of the Guarantor's obligations under the Intercompany Loan (subject to the Intercompany Loan Agreement's requirement that the applicable rate of interest thereunder will not exceed the amount received by the Guarantor pursuant to the Interest Rate Swap, less certain specified amounts) or the Covered Bond Guarantee;

(e) any amendment under Condition 4.2(f) (*Benchmark Discontinuation (Independent Adviser)*) or Condition 4.2(g) (*Benchmark Discontinuation (ARRC)*) to change the base rate with respect to the Floating Rate Covered Bonds as described in paragraph (c) above, (i) will be made without the consent of the Covered Bondholders and (ii) may result in the amended base rate on the Floating Rate Covered Bonds being materially different from the original reference rate and (iii) the interests of the Bank in making such amendment may be adverse to the interests of the holders of the affected Floating Rate Covered Bonds and may have an adverse effect on the value of and the return on the Floating Rate Covered Bonds;

(f) due to the uncertainty concerning the availability of successor rates and alternative reference rates and the determination of the applicable adjustment spread (if any) and the involvement of an Independent Adviser, the Bank or its designee, as applicable, the relevant fallback provisions may not operate as intended at the relevant time; and

(g) it is possible that an amendment under Condition 4.2(f) (*Benchmark Discontinuation (Independent Adviser)*) or Condition 4.2(g) (*Benchmark Discontinuation (ARRC)*) to change the base rate of a Series of the Floating Rate Covered Bonds will be treated as a deemed exchange of old Covered Bonds for new Covered Bonds, which may be taxable to U.S. holders.

It should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between the Mortgage Loans, the Covered Bonds and/or the Swap Agreements due to applicable fallback provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the Bank or the Guarantor to meet their respective payment obligations in respect of the Covered Bonds.

Any of the factors above and their consequences could have a material adverse effect on the trading market for, value of, and return on, any Covered Bonds.

2.2.7. Risk Factors related to the use of SOFR as a reference rate for floating rate covered bonds

(i) ***The composition and characteristics of SOFR are not the same as those of U.S. dollar LIBOR, and SOFR is not expected to be a comparable replacement for USD LIBOR***

Where the relevant Final Terms Document or Pricing Supplement for a series of Floating Rate Covered Bonds identifies that the Rate of Interest for such Covered Bonds will be determined by reference to SOFR, the Rate of Interest will be determined on the basis of a compounded daily rate. Investors should be aware that SOFR may behave materially differently from USD LIBOR as interest rates for Floating Rate Covered Bonds. The use of SOFR as a reference rate is developing, and is subject to change, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of debt securities referencing SOFR.

As a result, there can be no assurance that SOFR will perform in the same way as U.S. dollar LIBOR would have at any time, including, without limitation, with respect to changes in interest and yield rates in the market, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial or other events. For the same reasons, SOFR is not expected to be a comparable replacement for U.S. dollar LIBOR.

(ii) ***SOFR has a limited history, and the future performance of SOFR cannot be predicted based on historical performance***

The publication of SOFR began in April 2018, and, therefore, it has a limited actual performance history. However, the FRBNY has published indicative historical data dating back to 2014. The future performance of SOFR cannot be predicted based on either the limited actual or indicative historical performance of SOFR. Future levels of SOFR may bear little or no relation to the historical actual or historical indicative SOFR data. Prior observed patterns, if any, in the behavior of market variables and

their relation to SOFR, such as correlations, may change in the future. While some historical indicative data have been released by the FRBNY, as noted above, such analysis inherently involves assumptions, estimates and approximations. The future performance of SOFR is impossible to predict and therefore no future performance of SOFR may be inferred from any of the historical actual or historical indicative data. Hypothetical or historical performance data are not indicative of, and have no bearing on, the potential performance of SOFR.

There can be no assurance that SOFR or Compounded Daily SOFR (as defined in the Conditions) will be positive (although on any issue the Bank can set a zero coupon floor for Compounded Daily SOFR).

(ii) ***SOFR may be more volatile than other Benchmark or market rates***

Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in other Benchmark or market rates during corresponding periods, and SOFR may bear little or no relation to the historical actual or historical indicative data. Although changes in Compounded Daily SOFR generally are not expected to be as volatile as changes in daily levels of SOFR, the return on value of and market for any SOFR-referenced Covered Bonds issued under the Program from time to time may fluctuate more than floating rate securities that are linked to less volatile rates. The volatility of SOFR has reflected the underlying volatility of the overnight U.S. Treasury repo market. The FRBNY has at times conducted operations in the overnight U.S. Treasury repo market in order to help maintain the federal funds rate within a target range. There can be no assurance that the FRBNY will continue to conduct such operations in the future, and the duration and extent of any such operations is inherently uncertain. The effect of any such operations, or of the cessation of such operations to the extent they are commenced, is uncertain, could be materially adverse to investors in the Floating Rate Covered Bonds and could adversely affect the price at which investors can sell SOFR-referenced Covered Bonds.

(iii) ***Any failure of SOFR to gain market acceptance could adversely affect any SOFR referenced Covered Bonds***

According to the ARRC, SOFR was developed for use in certain U.S. dollar derivatives and other financial contracts as an alternative to U.S. dollar LIBOR in part because it is considered a good representation of general funding conditions in the overnight U.S. Treasury repurchase market. However, as a rate based on transactions secured by U.S. Treasury securities, SOFR does not measure bank-specific credit risk and, as a result, is less likely to correlate with the unsecured short-term funding costs of banks. This may mean that market participants would not consider SOFR a suitable replacement or successor for all of the purposes for which U.S. dollar LIBOR historically has been used (including, without limitation, as a representation of the unsecured short-term funding costs of banks), which may, in turn, lessen market acceptance of SOFR.

Any failure of SOFR to gain market acceptance could adversely affect the return on and value of any SOFR-referenced Floating Rate Covered Bonds issued under the Program from time to time and the price at which investors can sell such Floating Rate Covered Bonds in the secondary market.

(vi) ***The Compounded Daily SOFR rate is relatively new in the marketplace***

For any SOFR-referenced Covered Bonds issued under the Programme from time to time, in each Interest Period, the interest rate is based on Compounded Daily SOFR, which is calculated using the specific formula described in Condition 4(c) (Interest on Floating Rate Covered Bonds), not the SOFR rate published on or in respect of a particular date during such Interest Period or an arithmetic average of SOFR rates during such period. For this and other reasons, the interest rate on the SOFR-referenced Covered Bonds during any Interest Period will not be the same as the interest rate on other SOFR-linked investments that use an alternative basis to determine the applicable interest rate. Further, if the SOFR rate in respect of a particular date during an Interest Period is negative, its contribution to Compounded

Daily SOFR will be less than one, resulting in a reduction to Compounded Daily SOFR used to calculate the interest payable on the SOFR-referenced Covered Bonds on the Interest Payment Date for such Interest Period.

Accordingly, prospective investors in any Covered Bonds referencing SOFR should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. The adoption of SOFR will also see component inputs into swap rates or other composite rates transferring from U.S. dollar LIBOR or another reference rate to SOFR.

In addition, very limited market precedent exists for securities that use SOFR as the interest rate and the method for calculating an interest rate based upon SOFR in those precedents varies. Accordingly, the specific formula for the Compounded Daily SOFR rate used in any SOFR-referenced Covered Bonds may not be widely adopted by other market participants, if at all. If the market adopts a different calculation method, that could adversely affect the market value of such Covered Bonds.

(vi) ***Compounded Daily SOFR with respect to a particular Interest Period will only be capable of being determined near the end of the relevant Interest Period***

The Rate of Interest on Covered Bonds which reference compounded daily SOFR will only be determined at the end of the relevant Observation Period or Interest Period, as applicable, and immediately or shortly prior to the relevant Interest Payment Date. It may be difficult for investors in such Covered Bonds to estimate reliably the amount of interest which will be payable on such Covered Bonds on each Interest Payment Date. This uncertainty could adversely impact the liquidity of such Covered Bonds.

(vii) ***The secondary market for securities linked to SOFR may be limited***

If SOFR does not prove to be widely used as a Benchmark in securities that are similar or comparable to any SOFR-referenced Covered Bonds issued under the Program from time to time, the trading price of such Covered Bonds may be lower than those of securities that are linked to rates that are more widely used. Similarly, market terms for securities that are linked to SOFR, including, but not limited to, the spread over the reference rate reflected in the interest rate provisions, or manner of compounding the reference rate, may evolve over time and, as a result, trading prices of any SOFR-referenced Covered Bonds may be lower than those of later-issued securities that are based on SOFR including a forward-looking SOFR term rate. Investors in such Covered Bonds may not be able to sell the Covered Bonds at all or may not be able to sell the Covered Bonds at prices that will provide them with a return comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The manner of calculation and related conventions with respect to the determination of interest rates based on SOFR in floating-rate covered bond markets may differ materially compared with the manner of calculation and related conventions with respect to the determination of interest rates based on SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any potential inconsistencies between the manner of calculation and related conventions with respect to the determination of interest rates based on SOFR across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposition of the SOFR-referenced Covered Bonds.

(viii) ***SOFR may be modified or discontinued and any SOFR-referenced Covered Bonds may bear interest by reference to a rate other than Compounded Daily SOFR, which could adversely affect the value of such Covered Bonds. SOFR may be modified or discontinued and any SOFR-referenced Covered Bonds may bear interest by reference to a rate other than Compounded Daily SOFR, which could adversely affect the value of such Covered Bonds***

SOFR is a relatively new rate, and the FRBNY (or a successor), as administrator of SOFR, may make methodological or other changes that could change the value of SOFR, including changes related to the method by which SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR. SOFR is published by the FRBNY based on data received by it from sources other than the Bank and the Bank does not have any control over its method of calculation, publication schedule, rate revision practices or availability of SOFR at any time. There can be no guarantee, particularly given its relatively recent introduction, that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in SOFR-referenced Covered Bonds. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on any SOFR-referenced Covered Bonds issued under the Program from time to time, which may adversely affect the trading prices of such Covered Bonds. The administrator of SOFR may withdraw, modify, amend, suspend or discontinue the calculation or dissemination of SOFR in its sole discretion and without notice (in which case a fallback method of determining the interest rate on any SOFR-referenced Covered Bonds as further described under Condition 4.2(g) (*Benchmark Discontinuation (ARRC)*) will apply) and has no obligation to consider the interests of holders of the Covered Bonds in calculating, withdrawing, modifying, amending, suspending or discontinuing SOFR. The interest rate for any Interest Period will not be adjusted for any modifications or amendments to SOFR or SOFR data that the FRBNY may publish after the interest rate for that Interest Period has been determined.

2.2.8. Risks relating to Covered Bonds that have a Rate of Interest determined by reference to SARON

(i) ***SARON is a relatively new market index and the market continues to develop in relation to SARON as a reference rate***

Investors in SARON-referenced Covered Bonds should be aware that the market continues to develop in relation to the daily SARON as a reference rate in the lending and capital markets and its adoption as an alternative to CHF LIBOR. The market or a significant part thereof may adopt an application of SARON as a reference rate that differs significantly from that set out in the Terms and Conditions and used in relation to the Covered Bonds. The development of SARON as a reference rate, as well as continued development of SARON-based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Covered Bonds.

In addition, the Floating Rate of Interest applicable to each Interest Period of the Covered Bonds after the Final Maturity Date, if any, will be determined on the basis of SARON Compounded, which means that the Floating Rate of Interest applicable to each such Interest Period will only be capable of being determined shortly before the end of such Interest Period. Consequently, it may be difficult for investors in the Covered Bonds to estimate reliably the amount of interest that will be payable on such Covered Bonds on each Interest Payment Date, and some investors may be unable or unwilling to trade such Covered Bonds without changes to their information technology systems, both of which could adversely impact the liquidity of such Covered Bonds. Further, if any Covered Bonds become due and payable (in the case of Fixed Rate/Floating Rate Covered Bonds, after the Floating Rate Commencement Date) on a date other than an Interest Payment Date (whether as a result of an event of default under Condition 9 (Events of Default, Acceleration and Enforcement) of the Terms and Conditions or early redemption or otherwise), the Observation Period during which SARON is observed on each Zurich Banking Day for the purposes of determining SARON Compounded and, thereby, the Floating Rate of Interest applicable to the final Interest Period will be shortened so that it ends on (and includes) the date on which such Covered Bonds become due and payable.

In addition, the manner of adoption or application of SARON reference rates in the debt capital markets may differ materially when compared with the application and adoption of SARON in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SARON reference rates across these markets may impact any hedging or other financial arrangements, if any, which they may put in place in connection with any SARON Covered Bonds.

Since SARON is a relatively new market index, SARON-referenced Covered Bonds may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SARON, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such debt securities may be lower than those of later issued indexed debt securities as a result. Further, if SARON does not prove to be widely used in securities such as SARON-referenced Covered Bonds, the trading price of such Covered Bonds may be lower than those of debt securities linked to indices that are more widely used. Investors in SARON-referenced Covered Bonds may not be able to sell such Covered Bonds at all or may not be able to sell such Covered Bonds at prices that will provide them with a return comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. There can also be no guarantee that SARON will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in SARON Covered Bonds. If the manner in which SARON is calculated is changed, that change may result in a reduction of the amount of interest payable on SARON-referenced Covered Bonds and the trading prices of such Covered Bonds.

(ii) If the daily Swiss Average Overnight is discontinued, is no longer representative or may no longer be used, this may adversely affect the value and return on SARON-referenced Covered Bonds

The Rate of Interest applicable to each Interest Period for SARON-referenced Covered Bonds will be determined on the basis of SARON Compounded, and SARON Compounded for each Interest Period will be based on the daily Swiss Average rate Overnight during the Observation Period, as more particularly described in the definition of SARON Compounded set out in Condition 4.2(b)(ii)-SARON. If for any Zurich Banking Day in any Observation Period, the Swiss Average Rate Overnight is no longer representative or may no longer be used or is no longer provided by SIX Index AG, the Calculation Agent will use the fallback provisions set out in the recommendation published by any working group or committee in Switzerland organized in the same or a similar manner as the National Working Group on Swiss Franc Reference Rates that was founded in 2013 for purposes of, among other things, considering proposals to reform reference interest rates in Switzerland. If no such rate has been recommended within one Zurich Banking Day of a SARON Index Cessation Effective Date, the Calculation Agent will use the SNB Policy Rate for such Zurich Banking Day in place of SARON for purposes of determining SARON Compounded for the relevant Interest Period. If these specific SARON fallback provisions fail to determine a replacement rate, then the generic benchmark discontinuation clause in Condition 4.2(f) (*Benchmark Discontinuation (Independent Adviser)*) shall apply (as described in risk factor 2.2.6 "***Benchmark Discontinuation under the Conditions***" under "Risk factors relating to the Covered Bonds" in the Base Prospectus). These provisions may result in the use of a reference rate that is not the same as SARON as at the relevant Issue Date for the calculation of the Rate of Interest for the remainder of the term of the Covered bonds, and such rate may have different characteristics from SARON as at the relevant Issue Date, including being based on different periods of time. The use of a reference rate other than SARON (including an adjustment spread, if any) in the form it is in on the relevant Issue Date may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments of interest that would have been made if SARON remained available in the same form as it was in as at the relevant Issue Date. Any such consequences could have an adverse effect on the value and marketability of, and return on, such Covered Bonds.

2.2.9. The market continues to develop in relation to the use of risk free rates such as SONIA and €STR as reference rates for covered bonds

Investors should be aware that the market continues to develop in relation to risk free rates as reference rates in the capital markets and their adoption as alternatives to the relevant interbank offered rates.

Market participants and relevant working groups are, in this regard, exploring alternative reference rates based on risk-free rates, examples of which include term SONIA and €STR (which seek to measure the market's forward expectation of an average SONIA or €STR over a designated term).

The market or a significant part thereof may adopt an application of risk free rates that differs significantly from that set out in the Conditions and used in relation to any Covered Bonds that reference risk free rates issued under the Program. The Bank may in the future also issue Covered Bonds referencing risk free rates that differ materially in terms of interest determination when compared with any previous Covered Bonds referencing the same risk free rate issued by it under the Program. The development of risk free rates as interest reference rates for the Eurobond markets and of the market infrastructure for adopting such rates could result in reduced liquidity or increased volatility or could otherwise affect the market price of any Covered Bonds issued under the Program which reference any such risk free rate from time to time.

Furthermore, the basis of deriving certain risk free rates, such as SONIA and €STR, may mean that interest on Covered Bonds which reference any such risk free rate might only be capable of being determined at the end of the relevant Observation Period or Interest Accrual Period and immediately prior to (or shortly before) the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference any such risk free rate to accurately estimate the amount of interest which will be payable on such Covered Bonds, and some investors may be unable or unwilling to trade such Covered Bonds without changes to their IT systems, both of which could adversely impact the liquidity of such Covered Bonds. Further, in contrast to Covered Bonds which reference an interbank offer rate, if Covered Bonds referencing SONIA and €STR become due and payable as a result of an event of default under the Conditions, the rate of interest payable for the final Interest Period in respect of such Covered Bonds might only be determined on the date which the Covered Bonds become due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Covered Bonds.

In addition, the manner of adoption or application of risk free rates in the Eurobond markets may differ materially compared with the application and adoption of such risk free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of risk free rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Covered Bonds referencing such risk free rates.

Since risk free rates are relatively new market indices, Covered Bonds linked to any such risk free rate may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to any risk free rate, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Covered Bonds may be lower than those of later-issued indexed debt securities as a result. Further, if any risk free rate to which a series of Covered Bonds is linked does not prove to be widely used in securities such as the Covered Bonds, the trading price of such Covered Bonds which reference a risk free rate may be lower than the trading price of Covered Bonds which reference indices that are more widely used. Investors in such Covered Bonds may not be able to sell such Covered Bonds at all or may not be able to sell such Covered Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Daily changes in such rates may also be more volatile than daily changes in other benchmarks or market rates, such that the value of Covered Bonds linked to risk-free rates may fluctuate more than floating rate debt securities linked to less volatile rates. There can

also be no guarantee that any risk free rate to which a series of Covered Bonds is linked will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Covered Bonds referencing such risk free rate. If the manner in which such risk free rate is calculated is changed, that change may result in a reduction of the amount of interest payable on such Covered Bonds and the trading prices of such Covered Bonds.

There can also be no assurance that any of the risk free rates will be positive.

2.2.10. Canadian usury laws

Unless otherwise indicated, all Covered Bonds issued under the Program are governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. The *Criminal Code* (Canada) prohibits the receipt of "interest" at a "criminal rate" (namely, an effective annual rate of interest that exceeds 60 per cent. or any other rate as may be prescribed from time to time pursuant to applicable Canadian federal usury laws). Accordingly, the provisions for the payment of interest or a redemption amount in excess of the aggregate principal amount of the Covered Bonds may not be enforceable if the provision provides for the payment of "interest" in excess of an effective annual rate of interest of 60 per cent. (or any other rate as may be prescribed from time to time pursuant to applicable Canadian federal usury laws). If any Covered Bonds are found not to be enforceable in whole or in part as a result of such prohibition, Covered Bondholders may not be able to collect some or all of the interest owing on the Covered Bonds. On 22 June 2023, the *Budget Implementation Act* (**Bill C-47**) received Royal Assent and became law in Canada. Bill C-47, among other things, amends the *Criminal Code* (Canada) to change the method of calculating the criminal rate of interest from an effective rate to an annual percentage rate and to lower the rate to 35 per cent. and is set to come into force on a day or days to be fixed by order of the Governor in Council.

2.2.11. Covered Bonds issued at a substantial discount or premium may experience significant price volatility

The issue price of Covered Bonds specified in the applicable Final Terms Document or Pricing Supplement may be more than the market value of such Covered Bonds as of the issue date, and the price, if any, at which a Dealer or any other person is willing to purchase the Covered Bonds in secondary market transactions, may be lower than the issue price. In particular, the issue price may take into account amounts with respect to commissions relating to the hedging of the Bank's obligations under such Covered Bonds, and secondary market prices are likely to exclude such amounts. In addition, pricing models of market participants may differ or produce a different result. The market values of Covered Bonds issued at a substantial discount or premium to their principal amount also tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing Covered Bonds. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

2.2.12. Exchange rate risks and exchange controls

The Bank will pay principal and interest on the Covered Bonds and the Guarantor will make any payments under the Covered Bond Guarantee in the relevant Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the relevant Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Covered Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds, and (iii) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

3. Risks relating to the Guarantor

3.1. *The Guarantor's ability to make payments under the Covered Bond Guarantee will depend primarily on the Portfolio*

The Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend primarily on the realisable value of Loans and Substitute Assets in the Portfolio, the amount of Revenue Receipts and Principal Receipts generated by the Portfolio and the timing thereof, amounts received from, and payable to, the Swap Providers and the receipt by it of credit balances and interest on credit balances in the GDA Account and the other Guarantor Accounts. The Guarantor will not have any other sources of funds available to meet its obligations under the Covered Bond Guarantee. In addition, the Security granted pursuant to the Security Agreement may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. Following enforcement of the Security, Secured Creditors may still have an unsecured claim against the Bank for the deficiency, which will rank *pari passu* with the other deposit obligations of the Bank. However, there can be no assurance that the Bank will have sufficient funds to pay that shortfall.

3.2. *The Guarantor and the Covered Bondholders place significant reliance on the Bank and others in connection with the multiple roles of the Bank under the Transaction Documents and such reliance may in respect of the Bank give rise to conflicts of interest*

The Guarantor and the Covered Bondholders place significant reliance on the Bank in connection with the servicing of the Loans in the Portfolio, as well as for the Guarantor's administration and funding. In particular, the Bank performs the initial roles of (a) Cash Manager, (b) Servicer, (c) GDA Provider, (d) Swap Provider, (e) Intercompany Loan Provider, and (f) Calculation Agent. The Bank holds substantially all of the interests in the Guarantor and is the sole shareholder of the initial Managing GP. Prior to the occurrence of a Managing GP Default Event, subject to the occurrence of certain events, the Bank has the ability to control the Guarantor through its control of the initial Managing GP. The Bank, under the Servicing Agreement, will be responsible for servicing and administering the Loans and their Related Security. Furthermore, the Bank, as the Seller of assets to the Portfolio, (a) has considerable discretion to substitute Portfolio assets during the course of the Program and can generate and store the data and documentation relating to the Portfolio assets underlying the transfer, retransfer and servicing of the Loans and the Related Security, which data is also provided to third parties in their respective functions under the Program, and (b) is obligated in certain circumstances to repurchase Loans and their Related Security from the Guarantor. See *Overview of the Principal Documents—Mortgage Sale Agreement—Repurchase of Loans*.

The Bank, as Cash Manager, has, (a) prior to the earlier of (i) its credit rating falling below any of the threshold ratings of (x) P-2(cr) (in respect of Moody's), (y) F2 (in respect of Fitch), and (z) BBB (low) (in respect of DBRS), as applicable, of the counterparty risk assessment in the case of Moody's, the issuer default rating in the case of Fitch or the unsecured, unsubordinated and unguaranteed debt obligations in the case of DBRS, in each case of the Cash Manager by the Rating Agencies (the **Cash Manager Required Ratings**), or (ii) the occurrence of a Cash Manager Termination Event, unrestricted access to the funds standing to the credit accounts of the Guarantor, and (b) the obligation to identify Non-Performing Eligible Loans for purposes of performing the Asset Coverage Test, the Amortization Test and the Valuation Calculation from time to time. The Guarantor is also reliant on the Swap Providers to provide it with the funds matching its obligations under advances and the Covered Bond Guarantee. In view of these multiple roles of the Bank, such reliance may give rise to a wide variety of substantial conflicts of interests. The Bank will have significant influence over important services required to maintain the Program and provided to the Guarantor, which may conflict with the interests

of the Guarantor and holders of the Covered Bonds. This influence could adversely affect the Program and value of the Covered Bonds. If the Bank does not adequately perform or withdraws from performing such services for the Guarantor or if there are disputes between the Bank and the Guarantor, the Guarantor's performance of its obligations could be affected. There can be no assurance that the conflicts of interest described above will not have a material adverse effect on the Guarantor's performance of its payment and other obligations and/or on the Covered Bondholders.

Further, the Bond Trustee is not obliged under any circumstances to act as a Servicer, as Cash Manager or as any other third party on which the Guarantor relies, or to monitor the performance of any obligations of any third parties under any relevant agreement.

3.3. *Replacement of the Bank as services provider may not be found on acceptable terms or within an acceptable time period and the ability of the Guarantor to perform its obligations may be impaired*

As noted above, the Bank performs a number of initial roles. In addition, the Bank will, as Servicer of the Loans and their Related Security, continue to service and administer the Loans and their Related Security until revocation of the relevant authority by the Guarantor.

In certain circumstances, the Bank is required to be replaced as provider of these services, for instance if it ceases to have the requisite minimum rating (and it is unable to take other mitigating steps), or if an Issuer Event of Default occurs in relation to the Bank. If the Bank is replaced as Cash Manager, then the Guarantor will be obliged to procure that the funds in the Guarantor's accounts deposited with the Bank are transferred to a newly opened account with a replacement Cash Manager that meets the Cash Manager Required Ratings. See *Overview of the Principal Documents—Cash Management Agreement*.

There is no certainty that a relevant replacement third party services provider/counterparty could be found who would be willing to enter into the relevant agreement with the Guarantor. The ability of that servicer/counterparty to perform fully its services would depend in part on the information, software and records which are then available to it. In addition, the replacement servicer may be required to acquire or develop new servicing systems or platforms, which may require substantial time and expense to implement. There can be no assurance that the Guarantor will be able to enter into such replacement agreements and transactions on acceptable terms and within a time period which will ensure uninterrupted payments of amounts due by the Guarantor under the Covered Bond Guarantee (if called). Moreover, any entity appointed as Servicer would not become bound by the Bank's obligations under the Mortgage Sale Agreement.

In the event that any of the Cash Manager, the Account Bank, the Servicer, a Swap Provider, the Custodian or other relevant party providing services to the Guarantor under the Transaction Documents fails to perform its obligations or the Guarantor is unable to replace such service providers, in a timely manner, the Guarantor's ability to perform its payment and other obligations may be compromised. Furthermore, any delay or inability to appoint a suitable replacement Servicer may have an impact on the realisable value of the Portfolio's assets.

In addition, should the applicable criteria (other than ratings requirements which, if not satisfied, will require the replacement of the Bank unless the Guarantor is Independently Controlled and Governed) cease to be satisfied, the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. Although in certain circumstances the consent of the Bond Trustee and satisfaction of the Rating Agency Condition may be required, the consent of Covered Bondholders may not be required in relation to such amendments and/or waivers. See *Modifications, waivers and substitution under the Covered Bonds (including modifications in relation to the base rate on the Floating Rate Covered Bonds) and Transaction Documents may, in certain circumstances, be made without consent of the Covered Bondholders and without requirement for Rating Agency Condition*.

Further, the Bank will act in its own interests under the Program which may be adverse to the investors' interests as holders of the Covered Bonds. See *No Rating Agency is a party to any of the Transaction Documents and no Rating Agency will at any time be under an obligation to satisfy the Rating Agency Condition. The Bank will act in its own interest in connection with the Program, and such actions may not be in the best interests of, and may be detrimental to, the holders of Covered Bond*.

3.4. *In the case of insolvency of the Account Bank, the Guarantor will only have an unsecured claim against the estate for funds deposited*

While the Guarantor has undertaken to transfer the funds standing to the credit of the Account Bank to another bank if the credit rating of the Account Bank falls below the Account Bank Required Ratings, there can be no assurance that such transfer would be completed before the Account Bank becomes insolvent. If such an event occurs, the Guarantor would have a claim as an unsecured creditor of the Account Bank. Accordingly, there is a potential risk of a loss of the Guarantor's funds held with the Account Bank in the event that the Account Bank has insufficient funds to meet all the claims of its unsecured creditors.

3.5. Prior to the completion of a transfer of payments collected from the Loans and their Related Security to the Guarantor, funds collected by the Servicer on behalf of the Guarantor are commingled with the funds of the Servicer, and there can be no assurance as to the ability of the Guarantor to obtain effective direct payments from borrowers

Notice is usually given to borrowers of the transfer of the Loan and Related Security to the Guarantor only after the occurrence of a Registered Title Event. Such notice will instruct the relevant borrower to pay all further amounts due under the relevant Loan to an account in the name of the Guarantor (as specified in such notice). As a matter of Canadian law, until such notice is received by the borrower, the borrower may continue to pay all amounts due under the relevant Loan to the Seller and receive good discharge for such payments.

There can be no assurance that upon the occurrence of a Registered Title Event, (a) notification to the borrower will be made duly and timely, or (b) the Guarantor will have the ability to obtain effective direct payments from the borrower under the Loan and the Related Security.

Under the Servicing Agreement, the Servicer may receive funds belonging to the Guarantor that arise from the Loans and their Related Security comprised in the Portfolio and are to be paid into the GDA Account. Prior to a downgrade of the ratings of the Servicer by one or more Rating Agencies below any of the Servicer Deposit Threshold Ratings, the Servicer will transfer such funds on or before the next Guarantor Payment Date (i) to the Cash Manager prior to a downgrade of the ratings of the Cash Manager by one or more Rating Agencies below any of the Cash Management Deposit Ratings, and (ii) following a downgrade of the ratings of the Cash Manager by one or more Rating Agencies below any of the Cash Management Deposit Ratings, directly into the GDA Account. In the event of a downgrade of the ratings of the Servicer by one or more Rating Agencies below any of the Servicer Deposit Threshold Ratings, the Servicer will transfer such funds (i) to the Cash Manager prior to a downgrade of the ratings of the Cash Manager by one or more Rating Agencies below any of the Cash Management Deposit Ratings, and (ii) following a downgrade of the ratings of the Cash Manager by one or more Rating Agencies below any of the Cash Management Deposit Ratings, directly into the GDA Account, in each case within two Toronto Business Days of the collection and/or receipt thereof.

Until completion of the transfer of such payments collected on the Loans and their Related Security to the Cash Manager or the GDA Account and prior to the circumstances as set out above, funds collected by the Servicer on the account of the Guarantor are commingled with the funds of the Servicer. This may adversely affect the timing and amount of payments on the Covered Bonds. Moreover, the Bank also serves as initial Account Bank to the Guarantor. Therefore, even if the transfer of such payments to the Guarantor's account with the Bank is completed, the Covered Bondholders bear the risk of an

insolvency of the Bank unless the Bank has been replaced as Account Bank and transfer of the funds has been completed prior to such event.

3.6. Reliance on Swap Providers

The Guarantor has entered into the Interest Rate Swap Agreement with the Interest Rate Swap Provider to provide a hedge, following the Interest Rate Swap Effective Date, against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest or fixed rates of interest), the amounts payable on the Intercompany Loan and (following the Covered Bond Swap Effective Date) the Covered Bond Swap Agreement. To provide a hedge against currency and timing risks arising, following the Covered Bond Swap Effective Date, in respect of amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable in respect of its obligations under the Covered Bond Guarantee, the Guarantor has entered into the Covered Bond Swap Agreement with the Covered Bond Swap Provider.

If the Guarantor fails to make timely payments of amounts due under any Swap Agreement (except where such failure is caused by the funds available to the Guarantor being insufficient to make the required payment in full), then it will have defaulted under that Swap Agreement and such Swap Agreement may be terminated. Further, a Swap Provider is only obliged to make payments to the Guarantor as long as and to the extent that the Guarantor complies with its payment obligations. The Guarantor will not be in breach of its payment obligations where the Guarantor fails to pay a required payment in full, provided such non-payment is caused by the funds of the Guarantor being insufficient to make such payment in full under the relevant Swap Agreement. If a Swap Agreement terminates or the Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts (including in the relevant currency, if applicable) to the Guarantor on the payment date under the relevant Swap Agreement, the Guarantor will be exposed to changes in the relevant currency exchange rates to Canadian dollars and to any changes in the relevant rates of interest. Unless a replacement Swap Agreement is entered into, the Guarantor may have insufficient funds to meet its obligations under the Covered Bond Guarantee.

The Bank serves initially as swap counterparty to the Swap Agreements. The Bank may, and in certain circumstances will be required to, be replaced by a third party under the Interest Rate Swap Agreement and the Covered Bond Swap Agreement if its ratings or assessments by the Rating Agencies have been downgraded below a specified rating, upon an event of default under the relevant Swap Agreement or upon an Issuer Event of Default.

Depending on market conditions and the existence of a potential replacement Swap Provider with the required ratings and other applicable characteristics, the Guarantor may not be able to enter into replacement swaps if the Bank is required to be replaced as Swap Provider. If no such replacement swaps are executed, an investor in the relevant Covered Bonds will be exposed to the interest rate and currency risks that were otherwise hedged by the relevant swaps prior to their termination. Such exposure may result in a reduction of the amounts available to be paid on the Covered Bonds.

If a Swap Agreement terminates, the Guarantor may be obliged to make a termination payment in an amount related to the mark to market value of such Swap Agreement to the relevant Swap Provider. There can be no assurance that the Guarantor will have sufficient funds available to make such termination payment under the relevant Swap Agreement, nor can there be any assurance that the Guarantor will be able to find a replacement swap counterparty which (i) agrees to enter into a replacement swap agreement on substantially the same terms as the terminated swap agreement, and (ii) has sufficiently high ratings to prevent a downgrade of the then current ratings of the Covered Bonds by any one of the Rating Agencies.

The obligation to pay a termination payment may reduce the funds available to the Guarantor, which may adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond

Guarantee. Additionally, the failure of the Guarantor to receive a termination payment from the relevant Swap Provider may reduce the funds available to the Guarantor, which may adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

3.7. Differences in timing of obligations of the Guarantor and the Covered Bond Swap Provider under the Covered Bond Swap Agreement could adversely affect the Guarantor's ability to meet its obligations

Following the Covered Bond Swap Effective Date, the Guarantor will, on each Guarantor Payment Date, make payments to the Covered Bond Swap Provider from amounts received by the Guarantor under the Interest Rate Swap Agreement. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the Guarantor until amounts are due and payable by the Guarantor under the Intercompany Loan Agreement or Due for Payment under the Covered Bond Guarantee. If the Covered Bond Swap Provider does not meet its payment obligations to the Guarantor under the Covered Bond Swap Agreement or does not make a termination payment that has become due from it to the Guarantor under the Covered Bond Swap Agreement, the Guarantor may have a larger shortfall in funds with which to make payments under the Covered Bond Guarantee with respect to the Covered Bonds than if the Covered Bond Swap Provider satisfied its payment obligations on the same date as the date on which the Guarantor's payment obligations under the Covered Bond Swap were due. Hence, the difference in timing between the obligations of the Guarantor and the obligations of the Covered Bond Swap Provider under the Covered Bond Swap Agreement may affect the Guarantor's ability to make payments under the Covered Bond Guarantee with respect to the Covered Bonds. To mitigate the risk, the Covered Bond Swap Provider will be required, pursuant to the terms of the relevant Covered Bond Swap Agreement, to post collateral with the Guarantor if the Guarantor's net exposure to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement exceeds a certain threshold level or if certain ratings requirements are not met.

3.8. There are limited events of default with respect to the Guarantor

Service of an Issuer Acceleration Notice on the Bank does not constitute an event of default with respect to the Guarantor and, therefore, does not in itself trigger an acceleration of the payment obligations of the Guarantor under the Covered Bond Guarantee. Instead, the Terms and Conditions contain limited events of default with respect to the Guarantor, the occurrence of which would entitle Covered Bondholders to accelerated payment obligations under the Covered Bond Guarantee. Acceleration of the Covered Bonds following a Guarantor Event of Default may not lead to accelerated payments to Covered Bondholders, since there can be no assurance that the Guarantor or the Bond Trustee will be able to promptly sell the Portfolio.

3.9. There is no tax gross-up under the Covered Bond Guarantee

All payments of principal and interest in respect of the Covered Bonds or under the Covered Bond Guarantee will be made by the Bank or the Guarantor, as the case may be, without withholding or deduction for, or on account of, taxes imposed by any governmental or other taxing authority, unless such withholding or deduction is required by law. In the event that any payments by the Bank in respect of the Covered Bonds are or become subject to withholding or deduction imposed by a tax jurisdiction specified in Condition 7 (Taxation), the Bank will, save in certain limited circumstances provided in Condition 7 (Taxation), be required to pay additional amounts to cover the amounts so deducted or withheld. By contrast, under the terms of the Covered Bond Guarantee, the Guarantor will not be liable to pay any additional amounts in respect of any amount withheld or deducted for, or on account of, taxes required by law from a payment by the Guarantor under the Covered Bond Guarantee, including such additional amounts which may become payable by the Bank under Condition 7 (Taxation), which would adversely affect the amount of the payment on the Covered Bonds to be received by the applicable Covered Bondholders at the time of such payment. Subject to the qualifications and assumptions stated in *Certain Tax Legislation Affecting the Covered Bonds—Canadian Taxation*,

interest paid or credited or deemed to be paid or credited on a Covered Bond by the Guarantor pursuant to the Covered Bond Guarantee will be exempt from Canadian non-resident withholding tax to the extent interest paid or credited by the Bank on such Covered Bond would have been exempt from Canadian non-resident withholding tax. See *Certain Tax Legislation Affecting the Covered Bonds—Canadian Taxation*.

4. Risks relating to the Portfolio

4.1. The Portfolio will change frequently including as a result of existing Loans in the Portfolio being replaced by New Loans and New Loan Types with different characteristics

As at the date of this Prospectus, the Portfolio consists of Loans secured on residential property located in Canada which have been fully advanced at the date of sale to the Guarantor.

It is expected that the constitution of the Portfolio will frequently change due to, for instance, repayments of such Loans by Borrowers from time to time and the need to replace such Loans with New Loans in the Portfolio, repurchases of Loans and their Related Security by the Seller or the Portfolio being increased to, among other things, permit the issuance of additional Covered Bonds and ensure that the Asset Coverage Test is met.

Covered Bondholders will receive only limited detailed statistics or information in relation to the Loans in the Portfolio. This information will be set out in the relevant Investor Report and will relate to the Portfolio at the end of the immediately preceding month and will not reflect any subsequent changes to the Portfolio since such date.

There is no assurance that the characteristics of New Loans assigned to the Guarantor in the future will be the same as those in the current Portfolio at the date of this Prospectus, which may result in material change in the composition of the Portfolio held by the Guarantor in support of the Covered Bonds. The New Loans may perform in a materially different manner from the existing Loans in the Portfolio as it existed at the time that an investor first acquired the Covered Bonds. Each New Loan will be required to meet the Eligibility Criteria and satisfy the Representations and Warranties set out in the Mortgage Sale Agreement although the Eligibility Criteria and Representations and Warranties may change in certain circumstances as described herein, which may also result in a material change in the New Loans in the Portfolio and represent a material risk to the investors if such New Loans perform in a materially different manner from the existing Loans in the Portfolio. See *Overview of the Principal Documents—Mortgage Sale Agreement—Sale by the Seller of the Loans and their Related Security*.

4.2. New Loan Types may be included in the Portfolio without the consent of Covered Bondholders

In the event that New Loan Types are subsequently included, amendments will be made to the Eligibility Criteria, the Loan Representations and Warranties, and certain related provisions of the Mortgage Sale Agreement, subject to satisfaction of the Rating Agency Condition. While New Loan Types will be required to comply with the eligibility requirements under Part I.1 of the NHA and the CMHC Guide and the security sharing and other related requirements of the CMHC Guide, including, in the case of any New Loan Types that are secured by a Mortgage that also secures any loans, indebtedness or liabilities that are not being transferred to the Guarantor, the requirement that a Security Sharing Agreement in a form verified by CMHC to be in compliance with the requirements of the CMHC Guide be entered into before such New Loan Types are included in the Portfolio, the consent of the Covered Bondholders to these changes will not need to be obtained and as a consequence the interests of the Covered Bondholders may be adversely affected.

4.3. *The Asset Coverage Test, OC Valuation, Amortization Test, Valuation Calculation and Pre-Maturity Test may not ensure that adequate funds will be available to satisfy the Guarantor's obligations in full*

While the Asset Coverage Test, the OC Valuation, the Amortization Test and the Pre-Maturity Test have been designed to mitigate certain economic and legal stresses in connection with the performance and valuation of the Portfolio in order to ensure that the Guarantor is able to meet its ongoing requirements at all relevant times, in setting the values and criteria for such tests, modelling has been undertaken on the basis of certain assumptions in certain stress scenarios. No assurance can be given that the assumptions utilised in such modelling have been able to incorporate or examine all possible scenarios that may occur in respect of the Guarantor and the Portfolio. As such, no assurance can be given that the methodology and modelling utilised to set the relevant values and criteria within such tests will be sufficient in all scenarios to ensure that the Guarantor will be able to meet its obligations in full.

The Mortgaged Properties subject to the Related Security for Loans in the Portfolio do not undergo periodic valuations and prior to 1 July 2014 were not required to be indexed to account for subsequent market developments. Valuations are obtained when a Loan is originated, but generally not subsequent to origination.

The Guarantor employs an Indexation Methodology that meets the requirements provided for in the CMHC Guide to determine indexed valuations for Mortgaged Properties relating to the Loans in the Portfolio (which methodology may be changed from time to time and will, at any time, be disclosed in the then-current Investor Report) for purposes of the Asset Coverage Test, the OC Valuation, the Amortization Test and the Valuation Calculation as set forth in the Guarantor Agreement, and for all other purposes as required by the CMHC Guide. Any update or other change to the Indexation Methodology must comply with the requirements of the CMHC Guide and will (i) require notice to CMHC and satisfaction of any other conditions specified by CMHC in relation thereto, (ii) if such update or other change constitutes a material amendment thereto, require satisfaction of the Rating Agency Condition, and (iii) if such update or other change is materially prejudicial to the Covered Bondholders, require the consent of the Bond Trustee.

Currently, the Indexation Methodology employed by the Guarantor is based on the Teranet-National Bank Regional and Property Type Sub-Indices (the **TNB RPTSIs**). The TNB RPTSIs product is an independent representation of the rate of change of Canadian single-family home prices and provides a granular analysis at the local level. The measurements are based on the property records of public land registries, grouped into individual Forward Sortation Areas (or clusters of **FSAs**). Sub-indices can be further segmented by property type (all types vs. single-family homes vs. condominiums) in areas where this data is available.

The data derived for the TNB RPTSIs is based on a repeat sales method, which measures the change in price of certain residential properties within the related area based on at least two sales of each such property over time. Such price change data is then used to formulate the TNB RPTSIs for the related area. Details of the TNB RPTSIs may be found at www.housepriceindex.ca.

The Indexation Methodology employed by the Guarantor will index the Mortgaged Properties relating to the Loans in the Portfolio to reflect the latest valuation of such Mortgaged Properties.

Certain risks are associated with the use of composite indices and statistics including the TNB RPTSIs, such as (i) the data provided with respect to larger geographical areas could mask localised price fluctuations, and (ii) data on the growth rate for each type of dwelling is not available because the data may not be available for that particular geographic locale, therefore, the data provided may not reflect price fluctuations for the different types of dwellings in all geographic locales. Accordingly, no assurance can be given that the valuation of the Mortgaged Properties in the Portfolio using the

Indexation Methodology will result in an accurate determination of the actual realisable value of a particular Mortgaged Property or of the Portfolio as a whole.

The Bank can give no assurance as to the accuracy of the information provided by the TNB RPTSIs.

The Bond Trustee will not be responsible for monitoring compliance with, or the monitoring of, the Asset Coverage Test, the OC Valuation, the Amortization Test, the Valuation Calculation or the Pre-Maturity Test or any other test, or supervising the performance by any other party of its obligations under any Transaction Document. See *Overview of the Principal Documents—Guarantor Agreement*.

While the Guarantor is required to perform the Valuation Calculation to monitor exposure to volatility of interest rate and currency market risk by measuring the present value of the Portfolio relative to the market value of the obligations guaranteed under the Covered Bond Guarantee, there is no obligation on the part of the Bank or the Guarantor to take any action in respect of the Valuation Calculation to the extent it shows the market value of the Portfolio is less than the market value of the obligations guaranteed under the Covered Bond Guarantee.

4.4. The Portfolio consists of Loans with renewal risk due to short maturities

Canadian mortgage loans generally provide for the renewal of the loans periodically (e.g., every five years), but the amortization period of the loans is generally much longer (e.g., 25 years). See *The Portfolio—Characteristics of the Loans*. The borrower faces a change, perhaps a substantial change, in the applicable interest rate on the loan at the time of renewal and the prospect of seeking a replacement loan from another lender if the current lender does not renew the loan. In an adverse economic environment, obtaining a replacement loan may be difficult. Accordingly, if prevailing interest rates have risen significantly, an existing lender may need to renew the loan at below market rates in order to avoid a default on a loan up for renewal.

If the Bank renews Loans at below market rates, it may adversely affect the market value of such Loans in the Portfolio and in the event that the Guarantor must liquidate some Loans in order to meet its obligations under the Covered Bond Guarantee it may realise less than the principal amount of the Loans liquidated. If the Guarantor is required to liquidate a large number of Loans that have interest rates significantly below prevailing interest rates, the Guarantor may not realise sufficient proceeds to pay the Covered Bonds in full.

4.5. If there is a call on the Covered Bond Guarantee, the claims of Covered Bondholders will be limited to the Guarantor's available funds from time to time, which may be limited due to a lack of liquidity in respect of the Portfolio

If there is a call on the Covered Bond Guarantee and sale of the Portfolio, the proceeds from the sale of the Portfolio will depend on market conditions at the time of sale. If market conditions are unfavourable, the sale of the Portfolio may result in proceeds that are less than the amount due on the Covered Bonds. Furthermore, the maturities of the Loans in the Portfolio may not match those of the Covered Bonds which may require the Guarantor to sell Loans in order to pay principal on those Covered Bonds. Any such sale of Loans exposes investors to market risk, as the then current market value of the Loans may be less than the principal amount on the Covered Bonds. In addition, should an Issuer Event of Default or other Registered Title Event occur, there may be a delay in any and all borrowers switching payments to the new Servicer or the Guarantor.

4.6. Later maturing Covered Bonds may not be paid in full or at all under the Covered Bond Guarantee as Portfolio assets are not segregated by different Series of Covered Bonds and will be used to repay earlier maturing Covered Bonds first

Although each Series of Covered Bonds will rank *pari passu* with all other Series of Covered Bonds issued under the Program, each Series of Covered Bonds may not necessarily have the same Final Maturity Date. As Portfolio assets are not segregated in relation to each Series of Covered Bonds and will be used to repay earlier maturing Covered Bonds first, there is a risk that later maturing Covered Bonds will not be paid in full (or at all) under the Covered Bond Guarantee. The Amortization Test may not mitigate this risk. A breach of the Amortization Test will occur if the aggregate Principal Amount Outstanding of all Covered Bonds issued under the Program is greater than the aggregate value of the Portfolio's assets. Upon the occurrence of a breach of the Amortization Test, a Guarantor Event of Default will also occur which will (subject to the Terms and Conditions) lead to the service of a Guarantor Acceleration Notice on the Guarantor and the acceleration of the obligations under the Covered Bond Guarantee in relation to all Covered Bonds then outstanding (hence, any further timing subordination will cease to exist). There is, however, no guarantee that the remaining Portfolio assets will be sufficient to meet the claims of the remaining Covered Bondholders under the Covered Bond Guarantee in full.

4.7. When realizing assets of the Portfolio following the occurrence of a Guarantor Event of Default, the proceeds may be insufficient to repay all amounts due to Covered Bondholders

All Guaranteed Amounts will immediately become due and payable following the occurrence of a Guarantor Event of Default and the service of a Guarantor Acceleration Notice on the Guarantor. At such time, the Bond Trustee will then be entitled to liquidate the Portfolio and otherwise enforce assets under the Portfolio in accordance with, and subject to, the provisions of the Security Agreement. The enforcement proceeds thereof may be used to make payments to the Guarantor's creditors, including payments under the Covered Bond Guarantee in accordance with the Post-Enforcement Priority of Payments, described below in *Cashflows.* However, there is no guarantee that the proceeds of enforcement of the Portfolio will be in an amount sufficient to repay all amounts due to the Covered Bondholders and any relevant creditors.

4.8. Factors that may affect the realizable value of the Portfolio

Following the occurrence of a Covered Bond Guarantee Activation Event, the realizable value of the Loans and their Related Security in the Portfolio may be reduced (which may affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee) by:

- representations or warranties not being given by the Guarantor or the Seller, as the case may be (unless otherwise agreed with the Seller);
- default by Borrowers of amounts due on the Loans (see *Default by Borrowers in paying amounts due on their Loans may adversely affect the value of the Portfolio*, below);
- changes to the lending criteria of the Seller assigning the Loans and their Related Security;
- the Guarantor not being the registered creditor of the Loans in the Portfolio and notice of the sale, transfer and assignment of such Loans and their Related Security not having been given to Borrowers;
- recourse to the Seller being limited under the terms of the Mortgage Sale Agreement;
- inadequate loan documentation;

- breaches of the Loan Representations and Warranties;
- an insolvency of the Seller;
- possible regulatory changes by the Office of the Superintendent of Financial Institutions (**OSFI**) and other regulatory authorities;
- regulations that could lead to some terms of the Loans being unenforceable;
- changes in the then prevailing market interest rates; and
- a disruption in the mortgage or debt capital markets at the time the Loans are being sold by the Guarantor to obtain liquidity.

Certain of these factors are considered in further detail below.

4.8.1. The Guarantor may not be able to sell Loans prior to maturity of Hard Bullet Covered Bonds upon a breach of the Pre-Maturity Test or upon an Asset Coverage Test Breach Notice or Notice to Pay

Upon the breach of the Pre-Maturity Test and unless the Pre-Maturity Liquidity Required Amount is otherwise fully funded from Capital Contributions, the Guarantor is obligated to sell Selected Loans (selected on a random basis) to a purchaser in order to generate sufficient cash to enable the Guarantor to pay the Final Redemption Amount on any Hard Bullet Covered Bond in the event that the Bank fails to pay that amount on the relevant Final Maturity Date. If an Asset Coverage Test Breach Notice or a Notice to Pay is served to the Guarantor, the Guarantor may be obliged to sell Selected Loans (selected on a random basis) in order to remedy a breach of the Asset Coverage Test or to make payments to the Guarantor's creditors, including payments under the Covered Bond Guarantee, as appropriate. There is no guarantee that a purchaser will be found to acquire Selected Loans at the times required and there can be no guarantee or assurance as to the price which may be obtained, which may affect the ability of the Guarantor to make payments under the Covered Bond Guarantee.

In addition, the Guarantor will not be permitted to give representations and warranties or indemnities for those Selected Loans. There is no obligation for the Seller to give, and no assurance that the Seller would give, any representations and warranties or indemnities in respect of the Selected Loans. Any representations or warranties or indemnities previously given by the Seller in respect of Loans in the Portfolio may not have value for a purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Loans could be adversely affected by the lack of representations, warranties or indemnities which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

The Bond Trustee will not be required to release the Loans and their Related Security from the Security pursuant to any sale and purchase agreement with respect to the sale of Selected Loans unless (i) the Bond Trustee has provided its prior written consent to the terms of such sale in accordance with the Guarantor Agreement, and (ii) the Guarantor has provided a certificate to the Bond Trustee that such sale of Loans and their Related Security has been made in accordance with the terms of the Transaction Documents. See *Overview of the Principal Documents—Security Agreement—Release of Security* below.

4.8.2. Default by borrowers in paying amounts due on their Loans may adversely affect the value of the Portfolio

Borrowers may for a variety of reasons default on their obligations due under the Loans. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal. Examples of such factors include changes in the local, regional, national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in a borrower's individual, personal or financial circumstances may affect the ability of the borrower to repay its Loan. Loss of earnings, illness, divorce and other similar factors may also lead to an increase in delinquencies by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Loans. In addition, the ability of a borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including general market conditions, the availability of purchasers for that property, the value of that property and property values in general at the time. Although Non-Performing Eligible Loans in the Portfolio will be given no weighting for the purposes of the Asset Coverage Test and the Amortization Test, delinquencies and defaults by Borrowers would adversely affect the realizable value of those Loans and in the event that the Guarantor needs to sell such Loans and their Related Security to third party purchasers (subject to a right of pre-emption enjoyed by the Seller that assigned such Loans to the Guarantor (see *Overview of the Principal Documents—Guarantor Agreement—Method of sale of Portfolio assets*)) such impact could adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee. See *Overview of the Principal Documents—Guarantor Agreement* for additional information on those tests.

The application of Canadian federal bankruptcy and insolvency laws and related provincial laws to a Borrower could also affect the ability to collect the Loans and enforce the Related Security if such laws result in any related Loan being charged off as uncollectible either in whole or in part.

4.8.3. The Lending Criteria applicable to any Loan at the time of its origination may not be the same as those set out in this Prospectus, including lower creditworthiness

Each of the Loans originated by the Originator on behalf of the Seller will have been originated in accordance with the Lending Criteria at the time of origination. See *The Servicer—Loan Origination and Lending Criteria.* Since the Portfolio is dynamic, Loans made based on different lending criteria may be included in the Portfolio so long as the Loan Representations and Warranties are satisfied as of the applicable Transfer Date with respect to each such Loan. It is expected that the Seller's Lending Criteria will generally consider type of property, term of loan, age of applicant, the Loan-to-Value Ratio, default insurer policies, high loan-to-value, status of applicants and credit history. In connection with the sale of any Loans and its Related Security to the Guarantor, the Seller will warrant only that prior to making each advance under such Loans, the then applicable Lending Criteria and all other preconditions to the making of the Loans were satisfied. The Seller retains the right to revise the Lending Criteria from time to time, but would only do so to the extent that such a change would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market. If the Lending Criteria change in a manner that affects the creditworthiness of the Loans, that may lead to increased defaults by borrowers and may affect the realisable value of the Portfolio, or part thereof, and the ability of the Guarantor to make payments under the Covered Bond Guarantee.

In addition, New Sellers who are affiliates of the Bank may in the future accede to the Program, become a limited partner of the Guarantor and sell Loans and their Related Security to the Guarantor. Any loans originated by a New Seller will have been originated in accordance with the lending criteria of the New Seller, which may differ from the Lending Criteria for Loans originated by the Originator on behalf of the Seller. If the lending criteria differ in a way that affects the creditworthiness of the Loans in the Portfolio, that may lead to increased defaults by borrowers and may affect the realisable value of the

Portfolio or any part thereof or the ability of the Guarantor to make payments under the Covered Bond Guarantee.

4.8.4. The Guarantor does not have registered or recorded title to the Loans and their Related Security in the Portfolio on the relevant Transfer Date which could affect its rights against borrowers

The Seller will transfer all of its right, title and interest in the Loans and their Related Security to the Guarantor pursuant to the Mortgage Sale Agreement on the relevant Transfer Date. However, the registered or recorded title to the transferred Loans and their Related Security will remain with the Seller or the Originator, as applicable, until the occurrence of a Registered Title Event. As a result (and until such time) application will not be made to the applicable land registry offices to register or record the Guarantor's ownership interest in the Loans and their Related Security and notice of the sale of the Loans and their Related Security will not be given to any borrower. Since prior to the occurrence of a Registered Title Event, the Guarantor will not have perfected its ownership interest in the Loans and their Related Security by completing the applicable registrations at the appropriate land registry or land titles office or providing notice of the sale of the Loans to the borrowers, the following risks exist:

- first, if the Seller sells a Loan and its Related Security, which has already been sold to the Guarantor (or if the Originator were to do so, notwithstanding that it is solely the registered title holder), to another person and that person acted in good faith and did not have notice of the interest of the Guarantor in the Loan and its Related Security, then such person might obtain good title to the Loan and its Related Security, free from the interest of the Guarantor. If this occurs then the Guarantor may not have good title in the affected Loan and its Related Security and it may not be entitled to payments by a borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Guarantor would likely be limited to circumstances arising from a breach by the Seller or the Originator of its contractual obligations or fraud, negligence or mistake on the part of the Seller, the Originator or the Guarantor or their respective personnel or agents;

- second, the rights of the Guarantor may be subject to the rights of the borrowers against the Seller, such as rights of set-off that may occur in relation to transactions or deposits made between borrowers and the Seller and the rights of borrowers to redeem their mortgages by repaying the Loans directly to the Seller; and

- third, unless the Guarantor has perfected the sale of the Loans (which it is only entitled to do in certain circumstances), the Guarantor may not be able to enforce any borrower's obligations under the relevant Loan itself but may have to join the Seller and/or the Originator as a party to any legal proceedings.

If any of the risks described in the bullet points above were to occur, then the realisable value of the Portfolio or any part thereof and/or the ability of the Guarantor to make payments under the Covered Bond Guarantee may be adversely affected. In addition, the exercise of set-off rights by borrowers may also adversely affect the amount that the Bond Trustee (for Covered Bondholders and on behalf of the other Secured Creditors) is able to realise on the Portfolio under the Security Agreement.

4.8.5. Limitations on recourse to the Seller may adversely affect the Portfolio

The Guarantor and the Bond Trustee will not undertake any investigations, searches or other actions on any Loan or its Related Security and will rely instead on the representations and warranties provided by the Seller in connection with the transfer of such Loans and their Related Security. If any of the representations and warranties prove to be untrue or there is a material breach of these representations and warranties (subject to the Seller remedying such breach within a certain period of time), the Guarantor will be entitled to require the Seller to repurchase the Loan and its Related Security. There

can be no assurance that the Seller will have the financial resources to repurchase the Loans and their Related Security.

Unless an Issuer Event of Default has occurred, the Guarantor will be managed by the Managing GP which is an affiliate of the Seller and, subject to the obligation of the Seller to repurchase a Loan that does not meet the eligibility requirements under *Part I.1 of the National Housing Act* (Canada) and the CMHC Guide, there can be no assurance that the Guarantor will require the Seller to repurchase a Loan for breach of a representation or warranty.

If, in such circumstances, the Seller fails to repurchase the Loan including as a result of the Guarantor not requiring such repurchase, the Guarantor will not benefit from the proceeds from the repurchase and the circumstances giving rise to the right of the Guarantor to require such repurchase may adversely affect the realizable value of the subject Loan which, in each case, could adversely affect the ability of the Guarantor to fulfill its obligations under the Covered Bond Guarantee. See *The Guarantor's ability to make payments under the Covered Bond Guarantee will depend primarily on the Portfolio*.

If the Seller does not repurchase those Loans and their Related Security that are in breach, those Loans will be given a zero value for the purposes of any calculation of the Asset Coverage Test, the Valuation Calculation and the Amortization Test. There is no further recourse to the Seller for a breach of a Loan Representation and Warranty.

4.8.6. Risks particular to STEP Loans

The Bank expects that the Portfolio will from time to time include STEP Loans. For a detailed description of the STEP Loans, see *Overview of the Principal Documents—Mortgage Sale Agreement—Scotia Total Equity Plan and STEP Loans*. STEP Loans are subject to certain additional risks which include, among others, the following risks.

- The risk that Other STEP Products that are secured by the same STEP Collateral Mortgage may be sold to third parties. While as a condition precedent to a sale of such an Other STEP Product, such third party must first enter into a Security Sharing Agreement and provide a Release of Security to the Custodian to be held in trust, prior to such Release of Security becoming effective, the Custodian must obtain an opinion of legal counsel that the conditions precedent to the exercise of such Release of Security have occurred. There can be no assurance that such conditions precedent will be satisfied in the intended circumstance or that any delay by the Custodian in exercising such Release of Security would not have an adverse effect on the Portfolio.

- In the event of any required sale of any Selected Loans under the Transaction Documents, and if a STEP Loan is required to be sold, the risk that the terms of the STEP Plan, the related servicing and priority arrangements governing the STEP Loans and/or the continuing ownership interests of the Seller and/or Other STEP Creditors in the other related STEP Accounts and the related STEP Collateral Mortgages may make such STEP Loans more difficult to sell than other Loans that are not STEP Loans.

- The risk that the Guarantor, or the Servicer on its behalf, is or will become subject to certain fiduciary and other rights, duties and obligations under applicable law or under any applicable agreements in regard to the Seller and/or any Other STEP Creditor having an interest in the related STEP Collateral Mortgage which could delay or otherwise adversely affect its right to make certain servicing and/or enforcement decisions relating to such STEP Loans or, with respect to such agreements, which may affect the respective priorities of the related STEP Loans and Other STEP Products.

4.8.7. The Portfolio consists of Loans and their Related Security which have been randomly selected by the Seller and which are represented to satisfy the Loan Representations and Warranties and the CMHC Guide

None of the Arrangers, the Cover Pool Monitor, any Dealer, the Bond Trustee, or the Custodian has undertaken or will undertake any due diligence with respect to the wording or content of the individual agreements underlying such Portfolio assets or the facts and circumstances relating to the particular relationship between the relevant borrower or the related Mortgaged Property, respectively, and the Seller, all of which may impact the viability and interpretation of such agreements. The Guarantor will rely on the Loan Representations and Warranties given by the Seller in the Mortgage Sale Agreement. The remedies provided for in the Mortgage Sale Agreement to the Guarantor in respect of non-compliance with the Loan Representations and Warranties (other than where such breach was waived at the point of assignment to the Guarantor), will be limited to the repurchase by the Seller of the related Loan and its Related Security for an amount equal to the applicable Repurchase Amount. Such obligation is not guaranteed by nor will it be the responsibility of any person other than the Seller and neither the Guarantor nor the Bond Trustee will have recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligation.

4.8.8. The sale of real property upon the enforcement of a mortgage security is subject to Canadian real property and insolvency regulations, property transfer taxes, capital gain taxes and legal liens

Limitations on enforceability of mortgage security. Generally, a lender's right to realise on its mortgage security may be subject to or regulated by statutes, the existing practice and procedures of a court of competent jurisdiction and that court's equitable powers. Under certain circumstances, a court may exercise equitable powers to relieve a borrower from the effects of certain defaults or acceleration. Certain proceedings taken by a lender to realise upon its mortgage security, such as foreclosure and judicial sale, are subject to most of the delays and expenses of other lawsuits, particularly if defences or counterclaims are asserted, sometimes requiring up to several years to complete. If a borrower makes a proposal or an assignment or initiates or becomes subject to any other proceedings under the BIA or other insolvency, arrangement or other legislation for the relief of debtors, the Seller or the Guarantor may not be permitted to accelerate the maturity of the related Loan, to foreclose on the Mortgaged Property or to exercise power of sale or other mortgage enforcement proceedings for a considerable period of time. For STEP Loans in the Province of Québec, since the Seller and Other STEP Creditors will be entitled to an undivided interest in the STEP Collateral Mortgage to the extent of the outstanding indebtedness owing under any related STEP Accounts, the Guarantor will have to join the Seller and such Other STEP Creditors in enforcement proceedings against the related borrower.

Where a borrower or any beneficial owner of a Mortgaged Property is or subsequently becomes a non-resident of Canada under the Income Tax Act and remains a non-resident at the time that enforcement proceedings are taken under the Loan, the specific remedies available to the lender may be practically limited by the requirement that the lender comply with section 116 of the Income Tax Act upon any sale of the Mortgaged Property under or in respect of the related Loan which may require the lender to withhold from realization proceeds an amount equal to (or, in certain cases, greater than) the tax applicable to any accrued capital gain of such non-resident person triggered by such sale. Many of the Loans contain "due-on-sale" clauses, which permit the acceleration of the maturity of the related Loan if the borrower sells the related Mortgaged Property. The Loans also generally include a debt-acceleration clause, which permits the acceleration of the Loan upon a monetary or non-monetary default by the borrower. The enforceability of such due-on-sale and debt-acceleration clauses is subject to and may be affected by (i) applicable bankruptcy, insolvency and other laws of general application limiting the enforcement of creditors' rights and remedies generally, and (ii) applicable principles of law and equity, and in some provinces, applicable statutory provisions which limit restraint on

alienation of real property and provide relief to a borrower, in certain circumstances, from the effects of certain defaults or acceleration.

Prior liens. The priority of mortgages securing the Loans may be subject to prior liens resulting from the operation of law, such as liens in favour of governmental authorities and persons having supplied work or materials to the relevant Mortgaged Property. In each province and territory, the priority of a mortgage against real property may be subject to a prior lien for unpaid realty taxes in favour of the applicable taxing authorities. In the Province of Québec, the priority of a hypothec on rents may be subject to a prior claim in favour of the government for amounts due under fiscal laws.

Registered title. The Mortgages securing the Loans will be registered in the name of the Seller or, in the case of the Originator Titled Loans, the Originator as agent, bare trustee and nominee in trust for the Guarantor. Upon the occurrence of a Registered Title Event, the Guarantor will have the right to demand that the Seller and the Originator, as applicable, provide it with registered or recorded title to the Loans and their Related Security at the expense of the Seller, and if the Seller or the Originator fails to do so, the Guarantor will exercise certain powers of attorney granted to it by the Seller or the Originator, as applicable, and record assignments and transfers of all Loans in its name (or in any other name it may decide) or, for STEP Loans in Québec, to record an assignment of the STEP Collateral Mortgages to the extent of the Guarantor's interest therein. If such registration becomes necessary, there may be costs and delays associated with effecting such registrations (potentially resulting in delays in commencing, prosecuting and completing enforcement proceedings). The Seller will be responsible for meeting all costs associated with such registrations. However, if the Seller does not have the funds to pay such costs, any related expenses the Guarantor is required to pay may reduce the amounts available to pay the Covered Bondholders.

4.8.9. Adverse environmental conditions on a Mortgaged Property may affect the value of a Loan

If an adverse environmental condition exists with respect to a Mortgaged Property, the related Loan may be subject to the following risks: (i) a diminution in the value of such Mortgaged Property or the practical ability to foreclose or take other enforcement proceedings against such Mortgaged Property; (ii) the potential that the related borrower may default on the related Loan due to such borrower's inability to pay high remediation costs or difficulty in bringing the Mortgaged Property into compliance with environmental laws; (iii) in certain circumstances as more fully described below, the liability for clean-up costs or other remedial actions could exceed the value of the Mortgaged Property; or (iv) the practical inability to sell the Mortgaged Property or the related Loan in the secondary market. Under certain provincial laws, the reimbursement of remedial costs incurred by regulatory agencies to correct environmental conditions may be secured by a statutory lien over the subject property, which lien, in some instances, may be prior to the lien of an existing mortgage. Any such lien arising in respect of a Loan could adversely affect the value of such Loan and could make any foreclosure or other enforcement proceedings impracticable. Under various federal and provincial laws and regulations, a current or previous owner or operator of real property, as well as certain other categories of parties, may be liable for the costs of removal or remediation of hazardous or toxic substances on, under, adjacent to or in such property. The cost of any required remediation and the owner's liability therefor is generally not limited under applicable laws, and could exceed the value of the property and/or the assets of the owner. Under some environmental laws, a secured lender may be found to be an "owner" or "operator" or person in charge, management or control of, or otherwise responsible for, the Mortgaged Property. In such cases, a secured lender may be liable for the costs of any required removal or remediation of adverse environmental conditions. The Guarantor and/or the Bond Trustee's exposure to liability for clean-up costs will increase if it or its agent actually takes possession of the Mortgaged Property.

4.9. *All of the real property securing the Loans in the Portfolio is located in Canada and deterioration in the market for residential real estate in Canada could negatively affect the value of the Covered Bonds*

All real property securing the Loans in the Portfolio is located in Canada. The performance of the Loans will therefore be affected by general economic conditions in Canada and the condition of the residential housing market in Canada. A significant deterioration in the market for residential or other real estate could negatively affect the value of the real property in the underlying Portfolio and the Canadian residential mortgage market, which in turn could have an adverse effect on the value and marketability of the Covered Bonds and the ability of the Guarantor to make payments under the Covered Bond Guarantee.

4.10. *Interest obligations may be greater than the monthly installment payment for certain products and borrowers may refuse to pay excess amounts*

When the Bank's Prime Rate increases, the amount of interest payable by a borrower under a loan having a variable rate of interest increases. For certain variable rate loans, the borrower's installment payment remains constant (except as discussed below) and, the portion of the borrower's monthly mortgage payment allocated towards the payment of principal is reduced. If the interest rate on a Loan reaches the level at which the borrower's mortgage payment is insufficient to cover the interest payable, the difference is capitalised and added to the principal balance of the Loan. For certain variable rate products this may result in the principal balance of the Loan being greater than the original principal amount of the Loan. If the principal balance of the Loan increases in excess of 105 per cent. of the original principal amount of the Loan, the Bank may require the borrower to pay the excess amount, increase the amount of the borrower's monthly installment, or (if the borrower has the right to do so under the Loan) convert the Loan to a fixed rate Loan.

Accordingly, an increase in a borrower's monthly installment or principal balance may affect the borrower's timely payment of scheduled payments of principal and interest on the related Loan and, accordingly, the actual rates of delinquency, foreclosure and loss with respect to such Loan. Further, economic and market conditions may impair borrowers' ability to make timely payment of scheduled payments of principal and interest on the Loans or to refinance or sell their residential properties, which may contribute to higher delinquency and default rates, and may in turn adversely affect the value of the covered bonds.

4.10.1. Loan documents may not provide for an express right to share client information

The Loans originated by the Seller have been originated at various times with the result that the underlying loan documentation may vary from Loan to Loan. See the section entitled *The Servicer—Loan Origination and Lending Criteria* for further details on the Loans. Earlier Loan documentation may not have the same level of acknowledgements and consents from borrowers regarding the disclosure of information, and, in certain circumstances may not provide for an express right to share client information. As a result, limited information may be available to parties other than the Bank and its related entities (which would include the Guarantor). This could limit the ability of a potential third party purchaser to diligence the Loans and as such could limit the number of potential purchasers or the price such potential purchasers would be willing to pay for Loans which could adversely affected the realizable value of the Loans and their Related Security and as a result the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee. See *Guarantor Agreement—Method of sale of Portfolio assets*.

4.11. Levels of arrears in the Portfolio included in the relevant Investor Report are as of the applicable cut-off dates, and may have changed at the date of the issuance of the relevant Series of Covered Bonds

Selected information about the Loans in the Portfolio, including information in respect of arrears as of a cut-off date prior to the time of the relevant issue of each Series of Covered Bonds, will be incorporated by reference into the Prospectus from time to time. The information presented in the Investor Report will be prepared using the current balance as of the relevant cut-off date, which includes all principal and accrued interest for the Loans as of the relevant cut-off date and may not be a true reflection of the Loans as at the date of issuance of each Series of Covered Bonds. The selected information will not include any Loans assigned to the Portfolio since the relevant cut-off date.

5. Bank and Program related legal and regulatory risks

The principal and material risks in relation to the Bank and its business are set out in *Risk Management* in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Bank's 2022 Annual Report, which is incorporated in this Prospectus by reference. The principal risks related to the Guarantor's legal and regulatory situation are described below. No assurance can be given that additional regulations or guidance from CMHC, OSFI, the CDIC or any other regulatory authority will not arise with regard to the mortgage market in Canada generally, the Seller's or the Guarantor's particular sector in that market or specifically in relation to the Seller or the Guarantor. Any such action or developments may have a material adverse effect on the Seller and/or the Guarantor and their respective businesses and operations. This may adversely affect the ability of the Guarantor to dispose of the Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof, and accordingly, affect the ability of the Bank and the Guarantor, respectively, to meet their obligations under the Covered Bonds in the case of the Bank and the Covered Bond Guarantee in the case of the Guarantor.

5.1. Suspension of the Bank's ability to issue Covered Bonds under Part I.1 of NHA and the CMHC Guide could negatively impact the Covered Bonds

Part I.1 of the NHA and the CMHC Guide impose certain ongoing obligations on both the Bank and the Guarantor and permit CMHC to take certain actions in respect of the Bank if such obligations are not complied with from time to time. Such actions include suspending the right of the Bank to issue Covered Bonds under the Program and directing the Bank to take specified steps for the purpose of complying with the CMHC Guide. There is a risk that suspending the right of the Bank to issue Covered Bonds under the Program or any non-compliance with a request from CMHC may negatively impact the value and/or liquidity of the Covered Bonds. However, pursuant to Condition 9.1(a) (Issuer Events of Default), non-compliance by the Bank with Part I.1 of the NHA or the CMHC Guide will not constitute an Issuer Event of Default.

5.2. Bankruptcy or Insolvency Risk

The assignments of the Portfolio assets from the Seller to the Guarantor pursuant to the terms of the Mortgage Sale Agreement are intended by the Seller and the Guarantor to be and have been documented as sales for legal purposes. As the subject of a legal sale, the Portfolio assets would not form part of the assets of the Bank available for distribution to the creditors of the Bank. However, if the Seller or the Guarantor were to become bankrupt or otherwise subject to insolvency, winding-up, receivership and/or restructuring proceedings, the Superintendent of Financial Institutions (the **Superintendent**), appointed pursuant to the *Office of the Superintendent of Financial Institutions Act* (Canada), Canada Deposit Insurance Corporation (**CDIC**), appointed as receiver pursuant to the CDIC Act, or any liquidator or other stakeholder of the Seller, could attempt to re-characterise the sale of the Portfolio assets as a loan from the Guarantor to the Seller secured by the Portfolio assets, to challenge the sale under the fraudulent transfer or similar provisions of the *Winding-up and Restructuring Act* (Canada) (**WURA**)

or other applicable laws or to consolidate the assets of the Seller with the assets of the Guarantor. In this regard, the Transaction Documents contain restrictions on the Seller and the Guarantor intended to reduce the possibility that a Canadian court would order consolidation of the assets and liabilities of the Seller and the Guarantor given, among other things, current jurisprudence on the matter. Further, the Legislative Framework contains provisions that will limit the application of the laws of Canada and the provinces and territories relating to bankruptcy, insolvency and fraudulent conveyance to the assignments of the Portfolio assets from the Seller to the Guarantor. Nonetheless, any attempt to challenge the transaction or to consolidate the assets of the Seller with the assets of the Guarantor, even if unsuccessful, could result in a delay or reduction of collections on the Portfolio assets available to the Guarantor to meet its obligations under the Covered Bond Guarantee, which could prevent timely or ultimate payment of amounts due to the Guarantor, and consequently, the holders of the Covered Bonds.

The interests of the Guarantor may be subordinate to statutory deemed trusts and other non-consensual liens, trusts and claims created or imposed by statute or rule of law on the property of the Seller arising prior to the time that the Portfolio assets are transferred to the Guarantor, which may reduce the amounts that may be available to the Guarantor and, consequently, the holders of the Covered Bonds. The Guarantor will not, at the time of sale, give notice to borrowers of the transfer to the Guarantor of the Portfolio assets or the grant of a security interest therein to the Bond Trustee. However, under the Mortgage Sale Agreement, the Seller will warrant that the Portfolio assets have been or will be transferred to the Guarantor free and clear of the security interest or lien of any third party claiming an interest therein, through or under the Seller, other than certain permitted security interests. The Guarantor will warrant and covenant that it has not taken and will not take any action to encumber or create any security interests or other liens in any of the property of the Guarantor, except for the security interest granted to the Bond Trustee and except as permitted under the Transaction Documents.

Amounts that are on deposit from time to time in the Guarantor Accounts may be invested in certain permitted investments pursuant to the Transaction Documents. In the event of the liquidation, insolvency, receivership or administration of any entity with which an investment of the Guarantor is made (such as pursuant to the Guaranteed Deposit Account Contract or the Standby Guaranteed Deposit Account Contract) or which is an issuer, obligor or guarantor of any investment, the ability of the Guarantor to enforce its rights to any such investments and the ability of the Guarantor to make payments to holders of the Covered Bonds in a timely manner may be adversely affected and may result in a loss on the Covered Bonds. In order to reduce this risk, these investments must satisfy certain criteria.

Payments of interest and principal on the Covered Bonds are subordinate to certain payments (including payments for certain services provided to the Guarantor), taxes and the reimbursement of all costs, charges and expenses of and incidental to the enforcement of the Trust Deed and the other Transaction Documents to which the Bond Trustee is a party, including the appointment of a receiver in respect of the Portfolio assets (including legal fees and disbursements) and the exercise by the receiver or the Bond Trustee of all or any of the powers granted to them under the Trust Deed and the other Transaction Documents to which the Bond Trustee is a party, and the reasonable remuneration of such receiver or any agent or employee of such receiver or any agent of the Bond Trustee and all reasonable costs, charges and expenses properly incurred by such receiver or the Bond Trustee in exercising their power. These amounts could increase, especially in adverse circumstances such as the occurrence of a Guarantor Event of Default, the insolvency of the Bank or the Guarantor or a Servicer Termination Event. If after the insolvency of the Bank such expenses or the costs of a receiver or the Bond Trustee become too great, payments of interest on and principal of the Covered Bonds may be reduced or delayed.

The ability of the Bond Trustee (for itself and on behalf of the other Secured Creditors) to exercise remedies in respect of the Covered Bonds and the Covered Bond Guarantee and to enforce the security

granted to it pursuant to the terms of the Security Agreement is subject to the bankruptcy and insolvency laws of Canada. *The Bankruptcy and Insolvency Act* (Canada) (**BIA**) and the *Companies' Creditors Arrangement Act* (Canada) (**CCAA**) both provide regimes pursuant to which debtor companies are entitled to seek temporary relief from their creditors. The BIA applies to limited partnerships. In addition, Canadian jurisprudence makes it clear that both the BIA and the CCAA can apply to limited partnerships. Further, it is a possibility that a liquidator or receiver of the Seller, another creditor of the Guarantor or the Superintendent could seek the court appointment of a receiver of the Guarantor or a winding-up of the Guarantor, or might commence involuntary bankruptcy or insolvency proceedings against the Guarantor under the BIA or the CCAA.

If the Guarantor or Bank, including as Seller and initial Servicer, voluntarily or involuntarily becomes subject to bankruptcy, insolvency or winding-up proceedings including pursuant to the BIA, the CCAA or the WURA, or subject to "control" pursuant to the Bank Act or "resolution" processes pursuant to the *Canadian Deposit Insurance Corporation Act* (Canada), or if a receiver is appointed over the Bank or the Guarantor, notwithstanding the protective provisions of the Legislative Framework, this may delay or otherwise impair the exercise of rights or any realization by the Bond Trustee (for itself and on behalf of the other Secured Creditors) under the Covered Bonds, the Covered Bond Guarantee and/or the Security Agreement and/or impair the ability of the Guarantor or Bond Trustee to trace and recover any funds which the Servicer has commingled with any other funds held by it prior to such funds being paid into the GDA Account. In the event of a Servicer Termination Event as a result of the insolvency of the Bank, the right of the Guarantor to appoint a successor Servicer may be stayed or prevented.

5.3. The Covered Bonds and the Bank's activities are subject to the remedial powers of the Superintendent under the Bank Act and the requirements of the Legislative Framework and the CMHC Guide

The Superintendent, under Section 645(1) of the Bank Act, has the power, where in the opinion of the Superintendent, a bank, or a person with respect to a bank, is committing, or is about to commit, an act that is an unsafe or unsound practice in conducting the business of the bank, or is pursuing or is about to pursue any course of conduct that is an unsafe or unsound practice in conducting the business of the bank, to direct the bank or person, as the case may be, to cease or refrain from committing the act or pursuing the course of conduct and to perform such acts as in the opinion of the Superintendent are necessary to remedy the situation.

Although the above remedial power exists, following an initial review of potential regulatory and policy concerns associated with the issuance of covered bonds by Canadian deposit taking institutions (during which it requested that financial institutions refrain from issuing covered bonds), OSFI confirmed by letter dated 27 June 2007 that Canadian deposit taking institutions may issue covered bonds, provided certain conditions are met. That letter from OSFI was first updated in a letter dated 19 December 2014 from OSFI to Canadian deposit taking institutions issuing covered bonds (the **December 2014 letter**) and further updated in a second letter dated 23 May 2019 from OSFI to Canadian deposit taking institutions issuing covered bonds (the **May 2019 letter**), a third letter dated 27 March 2020 from OSFI to Canadian deposit taking institutions and a fourth letter dated 6 April 2021 from OSFI to Canadian deposit taking institutions. The conditions set out in the 27 June 2007 letter, as modified by the December 2014 letter and May 2019 letter, provided that from and after 1 August 2019, at the time of issuance, the total assets pledged by the deposit taking institution for covered bonds (calculated as the Canadian dollar equivalent of the deposit-taking institution's covered bonds outstanding multiplied by the level of overcollateralization, as calculated in accordance with the CMHC Guide and reported in the monthly investors' reports), must not, at any time, exceed 5.5 per cent. of the deposit-taking institution's on-balance sheet assets (as reported on the regulatory balance sheet return of the deposit taking institution).

The OSFI covered bond limit must be met on an ongoing basis and, (i) if at any time after issuance the 5.5 per cent.limit is exceeded, the relevant deposit taking institution must notify OSFI in a timely

manner; and (ii) excesses (above the 5.5 per cent.limit) due to factors not under the control of the issuing institution, such as foreign exchange fluctuations, will not require the relevant deposit taking institution to take action to reduce the amount outstanding, however, for other excesses, the relevant deposit taking institution must provide a plan showing how it proposes to eliminate the excess quickly. Institutions which exceed the 5.5 per cent. pool assets limit will be expected to return below this threshold as soon as market funding conditions permit, and provide a plan to OSFI outlining their proposed approach and timing to return below the required threshold.

Deposit taking institutions are also expected to amend the pledging policies they are required to maintain under the Bank Act or other applicable federal law to take into account the issuance of covered bonds consistent with the above limits.

The Bank is not able to carry out a future issuance unless such applicable test is satisfied at the time of issuance. As at the date of this Prospectus, the Bank is in compliance with the OSFI covered bond limits.

The Bank received board approval for, and has implemented, amendments to its pledging policies which take into account the issuance of covered bonds under the Program and to take into account the issuance of covered bonds and the pledging of additional collateral to meet higher overcollateralization requirements, consistent with the limits and conditions prescribed by OSFI.

In 2012, the NHA was amended to establish a legislative framework for covered bonds (the **Legislative Framework**). The amendments to the NHA have given CMHC the responsibility to administer the Legislative Framework, with discretionary authority to establish conditions and restrictions applicable to registered issuers and registered covered bond programs and to oversee and enforce compliance with those conditions and terms. On 17 December 2012, CMHC published the Canadian Registered Covered Bond Programs Guide (as amended from time to time, the **CMHC Guide**) implementing the Legislative Framework. The CMHC Guide elaborates on the role and powers of CMHC as administrator of the Legislative Framework and sets out the conditions and restrictions applicable to registered issuers and registered covered bond programs. The Bank and the Program are required to comply with the requirements of the NHA and CMHC Guide.

5.4. Regulatory treatment of Covered Bonds (including Basel III)

In Europe, Canada, the U.S. and elsewhere, there is significant focus on fostering greater financial stability through increased regulation of financial institutions, and their corresponding capital and liquidity positions. This has resulted in a number of regulatory initiatives which are currently at various stages of implementation and which may have an impact on the regulatory position for certain investors in covered bond exposures and/or on the incentives for certain investors to hold covered bonds, and may thereby affect the liquidity of such securities. Investors in the Covered Bonds are responsible for analysing their own regulatory position and none of the Bank, the Guarantor, the Lead Managers or the Arrangers makes any representation to any prospective investor or purchaser of the Covered Bonds regarding the treatment of their investment on the closing date, each Issue Date or at any time in the future.

In particular, the Basel Committee on Banking Supervision (the **Basel Committee**) has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as **Basel III**), which were published in December 2010, with final capital guidance being issued on 1 June 2011. The capital and liquidity standards have subsequently been revised over time with further reforms to the Basel III framework being issued between December 2010 and December 2017.

The Basel III framework envisages a substantial strengthening of capital rules, including capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity

standards and a minimum leverage ratio for financial institutions. In particular, the Basel III framework includes, amongst other things, requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions, the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio) and further capital requirements for systemically important financial institutions. Further substantive reforms to the Basel III framework were agreed in December 2017, and which consisted of measures relating to the standardised and IRB approaches for credit risk, minimum requirements for market risk, amendments to the CVA risk framework, minimum capital requirements for operational risk, output floors for RWAs and revised standards for leverage ratios. These further reforms came into effect on 1 January 2022 (with the exception of the reforms on output floors, which are being phased in, and will only take full effect on 1 January 2028).

The Basel frameworks do not generally have the status of law and are therefore subject to implementation into national (or EU, in the case of EU member states) law. The status of implementation of the frameworks in relevant jurisdictions will therefore affect the risk-weighting of the Covered Bonds for investors who are or may become subject to capital adequacy requirements that follow the frameworks. The intention set out in the Basel III framework was that member countries were to have implemented the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. The Bank for International Settlements (**BIS**) monitors the implementation status for the Basel III framework through its Regulatory Consistency Assessment Programme (**RCAP**). Investors can access the outputs from the BIS's RCAP on the BIS website. As of the end of September 2022, most or all of the 27 member jurisdictions had implemented the Basel III rules agreed prior to the announcement of the December 2017 reforms. Member jurisdictions are in various stages of implementation for the further reforms that came into effect from 1 January 2023.

No predictions can be made as to the precise effects of such matters on any investor or otherwise. Prospective investors should therefore make themselves aware of the requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in Covered Bonds.

Further, Basel III and related future changes approved by the Basel Committee and which may be approved and implemented in the future may have an impact on the capital requirements in respect of the Covered Bonds and/or on incentives to hold the Covered Bonds for investors that are subject to such requirements and, as a result, they may affect the liquidity and/or value of the Covered Bonds.

5.5. The Bank's residential mortgage underwriting practices and procedures may be affected by regulatory guidelines

Guideline B-20 — Residential Mortgage Underwriting Practices and Procedures (**Guideline B-20**), published by OSFI in June 2012, updated in November 2014 and further updated on 1 January 2018, sets out OSFI's expectations for prudent residential mortgage underwriting by federally regulated financial institutions, which includes the Seller and the Originator in respect of Loans originated by the Originator on behalf of the Seller. Guideline B-20 calls for the establishment of a residential mortgage underwriting policy by the Seller and the Originator and sets out expectations with respect to borrower due diligence, assessment of borrower's capacity to service their debt obligations, collateral management and appraisal processes and credit and counterparty risk management practices and procedures by the Seller and the Originator. In addition, the revised Guideline B-20 that became effective on 1 January 2018 clarifies or strengthens expectations in a number of specific areas, including requiring a qualifying stress test for all uninsured mortgages, requiring that loan-to-value measurements remain dynamic and adjust for local market conditions where they are used as a risk control, such as for qualifying borrowers, and expressly prohibiting co-lending arrangements that are designed, or appear to be designed, to circumvent regulatory requirements.

OSFI indicates in Guideline B-20 that it expects federally-regulated financial institutions, such as the Bank, to limit the non-amortizing home equity line of credit component of a residential mortgage to a maximum authorized loan-to-value ratio of less than or equal to 65 per cent., and has further clarified by way of a 28 June 2022 advisory that on combined loan plans all lending above the 65 per cent. loan-to-value limit will be both amortizing and non-re-advanceable and principal payments applied to the portion above 65 per cent. should be matched by a reduction in the overall authorized limit until the overall combined loan plan limit reduces to the 65 per cent. loan-to-value limit for all segments on a combined basis. Combined loan plans are those that have a single collateral dollar charge on the subject property that supports multiple segments or components and has authorized borrowing limits that are dependent on the balances of other loans and are underwritten on a combined basis, as a single credit under one overall limit. OSFI's expectation in connection with the advisory is that for those borrowers that owe more than the 65 per cent. loan-to-value limit, there will be a gradual period, typically commencing the next time such borrower renews its combined loan plan after the lender's fiscal 2023 year end (being 31 October 2023 in the case of the Bank), where a portion of their principal payments will go towards reducing their overall mortgage amount until it is below the 65 per cent. combined loan-to-value limit and not be re-advanceable. The Scotia Total Equity Plan (**STEP**) is considered a combined loan plan for the purposes of the above expectations. The clarified expectations place limitations on the re-advanceability of authorized credit above 65 per cent. loan-to-value within a STEP and apply to both newly originated STEPs and the existing portfolio. These new expectations take effect on 1 November 2023. The Bank is working on process changes and controls to ensure full compliance with the clarified expectations and it does not anticipate any material impact to the cover pool.

Pursuant to a consultation process launched in January 2023, OSFI noted that mortgage lending risks, particularly related to debt serviceability, have increased considerably since the onset of the pandemic, and stated that, in addition to the Minimum Qualifying Rate (MQR), or "stress test", OSFI is exploring complementary measures to better mitigate risks to federally regulated financial institutions, such as the Bank, arising from high consumer indebtedness. New measures being considered include volume limits on high Loan-to-Income (LTI) and high debt service lending. The proposed debt serviceability measures include loan-to-income (LTI) and debt-to-income (DTI) restrictions, debt service coverage restrictions, and interest rate affordability stress tests.

Guideline B-20 also provides that where a federally regulated financial institution acquires a residential mortgage loan, including a home equity line of credit, that has been originated by a third party, such federally regulated financial institution should ensure that the underwriting standards of that third party are consistent with those set out in the residential mortgage underwriting policy of the federally regulated financial institution and compliant with Guideline B-20.

Loans that may be sold to the Guarantor in the future may have characteristics differing from current Loans generated before the implementation of Guideline B-20, including in respect of loss experience, delinquencies, revenue experience and monthly payment rates. Compliance with Guideline B-20 may impact the Seller's ability to generate new Loans for sale to the Guarantor under the Program at the same rate as the Seller originated prior to Guideline B-20 coming into effect.

To the extent that the Bond Trustee realises upon the security it has on the Loans and Related Security, the Bond Trustee may be limited in its ability to sell such assets to a federally regulated financial institution if such purchaser determines that the sale would not be in compliance with Guideline B-20.

5.6. *Borrower and Counterparty Risk Exposure*

The ability of the Bank to make payments in connection with any debt or derivative securities issued or entered into by the Bank is subject to general credit risks, including credit risks of borrowers. Credit risk is one of the most significant and pervasive risks in banking. The failure to effectively manage credit risk across the Bank's products, services and activities can have a direct, immediate and material impact on the Bank's earnings and reputation. Third parties that owe the Bank money, securities or

other assets may not pay or perform under their obligations. These parties include borrowers under loans granted, trading counterparties, counterparties under derivative contracts, agents and financial intermediaries. These parties may default on their obligations to the Bank due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons, adversely impacting the Bank's financial position and prospects.

In relation to counterparties that are EU or UK institutions (collectively, **BRRD Firms**), on 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of EU credit institutions and investment firms (the **BRRD**) entered into force. In the UK, the *Banking Act of 2009* (as amended) implements the BRRD. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing BRRD institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of the institution's failure on the economy and financial system. The BRRD was applied in Member States and the UK from 1 January 2015, with the exception of the bail-in tool (referred to below) which was applicable from 1 January 2016.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that: (a) an institution is failing or likely to fail; (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe; and (c) a resolution action is in the public interest. Such resolution tools and powers are: (i) sale of business; (ii) bridge institution; (iii) asset separation; and (iv) bail-in. The bail-in tool gives the resolution authority the ability to write-down or convert certain unsecured debt instruments into shares (or other instruments of ownership) of the relevant EU institution, to reduce the outstanding amount due under such debt instruments (including reducing such amounts to zero) or to cancel, modify or vary the terms of such debt instruments (including varying the maturity of such instruments) and other contractual arrangements. The BRRD also provides for a Member State or the UK, as applicable, as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible while maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the applicable state aid framework.

An institution will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances).

In the normal course of business, the Bank deals with BRRD Firms to whom the BRRD and its bail-in power applies. The powers set out in the BRRD will impact how such BRRD Firms are managed as well as, in certain circumstances, the rights of their creditors including the Bank. For instance, the Bank and its debtholders may be affected by disruptions due to a BRRD Firm not being able to fulfill their obligations as issuing and paying agent, registrar, calculation agent or similar roles.

5.7. Financial Regulatory Reforms in the U.S. and Canada Could Have a Significant Impact on the Bank or the Guarantor

The *2018 U.S. Economic Growth, Regulatory Relief and Consumer Protection Act* (**Reform Act**) included modifications to aspects of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (**Dodd-Frank**), including stress testing. In general, in connection with Dodd-Frank the Bank could be negatively impacted by loss of revenue, limitations on the products or services it offers, and additional operational and compliance costs.

Many parts of Dodd-Frank are in effect and others are in the implementation stage. As a result, the complete scope of the Dodd-Frank remains uncertain. Statements made by the current administration add to the uncertainty about the complete scope of that Act. These regulations have or may have indirect implications on the Bank's business and operations.

Certain rules under Dodd-Frank and other regulatory requirements that impact the Bank include: the U.S. Volcker Rule, which generally restricts banking entities from engaging in proprietary trading and from sponsoring or holding ownership interests in or having certain relationships with certain hedge funds and private equity funds; capital planning and stress testing requirements for the Bank's top-tier U.S. intermediate holding company; stress testing requirements; and various "enhanced prudential standards" under Federal Reserve regulations. The Bank has incurred, and will continue to incur, operational, capital, liquidity, and compliance costs, and compliance with these standards may impact the Bank's businesses, operations, and results in the U.S. and overall.

The current U.S. regulatory environment for banking organizations may be impacted by recent and future legislative or regulatory developments, including resulting from changes in U.S. executive administration, congressional leadership and/or agency leadership, and regulators focusing on potential racial discrimination and economic inequity, including fair lending. For example, the Reform Act included modifications to the stress testing and other aspects of Dodd-Frank. In addition, the applicable U.S. Federal regulatory agencies have proposed, and in some cases, adopted regulatory amendments to certain of these requirements, including with respect to the Volcker Rule regulations and capital planning and stress testing requirements.

In particular, in addition to the regulations referred to above affecting the financial services industry generally, Title VII of Dodd-Frank (**Title VII**) imposed a new regulatory framework on swap transactions, including interest rate and currency swaps of the type entered into by the Guarantor in connection with the issuance of the Covered Bonds. As such, the Guarantor may face certain regulatory requirements under the Dodd-Frank, subject to any applicable exemptions or relief. The Commodity Futures Trading Commission has primary regulatory jurisdiction over such swap transactions, although some regulations have been jointly issued with the Securities Exchange Commission and other regulations relating to swaps may be issued by other U.S. regulatory agencies. Many of the regulations implementing Title VII have become effective; however, the interpretation and potential impact of these regulations is not yet entirely clear, and certain other key regulations are yet to be finalized. Once fully implemented, these new regulations could adversely affect the value, availability and performance of certain derivatives instruments and may result in additional costs and restrictions with respect to the use of those instruments, including as they are used by the Guarantor in relation to the issuance of the Covered Bonds.

Such requirements may disrupt the Guarantor's ability to hedge its exposure to various transactions, including any obligations it may owe to investors under the Covered Bonds, and may materially and adversely impact a transaction's value or the value of the Covered Bonds. The Guarantor cannot be certain as to how these regulatory developments will impact the treatment of the Covered Bonds.

In particular, any amendments to existing swap transactions or new swap transactions entered into by the Guarantor may be subject to clearing, execution, capital, margin posting and collecting, reporting and recordkeeping requirements under Dodd-Frank that could result in additional regulatory burdens, costs and expenses (including extraordinary, non-recurring expenses of the Guarantor). Additionally, the Bank is subject to a number of specific requirements, including, among other things: (i) mandatory clearing, trade reporting and registration of over-the-counter derivative trading activities; (ii) heightened capital, liquidity and prudential standards, such as the enhanced prudential standards and early remediation requirements under Sections 165 and 166 of Dodd-Frank; (iii) mandatory risk retention rules, applicable to sponsors of asset-backed securities and securitisations; and (iv) restrictions on proprietary trading, private equity and hedge fund activities, commonly known as the Volcker Rule.

In Canada, a regulatory framework for swap transactions similar to the regulatory framework under Title VII is proposed by the regulators, and certain rules thereunder are in effect. Such regulatory framework may have similar consequences for the Bank and the Guarantor. In addition, it is possible that compliance with other emerging regulations could result in the imposition of higher administration expenses on the Bank and the Guarantor.

Although these reforms have increased the Bank's cost of regulatory compliance and have restricted its ability to engage in certain activities in the U.S. and elsewhere, the Bank does not expect costs and restrictions associated with the new regulations to have a material impact on its financial results. The Bank continues to devote the resources necessary to ensure that it implements the requirements in compliance with all applicable regulations under Dodd-Frank. The Bank continues to monitor developments in this area, including upcoming changes in laws or regulations that may be enacted by the current U.S. government administration and Canadian regulators.

No assurance can be given that Dodd-Frank and related regulations, the proposed similar regulatory framework in Canada, or any other new legislative changes enacted will not have a significant impact on the Bank or the Guarantor, including on the amount of Covered Bonds that may be issued in the future or the Guarantor's ability to maintain or enter into swap transactions.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and as of the date of this Prospectus have been filed with the FCA shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the Bank's Annual Information Form dated 29 November 2022 for the year ended 31 October 2022 excluding all information incorporated therein by reference (the **2022 Annual Information Form**) (available at: https://www.scotiabank.com/content/dam/scotiafunds/documents/AIF_2022.pdf);

2. the Bank's audited consolidated financial statements, comprised of the consolidated statements of financial position as at 31 October 2022 and 31 October 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended 31 October 2022, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board together with the independent auditor's report thereon, as set out on pages 137 to 230, and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended 31 October 2022, as set out on pages 15 to 136, of the Bank's Annual Report for the year ended 31 October 2022 (the **2022 Annual Report**) **(**including the Risk Management section on pages 72 to 109), and the Report of Independent Registered Public Accounting Firm on the Bank's internal control over financial reporting as of 31 October 2022 (available at: https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2022/q4/Annual_Report_2022_EN.pdf);

3. the Bank's unaudited condensed interim consolidated financial statements for the three and nine month periods ended 31 July 2023 prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board, as set out on pages 57 to 90, together with management's discussion and analysis for the three and nine month period ended 31 July 2023 (the **2023 Third Quarter Report**), set out on pages 3 through 56 of the Bank's 2023 Third Quarter Report (including the Risk Management section on pages 33 to 47 (available at: https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2023/q3/Q323_Shareholders_Report-EN.pdf);

4. the Investor Report of the Guarantor with the calculation date of 31 July 2023 (available at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/investors-shareholders/funding-programs/2023/Uninsured_Covered_Bond_Report_July_Final.pdf);

5. the section entitled "Terms and Conditions of the Covered Bonds" set out in the Bank's prospectus in connection with the Program dated 28 January 2015 at pages 96 through 135, comprising the terms and conditions at the time of issuance applicable to the Covered Bonds issued pursuant to such prospectus, the remainder of such prospectus is either not relevant for prospective investors or is covered elsewhere in this Prospectus and is not incorporated by reference (available at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/2015UKLAFinalProspectus.pdf);

6. the section entitled "Terms and Conditions of the Covered Bonds" set out in the Bank's prospectus in connection with the Program dated 6 February 2017 at pages 97 through 136, comprising the terms and conditions at the time of issuance applicable to the Covered Bonds issued pursuant to such prospectus, the remainder of such prospectus is either not relevant for prospective investors or is covered elsewhere in this Prospectus and is not incorporated by reference (available at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/2017UKLAFinalProspectus.pdf);

7. the section entitled "Terms and Conditions of the Covered Bonds" set out in the Bank's prospectus in connection with the Program dated 7 February 2018 at pages 99 through 137, comprising the terms and conditions at the time of issuance applicable to the Covered Bonds issued pursuant to such prospectus, the remainder of such prospectus is either not relevant for prospective investors or is covered elsewhere in this Prospectus and is not incorporated by reference (available at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/18/02/2018_UKLA_Final_Prospectus.pdf);

8. the section entitled "Terms and Conditions of the Covered Bonds" set out in the Bank's prospectus in connection with the Program dated 16 July 2019 at pages 107 through 150, comprising the terms and conditions at the time of issuance applicable to the Covered Bonds issued pursuant to such prospectus, the remainder of such prospectus is either not relevant for prospective investors or is covered elsewhere in this Prospectus and is not incorporated by reference (available at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/18/02/BNS_2019_UKLA_Renewal-Base_Prospectus.pdf);

9. the section entitled "Terms and Conditions of the Covered Bonds" set out in the Bank's prospectus in connection with the Program dated 4 September 2020 at pages 138 through 190, comprising the terms and conditions at the time of issuance applicable to the Covered Bonds issued pursuant to such prospectus, the remainder of such prospectus is either not relevant for prospective investors or is covered elsewhere in this Prospectus and is not incorporated by reference (available at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/18/02/Base%20Prospectus%20(BNS%20CB%202020%20Update)%20(4%20September%202020).pdf);

10. the section entitled "Terms and Conditions of the Covered Bonds" set out in the Bank's prospectus in connection with the Program dated 3 September 2021 at pages 138 through 190, comprising the terms and conditions at the time of issuance applicable to the Covered Bonds issued pursuant to such prospectus, the remainder of such prospectus is either not relevant for prospective investors or is covered elsewhere in this Prospectus and is not incorporated by reference (available at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/2021-UKLA-Final-Prospectus.pdf); and

11. the section entitled "Terms and Conditions of the Covered Bonds" set out in the Bank's prospectus in connection with the Program dated 6 October 2022 at pages 147 through 205, comprising the terms and conditions at the time of issuance applicable to the Covered Bonds issued pursuant to such prospectus, the remainder of such prospectus is either not relevant for prospective investors or is covered elsewhere in this Prospectus and is not incorporated by reference (available at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/UKLA-Base-Prospectus-2022.pdf);

provided that any statement contained in a document all or the relative portion of which is incorporated by reference shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or in any supplement hereto, including any document incorporated therein by reference, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Information, documents or statements expressed to be incorporated by reference into or form part of the documents noted above shall not form part of the base prospectus approved by the FCA for the purposes of the UK Prospectus Regulation. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

In relation to Exempt Covered Bonds that are admitted to trading on the ISM only (and for greater certainty not in relation to any Covered Bonds admitted to trading on a regulated market for the purposes of UK MiFIR), any annual report (including the independent auditor's report and audited consolidated annual financial statements) or unaudited condensed interim consolidated financial statements in relation to the Bank and filed with the FCA after the date of this Prospectus are additionally deemed to be incorporated in and to form part of this Prospectus**.**

Copies of this Prospectus and the documents incorporated by reference in this Prospectus can be obtained on written request and without charge from (i) the principal executive offices of the Bank from the Executive Vice-President and General Counsel and Secretary, The Bank of Nova Scotia, 40 Temperance Street, Toronto, Ontario, Canada M5H 0B4, Telephone: +1 (416) 866-3672, and (ii) may also be viewed free of charge on the website of the Issuer at https://www.scotiabank.com/ca/en/about/investors-shareholders/funding-programs/scotiabank-global-registered-covered-bond-program.html; (iii) on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html under the name of the relevant Bank; and (iv) will be available free of charge from the specified office of each Paying Agent set out at the end of this Prospectus. The Bank and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus, including the documents which are deemed to be incorporated herein by reference, which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Prospectus or publish a new Prospectus in accordance with the UK Prospectus Regulation for use in connection with any subsequent issue of Covered Bonds. The Bank will undertake to the Dealers in the Program Agreement that they will comply with Article 23 of the UK Prospectus Regulation.

This Prospectus is valid for 12 months from its date. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply once this Prospectus is no longer valid.

For the avoidance of doubt, unless specifically incorporated by reference into the Prospectus, information contained on the above websites do not form part of this Prospectus.

THE BANK OF NOVA SCOTIA

History and Development of the Issuer

The Issuer was granted a charter under the laws of the Province of Nova Scotia in 1832 and commenced operations in Halifax, Nova Scotia in that year. Since 1871, the Issuer has been a chartered bank under the Bank Act. The Issuer is a Schedule I bank under the Bank Act and the Bank Act is its charter. The head office of the Issuer is located at 1709 Hollis Street, Halifax, Nova Scotia, Canada B3J 1W1 and its executive offices are at 40 Temperance Street, Toronto, Ontario Canada M5H 0B4.

The Issuer is a Canadian-headquartered bank and a leading bank in the Americas. The Issuer helps its customers, their families and their communities achieve success through a broad range of advice, products and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets.

Certain information regarding the Issuer is incorporated by reference into this Prospectus. See *Documents Incorporated by Reference*.

Principal Activities and Markets

A profile of each of the Issuer's major business lines is discussed below and additional information on the Issuer's business lines is available in the Management's Discussion and Analysis for the year ended 31 October 2022, on pages 37 to 53 inclusive, accompanying the Issuer's audited consolidated financial statements for the fiscal year ended 31 October 2022, incorporated by reference herein.

Canadian Banking provides a full suite of financial advice and banking solutions, supported by an excellent customer experience, to over 10 million Retail, Small Business and Commercial Banking customers. It serves these customers through its network of 941 branches, more than 3,725 automated banking machines (ABMs), as well as online, mobile, telephone banking and specialized sales teams. Canadian Banking also provides an alternative self-directed banking solution to over two million Tangerine Bank customers. Canadian Banking is comprised of Retail Banking and Business Banking.

International Banking is a strong and diverse franchise with over 11 million Retail, Corporate and Commercial customers. The geographical footprint encompasses the Pacific Alliance countries of Mexico, Chile, Peru, and Colombia, as well as Central America, the Caribbean, and Uruguay.

Global Banking and Markets (GBM) provides the Issuer's corporate clients with lending and transaction services, investment banking advice and access to capital markets. GBM is a full-service wholesale bank in the Americas, with operations in 21 countries, serving clients across Canada, the United States, Latin America, Europe and Asia-Pacific.

Global Wealth Management is focused on delivering comprehensive wealth management advice and solutions to clients across the Issuer's footprint. Global Wealth Management serves over 2 million investment fund and advisory clients across 13 countries, administering over $500 billion in assets.

Competition

The Canadian banking system consists of numerous banks and other financial institutions. Certain large Canadian banks are required by law to be widely held because their equity exceeds a threshold of $12 billion. These banks compete nationwide through extensive branch networks, ABMs, telephone, internet and mobile banking offerings. As disclosed in the Issuer's 2022 Annual Information Form, in total the Canadian system includes 35 domestic banks, 15 foreign banks and numerous credit unions and caisses populaires. More broadly, the Canadian financial services industry includes thousands of institutions such as life insurance companies, property and casualty insurers, consumer finance

companies, independent investment dealers and independent retail mutual fund management companies.

Competition is reflected in the range of products and services offered, innovation in features, services, technology and delivery, as well as the various pricing schemes adopted. Additionally, a growing number of service providers in the Canadian marketplace are offering alternative channels and competition in the payments space. The increased number of new entrants into the financial services sector in recent years has also underscored an enhanced level of competition.

The Issuer is a financial services provider in the Americas. In providing these services and products, the Issuer competes with local and international banks and other financial institutions.

Organizational Structure

The following table presents the principal subsidiaries[1] the Issuer owns, directly or indirectly, as at 31 October 2022. All of these subsidiaries are included in the Issuer's consolidated financial statements.

As at October 31 ($ millions)	Principal office	Carrying value of shares 2022	2021
Canadian			
1832 Asset Management L.P.	Toronto, Ontario	$3,785	$2,680
BNS Investments Inc.	Toronto, Ontario	15,750	15,200
Montreal Trust Company of Canada	Montreal, Quebec		
The Bank of Nova Scotia Trust Company	Toronto, Ontario	214	185
National Trust Company	Stratford, Ontario	374	366
RoyNat Inc.	Calgary, Alberta	594	518
Scotia Capital Inc.	Toronto, Ontario	3,215	2,818
Scotia Dealer Advantage Inc.	Burnaby, British Columbia	867	729
Scotia Mortgage Corporation	Toronto, Ontario	810	750
Scotia Securities Inc.	Toronto, Ontario	63	53
Tangerine Bank	Toronto, Ontario	3,827	3,405
Jarislowsky, Fraser Limited	Montreal, Quebec	988	1,027
MD Financial Management Inc.	Ottawa, Ontario	2,781	2,761
International			
Scotiabank Colpatria S.A. (51%)	Bogota, Colombia	842	995
BNS International (Bahamas) Limited	Nassau, Bahamas	17,180	17,543
BNS Asia Limited	Singapore		
The Bank of Nova Scotia Trust Company (Bahamas) Limited	Nassau, Bahamas		
Grupo BNS de Costa Rica, S.A.	San Jose, Costa Rica		
Scotiabank & Trust (Cayman) Ltd.	Grand Cayman, Cayman Islands		
Scotiabank (Bahamas) Limited	Nassau, Bahamas		
Scotiabank (Ireland) Designated Activity Company	Dublin, Ireland		
Grupo Financiero Scotiabank Inverlat, S.A. de C.V. (97.4%)	Mexico City, Mexico	5,960	4,714
Nova Scotia Inversiones Limitada	Santiago, Chile	6,114	5,173
Scotiabank Chile S.A. (99.79%)	Santiago, Chile		
Scotia Holdings (US) Inc.[2]	New York, New York		
Scotia Capital (USA) Inc.[2][3]	New York, New York		
Scotiabank Brasil S.A. Banco Multiplo	Sao Paulo, Brazil	788	280
Scotiabank Caribbean Holdings Ltd.	Bridgetown, Barbados	1,550	1,630
Scotia Group Jamaica Limited (71.8%)	Kingston, Jamaica		
The Bank of Nova Scotia Jamaica Limited	Kingston, Jamaica		
Scotiabank Trinidad and Tobago Limited (50.9%)	Port of Spain, Trinidad and Tobago		
Integra Properties Ltd, S.A. (formerly Scotiabank (Panama) S.A.)	Panama City, Panama		
Scotiabank Uruguay S.A.	Montevideo, Uruguay	478	440
Scotiabank Europe plc	London, United Kingdom	2,478	2,273
Scotia Peru Holdings S.A.	Lima, Peru	4,961	4,277
Scotiabank Peru S.A.A. (99.31%)	Lima, Peru		
Profuturo AFP S.A.	Lima, Peru		
Scotiabank Republica Dominicana, S.A. – Banco Multiple (99.80%)	Santo Domingo, Dominican Republic	906	775
Scotiabank Barbados Limited	Bridgetown, Barbados	273	235

(1) The Issuer (or immediate parent of an entity) owns 100% of the outstanding voting shares of each subsidiary unless otherwise noted.
(2) The carrying value of this subsidiary is included with that of its parent, BNS Investments Inc.
(3) The carrying value of this subsidiary is included with that of its parent, Scotia Holdings (US) Inc.

The Issuer also engages in business in its own right. Its assets are therefore comprised of both shares in the above subsidiaries and assets and liabilities acquired in the conduct of its own business. It is part dependent on the members of the Scotiabank Group and the revenues recovered by them.

Directors and Board Committees of the Issuer

The Directors of the Issuer as of the date hereof are as follows:

Name	Board Committee Memberships	Principal Occupation/ Outside Activities
Nora A. Aufreiter	CGC HCOB – Chair	Corporate Director and a former senior partner of McKinsey and Company, an international consulting firm
Guillermo E. Babatz	RC – Chair HCOB	Managing Partner of Atik Capital, S.C., an advisory firm that specializes in structuring financial solutions for its clients
Scott B. Bonham	ACRC CGC	Corporate Director and the co-founder of Intentional Capital, a privately-held real estate asset management company
Daniel (Don) H. Callahan	CGC RC	Corporate Director and the Non-Executive Chairman of TIME USA LLC
W. Dave Dowrich	ACRC RC	Senior Executive Vice President and Chief Financial Officer of Teachers Insurance and Annuity Association of America – College Retirement Equities Fund
Michael Medline	ACRC CGC	President and Chief Executive Officer at Empire Company Limited and Sobeys Inc.
Lynn K. Patterson	ACRC RC	Corporate Director and the former Deputy Governor of the Bank of Canada
Michael D. Penner	ACRC CGC	Corporate Director and Operating Partner of Partners Group AG, a Swiss-based global private equity firm. Through this role with Partners Group AG, Mr. Penner acts as the Chairman of Partners Group Canada, as well as several portfolio companies including United States Infrastructure Corporation, Enfragen Renewable Energy, and Careismatic Brands, Inc., a medical apparel company

Name	Board Committee Memberships	Principal Occupation/ Outside Activities
Una M. Power	RC HCOB	Corporate Director and the former Chief Financial Officer of Nexen Energy ULC, a former publicly-traded energy company that is a wholly-owned subsidiary of CNOOC Limited
Aaron W. Regent	ACRC CGC HCOB RC	Chair of the Board of the Issuer and the Founder, Chairman and Chief Executive Officer of Magris Performance Materials Inc., a leading North American based industrial minerals company
Calin Rovinescu	CGC – Chair HCOB	Corporate Director, venture capital investor and senior advisor to several corporations. He served as President and Chief Executive Officer of Air Canada from April 2009 until his retirement on 15 February 2021
Sandra Stuart	ACRC RC	Former President and Chief Executive Officer of HSBC Bank Canada. Ms. Stuart joined HSBC in 1982 and held a number of roles in Canada and abroad, including in the United States and Brazil
L. Scott Thomson	N/A	President and Chief Executive Officer of the Issuer
Benita M. Warmbold	ACRC – Chair CGC	Corporate Director and the former Senior Managing Director and Chief Financial Officer of Canada Pension Plan (CPP) Investment Board having retired in July 2017

Notes:
ACRC—Audit and Conduct Review Committee
CGC—Corporate Governance Committee
HCOB—Human Capital and Compensation Committee
RC—Risk Committee

The business address of the Directors of the Issuer is The Bank of Nova Scotia, 40 Temperance Street, Toronto, Ontario, Canada M5H 0B4, which is the executive office of the Issuer.

There are no potential conflicts of interest between any duties owed to the Issuer by the Directors and the private interests and/or other external duties owed by these individuals.

Major Shareholders

Without Minister of Finance of Canada (the **Minister**) approval, no person or group of associated persons may own more than 10 per cent. of any class of shares of the Issuer. No person may be a major shareholder of a bank if the bank has equity of $12 billion or more (which includes the Issuer). A person is a major shareholder of a bank if: (a) the aggregate of shares of any class of voting shares beneficially owned by that person and that are beneficially owned by any entities controlled by that person is more than 20 per cent. of that class of voting shares; or (b) the aggregate of shares of any class of non-voting shares beneficially owned by that person and that are beneficially owned by any entities controlled by that person is more than 30 per cent. of that class of non-voting shares. Ownership of the Issuer's shares by Canadian or foreign governments is prohibited under the Bank Act. However, in 2009 certain amendments were made to the Bank Act that provide for limited circumstances in which the Canadian federal government may be permitted to acquire shares of a bank, including the Issuer, if the Minister and Governor in Council were to conclude that to do so would promote stability in the financial system. While the government holds any shares of a bank, including the Issuer, the Minister may impose certain terms and conditions, including conditions on the payment by the Issuer of dividends on any of its shares.

Selected Financial Information

Financial Summary

The financial data in the tables below has been extracted or calculated without material adjustment from information contained within the audited consolidated statement of financial position and consolidated statement of income, or financial records of the Issuer for the years ended 31 October 2022 and 31 October 2021 contained in the Issuer's 2022 Annual Report.

Condensed Consolidated Statement of Financial Position	**As at October 31**	
(Amounts in billions of Canadian dollars)	**2022**	**2021**
Assets		
Cash and deposits with financial institutions and precious metals	$66.4	$87.1
Trading assets	113.2	146.3
Securities purchased under resale agreements and securities borrowed	175.3	127.7
Investment securities	110.0	75.2
Loans	745.0	637.0
Other	139.5	111.5
Total assets	$1,349.4	$1,184.8

	2022	**2021**
Liabilities		
Deposits	$916.2	$797.3
Obligations related to securities sold under repurchase agreements and securities lent	139.0	123.5
Other liabilities	211.0	184.8
Subordinated debentures	8.5	6.3
Total liabilities	$1,274.7	$1,111.9
Equity		
Common equity	$65.1	$64.8
Preferred shares and other equity instruments	8.1	6.0
Non-controlling interests in subsidiaries	1.5	2.1
Total equity	$74.7	$72.9
Total liabilities and equity	$1,349.4	$1,184.8

Condensed Consolidated Statement of Income	**For the Year ended October 31**	
(Amounts in millions of Canadian dollars)	**2022**	**2021**
Net interest income	$18,115	$16,961
Non-interest income	13,301	14,291
Total revenue	31,416	31,252
Provision for credit losses	1,382	1,808
Non-interest expenses	17,102	16,618
Income tax expense	2,758	2,871
Net income	$10,174	$9,955
Net income attributable to non-controlling interests in subsidiaries	258	331
Net income attributable to equity holders of the Issuer	$9,916	$9,624
Preferred shareholders and other equity instruments holders	260	233
Common shareholders	$9,656	$9,391

Consolidated Earnings Ratio	For the Year ended October 31	
	2022	2021
Consolidated Ratios of Earnings to Fixed Charges		
Excluding interest on deposits	5.78	9.00
Including interest on deposits	1.82	2.56
Consolidated Ratios of Earnings to Combined Fixed Charges and Preferred Dividends		
Excluding interest on deposits	5.14	7.55
Including interest on deposits	1.78	2.46

For the purpose of computing these ratios:

- earnings represent income from continuing operations plus income taxes and fixed charges (excluding capitalized interest and net income from investments in associated corporations);
- fixed charges, excluding interest on deposits, represent interest (including capitalized interest) and amortization of debt issuance costs; and
- fixed charges, including interest on deposits, represent all interest.

Material Contracts

The Issuer has not entered into any contracts outside the ordinary course of the Issuer's business which could materially affect the Issuer's obligations in respect of any Covered Bonds to be issued by the Issuer.

Auditors

KPMG LLP, Chartered Professional Accountants, Toronto, Canada, is the external auditor who prepared the independent auditor's report to the shareholders of The Bank of Nova Scotia with respect to the consolidated statements of financial position of the Issuer as at 31 October 2022 and 31 October 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended 31 October 2022 and notes, comprising a summary of significant accounting policies and other explanatory information, and who prepared the Report of Independent Registered Public Accounting Firm to the shareholders and board of directors of The Bank of Nova Scotia on the Bank's internal control over financial reporting as of 31 October 2022. These financial statements and management's assessment of the effectiveness of the internal control over financial reporting as of 31 October 2022 have been incorporated by reference in reliance on their reports given on their authority as experts in auditing and accounting.

KPMG LLP is independent with respect to the Issuer within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation. Further, KPMG LLP is independent with respect to the Issuer in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States) (the **PCAOB**).

Legal and Arbitration Proceedings

Save as disclosed in the Issuer' 2022 Annual Information Form and note 27 (Corporate Income Taxes) on pages 209 to 211 of the Issuer's consolidated financial statements for the year ended 31 October 2022 contained in the 2022 Annual Report and note 19 (Corporate income taxes) on page 90 of the Issuer's 2023 Third Quarter Report, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 month period preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer and the Issuer's subsidiaries' (taken as a whole) financial position or profitability.

Ratings

Each of Moody's Canada Inc. (**Moody's**), Standard & Poor's Ratings Services, a Division of S&P Global Canada Corporation (**S&P**), Fitch Ratings, Inc. (**Fitch**) and DBRS Limited (**DBRS**) has provided the following issuer ratings for the Bank:

	Moody's Investor Service (Moody's)	**Standard & Poor's Ratings Services (S&P)**	**Fitch Ratings (Fitch)**	**DBRS Limited (DBRS)**
Legacy Senior debt[(1)]	Aa2	A+	AA	AA
Senior debt[(2)]	A2	A-	AA-	AA (low)
Short-term deposits/commercial paper	P-1	A-1	F1+	R-1 (high)
Subordinated debt	Baa1	A-	A	A (high)
Subordinated debt (NVCC) [(3)]	Baa1 (hyb)	BBB+	A	A (low)
Limited Recourse Capital Notes (LRCN) and Subordinated additional tier 1 capital notes (NVCC) [(3)]	Baa3 (hyb)	BBB-	BBB+	BBB(high)
Non-cumulative Preferred Shares (NVCC)[(3)]	Baa3 (hyb)	BBB-/P-2(low)[(4)]	BBB+	Pfd-2
Outlook	Stable	Stable	Stable	Stable
Counterparty Rating[(5)]	Aa2(cr)/P-1(cr)	N/A	AA(dcr)	N/A

(1) Includes: (a) Senior debt issued prior to 23 September 2018; and (b) Senior debt issued on or after 23 September 2018 which is excluded from the bank recapitalization "bail-in" regime

(2) Subject to conversion under the bank recapitalization "bail-in" regime

(3) Non-Viability Contingent Capital (NVCC)

(4) Canadian Scale

(5) Counterparty Rating: Moody's - Counterparty Risk Assessment / S&P - Counterparty Resolution Rating / Fitch - Derivative Counterparty Rating / DBRS: - Critical Obligation Rating

Please note that the website is not incorporated by reference into, nor does it form part of, this Prospectus. Investors may suffer losses if the credit rating assigned to the Covered Bonds does not reflect the then creditworthiness of such Covered Bonds.

Certain Matters Relating to the Issuer's Board of Directors

Under the Bank Act, the Issuer's board of directors must have at least seven members and the Issuer's board of directors may establish by by-law a minimum and maximum number of directors. Under the Issuer's by-laws, the minimum number of directors is the minimum required by the Bank Act and the maximum number of directors is 35. The Issuer's by-laws also provide that the number of directors to be elected at any annual meeting of shareholders of the Issuer will be fixed by the board of directors before the meeting. The Issuer currently has 15 directors. The Bank Act requires that no more than two-thirds of the directors may be affiliated with the Issuer, and no more than 15 per cent. of the directors may be employees of the Issuer or a subsidiary of the Issuer, except that up to four employees may be directors if they constitute not more than 50 per cent. of the directors. Under the Bank Act, a majority of the directors of the Issuer must be resident Canadians and, except in limited circumstances, directors may not transact business at a meeting of directors at which a majority of the directors present are not resident Canadians. Subject to the Bank Act, a quorum for the transaction of business at any meeting of the board of directors consists of five directors. The Bank Act

also requires the directors of a bank to appoint from their members a chief executive officer who must ordinarily be resident in Canada.

Under the Bank Act, any director or the entire board of directors may be removed, with or without cause, with the approval of a majority of the votes cast at a special meeting of shareholders. A vacancy created by such removal may be filled at the meeting or by a quorum of the directors. Directors who were elected on or before 1 April 2011 (existing directors) must retire at the earlier of ten-years from 1 April 2011 or age 70, provided that if an existing director has not served a ten-year term at the time of achieving age 70, their term will be extended for additional years in order to complete a minimum ten-year term. For directors elected after 1 April 2011, retirement is the earlier of age 70 or a 15-year term, provided that if a director has not served a ten-year term at the time of achieving age 70, their term will be extended for additional years in order to complete a minimum ten-year term.

Conflicts of Interest

The Bank Act contains detailed provisions with regard to a director's power to vote on a material contract or material transaction in which the director is interested. These provisions include procedures for: disclosure of the conflict of interest and the timing for such disclosure; the presence of directors at board meetings where the contract or transaction giving rise to the conflict of interest is being considered, and voting with respect to the contract or transaction giving rise to the conflict of interest; and other provisions for dealing with such conflicts of interest. The Bank Act also contains detailed provisions regarding transactions with persons who are related parties of the Bank, including directors of the Bank. See —*Borrowing Powers*.

Compensation

The by-laws of the Issuer have provisions with regard to remuneration of directors. The board of directors may, from time to time, by resolution determine the remuneration that may be paid, but such remuneration may not exceed in each year an aggregate cap set out in the by-laws, and individually may be in such amounts as the board may determine by resolution. The directors may also be paid their reasonable out-of-pocket expenses incurred in attending meetings of the board, shareholders or committees of the board.

Borrowing Powers

The directors of the Issuer may, without authorization of the shareholders, authorise the Issuer to borrow money. The Bank Act, however, prohibits the Bank from entering into transactions with persons who are deemed to be related parties of the Issuer, subject to certain exceptions. Related party transactions may include loans made on the credit of the Issuer.

THE GUARANTOR

General

Scotiabank Covered Bond Guarantor Limited Partnership (the **Guarantor**) is a limited partnership formed on 28 May 2013 and existing under the *Limited Partnerships Act* (Ontario). The principal place of business of the Guarantor is Ontario and the telephone contact number is (416) 933-7974. The Guarantor is governed by the Guarantor Agreement (see *Overview of the Principal Documents—Guarantor Agreement*).

Description of Limited Partnership

Pursuant to the terms of the *Limited Partnerships Act* (Ontario), a limited partner in a limited partnership is liable for the liabilities, debts and obligations of the partnership, but only to the extent of the amount contributed by it or agreed to be contributed by it to the partnership, unless, in addition to exercising rights and powers as a limited partner, the limited partner takes part in the control of the business of the partnership. Subject to applicable law, limited partners will otherwise have no liability in respect of the liabilities, debts and obligations of the partnership. Each general partner will have unlimited liability for an obligation of the partnership unless the holder of such obligation agrees otherwise.

Business of the Guarantor

The Guarantor is a special purpose vehicle whose only business is providing services to the Bank in respect of the Program by: (i) entering into the Intercompany Loan Agreement and accepting Capital Contributions from the partners; (ii) using the proceeds from the Intercompany Loan and Capital Contributions: (a) to purchase the Initial Portfolio consisting of Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement and Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement; and/or (b) to invest in Substitute Assets in an amount not exceeding the prescribed limit in the CMHC Guide; and/or (c) subject to complying with the Asset Coverage Test and the CMHC Guide, from time to time, to make Capital Distributions to the Limited Partner; and/or (d) to make deposits of the proceeds in the Guarantor Accounts (including, without limitation, to fund the Reserve Fund and the Pre-Maturity Liquidity Required Amount, in each case up to an amount not exceeding the prescribed limit); (iii) arranging for the servicing of the Portfolio by the Servicer; (iv) entering into the Trust Deed, giving the Covered Bond Guarantee and entering into the Security Agreement; (v) entering into the other Transaction Documents to which it is a party; and (vi) performing its obligations under any of the Transaction Documents and in respect thereof and doing all things incidental or ancillary thereto.

The Guarantor has not, since its formation, engaged in, and will not, while there are Covered Bonds outstanding, engage in any material activities other than activities relating to the business of the Guarantor described above and/or incidental or ancillary thereto. The Guarantor and its general partners are not required by applicable Canadian law (including the *Limited Partnerships Act* (Ontario)) to publish any financial statements.

The Guarantor has no employees.

Partners of the Guarantor

The partners (the **Partners**) of the Guarantor are:

- Scotiabank Covered Bond GP Inc., as the managing general partner (the **Managing GP**), a wholly owned subsidiary corporation of the Bank incorporated on 24 May 2013 under the laws of Canada to be the managing general partner of the Guarantor, with its registered office at 40 Temperance Street, 14th Floor, Toronto, Ontario, Canada M5H 0B4;

- 8429057 Canada Inc., as the liquidation general partner (the **Liquidation GP**), a corporation incorporated on 17 May 2013 under the laws of Ontario to be the liquidation general partner of the Guarantor, with its registered office at c/o Computershare Trust Company of Canada, 8th Floor, North Tower, 100 University Avenue, Toronto, Ontario, Canada M5J 2Y1; and

- the Bank, as the sole limited partner.

The Capital Contribution amounts, individually and cumulatively, of each of the Partners will be recorded in the Capital Account Ledger. As of the date of this Prospectus, the Bank holds substantially all of the capital in the Guarantor with the Managing GP and the Liquidation GP each holding a nominal interest in the Guarantor. Pursuant to the terms of the *Limited Partnership Act* (Ontario), the liability of a limited partner for the liabilities, debts and obligations of the Guarantor is limited to the amount contributed by it or agreed to be contributed by it to the Guarantor, unless, in addition to exercising rights and powers as a limited partner, such limited partner takes part control of the business of the Guarantor and such limited partner will, subject to applicable law, otherwise have no liability in respect of the liabilities, debts and obligations of the partnership. Each of the general partners of the Guarantor will have unlimited liability for any obligation of the Guarantor unless the holder of such obligation agrees otherwise.

Each of the Partners has covenanted in the Guarantor Agreement that, except as provided in the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, create any beneficial interest in or otherwise dispose of its interest in the Guarantor without the prior written consent of the Guarantor and, while there are Covered Bonds outstanding, the Bond Trustee.

The directors and officers of the Managing GP are officers and employees of the Bank.

Ownership Structure of the Liquidation GP

91 per cent. of the issued and outstanding shares in the capital of the Liquidation GP are held by the Corporate Services Provider, as trustee of the Scotiabank Covered Bond LGP Trust (the **LGP Trust**) and nine per cent. of the issued and outstanding shares in the capital of the Liquidation GP are held by the Bank. A majority of the directors of the Liquidation GP are appointed by the Corporate Services Provider, as trustee of the LGP Trust, and are independent of the Bank. The Bank is entitled to have one nominee on the board of the Liquidation GP who is an officer or employee of the Bank.

The beneficiary of the LGP Trust is one or more charities registered under the Income Tax Act.

Directors of the Partners of the Guarantor

The following table sets out the directors of the Managing GP and the Liquidation GP (and their respective business addresses and occupations). For the directors of the Bank see *The Bank of Nova Scotia—Directors and Board Committees of the Bank* above.

Directors of the Managing GP

Name	Business Address	Business Occupation
Martin Weeks	c/o The Bank of Nova Scotia 40 Temperance Street Toronto, Ontario Canada M5H 0B4	Director and President of Managing GP
Darren Potter	c/o The Bank of Nova Scotia 40 Temperance Street Toronto, Ontario Canada M5H 0B4	Director and Vice President of Managing GP

The directors of the Managing GP are an officer and/or employee of the Bank.

Directors of the Liquidation GP

Name	Business Address	Business Occupation
Toni De Luca	Computershare Trust Company of Canada 8th Floor, North Tower, 100 University Avenue Toronto, Ontario Canada M5J 2Y1	Chairman of the Board of Directors, President and Secretary of Liquidation GP
Charles Eric Gauthier	Computershare Trust Company of Canada 8th Floor, North Tower, 100 University Avenue Toronto, Ontario Canada M5J 2Y1	Vice-Chairman of the Board of Directors, Vice-President and Assistant Secretary of Liquidation GP

Governance of the Guarantor

Pursuant to the terms of the Guarantor Agreement, the Managing GP will manage the business and affairs of the Guarantor, act on behalf of the Guarantor, make decisions regarding the business of the Guarantor and have the authority to bind the Guarantor in respect of any such decision. The Managing GP will be required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Guarantor, and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances. The authority and power vested in the Managing GP to manage the business and affairs of the Guarantor includes all authority necessary or incidental to carry out the objects, purposes and business of the Guarantor, including the ability to engage agents to assist the Managing GP to carry out its management obligations and administrative functions in respect of the Guarantor and its business.

Except in certain limited circumstances (described below under —*Withdrawal or Removal of the General Partners*), the Liquidation GP will not generally take part in managing the affairs and business of the Guarantor. However, the Liquidation GP's consent will be required for a voluntary wind up or dissolution of the Guarantor.

Each of the Partners has agreed that it will not, for so long as there are Covered Bonds outstanding, terminate or purport to terminate the Guarantor or institute any winding-up, administration, insolvency or other similar proceedings against the Guarantor. Furthermore, the Partners have agreed, among other things, except as specifically otherwise provided in the Transaction Documents, not to demand or receive payment of any amounts payable by the Guarantor (or the Cash Manager on its behalf) or the Bond Trustee unless all amounts then due and payable by the Guarantor to all other creditors ranking higher in the relevant Priorities of Payment have been paid in full.

Potential Conflict of Interest

All of the directors of the Managing GP are officers or employees of the Bank. As at the date of this Prospectus, there are no potential conflicts of interest between the duties owed to the Guarantor by any of the directors of the Managing GP or by any of the directors of the Liquidation GP and their private interests and other duties.

Reimbursement of General Partners

The Guarantor will be obliged to reimburse the Managing GP and Liquidation GP for all out-of-pocket costs and expenses incurred on behalf of the Guarantor by the Managing GP or Liquidation GP in the performance of their duties under the Guarantor Agreement.

Liability of the Limited Partners of the Guarantor

The Guarantor is required to operate in a manner so as to ensure, to the greatest extent possible, the limited liability of the limited partner(s). Limited partner(s) may lose their limited liability in certain circumstances. If limited liability is lost by reason of the negligence of the Managing GP or Liquidation GP, as the case may be, in performing its duties and obligations under the Guarantor Agreement, in each case, as determined by a court of competent jurisdiction in a final non-appealable decision, the Managing GP or the Liquidation GP, as applicable, shall indemnify the limited partner(s) against all claims arising from assertions that their respective liabilities are not limited as intended by the Guarantor Agreement. However, since the Managing GP and the Liquidation GP have no significant assets or financial resources, any indemnity from them may have nominal value.

Withdrawal or Removal of the General Partners

The Managing GP or Liquidation GP may resign as managing general partner or liquidation general partner, as the case may be, on not less than 180 days' prior written notice to the Partners and the Bond Trustee, provided that neither the Managing GP nor Liquidation GP may resign if the effect would be to dissolve the Guarantor. In the event that the Liquidation GP resigns as liquidation general partner, the Managing GP will use its best commercially reasonable efforts to, without delay, find a replacement liquidation general partner acceptable to the limited partner(s) of the Guarantor and the Bond Trustee and which satisfies the requirements of the CMHC Guide, to accept the role of liquidation general partner formerly held by the Liquidation GP and acquire a general partner interest in the Guarantor.

In the event the Managing GP resigns, an Issuer Event of Default occurs and is continuing, or a winding-up or insolvency of the Managing GP occurs, the Managing GP will forthwith, or in the case of resignation at the expiry of the notice period described above, cease to be the managing general partner of the Guarantor and the Liquidation GP will automatically assume the role and responsibilities (but not the interest in the Guarantor) of the Managing GP and continue the business of the Guarantor as Managing GP.

If at any time the Liquidation GP becomes the Managing GP pursuant to the foregoing, it may appoint a replacement Managing GP (other than the Bank or any of its affiliates) acceptable to the limited partner(s) of the Guarantor and the Bond Trustee and which satisfies the requirements of the CMHC Guide to act as Managing GP and acquire a general partner interest in the Guarantor. Following the appointment of the replacement Managing GP pursuant to the foregoing, the replacement Managing GP will have the powers, duties and responsibilities of the Managing GP of the Guarantor and the Liquidation GP will resume its role, as it was, prior to assuming the role and responsibility of the Managing GP.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without interest coupons and/or talons attached, or registered form, without interest coupons and/or talons attached. Bearer Covered Bonds will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Covered Bonds will be issued both outside the United States in reliance on the exemption provided by Regulation S and within the United States to, or for the benefit of U.S. persons who are QIBs in reliance on Rule 144A or another exemption from registration under the Securities Act.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without receipts and interest coupons attached (a **Temporary Global Covered Bond**) which will:

(a) if the Bearer Global Covered Bonds are intended to be issued in New Global Covered Bond form, as stated in the applicable Final Terms Document or Pricing Supplement, be delivered on or prior to the Issue Date of the relevant Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg; and

(b) if the Bearer Global Covered Bonds are not intended to be issued in NGCB form as stated in the applicable Final Terms Document or Pricing Supplement, be delivered on or prior to the Issue Date of the relevant Tranche to the Common Depositary.

While any Bearer Covered Bond is represented by a Temporary Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bearer Covered Bonds due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Covered Bond if the Temporary Global Covered Bond is not intended to be issued in NGCB form) only to the extent that certification to the effect that the beneficial owners of interests in such Bearer Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. regulations, (in the form established under the Trust Deed as such form may be amended from time to time in accordance with the terms thereof) is provided.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a permanent global covered bond without receipts and interest coupons attached (a **Permanent Global Covered Bond**) of the same Series, or (b) Bearer Definitive Covered Bonds of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms Document or Pricing Supplement and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms Document or Pricing Supplement), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. Purchasers in the United States and certain U.S. persons will not be able to receive Bearer Definitive Covered Bonds or interests in the Permanent Global Covered Bond. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Covered Bond will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Covered Bond (if the Permanent Global Covered Bond is not intended to be issued in NGCB form) without any requirement for certification.

The applicable Final Terms Document or Pricing Supplement will specify that a Permanent Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds

with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (a) the Bank has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of at least 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention to permanently cease business or have in fact done so and no successor clearing system is available, or (b) the Bank has or will become subject to adverse tax consequences which would not be suffered were the Bearer Global Covered Bond (and any interests therein) exchanged for Bearer Definitive Covered Bonds. The Bank will promptly give notice to Covered Bondholders of each Series of Bearer Global Covered Bonds in accordance with Condition 13 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event described in (a) – (c) above, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b) above, the Bank may give notice to the Principal Paying Agent requesting exchange. Any such exchange will occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Bearer Global Covered Bonds, Bearer Definitive Covered Bonds and any Coupons or Talons attached thereto will be issued pursuant to the Agency Agreement.

Any Coupon or Talon which does not form part of or is capable of being detached from a Bearer Global Covered Bond or Bearer Definitive Covered Bond shall be marked or identified in the prescribed manner indicating whether interest on such Covered Bond is payable free of or subject to Canadian non-resident withholding tax.

The following legend will appear on all Permanent Global Covered Bonds and Bearer Definitive Covered Bonds and on all receipts and interest coupons relating to such Bearer Covered Bonds where TEFRA D is specified in the applicable Final Terms Document or the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale or other disposition in respect of such Bearer Covered Bonds, receipts or interest coupons.

Covered Bonds which are represented by a Bearer Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Covered Bonds

The Registered Covered Bonds of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Regulation S Global Covered Bond. Prior to expiry of the Distribution Compliance Period applicable to each Tranche of Covered Bonds, beneficial interests in a Regulation S Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (Transfers of Registered Covered Bonds) and may not be held otherwise than through agent members of Euroclear or Clearstream, Luxembourg and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer: see *Selling Restrictions.*

The Registered Covered Bonds of each Tranche offered and sold in the United States or to U.S. persons will only be offered and sold in private transactions exempt from registration under the Securities Act to QIBs.

The Registered Covered Bonds of each Tranche sold to QIBs will be represented by a global covered bond in registered form (a **Rule 144A Global Covered Bond** and, together with a Regulation S Global Covered Bond, the **Registered Global Covered Bonds**).

Registered Global Covered Bonds will: (a) be deposited with a custodian for DTC, and registered in the name of DTC or its nominee for the accounts of its participants or Euroclear and Clearstream, Luxembourg; (b) be deposited with a custodian for CDS, and registered in the name of CDS or its nominee for the accounts of its participants or Euroclear and Clearstream, Luxembourg; or (c) be deposited with a Common Depositary or, if the Registered Global Covered Bonds are held under the NSS, a Common Safekeeper for, as the case may be, Euroclear and Clearstream, Luxembourg and registered in the name of a nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg, or the name of a nominee of the Common Safekeeper, as specified in the applicable Final Terms Document or Pricing Supplement. In the case of a Regulation S Global Covered Bond registered in the name of a nominee of DTC, prior to the end of the Distribution Compliance Period (as defined in Regulation S) applicable to the Covered Bonds represented by such Regulation S Global Covered Bond, interests in such Regulation S Global Covered Bond may only be held through the accounts of Euroclear and Clearstream, Luxembourg. Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Covered Bonds in fully registered form.

If the Registered Global Covered Bonds are stated in the applicable Final Terms Document or Pricing Supplement to be held under the NSS, Euroclear and Clearstream, Luxembourg will be notified by or on behalf of the Bank as to whether or not the Covered Bonds are intended to be recognised as eligible collateral for European monetary policy and intra-day credit operations by the Eurosystem, notwithstanding that such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Rule 144A Global Covered Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions described under *Selling Restrictions.*

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5.4 (Payments in respect of Registered Covered Bonds)) as the registered holder of the Registered Global Covered Bonds. None of the Bank, the Guarantor, the Bond Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Regulation S Global Covered Bond or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Covered Bonds will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5.4 (Payments in respect of Registered Covered Bonds)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (a) in the case of a Registered Global Covered Bond registered in the name of DTC or its nominee, either DTC has notified the Bank that it is unwilling or unable to continue to act as depositary for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (b) in the case of a Registered Global Covered Bond registered in the name of CDS or its nominee, CDS has notified the Issuer that it is unwilling or unable to continue to act as a depositary for the Covered Bonds and a successor depository is not appointed by the Issuer within 90 days after receiving such notice, or has ceased to be a recognised clearing agency under the *Securities Act* (Ontario) or a self-regulatory organisation under the *Securities Act* (Québec) or other applicable Canadian securities legislation and a successor is not appointed by the Issuer within 90 days after the Issuer becoming aware that CDS is no longer so authorised; (c) in the case of a Registered Global Covered Bond registered in the name of the Common Depositary or its nominee, or the Common Safekeeper, as the case may be, the Bank has been notified that both Euroclear and

Clearstream, Luxembourg have been closed for business for a continuous period of at least 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, or (d) the Bank has or will become subject to adverse tax consequences which would not be suffered were the Registered Global Covered Bond (and any interests therein) exchanged for Registered Definitive Covered Bonds. The Bank will promptly give notice to Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, CDS, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) or the Bond Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Bank may also give notice to the Registrar requesting exchange. Any such exchange will occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Definitive Rule 144A Covered Bonds will be issued only in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

Transfer of Interests

Interests in a Rule 144A Global Covered Bond may, subject to compliance with all applicable restrictions be transferred to a person who wishes to hold such interests in a Regulation S Global Covered Bond representing the same Series and Tranche of Covered Bonds and vice versa. No beneficial owner of an interest in a Registered Global Covered Bond will be able to transfer such interest, except in accordance with the applicable procedures of DTC, CDS, Euroclear and Clearstream, Luxembourg in each case to the extent applicable. Registered Covered Bonds are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See *Selling Restrictions*.

General

Pursuant to the Agency Agreement (as defined under *Terms and Conditions of the Covered Bonds*), the Principal Paying Agent will arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche will be assigned a Common Code and ISIN and, where applicable, a CUSIP and CINS number which are different from the Common Code, ISIN, CUSIP and CINS number assigned to Covered Bonds of any other Tranche of the same Series until at least the Exchange Date applicable to the Covered Bonds of such further Tranche.

Any reference herein to DTC, CDS, Euroclear and/or Clearstream, Luxembourg will, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or additional or alternative clearing system specified in the applicable Final Terms Document or Pricing Supplement or as may otherwise be approved by the Bank, the Principal Paying Agent and the Bond Trustee.

No Covered Bondholder or Couponholder will be entitled to proceed directly against the Bank or the Guarantor unless the Bond Trustee or, as the case may be, the Bond Trustee, having become so bound to proceed, fails so to do within a reasonable period and the failure is continuing.

Eurosystem eligibility

The Bank will notify the ICSDs and the Paying Agents upon issue whether the Covered Bonds are intended, or are not intended, to be held in a manner which would allow Eurosystem eligibility and deposited with one of the ICSDs as Common Safekeeper (and in the case of Registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper). Where the Covered Bonds are not intended to be deposited with one of the ICSDs as Common Safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting such criteria, the Covered

Bonds may then be deposited with one of the ICSDs as Common Safekeeper. Where the Covered Bonds are so deposited with one of the ICSDs as Common Safekeeper (and in the case of Registered Covered Bonds, registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper) upon issuance or otherwise, this does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

FORM OF FINAL TERMS DOCUMENT

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

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturers' (or manufacturer's) target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' (or manufacturer's) target market assessment) and determining appropriate distribution channels.][1]

[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of the domestic law of the United Kingdom (the **UK**) by virtue of the *European Union (Withdrawal) Act 2018*, as amended (**UK MiFIR**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][2]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II / Directive 2014/65/EU (as amended, **MiFID II**)]; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended (the **EU Prospectus Regulation**). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][3]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to

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[1] Legend to be included on front of the Final Terms Document if transaction is in scope of MiFID II and following the ICMA 1 "all bonds to all professionals" target market approach.

[2] Legend to be included on front of the Final Terms Document if transaction is in scope of UK MiFIR and following the ICMA 1 "all bonds to all professionals" target market approach.

[3] Legend to be included on front of the Final Terms Document if the Covered Bonds potentially constitute "packaged" products and no key information document will be prepared, in which case the "Prohibition of Sales to EEA Retail Investors" selling restriction should be specified to be "Applicable".

any retail investor in the [UK / United Kingdom (the **UK**)]. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the *European Union (Withdrawal) Act 2018* (as amended, the **EUWA**); (ii) a customer within the meaning of the provisions of the *UK Financial Services and Markets Act 2000* (as amended, the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (as amended) as it forms part of the domestic law of the UK by virtue of the EUWA (as amended, the **UK Prospectus Regulation**). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of the domestic law of the UK by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][4]

[NOTIFICATION UNDER SECTION 309B(1)(C) OF *THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE* (the SFA) - [*To insert notice if classification of the Covered Bonds is not "capital markets products other than prescribed capital markets products*[5]*", pursuant to Section 309B of the SFA or Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)*].]

[Date]

The Bank of Nova Scotia

Legal entity identifier (LEI): [L3I9ZG2KFGXZ61BMYR72]/[●]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]
unconditionally and irrevocably guaranteed as to payments of interest and principal by
Scotiabank Covered Bond Guarantor Limited Partnership
under the CAD100 billion
Global Registered Covered Bond Program

The Prospectus referred to below (as completed by this Final Terms Document) has been prepared on the basis that any offer of Covered Bonds in the UK will be made pursuant to an exemption under [[Regulation (EU) 2017/1129 (as amended) as it forms part of the domestic law of the UK by virtue of the *European Union (Withdrawal) Act 2018* (as amended) (the **UK Prospectus Regulation**)] / the UK Prospectus Regulation] from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly, any person making or intending to make an offer in the UK of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus pursuant to the UK Prospectus Regulation in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in the UK in any other circumstances.

[4] Legend to be included on front of the Final Terms Document if the Covered Bonds potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the "Prohibition of Sales to UK Retail Investors" selling restriction should be specified to be "Applicable".

[5] Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

PART A

CONTRACTUAL TERMS

[Terms used herein will be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated 6 October 2023, which [together with the supplemental Prospectus dated [date]] constitute[s] a base prospectus ([collectively,] the **Prospectus**) for the purposes of the UK Prospectus Regulation]. This document constitutes the final terms of the Covered Bonds described herein for the purposes of Article 8 of the UK Prospectus Regulation and must be read in conjunction with the Prospectus in order to obtain all relevant information. The Prospectus is available for viewing at [address] [and] http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html and copies of the Prospectus are available free of charge to the public at the Executive Offices of the Issuer and from the specified office of each of the Paying Agents.]

[Terms used herein will be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated [*original date*] which is incorporated by reference in the prospectus dated 6 October 2023, which [together with the supplemental Prospectus dated [date]] constitute[s] a base prospectus ([collectively,] the **Prospectus**) for the purposes of the UK Prospectus Regulation. This document constitutes the final terms of the Covered Bonds described herein for the purposes of Article 8 of the UK Prospectus Regulation and must be read in conjunction with the Prospectus in order to obtain all relevant information. The Prospectus is available for viewing at [address] [and] http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html and copies of the Prospectus are available free of charge to the public at the Executive Offices of the Issuer and from the specified office of each of the Paying Agents.]

The Guarantor is not now, and immediately following the issuance of the Covered Bonds pursuant to the Trust Deed will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the *Bank Holding Company Act of 1956*, as amended, commonly known as the "Volcker Rule." In reaching this conclusion, although other statutory or regulatory exemptions under the *Investment Company Act of 1940*, as amended, and under the Volcker Rule and its related regulations may be available, the Guarantor has relied on the exemption from registration set forth in Section 3(c)(5)(C) of the *Investment Company Act of 1940*, as amended. See *Certain Investment Company Act Considerations* in the Prospectus dated [date].

1.	(a)	Issuer:	The Bank of Nova Scotia
	(b)	Guarantor:	Scotiabank Covered Bond Guarantor Limited Partnership
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	(c)	Series which Covered Bonds will be consolidated and form a single Series with:	[●]/[Not Applicable]
	(d)	Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above:	[●]/[Issue Date]/[Not Applicable]
3.	Specified Currency or Currencies:		[●]

4.	Aggregate Nominal Amount of Covered Bonds admitted to trading:		
	(a)	[Series:]	[●]
	(b)	[Tranche:]	[●]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus [●] accrued interest (in the aggregate) for the period] from (and including) the Interest Commencement Date to (but excluding) the Issue Date]]
6.	(a)	Specified Denominations:	[●] (not to be less than €100,000)]/[€100,000 and integral multiples of [€1,000] in excess thereof [up to and including [€199,000]]. [No Covered Bonds in definitive form will be issued with a denomination above [€199,000]]/At least [U.S.$200,000 (and no less than the equivalent of €100,000) and integral multiples of U.S.$1,000 in excess thereof].
	(b)	Calculation Amount:	[●]
7.	(a)	Issue Date:	**[●]**
	(b)	Interest Commencement Date:	[●]/[Issue Date]/[Not Applicable]
8.	(a)	Final Maturity Date:	[Fixed rate—[●]]/ [Floating rate—Interest Payment Date falling on or nearest to [●]]
	(b)	Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	[Fixed rate—[●]] [Floating rate—Interest Payment Date falling on or nearest to [●]]
9.	Interest Basis:		[Interest accrues from and including the Interest Commencement Date to, but excluding, the Final Maturity Date at a rate of [[[SONIA/SOFR/€STR/SARON]/[[●][●] - month EURIBOR/NIBOR]] +/- [●] per cent. Floating Rate] payable [annually] [quarterly] in arrear. Interest accrues from and including the Final Maturity Date to, but excluding, the Extended Due for Payment Date at a rate of [[●] per cent. Fixed Rate] [[[SONIA/SOFR/€STR/SARON]/[[●][●] - month EURIBOR/NIBOR]] +/- [●] per cent. Floating Rate] payable monthly in arrear [Zero Coupon]

10.	Redemption/Payment Basis:	[Redemption at par] [Hard Bullet Covered Bond]
11.	Change of Interest Basis or Redemption/Payment Basis:	[Fixed to Floating] [Floating to Fixed] [Floating to Floating] [Not Applicable] [Paragraph [14] is applicable for the period from and including the Interest Commencement Date to but excluding the Final Maturity Date] [Paragraph [15] is applicable for the period from and including the Final Maturity Date to but excluding the Extended Due for Payment Date]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)] [Not Applicable]
13.	Date of Board approval for issuance of Covered Bonds (if not already disclosed in item 2 under General Information in the Prospectus):	[●] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Covered Bond Provisions:	[Applicable/Not Applicable] [from and including the Issue Date to but excluding the Final Maturity Date]
	(a) Rate(s) of Interest:	[[●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date]
	(b) Interest Payment Date(s):	[●] in each year, commencing [●], up to and including the Final Maturity Date/[or the earlier of (i) the date on which the Covered Bonds are redeemed in full and (ii) the Extended Due for Payment Date, if applicable] [each, an Original Due for Payment Date] [(*provided however* that after the Extension Determination Date, the Interest Payment Date shall be monthly)]
	(c) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(d)	Additional Business Centre(s):	[In addition to [●],[●]]
(e)	Fixed Coupon Amount(s) (*Applicable to Covered Bonds in definitive form only. For the calculation of interest in relation to Global Covered Bonds, see Condition 4.1*):	[●] per Calculation Amount payable on each Interest Payment Date [other than [●]]
(f)	Broken Amount(s) (*Applicable to Covered Bonds in definitive form only. For the calculation of interest in relation to Global Covered Bonds, see Condition 4.1*):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/[Not Applicable]
(g)	Day Count Fraction:	[[Actual/365]/[Actual/Actual]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/Actual (ICMA)]/[Actual/360]/[Actual/360 (Observation Period)] /[Actual/365 (Sterling)]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]]/[adjusted/not adjusted]
(h)	Determination Date(s):	[●] in each year
(i)	Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	[Not Applicable/[●]]
15.	Floating Rate Covered Bond Provisions:	[Applicable]/[Not Applicable]/[from and including the Final Maturity Date to, but excluding, the Extended Due for Payment Date, if applicable in respect of the Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee]
(a)	Specified Period(s):	[●] /Not Applicable]
(b)	Specified Interest Payment Date(s):	[●] up to and including the [Final Maturity Date] /[the earlier of (i) the date on which the Covered Bonds are redeemed in full and (ii) the Extended Due for Payment Date] [(provided however that after the Extension Determination Date, the Interest Payment Dates shall be [monthly])]/[Not Applicable]
(c)	First Interest Payment Date:	[●]
(d)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[Not Applicable]]
(e)	Additional Business Centre(s):	[In addition to [●],[●]]/[Not Applicable]

(f)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(g)	Calculation Agent (if other than Bank of Nova Scotia):	[●] [Not Applicable]
(h)	Screen Rate Determination:	[Applicable]/[Not Applicable]
	Reference Rate:	[SONIA/SOFR/€STR/SARON]/[[●]-month] [●] EURIBOR/NIBOR]
	Interest Determination Date(s):	[[●][T2/[●]] Business Day [in [●]] prior to the [●] day in each Interest Period/the relevant Interest Payment Date for each Interest Period] [[●] London Banking Day prior to the relevant Interest Payment Date for each Interest Period] [The [●] U.S. Government Securities Business Day prior to the relevant Interest Payment Date for each Interest Period] [[●] Zurich Banking Day prior to the relevant Interest Payment Date for each Interest Period] [[●] Oslo Business Day prior to the start of each Interest Period] [[●]]
	Calculation Method:	[Compounded Daily Rate] [Compounded Index Rate] [Not Applicable] *(only applies to SONIA and SARON. Specify "Compounded Daily Rate" for SARON in all cases)*
	Observation Method:	[Lag] [Shift] [Not Applicable] *(only applies to SONIA and SARON where Compounded Daily Rate specified above. Specify "Shift" for SARON in all cases)*
	Relevant Screen Page:	[●] [Not Applicable] *(Not applicable to SOFR or €STR)*
	SONIA Compounded Index:	[●] [Not Applicable] *(If applicable, include definition of SONIA Compounded Index specifying any relevant Screen Page and its time of publication and including definition of the Screen Page) (Only relevant to Floating Rate Covered Bonds that reference SONIA and specify "Not Applicable" under Observation Method above)*
	Compounded Daily €STR Convention:	[Observation Lookback Convention] [Observation Shift Convention] [Not Applicable] (*only applies to €STR*)
	Relevant Number:	[[●] London Banking Days] [[●] T2 Business Days] [Not Applicable] *(only applies where SONIA is the Reference Rate and where Compounded Index Rate is specified under Calculation Method above*)

	Observation Look-back Period:	[[●] London Banking Days] [[●] T2 Business Days] [Not Applicable] *(applies to SONIA where Compounded Daily Rate is specified as the Calculation Method above and to €STR*)
	Observation Period Shift:	[[●] U.S. Government Securities Business Days] [[●] Zurich Banking Days] [Not Applicable] *(for SOFR and SARON only)*
	2021 Relevant ISDA Definitions (Condition 4.2(g) Benchmark Discontinuation (ARRC)):	[Applicable] [Not Applicable] (*for SOFR only if 2021 ISDA Definitions to apply for purposes of the ARRC fallbacks clause instead of the 2006 ISDA Definitions)*
(i)	ISDA Determination:	[Applicable/Not Applicable]
	ISDA Definitions:	[2006/2021] ISDA Definitions
	Floating Rate Option:	[●] (*Ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions if 2021 ISDA Definitions are applied or that it is a Floating Rate Option subject to the ISDA IBORs Supplement if the 2006 ISDA Definitions are applied))*
	Designated Maturity:	[●] [Not Applicable] (*This is not required when the Floating Rate Option is an Overnight Floating Rate Option*)
	Reset Date:	[●] (*In the case of a EURIBOR based option, the first day of the Interest Accrual Period or Interest Period*)
	Applicable Benchmark:	[●] [Not Applicable]
	Fixing Day:	[●] [Not Applicable]
	Fixing Time:	[●] [Not Applicable]
	Any other terms relating to the 2021 ISDA Definitions:	[●] [Not Applicable]
	Compounding:	[Applicable] [Not Applicable] (*If not applicable, delete the remaining items of this subparagraph*)
	- Compounding Method:	[Compounding with Lookback: Lookback: [[●] Applicable Business Days] [Compounding with Observation Period Shift Observation Period Shift: [[●] Observation Period Shift Business Days]

	Observation Period Shift Additional Business Days: [●] [Not Applicable] [Compounding with Lockout Lockout: [[●] Lockout Period Business Days]
Averaging:	[Applicable] [Not Applicable] (*If not applicable, delete the remaining items of this subparagraph*)
- Averaging Method:	Averaging with Lookback [Lookback:] [[●] Applicable Business Days]] [Averaging with Observation Period Shift] [Observation Period Shift:] [[●] Observation Period Shift Business Days] [Observation Period Shift Additional Business Days: [●]] [Not Applicable] [Averaging with Lockout Lockout: [[●] Lockout Period Business Days] Lockout Period Business Days: [●] Applicable Business Days]
Index Provisions:	[Applicable]/[Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
- Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●] [Not Applicable]
[Daily Capped Rate and/or Daily Floored Rate:	[Applicable] [Not Applicable] (*If not applicable, delete the remaining items of this subparagraph*) [Daily Capped Rate:] [[●]%] [Daily Floored Rate:]] [[●]%]
Unscheduled Holiday:	[Applicable] [Not Applicable] (*Only include where the 2021 ISDA Definitions apply*)
Period End Date/Termination Date adjustment for Unscheduled Holiday:	[Applicable] [Not Applicable]] (*Only include where the 2021 ISDA Definitions apply*)

	Non-Representative:	[Applicable] [Not Applicable]] (*Only include where the 2021 ISDA Definitions apply*)
	[Successor Benchmark:	[●] Successor Benchmark Effective Date: [●]] (*Only include where the 2021 ISDA Definitions apply*)]]
(j)	Linear Interpolation:	[Not Applicable] [Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(k)	Floating Rate Covered Bond Margin(s):	[+/-] [●] per cent. per annum
(l)	Minimum Rate of Interest:	[●] per cent. per annum
(m)	Maximum Rate of Interest:	[[●] per cent. per annum
(n)	Day Count Fraction:	[Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [Actual/360 (Observation Period)] [Actual/Actual (ICMA)] [Actual/Actual (ISDA)] 30/360 360/360 Bond Basis 30E/360 Eurobond Basis] [adjusted/not adjusted]
16.	Zero Coupon Covered Bond Provisions:	[Applicable/Not Applicable]
(a)	Accrual Yield:	[●] per cent. per annum
(b)	Reference Price:	[●]
(c)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(d)	Additional Business Centre(s)	[●]
(e)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 6.7(b) and 6.10(b) apply][adjusted/not adjusted]

	(f) Determination Date(s):	[●]

PROVISIONS RELATING TO REDEMPTION

17.	Issuer Call:	[Applicable/Not Applicable]
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[●] per Calculation Amount
	(ii) Maximum Redemption Amount:	[●] per Calculation Amount
18.	Put Option:	[Applicable/Not Applicable]
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
19.	Final Redemption Amount of each Covered Bond:	[●] per Calculation Amount
20.	Early Redemption Amount of each Covered Bond payable on redemption for taxation reasons or illegality or upon acceleration following an Issuer Event of Default or Guarantor Event of Default or other early redemption and/or the method of calculating the same (if required or if different from that set out in Condition 6.7 (Early Redemption Amounts)):	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Form of Covered Bonds:	[Bearer Covered Bonds: [Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds on [●] days' notice] [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is

		exchangeable for Bearer Definitive Covered Bonds only upon an Exchange Event]] [Registered Covered Bonds: [Regulation S Global Covered Bond ([●] nominal amount) registered in the name of a nominee for [DTC/CDS/a Common Depositary for Euroclear and Clearstream, Luxembourg/a Common Safekeeper for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Covered Bond ([●] nominal amount) registered in the name of a nominee for [DTC/CDS/a Common Depositary for Euroclear and Clearstream, Luxembourg/a Common Safekeeper for Euroclear and Clearstream, Luxembourg]]
22.	New Global Covered Bond:	[Yes/No]
23.	Global Covered Bond held under the New Safekeeping Structure:	[Yes/No]
24.	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/[In addition to [●],[●]]
25.	Talons for future Coupons to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature):	[Yes/No]
26.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions in Condition 5.8 (Redenomination) apply]

THIRD PARTY INFORMATION

[Not Applicable][[●] has been extracted from [●]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: _____

Duly authorised

Signed on behalf of the Guarantor by its managing general partner Scotiabank Covered Bond GP Inc.:

By: _____

Duly authorised

PART B

OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and admission to trading:	Application is expected [to/has] [be/been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the London Stock Exchange's Main Market and to the Official List of the FCA with effect from [●]. [Tranche[s] [●] of the Covered Bonds [is/are] already admitted to the Main Market of the London Stock Exchange] with effect from [●].]
(b)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	The Covered Bonds to be issued [are expected to be] [have been] rated: Fitch: AAA Moody's: Aaa DBRS: AAA *[Need to include a brief explanation of the meaning of the ratings if this has been previously published by the rating provider]*

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[[Save as discussed in *Selling Restrictions*, so far as the Issuer and the Guarantor are aware, no person involved in the offer of the Covered Bonds has an interest material to the offer.] [The relevant [Managers/Dealers] [(as defined in the Subscription Agreement entered into on the date hereof in connection with the issue and offering of the Covered Bonds)] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] / [Not Applicable]]

4. YIELD (*Fixed Rate Covered Bonds only*)

Indication of yield:	[●] per cent. per annum [in respect of the period from (and including) the Issue Date to (but excluding) the Final Maturity Date]. [The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. OPERATIONAL INFORMATION

(a)	ISIN Code:	[●]
(b)	Common Code:	[●]
(c)	CFI:	[[●], as updated and set out on the website of the Association of the National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] [Not Applicable] [Not Available]
(d)	FISN:	[[●], as updated and set out on the website of the Association of the National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] [Not Applicable] [Not Available]
(e)	WKN Code:	[●][Not Applicable]
(f)	CUSIP:	[●][Not Applicable]
(g)	CINS:	[●][Not Applicable]
(h)	Any clearing system(s) other than DTC, CDS, Euroclear or Clearstream, Luxembourg, their addresses and the relevant identification number(s) or codes:	[Not Applicable/[●]]
(i)	Name and address of initial Paying Agent(s)/Registrar(s)/Transfer Agent(s)/Exchange Agent:	[●] [Citibank, N.A., London Branch, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom as Principal Paying Agent, Transfer Agent [and Exchange Agent]] [Citibank Europe plc as Registrar and Paying Agent]
(j)	Names and addresses of additional Paying Agent(s)/Transfer Agent(s) (if any):	[●]
(k)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for Registered Covered Bonds which are to be held under the NSS*] and does not necessarily mean that the Covered Bonds will be recognised as eligible

collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[If "yes" is selected, any Bearer Covered Bonds must be in NGN form and any Registered Covered Bonds must be in NSS form.]*

[No. Whilst the designation is specified as "no" at the date of this Final Terms Document, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] *[include this text for Registered Covered Bonds*]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6. DISTRIBUTION

(i)	U.S. Selling Restrictions	[Regulation S compliance category 2,] [TEFRA D/TEFRA C/TEFRA not applicable] [[not] Rule 144A eligible]
(ii)	Prohibition of Sales to EEA Retail Investors	[Applicable] [Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no key information document will be prepared or if the Issuer wishes to prohibit offers to EEA retail investors for any other reason, "Applicable" should be specified)*
(iii)	Prohibition of Sales to UK Retail Investors:	[Applicable] [Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no key information document will be*

prepared or if the Issuer wishes to prohibit offers to UK retail investors for any other reason, "Applicable" should be specified)

7. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i) Use of proceeds: [As specified in the Prospectus] [●]

(ii) Estimated Net Proceeds: [●]]

8. UNITED STATES TAX CONSIDERATIONS

[Not applicable]/For U.S. federal income tax purposes, the Issuer will treat the Covered Bonds as [fixed-rate debt/fixed-rate debt issued with original issue discount/contingent payment debt instruments, [for which purpose, the comparable yield relating to the Covered Bonds will be [●] per cent.compounded [semi-annually/quarterly/monthly], and that the projected payment schedule with respect to a Covered Bond consists of the following payments: [●]/for which purpose, the comparable yield and the projected payment schedule are available by contacting [●] at [●]]/variable rate debt instruments/variable rate debt instruments issued with original issue discount/foreign currency Covered Bonds/foreign currency Covered Bonds issued with original issue discount/foreign currency contingent payment debt instruments, [for which purpose, the comparable yield relating to the Covered Bonds will be [●] per cent.compounded [semi-annually/quarterly/monthly], and that the projected payment schedule with respect to a Covered Bond consists of the following payments: [●]/for which purpose, the comparable yield and the projected payment schedule are available by contacting [●] at [●]]/short-term Covered Bonds.]

[*For a Qualified Reopening of Covered Bonds issued in compliance with Rule 144A:*][Qualified Reopening. The issuance of the Covered Bonds should be treated as a "qualified reopening" of the Covered Bonds issued on [●] within the meaning of the regulations promulgated by the United States Department of the Treasury governing original issue discount on debt instruments (the **OID Regulations**). Therefore, for purposes of the OID Regulations, the Covered Bonds issued in this offering should be treated as having the same issue date and the same issue price as the Covered Bonds issued on [●] and should [not] be considered to have been issued with original issue discount for U.S. federal income tax purposes.]

FORM OF THE PRICING SUPPLEMENT

Set out below is a form of Pricing Supplement for use in connection with Exempt Covered Bonds issued under the Program. This pro forma Pricing Supplement is subject to completion and amendment to set out the terms upon which each Tranche or Series of Exempt Covered Bonds is to be issued.

IMPORTANT NOTICE

In accessing the attached pricing supplement (the Pricing Supplement) you agree to be bound by the following terms and conditions.

The information contained in the Pricing Supplement may be addressed to and/or targeted at persons who are residents of particular countries only as specified in the Pricing Supplement and/or in the Prospectus (as defined in the Pricing Supplement) and is not intended for use and should not be relied upon by any person outside those countries and/or to whom the offer contained in the Pricing Supplement is not addressed. Prior to relying on the information contained in the Pricing Supplement, you must ascertain from the Pricing Supplement and/or Prospectus whether or not you are an intended addressee of the information contained therein.

The Guarantor is not now, and immediately following the issuance of the Covered Bonds pursuant to the Trust Deed will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the *Bank Holding Company Act of 1956*, as amended, commonly known as the "Volcker Rule." In reaching this conclusion, although other statutory or regulatory exemptions under the *Investment Company Act of 1940*, as amended, and under the Volcker Rule and its related regulations may be available, the Guarantor has relied on the exemption from registration set forth in Section 3(c)(5)(C) of the *Investment Company Act of 1940*, as amended. See *Certain Investment Company Act Considerations* in the Prospectus dated [date].

Neither the Pricing Supplement nor the Prospectus constitutes an offer to sell or the solicitation of an offer to buy securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities law of any such jurisdiction.

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

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH REGULATION (EU) 2017/1129 (AS AMENDED), AS IT FORMS PART OF THE DOMESTIC LAW OF THE UK BY VIRTUE OF THE *EUROPEAN UNION (WITHDRAWAL) ACT 2018*, AS AMENDED (THE UK PROSPECTUS REGULATION) FOR THIS ISSUE OF COVERED BONDS AND THE TERMS OF SUCH COVERED BONDS ARE SET OUT IN A PRICING SUPPLEMENT THAT IS EXEMPT FROM THE REQUIREMENTS OF THE UK PROSPECTUS REGULATION TO PUBLISH A PROSPECTUS. THE FCA HAS NEITHER APPROVED NOR REVIEWED THE INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT.

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturers' (or

manufacturer's) target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' (or manufacturer's) target market assessment) and determining appropriate distribution channels.] [1] **[*other appropriate target market legend to be included.*]**

[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of the domestic law of the United Kingdom (the **UK**) by virtue of the *European Union (Withdrawal) Act 2018*, as amended (**UK MiFIR**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][2]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II / Directive 2014/65/EU (as amended, **MiFID II**)]; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended (the EU **Prospectus Regulation**). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][3]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the [UK / United Kingdom (the **UK**)]. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the *European Union (Withdrawal) Act 2018* (as amended, the **EUWA**); (ii) a customer within the meaning of the provisions of the *UK Financial Services and Markets Act 2000* (as amended, the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of the domestic law of the UK by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has

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[1] Legend to be included on front of the Pricing Supplement if ISM Covered Bonds and if transaction is in scope of MiFID II and following the ICMA "all bonds to all professionals" target market approach.

[2] Legend to be included on front of the Pricing Supplement if ISM Covered Bonds and if transaction is in scope of UK MiFIR and following the ICMA 1 "all bonds to all professionals" target market approach.

[3] Legend to be included on front of the Pricing Supplement if the Covered Bonds potentially constitute "packaged" products and no key information document will be prepared, in which case the "Prohibition of Sales to EEA Retail Investors" selling restriction should be specified to be "Applicable".

been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][4]

[NOTIFICATION UNDER SECTION 309B(1)(C) OF *THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE* (the SFA) - [*To insert notice if classification of the Covered Bonds is not "capital markets products other than prescribed capital markets products[5]", pursuant to Section 309B of the SFA or Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)*].**]**

[Date]

The Bank of Nova Scotia

Legal entity identifier (LEI): [L3I9ZG2KFGXZ61BMYR72]/[●]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]
unconditionally and irrevocably guaranteed as to payments of interest and principal by
Scotiabank Covered Bond Guarantor Limited Partnership
under the CAD100 billion
Global Registered Covered Bond Program

The Prospectus referred to below (as completed by this Pricing Supplement) has been prepared on the basis that any offer of Covered Bonds in the UK will be made pursuant to an exemption under [[●] / UK Prospectus Regulation] or the [[●]/ EU Prospectus Regulation] from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly, any person making or intending to make an offer in the UK of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus pursuant to the UK Prospectus Regulation in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in the UK or in any Member State of the EEA in any other circumstances.

PART A

CONTRACTUAL TERMS

Terms used herein will be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated 6 October 2023[, together with the supplemental Prospectus dated [date]]([collectively,] the **Prospectus**). This document constitutes the Pricing Supplement of the Covered Bonds described herein and must be read in conjunction with the Prospectus. Copies of the Prospectus are available free of charge to the public at the Executive Offices of the Issuer and from the specified office of each of the Paying Agents.

[Terms used herein will be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated [original date][, together with the supplemental Prospectus dated [date]], which are incorporated by reference in the Prospectus dated 6 October 2023[, together with the supplemental Prospectus dated [date]]([collectively,] the **Prospectus**). This document constitutes the Pricing Supplement of the Covered Bonds described herein and must be read in conjunction with the Prospectus. Copies of the Prospectus are available free of charge to the public at the Executive Offices of the Issuer and from the specified office of each of the Paying Agents.]

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4 Legend to be included on front of the Pricing Supplement if the Covered Bonds potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the "Prohibition of Sales to UK Retail Investors" selling restriction should be specified to be "Applicable".

5 Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

The Covered Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the **Securities Act**). The Covered Bonds are being offered only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and non-U.S. persons in reliance upon Regulation S under the Securities Act.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Pricing Supplement.]

1.	(a)	Issuer:	The Bank of Nova Scotia
	(b)	Guarantor:	Scotiabank Covered Bond Guarantor Limited Partnership
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●] (If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible)
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount of Covered Bonds admitted to trading:		
	(a)	[Series:]	[●]
	(b)	[Tranche:]	[●]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus [●] accrued interest (in the aggregate) for the period] from (and including) the Interest Commencement Date to (but excluding) the Issue Date]] *(if applicable)*
6.	(a)	Specified Denominations: *(in the case of Registered Covered Bonds, this means the minimum integral amount in which transfers can be made)*	[● (*not to be less than €100,000 in the case if Covered Bonds admitted to the ISM*))]/[€100,000 and integral multiples of [€1,000] in excess thereof] [up to and including [€199,000].].] [No Covered Bonds in definitive form will be issued with a denomination above [€199,000]]/ At least [U.S.$200,000 (*and no less than the equivalent of €100,000 in the case if Covered Bonds admitted to the ISM)* and integral multiples of U.S.$1,000 in excess thereof.] *(Where multiple denominations above €100,000 (or the equivalent in another currency) are being used the following sample wording should be followed: €100,000 (or the equivalent in another currency) and integral multiples of [€1,000] in excess thereof [up to and including [€199,000]. No Bearer*

			Covered Bonds in definitive form will be issued with a denomination above [€199,000]].) *[So long as the Covered Bonds are represented by a Temporary Global Covered Bond or a Permanent Global Covered Bond and the relevant clearing system(s) so permit, the Covered Bonds will be tradable only in the principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and higher integral multiples of [●], notwithstanding that no Bearer Covered Bonds in definitive form will be issued with a denomination above [●]]*
	(b)	Calculation Amount: *(Applicable to Covered Bonds in definitive form)*	[●] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination or integral multiples, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations or integral multiples.*)
7.	(a)	Issue Date:	**[●]**
	(b)	Interest Commencement Date:	[●]/[Issue Date]/[Not Applicable]
8.	(a)	Final Maturity Date:	[Fixed rate—[*specify date*]]/ [Floating rate—Interest Payment Date falling on or nearest to [*specify month and year*]]
	(b)	Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	[Fixed rate—[*specify date*] [Floating rate—Interest Payment Date falling on or nearest to [*specify month and year, falling after the Final Maturity Date*]]
9.	Interest Basis:		[Interest accrues from and including the Interest Commencement Date to, but excluding, the Final Maturity Date at a rate of [[[SONIA/SOFR//€STR/SARON]/[●][●] - month EURIBOR/NIBOR]] +/- [●] per cent. Floating Rate] payable [annually] [quarterly] in arrear. Interest accrues from and including the Final Maturity Date to, but excluding, the Extended Due for Payment Date at a rate of [[●] per cent. Fixed Rate] [[[SONIA/SOFR//€STR/SARON]/[●][●] - month EURIBOR/NIBOR]] +/- [●] per cent. Floating Rate] payable monthly in arrear [Zero Coupon]

10.	Redemption/Payment Basis:	[Redemption at par] [Hard Bullet Covered Bond] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:	[●][Not Applicable] [Paragraph [14] is applicable for the period from and including the Interest Commencement Date to but excluding the Final Maturity Date] [Paragraph [15] is applicable for the period from and including the Final Maturity Date to but excluding the Extended Due for Payment Date] (*Specify details of any provision for convertibility of Covered Bonds into another Interest Basis or Redemption/Payment Basis*)
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)] [Not Applicable]
13.	[Date of [Board] approval for issuance of Covered Bonds (if not already disclosed in item 2 under General Information in the Prospectus):	[●] [Not Applicable] (*Only relevant where Board (or similar authorization) is required for the particular Tranche of Covered Bonds or the Covered Bond Guarantee*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Covered Bond Provisions:	[Applicable/Not Applicable] [from and including the Issue Date to but excluding the Final Maturity Date] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[[●] per cent.per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date] (*If an Extended Due for Payment Date is specified, interest following the Due for Payment Date will continue to accrue and be payable on any unpaid amount at a Rate of Interest determined in*

		accordance with Condition 4.2 (Interest on Floating Rate Covered Bonds))
(b)	Interest Payment Date(s):	[●] in each year, commencing [●], up to and including the Final Maturity Date/[or the earlier of (i) the date on which the Covered Bonds are redeemed in full and (ii) the Extended Due for Payment Date, if applicable]/[specify other] [each, an Original Due for Payment Date] [*provided however* that after the Extension Determination Date, the Interest Payment Date shall be monthly)]
(c)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[specify other]
(d)	Additional Business Centre(s):	[In addition to [●],[●]]
(e)	Fixed Coupon Amount(s) (*Applicable to Covered Bonds in definitive form only. For the calculation of interest in relation to Global Covered Bonds, see Condition 4.1*):	[●] per Calculation Amount
(f)	Broken Amount(s) (*Applicable to Covered Bonds in definitive form only. For the calculation of interest in relation to Global Covered Bonds, see Condition 4.1*):	[●] per Calculation Amount, payable on each Interest Payment Date [other than [●]]/[Not Applicable]
(g)	Day Count Fraction:	[[Actual/365]/[Actual/Actual]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/Actual (ICMA)]/[Actual/360]/[Actual/360 (Observation Period)]/[Actual/365 (Sterling)]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]]/[adjusted/not adjusted] (*If interest is not payable on a regular basis (for example, if Broken Amounts are specified) Actual/Actual (ICMA) may not be a suitable Day Count Fraction*)
(h)	Determination Date(s):	[●] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*) (*This will need to be amended in the case of regular interest payment dates which are not of equal durations*)

		(Only relevant where Day Count Fraction is Actual/Actual (ICMA))
(i)	Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	[Not Applicable/[*Give details*]]
15.	Floating Rate Covered Bond Provisions:	[Applicable]/[Not Applicable]/[from and including the Final Maturity Date to, but excluding, the Extended Due for Payment Date, if applicable in respect of the Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Specified Period(s):	[●]/[Not Applicable]
(b)	Specified Payment Date(s):	[●] up to and including the [Final Maturity Date] /[the earlier of (i) the date on which the Covered Bonds are redeemed in full and (ii) the Extended Due for Payment Date] [(provided however that after the Extension Determination Date, the Interest Payment Dates shall be [monthly])]/[Not Applicable] (*Specify the Interest Period(s)/Interest Payment Date(s) up to and including the Extended Due for Payment Date, if applicable*)
(c)	First Interest Payment Date:	[●]
(d)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[Not Applicable]]
(e)	Additional Business Centre(s):	[In addition to [●], [●]]/[Not Applicable]
(f)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]/[specify other]
(g)	Calculation Agent (if other than Bank of Nova Scotia):	[●]/[Not Applicable]
(h)	Screen Rate Determination:	[Applicable]/[Not Applicable]
	Reference Rate:	[SONIA/SOFR/€STR/SARON]/[[●]-month] [●] EURIBOR/NIBOR] (*Either SONIA, EURIBOR or other, although additional information is required if*

	other — including amendment to fallback provisions in the Terms and Conditions)
Interest Determination Date(s):	[●] (*The number of London Banking Days prior to the relevant Interest Payment Date for each Interest Period if SONIA as set out under Observation Look-back Period, the number of U.S. Government Securities Business Day prior to the relevant Interest Payment Date for each Interest Period if SOFR as set out under Observation Period Shift, the fifth (or other number specified under Observation Look-back Period below) Zurich Banking Day prior to the relevant Interest Payment Date for each Interest Period if SARON, the second day on which the T2 System is open prior to the first day in each Interest Period if EURIBOR*) *(Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable)*
Relevant Screen Page:	[●] [Not Applicable] *(Not applicable to SOFR or €STR)*
Calculation Method:	[Compounded Daily Rate] [Compounded Index Rate] [Not Applicable (*only applies to SONIA and SARON. Specify "Compounded Daily Rate" for SARON in all cases*)
Observation Method:	[Lag] [Shift] [Not Applicable] *(only applies to SONIA and SARON where Compounded Daily Rate specified above. Specify "Shift" for SARON in all cases)*
SONIA Compounded Index:	[●] [Not Applicable] *(If applicable, include definition of SONIA Compounded Index specifying any relevant Screen Page and its time of publication and including definition of the Screen Page) (Only relevant to Floating Rate Covered Bonds that reference SONIA and specify "Not Applicable" under Observation Method above)*
Compounded Daily €STR Convention:	[Observation Lookback Convention] [Observation Shift Convention] [Not Applicable] (*only applies to €STR*)
Relevant Number:	[[●] London Banking Days] [[●] T2 Business Days] [Not Applicable] *(only applies to SONIA is the Reference Rate and where Compounded Index Rate is specified under Calculation Method above)*

	Observation Look-back Period:	[[●] London Banking Days] [[●] T2 Business Days] [Not Applicable] *(applies to SONIA and SARON where Compounded Daily Rate is specified as the Calculation Method above and to €STR)* (*The number of London Banking Days if SONIA or T2 Business Days if €STR as set out under Observation Look-back Period or the number of Zurich Banking Days if SARON as set out under Observation Shift Period)*
	Observation Period Shift:	[[●] U.S. Government Securities Business Days] [[●] Zurich Banking Days] [Not Applicable] *(Two (or such other higher number) U.S. Government Securities Business Day if SOFR or five Zurich Banking Days if SARON)*
	2021 Relevant ISDA Definitions (Condition 4.2(g) Benchmark Discontinuation (ARRC)):	[Applicable] [Not Applicable] (*for SOFR only if 2021 ISDA Definitions to apply for purposes of the ARRC fallbacks clause instead of the 2006 ISDA Definitions)*
(i)	ISDA Determination:	[Applicable/Not Applicable]
	ISDA Defintiions:	[2006/2021] ISDA Definitions
	Floating Rate Option:	[●] (*Ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions if 2021 ISDA Definitions are applied or that it is a Floating Rate Option subject to the ISDA IBORs Supplement if the 2006 ISDA Definitions are applied))*
	Designated Maturity:	[●] [Not Applicable] (*This is not required when the Floating Rate Option is an Overnight Floating Rate Option*)
	Reset Date:	[●] (*In the case of a EURIBOR based option, the first day of the Interest Accrual Period or Interest Period*)
	Applicable Benchmark:	[●] [Not Applicable]
	Fixing Day:	[●] [Not Applicable]
	Fixing Time:	[●] [Not Applicable]
	Any other terms relating to the 2021 ISDA Definitions:	[●] [Not Applicable]

Compounding:	[Applicable] [Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
- Compounding Method:	[Compounding with Lookback: Lookback: [[●] Applicable Business Days] [Compounding with Observation Period Shift Observation Period Shift: [[●] Observation Period Shift Business Days] Observation Period Shift Additional Business Days: [●] [Not Applicable] [Compounding with Lockout Lockout: [[●] Lockout Period Business Days]
Averaging:	[Applicable] [Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
- Averaging Method:	Averaging with Lookback [Lookback:] [[●] Applicable Business Days]] [Averaging with Observation Period Shift] [Observation Period Shift:] [[●] Observation Period Shift Business Days] [Observation Period Shift Additional Business Days: [●]] [Not Applicable] [Averaging with Lockout Lockout: [[●] Lockout Period Business Days] Lockout Period Business Days: [●] Applicable Business Days]
Index Provisions:	[Applicable] [Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)*
- Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●] [Not Applicable]

	[Daily Capped Rate and/or Daily Floored Rate:	[Applicable] [Not Applicable] *(If not applicable, delete the remaining items of this subparagraph)* [Daily Capped Rate:] [[●]%] [Daily Floored Rate:]] [[●]%]
	Unscheduled Holiday:	[Applicable] [Not Applicable] *(Only include where the 2021 ISDA Definitions apply)*
	Period End Date/Termination Date adjustment for Unscheduled Holiday:	[Applicable] [Not Applicable]] *(Only include where the 2021 ISDA Definitions apply)*
	Non-Representative:	[Applicable] [Not Applicable]] *(Only include where the 2021 ISDA Definitions apply)*
	[Successor Benchmark:	[●] Successor Benchmark Effective Date: [●]] *(Only include where the 2021 ISDA Definitions apply)]*]
(j)	Linear Interpolation:	[Not Applicable] [Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(k)	Floating Rate Covered Bond Margin(s):	[+/-] [●] per cent. per annum
(l)	Minimum Rate of Interest:	[●] per cent. per annum
(m)	Maximum Rate of Interest:	[[●] per cent. per annum]
(n)	Day Count Fraction:	[Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [Actual/360 (Observation Period)] [Actual/Actual (ICMA)] [Actual/Actual (ISDA)] 30/360 360/360 Bond Basis 30E/360 Eurobond Basis] [adjusted/not adjusted]

	(o)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds which are Exempt Covered Bonds, if different from those set out in the Conditions:	[●]
16.	Zero Coupon Covered Bond Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[●] per cent. per annum
	(b)	Reference Price:	[●]
	(c)	Any other formula/basis of determining amount payable:	[●] (*Consider applicable Day Count Fraction if not U.S. dollar denominated*)
	(d)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(e)	Business Day(s):	[●]
	(f)	Additional Business Centre(s)	[●]
	(g)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 6.7(b) and 6.10(b) apply] [adjusted/not adjusted]
	(h)	Determination Date(s):	[●] (*Zero Coupon Covered Bonds are not to be issued with an Extended Due for Payment Date unless otherwise agreed with the Dealers and the Bond Trustee*)

PROVISIONS RELATING TO REDEMPTION

17.	Issuer Call:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Optional Redemption Date(s):	[●] (*Optional Redemption Dates must be Interest Payment Dates unless otherwise agreed with the Dealers and the Bond Trustee*)

	(b) Optional Redemption Amount of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[●] per Calculation Amount
	(ii) Maximum Redemption Amount:	[●] per Calculation Amount
	(d) Notice period (if other than as set out in the Terms and Conditions):	[●] (*If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Bond Trustee*)
18.	Put Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(c) Notice Period:	[●] (*If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer or any trustee*)
19.	Final Redemption Amount of each Covered Bond:	[●] per Calculation Amount

20.	Early Redemption Amount of each Covered Bond payable on redemption for taxation reasons or illegality or upon acceleration following an Issuer Event of Default or Guarantor Event of Default or other early redemption and/or the method of calculating the same (if required or if different from that set out in Condition 6.7 (Early Redemption Amounts)):	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Form of Covered Bonds:	Bearer Covered Bonds: [Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds on [●] days' notice] [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds only upon an Exchange Event] Registered Covered Bonds: [Regulation S Global Covered Bond ([●] nominal amount) registered in the name of a nominee for [DTC/CDS/a Common Depositary for Euroclear and Clearstream, Luxembour/a Common Safekeeper for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Covered Bond ([●] nominal amount) registered in the name of a nominee for [DTC/CDS/a Common Depositary for Euroclear and Clearstream, Luxembourg/a Common Safekeeper for Euroclear and Clearstream, Luxembourg]]
22.	New Global Covered Bond:	[Yes/No]
23.	Global Covered Bond held under the New Safekeeping Structure:	[Yes/No]
24.	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/[In addition to [●],[●]] *(Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which subparagraphs 15(d), 16(e) and 17(e) relate)*
25.	Talons for future Coupons to be attached to Bearer Definitive Covered Bonds (and dates on which such Talons mature):	[Yes/No]

26.	Redenomination, renominalization and reconventioning provisions:	[Not Applicable/The provisions in Condition 5.8 (Redenomination) apply]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the pricing supplement required for issue of Exempt Covered Bonds described herein pursuant to the CAD100 billion Global Registered Covered Bond Program of The Bank of Nova Scotia.

RESPONSIBILITY

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Pricing Supplement. **[[●] has been extracted from [●]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]**

Signed on behalf of the Issuer:

By: _____

Duly authorised

Signed on behalf of the Guarantor by its managing general partner Scotiabank Covered Bond GP Inc.:

By: _____

Duly authorised

PART B

OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and admission to trading:	[Not Applicable] [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the [the International Securities Market] [(insert name of stock exchange outside of the UK)] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the [the International Securities Market] [(insert name of stock exchange outside of the UK)] with effect from [●].] [Tranche[s] [●] of the Covered Bonds [is/are] already admitted to [the International Securities Market] [(insert name of stock exchange outside of the EEA or the UK)] with effect from [●].]
(b)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	The Covered Bonds to be issued [are expected to be] [have been] rated: Fitch: AAA Moody's: Aaa DBRS: AAA *[Need to include a brief explanation of the meaning of the ratings if this has been previously published by the rating provider]*

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[[Save as discussed in *Selling Restrictions*, so far as the Issuer and the Guarantor are aware, no person involved in the offer of the Covered Bonds has an interest material to the offer.] [The relevant [Managers/Dealers] [(as defined in the Subscription Agreement entered into on the date hereof in connection with the issue and offering of the Covered Bonds)] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] / [Not Applicable]]

4. YIELD (*Fixed Rate Covered Bonds only*)

Indication of yield:	[●] per cent. per annum [in respect of the period from (and including) the Issue Date to (but excluding) the Final Maturity Date]. [The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. OPERATIONAL INFORMATION

(a)	ISIN Code:	[●]
(b)	Common Code:	[●]
(c)	CFI:	[[●], as updated and set out on the website of the Association of the National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] [Not Applicable] [Not Available]
(d)	FISN:	[[●], as updated and set out on the website of the Association of the National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] [Not Applicable] [Not Available]
(e)	WKN Code:	[●] [Not Applicable]
(f)	CUSIP:	[●] [Not Applicable]
(g)	CINS:	[●] [Not Applicable]
(h)	Any clearing system(s) other than DTC, CDS, Euroclear or Clearstream, Luxembourg, their addresses and the relevant identification number(s) or codes:	[Not Applicable/[●]]
(i)	Name and address of initial Paying Agent(s)/Registrar(s)/Transfer Agent(s)/Exchange Agent:	[●] [Citibank, N.A., London Branch, acting through its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom as Principal Paying Agent, Transfer Agent [and Exchange Agent]] [Citibank Europe plc as Registrar and Paying Agent]
(j)	Names and addresses of additional Paying Agent(s)/Transfer Agent(s)/ Registrars (if any):	[●]
(k)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common

safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for Covered Bonds which are to be held under the NSS*] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[If "yes" is selected, any Bearer Covered Bonds must be in NGN form and any Registered Covered Bonds must be in NSS form.]*

[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] *[include this text for Registered Covered Bonds*]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6. DISTRIBUTION

(a)	If syndicated, names of Managers:	[Not Applicable/[●]]
(b)	Stabilizing Manager (if any):	[Not Applicable/[●]]
(c)	If non-syndicated, name and address of Dealer:	[●]
(d)	U.S. Selling Restrictions:	[Regulation S compliance category 2,] [TEFRA D/TEFRA C/TEFRA not applicable] [[not] Rule 144A eligible]
(e)	ERISA:	[Yes/No]
(f)	Non-exempt Offer:	Not Applicable
(g)	Additional selling restrictions:	[Not Applicable/[●]]
(h)	Additional United States Tax Considerations:	[Not Applicable/[●]]

(i)	Prohibition of Sales to EEA Retail Investors:	[Applicable] [Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no key information document will be prepared or if the Issuer wishes to prohibit offers to EEA retail investors for any other reason, "Applicable" should be specified)*
(j)	Prohibition of Sales to UK Retail Investors:	[Applicable] [Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no key information document will be prepared or if the Issuer wishes to prohibit offers to UK retail investors for any other reason, "Applicable" should be specified)*

[7. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i)	Use of proceeds:	[As specified in the Prospectus] [●]
(ii)	Estimated Net Proceeds:	[●]]

7. UNITED STATES TAX CONSIDERATIONS

[Not applicable]/For U.S. federal income tax purposes, the Issuer will treat the Covered Bonds as [fixed-rate debt/fixed-rate debt issued with original issue discount/contingent payment debt instruments, [for which purpose, the comparable yield relating to the Covered Bonds will be [●] per cent.compounded [semi-annually/quarterly/monthly], and that the projected payment schedule with respect to a Covered Bond consists of the following payments: [●]/for which purpose, the comparable yield and the projected payment schedule are available by contacting [●] at [●]]/variable rate debt instruments/variable rate debt instruments issued with original issue discount/foreign currency Covered Bonds/foreign currency Covered Bonds issued with original issue discount/foreign currency contingent payment debt instruments, [for which purpose, the comparable yield relating to the Covered Bonds will be [●] per cent.compounded [semi-annually/quarterly/monthly], and that the projected payment schedule with respect to a Covered Bond consists of the following payments: [●]/for which purpose, the comparable yield and the projected payment schedule are available by contacting [●] at [●]]/short-term Covered Bonds.]

[*For a Qualified Reopening of Covered Bonds issued in compliance with Rule 144A:*][Qualified Reopening. The issuance of the Covered Bonds should be treated as a "qualified reopening" of the Covered Bonds issued on [●] within the meaning of the regulations promulgated by the United States Department of the Treasury governing original issue discount on debt instruments (the **OID Regulations**). Therefore, for purposes of the OID Regulations, the Covered Bonds issued in this offering should be treated as having the same issue date and the same issue price as the Covered Bonds issued on [●] and should [not] be considered to have been issued with original issue discount for U.S. federal income tax purposes.]

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each Global Covered Bond (as defined below) issued hereunder and each Definitive Covered Bond (as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms Document or Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond. Reference should be made to "Form of the Covered Bonds" for a description of the content of the Final Terms Document or Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Covered Bonds.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by the Issuer constituted by a sixth amended and restated trust deed dated 6 October 2023, made between the Issuer, Scotiabank Covered Bond Guarantor Limited Partnership (the **Guarantor**) and Computershare Trust Company of Canada, as Bond Trustee, as supplemented by the Australian Deed Poll (and such trust deed as further modified and/or supplemented and/or restated from time to time, the **Trust Deed**).

Save as provided for in Conditions 9 (Events of Default, Acceleration and Enforcement) and 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution), references herein to the Covered Bonds will be references to the Covered Bonds of this Series and will mean:

(a) any global covered bond representing Covered Bonds (a **Global Covered Bond**);

(b) in relation to any Covered Bonds represented by a Global Covered Bond, units of the lowest Specified Denomination in the Specified Currency;

(c) any Bearer Definitive Covered Bonds issued in exchange for a Global Covered Bond in bearer form; and

(d) any Definitive Covered Bonds or Covered Bonds in registered form representing Covered Bonds sold to non-U.S. persons outside the United States in reliance on Regulation S (**Regulation S Definitive Covered Bonds**) and within the United States to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**Rules 144A Definitive Covered Bond**, together with Regulation S Definitive Covered Bonds and Bearer Definitive Covered Bonds, **Definitive Covered Bonds**) (whether or not issued in exchange for a Global Covered Bond in registered form).

The Covered Bonds and the Coupons (as defined below) have the benefit of an agency agreement dated 6 October 2023 made between the Issuer, the Guarantor, the Bond Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the **Principal Paying Agent**, which expression will include any successor Principal Paying Agent and together with any other paying agents, the **Paying Agents**, which expression will include any additional or successor Paying Agents), The Bank of Nova Scotia as calculation agent (the **Calculation Agent**), which expression shall include any successor to the Bank in its capacity as such and any substitute calculation agent appointed in accordance with the Agency Agreement either with respect to the Program or, if specified in the applicable Final Terms Document or Pricing Supplement, with respect to a particular Series), Citibank Europe Plc and The Bank of New York Mellon as registrars (together, as the **Registrar**, which expression will include any successor Registrar and the Registrar or Registrars for a Tranche (as defined below) shall be as specified in the applicable Final Terms Document or Pricing Supplement (each as defined below)), and Citibank, N.A., London Branch as transfer agent (together, as the **Transfer Agent**, which expression will include any successor Transfer Agent), and Citibank N.A., London Branch as the exchange agent (the **Exchange Agent**, which expression will include any successor Exchange Agent, and together with the Paying Agents, Registrar, and Transfer Agent, the **Agents**) (such

agency agreement as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**).

Interest-bearing Bearer Definitive Covered Bonds have (unless otherwise indicated in the applicable Final Terms Document or Pricing Supplement) interest coupons (**Coupons**) and, if indicated in the applicable Final Terms Document or Pricing Supplement, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons will, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Covered Bonds and Global Covered Bonds do not have Coupons or Talons attached on issue.

The Final Terms Document or Pricing Supplement for the Covered Bonds (each of which is hereby referred to as **Final Terms Document**) (or the relevant provisions thereof) is endorsed on or attached to the Covered Bond and supplements these Terms and Conditions (the **Terms and Conditions**) and may specify other terms and conditions which will, to the extent so specified or to the extent inconsistent with the Terms and Conditions, replace or modify the Terms and Conditions for the purposes of the Covered Bonds. References to the applicable Final Terms Document or Pricing Supplement are to the Final Terms Document or Pricing Supplement (or the relevant provisions thereof) endorsed on or attached to the Covered Bond.

The Bond Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the **Covered Bondholders**, which expression will, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression will, unless the context otherwise requires, include the holders of the Talons), and for the holders of each other Series of Covered Bonds in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Covered Bonds which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series, and (b) 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 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, a security agreement dated the Program Date 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, the provisions of the Trust Deed, the Security Agreement and the Agency Agreement.

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 (in redacted or other general form and subject to any exclusions pursuant to applicable Law, including, without limitation, privacy Law, and policies of the Issuer relating to confidentiality and privacy matters) are available for inspection during normal business hours at the office for the time being of the Bond Trustee being at 100 University

Avenue, 8th Floor, North Tower, Toronto, Ontario, Canada M5J 2Y1, and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms Document or Pricing Supplement for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the registered office of the Issuer and at the specified office of each of the Paying Agents. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by 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, and the applicable Final Terms Document or Pricing Supplement which are applicable to them.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Terms and Conditions (including the preceding paragraphs) will bear the meanings given to them in the applicable Final Terms Document or Pricing Supplement and/or the master definitions and construction agreement made between the parties to the Transaction Documents on the Program Date (and as further 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.

1. Form, Denomination and Title

The Covered Bonds are in bearer form or in registered form as specified in the applicable Final Terms Document or Pricing Supplement and, in the case of Definitive Covered Bonds, serially numbered, in the Specified Currencies and the Specified Denomination(s). Unless otherwise specified in the applicable Final Terms Document, or Pricing Supplement, Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination. Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and vice versa.

For the purposes of the Bank Act, the main branch of the Bank located at its executive offices in Toronto shall be the branch of account for the deposits evidenced by the Covered Bonds.

The Covered Bonds may be denominated in any currency.

The Covered Bonds in a Series may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms Document or Pricing Supplement. Prior to issuing a Series of Covered Bonds (if such Covered Bonds are not Fixed Rate Covered Bonds or Floating Rate Covered Bonds), the Issuer has obtained confirmation from each of the Rating Agencies that the Covered Bonds of all Series then outstanding will not be downgraded or withdrawn as a result of the issuance of this Series of Covered Bonds.

Bearer Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Covered Bonds and Coupons will pass by delivery and title to the Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Paying Agents, and the Bond Trustee will (except as otherwise required by Law) deem and treat the bearer of any Bearer Covered Bond or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Covered Bonds are represented by a Global Covered Bond held on behalf of or, as the case may be, registered in the name of a nominee for the Common Depositary, or Common Safekeeper, as the case may be, for Euroclear, Clearstream, Luxembourg, each Person (other than Euroclear or Clearstream, Luxembourg or any such nominee, Common Depositary or Common Safekeeper) who is for the time being

shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any Person will be conclusive and binding for all purposes, save in the case of manifest or proven error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including, without limitation, Euroclear's EUCLID or Euroclear's Easy Way or Clearstream, Luxembourg's Creation Online or Xact Web Portal in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) will be treated by the Issuer, the Guarantor, the Paying Agents and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, for which purpose the bearer of such Global Covered Bond or, as the case may be, the registered holder of such Registered Global Covered Bond shall be treated as the holder of such nominal amount of such Covered Bonds, all subject to the terms of such Global Covered Bond, provided that, with respect to any beneficial interest held by (or on behalf of) Euroclear and/or Clearstream, Luxembourg in a Registered Global Covered Bond held by DTC or a nominee thereof, the rules of the following paragraph shall apply. The expressions "Covered Bondholder" and "holder" and related expressions should, for the purposes of any such Global Covered Bond described in this paragraph, be construed by the Issuer, the Guarantor, the Paying Agents and the Bond Trustee accordingly.

For so long as Depository Trust Company ("DTC") or its nominee is the registered holder of a Registered Global Covered Bond, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Covered Bonds represented by such Registered Global Covered Bond for all purposes except to the extent that, in accordance with DTC's published rules and procedures, any ownership rights may be exercised by its participants or beneficial owners through DTC's participants. The expressions "Covered Bondholder" and "holder" and related expressions shall, for the purposes of any such Registered Global Note described in this paragraph, be construed accordingly.

For so long as CDS Clearing and Depository Services Inc. (**CDS**) or its nominee is the registered holder of a Registered Global Covered Bond, CDS or such nominee, as the case may be, will be considered the registered holder of the Covered Bonds represented by such Registered Global Covered Bond for all purposes except to the extent that, in accordance with CDS' published rules and procedures, any ownership rights may be exercised by its participants or beneficial owners through CDS participants. The expressions "Covered Bondholder" and "holder" and related expressions shall, for the purposes of any such Registered Global Note described in this paragraph, be construed accordingly.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear, DTC, CDS and Clearstream, Luxembourg or any other relevant clearing system, as the case may be.

References to Euroclear, DTC, CDS and/or Clearstream, Luxembourg will, whenever the context so permits (but not in the case of any NGCB), be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Final Terms Document or Pricing Supplement or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

2. Transfers of Registered Covered Bonds

2.1 Transfers of interests in Registered Global Covered Bonds

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by Euroclear, Clearstream, Luxembourg, DTC or CDS, or Common Safekeeper, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such Clearing Systems acting on behalf of beneficial transferors and transferees of such interests. The Laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer

Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Definitive Covered Bonds or for a beneficial interest in another Registered Global Covered Bond only in the Specified Denomination(s) set out in the applicable Final Terms Document or Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg, DTC or CDS, or Common Safekeeper, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Rule 144A Global Covered Bond registered in the name of a nominee for DTC or CDS shall be limited to transfers of such Rule 144A Global Covered Bond, in whole but not in part, to another nominee of DTC or CDS or to a successor of DTC or CDS or to such successor's nominee.

2.2 Transfers of Registered Covered Bonds in definitive form

Subject as provided in Conditions 2.3 (Registration of transfer upon partial redemption), 2.4 (Costs of registration), and 2.5 (Transfers of interests in Regulation S Global Covered Bonds in the United States or to U.S. persons), upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Covered Bond may be transferred in whole or in part in the Specified Denomination(s) set out in the applicable Final Terms Document or Pricing Supplement. In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Definitive Covered Bond for registration of the transfer of the Registered Definitive Covered Bond (or the relevant part of the Registered Definitive Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing, and (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and (b) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful inquiry, be satisfied with the documents of title and the identity of the Person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer, the Bond Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in the Agency Agreement).

Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Registered Definitive Covered Bond of a like aggregate nominal amount to the Registered Definitive Covered Bond (or the relevant part of the Registered Definitive Covered Bond) transferred.

In the case of the transfer of only part of a Registered Definitive Covered Bond, a new Registered Definitive Covered Bond in respect of the balance of the Registered Definitive Covered Bond not transferred will (in addition to the new Registered Definitive Covered Bond in respect of the nominal amount transferred) be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Covered Bonds under Condition 6 (Redemption and Purchase), the Issuer will not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond, called for partial redemption.

2.4 Costs of registration

Covered Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer, the Registrar or the Transfer Agent may require the payment of a sum sufficient to cover any stamp duty, Taxes or any other governmental charge that may be imposed in relation to the registration.

2.5 Transfers of interests in Regulation S Global Covered Bonds in the United States or to U.S. persons

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Covered Bond to a transferee in the United States or who is a U.S. person will only be made: (a) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate with the consent of the Issuer (a **Transfer Certificate**) copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Covered Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or (b) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities Laws of any State of the United States, and, in each case, in accordance with any applicable securities Laws of any State of the United States or any other jurisdiction. Such transferee may only take delivery through a Rule 144A Covered Bond.

Prior to the end of the applicable Distribution Compliance Period, beneficial interests in Regulation S Covered Bonds registered in the name of a nominee for DTC may only be held through the accounts of Euroclear and Clearstream, Luxembourg, or its nominee. After expiry of the applicable Distribution Compliance Period, (a) beneficial interests in Regulation S Global Covered Bonds registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (b) such certification requirements will no longer apply to such transfers.

2.6 Transfers of interests in Rule 144A Covered Bonds

Transfers of Rule 144A Covered Bonds or beneficial interests therein may be made:

(a) to a transferee who takes delivery of such interest through a Regulation S Covered Bond upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Covered Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Covered Bonds being transferred will be held immediately thereafter through CDS, Euroclear and/or Clearstream, Luxembourg; or

(b) to a transferee who takes delivery of such interest through a Rule 144A Covered Bond, where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Rule 144A Covered Bonds, or upon specific request for removal of any United States securities Law legend on Rule 144A Covered Bonds, the Registrar shall deliver only Rule 144A Covered Bonds or refuse to remove the legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Definitions

In these Terms and Conditions, the following expressions will have the following meanings:

Distribution Compliance Period, with respect to a Tranche of Covered Bonds, means the period that ends 40 days after completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part;

Regulation S means Regulation S under the Securities Act;

Regulation S Definitive Covered Bond means a definitive covered bond in registered form representing Covered Bonds sold to non-U.S. persons outside the United States in reliance on Regulation S;

Regulation S Global Covered Bond means a registered covered bond in registered form representing Covered Bonds sold to non-U.S. persons outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Covered Bond means a Covered Bond represented by a Rule 144A Global Covered Bond or a Definitive Rule 144A Covered Bond;

Rule 144A Definitive Covered Bond means a Registered Covered Bond sold in the United States to QIBs in reliance on Rule 144A, which is in definitive form; and

Rule 144A Global Covered Bond means a Registered Global Covered Bond representing Covered Bonds sold in the United States to QIBs in reliance on Rule 144A.

3. Status of the Covered Bonds and the Covered Bond Guarantee

3.1 Status of the Covered Bonds

The Covered Bonds will constitute deposit liabilities of the Issuer for purposes of the Bank Act 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 (except as prescribed by Law).

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

The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer (except as prescribed by Law).

3.2 Status of the Covered Bond 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).

4. Interest

4.1 Interest on Fixed Rate Covered Bonds

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding (as defined in Condition 4.5 (Business Day, Business Day Convention, Day Count Fractions and other adjustments), but subject to Condition 4.4 (Accrual of interest)) 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.

If the Covered Bonds are in definitive form, except as provided in the applicable Final Terms Document or Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Interest Period (as defined in Condition 4.5 (Business Day, Business Day Convention, Day Count Fractions and other adjustments)) 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 Final Terms Document or Pricing Supplement, amount to the Broken Amount so specified.

Except in the case of Covered Bonds in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms Document or Pricing Supplement, interest will be calculated in respect of any period by applying the Rate of Interest to (a) in the case of Fixed Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Fixed Rate Covered Bonds represented by such Global Covered Bond, or (b) in the case of Fixed Rate Covered Bonds in definitive form, the Calculation Amount; and in each case, multiplying such sum by the applicable Day Count Fraction (as defined in Condition 4.5 (Business Day, Business Day Convention, Day Count Fractions and other adjustments)), and rounding the resultant figure to the nearest sub-unit (as defined in Condition 4.5 (Business Day, Business Day Convention, Day Count Fractions and other adjustments)) 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 Covered Bond in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate 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 Final Terms Document or Pricing Supplement may provide that if the payment of the Final Redemption Amount of a Series of Fixed Rate 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 Final Terms Document or Pricing Supplement which may provide that such Series of Fixed Rate 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 Covered Bonds prior to the Final Maturity Date at a Fixed Rate.

4.2 Interest on Floating Rate Covered Bonds

(a) Interest Payment Dates

Each Floating Rate 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 Specified Interest Payment Date(s) in each year specified in the applicable Final Terms Document or Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms Document or Pricing Supplement, each date which falls the number of months or other period specified as the Specified Period(s) in the applicable Final Terms Document or 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 Covered Bonds will be determined in the manner specified in the applicable Final Terms Document or Pricing Supplement.

(i) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the applicable Final Terms Document or 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 Final Terms Document or Pricing Supplement) the Floating Rate 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 Principal Paying Agent or other Person specified in the applicable Final Terms Document or Pricing Supplement under an interest rate swap transaction if the Principal Paying Agent or that other Person were acting as Calculation Agent for that swap transaction under the terms of an agreement and under which:

(A) if "2006 ISDA Definitions" is specified in the applicable Final Terms Document or Pricing Supplement, the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds, as published by the International Swaps and Derivatives Association, Inc. (including any successor thereto, "ISDA") shall apply; or

(B) if "2021 ISDA Definitions" is specified in the applicable Final Terms Document or Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (as defined therein)) (and any successor thereto), as published by ISDA as at the Issue Date of the first Tranche of the Covered Bonds, (the "ISDA Definitions") shall apply

and, in each case, under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) shall be as specified in the applicable Final Terms Document or Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions), if any, shall be the period specified in the applicable Final Terms Document or Pricing Supplement;

(iii) the relevant Reset Date (as defined in the ISDA Definitions) shall be either:

(x) if the relevant Floating Rate Option is based on EURIBOR, the first day of the Interest Period; or

(y) in any other case, the day specified in the applicable Final Terms Document or Pricing Supplement;

(iv) if the Floating Rate Option is an Overnight Floating Rate Option and Compounding Method is specified to apply in the applicable Final Terms Document or Pricing Supplement, the Overnight Rate Compounding Method shall be one of the following, as specified in the applicable Final Terms Document or Pricing Supplement:

(x) Compounding with Lookback;

(y) Compounding with Observation Period Shift; or

(z) Compounding with Lockout;

(v) if the Floating Rate Option is an Overnight Floating Rate Option and Averaging is specified to apply in the applicable Final Terms Document or Pricing Supplement, the Overnight Averaging Method shall be be one of the following, as specified in the applicable Final Terms:

(x) Averaging with Lookback;

(y) Averaging with Observation Period Shift; or

(z) Averaging with Lockout;

(vi) if the Floating Rate Option is a Compounded Index Floating Rate Option and Index Provisions are specified in the applicable Final Terms Document or Pricing Supplement, the Index Method will be Compounded Index Method with Observation Period Shift as specified in the applicable Final Terms;

(vii) if the 2021 ISDA Definitions apply, (i) any fallbacks that would otherwise be required to be determined in accordance with Section 8.6 (Generic Fallback Provisions) of the 2021 ISDA Definitions shall not be so determined, but shall instead be determined in accordance with Condition 4(h) and (ii) if Administrator/Benchmark Event is specified in the Floating Rate Matrix in respect of the relevant Floating Rate Option, Condition 4(h) shall apply in place of the provisions relating to Administrator/Benchmark Event and the Administrator Benchmark Fallback in the 2021 ISDA Definitions, and (iii) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be "Temporary Non-Publication – Fallback Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent

Alternative Rate Determination" in the definition of **Temporary Non-Publication – Fallback Alternative Rate** shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate", and the 2021 ISDA Definitions shall be construed accordingly;

(viii) if the 2021 ISDA Definitions apply, Period End Date/Termination Date adjustment for Unscheduled Holiday (as defined in the 2021 ISDA Definitions) will apply if specified in the applicable Final Terms Document or Pricing Supplement to be applicable;

(ix) if the 2021 ISDA Definitions apply, Non-Representative (as defined in the 2021 ISDA Definitions) will apply if specified in the relevant Final Terms Document or Pricing Supplement to be applicable; and

(x) if the 2021 ISDA Definitions apply, Successor Benchmark and Successor Benchmark Effective Date (as defined in the 2021 ISDA Definitions) will be as specified in the applicable Final Terms Document or Pricing Supplement.

Subject to (vii) above, the ISDA Definitions contain provisions for determining the applicable Floating Rate (as defined below) (including Supplement 70 to the 2006 ISDA Definitions and Section 9 of the 2021 ISDA Definitions (Bespoke Triggers and Fallbacks)) in the event that the specified Floating Rate is not available and such provisions shall apply to Floating Rate Covered Bonds as if incorporated in these Conditions.

For the purposes of this subparagraph (b)(i), "Floating Rate," "Calculation Agent," "Floating Rate Option,", "Floating Rate Matrix", "Designated Maturity", "Reset Date", "Overnight Floating Rate Option", "Overnight Rate Compounding Method", "Compounding with Lookback", "Compounding with Observation Period Shift", "Compounding with Lockout", "Averaging with Lookback", "Averaging with Observation Period Shift", "Averaging with Lockout", "Generic Fallback Provisions", "Compounded Index Floating Rate Option", "Index Method" and "Compounded Index Method with Observation Period Shift" "Applicable Benchmark", "Fixing Day" and "Fixing Time" have the meanings given to those terms in the Relevant ISDA Definitions and the term "ISDA Calculation Agent" has the meaning given to "Calculation Agent" in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Covered Bonds

EURIBOR and NIBOR

Where Screen Rate Determination is specified in the applicable Final Terms Document or Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the applicable Final Terms Document or Pricing Supplement as being EURIBOR or NIBOR, 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. (Brussels time) (in the case of EURIBOR) or as at 11:00 a.m. (Oslo time) (in the case of NIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms Document or Pricing Supplement) the Floating Rate 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 Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

Subject to Condition 4.2(f), 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 Calculation Agent will request each of the Reference Banks to provide the Calculation 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 Calculation 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 Covered Bond Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in this subparagraph (ii), the Rate of Interest for the relevant Interest Period will be the rate per annum which the Calculation 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 Calculation 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, for 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 Euro-zone inter-bank market (in the case of EURIBOR) or the Oslo inter-bank market (in the case of NIBOR) plus or minus (as appropriate) the Floating Rate Covered Bond Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation 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 Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank market (in the case of EURIBOR) or the Oslo inter-bank market (in the case of NIBOR) plus or minus (as appropriate) the Floating Rate 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 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.

SONIA

Where "Screen Rate Determination" is specified in the applicable Final Terms Document or Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the applicable Final Terms Document or Pricing Supplement as being "SONIA" and the Calculation Method is specified in the applicable Final Terms Document or Pricing Supplement as being "Compounded Daily Rate", the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA with respect to such Interest Period plus or minus (as indicated in the applicable Final Terms Document or Pricing Supplement) the applicable Margin.

Compounded Daily SONIA means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the nearest fourth decimal place, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{Relevant\,SONIA_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

d is the number of calendar days in:

(a) where Lag is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, the relevant Interest Period; or

(b) where Shift is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, the relevant Observation Period;

d_o is the number of London Banking Days in:

(a) where Lag is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, the relevant Interest Period; or

(b) where Shift is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, the relevant Observation Period;

i is a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

(a) where Lag is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, the relevant Interest Period or

(b) where Shift is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, the relevant Observation Period;

London Banking Day or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

n_i, for any London Banking Day "i", means the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

Observation Look-back Period is as specified in the applicable Final Terms Document or Pricing Supplement (or, if none is specified, five London Banking Days);

Observation Period means the period from (and including) the date falling "*p*" London Banking Days prior to the first day of the relevant Interest Period and ending on but excluding, the date falling "*p*" London Banking Days prior to (A) the Interest Payment Date for such Interest Period or (B) such other date on which the Covered Bonds become due and payable;

p is, for any Interest Period, the number of London Banking Days set forth in the Observation Look-back Period in the applicable Final Terms Document or Pricing Supplement;

Relevant $SONIA_i$ means, in respect of any London Banking Day "i":

(a) where "Lag" is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, $SONIA_{i-pLBD}$; or

(b) where "Shift" is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, $SONIA_{iLBD}$;

the **SONIA Reference Rate**, in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average **(SONIA)** rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors), in each case, on the London Banking Day immediately following such London Banking Day;

$\mathbf{SONIA_{iLBD}}$ means, in respect of any London Banking Day "i" falling in the relevant Observations Period , the SONIA reference rate for such London Banking Day "i";and

$\mathbf{SONIA_{i\text{-}pLBD}}$ means, in respect of any London Banking Day falling in the relevant Interest Period, the SONIA Reference Rate for the London Banking Day falling "*p*" London Banking Days prior to the relevant London Banking Day "i".

If, in respect of any London Banking Day in the relevant Observation Period, the applicable SONIA Reference Rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorized distributors, then (unless the Principal Paying Agent (or other party responsible for calculating the Rate of Interest as set out in the relevant Final Terms Document or Pricing Supplement) has been notified of any Alternative Rate or Adjustment Spread (and any related Benchmark Amendments) pursuant to Condition 4.2(f), if applicable) the SONIA Reference Rate in respect of such London Banking Day shall be: (a) (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; and (b) if the Bank Rate is not published by the Bank of England as set out in (a) above on the relevant London Banking Date, the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the immediately preceding London Banking Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

Notwithstanding the paragraph above, and without prejudice to Condition 4.2(f), in the event the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Calculation Agent shall, subject to receiving written instructions from the Issuer and, to the extent that it is reasonably practicable, follow such guidance in order to determine $SONIA_i$ for the purpose of the relevant Series of Covered Bonds for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors. If the relevant Series of Covered Bonds become due and payable following an Issuer Event of Default or a Guarantor Event of Default, the final Rate of Interest shall be calculated for the Interest Period to (but excluding) the date on which the Covered Bonds become due and payable, and such Rate of Interest shall continue to apply to the Covered Bonds for so long as interest continues to accrue thereon as provided in Condition 4.4 and the Trust Deed.

SONIA COMPOUNDED INDEX

Where "Screen Rate Determination" is specified in the applicable Final Terms Document or Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the applicable Final Terms Document or Pricing Supplement as being "SONIA" and the Calculation Method is specified in the applicable Final Terms Document or Pricing Supplement as being "Compounded Index Rate", the Rate of Interest for each Interest Period will, subject to Condition 4.2(f) and as provided below, be Compounded Daily SONIA, plus or minus (as indicated in the applicable Final Terms Document or Pricing Supplement) the applicable Margin, determined by reference to the screen rate or index for Compounded Daily SONIA administered by the

administrator of the SONIA reference rate that is published or displayed by such administrator or other information service from time to time at the relevant time on the relevant Index Determination Dates specified below, as further specified in the applicable Final Terms Document or Pricing Supplement (the **SONIA Compounded Index**) and in accordance with the following formula, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 per cent. being rounded upwards, all determined by the Calculation Agent.

Compounded Daily SONIA rate means:

$$\left(\frac{SONIA\ Compounded\ Index_{y}}{SONIA\ Compounded\ Index_{x}} - 1\right) x \frac{365}{d}$$

where:

x denotes that the relevant SONIA Compounded Index is the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the first day of the relevant Interest Period;

y denotes that the relevant SONIA Compounded Index is the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the Interest Payment Date for such Interest Period, or such other date as when the relevant payment of interest falls to be due (but which by definition or the operation of the relevant provisions is excluded from such Interest Period),

An Index Determination Date means a day on which the SONIA Compounded Index is determined pursuant to paragraph "x" or "y" above;

d is the number of calendar days from (and including) the day in relation to which x is determined to (but excluding) the day in relation to which y is determined;

Relevant Number is as specified in the applicable Final Terms Document or Pricing Supplement (or, if no such number is so specified, five London Banking Days).

If the SONIA Compounded Index is not published or displayed by the administrator of the SONIA reference rate or other information service at the relevant time on any relevant Index Determination Date, the Compounded Daily SONIA rate for the applicable Interest Period for which SONIA Compounded Index is not available shall be **Compounded Daily SONIA** determined in accordance with **SONIA** above as if Compounded Index Rate is not specified as being applicable in the applicable Final Terms Document or Pricing Supplement. For these purposes, the **Calculation Method** shall be deemed to be "Compounded Daily Rate", the Relevant Number specified in the applicable Final Terms Document or Pricing Supplement shall be the **Observation Lookback Period** and **Observation Method** shall be deemed be **Shift** as if Compounded Index Rate had not been specified as applicable and these alternative elections had been made.

SOFR

Where "Screen Rate Determination" is specified in the applicable Final Terms Document or Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Floating Rate Covered Bonds is specified in the applicable Final Terms Document or Pricing Supplement as being "SOFR", the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SOFR with respect to such Interest Period plus or minus (as indicated in the applicable Final Terms Document or Pricing Supplement) the applicable Margin.

Compounded Daily SOFR means, in respect to an Interest Period, the rate computed in accordance with the formula set out below, and will be calculated by the Calculation Agent on the relevant Interest Determination

Date (and the resulting percentage will be rounded, if necessary, to the fifth decimal point, with 0.000005 per cent.being rounded upward):

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \frac{360}{d}$$

provided that, if SOFR IndexStart or SOFR IndexEnd is not published on the associated Interest Determination Date and a USD Benchmark Transition Event and its related USD Benchmark Replacement Date have not occurred with respect to SOFR, "Compounded Daily SOFR" for the applicable Interest Period for which such index is not available, will be the rate of return on a daily compounded interest investment, calculated by the Calculation Agent on the relevant Interest Determination Date, based on SOFR in accordance with the formula for SOFR Averages, and definitions required for such formula, published on the SOFR Administrator's Website at https://www.newyorkfed.org/markets/reference-rates/additional-information-about-reference-rates and, for the purposes of this provision, references in the SOFR Averages compounding formula and related definitions to "calculation period" shall be replaced with "Observation Period" and the words "that is, 30-, 90-, or 180- calendar days" shall be removed. If the daily SOFR (**SOFR*i***) does not so appear for any day, "*i*" in the Observation Period, SOFR*i* for such day "*i*" shall be SOFR published in respect of the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website,

where:

d means the number of calendar days from (and including) the SOFR Index Start Date to (but excluding) the SOFR Index End Date (being the number of calendar days in the Observation Period).

Observation Period means, in respect of the relevant Interest Period, the period from, and including, the date falling "p" U.S. Government Securities Business Days prior to the first day of such Interest Period to, but excluding, the date which is "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Covered Bonds become due and payable).

p means, for the relevant Interest Period, the number of U.S. Government Securities Business Days specified to be the Observation Period Shift in the applicable Final Terms Document or Pricing Supplement (or, if no such number is specified, two U.S. Government Securities Business Days).

SOFR Index means, with respect to any U.S. Government Securities Business Day:

(1) the SOFR Index value as published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on such U.S. Government Securities Business Day (the **SOFR Index Determination Time**); provided that:

(2) if a SOFR Index value does not so appear as specified in (1) above at the SOFR Index Determination Time, then:

(i) if a USD Benchmark Transition Event and its related USD Benchmark Replacement Date have not occurred with respect to SOFR, then "Compounded Daily SOFR" shall be the rate determined pursuant to the proviso of the definition of "Compounded Daily SOFR" above; or

(ii) if a USD Benchmark Transition Event and its related USD Benchmark Replacement Date have occurred with respect to SOFR, then "Compounded Daily SOFR" shall be the rate determined pursuant to Condition 4.2(g).

SOFR IndexStart means the SOFR Index value on the SOFR Index Start Date.

SOFR IndexEnd means the SOFR Index value on the SOFR Index End Date.

SOFR Index Start Date means, in respect of the relevant Interest Period, the first day of the Observation Period relating to such Interest Period.

SOFR Index End Date means, in respect of the relevant Interest Period, the date which is "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Covered Bonds become due and payable).

SOFR means the daily secured overnight financing rate as provided by the SOFR Administrator on the SOFR Administrator's Website.

SOFR Administrator means the Federal Reserve Bank of New York (or a successor administrator of SOFR).

SOFR Administrator's Website means the website of the SOFR Administrator, or any successor source.

USD Benchmark Transition Event and **USD Benchmark Replacement Date** have the meanings given to them in Condition 4.2(g).

U.S. Government Securities Business Day means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

If the relevant Series of Covered Bonds become due and payable following an Issuer Event of Default or a Guarantor Event of Default, the final Rate of Interest shall be calculated for the Interest Period to (but excluding) the date on which the Covered Bonds become due and payable, and such Rate of Interest shall continue to apply to the Covered Bonds for so long as interest continues to accrue thereon as provided in Condition 4.4 and the Trust Deed.

SARON

(A) Where **Screen Rate Determination** is specified in the applicable Final Terms Document or Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Covered Bonds is specified in the applicable Pricing Supplement as being **SARON**, the Calculation Method is specified in the applicable Final Terms Document or Pricing Supplement as being "Compounded Daily Rate" and where "Shift" is specified as the Observation Method in the applicable Final Terms Document or Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be SARON Compounded (as defined below) for such Interest Period, plus or minus (as specified in the applicable Pricing Supplement) the applicable Margin.

SARON Compounded means, in respect of an Interest Period, the rate of return of a daily compound interest investment (with the daily overnight interest rate of the secured funding market for Swiss franc) as calculated by the Calculation Agent on the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards):

$$\left[\prod_{i=1}^{d_b}\left(1+\frac{SARON_i \times n_i}{360}\right)-1\right]\times\frac{360}{d_c}$$

where:

$\boldsymbol{d_b}$ means the number of Zurich Banking Days in the relevant Observation Period;

$\boldsymbol{d_c}$ means the number of calendar days in the relevant Observation Period;

$\boldsymbol{i}$ indexes a series of whole numbers from one to d_b, representing the Zurich Banking Days in the relevant Observation Period in chronological order from, and including, the first Zurich Banking Day in such Observation Period;

$\boldsymbol{n_i}$ means, in respect of any Zurich Banking Day i, the number of calendar days from, and including, the Zurich Banking Day i up to, but excluding, the first following Zurich Banking Day;

Observation Period means, in respect of an Interest Period, the period from, and including, the date falling "p" Zurich Banking Days prior to the first day of such Interest Period and ending on, but excluding, the date falling "p" Zurich Banking Days prior to (A) the Interest Payment Date for such Interest Period or (B) such earlier date on which the Covered Bonds become due and payable;

Observation Period Shift is as specified in the applicable Pricing Supplement;

p means, for the relevant Interest Period, the number of Zurich Banking Days specified to be the Observation Period Shift in the applicable Pricing Supplement;

$\boldsymbol{SARON_i}$ means, in respect of any Zurich Banking Day i, SARON for such Zurich Banking Day i.

SARON means, in respect of any Zurich Banking Day, the Swiss Average Rate Overnight for such Zurich Banking Day published by the SARON Administrator on the SARON Administrator Website at the Relevant Time on such Zurich Banking Day; and

Zurich Banking Day means a day on which banks are open in the City of Zurich for the settlement of payments and of foreign exchange transactions.

(B) (i) If SARON does not so appear on the SARON Administrator Website or is not so published by the Relevant Time on such Zurich Banking Day and a SARON Index Cessation Event and a SARON Index Cessation Effective Date have not both occurred on or prior to such Zurich Banking Day, "**SARON**" shall mean, in respect of any Zurich Banking Day, the Swiss Average Rate Overnight published by the SARON Administrator on the SARON Administrator Website for the first preceding Zurich Banking Day on which the Swiss Average Rate Overnight was published by the SARON Administrator on the SARON Administrator Website; or

(ii) If SARON does not so appear on the SARON Administrator Website or is not so published by the Relevant Time on such Zurich Banking Day and a SARON Index Cessation Event and a SARON Index Cessation Effective Date have both occurred on or prior to such Zurich Banking Day, "**SARON**" shall have the meaning set out in Condition 4.2(h).

(C) In connection with the SARON provisions above, the following definitions apply:

Relevant Time means, in respect of any Zurich Banking Day, close of trading on SIX Swiss Exchange on such Zurich Banking Day, which is expected to be on or around 6 p.m. (Zurich time) on such day;

SARON Administrator means SIX Index AG or any successor administrator of SARON;

SARON Administrator Website means the website of the SARON Administrator;

SARON Index Cessation Effective Date has the meaning specified in Conditon 4.2(h); and

SARON Index Cessation Event has the meaning specified in Condition 4.2(h);

SIX Swiss Exchange means SIX Swiss Exchange AG and any successor thereto;

(D) If the relevant Series of Covered Bonds become due and payable following an Issuer Event of Default or a Guarantor Event of Default, the final Rate of Interest shall be calculated for the Interest Period to (but excluding) the date on which the Covered Bonds become due and payable, and such Rate of Interest shall continue to apply to the Covered Bonds for so long as interest continues to accrue thereon as provided in Condition 4.4 and the Trust Deed.

€STR

Where Screen Rate Determination is specified in the applicable Final Terms Document or Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate in respect of the relevant Series of Covered Bonds is specified in the applicable Final Terms Document or Pricing Supplement as being **€STR**, the Interest Rate for each Interest Period will, subject to Condition 4(f) and as provided below, be Compounded Daily €STR (as determined by the Calculation Agent), plus or minus the Margin (as indicated in the applicable Final Terms Document or Pricing Supplement). Compounded Daily €STR will be calculated in accordance with the lag observation method (the **Observation Lookback Convention**) or the shift observation method (the **Observation Shift Convention** and, together with the Observation Lookback Convention, the **Compounded Daily €STR Conventions** and, each, a **Compounded Daily €STR Convention**). The applicable Final Terms Document or Pricing Supplement will indicate which Compounded Daily €STR Convention is applicable.

Compounded Daily €STR means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily euro short-term rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the Interest Determination Date as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place with each 0.00005 per cent. being rounded upwards:

(1) Observation Lookback Convention

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{(€\mathrm{STR}_{i-pTBD}\times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where:

d is the number of calendar days in the relevant Interest Period;

d_o, for any Interest Period, is the number of T2 Business Days (as defined below) in the relevant Interest Period;

$€STR_{i-pTBD}$ means, for any day "i" in the relevant Interest Period, the €STR Reference Rate for the T2 Business Day falling "p" T2 Business Days prior to the relevant T2 Business Day "i";

i is a series of whole numbers from one to d_o, each representing the relevant T2 Business Day in chronological order from, and including, the first T2 Business Day in the relevant Interest Period;

$\mathbf{n_i}$ for any T2 Business Day "i" is the number of calendar days from, and including, such T2 Business Day "i" up to, but excluding, the following T2 Business Day;

Observation Lookback Period is as specified in the applicable Final Terms Document or Pricing Supplement; and

p, for any Interest Period, is the number of T2 Business Days included in the Observation Look-back Period and which shall not be specified in the applicable Final Terms Document or Pricing Supplement as less than five without the prior agreement of the Calculation Agent;

(2) Observation Shift Convention:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{€STR_{i\times}\,n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where:

d is the number of calendar days in the relevant Observation Period;

$\mathbf{d_o}$, for any Observation Period, is the number of T2 Business Days (as defined below) in the relevant Observation Period;

$\mathbf{€STR_i}$ means, in respect of any T2 Business Day "i" falling in the relevant Observation Period, the €STR Reference Rate for that T2 Business Day "i";

i is a series of whole numbers from one to d_o, each representing the relevant T2 Business Day in chronological order from, and including, the first T2 Business Day in the relevant Observation Period;

$\mathbf{n_i}$ for any T2 Business Day "i" is the number of calendar days from, and including, such T2 Business Day "i" up to, but excluding, the following T2 Business Day;

Observation Period means, in respect of an Interest Period, the period from, and including, the date falling "p" T2 Business Days prior to the first day of the relevant Interest Period (and the first Observation Period shall begin on and include the date falling "p" T2 Business Days prior to the Interest Commencement Date) and ending on, but excluding, the date falling "p" T2 Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" T2 Business Days prior to such earlier date, if any, on which the Covered Bonds become due and payable);

p, for any Interest Accrual Period, is the number of T2 Business Days included in the Observation Look-back Period, as specified in the applicable Final Terms Document or Pricing Supplement and which shall not be specified in the applicable Final Terms Document or Pricing Supplement as less than five without the prior agreement of the Calculation Agent.

(3) And, for each Compounded Daily €STR Observation Convention, the following definitions shall also apply:

ECB Recommended Rate Index Cessation Event means the occurrence of one or more of the following events:

(a) a public statement or publication of information by or on behalf of the administrator of the ECB Recommended Rate announcing that it has ceased or will cease to provide the ECB Recommended Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the ECB Recommended Rate; or

(b) a public statement or the publication of information by the regulatory supervisor for the administrator of the ECB Recommended Rate, the central bank for the currency of the ECB Recommended Rate, an insolvency official with jurisdiction over the administrator of the ECB Recommended Rate, a resolution authority with jurisdiction over the administrator of the ECB Recommended Rate or a court or an entity with similar insolvency or resolution authority over the administrator of the ECB Recommended Rate, which states

that the administrator of the ECB Recommended Rate has ceased or will cease to provide the ECB Recommended Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to publish or provide the ECB Recommended Rate;

ECB Recommended Rate Index Cessation Effective Date means, in respect of an ECB Recommended Rate Index Cessation Event, the first date on which the ECB Recommended Rate would ordinarily have been provided and is no longer provided;

€STR Index Cessation Event means the occurrence of one or more of the following events:

(a) a public statement or publication of information by or on behalf of the administrator of €STR announcing that it has ceased or will cease to publish or provide €STR permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide €STR; or

(b) a public statement or the publication of information by the regulatory supervisor for the administrator of €STR, the central bank for the currency of €STR, an insolvency official with jurisdiction over the administrator of €STR, a resolution authority with jurisdiction over the administrator of €STR or a court or an entity with similar insolvency or resolution authority over the administrator of €STR, which states that the administrator of €STR has ceased or will cease to provide €STR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide €STR;

€STR Index Cessation Effective Date means, in respect of €STR and an €STR Index Cessation Event, the first date on which €STR would ordinarily have been provided and is no longer provided;

€STR Reference Rate means in respect of any T2 Business Day, a reference rate equal to the daily euro short-term rate (**€STR**) for such T2 Business Day as provided by the European Central Bank, as administrator of such rate (or any successor administrator of such rate), on the website of the European Central Bank, currently at http://www.ecb.europa.eu, or any successor website officially designated by the European Central Bank (the **ECB's Website**) (in each case, on or before 9:00 a.m. Central European Time on the T2 Business Day immediately following such T2 Business Day (or any amended publication time for €STR as specified by the administrator of €STR in the €STR benchmark methodology)); and

T2 Business Day or **TBD** has the meaning set out in Condition 4.5**.**

(4) €STR Fallbacks: If the €STR Reference Rate does not appear on a T2 Business Day as specified above, unless both an €STR Index Cessation Event and an €STR Index Cessation Effective Date (each as defined above) have occurred, the €STR Reference Rate shall be a rate equal to €STR in respect of the last T2 Business Day for which such rate was published on the ECB's Website.

If the €STR Reference Rate does not appear on a T2 Business Day as specified above, and both an €STR Index Cessation Event and an €STR Index Cessation Effective Date have occurred, the rate for each T2 Business Day occurring on or after such €STR Index Cessation Effective Date will be determined as if references to "€STR" were references to the rate (inclusive of any spreads or adjustments) that was recommended as the replacement for €STR by (i) the European Central Bank (or any successor administrator of €STR) and/or by a committee officially endorsed or convened by the European Central Bank (or any successor administrator of €STR) and/or the European Securities and Markets Authority, in each case for the purpose of recommending a replacement for €STR (which rate may be produced by the European Central Bank or another administrator) and as provided by the administrator of that rate or, if that rate is not provided by the administrator thereof (or a successor administrator), published by an authorized distributor (the **ECB Recommended Rate**), provided that, if no such rate has been recommended before the end of the first T2 Business Day following the €STR Index Cessation Effective Date, then the rate for each T2 Business Day occurring on or after such €STR Index Cessation Effective Date will be determined as if references to €STR were references to the Eurosystem Deposit Facility Rate, the rate on the deposit facility that banks may use to make overnight deposits with the Eurosystem, as published on the ECB's Website (the **EDFR**) on such T2 Business Day plus the arithmetic mean of the daily difference between the €STR and the EDFR over an observation period of 30 T2 Business Days starting 30 T2 Business Days prior to the day on which the €STR Index Cessation Event occurs and ending on the T2 Business Day immediately preceding the day on which the €STR Index Cessation Event occurs (the **EDFR Spread**); provided further that, if both an ECB Recommended Rate Index Cessation Event and an ECB Recommended Rate Index Cessation Effective Date

subsequently occur, then the rate for each T2 Business Day occurring on or after that ECB Recommended Rate Index Cessation Effective Date will be determined as if references to "€STR" were references to the EDFR on such T2 Business Day plus the arithmetic mean of the daily difference between the ECB Recommended Rate and the EDFR over an observation period of 30 T2 Business Days starting 30 T2 Business Days prior to the day on which the ECB Recommended Rate Index Cessation Event occurs and ending on the T2 Business Day immediately preceding the day on which the ECB Recommended Rate Index Cessation Event occurs.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 4(f), (i) the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the Rate of Interest last determined in relation to the Covered Bonds in respect of the last preceding Interest Period (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the Rate of Interest applicable to the Covered Bonds during such Interest Period shall be determined as if references to €STR for each T2 Business Day occurring on or after the €STR Index Cessation Effective Date were references to the latest published ECB Recommended Rate or, if the EDFR is published on a later date than the latest published ECB Recommended Rate, the latest published EDFR plus the EDFR Spread.

If an €STR Index Cessation Event occurs, the Issuer will promptly notify the Covered Bondholders in accordance with Condition 13 and the Calculation Agent of such occurrence.

(5) If the relevant Series of Covered Bonds become due and payable following an Issuer Event of Default or a Guarantor Event of Default, the final Rate of Interest shall be calculated for the Interest Period to (but excluding) the date on which the Covered Bonds become due and payable (with corresponding adjustments being made to the relevant formula used for the purposes of determing the Rate of Interest), and such Rate of Interest shall continue to apply to the Covered Bonds for so long as interest continues to accrue thereon as provided in Condition 4.4 and the Trust Deed.

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

If the applicable Final Terms Document or Pricing Supplement for a Floating Rate 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 Final Terms Document or Pricing Supplement for a Floating Rate 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 Calculation 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 Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Covered Bonds for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bond; or

(ii) in the case of Floating Rate Covered Bonds in definitive form, the Calculation Amount,

and, in each case, 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. Where the Specified Denomination of a Floating Rate Covered Bond in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such 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.

(e) Notification of Rate of Interest and Interest Amounts

The Calculation 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 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 (Notices) 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 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 Covered Bondholders in accordance with Condition 13 (Notices).

(f) Benchmark Discontinuation (Independent Adviser)

This Condition 4.2(f) applies to all Covered Bonds with an Original Reference Rate used to calculate a Rate of Interest or a component thereof other than where the Original Reference Rate specified in the Final Terms Document or Pricing Supplement is SOFR. If the Original Reference Rate is SARON or €STR, this Condition shall only apply if the Rate of Interest is not determined by application of the provisions of Condition 4.2(h). or Condition 4.2(b)(ii), respectively.

For greater certainty, this Condition 4.2(f) also applies to Condition 4.2(b)(i) to the extent that the ISDA Definitions do not provide for a successor rate or any successor rate also requires Benchmark Amendments or, in the case where the 2021 ISDA Definitions apply, where Section 8.6 (Generic Fallback Provisions) of the 2021 ISDA Definitions would otherwise apply.

(i) Independent Adviser

If the Issuer determines a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.2(f)(ii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.2(f)(iii)) and any Benchmark Amendments (in accordance with Condition 4.2(f)(iv)).

An Independent Adviser appointed pursuant to this Condition 4.2(f) shall act in good faith and in a commercially reasonable manner and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Bond Trustee, the Paying Agents, the Covered Bondholders or the Couponholders for any determination made by it or for any advice given

to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4.2(f).

In making any determination pursuant to this Condition 4.2(f), the Issuer shall act in good faith and, in the absence of bad faith or fraud, the Issuer shall have no liability whatsoever to the Bond Trustee, the Paying Agents, the Calculation Agent, the Covered Bondholders or the Couponholders for any such determination made by it.

If the Issuer is unable to appoint an Independent Adviser or unable to make the determination set out in Condition 4.2(f) (i), (ii), (iii) and (iv) in consultation with an Independent Adviser, the Issuer may make such determinations itself, acting in good faith and in a commercially reasonable manner, and having such regard as it shall think fit to the foregoing provisions, of this Condition 4.2(f), any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets, and subject always to any Minimum Rate of Interest and/or Maximum Rate of Interest specified in the applicable Final Terms Document or Pricing Supplement.

(ii) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.2(f)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the Covered Bonds (subject to the operation of this Condition 4.2(f)); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.2(f)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the Covered Bonds (subject to the further operation of this Condition 4.2(f)).

(iii) Adjustment Spread

If the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith and in a commercially reasonable manner, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to each Successor Rate or Alternative Rate (as applicable).

If the Issuer, following consultation with the Independent Adviser, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, the Successor Rate or the Alternative Rate (as the case may be) will apply without an Adjustment Spread.

(iv) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (if any) is determined in accordance with this Condition 4.2(f) and the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to these Conditions and/or the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the **Benchmark Amendments**) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.2(f)(v), vary these Conditions and/or the Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Bond Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 4.2(f)(v), the Bond Trustee shall, without any requirement for the consent or approval of the Covered Bondholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) and the Bond Trustee shall not be liable to any party for any consequences thereof.

No consent or approval of Covered Bondholders shall be required in connection with effecting the relevant Successor Rate or Alternative Rate (as may be applicable), Adjustment Spread and/or any Benchmark Amendments, or varying these Conditions and/or the Agency Agreement and/or the Trust Deed to give effect to such changes pursuant to this Condition 4.2(f), including the execution of any documents or the taking of any steps by the Issuer or any parties to any relevant documents (if required).

In connection with any such variation in accordance with this Condition 4.2(f)(iv), the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading.

(v) Other Conditions

(A) The occurrence of a Benchmark Event, any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.2(f) will be (i) subject to the Rating Agency Condition (as specified in Condition 17) with respect to each Rating Agency and (ii) notified promptly by the Issuer to the Bond Trustee, the Principal Paying Agent and the Calculation Agent and, in accordance with Condition 13 (Notices), the Covered Bondholders. Such notice shall be irrevocable and shall specify the effective date(s) for such Successor Rate or Alternative Rate (as applicable), the Adjustment Spread (if any) and for the Benchmark Amendments, if any.

(B) No later than the date of notifying the Bond Trustee of the same, the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories of the Issuer:

(i) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) the Adjustment Spread (if any) and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4.2(f); and

(ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and (in either case) the applicable Adjustment Spread (if any).

The Bond Trustee shall display such certificate at its offices for inspection by the Covered Bondholders at all reasonable times during normal business hours. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the Paying Agents and the Covered Bondholders.

(C) The Issuer shall pay (or arranges for the payment of) all fees, costs and expenses (including legal fees) properly incurred by the Bond Trustee in connection with such Benchmark Event, Successor or Alternative Rate, Spread Adjustment and the specific terms of any Benchmark Amendments.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 4.2(f) (i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 4.2(b) will continue to apply unless and until the Principal Paying Agent and the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and (in either case) any Adjustment Spread (if applicable) and Benchmark Amendments, in accordance with Condition 4.2(f)(v). For the avoidance of doubt, this subparagraph 4.2(f)(vi) shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only, and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the operation of, and to adjustment as provided in, this Condition 4.2(f).

(vii) Definitions:

As used in this Condition 4.2(f):

Adjustment Spread means either a spread (which may be positive or negative or zero), or the formula or methodology for calculating a spread, in each case, to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) if no such formal recommendation has been made in relation to the replacement of the Original Reference Rate with a Successor Rate by any Relevant Nominating Body and, in all cases, in the case of an Alternative Rate, the Issuer, following consultation with the Independent Adviser (if any) and acting in good faith, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to provide an industry-accepted replacement rate for the Original Reference Rate; or

(C) if the Issuer determines, following consultation with the Independent Adviser (if any) and acting in good faith, that no such spread is customarily applied in international debt capital markets under (B) above, the Issuer determines, following consultation with the Independent Adviser (if any) and acting in good faith, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(D) if the Issuer determines that no industry standard is recognised or acknowledged as aforesaid and, consequently, no such spread, formula or methodology can be determined in accordance with (A) to (C) above, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this subclause (D) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Covered Bondholders.

Alternative Rate means an alternative to the benchmark or screen rate which the Issuer determines in accordance with Condition 4.2(f)(ii) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Covered Bonds.

Benchmark Amendments has the meaning given to it in Condition 4.2(f)(iv).

Benchmark Event means:

(A) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(B) a public statement by the administrator of the Original Reference Rate that it has ceased or will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(C) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used either generally or in respect of Covered Bonds, or that it will be subject to restrictions or adverse consequences; or

(E) an official announcement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is deemed by such supervisor to be) no longer representative of its underlying relevant markets; or

(F) it has become unlawful for any Paying Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any Covered Bondholder using the Original Reference Rate (including, without limitation, under the Benchmarks Regulations (EU) 2016/1011 (including as it forms part of the domestic law of the United Kingdom by virtue of the *European Union (Withdrawal) Act 2018* (as amended)), as applicable),

provided that the Benchmark Event shall be deemed to occur (a) in the case of paragraphs (B) and (C) above, on the date of the cessation of the Original Reference Rate or the discontinuation of the Original Reference Rate or, (b) in the case of (D) above, on the date of prohibition of use of the Original Reference Rate and (c) in the case of paragraph (E) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the public statement and, in each case, not the date of the relevant public statement.

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4.2(f)(i).

Original Reference Rate means the benchmark or screen rate (as applicable) originally-specified for the purposes of determining the relevant Rate of Interest (or any component part thereof) on the Covered Bonds.

Relevant Nominating Body means, in respect of a benchmark or screen rate (as applicable):

(A) the European Commission, the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (w) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (x) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (y) a group of the aforementioned central banks or other supervisory authorities or (z) the Financial Stability Board or any part thereof.

Successor Rate means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(g) Benchmark Discontinuation (ARRC)

This Condition 4.2(g) applies to all Covered Bonds where the Reference Rate used to calculate the Rate of Interest (or any component thereof) is SOFR (and for the avoidance of doubt any subsequent USD Benchmark determined as a result of a Benchmark Replacement determination):

(i) *Benchmark Replacement.* If the Issuer or its designee determines that a USD Benchmark Transition Event and its related USD Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the then-current USD Benchmark on any date, the Benchmark Replacement will replace the then-current USD Benchmark for all purposes relating to the Covered Bonds in respect of such determination on such date and all determinations on all subsequent dates;

(ii) *Benchmark Replacement Conforming Changes.* In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time;

(iii) *Decisions and Determinations.* Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 4.2(g), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(A) will be conclusive and binding absent manifest error;

(B) if made by the Issuer, will be made in the Issuer's sole discretion; and

(C) if made by the Issuer's designee, will be made after consultation with the Issuer, and the designee will not make any such determination, decision or election to which the Issuer objects; and

(D) shall become effective without consent, sanction or absence of objection from the Covered Bondholders.

Any determination, decision or election pursuant to the benchmark replacement provisions not made by the Issuer's designee will be made by the Issuer on the basis as described above. The designee shall have no liability for not making any such determination, decision or election absent bad faith or fraud.

(iv) *Other Conditions.*

(A) Any USD Benchmark Transition Event, Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 4.2(g) will be (i) subject to the Rating Agency Condition (as specified in Condition 17) with respect to each Rating Agency, and (ii) notified promptly by the Issuer to the Bond Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 13, the Covered Bondholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

(B) No later than providing the notice to the Bond Trustee pursuant to Condition 4.2(g)(iv), the Issuer shall deliver to the Bond Trustee a certificate of the Issuer (**USD Benchmark Transition Event Certificate**) confirming (x) that a USD Benchmark Transition Event and its related USD Benchmark Replacement Date have occurred specifying the Benchmark Replacement, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 4.2(g)).

The Bond Trustee shall display such certificate at its offices for inspection by the Covered Bondholders at all reasonable times during normal business hours. The Benchmark Replacement and the Benchmark Replacement Adjustment (if any) and the Benchmark Replacement Conforming Changes (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Benchmark Replacement and the Benchmark Replacement Adjustment (if any) and the Benchmark Replacement Conforming Changes (if any)) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the Paying Agents and the Covered Bondholders.

(C) The Issuer shall pay (or arranges for the payment of) all fees, costs and expenses (including legal fees) properly incurred by the Bond Trustee in connection with such USD Benchmark Transition Event, Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Change.

(v) *Definitions.* For the purposes of this Condition 4.2(g):

Benchmark Replacement means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the USD Benchmark Replacement Date:

(A) the sum of: (I) an alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current USD Benchmark for the applicable Corresponding Tenor and (II) the Benchmark Replacement Adjustment;

(B) the sum of: (I) the ISDA Fallback Rate and (II) the Benchmark Replacement Adjustment; or

(C) the sum of: (I) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current USD Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for

the then-current USD Benchmark for U.S. dollar denominated floating rate covered bonds or notes at such time calculated by reference to the then-current USD Benchmark, at such time and (II) the Benchmark Replacement Adjustment.

Benchmark Replacement Adjustment means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the USD Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current USD Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate covered bonds or note.

Benchmark Replacement Conforming Changes means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Interest Period", determination dates, the timing and frequency of determining rates and making payments, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary).

Corresponding Tenor with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current USD Benchmark.

designee means an affiliate or other agent of the Issuer designated by the Issuer.

ISDA Fallback Adjustment means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the Relevant ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the USD Benchmark for the applicable tenor.

ISDA Fallback Rate means the rate that would apply for derivatives transactions referencing the Relevant ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the USD Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

Reference Time with respect to any determination of the USD Benchmark means:

(A) where the USD Benchmark is Compounded Daily SOFR, 3:00 p.m. (New York City time) on the U.S. Government Securities Business Day the relevant rate is in respect of; or

(B) otherwise, the time determined by the Issuer or its designee after giving effect to the modifications noted in Condition 4.2(g).

Relevant Governmental Body means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

Relevant ISDA Definitions means:

(A) unless **2021 Relevant ISDA Definitions** are specified as being applicable in the relevant Final Terms Document or Pricing Supplement, as the case may be, the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc (**ISDA**) or any successor thereto, as amended and supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time time; and

(B) if **2021 Relevant ISDA Definitions** are specified as being applicable in the relevant Final Terms Document or Pricing Supplement, as the case may be, the latest version of the ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), each as published by ISDA or any successor thereto, as amended and supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

Unadjusted Benchmark Replacement means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

USD Benchmark means, initially, in respect of SOFR referenced Floating Rate Covered Bond, Compounded Daily SOFR, as such term is defined in Condition 4.2(b)(ii); provided that if a USD Benchmark Transition Event and its related USD Benchmark Replacement Date have occurred with respect to Compounded Daily SOFR (or the published daily SOFR used in the calculation thereof), or the then-current USD Benchmark, then "USD Benchmark" means the applicable Benchmark Replacement.

USD Benchmark Replacement Date means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(A) in the case of clause (A) or (B) of the definition of "USD Benchmark Transition Event", the later of (I) the date of the public statement or publication of information referenced therein and (II) the date on which an administrator (who initially is the Federal Reserve Bank of New York) of the USD Benchmark permanently or indefinitely ceases to provide the USD Benchmark; or

(B) in the case of clause (C) of the definition of "USD Benchmark Transition Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the USD Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the USD Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

USD Benchmark Transition Event means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(A) a public statement or publication of information by or on behalf of the administrator of the USD Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the USD Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the USD Benchmark (or such component); or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the USD Benchmark (or such component), the central bank for the currency of the USD Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the USD Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the USD Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the USD Benchmark (or such component), which states that the administrator of the USD Benchmark (or such component) has ceased or will cease to provide the USD Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the USD Benchmark (or such component) ; or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the USD Benchmark announcing that the USD Benchmark is no longer, or as of a specified future date will no longer be representative.

For the avoidance of doubt, for purposes of the definitions of USD Benchmark Replacement Date and USD Benchmark Transition Event, references to Benchmark also include any reference rate underlyng such Benchmark.

(vi) *Conflict*.

To the extent that there is any inconsistency between the conditions set out in Condition 4.2(g) and any other Condition, the statements in this Condition 4.2(g) shall prevail with respect to any U.S. dollar denominated Floating Rate Covered Bonds calculated by reference to a USD Benchmark.

(vii) *Future Benchmark Replacement*.

For the avoidance of doubt, the Issuer or its designee may give effect to a USD Benchmark Transition Event on more than one occasion provided that the conditions set out in this Condition 4.2(g) are satisfied.

(viii) Survival of the USD Benchmark:

Without prejudice to the obligations of the Issuer under this Condition 4.2(g), the Reference Rate in respect of a USD Benchmark and the fallback provisions provided for in Condition 4.2(b) will continue to apply unless and until the Bond Trustee has received the USD Benchmark Transition Event Certificate in accordance with this Condition 4.2(g). For the avoidance of doubt, this Condition 4.2(g) shall apply to the determination of the Interest Rate on the relevant Interest Determination Date, and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the operation of, and to adjustment as provided in, this Condition 4.2(g).

(h) Benchmark Discontinuation (SARON)

Condition 4.2(h) applies to all Covered Bonds for which the Original Reference Rate specified in the Final Terms Document or Pricing Supplement is SARON.

(i) SARON Replacement Rate

If SARON does not appear on the SARON Administrator Website or is not so published by the Relevant Time on a Zurich Banking Day and a SARON Index Cessation Event and a SARON Index Cessation Effective Date have both occurred on or prior to such Zurich Banking Day, for the purposes of Condition 4.2(b) (ii)-SARON, **SARON** shall mean, in respect of any such Zurich Banking Day,

(A) the rate resulting from calculating SARON for such Zurich Banking Day in accordance with the definition of "SARON" in Condition 4.2 (b)(ii) as if the reference to Swiss Average Rate Overnight in such definition were a reference to the Recommended Replacement Rate, giving effect to the Recommended Adjustment Spread, if any; or

(B) if there is no Recommended Replacement Rate available within one Zurich Banking Day of the SARON Index Cessation Effective Date, the policy rate of the Swiss National Bank (the **SNB Policy Rate**) for such Zurich Banking Day, giving effect to the SNB Adjustment Spread, if any;

Any substitution of the SARON rate by the Recommended Replacement Rate or the SNB Policy Rate as specified above (the **SARON Replacement Rate**) will remain effective for the remaining term to maturity of the Covered Bonds.

(ii) SARON Benchmark Amendments

If the Calculation Agent (i) is required to use a SARON Replacement Rate pursuant to clause (i)(A) or (B) of the definition of "SARON" above for purposes of determining SARON for any Zurich Banking Day, and (ii) determines that any changes to the definitions of Business Day Convention, Day Count Fraction, Interest Determination Date, Interest Payment Date, Interest Period, Observation Period, Relevant Time, SARON, SARON Administrator, SARON Administrator Website or Zurich Business Day or any other amendments to the Conditions and/or the Agency Agreement and/or the Trust Deed (collectively, the **SARON Benchmark Amendments**) are necessary in order to use such Recommended Replacement Rate (and any Recommended Adjustment Spread) or the SNB Policy Rate (and any SNB Adjustment Spread), as the case may be, for such purposes, then the Issuer shall, subject to giving notice thereof as specified below, vary these Conditions and/or the Agency Agreement and/or the Trust Deed to give effect to such SARON Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Bond Trustee of a certificate signed by two authorised signatories of the Issuer as specified below, the Bond Trustee shall, without any requirement for the consent or approval of the Covered Bondholders, be obliged to concur with the Issuer in effecting any SARON Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) and the Bond Trustee shall not be liable to any party for any consequences thereof.

No consent or approval of Covered Bondholders shall be required in connection with substituting the Recommended Replacement Rate (and any Recommended Adjustment Spread) or the SNB Policy Rate (and any SNB Adjustment Spread), as the case may, in place of SARON and/or effecting any SARON Benchmark Amendments, or otherwise varying these Conditions and/or the Agency Agreement and/or the Trust Deed to give effect to such changes pursuant to these provisions, including the execution of any documents or the taking of any steps by the Issuer or any parties to any relevant documents (if required).

In connection with any such variation of the Conditions in accordance with these provisions, the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading.

(iii) Notices, etc

The substitution of a SARON Replacement Rate in place of SARON and the specific terms of any SARON Benchmark Amendments, determined under these provisions will be (i) subject to the Rating Agency Condition (as specified in Condition 17) with respect to each Rating Agency and (ii) notified promptly by the Issuer to the Bond Trustee, the Principal Paying Agent and the Calculation Agent and, in accordance with Condition 13 (Notices), the Covered Bondholders. Such notice shall be irrevocable and shall specify the effective date(s) for such and for the Benchmark Amendments, if any.

No later than the date of notifying the Bond Trustee of the same, the Issuer shall deliver to the Bond Trustee a certificate signed by two Authorised Signatories of the Issuer (the **SARON Cessation Event Certificate**):

(i) confirming (x) that a SARON Index Cessation Event and SARON Index Cessation Effective Date have occurred, (y) the Recommended Replacement Rate (and any Recommended Adjustment Spread) or the SNB Policy Rate (and any SNB Adjustment Spread), as the case may, and the specific terms of any SARON Benchmark Amendments, in each case, as determined in accordance with these provisions; and

(ii) certifying that the Calculation Agent has determined that the SARON Benchmark Amendments are necessary to ensure the proper operation of the Recommended Replacement Rate (and any Recommended Adjustment Spread) or the SNB Policy Rate (and any SNB Adjustment Spread), as the case may.

The Bond Trustee shall display such certificate at its offices for inspection by the Covered Bondholders at all reasonable times during normal business hours. The Recommended Replacement Rate (and any Recommended Adjustment Spread) or the SNB Policy Rate (and any SNB Adjustment Spread), as the case may, specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Recommended Replacement Rate (and any Recommended Adjustment Spread) or the SNB Policy Rate (and any SNB Adjustment Spread), as the case may, and the SARON Benchmark Amendments (if any)) be binding on the Issuer, the Bond Trustee, the Calculation Agent ,the Paying Agents and the Covered Bondholders.

The Issuer shall pay (or arranges for the payment of) all fees, costs and expenses (including legal fees) properly incurred by the Bond Trustee in connection with such Recommended Replacement Rate (and any Recommended Adjustment Spread) or the SNB Policy Rate (and any SNB Adjustment Spread), as the case may, and the specific terms of any SARON Benchmark Amendments.

(iv) Survival of the Original Reference Rate:

Without prejudice to the obligations of the Issuer under this Condition 4.2(g), the Original Reference Rate and the temporary fallback provisions provided for in Condition 4.2(b)(ii)-SARON will continue to apply to the Covered Bonds unless and until the Bond Trustee has received the SARON Cessation Event Certificate in accordance with this Condition 4.2(g). For the avoidance of doubt, this Condition 4.2(g) shall apply to the determination of the Interest Rate on the relevant Interest Determination Date, and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the operation of, and to adjustment as provided in, this Condition 4.2(g).

(v) Definitions

As used in this Condition 4.2(h):

Recommended Replacement Rate means the rate that has been recommended as the replacement for SARON by any working group or committee in Switzerland organised in the same or a similar manner as the National Working Group on Swiss Franc Reference Rates that was founded in 2013 for purposes of, among other things, considering proposals to reform reference interest rates in Switzerland (any such working group or committee, the **Recommending Body**);

Recommended Adjustment Spread means, with respect to any Recommended Replacement Rate, the spread (which may be positive or negative or zero), or formula or methodology for calculating such a spread,

(a) that the Recommending Body has recommended be applied to such Recommended Replacement Rate in the case of fixed income securities with respect to which such Recommended Replacement Rate has replaced the Swiss Average Rate Overnight as the reference rate for the purposes of determining the applicable rate of interest thereon; or

(b) if the Recommending Body has not recommended such a spread, formula or methodology as described in (a) above, to be applied to such Recommended Replacement Rate in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to Covered Bondholders as a result of the replacement of the Swiss Average Rate Overnight with such Recommended Replacement Rate for purposes of determining SARON, which spread will be determined by the Calculation Agent, acting in good faith and a commercially reasonable manner, and be consistent with industry-accepted practices for fixed income securities with respect to which such Recommended Replacement Rate has replaced the Swiss Average Rate Overnight as the reference rate for purposes of determining the applicable rate of interest thereon;

Relevant Time has the meaning specified in Condition 4.2 (b)(ii)-SARON;

SARON has the meaning specified in Condition 4.2 (b)(ii)-SARON;

SARON Administrator Website has the meaning specified in Condition 4.2 (b)(ii)-SARON;

SARON Index Cessation Effective Date means, in respect of a SARON Index Cessation Event, the earliest of:

(a) (in the case of a SARON Index Cessation Event described in clause (a) of the definition thereof) the date on which the SARON Administrator of the Swiss Average Rate Overnight ceases to provide SARON;

(b) (in the case of a SARON Index Cessation Event described in clause (b)(x) of the definition thereof) the latest of:

(i) the date of such statement or publication;

(ii) the date, if any, specified in such statement or publication as the date on which SARON will no longer be representative; and

(iii) if a SARON Index Cessation Event described in clause (b)(y) of the definition of SARON Index Cessation Event has occurred on or prior to either or both dates specified in sub-clauses (i) and (ii) of this clause (b), the date as of which SARON may no longer be used; and

(c) (in the case of a SARON Index Cessation Event described in clause (b)(y) of the definition thereof) the date as of which SARON may no longer be used.

SARON Index Cessation Event means the occurrence of one or more of the following events:

(a) a public statement or publication of information by or on behalf of the SARON Administrator, or by any competent authority, announcing or confirming that the SARON Administrator has ceased or will cease to provide the Swiss Average Rate Overnight permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Swiss Average Rate Overnight; or

(b) a public statement or publication of information by the SARON Administrator or any competent authority announcing that (x) the Swiss Average Rate Overnight is no longer representative or will as of a certain date no longer be representative, or (y) the Swiss Average Rate Overnight may no longer be used after a certain date, which statement, in the case of sub-clause (y), is applicable to (but not necessarily limited to) fixed income securities and derivatives.

SNB Adjustment Spread means, with respect to the SNB Policy Rate, the spread to be applied to the SNB Policy Rate in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to Covered Bondholders as a result of the replacement of SARON with the SNB Policy Rate for purposes of determining SARON, which spread will be determined by the Calculation Agent, acting in good faith and a commercially reasonable manner, taking into account the historical median between the SARON and the SNB Policy Rate during the two year period ending on the date on which the SARON Index Cessation Event occurred (or, if more than one SARON Index Cessation Event has occurred, the date on which the first of such events occurred).

Zurich Banking Day has the meaning specified in Condition 4.2 (b)(ii)-SARON.

(i) Determination or Calculation by Bond Trustee

If for any reason at any relevant time after the Issue Date, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Calculation Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph 4.2(b)(i) or (ii) above or as otherwise specified in the applicable Final Terms Document or 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 Final Terms Document or 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 Calculation Agent**.**

(j) 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 (Interest on Floating Rate Covered Bonds), whether by the Calculation Agent or the Bond Trustee will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the other Paying Agents, the Bond Trustee and all Covered Bondholders and Couponholders and (in the absence of willful default, negligence, bad faith or fraud) no liability to the Issuer, the Guarantor, the Covered Bondholders or the Couponholders will attach to the Calculation 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.

(k) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms Document or Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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 (Interest on Fixed Rate Covered Bonds) or 4.2 (Interest on Floating Rate Covered Bonds) (as the case may be) under the Covered Bond Guarantee in respect of the 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 Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such 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 (Late Payment).

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

(v) In these Terms and Conditions, **Business Day** means:

(i) (A) a day 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 each Additional Business Centre (if any) specified in the applicable Final Terms Document or Pricing Supplement and (B) if T2 is specified in the applicable Final Terms Document or Pricing Supplement as a relevant Additional Business Centre, a day which is a T2 Business Day; and

(ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day 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 the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre) or as otherwise specified in the applicable Final Terms Document or Pricing Supplement or (B) in relation to any sum payable in euro, a day which is a T2 Business Day.

(w) If a **Business Day Convention** is specified in the applicable Final Terms Document or 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 (A) 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 (B) 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,

provided that if "ISDA Determination", "2021 ISDA Definitions" and "Unscheduled Holiday" are applicable in the applicable Final Terms Document or Pricing Supplement, then in the case where Modified Following Business Day Convention, Modified Business Day Convention, Preceding Business Day Convention, FRN Convention, Floating Rate Convention or Eurodollar Convention apply to a particular date and that date would otherwise fall on a day that is not a Business Day as a result of an Unscheduled Holiday (as defined in the 2021 ISDA Definitions but disregarding references to Valuation Business Day and Exercise Business Day and construing references to the Confirmation to mean the applicable Final Terms) notwithstanding the provisions of (i) to (iv) above, such day will instead fall on the first following day that is a Business Day.

(x) **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 Final Terms Document or 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 Final Terms Document or 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 (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366, and (B) 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 Final Terms Document or Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iv) if "Actual/365 (Sterling)" is specified in the applicable Final Terms Document or 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 Final Terms Document or Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(vi) if "Actual/360 (Observation Period)" is specified in the applicable Final Terms, the actual number of days in the Observation Period divided by 360;

(vii) if "30/360," "360/360" or "Bond Basis" is specified in the applicable Final Terms Document or 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_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" 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_1 is greater than 29, in which case D_2 will be 30; and

(viii) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms Document or 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_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" 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_2, will be 30; or

(ix) such other Day Count Fraction as may be specified in the applicable Final Terms Document or Pricing Supplement.

(y) **Interest Period** means (i) the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, provided that the final Interest Period shall end on but exclude the Final Maturity Date or the Extended Due for Payment Date, as applicable or (ii) such other period (if any) in respect of which interest is to be calculated being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which in the case of the schedule final or early redemption of any Covered Bonds, shall be such redemption date and in other cases where the relevant Covered Bonds become due and payable following an Issuer Event of Default or a Guarantor Event of Default, shall be the date on which such Covered Bonds become due and payable).

(z) **Principal Amount Outstanding** means, in respect of a Covered Bond, on any day, the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof on or prior to that day.

(aa) If **adjusted** is specified in the applicable Final Terms Document or Pricing Supplement against the Day Count Fraction, interest in respect of the relevant Interest Period will be payable in arrear 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.

(bb) If **not adjusted** is specified in the applicable Final Terms Document or Pricing Supplement against the Day Count Fraction, interest in respect of the relevant Interest Period will be payable in arrear 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.

(cc) **sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, €0.01.

(dd) **T2** means the real time gross settlement system operated by the Eurosystem or any successor or replacement system.

(ee) **T2 Business Day** means a day on which T2 is open for settlement of payments in euro.

5. Payments

5.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, will be a non-resident account) maintained by the payee with, or, at the option of the payee, by a check in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro check.

In the case of Bearer Covered Bonds, payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5 (Payments), means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by check drawn on a United States bank. In no event will payment in respect of Bearer Covered Bonds be made by a check mailed to an address in the United States. All payments of interest in respect of Bearer Covered Bonds will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer or the Guarantor.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 7 (Taxation), 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 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 7 (Taxation)) law implementing an intergovernmental approach thereto. References to Specified Currency will include any successor currency under applicable law.

5.2 Presentation of Bearer Definitive Covered Bonds and Coupons

Payments of principal and interest (if any) will (subject as provided below) be made in accordance with Condition 5.1 (Method of payment) only against presentation and surrender of Bearer Definitive Covered Bonds or Coupons (or, in the case of part payment of any sum due, endorsement of the Bearer Definitive Covered Bond (or Coupon)), as the case may be, only at a specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction).

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression will include Coupons failing to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7 (Taxation)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (Prescription)) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay or a Guarantor Acceleration Notice) or by the Guarantor under the Covered Bond Guarantee (if a Notice to Pay or a Guarantor Acceleration Notice has been served) prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) will become void and no payment or, as the case may be, exchange for further Coupons will be made in respect thereof. A **Long Maturity Covered Bond** is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon *provided* that such Covered Bond will cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond.

If the due date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date

or, as the case may be, the Interest Commencement Date will be payable only against presentation and surrender of the relevant Bearer Definitive Covered Bond.

5.3 Payments in respect of Bearer Global Covered Bonds

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Bearer Global Covered Bond against presentation or surrender, as the case may be, of such Bearer Global Covered Bond if the Bearer Global Covered Bond is not issued in NGCB form at the specified office of any Paying Agent outside the United States. On the occasion of each payment (a) in the case of any Bearer Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by the Paying Agent and such record will be *prima facie* evidence that the payment in question has been made, and (b) in the case of any Bearer Global Covered Bond which is issued in NGCB form, the Paying Agent will instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

No payments of principal, interest or other amounts due in respect of a Bearer Global Covered Bond will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

5.4 Payments in respect of Registered Covered Bonds

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made in accordance with Condition 5.1 (Method of payment) by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which DTC, CDS, Euroclear or Clearstream, Luxembourg, as applicable, are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the tenth business day (**business day** being for the purposes of this Condition 5.4 (Payments in respect of Registered Covered Bonds) a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the **Record Date**). Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account, or (b) the principal amount of the Covered Bonds held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a check in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Yen to a non-resident of Japan, will be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Covered Bond (whether or not in global form) will be made by a check in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on the Record Date at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the Registrar not less than three business days before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer will be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as

the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses will be charged to such holders by the Registrar or any of the Paying Agents in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

None of the Bank, the Guarantor, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.5 General provisions applicable to payments

The holder of a Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) will be the only Person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the obligations of the Issuer or, as the case may be, the Guarantor under the Covered Bond Guarantee will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the Persons shown in the records of DTC, CDS, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, CDS, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the Guarantor under the Covered Bond Guarantee to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No Person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Bond Trustee) will have any claim against the Issuer or the Guarantor under the Covered Bond Guarantee in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, payments of principal and/or interest in respect of Bearer Covered Bonds in U.S. Dollars will only be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and/or interest on the Bearer Covered Bonds in the manner provided above when due;

(b) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(c) such payment is then permitted under United States Law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor under the Covered Bond Guarantee.

5.6 Payment Day

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day (as defined below), the holder thereof will not be entitled to payment of the relevant amount due until the next following Payment Day and will not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms Document or Pricing Supplement), **Payment Day** means any day which (subject to Condition 8 (Prescription)) is:

(a) a day 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:

(i) in the case of Definitive Covered Bonds only, the relevant place of presentation; and

(ii) each Financial Centre (if any) (other than T2) specified in the applicable Final Terms Document or Pricing Supplement;

(b) if T2 is specified as a Financial Centre in the applicable Final Terms Document or Pricing Supplement, a day which is a T2 Business Day;

(c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day 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 the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, and any Financial Centre) or as otherwise specified in the applicable Final Terms Document or Pricing Supplement, or (ii) in relation to any sum payable in euro, a day which is a T2 Business Day; and

(d) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected, by a date not later than 15 days prior to a Payment Date, to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by Law to be closed in New York City.

5.7 Interpretation of principal and interest

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 (Taxation) 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) in relation to Zero Coupon Covered Bonds, the Amortized Face Amount (as defined in Condition 6.7 (Early Redemption Amounts));

(f) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and

(g) 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 (Taxation) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

5.8 Redenomination

Where redenomination is specified in the applicable Final Terms Document or Pricing Supplement as being applicable, the Issuer may, without the consent of the Covered Bondholders and the Couponholders, on giving prior written notice to the Bond Trustee, the Agents, the Registrar (in the case of Registered Covered Bonds), Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Covered Bondholders in accordance with Condition 13 (Notices), elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds will be redenominated in euro. In relation to any Covered Bonds where the applicable Final Terms Document or Pricing Supplement provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least €100,000 and which are admitted to trading on a regulated market in the EEA or the UK, it will be a term of any such article that the holder of any Covered Bonds held through Euroclear, Clearstream, Luxembourg and/or DTC must have credited to its securities account with the relevant clearing system a minimum balance of Covered Bonds of at least €100,000.

The election will have effect as follows:

(a) the Covered Bonds will be deemed to be redenominated in euro in the denomination of €0.01 with a nominal amount for each Covered Bond equal to the nominal amount of that Covered Bond in the Specified Currency, converted into euro at the Established Rate, *provided* that, if the Issuer determines, in consultation with the Agents and the Bond Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions will be deemed to be amended so as to comply with such market practice and the Issuer will promptly notify the Covered Bondholders, the competent listing authority, stock exchange, and/or market (if any) on or by which the Covered Bonds may be listed and/or admitted to trading and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Covered Bonds will be calculated by reference to the aggregate nominal amount of Covered Bonds presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment will be rounded down to the nearest €0.01;

(c) if Definitive Covered Bonds are required to be issued after the Redenomination Date, they will be issued at the expense of the Issuer in the denominations of €100,000 and/or such higher amounts as the Agents may determine and notify to the Covered Bondholders and any remaining amounts less than €100,000 will be redeemed by the Issuer and paid to the Covered Bondholders in euro in accordance with Condition 6 (Redemption and Purchase);

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Covered Bonds and Coupons are available for exchange (*provided* that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Covered Bonds and Coupons so issued will also become void on that date although those Covered Bonds and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds and Coupons will be issued in exchange for Covered Bonds and Coupons denominated in the Specified Currency in such manner as the Agents may specify and as will be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;

(e) after the Redenomination Date, all payments in respect of the Covered Bonds and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Covered Bonds to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro check;

(f) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, 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;

(g) if the Covered Bonds are Floating Rate Covered Bonds, the applicable Final Terms Document or Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes will be made to this Condition (and the Transaction Documents) as the Issuer may decide, after consultation with the Agents and the Bond Trustee, and as may be specified in the notice given to the Covered Bondholders pursuant to paragraph (a) above, to conform it to conventions then applicable to instruments denominated in euro.

5.9 Definitions

In these Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the relevant Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty.

euro means the currency introduced at the start of the third stage of European economic and monetary union in accordance with the Treaty.

Redenomination Date means (in the case of interest-bearing Covered Bonds) any date for payment of interest under the Covered Bonds or (in the case of Zero Coupon Covered Bonds) any date, in each case specified by the Issuer in the notice given to the Covered Bondholders pursuant to Condition 5.8(a) and which falls on or after the date on which the country of the relevant Specified Currency first adopts the euro.

Treaty means the Treaty establishing the Functioning of the European Union, as amended.

6. Redemption and Purchase

6.1 Final redemption

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

Without prejudice to Condition 9 (Events of Default, Acceleration and Enforcement), if an Extended Due for Payment Date is specified in the applicable Final Terms Document or Pricing Supplement for a Series of

Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms Document or Pricing Supplement (in each case after the expiry of the grace period set out in Condition 9.1(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 Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of 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 Condition 9.2(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 Priority 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 Principal Paying 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 Covered Bonds whether (a) payment will be made in full of the Final Redemption Amount in respect of a Series of 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 Covered Bonds on that Final Maturity Date. Any failure by the Issuer to notify the Principal Paying Agent will not affect the validity or effectiveness of the extension.

The Guarantor will notify the relevant Covered Bondholders (in accordance with Condition 13 (Notices)), the Rating Agencies, the Bond Trustee, the Principal Paying Agent and (in the case of Registered Covered Bonds) the Registrar 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 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 Condition 9.2(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 Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and will pay Guaranteed Amounts constituting the corresponding part of Scheduled Interest in respect of each such 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 (Final redemption).

6.2 Redemption for taxation reasons

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if the relevant Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13 (Notices), the Covered Bondholders (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 Covered Bonds, that the Issuer is or would

be required to pay additional amounts as provided or referred to in Condition 7 (Taxation). Covered Bonds redeemed pursuant to this Condition 6.2 (Redemption for taxation reasons) will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (Early Redemption Amounts) 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 Final Terms Document or 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 Final Terms Document or Pricing Supplement to the Bond Trustee, the Principal Paying Agent, the Registrar (in the case of the redemption of Registered Covered Bonds) and, in accordance with Condition 13 (Notices), the Covered Bondholders (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 Final Terms Document or 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 Covered Bonds on the date specified in such notice. In the event of redemption of only some of the 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 Final Terms Document or Pricing Supplement. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **Redeemed Covered Bonds**) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of DTC, CDS, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 (Notices) not less than 15 days (or such shorter period as may be specified in the applicable Final Terms Document or Pricing Supplement) prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds or represented by Global Covered Bonds will, in each case, bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds or Global Covered Bonds outstanding bears, in each case, to the aggregate nominal amount of the Covered Bonds outstanding on the Selection Date, provided that such nominal amounts will, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination. No exchange of the relevant Global 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 (Redemption at the option of the Issuer (Issuer Call)) and notice to that effect will be given by the Issuer to the Covered Bondholders in accordance with Condition 13 (Notices) at least five days (or such shorter period as is specified in the applicable Final Terms Document or 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 Final Terms Document or Pricing Supplement for a Covered Bond, then if and to the extent specified in the applicable Final Terms Document or Pricing Supplement, and provided that an Issuer Event of Default has not occurred, upon the Covered Bondholder giving to the Issuer, in accordance with Condition 13 (Notices), 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 Final Terms Document or Pricing Supplement in whole (but not in part) such 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 Final Terms Document or Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

If the Covered Bond is in definitive form, to exercise the right to require redemption of such Covered Bond, the Covered Bondholder must deliver such Covered Bond, on any Business Day falling within the above-mentioned notice period at the specified office of any Paying Agent, accompanied by 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 Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is by check, an address) to which payment is to be made under this Condition 6.4 (Redemption at the option of the Covered Bondholders (Investor Put)).

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 Final Terms Document or Pricing Supplement.

6.5 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 Principal Paying Agent, the Registrar and, in accordance with Condition 13 (Notices), 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) Covered Bonds redeemed pursuant to Condition 6.5(a) (Redemption due to illegality or invalidity) will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (Early Redemption Amounts) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.6 General

Prior to the publication of any notice of redemption pursuant to Condition 6.2 (Redemption for taxation reasons) or 6.5(a) (Redemption due to illegality or invalidity), the Issuer will deliver to the Bond Trustee a certificate signed by two authorised 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 Condition 6.2 (Redemption for taxation reasons) or, as the case may be, 6.5(a) 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 Covered Bondholders and Couponholders.

6.7 Early Redemption Amounts

For the purpose of Conditions 6.2 (Redemption for taxation reasons), 6.5(a) (Redemption due to illegality or invalidity), and Condition 9 (Events of Default, Acceleration and Enforcement) each Covered Bond will be redeemed (unless otherwise stated in the applicable Final Terms Document or Pricing Supplement) at its Early Redemption Amount calculated as follows:

(a) in the case of a Covered Bond other than a Zero Coupon Covered Bond, at the amount specified in, or determined in the manner specified in, the applicable Final Terms Document or Pricing Supplement or, if no such amount or manner is so specified in the applicable Final Terms Document or Pricing Supplement, at its Principal Amount Outstanding, together with interest accrued to (but excluding) the date fixed for redemption; and

(b) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortized Face Amount**) equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of such Covered Bond to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable.

Where such calculation in paragraph (b) above is to be made for a period which is not a whole number of years, it will be made (A) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each, or (B) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (C) on such other calculation basis as may be specified in the applicable Final Terms Document or Pricing Supplement.

6.8 Purchases

The Issuer or any of its Subsidiaries, or the Guarantor, may at any time purchase or otherwise acquire Covered Bonds (*provided* that, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price in the open market either by tender or private agreement or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant Subsidiary, surrendered to any Paying Agent and/or the Registrar for cancellation (except that any Covered Bonds purchased or otherwise acquired by the Guarantor must immediately be surrendered to any Paying Agent and/or the Registrar for cancellation).

6.9 Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6.8 (Purchases) and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Coupons and Talons cancelled therewith) will be forwarded to the Principal Paying Agent and cannot be reissued or resold.

6.10 Late Payment

If any amount payable in respect of any 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 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 following provisions:

(a) in the case of a Covered Bond other than a Zero Coupon Covered Bond, at the rate determined in accordance with Condition 4.1 (Interest on Fixed Rate Covered Bonds) or 4.2 (Interest on Floating Rate Covered Bonds), as the case may be; and

(b) in the case of a Zero Coupon Covered Bond, at a rate equal to the Accrual Yield,

in each case on the basis of the Day Count Fraction specified in the applicable Final Terms Document or Pricing Supplement or, if none is specified, on a 30/360 basis.

For the purpose of this Condition 6.10 (Late Payment), 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 Covered Bond, payment of the full amount (including interest as aforesaid) in the relevant currency in respect of such Covered Bond is to be made; and

(ii) the seventh day after notice is given to the relevant Covered Bondholder (whether individually or in accordance with Condition 13 (Notices)) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Covered Bond is available for payment,

provided that in the case of both (i) and (ii) above, 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 Covered Bonds and Coupons 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 administrative practice of any jurisdiction.

In the event that any payments made by the Bank 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 (a) 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 (b) 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 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 Covered Bonds and Coupons, the Issuer will pay such additional amounts as will be necessary in order that the net amounts received by the Covered Bondholders or Couponholders 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 Covered Bonds or Coupons, 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 Covered Bond or Coupon presented for payment:

(a) to, or to a third party on behalf of, a Covered Bondholder or Couponholder who is liable to such taxes, duties, assessments or government charges in respect of such Covered Bond or Coupon by reason of such Covered Bondholder or Couponholder having some connection with Canada or the jurisdiction imposing such tax otherwise than the mere holding of such Covered Bond or Coupon;

(b) to, or to a third party on behalf of, a Covered Bondholder or Couponholder who is a "specified non-resident shareholder" of the Issuer for purposes of the Income Tax Act or a non-resident person not dealing at arm's length for purposes of the Income Tax Act with a "specified shareholder" (within the meaning of subsection 18(5) of the Income Tax Act) of the Issuer;

(c) with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax or other governmental charge;

(d) presented for payment 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;

(e) to, or to a third party on behalf of, a Covered Bondholder or Couponholder in respect of whom such tax, duty, assessment or governmental charge is required to be withheld or deducted by

reason of such Covered Bondholder or Couponholder being an entity with whom the Issuer is not dealing at arm's length (within the meaning of the Income Tax Act) or being an entity who is a "specified entity" (as defined in proposed subsection 18.4(1) of the Income Tax Act contained in proposals to amend such Act released on 29 April 2022) in respect of the Issuer;

(f) to, or to a third party on behalf of, a Covered Bondholder or Couponholder who is liable for such taxes, duties, assessments or other charges by reason of such Covered Bondholder or Couponholder's failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Canada of such Covered Bondholder or Couponholder or other person entitled to payments under the Covered Bond, 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 Covered Bondholder or Couponholder or, if such Covered Bondholder or Couponholder is not the beneficial owner of the Covered Bond or Coupon in question, the beneficial owner of such Covered Bond or Coupon at least 30 days' notice that such Covered Bondholder, Couponholder or beneficial owner will be required to provide such certification, identification, documentation or other requirement; or

(g) in the case of any combination of the foregoing.

As used herein, the **Relevant Date** means the date on which payment in respect of the Covered Bond or Coupon first becomes due and payable but, if the full amount of the funds payable on such date has not been received by the Principal Paying 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 Covered Bondholders in accordance with Condition 13 (Notices).

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 Covered Bonds (whether in bearer or registered form) and Coupons will become void unless presented for payment within ten 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 (Taxation)) therefor, subject in each case to the provisions of Condition 5 (Payments).

The Issuer will be discharged from its obligation to pay principal on a Registered Covered Bond to the extent that the relevant Registered Covered Bond certificate has not been surrendered to the Registrar by, or a check which has been duly dispatched in the Specified Currency remains uncashed at, the end of the period of ten years from the Relevant Date for such payment.

The Issuer will be discharged from its obligation to pay interest on a Registered Covered Bond to the extent that a check 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.

There will not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5 (Payments) or any Talon which would be void pursuant to Condition 5 (Payments).

9. Events of Default, Acceleration and Enforcement

9.1 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 Condition 9.1 (Issuer Events of Default) means the Covered Bonds of a Series together with the Covered Bonds of any other Series constituted by the Trust Deed) 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 ten 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 obligations not otherwise specified in paragraph (a) above or paragraph (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) ten 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 Condition 9.1 (Issuer Events of Default)) 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 paragraphs (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 Condition 9.1 (Issuer Events of Default), 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 Condition 9.3 (Enforcement).

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 (Taxation)), 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.

9.2 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 Condition 9.2 (Guarantor Events of Default) means the Covered Bonds of a Series together with the Covered Bonds of any other Series constituted by the Trust Deed) 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 (a) 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 (b) 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 (Final redemption) 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 paragraph (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 Amortization 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 Condition 9.2 (Guarantor Events of Default)) 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 paragraphs (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 Condition 9.3 (Enforcement).

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 (Taxation)) as provided in the Trust Deed.

9.3 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 (a) 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 (b) 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 (a) 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 (b) 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.

10. Replacement of Covered Bonds, Coupons and Talons

If any Covered Bond, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds or Coupons) or the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice has been given to the Covered Bondholders in accordance with Condition 13 (Notices) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Coupons or Talons must be surrendered before replacements will be issued.

11. Principal Paying Agent, Paying Agents, Registrar, Transfer Agent and Exchange Agent

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any 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 a Principal Paying Agent and a Registrar;

(b) the Issuer will, so long as any Covered Bond is outstanding, maintain a Paying Agent (which may be the Principal Paying Agent) having a specified office in a city in Europe approved by the Bond Trustee;

(c) so long as any Covered Bond is listed on any stock exchange or admitted to listing or trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Covered Bonds) and a Transfer Agent (in the case of Registered Covered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or, as the case may be, other relevant authority; and

(d) so long as any of the Registered Global Covered Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent.

In addition, the Issuer will forthwith appoint a Paying Agent having a specified office in the United States in the circumstances described in Condition 5.5 (General provisions applicable to payments). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Covered Bondholders as soon as reasonably practicable in accordance with Condition 13 (Notices).

In acting under the Agency Agreement, the Agents 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 Covered Bondholders or Couponholders. 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. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8 (Prescription).

13. Notices

13.1 To Holders of Bearer Definitive Covered Bonds

Notices to holders of Bearer Definitive Covered Bonds will be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange or any other relevant authority on which the Covered Bonds are listed, including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to holders of Bearer Covered Bonds in accordance with this Condition.

13.2 To Holders of Registered Definitive Covered Bonds

Notices to holders of Registered Definitive Covered Bonds, will 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 register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange or any other relevant authority on which the Covered Bonds are listed, including on the website of the relevant stock exchange or relevant authority if required by those rules.

13.3 Global Covered Bonds

So long as the Covered Bonds are represented in their entirety by one or more Global Covered Bond held on behalf of DTC and/or CDS and/or Euroclear and/or Clearstream, Luxembourg, any notice will be deemed to have been duly given by the Issuer to the relevant Covered Bondholders if sent to DTC, CDS, Euroclear and/or Clearstream, Luxembourg for communication by it to the Covered Bondholders and will be deemed to be given on the date on which it was so sent and (so long as the relevant Covered Bonds are admitted to trading on the London Stock Exchange's main market and listed on the Official List or admitted to the ISM) any notice will also be published in accordance with the relevant listing rules and regulations.

13.4 Other methods of Notice

The Bond Trustee will be at liberty to sanction some other method of giving notice to the Covered Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Covered Bonds are then admitted to trading and *provided* that notice of such other method is given to the Covered Bondholders in such manner as the Bond Trustee will require.

13.5 Notices to Issuer

Notices to be given by any Covered Bondholder will be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relevant Covered Bond or Covered Bonds, with the Principal Paying Agent (in the case of Bearer Covered Bonds) or the Registrar (in the case of Registered Covered Bonds). While any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the Principal Paying Agent or the Registrar through DTC, CDS, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and DTC, CDS, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. 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 Final Terms Document or 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 (including at a physical location or by means of an electronic platform (such as a conference call or videoconference) or a combination thereof) 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. 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 Condition 9 (Events of Default, Acceleration and Enforcement) or to direct the Bond Trustee to take any enforcement action pursuant to Condition 9 (Events of Default, Acceleration and Enforcement) (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 Conditions 9.1 (Issuer Events of Default) and 9.2 (Guarantor Events of Default) or to take enforcement action pursuant to Condition 9.3 (Enforcement), 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 Terms and Conditions), 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 Terms and Conditions), 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; or

(c) following the redemption of the aggregate principal amount of Covered Bonds outstanding as of 6 October 2023 and any Covered Bonds issued on or after such date but which are to be consolidated and form a single Series with such Covered Bonds, any modification of the Covered Bonds of any one or more Series, the related Coupons or any Transaction Document which the Issuer and/or the Guarantor shall (i) have certified in writing to the Bond Trustee as being a modification that is required by, and seeks only to implement, new or anticipated criteria of any Rating Agency and (ii) have obtained a confirmation of satisfaction of the Rating Agency Condition in respect of such modification. Notwithstanding anything to the contrary herein or in the other Transaction Documents, the Bond Trustee shall not be responsible for any liability that may be occasioned to any person by acting in accordance with the provisions of this Condition 14 and/or the Trust Deed based on the written certification it receives from the Issuer and/or the Guarantor.

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 Final Terms Document or 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 authorization 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 authorization 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.

The consent or approval of the Covered Bondholders shall not be required in the case of amendments to the Conditions pursuant to Condition 4.2(f) or Condition 4.2(h) to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Covered Bonds or for any other variation of these Conditions and/or the Agency Agreement and/or the Trust Deed required to be made in the circumstances described in Condition 4.2(f) or Condition 4(h), where the Issuer has delivered to the Bond Trustee a certificate pursuant to Condition 4.2(f)(v) or Condition 4.2(h)(iii).

Any such modification, waiver, authorization 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.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization 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 (Taxation) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (Taxation) pursuant to the Trust Deed.

Provided that the Bond Trustee has received a certificate signed by two authorised 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 fulfillment 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 fulfillment of any similar condition, would constitute a Guarantor Event of Default.

15. Indemnification of the 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:

(a) 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;

(b) 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

(c) 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 organizations 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:

(a) 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;

(b) 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;

(c) monitoring the Portfolio, including, without limitation, whether the Portfolio is in compliance with the Asset Coverage Test or the Amortization Test; or

(d) 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 inquiries 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.

16. Further Issues

The Issuer will be at liberty from time to time (but subject to the Terms and Conditions) without the consent of the Covered Bondholders, Couponholders or any Secured Creditors to create and issue further Covered Bonds (whether in bearer or registered form) having terms and conditions the same as the 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 Covered Bonds of such Series.

17. Rating Agency Condition

By subscribing for or purchasing the Covered Bond(s), each Covered Bondholder will be deemed to have acknowledged and agreed that a credit rating of a Series of Covered Bonds 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 (a) permitted by the terms of the relevant Transaction Document, or (b) 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 the Rating Agency Condition has been satisfied with respect to a particular Rating Agency, each of the Bank, 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 Bank, 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 Bank, 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 the Covered Bond(s), each Covered Bondholder will 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 will 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 will not be construed as advice for the benefit of any Covered Bondholder 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, ten 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.

18. Governing Law

The Trust Deed, the Agency Agreement, the Covered Bonds, the Coupons, the Interest Rate Swap Agreement, the Covered Bond Swap Agreement, the Program Agreement, the Security Agreement, the Mortgage Sale Agreement, the Servicing Agreement, the Guarantor Agreement, the Intercompany Loan Agreement, the Cash Management Agreement, the Cover Pool Monitor Agreement, the Bank Account Agreement, the Standby Bank Account Agreement, the Guaranteed Deposit Account Contract, the Standby Guaranteed Deposit Account Contract and the Title Registration Agreement 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.

19. Listing

Without prejudice to the Issuer's rights under the Trust Deed, if, in the case of any Covered Bonds admitted to trading on the Main Market and admitted to the Official List by the FCA in its capacity as a competent authority under the FSMA (or such other regulated market in the UK) or admitted to the ISM, the Issuer is of the opinion (in its sole discretion) that maintaining such quotation or listing is unduly burdensome due to the need of the Issuer to meet the requirements introduced following the implementation of any future Law imposing requirements (including new corporate governance requirements) on the Issuer that it in good faith

determines are impractical or unduly burdensome, the Issuer may cease to maintain such admission (the date of such cessation, the **Cessation Date**), *provided* that it will use all commercially reasonable endeavors to obtain and maintain an alternative admission to trading, listing and/or quotation of the Covered Bonds on or prior to or as soon as reasonably practicable after the Cessation Date by another listing authority, securities exchange and/or quotation system as the Issuer may select. However, if such alternative listing authority, securities exchange and/or quotation system is not available or, in the opinion of the Issuer is impractical or unduly burdensome, an alternative listing may not be obtained.

If required, the Issuer and the Guarantor will enter into a supplemental Trust Deed to effect such consequential amendments to the Trust Deed and these Terms and Conditions as the Bond Trustee may require or will be requisite to comply with the requirements of any such stock exchange or securities market.

Any such amendments will be binding on Covered Bondholders and will be notified to them by the Issuer in accordance with Condition 13 (Notices).

OVERVIEW OF THE PRINCIPAL DOCUMENTS

The principal document governing the relationship of the Bank and a purchaser of Covered Bonds is the Trust Deed and the Terms and Conditions attached to each Covered Bond. See *Terms and Conditions of the Covered Bonds*.

Trust Deed

The Trust Deed, made between the Bank, the Guarantor and the Bond Trustee is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, inter alia:

- the constitution of the Covered Bonds and the Terms and Conditions of the Covered Bonds (as more fully set out under *Terms and Conditions of the Covered Bonds* above);
- the covenants of the Bank and the Guarantor under the Covered Bond Guarantee;
- the terms of the Covered Bond Guarantee (as described below);
- the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and
- the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign, or retire or be removed.

The Bond Trustee

Computershare Trust Company of Canada has been appointed the Bond Trustee under the Trust Deed. The Bank may maintain other banking relationships in the ordinary course of business with the Bond Trustee.

Computershare Trust Company of Canada is a trust company incorporated under the laws of Canada, whose registered office is at 100 University Avenue, 8th Floor, North Tower, Toronto, Ontario, Canada M5J 2Y1. Computershare Trust Company of Canada has acted as trustee on numerous covered bond programs since November 2007 and on asset-backed securities transactions involving pools of mortgage loans since 1990. While the structure of the transactions referred to in the preceding sentence may differ among such transactions, Computershare Trust Company of Canada is experienced in administering transactions of the kind contemplated by this Prospectus.

Computershare Trust Company of Canada has provided the information in the prior paragraph. Other than the prior paragraph, Computershare Trust Company of Canada has not participated in the preparation of, and is not responsible for, any other information contained in this Prospectus or the Final Terms Document or Pricing Supplement.

The Bond Trustee will be required to perform only those duties specifically required of it under the Transaction Documents, as described below. Upon receipt of the various certificates, statements, reports or other instruments required to be furnished to it, the Bond Trustee will be required to examine them to determine whether they are in the form required by the applicable Transaction Document; however, the Bond Trustee will not be responsible for the accuracy or content of any documents furnished to it.

The Bond Trustee will not be responsible for: (a) the calculation of payments to Covered Bondholders; (b) compliance with covenants under the Transaction Documents; (c) the substitution, purchase or removal of Portfolio assets; or (d) the maintenance of data regarding the Asset Coverage Test, Amortization Test, Pre-Maturity Test, the OC Valuation or the Valuation Calculation, among others.

As compensation for the performance of its obligations under the Trust Deed, the Bond Trustee will receive reasonable compensation as provided in the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Bond Trustee and its officers, directors, employees and agents for any loss, claims, damages, suits, liability or expense incurred without gross negligence, willful misconduct, dishonesty, reckless disregard or bad faith on its part, arising out of or in connection with the acceptance or administration of the Trust Deed.

The Bond Trustee may retire at any time on giving not less than three months' prior written notice to the Bank and the Guarantor. The Bond Trustee may be removed (i) by the Covered Bondholders in accordance with the terms of an Extraordinary Resolution, or (ii) by the Guarantor in the event that there is a breach by the Bond Trustee of certain representations and warranties or a failure by the Bond Trustee to perform certain covenants made by it under the Trust Deed. Other than in respect of a removal described in clause (ii) of the previous sentence, no retirement or removal of the Bond Trustee will be effective until a replacement bond trustee that meets the requirements provided for in the Trust Deed and in the CMHC Guide has been appointed. In the event that a replacement bond trustee has not been appointed within 60 days of notice of retirement from the Bond Trustee or the Extraordinary Resolution of the Covered Bondholders, as applicable, the Bond Trustee will be entitled to appoint a replacement bond trustee that meets the requirements provided for in the Trust Deed and in the CMHC Guide, which appointment must be approved by an Extraordinary Resolution of the Covered Bondholders prior to taking effect.

Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee, if the Bank defaults in the payment on the due date of any moneys due and payable under or pursuant to the Trust Deed or the Covered Bonds, or if any other Issuer Event of Default occurs (other than by reason of non-payment), and, in either case, if the Bond Trustee has served an Issuer Acceleration Notice, the Guarantor has agreed (subject as described below) to pay or procure to be paid (following service of a Notice to Pay) unconditionally and irrevocably to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders) an amount equal to that portion of the Guaranteed Amounts which will become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date or, if applicable, the Extended Due for Payment Date, by the Bank. Payment by the Guarantor of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of (a) the day which is two Toronto Business Days following service of a Notice to Pay on the Guarantor, and (b) the day on which the Guaranteed Amounts are otherwise Due for Payment (the **Guaranteed Amounts Due Date**). In addition, the Guarantor will, to the extent it has funds available to it, make payments in respect of the unpaid portion of the Final Redemption Amount on any Original Due for Payment Date up until the Extended Due for Payment Date. The Bond Trustee will be required to serve a Notice to Pay following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice.

Under the Covered Bond Guarantee, the Guaranteed Amounts will also become due and payable on any earlier date on which, following the occurrence of a Guarantor Event of Default, a Guarantor Acceleration Notice is served in accordance with Condition 9.2 (Guarantor Events of Default). Following service of a Guarantor Acceleration Notice, the Covered Bonds will (if an Issuer Acceleration Notice has not already been served) become immediately due and payable as against the Bank and the obligations of the Guarantor under the Covered Bond Guarantee will be accelerated.

All payments of Guaranteed Amounts by or on behalf of the Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of Canada or any political subdivision thereof or any authority therein or thereof having the power to tax. If any such withholding or deduction is required, the Guarantor will pay the Guaranteed Amounts net of such withholding or deduction and will account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor will not be obliged to pay any amount to the Bond Trustee or any holder of Covered Bonds in respect of the amount of such withholding or deduction: see *Certain Tax Legislation Affecting the Covered Bonds—Canadian Taxation—Payments by the Guarantor under the Covered Bond Guarantee*.

Under the terms of the Covered Bond Guarantee, the Guarantor has agreed that its obligations under the Covered Bond Guarantee will be as guarantor and will be absolute and unconditional (subject to a Notice to Pay being given), irrespective of, and unaffected by, any invalidity, irregularity or unenforceability of, or defect in, any provisions of the Trust Deed or the Covered Bonds or Coupons or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee or any of the Covered Bondholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Bank or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

As consideration for providing the Covered Bond Guarantee, the Guarantor will be entitled to receive guarantee fees from the Bank as agreed between the Bank and the Guarantor from time to time in accordance with the Trust Deed. Any failure on the part of the Bank to pay all or any part of the guarantee fees will not affect the obligations of the Guarantor under the Covered Bond Guarantee.

Subject to the grace period specified in Condition 9.2(a), failure by the Guarantor to pay the Guaranteed Amounts which are Due for Payment on the relevant Guaranteed Amounts Due Date will result in a Guarantor Event of Default.

The Trust Deed provides that any Excess Proceeds will be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Guarantor for its own account, as soon as practicable, and will be held by the Guarantor in the GDA Account and the Excess Proceeds will thereafter form part of the Security and will be used by the Guarantor in the same manner as all other moneys from time to time standing to the credit of the GDA Account.

By subscribing for or purchasing a Covered Bond, each Covered Bondholder will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Guarantor in the manner as described above.

Exchange Rate Indemnity

Pursuant to the terms of the Trust Deed, each of the Bank and, following the occurrence of a Covered Bond Guarantee Activation Event, the Guarantor, will jointly and severally indemnify the Bond Trustee and the Covered Bondholders and keep them indemnified against:

(a) any liability incurred by any of them arising from the non-payment by the Bank or the Guarantor of any amount due to the Bond Trustee or the Covered Bondholders hereunder by reason of any variation in the rates of exchange between those used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Bank or the Guarantor; and

(b) any deficiency arising or resulting from any variation in rates of exchange between: (i) the date as of which the local currency equivalent of the amounts due or contingently due under the Trust Deed is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Bank or, as the case may be, the Guarantor; and (ii) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency will be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

Such indemnities will constitute obligations of the Bank and the Guarantor separate and independent from their other obligations under the other provisions under the Trust Deed and will apply irrespective of any indulgence granted by the Bond Trustee or the Covered Bondholders or the Couponholders from time to time and will continue in full force and effect notwithstanding the judgment or filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Bank or, as the case may be, the Guarantor for a liquidated sum or sums in respect of amounts due under the Trust Deed. Any deficiency will be deemed to constitute a loss

suffered by the Covered Bondholders and the Couponholders and no proof or evidence of any actual loss will be required by the Bank or the Guarantor or its or their liquidator or liquidators.

The Trust Deed, including the provisions of the Covered Bond Guarantee, is governed by the laws of the Province of Ontario and federal laws of Canada applicable therein.

Intercompany Loan Agreement

The Intercompany Loan Agreement between the Bank, the Guarantor and the Bond Trustee as amended and/or restated and/or supplemented from time to time, is the governing agreement with respect to the Intercompany Loan.

Under the Intercompany Loan Agreement, the Bank represents and warrants to, and covenants with, the Guarantor and the Bond Trustee that as of the date of the Intercompany Loan Agreement and for so long as it remains a party to the Intercompany Loan Agreement: (i) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities in relation to its duties and obligations thereunder and under the other Transaction Documents to which it is a party; (ii) it is and will continue to be in good standing with OSFI; (iii) it is and will continue to be in regulatory good standing and in material compliance with and under all laws applicable to its duties and obligations thereunder and under the other Transaction Documents to which it is a party; and (iv) it is and will continue to be in material compliance with its internal policies and procedures (including risk management policies) relevant to its duties and obligations thereunder and under the other Transaction Documents to which it is a party.

Under the terms of the Intercompany Loan Agreement, prior to the issuance of the first Series of Covered Bonds, the Bank has made available to the Guarantor an interest bearing Intercompany Loan, comprising a Guarantee Loan and a revolving Demand Loan, in an initial combined aggregate amount equal to the Total Credit Commitment, subject to increases and decreases as described below. The Initial Advance on the Intercompany Loan was in an amount sufficient to acquire the Initial Portfolio. The Intercompany Loan is denominated in Canadian Dollars. The interest rate on the Intercompany Loan is a Canadian Dollar floating rate determined by the Bank from time to time, subject to a maximum of (i) prior to the Interest Rate Swap Effective Date, the yield on the Portfolio, and (ii) following the Interest Rate Swap Effective Date, the amount received by the Guarantor pursuant to the Interest Rate Swap Agreement, and, in each case, less a minimum spread and an amount for certain expenses of the Guarantor.

The Guarantee Loan will be in an amount equal to the balance of outstanding Covered Bonds at any relevant time plus that portion of the Portfolio required to collateralise the Covered Bonds to ensure that the Asset Coverage Test is met (see *–Guarantor Agreement—Asset Coverage Test*). The Demand Loan is a revolving credit facility, the outstanding balance of which will be equal to the difference between the balance of the Intercompany Loan and the balance of the Guarantee Loan at any relevant time. The balance of the Guarantee Loan and the Demand Loan will fluctuate with the issuances and redemptions of Covered Bonds and the requirements of the Asset Coverage Test, provided that at any time and for so long as the Asset Coverage Test is not satisfied, the Demand Loan cannot have a positive balance. Notwithstanding the foregoing, the Demand Loan shall not have a positive balance at any time following the occurrence of a Demand Loan Repayment Event and the repayment in full of the then outstanding Demand Loan by the Guarantor in accordance with the applicable provisions of the Intercompany Loan Agreement (it being understood that, following such repayment, the principal balance of the Guarantee Loan shall be deemed to be equal to the full amount of the aggregate principal amount of Advances then outstanding and recorded in the Intercompany Loan Ledger in accordance with the relevant provisions of the Intercompany Loan Agreement).

At any time prior to a Demand Loan Repayment Event, the Guarantor may re-borrow any amount repaid by the Guarantor under the Intercompany Loan for a permitted purpose provided, among other things: (i) such drawing does not result in the Intercompany Loan exceeding the Total Credit Commitment; and (ii) no Issuer Event of Default or Guarantor Event of Default has occurred and is continuing. Unless otherwise agreed to

by the Bank and subject to satisfaction of the Rating Agency Condition, no further advances will be made to the Guarantor under the Intercompany Loan following the occurrence of a Demand Loan Repayment Event.

To the extent the Portfolio increases or is required to be increased to meet the Asset Coverage Test, the Bank may increase the Total Credit Commitment to enable the Guarantor to acquire Loans and their Related Security from the Seller.

The Demand Loan or any portion thereof will be repayable no later than the first Toronto Business Day following 60 days after a demand therefor is served to the Guarantor unless: (i) a Demand Loan Repayment Event has occurred and is continuing (see below in respect of the repayment of the Demand Loan in such circumstance); or (ii) the Asset Coverage Test will not be satisfied on the date of repayment after giving effect to such repayment. At any time the Guarantor makes a repayment on the Demand Loan, in whole or in part, the Cash Manager will calculate the Asset Coverage Test, as of the date of repayment, to confirm the then outstanding balance on the Demand Loan and that the Asset Coverage Test will be met on the date of repayment after giving effect to such repayment.

If:

(a) the Bank is required to assign the Interest Rate Swap Agreement to a third party (due to a failure by the Bank to meet the ratings levels specified in the Interest Rate Swap Agreement or as otherwise required by the Interest Rate Swap Agreement);

(b) a Notice to Pay has been served to the Guarantor;

(c) the Intercompany Loan Agreement is terminated; or

(d) to the extent Fitch is a Rating Agency, if the Bank is assigned (i) a short-term issuer default rating by Fitch of less than F2, or (ii) a long-term issuer default rating by Fitch of less than BBB+,

(each of (a), (b), (c) and (d) above, a **Demand Loan Repayment Event**), the Guarantor will, subject to the applicable Priorities of Payments, be required to repay any amount of the Demand Loan that exceeds the Demand Loan Contingent Amount on the first Guarantor Payment Date following 60 days after the occurrence of such Demand Loan Repayment Event. Following such Demand Loan Repayment Event, the Guarantor will be required to repay the full amount of the then outstanding Demand Loan on the date on which the Asset Percentage is calculated (whether or not such calculation is a scheduled calculation or a calculation made at the request of the Bank), provided that the Asset Coverage Test will be met on the date of repayment after giving effect to such repayment. For the purposes of the foregoing, the **Demand Loan Contingent Amount** will be equal to the lesser of:

(i) the aggregate amount of the Intercompany Loan then outstanding, minus the aggregate amount of the Guarantee Loan then outstanding (as determined by an Asset Coverage Test run on the relevant repayment date); and

(ii) one per cent. of the amount of the Guarantee Loan then outstanding (as determined by an Asset Coverage Test calculated on the relevant repayment date),

provided, for greater certainty, that in calculating the amount of the Guarantee Loan and the Demand Loan for purposes of determining the Demand Loan Contingent Amount, no credit will be given to the Guarantor in the Asset Coverage Test for any Excess Proceeds received by the Guarantor from the Bond Trustee.

The Guarantor may repay the principal on the Intercompany Loan in accordance with the applicable Priority of Payments and the terms of the Intercompany Loan Agreement, using: (a) funds being held for the account of the Guarantor by its service providers and/or funds in the Guarantor Accounts (other than any amount in the Pre-Maturity Liquidity Ledger); and/or (b) proceeds from the sale of Substitute Assets; and/or (c) proceeds from the sale, pursuant to the Guarantor Agreement, of Portfolio assets to the Seller or to another person subject

to a right of pre-emption on the part of the Seller; and/or (d) by selling, transferring and assigning to the Seller all of the Guarantor's right, title and interest in and to Loans and their Related Security (a **Payment in Kind**).

The Guarantor is restricted from paying the Demand Loan in the manner described in clause (c) in the preceding paragraph if the proceeds of such sale are less than the True Loan Balance of the Loans and their Related Security included in the Portfolio. Upon any Payment in Kind, the outstanding amount of the Demand Loan will be reduced by the Fair Market Value of such Loans determined as of the date of the Payment in Kind, less an amount equal to the collections received by or on behalf of the Guarantor after the date of the notice of the Payment in Kind and prior to the date of the Payment in Kind in respect of the Loans listed in the notice of the Payment in Kind. In addition, if the Payment in Kind occurs on or after a Covered Bond Guarantee Activation Event and the Intercompany Loan Provider is the Limited Partner, the Limited Partner shall be deemed to have made a Capital Contribution to the Guarantor on the date of the Payment in Kind in an amount equal to the excess, if any of the True Loan Balance of the Loans and their Related Security applied towards the Payment in Kind over the aggregate Fair Market Value of such Loans and their Related Security, and such Capital Contribution shall be deemed to have been applied by the Guarantor against the Demand Loan, such that the outstanding amount of the Demand Loan will be reduced by the greater of (i) the True Loan Balance of such Loans, and (ii) the Fair Market Value of such Loans. See *Cashflows*.

The Guarantor will be entitled to set off amounts paid by the Guarantor under the Covered Bond Guarantee first against any amounts (other than interest and principal) owing by the Guarantor to the Bank in respect of the Intercompany Loan Agreement, then against interest due under the Intercompany Loan, and then against the outstanding principal balance owing on the Intercompany Loan.

The Guarantor will use advances under the Intercompany Loan: (i) to purchase Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement; and/or (ii) to invest in Substitute Assets in an amount not exceeding the prescribed limit under the CMHC Guide; and/or (iii) subject to complying with the Asset Coverage Test, to make Capital Distributions to the Limited Partner; and/or (iv) to make deposits of the proceeds in the Guarantor Accounts (including, without limitation, to fund the Reserve Fund and the Pre-Maturity Liquidity Ledger, in each case to an amount not exceeding the prescribed limit).

The Intercompany Loan Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Title Registration Agreement

Transfer of Title to the Loans to the Guarantor

The Title Registration Agreement between the Bank, the Originator, the Guarantor and the Bond Trustee as amended and/or restated and/or supplemented from time to time, is the governing agreement with respect to the process for transferring the registered or recorded titles to the Originator Titled Mortgages by the Originator to or to the order of the Issuer or Guarantor, as applicable, upon the occurrence of certain specified events.

The Loans and their Related Security in the Portfolio have been and will be originated by the Originator on behalf of the Bank. Such Loans and their Related Security have been and will be sold by the Originator to the Bank, pursuant to a Mortgage Portfolio Purchase Agreement between the Originator and the Issuer dated as of October 9, 1992 (as amended, the **MPPA**) prior to a sale thereof by the Bank to the Guarantor. Subject to the terms of the MPPA, notwithstanding the sale of the Loans and Related Security by the Originator to the Bank pursuant to the MPPA (and by the Bank to the Guarantor), the registered or recorded title to the Mortgages in respect of certain of the Loans (such Loans, the **Originator Titled Loans**) is or will be, and will remain, in the name of the Originator (such Mortgages, the **Originator Titled Mortgages**). Notice of the sale will not be given to the relevant Borrower. Such notice and, where appropriate, the registration or recording in the appropriate land registry or land titles offices will be deferred and will take place in the circumstances described below and in *—Mortgage Sale Agreement—Transfer of Title to the Loans to the Guarantor*.

Collections in regards to all Loans originated by the Originator and sold to the Bank pursuant to the MPPA are received by the Originator in its account within the Bank's funding system. Shortly after receipt, the Bank transfers such Collections from the Originator's account within the Bank's funding system to the Bank's account (the receipt of Collections and the subsequent transfer thereof, the **Collection Activities**).

Upon the occurrence of an Originator Registered Title Event, the Originator will do or will cause to be done on its behalf the following:

(a) give notice of the Guarantor's ownership interest in the relevant Loans and their Related Security to each Borrower thereunder, which notice will direct that payments be made directly to the Guarantor or its designee, and upon such instruction from the Guarantor, the Originator will give such notice at the expense of the Originator; *provided* that if the Originator fails to so notify each such Borrower, the Guarantor may so notify such Borrowers at the expense of the Originator;

(b) cause Registrable Transfers for each of the Originator Titled Mortgages to be prepared, executed and delivered by the Originator to the Guarantor and registered in the appropriate land registry or land titles office;

(c) (i) cease performing the Collection Activities and refrain from accessing or otherwise exercising any control or direction over any accounts into which funds received from Borrowers with respect to the Purchased Assets are deposited, and ensure that all necessary actions are taken to ensure that such accounts are under the exclusive control and direction of the Cash Manager and the Issuer, and (ii) otherwise segregate all cash, checks and other instruments received by it from time to time constituting payments with respect to the relevant Loans and their Related Security in a manner acceptable to the Guarantor and, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Bank or, if a Registered Titled Event has occurred, to the Guarantor (or its designee); and

(d) name the Guarantor (or its designee) as loss payee on any applicable related insurance policies maintained by the Borrower or the Originator in respect of the Loans assigned to the Guarantor in place of the Originator.

The duty of the Originator in paragraph (b) above will be fulfilled no later than the 60th day, and the duties in paragraphs (a), (c) and (d) above will be fulfilled by the Originator no later than 20 Toronto Business Days, following the day on which the Originator Registered Title Event occurs. The Originator will be liable for all costs and expenses associated with such duties and have undertaken to co-operate fully to do all such further acts and things and execute any further documents that may be necessary or desirable by the Guarantor (or the Bond Trustee) to give full effect to such duties.

An **Originator Registered Title Event** means the occurrence of the earliest of any of the following:

(a) a Registered Title Event;

(b) an Insolvency Event (without regard to the parenthetical language in clause (a) of such definition) with respect the Originator;

(c) an Originator Event of Default that has not been remedied within 30 days;

(d) a merger of the Originator without an assumption of the obligations under the Title Registration Agreement; and

(e) the Originator being required to Perfect legal title to the Originator Titled Mortgages by:

(i) law;

(ii) an order of a court of competent jurisdiction; or

(iii) any regulatory authority which has jurisdiction over the Originator to effect such perfection.

Notwithstanding the occurrence of any event or circumstance described in paragraphs (a) through (e) immediately above, none of the steps relating to an Originator Registered Title Event are required to be taken if (A) the Rating Agency Condition has been satisfied with respect to the Originator not fulfilling such requirements, and (B) satisfactory assurances are provided to the Guarantor and the Bond Trustee by OSFI or such other supervisory authority having jurisdiction over the Seller permitting registered title to the Originator Titled Mortgages to remain with the Originator until such time as (i) the Originator Titled Loans and their Related Security are to be sold or otherwise disposed of by the Guarantor or the Bond Trustee in the performance of their respective obligations under the Transaction Documents, or (ii) the Guarantor or the Bond Trustee is required to take actions to enforce or otherwise deal with the Originator Titled Loans and their Related Security.

The Originator has granted to each of the Guarantor and the Bond Trustee an irrevocable power of attorney in respect of certain matters. If the Originator fails to co-operate in the performance of any of the foregoing duties, the Issuer, the Guarantor or the Bond Trustee will use the powers of attorney to transfer registered or recorded title to the Originator Titled Mortgages evidencing and securing the Originator Titled Loans sold by the Seller and their Related Security into its name or the name of a nominee on its behalf.

Until an Originator Registered Title Event occurs, (i) the Originator will hold the registered title to the Originator Titled Mortgages as bare trustee, agent and nominee for and on behalf of the Guarantor, (ii) the Originator will take all actions with respect to the Originator Titled Mortgages as the Issuer (before a Registered Title Event has occurred) or the Guarantor (after a Registered Title Event has occurred) may direct and the Originator shall comply with the any such directions, and (iii) except as permitted, neither the Guarantor nor the Managing GP on its behalf will register, record or deposit or cause to be registered, recorded or deposited, and the Originator will not be required to register, record or deposit or cause to be registered, recorded or deposited, in any land registry or land titles office or similar place of public record the MPPA or any document giving notice of the interest of the Issuer or the Guarantor in any of the Originator Titled Mortgages.

Termination of Originator Rights

The Guarantor or the Bond Trustee may, upon written notice to the Originator, terminate the Originator's Fundamental Rights (as defined below) if any of the following events (each an **Originator Termination Event** and each of the first two events set out below, an **Originator Event of Default**) occurs:

(a) default is made by the Originator in the performance or observance of its covenants and obligations under the Title Registration Agreement with respect to the application of Collections received by the Originator from Borrowers;

(b) default is made by the Originator in the performance or observance of any of its other covenants and obligations under the Title Registration Agreement or any other Transaction Document to which it is a party, which in the reasonable opinion of the Guarantor could reasonably be expected to have a material adverse effect on the Originator Titled Loans in the aggregate or be materially prejudicial to the interests of the holders of the Covered Bonds and such default continues unremedied within the earlier of 10 Toronto Business Days after becoming aware of such default and receipt by the Originator of written notice from the Guarantor requiring such default to be remedied;

(c) default is made by the Issuer in the performance or observance of any of its other covenants and obligations under the Title Registration Agreement or any other Transaction Document to which it is a party, which in the reasonable opinion of the Guarantor could reasonably be expected to have a

material adverse effect on the Originator Titled Loans in the aggregate or be materially prejudicial to the interests of the holders of the Covered Bonds and such default continues unremedied within the earlier of 10 Toronto Business Days after becoming aware of such default and receipt by the Originator of written notice from the Guarantor requiring such default to be remedied; or

(d) an Insolvency Event occurs in relation to the Originator or the merger of the Originator without an assumption of the obligations under the Title Registration Agreement.

Such a termination will become effective upon receipt of such written notice by the Originator and no claim shall be made against and no amount shall be owing from the Guarantor or the Bond Trustee in favour of the Issuer or the Originator related thereto. Upon and as a result of such a termination, (i) the Issuer shall no longer be permitted to sell, transfer and assign to the Guarantor any Originator Titled Loans pursuant to the Mortgage Sale Agreement, (ii) the Originator shall no longer be entitled to take part in the Collection Activities and any accounts into which funds received from Borrowers with respect to the Originator Titled Loans are deposited shall be subject to the exclusive control and direction of the Cash Manager and the Originator shall no longer have access to such accounts or the funds deposited thereto (the rights and entitlements of the Originator set forth in clauses (i) and (ii) and subject to termination as hereinabove provided upon an Originator Termination Event are referred to as the **Originator's Fundamental Rights**).

Mortgage Sale Agreement

The Seller

Loans and their Related Security will be sold to the Guarantor from time to time on a fully serviced basis pursuant to the terms of the Mortgage Sale Agreement between the Bank (in its capacity as Seller), the Guarantor, the Custodian and the Bond Trustee.

Sale by the Seller of the Loans and their Related Security

The Loans included in the Portfolio will be residential mortgages which are not insured by a Prohibited Insurer and which otherwise meet the Eligibility Criteria and with respect to which each of the Loan Representations and Warranties are correct as at the related Transfer Date. The types of Loans forming the Portfolio will vary over time, *provided* that the Loan Representations and Warranties are met on the relevant Transfer Date. Accordingly, the Portfolio may, at any time, include Loans originated by different originators, Loans with different characteristics from Loans that were included in the Portfolio or being offered to borrowers on previous Transfer Dates.

The Guarantor may from time to time acquire Loans and their Related Security from the Seller as described below:

(a) the Guarantor will use the proceeds of an advance under the Intercompany Loans (which may be applied in whole or in part by the Guarantor) and/or Available Principal Receipts to acquire Loans and their Related Security from the Seller. As consideration for the sale of the Loans and their Related Security to the Guarantor, the Seller will receive a cash payment or deemed cash payment equal to the fair market value of those Loans sold by it as at the relevant Transfer Date; and

(b) the Guarantor may receive Capital Contributions in Kind in accordance with the Guarantor Agreement. As consideration for the sale by way of Capital Contributions of the Loans and their Related Security to the Guarantor, the Seller will receive an additional interest in the capital of the Guarantor equal to the fair market value of those Loans sold by it as at the relevant Transfer Date minus any cash considerations received by the Seller described in paragraph (a) above.

If Selected Loans are sold by or on behalf of the Guarantor as described below under *Guarantor Agreement—Sale of Selected Loans at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay*

has been served to the Guarantor, the obligations of the Seller insofar as they relate to those Selected Loans will cease to apply.

The Seller will also be required to repurchase Loans and their Related Security sold to the Guarantor in the circumstances described below under —*Repurchase of Loans*.

See —*Loan Representations and Warranties* below for Loan Representations and Warranties relating Loans and their Related Security and —*Servicing Agreement—Undertakings of the Servicer* below regarding undertakings of the Servicer in respect of the Loans comprised in the Portfolio.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will provide to the Custodian, on each Transfer Date, the Eligible Loan Details with respect to the Loans and their Related Security to be sold to the Guarantor by the Seller on such Transfer Date. The Seller will also be required to provide updated Eligible Loan Details with respect to the Loans included in the Portfolio to the Custodian on a quarterly basis and forthwith upon the occurrence of a Registered Title Event. The **Eligible Loan Details** are as follows with respect to each Loan:

(a) the Seller's loan number;

(b) the mortgagor(s) full name;

(c) the mortgaged property address (street number, city/town, province, postal code);

(d) the principal balance amount;

(e) the authorised loan amount (at origination or last renewal);

(f) the interest adjustment date (at origination or last renewal);

(g) the mortgage maturity date; and

(h) the mortgage lender on title (if other than the Seller).

The Custodian is required to provide access to such Eligible Loan Details to CMHC in order to allow CMHC to ensure compliance by the Guarantor and the Seller with the CMHC Guide and the Transaction Documents. The Seller shall pay to the Custodian such fees as may be agreed between the Seller and the Custodian from time to time. If the Seller breaches its obligation to pay such fees, the Custodian will be paid such fees by the Guarantor in accordance with the applicable Priorities of Payments.

Scotia Total Equity Plan and STEP Loans

The Bank expects that the Portfolio will from time to time include STEP Loans. Under the terms of the STEP Plan, a STEP Borrower may obtain one or more separate STEP Accounts from the Seller within certain specified categories, being mortgage loans, lines of credit, credit cards, term loans and/or overdraft protection. The STEP Plan provides that the indebtedness extended by the Seller to a STEP Borrower under each STEP Account will be secured by the same STEP Collateral Mortgage on the related Mortgaged Property, and contains cross-default provisions indicating that a default with respect to any one STEP Account will constitutes a default in respect of all of the STEP Accounts under the same STEP Plan with the related Borrower.

Each STEP Account which constitutes a mortgage loan or (if approved by the Rating Agencies as a New Loan Type) a home equity line of credit and which otherwise satisfies the Eligibility Criteria and other requirements of the Transaction Documents may be sold as a Loan by the Seller to the Guarantor from time to time pursuant to the Mortgage Sale Agreement. No STEP Accounts other than mortgage loans (such other STEP Accounts being referred to herein as Other STEP Products) extended by the Seller to any STEP Borrower pursuant to a

STEP Plan will be eligible for sale to the Guarantor as a Loan pursuant to the Mortgage Sale Agreement, *provided* that if lines of credit are subsequently approved as a New Loan Type by the Rating Agencies, then such home equity lines of credit subject to the STEP Plan may be eligible to be sold as Loans to the Guarantor under the Mortgage Sale Agreement and will cease to be Other STEP Products.

Prior to a default by a STEP Borrower under any STEP Account, the Transaction Documents will require the Servicer to follow a STEP Borrower's instructions as to the allocation of payments between each of its STEP Accounts with such STEP Borrower. Following a default by a STEP Borrower under any STEP Account, the Transaction Documents will require the Servicer to allocate all funds received by it from such STEP Borrower and all amounts realised from the enforcement of security held for all of such STEP Borrower's STEP Accounts, after the payment of related costs, first to pay all indebtedness owing under any mortgage loan(s) made to such STEP Borrower pursuant to the STEP Plan that are owned by the Guarantor, second to pay all indebtedness owing under any mortgage loan(s) made to such STEP Borrower pursuant to the STEP Plan that are owned by the Seller and third to pay indebtedness owing under any line of credit extended to such STEP Borrower that is a STEP Account and which is maintained under the name "Scotialine" or a successor designation, before applying any remaining amounts to the indebtedness owing in respect of the Other STEP Products.

The Seller may from time to time sell interests in Other STEP Products to a third party purchaser, together with the benefit of a corresponding interest in the related STEP Collateral Mortgage and other Related Security provided that such purchaser will have no interest in the related STEP Collateral Mortgage and other Related Security unless it enters into a Security Sharing Agreement, executes a Release of Security and agrees to be bound by the provisions of the Mortgage Sale Agreement and the Servicing Agreement relating to STEP Accounts and to assign all of its right, title and interest in the STEP Collateral Mortgage and other Related Security to the Guarantor, in each case in accordance with the provisions of the Mortgage Sale Agreement.

The Seller will act as the servicer of each STEP Account that is the subject of a Security Sharing Agreement and will allocate funds received under all of the related STEP Accounts with the same borrower, and otherwise realised from the enforcement of the security held for all such related STEP Accounts to the indebtedness owing under such STEP Accounts in accordance with the same priority arrangement as is set out in the Mortgage Sale Agreement, including the allocation of such funds to indebtedness owing under each STEP Loan owned by the Guarantor in priority to all STEP Loans owned by the Seller and all Other STEP Products with the same borrower.

Concurrently with the first sale by the Seller of a STEP Loan to a particular STEP Borrower under the STEP Plan to the Guarantor (the **First STEP Loan**), the Seller will transfer and convey all of its right, title and interest in the Related Security including its interest in the related STEP Collateral Mortgage (or, in the case of a STEP Loan located in the Province of Québec, an interest in the related STEP Collateral Mortgage to the extent of the First STEP Loan that is sold to the Guarantor). The Guarantor will hold the Related Security in respect of each STEP Loan sold to the Guarantor as follows:

(a) an undivided interest in such Related Security for its own sole and absolute account and benefit, to the extent of all outstanding indebtedness owing under all STEP Loans owned by it in respect of the same STEP Borrower from time to time, which undivided interest shall have full priority over all other rights, claims and interests (other than costs of mortgage enforcement); and

(b) subject to the Guarantor's priority described in paragraph (a) above but only to the extent that any such Related Security also secures or otherwise relates to any Additional STEP Loans or Other STEP Products owned by the Seller and/or Other STEP Creditor, an undivided interest in such Related Security, as agent, nominee and bare trustee for the related Seller and any Other STEP Creditor from time to time, as their interests may appear, to the extent of all outstanding indebtedness owing under any Additional STEP Loans and Other STEP Products owned by the Seller or Other STEP Creditor from time to time, *provided that*, for STEP Loans in the Province of Québec, the Seller will transfer and convey and the Guarantor will solely hold an interest in the Related Security in respect of each

STEP Loan sold to the extent of all outstanding indebtedness owing under all STEP Loans owned by the Guarantor in respect of the same STEP Borrower from time to time, which interest will have full priority over all other rights, claims and interests (other than costs of mortgage enforcement). As well, for STEP Loans in the Province of Québec, the Seller and each of the Other STEP Creditors will be entitled to an undivided interest in the STEP Collateral Mortgage to the extent of any outstanding indebtedness owing under any related STEP Accounts. All Additional STEP Loans made by the Seller to a STEP Borrower are required to be sold to the Guarantor within a time period specified in the Mortgage Sale Agreement. Any failure by the Seller to convey the Additional STEP Loans with respect to a particular STEP Borrower to the Guarantor in accordance with the Mortgage Sale Agreement (including satisfying the Loan Representation and Warranties) will require the Seller to repurchase all related STEP Loans owned by the Guarantor which have been made to the same STEP Borrower, together with the Guarantor's interest in all Related Security. Prior to the sale of such Additional STEP Loans to the Guarantor, the Seller's right to receive distributions on an Additional STEP Loans owned by it, following default, will at all times be junior, subject and subordinated to the Guarantor's right to receive distributions with respect to any Additional STEP Loans made to the same borrower and which are owned by the Guarantor, and the right of the Seller or any Other STEP Creditor to receive distributions on an Other STEP Product shall at all times be junior, subject and subordinated to (i) the Guarantor's right to receive distributions with respect to the STEP Loan owned by the Guarantor, and (ii) the Seller's right to receive distributions with respect to any STEP Loans made to the same borrower and which are owned by the Seller, *provided, however*, that at no time shall the Seller or any Other STEP Creditor have a right to be registered on title with respect to the related Mortgaged Property, notwithstanding their interest in the STEP Collateral Mortgage and other Related Security.

The Transaction Documents will provide that the Guarantor or the Servicer on its behalf (prior to the occurrence of a Guarantor Event of Default and the service of a Guarantor Acceleration Notice on the Guarantor), or the Bond Trustee (following the occurrence of a Guarantor Event of Default and the service of a Guarantor Acceleration Notice on the Guarantor), will: (a) have the sole right to take all enforcement actions and make all servicing decisions with respect to the Related Security (including under the related STEP Collateral Mortgage and other Related Security); and (b) allocate any funds received by it and otherwise realised from the enforcement of the security for all of the related STEP Accounts with the same STEP Borrower in accordance with the priority arrangement described above, including the allocation of such funds to all indebtedness owing under each related STEP Loan owned by the Guarantor in priority to all Other STEP Products.

Eligibility Criteria

The sale of Loans and their Related Security to the Guarantor will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the relevant Transfer Date. These are as follows:

(a) there has been neither an Issuer Event of Default and service of an Issuer Acceleration Notice nor a Guarantor Event of Default and service of a Guarantor Acceleration Notice as at the relevant Transfer Date;

(b) the Guarantor, acting on the advice of the Cash Manager, is not aware, and could not reasonably be expected to be aware, that the proposed purchase by the Guarantor of the Loans and their Related Security on the relevant Transfer Date does not satisfy the Rating Agency Condition;

(c) no Loan that is proposed to be sold to the Guarantor on the relevant Transfer Date has an Outstanding Principal Balance of more than $3,000,000 or in the case of any STEP Loans, all such STEP Loans made to the same STEP Borrower from time to time, whether or not sold to the Guarantor, shall not have an Outstanding Principal Balance of more than $3,000,000 in the aggregate;

(d) if the Loans that are proposed to be sold constitute a New Loan Type or were not originated by the Seller or by the Originator on its behalf, the Rating Agency Condition has been satisfied in accordance with the terms of the Mortgage Sale Agreement with respect to the sale of such Loans to the Guarantor;

(e) such Loan is not secured by a Mortgage that also secures one or more other loans or, in the case of a STEP Loan, also secures any Other STEP Product, which in either case has the benefit of insurance from any Prohibited Insurer;

(f) if the Loan is extended or advanced upon the security of a Mortgage that also secures (or is capable of securing) Retained Loans, the Loan and all Related Retained Loans have the benefit of cross-default provisions (whether contained in the terms and conditions of the Loan and Related Retained Loans, the Mortgage securing the Loan and Related Retained Loans or other documentation applicable to the Loan and Related Retained Loans, and enforceable against the Borrower) such that a default under the Loan or a Related Retained Loan will constitute a default under the Loan and all Related Retained Loans or, in the case of a Loan or Related Retained Loan not having the benefit of cross-default provisions but repayable on demand, the Guarantor or the Seller (and each mortgage lender as may be on title) have covenanted in writing to demand repayment of the Loan or such Related Retained Loan upon a default under the Loan or the Related Retained Loan, as the case may be;

(g) at the time of transfer to the Guarantor, no payments of principal or interest thereunder are in arrears;

(h) the first payment due in respect of such Loan has been paid by the relevant borrower;

(i) the related Mortgage constitutes a valid first mortgage lien or a valid first-ranking hypothecary lien over the related Mortgaged Property under which no claims have been made and subject to certain permitted security interests;

(j) at the time of transfer, the Guarantor will acquire the entire legal and beneficial ownership interest of the Seller in the applicable Loans and their Related Security, excluding registered title therein, free and clear of any encumbrances or ownership interests, other than (i) certain permitted security interests, and (ii) those which are reflected in a Security Sharing Agreement and the subject of a Release of Security delivered by the Seller, any mortgage lender on title, or any other party that has an interest in the Related Security to the Custodian in trust upon and subject to the provisions of the Mortgage Sale Agreement and in compliance with the CMHC Guide;

(k) as at the Transfer Date, the Loan is not subject to any dispute proceeding, set-off, counterclaim or defense whatsoever;

(l) to the extent the Loan is extended, advanced or renewed on or after 1 July 2014 (which for greater certainty will not include further advances under an existing non-amortizing Loan unless amended), an express waiver of set-off rights on the part of the borrower is included in the terms and conditions of the Loan and all Related Retained Loans, the Mortgage securing the Loan and all Related Retained Loans or other documentation applicable to the Loan and all Related Retained Loans, and enforceable against the borrower;

(m) neither the Mortgage Terms for the Loan nor the terms of any other documentation applicable to the Loan and enforceable by the borrower expressly affords the borrower a right of set-off;

(n) prior to the making of each advance under such Loan, the Lending Criteria and all preconditions to the making of that Loan were satisfied; and

(o) such Loan is an **Eligible Loan** as defined in the CMHC Guide from time to time.

The CMHC Guide currently defines an "Eligible Loan" as a loan (i) which is made on the security of residential property that is located in Canada and consists of not more than four residential units, (ii) which, together with

the amount outstanding of any mortgage or hypothecary loan having an equal or prior claim against the property, does not exceed 80 per cent. of the value of the related property at the time of the loan, and (iii) which must, at a minimum, meet the following requirements or qualifications:

(a) a loan will not qualify as an Eligible Loan if, at the time of transfer to the Guarantor, one or more payments of principal or interest payable thereunder are in arrears;

(b) a loan will not qualify as an Eligible Loan until one or more payments of principal or interest (or blended payment(s) of principal and interest) have been made in accordance with the terms of the Loan;

(c) a loan will not qualify as an Eligible Loan for so long as the mortgage or other hypothecary instrument charging the mortgaged property securing such loan does not represent a first priority perfected security interest (subject to encumbrances or claims customarily permitted by a prudent lender);

(d) a loan will not qualify as an Eligible Loan (i) unless, at the time of transfer to the Guarantor, the loan, the Mortgage securing the Loan and (in the case of a loan extended or advanced upon the security of a mortgage or hypothecary instrument also securing Retained Loans) all Retained Loans are beneficially owned (or owned) by the Seller (disregarding, for such purposes, nominee title holders) and (ii) for so long as the loan, all sums derived from the loan (whether on account of principal, interest or otherwise and whether received from the borrower or a guarantor thereof) and the Mortgage charging the Mortgaged Property securing the loan are not clear of any ownership interests, security interests, encumbrances or other claims other than (A) encumbrances or claims customarily permitted by a prudent lender or that will cease to apply to such loan, sums and Mortgage upon the purchase by or contribution to the Guarantor of the loan, (B) those of the Guarantor, (C) those in favour of Covered Bondholders (or the Bond Trustee on behalf of such holders) or in favour of other Secured Creditors (in each case to secure the payment of amounts owing to them by the Guarantor) and (D) those which may be reflected in a Security Sharing Agreement and are the subject of a Release of Security delivered by each lender to the Custodian in trust upon and subject to the provisions of the Security Sharing Agreement or are otherwise provided for (in compliance with the requirements of the CMHC Guide) under the Transaction Documents;

(e) a loan will not qualify as an Eligible Loan if one or more other loans advanced under the same Mortgage have been insured by a Prohibited Insurer;

(f) a loan extended or advanced upon the security of a Mortgage also securing (or capable of securing) Retained Loans will not qualify as an Eligible Loan unless it and all Related Retained Loans have the benefit of cross-default provisions (whether contained in the terms and conditions of the loan and Related Retained Loans, the Mortgage securing the loan and Related Retained Loans or other documentation applicable to the loan and Related Retained Loans, and enforceable against the borrower) such that a default under the loan or a Related Retained Loan will constitute a default under the loan and all Related Retained Loans or, in the case of a loan or Related Retained Loan not having the benefit of cross-default provisions but repayable on demand, the Guarantor or the Seller (and each mortgage lender as may be on title) have covenanted in writing to demand repayment of the loan or such Related Retained Loan upon a default under the loan or the Related Retained Loan, as the case may be;

(g) a loan will not qualify as an Eligible Loan if, at the time of transfer to the Guarantor, it is the subject of any dispute proceeding, set-off, counterclaim or defense whatsoever;

(h) a loan will not qualify as an Eligible Loan if its terms and conditions or the provisions of the Mortgage securing the loan or other documentation applicable to the loan and enforceable by the borrower expressly afford the borrower a right of set-off;

(i) a loan extended, advanced or renewed on or after 1 July 2014 (which for greater certainty will not include further advances under an existing non-amortizing loan unless amended) will not qualify as an Eligible Loan unless an express waiver of set-off rights on the part of the borrower is included in the terms and conditions of the loan and all Related Retained Loans, the Mortgage securing the loan and all Related Retained Loans or other documentation applicable to the loan and all Related Retained Loans, and enforceable against the borrower; and

(j) a loan will not qualify as an Eligible Loan unless it was originated or otherwise complies with the Seller's approved underwriting policies (in effect or otherwise applicable at the time the loan was originated).A loan is deemed to otherwise comply with an underwriting policy to the extent that an independent third-party prudent lender conducting a credit assessment of the Loan would be able to apply all aspects of the applicable underwriting policy, based on available documentation, and arrive at the same credit decision.

On the relevant Transfer Date, the Loan Representations and Warranties (described below in *—Loan Representations and Warranties*) will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Guarantor.

If the Seller or as applicable, the Originator, accepts an application from, or makes an offer (which is accepted) to, a borrower for a Product Switch which constitutes an unconditional obligation on the part of such Seller to make such Product Switch, then such Seller will be obligated to repurchase the relevant Loan and the Related Security to which the Product Switch relates.

Security Sharing Agreements and Releases of Security

As noted above, any Other STEP Creditor that acquires an interest in the STEP Collateral Mortgage and other Related Security relating to STEP Loan owned by the Guarantor, and any other registered title holder will be required to execute and deliver a Release of Security to the Custodian in trust, and to enter into a Security Sharing Agreement, which agreement must conform with the requirements of the CMHC Guide and the provisions of the Mortgage Sale Agreement. Any such Security Sharing Agreement will include terms governing the rights, duties and entitlements of such Other STEP Creditor with respect to the Other STEP Products acquired by such Other STEP Creditor and its interests in the related STEP Collateral Mortgages and other Related Security that are substantially similar to those set forth in the Mortgage Sale Agreement, including the requirement that the Servicer service the related Other STEP Products for so long as such Other STEP Products are subject to the Security Sharing Agreement.

A Release of Security, once exercised, releases any and all interest or right that the party delivering such Release of Security may have in the related STEP Collateral Mortgages and other Related Security. A Release of Security delivered by the Seller or any Other STEP Creditor will be held by the Custodian in trust and cannot be exercised with respect to any particular STEP Collateral Mortgage and the other Related Security unless a Security Sharing Agreement Breach has occurred with respect to the related Other STEP Product or STEP Collateral Mortgage and other Related Security, and a party to the Security Sharing Agreement other than the party who has made such breach requests that the Custodian exercise such Release of Security. As a condition precedent to such delivery, the Custodian will be required to obtain a legal opinion from legal counsel that is independent from the parties to the Security Sharing Agreement confirming that a Security Sharing Agreement Breach has occurred and that the conditions to the exercise of such Release of Security have been met. Upon the exercise of a Release of Security, all interest or right of the breaching party in the related STEP Collateral Mortgages and other Related Security will be relinquished as of the date of such delivery and all dealings with Other STEP Products no longer secured by the STEP Collateral Mortgages will be separate from dealings with STEP Loans owned by the Guarantor.

A **Security Sharing Agreement Breach** includes any of the following events:

(a) a failure by the Seller or Other STEP Creditor to comply with the provisions of the Security Sharing Agreement with respect to the allocation of distributions under the related STEP Account, the servicing of the related STEP Account and certain other restrictions on the dealings by such party with the Other STEP Product, which failure has not been cured within 60 days (or after an Issuer Event of Default, ten Toronto Business Days) after the breaching party has received notice of the breach;

(b) a disposition of an Other STEP Product to a purchaser that has not also acquired all related STEP Loans then owned by the Guarantor unless such purchaser has assumed the obligations of the Seller or Other STEP Creditor under the Security Sharing Agreement, or entered into a new Security Sharing Agreement which complies with the CMHC Guide and has been verified by CMHC (along with any required changes to the Transaction Documents as a result thereof) prior to entering into such new Security Sharing Agreement, and delivered a Release of Security to the Custodian in trust and the requisite opinion of legal counsel has been obtained; and

(c) a challenge by the Seller or Other STEP Creditor of the validity, legality or enforceability of certain provisions of the applicable Security Sharing Agreement.

Transfer of Title to the Loans to the Guarantor

Legal title to Mortgages related to loans sold, transferred and assigned by the Seller to the Guarantor pursuant to the Mortgage Sale Agreement will remain registered in the name of the Seller or, in the case of Originator Titled Mortgages, the Originator and notice of the sale, transfer and assignment will not be given to the borrowers or, in respect of the Related Security, any relevant guarantor of any borrower. Such notice and, where appropriate, the registration or recording in the appropriate land registry or land titles offices of the transfer of legal title to the Mortgages to the Guarantor will be deferred and will only take place in the circumstances described below.

On each Transfer Date, the Seller and the Originator will agree to (a) hold registered title to the applicable related Loans and their Related Security as agent, bare trustee and nominee in trust for and on behalf of the Guarantor (and also, in the case of any STEP Loan, for and on behalf of the Seller and any Other STEP Creditor having an interest therein as described in *—Scotia Total Equity Plan and STEP Loans*) and (b) deliver such agreements and take all actions with respect to the Loans and their Related Security as the Guarantor may direct in accordance with the Mortgage Sale Agreement, the Servicing Agreement and the Title Registration Agreement, as applicable. Each of the Seller and the Originator has delivered registrable powers of attorney appointing the Guarantor and the Bond Trustee, as its true and lawful attorney and agent, with full power of substitution, to execute, sign, seal and deliver, in the name of the Seller or the Originator, as applicable all conveyances, assignments, transfers, documents and instruments necessary to record the sale, assignment and transfer to the Guarantor, or any other Person as the Guarantor and the Bond Trustee may direct, of all Loans and their Related Security (including all documents comprising the Customer Files) in all applicable land registry or land titles offices, including directions to Borrowers directing them to remit all payments under their related Loans to the Guarantor (or as the Guarantor may otherwise direct), and to register and record all such sales, assignments, transfers, documents and instruments in such land registry or land titles offices. The powers of attorney will not be exercisable by the Guarantor or the Bond Trustee (or such other Person) until the occurrence of a Registered Title Event.

Upon the occurrence of a Registered Title Event, the Seller will do or will cause to be done on its behalf the following:

(a) give notice of the Guarantor's ownership interest in the relevant Loans and their Related Security to each Borrower thereunder, which notice will direct that payments be made directly to the Guarantor or its designee, and upon such instruction from the Guarantor, the Seller will give such notice at the

expense of the Seller; *provided* that if the Seller fails to so notify each such Borrower, the Guarantor may so notify such Borrowers at the expense of the Seller;

(b) direct the Borrowers or any guarantor of such Borrowers to pay all amounts payable under the relevant Loans included in the Portfolio directly to the Guarantor or a nominee on its behalf;

(c) cause Registrable Transfers for each of the Loans and their Related Security to be prepared, executed and delivered by the Seller and the Originator (as applicable) to the Guarantor and registered in the appropriate land registry or land titles office; and

(d) (i) assemble all of the records then in its possession (including Customer Files, computer records and files) and which are necessary or desirable to collect the related Loans and make the same available to the Guarantor or its designee at a place selected by the Guarantor;

(ii) segregate all cash, checks and other instruments received by it from time to time constituting payments with respect to the relevant Loans in a manner acceptable to the Guarantor and, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Guarantor or its designee; and

(iii) name the Guarantor (or its designee) as loss payee on any applicable related insurance policies maintained by the Seller in respect of the Loans sold to the Guarantor in place of the Seller.

The duty of the Seller in paragraph (c) above will be fulfilled no later than the 60th day, and the duties in paragraphs (a), (b) and (d) will be fulfilled by the Guarantor no later than 20 Toronto Business Days, following the day on which the Registered Title Event occurs. The Seller will be liable for all costs and expenses associated with such duties. The Seller will co-operate fully to do all such further acts and things and execute any further documents that may be necessary or desirable by the Guarantor (or the Bond Trustee) to give full effect to such duties.

In addition to the foregoing, upon the occurrence of a Registered Title Event, the Originator will be obligated to transfer registered title to each Originator Titled Loan to the Guarantor (or a nominee on its behalf) promptly and in any event, on or before the 60th day following the occurrence of such Registered Title Event. See also *—Title Registration Agreement—Transfer of Title to the Loans to the Guarantor*.

A **Registered Title Event** means the occurrence of the earliest of any of the following:

(a) a Servicer Event of Default that has not been remedied within 30 days or such shorter period permitted by the Servicing Agreement;

(b) an Issuer Event of Default (other than an actual or impending Insolvency Event with respect to the Bank) that has not been remedied within 30 days or such shorter period permitted by Condition 9.1 (Issuer Events of Default);

(c) an Insolvency Event with respect to the Seller (without regard for the parenthetical language in clause (a) of such definition);

(d) the acceptance by an applicable purchaser of any offer by the Guarantor to sell Loans and their Related Security (only in respect of the Loans being sold and their Related Security) to any such purchaser other than the Seller, unless otherwise agreed by such purchaser and the Guarantor, with the consent of the Bond Trustee, which consent will not be unreasonably withheld;

(e) the Seller and/or the Guarantor being required to Perfect legal title to the Mortgages by:

(i) law;

(ii) an order of a court of competent jurisdiction; or

(iii) any regulatory authority which has jurisdiction over the Seller or the Guarantor to effect such perfection; and

(f) the date on which the Bank ceases to be assigned a long-term, unsecured, unsubordinated and unguaranteed debt obligation rating or issuer default rating by Moody's of at least A3 or by Fitch of at least BBB- or by DBRS of at least BBB (low) or R-1 (middle).

Notwithstanding the occurrence of any event or circumstance described in paragraphs (a) through (f) immediately above, none of the steps relating to a Registered Title Event are required to be taken if (A) the Rating Agency Condition has been satisfied with respect to the Seller not fulfilling such requirements, and (B) satisfactory assurances are provided to the Guarantor and the Bond Trustee by OSFI or such other supervisory authority having jurisdiction over the Seller permitting registered title to the Mortgages to remain with the Seller or, in the case of the Originator Titled Mortgages, the Originator, until such time as (i) the Loans and their Related Security are to be sold or otherwise disposed of by the Guarantor or the Bond Trustee in the performance of their respective obligations under the Transaction Documents, or (ii) the Guarantor or the Bond Trustee is required to take actions to enforce or otherwise deal with the Loans and their Related Security.

If the Seller or the Originator fails to co-operate in the performance of any of the foregoing duties, the Guarantor will use the powers of attorney to transfer registered or recorded title to the Mortgages evidencing and securing the Loans sold by the Seller and their Related Security into its name or the name of a nominee on its behalf or, for STEP Loans in Québec, to record an assignment of the STEP Collateral Mortgages to the extent of the Guarantor's interest therein.

The Seller will undertake in the Mortgage Sale Agreement to meet the cost associated with the transfer of registered title or recorded title to the Loans.

The Seller and the Originator will be required to provide updated powers of attorney to the Custodian from time to time under the Mortgage Sale Agreement and the Title Registration Agreements, respectively, together with related opinions of counsel, in order to ensure the continued effectiveness of such powers of attorney.

Seller Representations and Warranties

Under the Mortgage Sale Agreement, the Seller makes the following representations and warranties (in addition to the Loan Representations and Warranties described below) in favour of the Guarantor on each Transfer Date:

(a) it is a Canadian chartered bank under the Bank Act and has, in all material respects, full power and authority to own its properties and conduct its business as presently owned or conducted, and to execute, deliver and perform its obligations under the Mortgage Sale Agreement;

(b) it is duly qualified to do business, is in good standing and has obtained all necessary licenses and approvals, in each jurisdiction in which failure to so qualify or to obtain such licenses and approvals would render any Mortgage unenforceable by it, the Guarantor, the Bond Trustee or a Purchaser, as applicable, or would have a material adverse effect on the Guarantor's rights thereunder;

(c) the execution and delivery of the Mortgage Sale Agreement and each of the documents, agreements or instruments to be executed and delivered thereunder by the Seller, and the performance by the Seller of its obligations thereunder, have been duly authorised by the Seller by all necessary corporate action on the part of the Seller and are enforceable against the Seller in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors'

rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

(d) the execution and delivery by the Seller of the Mortgage Sale Agreement and each of the documents, agreements or instruments to be executed and delivered thereunder, the performance of the transactions contemplated thereunder, and the fulfillment of the terms thereof applicable to the Seller, will not (i) conflict with or violate the documents or by-laws of the Seller, any resolution of the board of directors (or any committee thereof) or, to the knowledge of the Seller, the shareholders of the Seller or any law applicable to the Seller or (ii) conflict with, or result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Seller is a party or by which it or its properties are bound, in any such case in a manner that would have a material adverse effect on the Guarantor's rights thereunder or would materially and adversely affect the validity or enforceability of the Mortgage Sale Agreement;

(e) there are no proceedings or investigations, to the best knowledge of the Seller, pending or threatened against the Seller before any governmental authority: (i) asserting the invalidity of the Mortgage Sale Agreement, (ii) seeking to prevent the consummation of any of the transactions contemplated by the Mortgage Sale Agreement, (iii) seeking any determination or ruling that, in the reasonable judgment of the Seller, would materially and adversely affect the performance by the Seller of its obligations under the Mortgage Sale Agreement, or (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of the Mortgage Sale Agreement;

(f) all authorizations, consents, orders or approvals of or registrations or declarations with any governmental authority required to be obtained, effected or given by the Seller in connection with the execution and delivery by the Seller of the Mortgage Sale Agreement and the performance of the transactions contemplated by the Mortgage Sale Agreement have been duly obtained, effected or given and are in full force and effect, other than any such authorizations, consents, orders or approvals of or registrations or declarations the absence of which would not materially and adversely affect the validity or enforceability of the Mortgage Sale Agreement or any Mortgage;

(g) it is not a non-resident of Canada for purposes of the Income Tax Act;

(h) the Seller is a member of the Scotiabank Group; and

(i) none of the transactions contemplated under the Mortgage Sale Agreement require compliance with any applicable bulk sales legislation.

Loan Representations and Warranties

The Guarantor and the Bond Trustee will not undertake any investigations, searches or other actions on any Loan or its Related Security and will rely instead on the Loan Representations and Warranties given in the Mortgage Sale Agreement by the Seller in respect of the Loans sold by such Seller to the Guarantor. The parties to the Mortgage Sale Agreement may, with the prior written consent of the Bond Trustee, waive, amend or modify the Loan Representations and Warranties or include new Loan Representations and Warranties, in each case, including, without limitation, modifications or additions to accommodate the sale of New Loan Types to the Guarantor *provided that* any material amendments shall be subject to satisfaction of the Rating Agency Condition. The Loan Representations and Warranties as of the date of this Prospectus include the following and are given as of the following dates: (a) the Transfer Date in respect of the Loans and their Related Security to be sold to the Guarantor on such First Transfer Date; (b) on the relevant Transfer Date in respect of the Loans and their Related Security to be sold to the Guarantor on such Transfer Date; and (c) on the Calculation Date following the making of any Product Switch in respect of the Loans to which the Product Switch relates:

- the Seller is the legal and beneficial owner of the Loans and their Related Security to be sold to the Guarantor, excluding registered title in the case of Originator Titled Mortgages, which the Originator holds as nominee and bare trustee on behalf of the Seller;

- each Loan was originated by the Originator on the Sellers behalf in the ordinary course of business (and kept on the Seller's books for a minimum of one month prior to the Cut-off Date);

- each loan satisfies the Eligibility Criteria and is an "Eligible Loan" as defined in the CMHC Guide from time to time;

- each Loan is payable in Canada only and denominated in Canadian Dollars;

- the Mortgage Terms for the Loan expressly permit its assignment without the consent of the borrower;

- no Loan has a remaining amortization period of more than 50 years as of the relevant Cut-off Date;

- the Lending Criteria are consistent with the criteria that would be used by reasonable and prudent institutional mortgage lenders in the Seller's market;

- all of the Borrowers are individuals or have guarantees from individuals for the Loans (which guarantees and any security related to such guarantees are assignable and will be sold, transferred and assigned to the Guarantor as Related Security for the Loans in accordance with the terms of the Mortgage Sale Agreement);

- the Outstanding Principal Balance on each Loan is secured by a Mortgage over residential property;

- the Outstanding Principal Balance on each Loan constitutes a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and, if applicable, the Guarantor and the terms of each Loan and its related Mortgage constitute valid and binding obligations of the relevant Borrower and, if applicable, the Guarantor, enforceable in accordance with their terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general principles of equity;

- other than (a) registrations in the appropriate land registry or land titles offices in respect of the sale, transfer and assignment of the relevant Loans from a Seller to the Guarantor effected by the Mortgage Sale Agreement, (b) the provision to Borrowers under the related Loans or the obligors under their Related Security of actual notice of the sale, transfer and assignment thereof to the Guarantor, and (c) certain notices provided in the Civil Code of Québec for Mortgaged Properties located in the Province of Québec, all material filings, recordings, notifications, registrations or other actions under all applicable laws have been made or taken in each jurisdiction where necessary or appropriate (and where permitted by applicable law) to preserve, perfect and protect the Guarantor's legal and beneficial ownership interest in and rights to collect any and all of the related Loans being purchased on the relevant Transfer Date, including the right to service and enforce such Loans and their Related Security;

- there is no requirement in order for a sale, transfer and assignment of the Loans and their Related Security to be effective to obtain the consent of a Borrower or any other Person to such sale, transfer or assignment and such sale, transfer and assignment will not give rise to any claim by a Borrower against the Guarantor, the Bond Trustee or any of their successors in title or assigns;

- all of the Mortgaged Properties are situated in Canada;

- not more than 12 months (or such longer period as would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market) prior to the granting of each Loan (or in the case

of any STEP Loan, prior to the granting of the related First STEP Loan), the Seller or the Originator obtained information on the relevant Mortgaged Property from an independently maintained valuation model that would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market, or received a Valuation Report on the relevant Mortgaged Property that would be, and the contents or confirmation, as applicable, of which would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market or obtained such other form of valuation of the relevant Mortgaged Property with respect to which the Rating Agency Condition has been satisfied;

- prior to the taking of Related Security in respect of each Loan, the Originator either instructed lawyers to conduct a search of title to the relevant Mortgaged Property and to undertake such other searches, investigations, inquiries and actions on behalf of the Seller as would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market (and the Originator was satisfied with the results of same) or the relevant Borrower was required as a condition to granting the relevant Loan to obtain a lender's title insurance policy in respect of the relevant Mortgaged Property from an insurer as would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market;

- each Loan contains a requirement that the relevant Mortgaged Property be covered by insurance that would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market;

- except as otherwise approved by the Rating Agencies in connection with the approval of a New Loan Type, the principal amount of each Loan is fully advanced and there is no requirement for future advances thereunder;

- as a warranty only, there are no claims under applicable laws of any person having supplied work or materials to a Mortgaged Property that would have a material and adverse effect on the priority of the related Mortgage;

- the Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loans;

- there are no governmental authorizations, approvals, licenses or consents required for the Seller to enter into or to perform its obligations under the Mortgage Sale Agreement or to make the Mortgage Sale Agreement legal, valid, binding and enforceable against the Seller and admissible in evidence;

- if such Loan is not an Additional STEP Loan, as at the Transfer Date immediately prior to the transfer by the Seller to the Guarantor of such Loan and the Related Security for such Loan, such Loan and each other loan (including any Other STEP Product) secured by the same mortgage, if any, are owned by the Seller; and

- no documentation relating to such Loan or Related Security is missing or incomplete in any material respect that has a material adverse impact on the realisable value of the relevant Mortgaged Property.

If New Loan Types are proposed to be sold to the Guarantor, then the Loan Representations and Warranties and Eligibility Criteria in the Mortgage Sale Agreement may be modified as required, with the prior consent of the Bond Trustee and subject to satisfaction of the Rating Agency Condition with respect to the sale of such New Loan Types, to accommodate these New Loan Types. The prior consent of the Covered Bondholders to the requisite amendments will not be required to be obtained.

Repurchase of Loans

In the event of a material breach of any of the Loan Representations and Warranties in respect of any Loan and/or its Related Security or if any of those Loan Representations and Warranties proves to be untrue in any material respect in the case of the Initial Portfolio, as at the First Transfer Date or, in the case of any Loans, as

at the relevant Transfer Date or, in the case of any Product Switch in respect of any Loan, as at the Calculation Date following the making of such Product Switch, and *provided* that the Guarantor has given the Seller not less than 20 Toronto Business Days' notice of such breach or untruth in writing and such breach or untruth is not remedied to the reasonable satisfaction of the Bond Trustee within the 20 Toronto Business Day period (or such longer period as the Bond Trustee may in its absolute discretion direct the Guarantor in writing), then the Seller will be required to repurchase the relevant Loan and its Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it whether or not there has been any breach of a Loan Representation and Warranty in respect of such other Loan). Any breach of the Loan Representations and Warranties with respect to a Loan meeting the Eligibility Criteria will be deemed to be material and incapable of being cured.

In the event that either the Seller accepts a request from a Borrower for a Product Switch in respect of any Loan in the Portfolio, then if such Product Switch results in any of the Loan Representations and Warranties not being satisfied in respect of any Loan on the next Calculation Date, or if subsequent to the sale of a First STEP Loan to the Guarantor the origination of any related Additional STEP Loan by the Seller results in any of the Loan Representations and Warranties not being satisfied in respect of any related STEP Loan owned by the Guarantor, or if any Product Switch would give rise to an increased tax liability to the Guarantor, and *provided* that the Guarantor has given the Seller not less than 20 Toronto Business Days' notice of such breach or untruth in writing and such breach or untruth is not remedied to the reasonable satisfaction of the Bond Trustee within the 20 Toronto Business Day period (or such longer period as the Bond Trustee may in its absolute discretion direct the Guarantor in writing), or the Seller accepts a request from a borrower for a Loan advance in respect of any Loan in the Portfolio, then in either case the Guarantor shall serve upon the Seller a Loan Repurchase Notice requiring the Seller to repurchase the relevant Loan and its Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it whether or not there has been any breach of a Loan Representation and Warranty in respect of such other Loan). With regard to a Product Switch, the Seller will use reasonable commercial efforts to identify and repurchase any Loans that might give rise to increased tax liability before completion of such Product Switch, but if the Seller does not repurchase the relevant Loan and its Related Security before such Product Switch gives rise to an increased tax liability to the Guarantor, the Seller will hold the Guarantor harmless against any such increased liability and will indemnify the Guarantor for any costs, expenses, losses or other claims that may arise in connection therewith.

In addition, if the Seller fails to sell Additional STEP Loans to the Guarantor within the time period specified in the Mortgage Sale Agreement, the Guarantor will be entitled to serve upon the Seller a Loan Repurchase Notice requiring such Seller to repurchase the related STEP Loans owned by the Guarantor and the Related Security for such STEP Loans at the Repurchase Amount for such STEP Loans owned by the Guarantor.

Upon receipt of a Loan Repurchase Notice duly signed on behalf of the Guarantor, the Seller will sign and return three copies and will thereby repurchase from the Guarantor, and the Guarantor will thereby re-assign or re-transfer to such Seller the relevant Loan and its Related Security, and upon execution of such Loan Repurchase Notice by the Bond Trustee, on its own behalf and on behalf of any Other STEP Creditors, such Loan and its Related Security will be re-assigned or re-transferred to the Seller free from the Security created by or pursuant to the Security Agreement and all related rights of the Bond Trustee, the Guarantor and any Other STEP Creditor in respect thereof, without the need for any further action. Completion of such repurchase will take place on the Calculation Date after receipt by the Seller of such Loan Repurchase Notice or such other date as the Guarantor may direct in the Loan Repurchase Notice (*provided* that the date so specified by the Guarantor will not be later than 90 days after receipt by the Seller of such notice) when such Seller will pay to the GDA Account (or as the Guarantor will direct) an amount equal to the aggregate Repurchase Amount of all such Loans.

Since the Guarantor is an affiliate of the Seller, and so long as the Seller or its affiliates indirectly control the Guarantor, there are conflicts of interest associated with the exercise and/or enforcement of the Guarantor's rights and remedies following any breach of the Loan Representation and Warranties by the Seller; and as a result of such conflicts, the Guarantor's ability to detect or timely detect such breaches may be limited. See

Risk Factors - Risks related to the Guarantor - The Guarantor and the Covered Bondholders place significant reliance on the Bank and others in connection with the multiple roles of the Bank under the Transaction Documents and such reliance may give rise to conflicts of interest.

General Ability of Seller to Repurchase Loans

Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or a Guarantor Event of Default and service of a Guarantor Acceleration Notice, the Seller may from time to time offer to repurchase any Loan (including a Non-Performing Eligible Loan) and its Related Security from the Portfolio for a purchase price equal to the fair market value of such Loan. For such purposes, all STEP Loans made to the same STEP Borrower which are owned by the Guarantor will be considered to be a single Loan. The Guarantor may accept such offer at its sole discretion. If an Issuer Event of Default has occurred and is continuing but no liquidator or Person with similar powers has been appointed to the Seller, any such repurchase will be conditional upon the delivery by the Seller of a solvency certificate to the Guarantor and the Bond Trustee and the Asset Coverage Test, calculated on the next Calculation Date immediately prior to such repurchase, being met upon the completion of such repurchase. Amounts paid by such Seller pursuant to such option will be deposited into the GDA Account.

Defaulted Loans

The Cash Manager will identify any Loans that are Non-Performing Eligible Loans in the Portfolio and upon identification serve a notice of Non-Performing Eligible Loans on the Bank and the Servicer. Non-Performing Eligible Loans will be given no credit in the Asset Coverage Test or the Amortization Test, as applicable.

Since both the Seller and the Cash Manager will be the Bank (or an affiliate), there are conflicts of interest associated with the Cash Manager's performance of its role in identifying Loans that are Non-Performing Eligible Loans in the Portfolio. See *Risk Factors— Risks related to the Guarantor - The Guarantor and the Covered Bondholders place significant reliance on the Bank and others in connection with the multiple roles of the Bank under the Transaction Documents and such reliance may give rise to conflicts of interest.*

Maturing Loans

Without prejudice to the Seller's general ability to repurchase, the Seller (or an Affiliate of the Seller designated by the Seller) may, upon request and subject to the agreement of the Guarantor, at any time prior to the date which is 90 days prior to the date of maturity of a Loan, and from time to time, repurchase any Loan from the Portfolio on the maturity date of such Loan at the greater of (a) the fair market value of such Loan at such maturity date, and (b) the Repurchase Amount of such Loan at such maturity date. For such purposes, all STEP Loans made to the same STEP Borrower which are owned by the Guarantor will be considered to be a single Loan. If the Seller does not deliver to the Guarantor on or before the required date a written notice specifying the Loans in respect of which it will not exercise such right and the Seller does not inform the Guarantor in writing that it cannot repurchase any such Loan, the Seller will repurchase, subject to the agreement of the Guarantor, each such Loan in the Portfolio on the Calculation Date next following the applicable maturity date of such Loan at the greater of (i) the fair market value of such Loan at such maturity date, and (ii) the Repurchase Amount of such Loan at such maturity date; *provided, however*, that the Seller will not repurchase and will not be required to repurchase any Loan which (A) is or becomes a Non-Performing Eligible Loan on its maturity date, or (B) is repaid in full on its maturity date from funding provided to the Borrower under such Loan by a Person other than the Seller. On the Calculation Date next following the maturity date on which the Seller purchases such Loan, the Seller will pay to the GDA Account an amount equal to the greater of (I) the fair market value of such Loan at such maturity date, and (II) the Repurchase Amount of such Loan at such maturity date.

Right of Pre-emption

Under the terms of the Mortgage Sale Agreement, the Seller has a right of pre-emption in respect of any sale, in whole or in part, of Selected Loans, *provided, however*, that such right will not be available at any time during which such Seller is in default of any of its obligations under the Transaction Documents.

If, (a) following service of an Asset Coverage Test Breach Notice (which has not been revoked), (b) following service of a Notice to Pay, (c) following a breach of the Pre-Maturity Test or (d) prior to the service of an Asset Coverage Test Breach Notice or a Notice to Pay, a Demand Loan Repayment Event has occurred or the Bank has demanded that the Demand Loan be repaid, the Guarantor may be required to sell Selected Loans, and in certain circumstances may elect to sell certain Selected Loans, in accordance with the Guarantor Agreement, and *provided* that the Seller is not in default of any of its obligations in the Mortgage Sale Agreement or under any other Transaction Document to which it is a party, the Guarantor will by serving on the Seller a Selected Loan Offer Notice, prior to the Guarantor making any offer to sell Selected Loans to other Purchasers, offer immediately to sell to the Seller those Selected Loans in accordance with the Guarantor Agreement for an offer price equal to the amount specified in the Guarantor Agreement. See *Guarantor Agreement—Method of sale of Portfolio assets* below.

If the Seller accepts the Guarantor's offer to sell the relevant Selected Loans by signing the Selected Loan Offer Notice in a manner indicating acceptance and delivering it to the Guarantor with a copy to the Bond Trustee within ten Toronto Business Days from and including the date of the Selected Loan Offer Notice and *provided* that (if an Issuer Event of Default has occurred and is continuing) the Seller has provided a solvency certificate in a form acceptable to the Guarantor and the Bond Trustee (each acting reasonably), the Guarantor will within three Toronto Business Days of receipt of such acceptance serve a notice accepting the offer set out in the Selected Loan Offer Notice (a **Selected Loan Repurchase Notice**) on the Seller.

The Guarantor will offer for sale the Selected Loans in respect of which the Seller rejects or fails within the requisite time limit to accept the Guarantor's offer to sell to Purchasers in the manner and on the terms set out in the Guarantor Agreement: see *Guarantor Agreement—Sale of Selected Loans at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served to the Guarantor*.

Upon receipt of the Selected Loan Repurchase Notice duly signed on behalf of the Guarantor, the Seller will promptly sign and return three copies of the Selected Loan Repurchase Notice and will repurchase from the Guarantor, and the Guarantor will re-assign or re-transfer to the Seller the Selected Loans (and any other Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Loan Repurchase Notice and, subject to the Security Agreement, upon execution of the Selected Loan Repurchase Notice by the Bond Trustee, on its own behalf and on behalf of any Other STEP Creditors, such Selected Loans will be re-assigned or re-transferred to the Seller free from the Security created by and pursuant to the Security Agreement and all related rights of the Bond Trustee, Guarantor and any Other STEP Creditor in respect thereof, without the need for any further action. Completion of such repurchase will take place on the Guarantor Payment Date next occurring after receipt by the Seller of such Selected Loan Repurchase Notice or such other date as the Guarantor may direct in the Selected Loan Repurchase Notice (*provided* that, where a Notice to Pay has been served, such date is not to be later than the earlier to occur of the date which is (a) ten Toronto Business Days after receipt by the Guarantor of the returned Selected Loan Repurchase Notice, or (b) the Final Maturity Date of, as applicable, the Hard Bullet Covered Bonds or the Earliest Maturing Covered Bonds) and the Seller will pay to the GDA Account (or as the Guarantor will direct) an amount in cash equal to the offer price specified in the relevant Selected Loan Repurchase Notice.

Any time there is no Asset Coverage Test Breach Notice outstanding and no Notice to Pay or Guarantor Acceleration Notice has been served on the Guarantor, it will be a condition to the Guarantor's right to sell Loans and their Related Security that the Asset Coverage Test will be met on the next Calculation Date prior to such sale after giving effect to the sale and taking into account amounts that will be paid or provided for on the next Guarantor Payment Date in accordance with the Priorities of Payments.

New Sellers

In the future, New Sellers (which are members of the Scotiabank Group) may accede to the Program and sell Loans and their Related Security to the Guarantor. Any such New Sellers will accede to, inter alia, the Mortgage Sale Agreement. The sale of Loans and their Related Security by New Sellers to the Guarantor will be subject to certain conditions, including the following:

- each New Seller accedes to the terms of the Guarantor Agreement as a Limited Partner (with such subsequent amendments as may be agreed by the parties thereto) so that it has, in relation to those Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security previously sold into the Portfolio under the Guarantor Agreement;

- each New Seller accedes to such Transaction Documents and enters into such other documents as may be required by the Bond Trustee, the Guarantor and/or the Cash Manager (in each case acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Program;

- each New Seller accedes to the terms of the Mortgage Sale Agreement (with such subsequent amendments as may be agreed by the parties thereto) or New Mortgage Sale Agreement, so that it has, in relation to those Loans and their Related Security to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security included in the Initial Portfolio under the Mortgage Sale Agreement;

- any Loans and their Related Security sold by a New Seller to the Guarantor will be subject to the Loan Representations and Warranties and repurchase obligations set out in the Mortgage Sale Agreement;

- either (a) the Servicer services the Loans and their Related Security sold by such New Seller to the Guarantor on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) or (b) each New Seller enters into a servicing agreement with the Guarantor and the Bond Trustee which sets out the servicing obligations of such New Seller in relation to the Loans and their Related Security sold by such New Seller to the Guarantor and which is on terms substantially similar to the terms set out in the Servicing Agreement (*provided* that the fees payable to the Servicer or such New Seller acting as servicer of such Loans and their Related Security would be determined on or around the date of the accession of such New Seller to the Program);

- the Bond Trustee is satisfied that any accession of a New Seller to the Program will not prejudice the Asset Coverage Test; and

- the Bond Trustee is satisfied that any modifications to the Transaction Documents in order to accommodate the accession of a New Seller to the Program will not be materially prejudicial to the interests of any of the Covered Bondholders.

If the above conditions are met, the consent of Covered Bondholders will not be required in relation to the accession of a New Seller to the Program.

Termination of Custodian

The Guarantor may, at any time, but subject to the prior written consent of the Bond Trustee (if the Custodian is not the Bond Trustee), terminate the appointment of the Custodian upon providing the Custodian with at least 60 days' prior written notice, *provided that,* subject to the following sentence, such termination may not be effected unless and until a replacement approved by the Bond Trustee, acting reasonably, has been found by the Guarantor which agrees to perform the duties (or substantially similar duties) of the Custodian set out in the Mortgage Sale Agreement. In the event that there is a breach by the Custodian of certain representations

and warranties or a failure by the Custodian to perform certain covenants made by it under the Mortgage Sale Agreement, the Guarantor will have the right to terminate the Custodian and appoint a replacement Custodian, without the need for a replacement having been appointed upon such termination.

The Mortgage Sale Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Servicing Agreement

Servicing

Pursuant to the terms of the Servicing Agreement, the Servicer (who will initially be the Bank) will provide services, on behalf of the Guarantor in relation to the Loans and their Related Security comprised in the Portfolio.

The Servicer will administer the Loans and their Related Security comprised in the Portfolio in accordance with the applicable law, the Servicing Agreement and the other Transaction Documents and with reasonable care and diligence, using that degree of skill and attention that they exercise in managing, servicing, administering, collecting on and performing similar functions relating to comparable loans that it services for itself.

With respect to STEP Loans, the Servicing Agreement will give the Servicer the sole and exclusive right to service all STEP Loans made to a particular STEP Borrower that are secured by the same STEP Collateral Mortgage and other Related Security, whether or not owned by the Guarantor. The Transaction Documents will further require all STEP Loans and Other STEP Products to be serviced by the Servicer in a manner consistent with the respective rights, interests and priorities of the Guarantor, the Seller and any Other STEP Creditor as described in *—Mortgage Sale Agreement—Scotia Total Equity Plan and STEP Loans*, but in all cases giving due consideration to the priority of the STEP Loans owned by the Guarantor. The Bank will initially service all STEP Loans and Other STEP Products.

The Servicer will, subject to the terms and conditions of the Servicing Agreement, the terms of the Loans and their Related Security (including, if applicable, the STEP Plan), the Mortgage Sale Agreement and the Security Agreement, have the full power, authority and right to do or cause to be done any and all things, not inconsistent with the sale, transfer and assignment of the Loans and their Related Security to the Guarantor, which it reasonably considers necessary, convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Right of delegation by the Servicer

The Servicer may, under certain terms and conditions, sub-contract or delegate the performance of all or any of its powers and obligations under the Servicing Agreement. Notwithstanding any sub-contracting or delegation of the performance of its obligations under the Servicing Agreement, the Servicer will not be released or discharged from any liability and will remain responsible for the performance of all of its obligations under the Servicing Agreement, and the performance or non-performance or the manner of performance by any sub-contractor or delegate of any of the services will not affect the Servicer's obligations under the Servicing Agreement and any breach in the performance of the services by such sub-contractor or delegate will, subject to the Servicer being entitled for a period of 20 Toronto Business Days from receipt of any notice of the breach to remedy such breach by any sub-contractor or delegate, be treated as a breach of the Servicing Agreement by the Servicer.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement, the Servicer will in relation to those Loans and their Related Security in the Portfolio that it is servicing, inter alia:

- keep and maintain records and books of account in respect of the Portfolio for the purposes of identifying amounts paid by the related Borrower, any amount due from such Borrower and the Outstanding Principal Balance of the Loans and such other records as would be kept by reasonable and prudent institutional mortgage lenders in the Servicer's market;

- provide the Guarantor and the Bond Trustee with access to the Customer Files and other records relating to the administration of the Loans and their Related Security in its possession;

- assist the Cash Manager in the preparation of the Investor Report;

- give timely notice to the Borrower of each Loan of any default in payment or other default thereunder, or under any related agreements;

- investigate all delinquencies and defaults under the Loans;

- hold as trust property for and on behalf of the Guarantor, free of any adverse claim, all collections received in respect of the Loans and their Related Security in the Portfolio and Customer Files with respect to the Loans;

- take such enforcement actions and proceedings in respect of the Loans and their Related Security in the Portfolio as it would be reasonable to expect reasonable and prudent institutional mortgage lenders in the Servicer's market to take in administering their loans and their related security; and

- take all other action and do all other things which would be reasonable to expect reasonable and prudent institutional mortgage lenders in the Servicer's market to do in administering their loans and their related security

Remuneration

The Seller will perform the duties and obligations of the Servicer pursuant to the terms of the Servicing Agreement at no additional cost to the Guarantor, in consideration for the purchase price received by it for the Loans and their Related Security sold by it to the Guarantor pursuant to the Mortgage Sale Agreement. The Servicer will not be entitled to any additional compensation for the performance of its obligations under the Servicing Agreement or any reimbursement for the costs and expenses incurred by it in connection therewith, it being acknowledged that the Loans, the Related Security and the other assets comprised in the Portfolio have been sold pursuant to the Mortgage Sale Agreement on a fully serviced basis. In the event the Servicer is replaced in accordance with the terms of the Servicing Agreement by a Person other than an Affiliate of the Bank, unless otherwise agreed by the parties to the Servicing Agreement, the Guarantor will on each Guarantor Payment Date reimburse such Person, in accordance with the applicable Priority of Payments, for all costs, expenses, disbursements, charges and fees (together with any applicable Taxes due thereon) properly incurred by such Person in the performance of its services as successor Servicer.

Representations and Warranties of the Servicer

Under the Servicing Agreement, the Servicer represents and warrants to the Guarantor, the Seller, the Cash Manager and the Bond Trustee that (i) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities in relation to its duties and obligations thereunder; (ii) it is and will continue to be in good standing with OSFI; (iii) it is and will continue to be in regulatory good standing and in material compliance with and under all laws applicable to its duties and obligations thereunder and under the other Transaction Documents to which it is a party; (iv) the Servicer is rated by each of the Rating Agencies at ratings that are at or above the threshold ratings of (x) a counterparty risk assessment rating of Baa3(cr) (in respect of Moody's), (y) a deposit rating of F2 short term or BBB+ long term (in respect of Fitch, or if Fitch has not then assigned a deposit rating to the Servicer, then an issuer default rating of F2 short term or BBB+ long term), and (z) a rating on its long-term unsecured, unsubordinated and unguaranteed debt obligations of

BBB(low) (in respect of DBRS); provided for greater certainty, that in the case of (y), only one of such ratings from Fitch is required to be at or above such ratings, as applicable (the **Servicer Replacement Ratings**); and (v) it is and will continue to be in material compliance with its internal policies and procedures (including risk management policies) relevant to its duties and obligations thereunder.

Removal or resignation of the Servicer

The Guarantor and the Bond Trustee may, upon written notice to the Servicer, terminate the Servicer's rights and obligations (unless otherwise specified below) if any of the following events (each a **Servicer Termination Event** and each of the first three events and the last event set out below, a **Servicer Event of Default**) occurs:

- one or more Rating Agencies downgrade the Servicer's ratings below the Servicer Replacement Ratings;

- the Servicer defaults in the payment of any amount due to the Guarantor under the Servicing Agreement and fails to remedy that default for a period of three Toronto Business Days after the earlier of the Servicer becoming aware of the default and receipt by the Servicer of written notice from the Bond Trustee or the Guarantor requiring the same be remedied;

- default is made by the Servicer (or any delegate thereof) in the performance of its obligations under the Servicing Agreement at any time that one or more Rating Agencies has downgraded the Servicer's ratings below the Servicer Deposit Threshold Ratings, and such default continues unremedied for a period of one Toronto Business Day after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Bond Trustee or the Guarantor requiring the same to be remedied;

- the Guarantor resolves, after due consideration and acting reasonably, that the appointment of the Servicer should be terminated provided that a substitute servicer has entered into a servicing agreement with the parties hereto (excluding the Servicer) on terms and conditions substantially similar to the terms and conditions contained herein, and with respect to which the Rating Agency Condition has been satisfied;

- an Insolvency Event occurs in relation to the Servicer;

- there is a breach by the Servicer of certain representations and warranties or a failure by the Servicer to perform certain covenants made by it under the Servicing Agreement;

- if the Servicer is the Bank or an affiliate of the Bank, an Issuer Event of Default (i) occurs and is continuing, or (ii) previously occurred and is continuing, at any time that the Guarantor is not Independently Controlled and Governed; or

- the Servicer fails to comply with any of its other covenants and obligations under the Servicing Agreement which failure in the reasonable opinion of the Bond Trustee is materially prejudicial to the interests of the Covered Bondholders and does not remedy such failure within the earlier of 30 Toronto Business Days after becoming aware of the failure and receipt by the Servicer of written notice from the Bond Trustee or the Guarantor requiring the same to be remedied.

In the case of the occurrence of the first Servicer Termination Event described above, at any time that the Guarantor is not Independently Controlled and Governed, the Guarantor will by notice in writing to the Servicer terminate its appointment as Servicer with effect from a date (not earlier than the date of the notice) specified in the notice.

Any resolution to terminate the Servicer's appointment under the Servicing Agreement will be notified to the Rating Agencies. Any such termination will become effective upon the appointment of a successor Servicer in place of the Servicer.

Subject to the fulfillment of a number of conditions, a Servicer may resign and terminate its appointment as a Servicer upon the expiry of not less than 12 months' written notice to the Bond Trustee, the Guarantor and each Rating Agency, *provided* that:

(a) if the Servicer who wishes to terminate its appointment is the Bank, the Guarantor and the Bond Trustee consent in writing to such termination;

(b) one or more new servicer(s) or successor Servicer(s) will be appointed, with such appointment to be effective no later than the date of such resignation and the Servicer who wished to terminate its appointment notifies the Rating Agencies in writing of the identity of such new servicer(s) or successor Servicer(s);

(c) each new servicer(s) or successor Servicer(s) is qualified to act as such under applicable laws;

(d) each new servicer(s) or successor Servicer(s) enters into an agreement substantially on the same terms as the relevant provisions of the Servicing Agreement with the Guarantor and the Bond Trustee (which agreement may, for the avoidance of doubt, provide for the payment of such fees, costs and expenses of the new servicer(s) as the Guarantor and Bond Trustee may deem appropriate in accordance with the relevant provisions of the Servicing Agreement) and the Servicer will not be released from its obligations under the relevant provisions of the Servicing Agreement until such new servicer(s) or successor Servicer(s) has entered into such new agreement;

(e) each new servicer(s) or successor Servicer(s) agrees to service the STEP Loans and any related Other STEP Products in the manner contemplated in the relevant provisions of the Servicing Agreement; and

(f) the Rating Agency Condition has been satisfied with respect to such resignation and appointment of the new servicer(s) or successor Servicer(s), unless the resignation is otherwise agreed to by an Extraordinary Resolution of the Covered Bondholders.

If the appointment of the Servicer is terminated, the Servicer must promptly deliver the Customer Files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the Guarantor.

The Servicing Agreement will terminate at such time as the Guarantor has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

The Bond Trustee is not obliged to act as Servicer in any circumstances.

The Servicing Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Cover Pool Monitor Agreement

Under the terms of the Cover Pool Monitor Agreement entered into on the Program Date between the Cover Pool Monitor, the Guarantor, the Bank, the Cash Manager and the Bond Trustee, the Cover Pool Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Cover Pool Monitor, to carry out arithmetic testing of, and report on the arithmetic accuracy of, the calculations performed by the Cash Manager once each year and more frequently in certain circumstances as required by the terms of the Cover Pool Monitor Agreement with a view to confirming that the Asset Coverage Test or the Amortization

Test, as applicable, is met on each applicable Calculation Date, and confirming the accuracy of the Valuation Calculation.

If the arithmetic testing conducted by the Cover Pool Monitor reveals any errors in the calculations performed by the Cash Manager, the Cover Pool Monitor will be required to conduct such arithmetic tests and report on such arithmetic accuracy for (a) the last Calculation Period of each calendar quarter of the preceding year, (b) each Calculation Period of the current year until such arithmetic testing demonstrates no arithmetical inaccuracy for three consecutive Calculation Periods, and (c) thereafter, the last Calculation Period of each remaining calendar quarter of the current year.

In addition to the arithmetic testing described above, the Cover Pool Monitor will also perform certain specified procedures in relation to the Portfolio and verify compliance by the Bank, the Guarantor and the Program with certain aspects of the Legislative Framework and the CMHC Guide.

The Cover Pool Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Cash Manager for the purpose of performing its duties under the Cover Pool Monitor Agreement is true and correct and not misleading, and is not required to report as such or otherwise take steps to verify the accuracy of any such information. Each report of the Cover Pool Monitor delivered in accordance with the terms of the Cover Pool Monitor Agreement will be delivered to the Cash Manager, the Guarantor, the Bank, the Bond Trustee and CMHC.

The Guarantor will pay to the Cover Pool Monitor a fee per report (exclusive of applicable taxes) as determined per the Cover Pool Monitor Agreement from time to time, for the reports to be performed by the Cover Pool Monitor.

The Guarantor may, at any time, but subject to the prior written consent of the Bond Trustee, terminate the appointment of the Cover Pool Monitor by giving at least 60 days' prior written notice to the Cover Pool Monitor (unless the Cover Pool Monitor defaults in the performance or observance of certain of its covenants or breaches certain of its representations and warranties made, respectively, under the Cover Pool Monitor Agreement, in which case such consent will not be required), *provided* that such termination may not be effected unless and until a replacement Cover Pool Monitor has been appointed by the Guarantor (such replacement to be approved by the Bond Trustee (such approval to be given if the replacement is an accountancy firm of national standing in Canada)) which agrees to perform the duties of the Cover Pool Monitor set out in the Cover Pool Monitor Agreement (or substantially similar duties).

The Cover Pool Monitor may, at any time, resign by giving at least 60 days' prior written notice to the Guarantor (or the Cash Manager on its behalf) and the Bond Trustee. The Cover Pool Monitor may resign immediately by giving written notice if any action taken by a recipient of a report delivered by the Cover Pool Monitor causes a professional conflict of interest for the Cover Pool Monitor under the rules of the professional and/or regulatory bodies regulating the activities of the Cover Pool Monitor. The Cover Pool Monitor will inform the recipients of its report as soon as reasonably practicable of any action of which the Cover Pool Monitor is aware that may cause a professional conflict of interest for the Cover Pool Monitor which could result in its resignation.

If the Guarantor has not, using all commercially reasonable endeavors, appointed a replacement Cover Pool Monitor (such replacement to be approved by the Bond Trustee) within 60 days of the giving of notice of resignation or termination or by the date which is 30 days prior to the date when tests are to be carried out in accordance with the terms of the Cover Pool Monitor Agreement, then the Guarantor will use all commercially reasonable endeavors to appoint an accountancy firm of national standing in Canada which meets the requirements of a cover pool monitor in the CMHC Guide to carry out the duties of the Cover Pool Monitor set out in the Cover Pool Monitor Agreement on a one-off basis, *provided* that such appointment is approved by the Bond Trustee, acting reasonably.

The Bond Trustee will not be obliged to act as Cover Pool Monitor under any circumstances.

The Cover Pool Monitor Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Guarantor Agreement

The general and limited partners of the Guarantor operate the business of the Guarantor in accordance with the terms of the Guarantor Agreement between the Managing GP, as managing general partner, the Liquidation GP, as liquidation general partner, the Bank, as Limited Partner and the Bond Trustee, together with such other persons as may become partners of the Guarantor. Any Partner must be a resident of Canada for purposes of the Income Tax Act.

General Partner and Limited Partners of the Guarantor

The Managing GP is the initial managing general partner and the Liquidation GP is the initial liquidation general partner and the Bank is currently the sole limited partner of the Guarantor. The Partners have the duties and obligations, rights, powers and privileges specified in the *Limited Partnership Act* (Ontario) and pursuant to the terms of the Guarantor Agreement.

No new limited partner may be otherwise appointed, and no new general partner may be added or general partner replaced without, among other requirements (i) the consent of the Partners and, while there are Covered Bonds outstanding, the Bond Trustee, and (ii) satisfaction of the Rating Agency Condition.

Under the Guarantor Agreement, the Limited Partner represents and warrants to the other Partners that: (i) it is a validly created chartered bank under the laws of Canada and is validly subsisting under such laws; (ii) it has taken all necessary action to authorise the execution, delivery and performance of the Guarantor Agreement; (iii) it has the capacity and corporate authority to enter into and perform its obligations under the Guarantor Agreement and such obligations do not conflict with nor do they result in a breach of any of its documents or by-laws or any material agreement by which it is bound or any applicable law the breach of which would have a material effect; (iv) no authorization, consent or approval of, or filing with or notice to, any person is required in connection with the execution, delivery or performance of the Guarantor Agreement by the Limited Partner, other than whose which have been obtained; (v) it is not a non-resident of Canada for purposes of the Income Tax Act and will retain such status during the term of the partnership governed by the Guarantor Agreement; (vi) it will not transfer any interest it holds in the Guarantor to a non-resident of Canada for purposes of the Income Tax Act; (vii) it will at all times comply with the CMHC Guide; and (viii) it will at all times comply with, and perform its obligations under, the provisions of the Guarantor Agreement and each other Transaction Document to which it is a party in any capacity.

Capital Contributions

The Managing GP and the Liquidation GP hold 99 per cent.and 1 per cent.respectively of the 0.05 per cent.general partner interest. The Limited Partner holds the substantial economic interest in the Guarantor (approximately 99.95 per cent.). The Limited Partner may from time to time make additional Capital Contributions. Such Capital Contributions may be Cash Capital Contributions or Capital Contributions in Kind. In the case of the latter, the Limited Partner will have an additional interest in the capital of the Guarantor equal to the fair market value of those Loans contributed by it as at the Transfer Date recorded in the Capital Account Ledger.

New Limited Partners

In the future, any person that wishes to become a new Limited Partner will, subject to the following paragraph, require the consent of the Limited Partner and, while there are Covered Bonds outstanding, the Bond Trustee, and be required to accede to the Mortgage Sale Agreement and any other Transaction Documents to which the Limited Partner is a party and deliver such other agreements and provide such other assurances as may be required by the Guarantor and/or the Bond Trustee (acting reasonably). Subject to compliance with the

foregoing, the consent of the Covered Bondholders will not be required to the accession of a new Limited Partner to the Guarantor. The admission of a new Limited Partner will also be subject to satisfaction of the Rating Agency Condition.

Subject to the satisfaction of the Rating Agency Condition, the Limited Partner may assign all or some portion of its interest in the Guarantor to any subsidiary by giving written notice of such assignment to the CMHC, each of the Managing GP and the Liquidation GP, and the Bond Trustee, and the assignee of such interest acceding to the Guarantor Agreement. Any such assignment shall not require the consent of the general partners, the Bond Trustee, the Covered Bondholders or, if applicable, any other Limited Partner, provided that such subsidiary is not a non-resident of Canada for the purposes of the Income Tax Act.

Capital Distributions

Provided the Asset Coverage Test will be met after giving effect to any Capital Distribution, the Managing GP may from time to time, in its discretion, make Capital Distributions to the Partners in accordance with the Guarantor Agreement, and *provided*, that such Capital Distributions are permitted under the applicable Priorities of Payments and the Security Agreement. Pursuant to the terms of the Guarantor Agreement, distributions to the Liquidation GP will be limited to an amount which may be less than the Liquidation GP's *pro rata* interest in the Guarantor.

OC Valuation

The CMHC Guide requires that the Guarantor confirm that the cover pool's Level of Overcollateralization (as defined below) exceeds 103 per cent. (the **Guide OC Minimum**). Accordingly, for so long as Covered Bonds remain outstanding, the Guarantor (or the Cash Manager on behalf of the Guarantor) will calculate the Level of Overcollateralization at the same time that the Asset Coverage Test is performed, and the Guarantor will compare such Level of Overcollateralization with the Guide OC Minimum (such calculation and comparison, the **OC Valuation**).

For purposes of the OC Valuation, the **Level of Overcollateralization** means the amount, expressed as a percentage, calculated as at each Calculation Date is as follows:

$$A \div B$$

where,

A = the lesser of: (i) the total amount of the cover pool collateral; and (ii) the amount of cover pool collateral required to collateralise the Covered Bonds outstanding and ensure that the Asset Coverage Test is met, and

B = the Canadian Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

For purposes of the foregoing calculation:

(a) loans included in the cover pool collateral shall be those that are Performing Eligible Loans and shall be valued using their outstanding principal balance;

(b) Substitute Assets included in the cover pool collateral shall be valued using their outstanding principal amount; and

(c) cover pool collateral shall not include Swap Collateral or Voluntary Overcollateralization.

The Issuer must provide immediate notice to CMHC if the Level of Overcollateralization falls below the Guide OC Minimum. Once implemented, the OC Valuation will be calculated by the Cash Manager as at each

Calculation Date and monitored from time to time by the Cover Pool Monitor. Such calculation will be completed within the time period specified in the Cash Management Agreement. The Level of Overcollateralization, with a comparison to the Guide OC Minimum, must be disclosed for the month the calculation is performed in each Investor Report and each public offering document prepared, filed or otherwise made available to investors for so long as the calculation is current.

Asset Coverage Test

Under the terms of the Guarantor Agreement, the Guarantor is required to ensure that, as of each Calculation Date, the ACT Asset Value (as defined below) is in an amount at least equal to the ACT Liability Value (as defined below) as calculated as of the relevant Calculation Date.

If as of any Calculation Date the ACT Asset Value (as defined below) is less than the ACT Liability Value (as defined below) as of the relevant Calculation Date, then the Managing GP (or the Cash Manager on its behalf) will notify the Guarantor, CMHC, the Partners and the Bond Trustee thereof. In such circumstances, the Partners (other than the Liquidation GP) shall use all reasonable efforts to ensure that the Guarantor satisfies the Asset Coverage Test prior to the next Calculation Date. If the ACT Asset Value is less than the ACT Liability Value as of the next following Calculation Date, the Asset Coverage Test will be breached and the Managing GP (or the Cash Manager on its behalf) will serve an Asset Coverage Test Breach Notice on the Guarantor, the Partners and the Bond Trustee in accordance with the Guarantor Agreement. Under the Guarantor Agreement, the Managing GP (or the Cash Manager on its behalf) or the Bond Trustee will revoke an Asset Coverage Test Breach Notice if, as of any Calculation Date falling on or prior to the Guarantor Payment Date immediately following the Calculation Date after the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Guarantor Acceleration Notice has been served. In such circumstances where the Asset Coverage Test is not satisfied, the Limited Partner shall use all reasonable efforts to, in its sole discretion, (i) make advances under the Intercompany Loan, (ii) sell Loans and their Related Security to the Guarantor, or (iii) make a Capital Contribution in cash or in kind, in any case on or before the next Calculation Date in amounts sufficient to ensure that the Guarantor is in compliance with the Asset Coverage Test prior to the next following Calculation Date.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

> the Guarantor may be required to sell Selected Loans (as described further under Sale of Selected Loans at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served to the Guarantor below); and
>
> prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priorities of Payments will be modified as more particularly described in *Cashflows—Allocation and distribution of Available Revenue Receipts and Available Principal Receipts when an Asset Coverage Test Breach Notice is outstanding but no Covered Bond Guarantee Activation Event has occurred* below.

If an Asset Coverage Test Breach Notice has been served and not revoked on or before the Guarantor Payment Date immediately following the Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default will occur and the Bond Trustee will be entitled (and, in certain circumstances may be required) to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the Guarantor.

For the purposes hereof:

Asset Coverage Test = **ACT Asset Value – ACT Liability Value**

ACT Asset Value = A + B + C + D + E – F

where:

A = the lower of (1) and (2):

(1) the sum of the LTV Adjusted Loan Balance of each Loan in the Portfolio, net of Adjustments; and

(2) the sum of the Asset Percentage Adjusted Loan Balance of each Loan in the Portfolio, net of Adjustments

B = Principal Receipts up to the related Calculation Date not otherwise applied on such Calculation Date

C = the aggregate cash capital contributions made by Partners or proceeds advanced under the Intercompany Loan Agreement or proceeds from any sale of Eligible Loans or other cash exclusive of Revenue Receipts up to the related Calculation Date

D = the outstanding principal amount of any Substitute Assets

E = the amount credited to the Reserve Fund balance and/or amount credited to the Pre-Maturity Liquidity Ledger, as applicable

F = the product of:

(1) the weighted average remaining maturity of all outstanding Covered Bonds (in years and, where less than a year, deemed to be a year);

(2) the Principal Amount Outstanding of all Covered Bonds; and

(3) the Negative Carry Factor

LTV Adjusted Loan Balance = the lower of (1) and (2):

(1) the True Loan Balance of the relevant Loan; and

(2) if such Loan is a Performing Eligible Loan, 80 per cent. of the Market Value of the related Mortgaged Property or, if such loan is a Non-Performing Eligible Loan, zero

Asset Percentage Adjusted Loan Balance = the Asset Percentage x the lower of (1) and (2):

(1) the True Loan Balance of the relevant Loan; and

(2) if such Loan is a Performing Eligible Loan, the Market Value of the related Mortgaged Property or, if such loan is a Non-Performing Eligible Loan, zero

Performing Eligible Loans = Eligible Loans that are less than three months in arrears

Adjustments = the sum of:

(1) the LTV Adjusted Loan Balance or Asset Percentage Adjusted Loan Balance (as the case may be) of any Performing Eligible Loan in breach of the Loan Representations and Warranties or otherwise subject to the Seller's repurchase obligation (but yet to be repurchased) under the Mortgage Sale Agreement; and

(2) financial losses (yet to be recompensed) resulting from any breach by the Seller of any other material warranty in the Mortgage Sale Agreement or from any breach by the Servicer of a material term of the Servicing Agreement

True Loan Balance = the sum of:

(1) the outstanding loan balance of the relevant Loan; and

(2) all arrears of interest and accrued interest in respect of the relevant Loan

Asset Percentage = as determined below

Negative Carry Factor =

(1) if the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Portfolio is less than or equal to 0.1 per cent.per annum, then 0.5 per cent.; and

(2) if the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Portfolio is greater than 0.1 per cent.per annum, then the sum of (x) 0.5 per cent. and (y) such margin less 0.1 per cent.,

unless the interest rate risk represented by the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Portfolio is addressed or mitigated by the Interest Rate Swap Agreement and the "Effective Date" thereunder has occurred, whereupon the Negative Carry Factor will be nil.

ACT Liability Value	=	the nominal amount of Covered Bond liabilities in Canadian Dollars (with currency transaction undertaken using or at foreign exchange rates reflected in the related Covered Bond Swap Agreement)

The **Asset Percentage** will be determined as follows:

On or prior to the Guarantor Payment Date immediately following the Calculation Date falling in February, May, August and November of each year, and on such other date as the Limited Partner may request following the date on which the Limited Partner is required to assign the Interest Rate Swap Agreement to a third party (each such date a **Cashflow Model Calculation Date**), the Managing GP (or the Cash Manager on its behalf) will determine the percentage figure selected by it as the Asset Percentage based on such methodologies as the Rating Agencies may prescribe from time to time (to ensure sufficient credit enhancement for the Covered Bond Guarantee will be maintained) for the Portfolio based on the value of the Loans and their Related Security in the Portfolio as at the Calculation Date immediately preceding the Cashflow Model Calculation Date as a whole or on the basis of a sample of Randomly Selected Loans (as described below) in the Portfolio, such calculations to be made on the same basis throughout unless the Rating Agency Condition has been satisfied in respect thereof.

The Asset Percentage will from time to time be adjusted in accordance with the various methodologies of the Rating Agencies to ensure that sufficient credit enhancement for the Covered Bond Guarantee will be maintained.

The Managing GP (or the Cash Manager on its behalf) will, or will use all reasonable efforts to cause one or more Rating Agencies to, determine the Asset Percentage at least two days prior to the Guarantor Payment Date following the Cashflow Model Calculation Date and the Asset Percentage so determined will be the lowest percentage so determined by any of the Rating Agencies in the manner set forth above and will apply to any calculations in respect of the Calculation Period ending on such Cashflow Model Calculation Date and each Calculation Period thereafter to but excluding the last day of the following Calculation Period ending on a Cashflow Model Calculation Date. To the extent a Rating Agency does not respond to a request for a newly determined Asset Percentage, the Asset Percentage last determined by such Rating Agency will continue to be the applicable percentage with respect to such Rating Agency.

The Asset Percentage will at all times be less than or equal to 95 per cent., as determined in accordance with the Guarantor Agreement, provided that the Asset Percentage will not be less than 80 per cent.unless otherwise agreed by the Bank (and following an Issuer Event of Default, the Guarantor for the purposes of making certain determinations in respect of the Intercompany Loan). Any increase in the maximum Asset Percentage will be deemed to be a material amendment to the Trust Deed and will require satisfaction of the Rating Agency Condition.

Randomly Selected Loans means Loans and, if applicable, their Related Security, in the Portfolio, selected in accordance with the terms of the Guarantor Agreement on a basis that (i) such Loans would not, or would not reasonably be expected to, adversely affect the interests of the Covered Bondholders, and (ii) such Loans are not designed to favour the selection of any identifiable class or type or quality of Loans and their Related Security over all Loans and their Related Security in the Portfolio, provided that for such purpose, all STEP Loans made to the same STEP Borrower that are owned by the Guarantor will be considered as a single Loan.

Amortization Test

The Guarantor must ensure that as of each Calculation Date following an Issuer Event of Default that is continuing, the Amortization Asset Value will be in an amount at least equal to the Amortization Liability Value as calculated as of the relevant Calculation Date.

If on any Calculation Date following an Issuer Event of Default that is continuing, the Amortization Asset Value is less than the Amortization Liability Value as calculated as of the relevant Calculation Date, then the Amortization Test will be deemed to be breached and a Guarantor Event of Default will occur. The Guarantor or the Cash Manager, as the case may be, will immediately notify the Partners, CMHC and the Bond Trustee of any breach of the Amortization Test.

Amortization Test = Amortization Asset Value – Amortization Liability Value

Amortization Asset Value = A + B + C – D

where:

A = the aggregate Amortization True Loan Balance of each Loan in the Portfolio

B = the amount of any cash standing to the GDA Account (exclusive of any Revenue Receipts up to the Calculation Date not otherwise applied)

C = the outstanding principal amount of any Substitute Assets

D = the product of:

(1) the weighted average remaining maturity of all outstanding Covered Bonds (in years and, where less than a year, deemed to be a year);

(2) the Principal Amount Outstanding of all Covered Bonds; and

(3) the Negative Carry Factor

Amortization True Loan Balance = the lower of (1) and (2)

(1) the True Loan Balance of the relevant Loan; and

(2) if such Loan is a Performing Eligible Loan, 80 per cent. of the Market Value of the related Mortgaged Property, or if such Loan is a Non-Performing Eligible Loan, zero

Negative Carry Factor =

(1) if the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Portfolio is less than or equal to 0.1 per cent.per annum, then 0.5 per cent.; and

(2) if the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Portfolio is greater than 0.1 per cent.per annum, then the sum of (x) 0.5 per cent.and (y) such margin less 0.1 per cent.,

unless the interest rate risk represented by the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Portfolio is addressed or mitigated by the Interest Rate Swap Agreement, and the "Effective Date" thereunder has occurred, whereupon the Negative Carry Factor will be nil.

Amortization Liability Value = the nominal amount of Covered Bond liabilities in Canadian Dollars (with currency translations undertaken using or at foregoing exchange rates reflected in the related Covered Bond Swap Agreement or, to the extent the foreign exchange risk of a non-Canadian Dollar denominated Covered Bond liability is not or no longer the subject of (or otherwise addressed or mitigated by) a Covered Bond Swap Agreement (by reason of termination or otherwise) end of day spot foreign exchange rates).

Valuation Calculation

The **Valuation Calculation** is equal to the VC Asset Value (as defined below) minus the Canadian Dollar Equivalent of the Trading Value of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. For greater certainty, references in this section to immediately preceding Calculation Date and previous Calculation Date are to the Calculation Period ending on the Calculation Date.

For the purposes of the Valuation Calculation, the **VC Asset Value** means the amount calculated as at each Calculation Date as follows:

$$A + B + C + D + E + F$$

where:

A = the aggregate **LTV Adjusted Loan Present Value** of (i) each Loan that is a Performing Eligible Loan, which shall be the lower of (1) the Present Value of the relevant Loan on such

Calculation Date, and (2) 80 per cent.multiplied by the Latest Valuation relating to that Loan, and (ii) each Loan that is a Non-Performing Eligible Loan, which shall be equal to zero

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Loan Present Value of the Loans in the Portfolio if any of the following occurred during the previous Calculation Period:

(1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Loan Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate LTV Adjusted Loan Present Value of the Loans in the Portfolio on such Calculation Date will be deemed to be reduced by an amount equal to the LTV Adjusted Loan Present Value of the relevant Loan or Loans on such Calculation Date of the relevant borrower; and/or

(2) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted Loan Present Value of the Loans in the Portfolio on such Calculation Date will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Cash Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the Guarantor by the Seller to indemnify the Guarantor for such financial loss);

B = the aggregate amount of any Principal Receipts on the Loans and their Related Security up to such Calculation Date (as recorded in the Principal Ledger) which have not been applied as at such Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the Priorities of Payments of the Guarantor Agreement and/or the other Transaction Documents;

C = the aggregate amount of (i) any Cash Capital Contributions made by the Partners (as recorded in the Capital Account Ledger for each Partner of the Guarantor), (ii) proceeds advanced under the Intercompany Loan Agreement or (iii) proceeds from any sale of Selected Loans which, in each case, have not been applied as at such Calculation Date to acquire further Loans and their Related Security or otherwise applied in accordance with the Priorities of Payments and/or the other Transaction Documents;

D = the Trading Value of any Substitute Assets;

E = the balance, if any, of the Reserve Fund and the amounts credited to the Pre-Maturity Liquidity Ledger, as applicable; and

F = the Trading Value of the Swap Collateral, if applicable.

Trading Value = the value determined with reference to one of the methods set forth in (a) through (f) below which can reasonably be considered the most accurate indicator of institutional market value in the circumstances:

(a) the last selling price;

(b) the average of the high and low selling price on the calculation date;

(c) the average selling price over a given period of days (not exceeding 30) preceding the calculation date;

(d) the close of day bid price on the calculation date (in the case of an asset);

(e) the close of day ask price on the calculation date (in the case of a liability); or

(f) such other value as may be indicated by at least two actionable quotes obtained from appropriate market participants instructed to have regard for the nature of the asset or liability, its liquidity and the current interest rate environment,

plus accrued return where applicable (with currency translations undertaken using or at the average close of day foreign exchange rates posted on the Bank of Canada website for the month in relation to which the calculation is made), *provided that*, in each case, the methodology selected, the reasons therefor and the determination of value pursuant to such selected methodology shall be duly documented.

Sale of Selected Loans following a breach of the Pre-Maturity Test

The Pre-Maturity Test will be breached if one or more Rating Agencies downgrade the Bank's ratings below the Pre-Maturity Required Ratings and a Hard Bullet Covered Bond is due for repayment within a specified period of time thereafter. See *Credit Structure—Pre-Maturity Test.* If the Pre-Maturity Test is breached, the Guarantor will offer to sell Selected Loans pursuant to the terms of the Guarantor Agreement (see *—Method of sale of Portfolio assets* below), subject to:

(a) any right of pre-emption of the Seller pursuant to the terms of the Mortgage Sale Agreement;

(b) a Capital Contribution in Kind made by one or more of the Partners (as recorded in the Capital Account Ledger for such Partners) of certain Substitute Assets in accordance with the Guarantor Agreement with an aggregate principal amount up to the Pre-Maturity Liquidity Required Amount (which will be a credit to the Pre-Maturity Liquidity Ledger); or

(c) Cash Capital Contributions made by one or more of the Partners (as recorded in the Capital Account Ledger for each applicable Partner) or proceeds advanced under the Intercompany Loan Agreement which have not been applied to acquire further Portfolio assets or otherwise applied in accordance with the Guarantor Agreement and/or the other Transaction Documents with an aggregate principal amount up to the Pre-Maturity Liquidity Required Amount (which will be a credit to the Pre-Maturity Liquidity Ledger).

If the Bank fails to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, then, following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the Guarantor, funds standing to the credit of the Pre-Maturity Liquidity Ledger will be applied to repay the relevant Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in *Credit Structure—Pre-Maturity Test* above.

Sale of Selected Loans after a Demand Loan Repayment Event has occurred or the Bank has otherwise demanded that the Demand Loan be repaid

If, prior to the service of an Asset Coverage Test Breach Notice or a Notice to Pay, a Demand Loan Repayment Event has occurred or the Bank has demanded that the Demand Loan be repaid, the Guarantor may (a) sell Selected Loans in accordance with the Guarantor Agreement (see —*Method of sale of Portfolio assets* below), subject to the rights of pre-emption enjoyed by the Seller to purchase the Portfolio assets pursuant to the terms of the Mortgage Sale Agreement, or (b) make a Payment in Kind in accordance with the terms of the Intercompany Loan Agreement. Any such sale will be subject to the condition that the Asset Coverage Test is satisfied after the receipt of the proceeds of such sale and repayment, after giving effect to such repayment.

Sale of Selected Loans at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served to the Guarantor

At any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served to the Guarantor, but prior to service of a Guarantor Acceleration Notice on the Guarantor, the Guarantor will be obliged to sell Selected Loans in accordance with the Guarantor Agreement (see —*Method of sale of Portfolio assets* below), subject to the rights of pre-emption enjoyed by the Seller to buy the Portfolio assets pursuant to the terms of the Mortgage Sale Agreement and subject to additional advances on the Intercompany Loan and any Cash Capital Contribution made by the Limited Partner. The proceeds from any such sale or refinancing will be credited to the GDA Account and applied as set out in the Priorities of Payments (see *Cashflows* below).

Method of sale of Portfolio assets

If the Guarantor is required to sell Selected Loans to Purchasers following a breach of the Pre-Maturity Test, the occurrence of a Demand Loan Repayment Event, the Demand Loan being demanded by the Bank, the service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the Guarantor, the Guarantor will be required to ensure that before offering Selected Loans for sale:

(a) the Loans being sold are Randomly Selected Loans (as described above); and

(b) the Selected Loans have an aggregate True Loan Balance in an amount that is as close as possible to the amount calculated as follows:

  (i) following a Demand Loan Repayment Event or the Demand Loan being demanded by the Bank but prior to service of an Asset Coverage Test Breach Notice, such amount that would ensure that, if the Selected Loans were sold at their True Loan Balance, the Demand Loan as calculated on the date of the demand could be repaid, subject to satisfaction of the Asset Coverage Test; or

  (ii) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay on the Guarantor), such amount that would ensure that, if the Selected Loans were sold at their True Loan Balance, the Asset Coverage Test would be satisfied as at the next Calculation Date taking into account the payment obligations of the Guarantor on the Guarantor Payment Date following that Calculation Date (assuming for this purpose that the Asset Coverage Test Breach Notice is not revoked on the next Calculation Date); or

  (iii) following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Guarantor:

$$N \times A/B$$

where:

N is an amount equal to

(x) in respect of Selected Loans being sold following a breach of the Pre-Maturity Test, the Pre-Maturity Liquidity Required Amount less amounts standing to the credit of the Pre-Maturity Liquidity Ledger; or

(y) in respect of Selected Loans being sold following service of a Notice to Pay, the Canadian Dollar Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the Guarantor Accounts and the principal amount of any Substitute Assets (excluding all amounts to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds);

A is an amount equal to the True Loan Balance of all the Loans and their Related Security in the Portfolio; and

B is an amount equal to the Canadian Dollar Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding less the Canadian Dollar Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding which has been provided for in cash.

Required Redemption Amount means, in respect of a Series of Covered Bonds, the amount calculated as follows:

the Principal Amount Outstanding of the _____x [1 + Negative Carry Factor x (days to maturity relevant Series of Covered Bonds of the relevant Series of Covered Bonds/365)]

The Guarantor will offer the Selected Loans for sale to Purchasers for the best price reasonably available but in any event:

(a) following (i) a Demand Loan Repayment Event, the Demand Loan being demanded by the Bank or (ii) the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay on the Guarantor), in each case, for an amount not less than the True Loan Balance of the Loans;

(b) following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Guarantor, for an amount not less than the Adjusted Required Redemption Amount; and

(c) at any other time, for an amount not less than the fair market value of such Selected Loans.

Following the service of a Notice to Pay on the Guarantor, if the Selected Loans have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to, as applicable, if the Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), or the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds in respect of a sale in connection with the Pre-Maturity Test, then the Guarantor will offer the Selected Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

The Guarantor will through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Portfolio assets (if such terms are commercially available in the market) and to advise it in relation to the sale of the Portfolio assets to Purchasers (except where the Seller is buying the Portfolio assets in accordance with its right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender will be approved by the Bond Trustee.

In respect of any sale or refinancing (as applicable) of Selected Loans at any time an Asset Coverage Test Breach Notice is outstanding, there has been a breach of the Pre-Maturity Test, or a Notice to Pay has been served to the Guarantor, the Guarantor will instruct the portfolio manager to use all reasonable efforts to procure that Selected Loans are sold or refinanced (as applicable) as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager) taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the Guarantor Agreement.

The terms of any sale and purchase agreement with respect to the sale of Selected Loans (which will give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Bond Trustee. The Bond Trustee will not be required to release the Loans and their Related Security from the Security unless the conditions relating to the release of the Security (as described under *Security Agreement—Release of Security*, below) are satisfied.

Any such sale will not include any Loan Representations and Warranties from the Guarantor or the Seller in respect of the Portfolio assets unless expressly agreed by the Bond Trustee and unless otherwise agreed with the Seller.

Following the service of a Notice to Pay on the Guarantor, if Purchasers accept the offer or offers from the Guarantor so that some or all of the Selected Loans will be sold prior to the next following Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the next following Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the Guarantor will, subject to the foregoing paragraph, enter into a sale and purchase agreement with the relevant Purchasers which will require among other things a cash payment from the relevant Purchasers.

Covenants of the General Partner and Limited Partner of the Guarantor

Each of the Partners covenants that, subject to the terms of the Transaction Documents, it will not sell, transfer, convey, create or permit to arise any security interest on, create any beneficial interest in or otherwise dispose of its interest in the Guarantor without the prior written consent of the Managing GP and, while the Covered Bonds are outstanding, the Bond Trustee.

The Guarantor covenants that it will not, save with the prior written consent of the Limited Partner (and, for so long as any Covered Bonds are outstanding, the consent of the Bond Trustee) or as envisaged by the Transaction Documents:

(a) have an interest in a bank account;

(b) have any employees, premises or subsidiaries;

(c) acquire any material assets;

(d) sell, exchange, deal with or grant any option, present or future right to acquire any of the assets or undertakings of the Guarantor or any interest therein or thereto;

(e) enter into any contracts, agreements or other undertakings;

(f) incur any indebtedness or give any guarantee or indemnity in respect of any such indebtedness;

(g) create or permit to subsist any security interest over the whole or any part of the assets or undertakings, present or future of the Guarantor;

(h) change the name or business of the Guarantor or do any act in contravention of, or make any amendment to, the Guarantor Agreement;

(i) do any act which makes it impossible to carry on the ordinary business of the Guarantor, including winding up the Guarantor;

(j) compromise, compound or release any debt due to it;

(k) commence, defend, consent to a judgment, settle or compromise any litigation or other claims relating to it or any of its assets;

(l) permit a person to become a general or limited partner (except in accordance with the terms of the Guarantor Agreement); or

(m) consolidate or merge with another person or convey or transfer its properties or assets substantially as an entirety to any other person.

Limit on investing in Substitute Assets

At any time that no Asset Coverage Test Breach Notice is outstanding and prior to a Notice to Pay having been served to the Guarantor, the Guarantor will be permitted to hold Substitute Assets provided that the aggregate value of the Substitute Assets does not at any time exceed an amount equal to 10 per cent. of the aggregate value of (i) the aggregate loan balance of the Loans in the Portfolio, (ii) the face value of the Substitute Assets in the Portfolio, and (iii) all cash held by the Guarantor (subject to the Prescribed Cash Limitation), and provided that investments in Substitute Assets are made in accordance with the terms of the Cash Management Agreement and subject to the applicable Priority of Payments.

At any time an Asset Coverage Test Breach Notice is outstanding or a Covered Bond Guarantee Activation Event has occurred, the Substitute Assets held by or on behalf of the Guarantor must be sold as quickly as reasonably practicable with proceeds credited to the GDA Account, subject at all times to the Prescribed Cash Limitation.

The Guarantor may not hold cash in excess of (such limitation, the **Prescribed Cash Limitation**) (i) the amount necessary to meet its payment obligations for the immediately succeeding six months pursuant to the terms of the Transaction Documents, or (ii) such greater amount as CMHC may at its discretion permit in accordance with the Legislative Framework and the CMHC Guide; provided that to the extent that cash receipts of the Guarantor cause it to hold cash in excess of the amount in clause (i), the Guarantor will not be in breach of this covenant if it uses such excess amount to (x) purchase Loans and their Related Security for the Portfolio pursuant to the terms of the Mortgage Sale Agreement; and/or (y) to invest in Substitute Assets in an amount not exceeding the prescribed limit under the CMHC Guide; and/or (z) subject to complying with the Asset Coverage Test, to make Capital Distributions to the Limited Partner, in each case, within 31 days of receipt.

For greater certainty, amounts standing to the credit of the Pre-Maturity Liquidity Ledger and the Reserve Fund (other than, in each case, those amounts that constitute Substitute Assets) constitute cash and are subject to the Prescribed Cash Limitation. In the event that the Guarantor is required to fund the Pre-Maturity Liquidity Ledger and/or the Reserve Fund in accordance with the Transaction Documents and such funding would cause the Guarantor to hold cash in excess of the Prescribed Cash Limitation, any cash held by the Guarantor in excess of such cash standing to the credit of the Pre-Maturity Liquidity Ledger and the Reserve Fund will be used by the Guarantor in accordance with clauses (x), (y) and (z) in the immediately preceding paragraph above to ensure that the Guarantor is not in breach of the Prescribed Cash Limitation. In the event that (i) the Guarantor is in breach of the Prescribed Cash Limitation and it does not hold any cash other than the amounts it is required to hold in order to fund the Pre-Maturity Liquidity Ledger and the Reserve Fund in accordance with the Transaction Documents or (ii) a Notice to Pay has been served to the Guarantor, the Guarantor will request that CMHC, in accordance with the discretion granted to it under the Legislative Framework and the CMHC Guide, permit the Guarantor to hold such amount of cash in excess of the Prescribed Cash Limitation as may be required to allow it to comply with the Transaction Documents in the circumstances.

The Guarantor Agreement provides that, upon the occurrence of any of the following events:

(a) the passing of any resolution of the directors or the shareholder of the Managing GP requiring or approving the bankruptcy, dissolution, liquidation or winding-up of the Managing GP;

(b) the making of any assignment for the benefit of creditors of the Managing GP, or upon the appointment of a receiver of the assets and undertaking of the Managing GP;

(c) the appointment of a receiver of the assets and undertaking of the Managing GP; or

(d) the occurrence of a Covered Bond Guarantee Activation Event

(each a **Managing GP Default Event**), the initial Managing GP (being Scotiabank Covered Bond GP Inc.) will cease to be the Managing GP of the Guarantor, and the Liquidation GP will be automatically appointed the new Managing GP without the need for consent on the part of any person.

Other Provisions

The allocation and distribution of Revenue Receipts, Principal Receipts and all other amounts received by the Guarantor is described under *Cashflows* below.

For so long as any Covered Bonds are outstanding, each of the Partners has agreed that it will not terminate or purport to terminate the Guarantor or institute any winding-up, administration, insolvency or other similar proceedings against the Guarantor or any of its general partners. Furthermore, each of the Partners has agreed, among other things, except as otherwise specifically provided in the Transaction Documents not to demand or receive payment of any amounts payable to such Partners by the Guarantor (or the Cash Manager on its behalf) or the Bond Trustee unless all amounts then due and payable by the Guarantor to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.

Each of the Partners will be responsible for the payment of its own tax liabilities and will be required to indemnify the other from any liabilities which they incur as a result of the relevant partner's non-payment.

Following the appointment of a liquidator or receiver to any partner, any decisions of the Guarantor that are reserved to the Partners or a unanimous decision of the Partners in the Guarantor Agreement will be made by the Partner(s) not in liquidation or receivership only.

The Guarantor Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Cash Management Agreement

The Cash Manager (initially the Bank) will provide certain cash management services to the Guarantor pursuant to the terms of the Cash Management Agreement between the Guarantor, the Cash Manager, GDA Provider, Seller and Servicer and the Bond Trustee.

The Cash Manager's services include but are not limited to:

(a) maintaining the Ledgers on behalf of the Guarantor;

(b) distributing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payments described under *Cashflows* below;

(c) determining whether the Asset Coverage Test is satisfied as of each Calculation Date in accordance with the Guarantor Agreement, as more fully described under *Credit Structure—Asset Coverage Test* below;

(d) determining whether the Amortization Test is satisfied as of each Calculation Date and the service of a Notice to Pay in accordance with the Guarantor Agreement, as more fully described under *Credit Structure—Amortization Test* below;

(e) preparation of Investor Reports for the Covered Bondholders, the Rating Agencies and the Bond Trustee; and

(f) on each Toronto Business Day, determining whether the Pre-Maturity Test for each Series of Hard Bullet Covered Bonds, if any, is satisfied as more fully described under *Credit Structure—Pre-Maturity Test* below.

Under the Cash Management Agreement, the Cash Manager represents and warrants to the Guarantor and the Bond Trustee that: (i) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under the Cash Management Agreement and the other Transaction Documents to which it is a party and it will devote all due skill, care and diligence to the performance of its obligations and the exercise of its discretions thereunder; (ii) it is rated at or above each of the Cash Manager Required Ratings by each of the Rating Agencies; (iii) it is and will continue to be in regulatory good standing; (iv) it is and will continue to be in material compliance with its internal policies and procedures relevant to the services to be provided by it pursuant to the Cash Management Agreement and the other Transaction Documents to which it is party; and (v) it is and will continue to be in material compliance with all laws, regulations and rules applicable to it in relation to the services provided by it pursuant to the Cash Management Agreement and the other Transaction Documents to which it is a party.

In the event of a Rating Agency withdrawing or downgrading the ratings of the Cash Manager below any of the Cash Management Deposit Ratings, the Cash Manager will be required to direct the Servicer to deposit all Revenue Receipts and Principal Receipts received by the Servicer directly into the GDA Account.

In the event of a Rating Agency withdrawing or downgrading the ratings of the Cash Manager below any of the Cash Manager Required Ratings, the Guarantor and the Bond Trustee will, in certain circumstances, each have the right to terminate the appointment of the Cash Manager, and shall be obligated to terminate the appointment of the Cash Manager if its ratings fall below the Cash Manager Required Ratings at any time that the Guarantor is not Independently Controlled and Governed. Upon any such termination, the Guarantor will appoint a substitute (the identity of which will be subject to the Bond Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

Pursuant to the Cash Management Agreement, for so long as the Bank or an affiliate of the Bank is the Cash Manager, no fee shall be payable to the Cash Manager for its services thereunder. Any substitute Cash Manager that is not an affiliate of the Bank will be entitled to such fee as may be agreed between such substitute Cash Manager and the Guarantor, which fee will be paid by the Guarantor pursuant to the applicable Priorities of Payments.

The Cash Management Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Interest Rate Swap Agreement

To provide a hedge against possible variances in the rates of interest payable on the Portfolio assets and related amounts in the Portfolio (which may, for instance, include variable rates of interest or fixed rates of interest) and the interest amounts payable on the Intercompany Loan and (following the Covered Bond Swap Effective Date) the Covered Bond Swap Agreement, the Guarantor has entered into the Interest Rate Swap Agreement with the Interest Rate Swap Provider (initially the Bank). The Guarantor and the Interest Rate Swap Provider will agree to swap the amount of interest received by the Guarantor from borrowers and related amounts in the Portfolio in exchange for an amount sufficient to pay the interest payable on the Intercompany Loan plus a

certain amount for expenses. Amounts payable under the Interest Rate Swap Agreement will be in Canadian dollars. No cashflows will be exchanged under the Interest Rate Swap Agreement unless and until the Interest Rate Swap Effective Date has occurred.

The amounts payable by the Interest Rate Swap Provider under the Interest Rate Swap Agreement, and the amounts payable by the Guarantor following the date cash flows are exchanged under confirmations under the Covered Bond Swap Agreement entered into before 30 June 2023, are based on the Canadian Dollar Offered Rate (CDOR). With the announced cessation of the publication of all CDOR tenors after 30 June 2024, the Interest Rate Swap Agreement and all outstanding confirmations under the Covered Bond Swap Agreements based on CDOR will or are intended to be amended to provide for their conversion to be based on Canadian Overnight Rep Rate Average (CORRA) on 1 July 2024.

However, in order to ensure a smooth transition to alternative reference rates, OSFI expects new derivatives transactions entered into by federally regulated financial institutions, such as the Issuer, to transition to CORRA rates. Therefore, under confirmations under the Covered Bond Swap Agreement entered into after the date of this Prospectus, the Guarantor's payment to the Covered Bond Swap Provider following the date cash flows are exchanged under the Covered Bond Swap Agreement will be based on CORRA, whereas the Guarantor will continue to receive from the Interest Rate Swap Provider payments based on CDOR under the Interest Rate Swap Agreement until 30 June 2024, thereby creating some basis risk if the Covered Bond Swap Agreement is activated during the period prior to 30 June 2024. The Issuer and the Guarantor have determined that this basis risk is not material.

The Interest Rate Swap Agreement will terminate (unless terminated earlier by an Interest Rate Swap Early Termination Event) on the date on which the notional amount thereunder is reduced to zero.

The Interest Rate Swap Agreement may also be terminated, in certain other circumstances (each referred to as an **Interest Rate Swap Early Termination Event**), including:

- at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to pay any amounts due under the Interest Rate Swap Agreement (however, no such failure to pay by the Guarantor will entitle the Interest Rate Swap Provider to terminate the Interest Rate Swap Agreement, if such failure is due to the assets available at such time to the Guarantor being insufficient to make the required payment in full);

- at the option of the Guarantor, if the Interest Rate Swap Provider is the Bank and an Issuer Event of Default has occurred which has resulted in the Covered Bonds becoming due and payable under their respective terms;

- at the option of the Guarantor, in the event that an Initial Downgrade Trigger Event occurs and the Interest Rate Swap Provider does not provide credit support to the Guarantor within ten Toronto Business Days of the occurrence of such Initial Downgrade Trigger Event pursuant to the terms of the applicable credit support annex, or arrange for its obligations under the Interest Rate Swap Agreement to be guaranteed by, or transferred to, an entity with rating(s) required by the relevant Rating Agencies;

- at the option of the Guarantor, in the event that a Subsequent Downgrade Trigger Event occurs and the Interest Rate Swap Provider does not arrange for its obligations under the Interest Rate Swap Agreement to be guaranteed by, or transferred to, an entity with rating(s) required by the relevant Rating Agencies, and does not provide additional credit support to the Guarantor within ten Toronto Business Days of the occurrence of such Subsequent Downgrade Trigger Event pursuant to the terms of the applicable credit support annex; and

- upon the occurrence of the insolvency of the Interest Rate Swap Provider, or any credit support provider, and certain insolvency related events in respect of the Guarantor, or the merger of the Interest Rate Swap Provider without an assumption of the obligations under the Interest Rate Swap Agreement,

provided, however, that if at any time, the Guarantor (a) is Independently Controlled and Governed, the Guarantor has the discretion, but is not required to, (i) waive any requirement of the Interest Rate Swap Provider to provide credit support, obtain an eligible guarantee or replace itself upon the occurrence of a Downgrade Trigger Event, and (ii) refrain from forthwith terminating the Interest Rate Swap Agreement or finding a replacement Interest Rate Swap Provider, in each case, upon the occurrence of an event of default or additional termination event caused solely by the Interest Rate Swap Provider, and (b) is not Independently Controlled and Governed, the Guarantor will not have the rights set out under items (a)(i) and (a)(ii) of this paragraph.

Upon the termination of the Interest Rate Swap Agreement pursuant to an Interest Rate Swap Early Termination Event, the Guarantor or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement.

Any termination payment made by Interest Rate Swap Provider to the Guarantor in respect of the Interest Rate Swap Agreement will first be used to the extent necessary (prior to the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice) to pay a replacement Interest Rate Swap Provider to enter into a replacement Interest Rate Swap Agreement with the Guarantor, unless a replacement Interest Rate Swap Agreement has already been entered into on behalf of the Guarantor. Any premium received by the Guarantor from a replacement Interest Rate Swap Provider entering into an Interest Rate Swap Agreement will first be used to make any termination payment due and payable by the Guarantor with respect to the Interest Rate Swap Agreement, unless such termination payment has already been made on behalf of the Guarantor.

Swap Collateral Excluded Amounts, if applicable, will be paid to the Interest Rate Swap Provider directly and not via the Priorities of Payments.

The notional amount of the Interest Rate Swap Agreement will generally be equal to the aggregate value of the Portfolio, and will be adjusted to correspond to any sale of Portfolio assets following each of a Demand Loan Repayment Event, the Demand Loan being demanded by the Bank, breach of the Pre-Maturity Test, service of an Asset Coverage Test Breach Notice and service of a Notice to Pay and swap termination payments may be due and payable in accordance with the terms of the Interest Rate Swap Agreement as a consequence thereof.

If withholding taxes are imposed on payments made by the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the Interest Rate Swap Provider will always be obliged to gross-up these payments. If withholding taxes are imposed on payments made by the Guarantor to the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the Guarantor will not be obliged to gross-up those payments.

All of the interest and obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement may be transferred by it to a replacement swap counterparty upon the Interest Rate Swap Provider providing five Toronto Business Days' prior written notice to Guarantor and the Bond Trustee, provided that (i) such replacement swap counterparty has the rating(s) required by the relevant Rating Agencies (or the obligations of such replacement swap counterparty under the Interest Rate Swap Agreement are guaranteed by an entity having the rating(s) required by the relevant Rating Agencies), (ii) as of the date of such transfer, such replacement swap counterparty will not be required to withhold or deduct any taxes under the Interest Rate Swap Agreement as a result of such transfer, (iii) no termination event or event of default will occur under the Interest Rate Swap Agreement as a result of such transfer, (iv) no additional amount will be payable by the Guarantor under the Interest Rate Swap Agreement as a result of such transfer, (v) the Rating Agency Condition will have been satisfied, and (vi) such replacement swap counterparty enters into documentation substantially identical to the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement will be in the form of an ISDA Master Agreement, including a schedule and confirmation thereto and credit support annex. Under the Interest Rate Swap Agreement, the Guarantor makes the following representations with respect to itself and/or the Interest Rate Swap Agreement, as applicable, and the Interest Rate Swap Provider makes the following representations (other than those in (x)

to (xii)) with respect to itself and/or the Interest Rate Swap Agreement: (i) that it is duly organised and validly existing, (ii) that it has the power and authority to enter into the Interest Rate Swap Agreement, (iii) that it is not in violation or conflict with any applicable law, its constitutional documents, any court order or judgment or any contractual restriction, (iv) it has obtained all necessary consents, (v) its obligations under the Interest Rate Swap Agreement are valid and binding, (vi) no event of default, potential event of default or termination event has occurred and is continuing under the Interest Rate Swap Agreement, (vii) there is no pending or, to its knowledge, any threatened litigation which is likely to affect its ability to perform under the Interest Rate Swap Agreement, (viii) all information furnished in writing is true, accurate and complete in every material respect, (ix) all payments will be made without any withholding and deduction, (x) that it is a "Canadian partnership" under the Income Tax Act and a limited partnership organised under the laws of the Province of Ontario, (xi) that it is entering into the agreement as principal and not as agent, and (xii) that it is not relying on the other party for any investment advice, that it is capable of assessing the merits of and understanding the risks of entering into the relevant transaction and that the Interest Rate Swap Provider is not acting as fiduciary to it.

Under the Interest Rate Swap Agreement, the Guarantor's obligations will be limited in recourse to the Portfolio.

The Interest Rate Swap Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Covered Bond Swap Agreement

To provide a hedge against currency risks in respect of amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable in respect of its obligations under the Covered Bond Guarantee, the Guarantor has entered into the Covered Bond Swap Agreement with the Covered Bond Swap Provider (initially the Bank), and may enter into a new ISDA Master Agreement, schedule and confirmation(s) and credit support annex, if applicable, for each Tranche and/or Series of Covered Bonds issued at the time such Covered Bonds are issued. The Covered Bond Swap Provider and the Guarantor will agree to swap Canadian Dollar floating rate amounts received by the Guarantor under the Interest Rate Swap Agreement (described above) into the exchange rate specified in the Covered Bond Swap Agreement relating to the relevant Tranche or Series of Covered Bonds to hedge certain currency risks in respect of amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable or that may become payable in respect of its obligations under the Covered Bond Guarantee. No cashflows will be exchanged under the Covered Bond Swap Agreement unless and until the Covered Bond Swap Effective Date has occurred.

If prior to (a) the Final Maturity Date in respect of the relevant Series or Tranche of Covered Bonds, or (b) any Interest Payment Date or the Extended Due for Payment Date following a deferral of the Original Due for Payment Date to the Extended Due for Payment Date by the Guarantor pursuant to Condition 6.1 (Final redemption) (if an Extended Due for Payment Date is specified as applicable in the Final Terms Document or the Pricing Supplement for a Series of Covered Bonds and the payment of the Final Redemption Amount or any part of it by the Guarantor under the Covered Bond Guarantee is deferred pursuant to Condition 6.1 (Final redemption)), the Guarantor notifies the Covered Bond Swap Provider (pursuant to the terms of the Covered Bond Swap Agreement) of the amount in the Specified Currency to be paid by the Covered Bond Swap Provider on such Final Maturity Date or Interest Payment Date thereafter (such amount being equal to the Final Redemption Amount or the relevant portion thereof payable by the Guarantor on such Final Maturity Date or Interest Payment Date under the Covered Bond Guarantee in respect of the relevant Series or Tranche of Covered Bonds), then the Covered Bond Swap Provider will pay the Guarantor such amount and the Guarantor will pay the Covered Bond Swap Provider the Canadian Dollar Equivalent of such amount. Further, if on any day an Early Redemption Amount is payable pursuant to Condition 9.2 (Guarantor Events of Default), the Covered Bond Swap Provider will pay the Guarantor such Early Redemption Amount (or the relevant portion thereof) and the Guarantor will pay the Covered Bond Swap Provider the Canadian Dollar Equivalent thereof, following which the notional amount of the Covered Bond Swap Agreement will reduce accordingly.

The Covered Bond Swap Agreement will (unless terminated earlier by a Covered Bond Swap Early Termination Event) terminate in respect of any relevant Tranche or Series of Covered Bonds, on the earlier of:

(a) the Final Maturity Date for, or if earlier, the date of redemption in whole of such Series of Covered Bonds or, if the Guarantor notifies the Covered Bond Swap Provider, prior to the Final Maturity Date for such Tranche or Series of Covered Bonds, of the inability of the Guarantor to pay in full Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Tranche or Series of Covered Bonds, the final Interest Payment Date on which an amount representing the Final Redemption Amount for such Tranche or Series of Covered Bonds is paid (but in any event not later than the Extended Due for Payment Date for such Tranche or Series of Covered Bonds); and

(b) the date designated therefor by the Bond Trustee and notified to the Covered Bond Swap Provider and the Guarantor for purposes of realizing the Security in accordance with the Security Agreement and distributing the proceeds therefrom in accordance with the Post-Enforcement Priority of Payments following the enforcement of the Security pursuant to Condition 9.3 (Enforcement).

The Covered Bond Swap Agreement may also be terminated in certain other circumstances (each referred to as a **Covered Bond Swap Early Termination Event**), including:

- at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to pay any amounts due under the Covered Bond Swap Agreement (however, no such failure to pay by the Guarantor will entitle the Covered Bond Swap Provider to terminate the Covered Bond Swap Agreement, if such failure is due to the assets available at such time to the Guarantor being insufficient to make the required payment in full);

- at the option of the Guarantor, if the Covered Bond Swap Provider is the Bank and an Issuer Event of Default has occurred which has resulted in the Covered Bonds becoming due and payable under their respective terms;

- an Initial Downgrade Trigger Event has occurred and the Covered Bond Swap Provider does not provide credit support to the Guarantor within ten Toronto Business Days of the occurrence of such Initial Downgrade Trigger Event pursuant to the terms of the applicable credit support annex, or arrange for its obligations under the Covered Bond Swap Agreement to be guaranteed by, or transferred to, an entity with rating(s) required by the relevant Rating Agencies;

- at the option of the Guarantor, a Subsequent Downgrade Trigger Event has occurred and the Covered Bond Swap Provider does not arrange for its obligations under the Covered Bond Swap Agreement to be guaranteed by, or transferred to, an entity with rating(s) required by the relevant Rating Agencies, and does not provide additional credit support to the Guarantor within ten Toronto Business Days of the occurrence of such Subsequent Downgrade Trigger Event pursuant to the terms of the applicable credit support annex; and

- upon the occurrence of the insolvency of the Covered Bond Swap Provider, or any credit support provider, and certain insolvency-related events in respect of the Guarantor, or the merger of the Covered Bond Swap Provider without an assumption of the obligations under the Covered Bond Swap Agreement.

Provided, however, that if, at any time, the Guarantor (a) is Independently Controlled and Governed, the Guarantor has the discretion, but is not required to, (i) waive any requirement of the Covered Bond Swap Provider to provide credit support, obtain an eligible guarantee or replace itself upon the occurrence of a Downgrade Trigger Event, and (ii) refrain from forthwith terminating the Covered Bond Swap Agreement or finding a replacement Covered Bond Swap Provider, in each case, upon the occurrence of an event of default or additional termination event caused solely by the Covered Bond Swap Provider, and (b) is not Independently

Controlled and Governed, the Guarantor will not have the rights set out under items (a)(i) and (a)(ii) of this paragraph.

Upon the termination of the Covered Bond Swap Agreement pursuant to a Covered Bond Swap Early Termination Event, the Guarantor or the Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Covered Bond Swap Agreement.

Any termination payment made by the Covered Bond Swap Provider to the Guarantor in respect of the Covered Bond Swap Agreement will first be used to the extent necessary (prior to the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice) to pay a replacement Covered Bond Swap Provider to enter into a replacement Covered Bond Swap Agreement with the Guarantor, unless a replacement Covered Bond Swap Agreement has already been entered into on behalf of the Guarantor. Any premium received by the Guarantor from a replacement Covered Bond Swap Provider entering into a Covered Bond Swap Agreement will first be used to make any termination payment due and payable by the Guarantor with respect to the Covered Bond Swap Agreement, unless such termination payment has already been made on behalf of the Guarantor.

Swap Collateral Excluded Amounts, if applicable, will be paid to the Covered Bond Swap Provider directly and not via the Priorities of Payments.

All of the interest and obligations of the Covered Bond Swap Provider under the Covered Bond Swap Agreement may be transferred by it to a replacement swap counterparty upon the Covered Bond Swap Provider providing five Toronto Business Days' prior written notice to Guarantor and the Bond Trustee, provided that (i) such replacement swap counterparty has the rating(s) required by the relevant Rating Agencies (or the obligations of such replacement swap counterparty under the Covered Bond Swap Agreement are guaranteed by an entity having the rating(s) required by the relevant Rating Agencies), (ii) as of the date of such transfer, such replacement swap counterparty will not be required to withhold or deduct any taxes under the Covered Bond Swap Agreement as a result of such transfer, (iii) no termination event or event of default will occur under the Covered Bond Swap Agreement as a result of such transfer, (iv) no additional amount will be payable by the Guarantor under the Covered Bond Swap Agreement as a result of such transfer, (v) the Rating Agency Condition will have been satisfied, and (vi) such replacement swap counterparty enters into documentation substantially identical to the Covered Bond Swap Agreement.

If withholding taxes are imposed on payments made by the Covered Bond Swap Provider to the Guarantor under the Covered Bond Swap Agreement, the Covered Bond Swap Provider will always be obliged to gross-up those payments. If withholding taxes are imposed on payments made by the Guarantor to the Covered Bond Swap Provider under the Covered Bond Swap Agreement, the Guarantor will not be obliged to gross-up those payments.

The Covered Bond Swap Agreement will be in the form of an ISDA Master Agreement, including a schedule and confirmation and credit support annex, if applicable, in relation to each particular Tranche or Series of Covered Bonds, as the case may be. Under the Covered Bond Swap Agreement, the Guarantor makes the following representations with respect to itself and/or the Covered Bond Swap Agreement, as applicable, and the Covered Bond Swap Provider makes the following representations (other than those in (x) to (xii)) with respect to itself and/or the Covered Bond Swap Agreement: (i) that it is duly organised and validly existing, (ii) that it has the power and authority to enter into the Covered Bond Swap Agreement, (iii) that it is not in violation or conflict with any applicable law, its constitutional documents, any court order or judgment or any contractual restriction, (iv) it has obtained all necessary consents, (v) its obligations under the Covered Bond Swap Agreement are valid and binding, (vi) no event of default, potential event of default or termination event has occurred and is continuing under the Covered Bond Swap Agreement, (vii) there is no pending or, to its knowledge, any threatened litigation which is likely to affect its ability to perform under the Covered Bond Swap Agreement, (viii) all information furnished in writing is true, accurate and complete in every material respect, (ix) all payments will be made without any withholding and deduction, (x) that it is a "Canadian partnership" under the Income Tax Act and a limited partnership organised under the laws of the Province of

Ontario, (xi) that it is entering into the agreement as principal and not as agent, and (xii) that it is not relying on the other party for any investment advice, that is capable of assessing the merits of and understanding the risks of entering into the relevant transaction and that the Covered Bond Swap Provider is not acting as fiduciary to it.

Under the Covered Bond Swap Agreement, the Guarantor's obligations will be limited in recourse to the Portfolio.

The Covered Bond Swap Agreement will be governed by, and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement between the Guarantor, the Account Bank (initially, the Bank), the GDA Provider (initially the Bank), the Cash Manager (initially the Bank) and the Bond Trustee, the Guarantor will maintain with the Account Bank the Transaction Account (to the extent maintained), into which amounts may be deposited by the Guarantor prior to their transfer to the GDA Account. Funds standing to the credit of the Transaction Account will be transferred to the GDA Account on each Guarantor Payment Date and applied by the Cash Manager in accordance with the Priorities of Payments described below under *Cashflows*. The Transaction Account will be operated in accordance with the Cash Management Agreement, the Guarantor Agreement, and the Security Agreement.

Under the Bank Account Agreement, the Account Bank represents and warrants to the Cash Manager, the GDA Provider, the Guarantor and the Bond Trustee on the Program Date and on each date on which an amount is credited to the Guarantor Accounts and on each Guarantor Payment Date that: (i) it is a bank listed in Schedule I to the Bank Act and duly qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, (ii) the execution, delivery and performance by it of the Bank Account Agreement (x) are within its corporate powers, (y) have been duly authorised by all necessary corporate action, and (z) do not contravene or result in a default under or conflict with (A) its charter or by-laws, (B) any law, rule or regulation applicable to it, or (C) any order, writ, judgment, award, injunction, decree or contractual obligation binding on or affecting it or its property, (iii) it is not a non-resident of Canada for purposes of the Income Tax Act, (iv) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under the Transaction Documents to which it is a party, (v) it is rated at or above the Account Bank Required Ratings by each of the Rating Agencies, (vi) it is and will continue to be in good standing with OSFI, (vii) it is and will continue to be in material compliance with its internal policies and procedures (including risk management policies) relevant to the services to be provided by it pursuant to the Bank Account Agreement and the other Transaction Documents to which it is party, (viii) it will exercise reasonable skill and care in the performance of its obligations hereunder and the other Transaction Documents to which it is a party, and (ix) it will comply with the CMHC Guide and all Transaction Documents to which it is a party and all material legal and regulatory requirements applicable to the conduct of its business so that it can lawfully attend to the performance of its obligations under the Bank Account Agreement and the other Transaction Documents to which it is a party.

If one or more Rating Agencies downgrade the ratings of the Account Bank below the Account Bank Required Ratings (as defined below), or if certain other events occur and the Account Bank is terminated, then the GDA Account and the Transaction Account (to the extent maintained) will be required to be closed and all amounts standing to the credit thereof transferred to accounts held with the Standby Account Bank.

Account Bank Required Ratings means the threshold ratings of (i) P-1 (in respect of Moody's), (ii) A and F1 (in respect of Fitch), and (iii) A or R-1 (low) (in respect of DBRS), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations (or, in the case of Fitch, the issuer default rating) of the Account Bank by the Rating Agencies.

In addition to the requirement that the Guarantor Accounts be moved to the Standby Account Bank if the Account Bank breaches the Account Bank Required Ratings as described above, the Guarantor may (in the case of (i) through (iii) below) or will (in the case of (iv) through (vii) below) (in the case of each of the events below other than (vii), with the prior consent of the Bond Trustee, which consent shall not be withheld unless the Bond Trustee determines that the termination of the Bank Account Agreement would be materially prejudicial to the Covered Bondholders) terminate the Bank Account Agreement and move the Guarantor Accounts to the Standby Account Bank if: (i) a deduction or withholding for or on account of any taxes is imposed or is likely to be imposed in respect of the interest payable on any Guarantor Account, (ii) there is a breach by the Account Bank of certain representations and warranties or a failure by the Account Bank to perform certain covenants made by it under the Bank Account Agreement, (iii) the Account Bank fails to comply with any of its other covenants and obligations under the Bank Account Agreement, which failure in the reasonable opinion of the Bond Trustee is materially prejudicial to the interests of the Covered Bondholders and such failure is not remedied within 30 days of the earlier of the Account Bank becoming aware of the failure and receipt by the Account Bank of notice from the Bond Trustee requiring the same to be remedied, (iv) the Account Bank ceases or threatens to cease carrying on the business of the Account Bank, (v) an order is made for the winding up of the Account Bank, (vi) an Insolvency Event occurs with respect to the Account Bank, or (vii) if the Account Bank is the Bank or an affiliate thereof, an Issuer Event of Default has occurred and is continuing.

The Bank Account Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Standby Bank Account Agreement

Pursuant to the terms of a standby bank account agreement (the **Standby Bank Account Agreement**) between the Guarantor, Canadian Imperial Bank of Commerce (the **Standby Account Bank**), the Standby GDA Provider, the Cash Manager, the Bank and the Bond Trustee (as amended and/or restated and/or supplemented from time to time), the Standby Account Bank will open and maintain a standby GDA account (the **Standby GDA Account**) and standby transaction account (the **Standby Transaction Account**) in the name of the Guarantor following delivery by the Guarantor (or the Cash Manager on its behalf) of a standby account bank notice (the **Standby Account Bank Notice**) to the Standby Account Bank.

Pursuant to the terms of the Cash Management Agreement, the Cash Manager will deliver a Standby Account Bank Notice to the Standby Account Bank if the funds held in the GDA Account and the Transaction Account (to the extent maintained) are required to be transferred to the Standby Account Bank pursuant to the terms of the Bank Account Agreement or the Bank Account Agreement is terminated for any reason.

The Standby Bank Account Agreement provides that the Standby GDA Account and the Standby Transaction Account, when opened, will be subject to the security interest in favour of the Bond Trustee (for itself and on behalf of the other Secured Creditors) granted under the Security Agreement and that payments of amounts owing to the Standby Account Bank in respect of fees or otherwise will be subject to the relevant Priorities of Payments set out in the Guarantor Agreement and the Security Agreement.

Under the Standby Bank Account Agreement, the Standby Account Bank represents and warrants to the Guarantor and the Bond Trustee on the Program Date and on each date on which an amount is credited to any Guarantor Account that is held with the Standby Account Bank and on each Guarantor Payment Date that: (i) it is a bank listed in Schedule I to the Bank Act and duly qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, (ii) the execution, delivery and performance by it of the Standby Bank Account Agreement (x) are within its corporate powers, (y) have been duly authorised by all necessary corporate action, and (z) do not contravene or result in a default under or conflict with (A) its charter or by-laws, (B) any law, rule or regulation applicable to it, or (C) any order, writ, judgment, award, injunction, decree or contractual obligation binding on or affecting it or its property, (iii) it is not a non-resident of Canada for purposes of the Income Tax Act, (iv) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under the other Transaction Documents to which it is a party, (v)

it is rated at or above the Account Bank Required Ratings by each of the Rating Agencies, (vi) it is and will continue to be in good standing with OSFI, (vii) it is and will continue to be in material compliance with its internal policies and procedures (including risk management policies) relevant to the services to be provided by it pursuant to the Standby Bank Account Agreement and the other Transaction Documents to which it is party, (viii) it will exercise reasonable skill and care in the performance of its obligations hereunder and the other Transaction Documents to which it is a party, (ix) it will comply with the CMHC Guide and all Transaction Documents to which it is a party and all material legal and regulatory requirements applicable to the conduct of its business so that it can lawfully attend to the performance of its obligations under the Standby Bank Account Agreement and the other Transaction Documents to which it is a party.

The Standby Bank Account Agreement further provides that if one or more Rating Agencies downgrades or withdraws the ratings of the Standby Account Bank below the Standby Account Bank Required Ratings, then the Standby GDA Account and the Standby Transaction Account (to the extent maintained) will be required to be closed and all amounts standing to the credit thereof transferred to accounts held with a bank having the Standby Bank Account Required Ratings.

Standby Account Bank Required Ratings means the threshold ratings of (i) P-1 with respect to the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Standby Account Bank by Moody's, (ii) F1 with respect to the short-term issuer default rating of the Standby Account Bank by Fitch, (iii) A with respect to long-term issuer default rating of the Standby Account Bank by Fitch, and (iv) either (A) R-1 (low) with respect to the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Standby Account Bank by DBRS, or (B) A with respect to the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Standby Account Bank by DBRS.

In addition to the requirement that the Guarantor Accounts be moved from the Standby Account Bank to a bank having the Standby Bank Account Required Ratings if one or more Rating Agencies downgrades or withdraws the ratings of the Standby Account Bank below the Standby Account Bank Required Ratings as described above, the Guarantor may (in the case of (i) through (iii) below) or will (in the case of (iv) through (vi) below) (in the case of each of the events below other than (vii), with the prior consent of the Bond Trustee, which consent shall not be withheld unless the Bond Trustee determines that the termination of the Standby Bank Account Agreement would be materially prejudicial to the Covered Bondholders) terminate the Standby Bank Account Agreement and move the Guarantor Accounts from the Standby Account Bank to a bank having the Standby Bank Account Required Ratings if: (i) a deduction or withholding for or on account of any taxes is imposed or is likely to be imposed in respect of the interest payable on any Guarantor Account, (ii) there is a breach by the Standby Account Bank of certain representations and warranties or a failure by the Standby Account Bank to perform certain covenants made by it under the Standby Bank Account Agreement, (iii) the Standby Account Bank materially breaches any of its other covenants and obligations under the Standby Bank Account Agreement or the Standby Guaranteed Deposit Account Contract, (iv) the Standby Account Bank ceases or threatens to cease carrying on the business of the Standby Account Bank, (v) an order is made for the winding up of the Standby Account Bank, or (vi) an Insolvency Event occurs with respect to the Standby Account Bank.

References herein to the GDA Account or the Transaction Account include, unless otherwise stated, references to the Standby GDA Account or the Standby Transaction Account when the Standby GDA Account and the Standby Transaction Account become operative.

The Standby Bank Account Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Guaranteed Deposit Account Contract

The Guarantor has entered into a guaranteed deposit account contract (**Guaranteed Deposit Account Contract** or **GDA**) with the GDA Provider, the Cash Manager and the Bond Trustee pursuant to which the GDA Provider has agreed to pay interest on the moneys standing to the credit thereof at the GDA Rate. Under

the Guaranteed Deposit Account Contract, the GDA Provider makes the same representations and warranties to the Cash Manager, the Guarantor and the Bond Trustee on the Program Date and on each date on which an amount is credited to the GDA Account and on each Guarantor Payment Date as are made by the Account Bank and which are described under *Bank Account Agreement* above.

The Guaranteed Deposit Account Contract is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Standby Guaranteed Deposit Account Contract

The Guarantor has entered into a standby guaranteed deposit account contract with Canadian Imperial Bank of Commerce (the **Standby GDA Provider**), the Cash Manager, and the Bond Trustee on the Program Date (as amended and/or supplemented and/or restated from time to time, the **Standby Guaranteed Deposit Account Contract**), pursuant to which the Standby GDA Provider has agreed to pay interest on the Standby GDA Account at the Standby GDA Rate. Under the Standby Guaranteed Deposit Account Contract, the Standby GDA Provider makes the same representations and warranties to the Guarantor and the Bond Trustee on the Program Date and on each date on which an amount is credited to the Standby GDA Account and on each Guarantor Payment Date as are made by the Standby Account Bank and which are described under — *Standby Bank Account Agreement* above.

Funds on deposit in the GDA Account and the Transaction Account (to the extent maintained) will be transferred to the Standby GDA Account if the Cash Manager has delivered a Standby Account Bank Notice to the Standby Account Bank that such funds are required to be transferred to the Standby Account Bank pursuant to the terms of the Bank Account Agreement or the Bank Account Agreement is terminated for any reason, and funds that were previously required to be deposited to the GDA Account and the Transaction Account (to the extent maintained) pursuant to the terms of the Transaction Documents will thereafter be deposited only to the Standby GDA Account.

The Standby Guaranteed Deposit Account Contract is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Security Agreement

Pursuant to the terms of the Security Agreement entered into on the Program Date by the Guarantor, the Bond Trustee and other Secured Creditors, the secured obligations of the Guarantor and all other obligations of the Guarantor under or pursuant to the Transaction Documents to which it is a party owed to the Bond Trustee and the other Secured Creditors are secured by a first ranking security interest (the **Security**) over all present and future assets of the Guarantor, including the Portfolio, certain contractual rights and any Excess Proceeds, subject to the right of the Guarantor to sell such Portfolio assets pursuant to and in accordance with the Transaction Documents.

Representations and Warranties of the Guarantor

Under the Security Agreement, the Guarantor represents and warrants to the Bond Trustee and the other Secured Creditors that it has taken all necessary steps to grant the Security in accordance with the Security Agreement, and that it has taken no action or steps to prejudice its right, title and interest in and to the assets that are subject to the Security.

Release of Security

In the event of any sale of Loans (including Selected Loans) and their Related Security by the Guarantor, pursuant to and in accordance with the Transaction Documents, the Bond Trustee will (subject to the written request of the Guarantor) release those Loans from the Security created by and pursuant to the Security Agreement on the date of such sale but only if (i) the Bond Trustee provides its prior written consent to the

terms of such sale in accordance with the Guarantor Agreement, and (ii) the Guarantor provides a certificate to the Bond Trustee that such sale of Loans and their Related Security has been made in accordance with the terms of the Transaction Documents.

In the event of the repurchase of a Loan and its Related Security by the Seller pursuant to and in accordance with the Transaction Documents, the Bond Trustee will release that Loan from the Security created by and pursuant to the Security Agreement on or prior to the date of the repurchase.

Enforcement

If a Guarantor Event of Default occurs and a Guarantor Acceleration Notice is served to the Bank and the Guarantor, the Bond Trustee will be entitled to appoint a Receiver, and/or enforce the Security constituted by the Security Agreement (including selling the Portfolio), and/or take such steps as it will deem necessary, subject in each case to being indemnified and/or secured to its satisfaction. All proceeds (other than any Third Party Amount or Swap Collateral Excluded Amounts) received by the Bond Trustee from the enforcement of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under *Cashflows*.

The Security Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein (other than certain other provisions relating to real property located outside of the Province of Ontario which will be governed by the law of the jurisdiction in which such property is located).

Issuer-ICSDs Agreement

Prior to the issuance of any NGCBs, the Bank will enter into an Issuer-ICSDs Agreement with Euroclear Bank S.A./N.V. and Clearstream Banking SA (the **ICSDs**) in respect of any Covered Bonds issued in NGCB form. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such NGCBs, maintain their respective portion of the issue outstanding amount through their records.

The Issuer-ICSDs Agreement will be governed by English law.

Corporate Services Agreement

Pursuant to the terms of a corporate services agreement (such corporate services agreement as amended and/or restated and/or supplemented from time to time, the **Corporate Services Agreement**) by and among the Corporate Services Provider, the Liquidation GP, the Bank and the Guarantor, the Corporate Services Provider will provide corporate services to the Liquidation GP.

The Corporate Services Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Agency Agreement

Under the terms of the Agency Agreement between the Agents, the Bank, the Guarantor and the Bond Trustee, the Agents have been appointed by the Bank and the Guarantor to carry out various issuing and paying agency, exchange agency, transfer agency, calculation agency and registrar duties in respect of the Covered Bonds. Such duties include, but are not limited to, dealing with any applicable stock exchanges and clearing systems on behalf of the Bank and the Guarantor in connection with an issuance of Covered Bonds and making payments of interest and principal in respect of the Covered Bonds upon receipt of such amounts from the Bank or the Guarantor, as applicable.

Upon the occurrence of an Issuer Event of Default, Potential Issuer Event of Default, a Guarantor Event of Default or Potential Guarantor Event of Default, as applicable, the Bond Trustee may, by notice in writing to the Bank, the Guarantor and the Agents, require the Agents to thereafter act as agents of the Bond Trustee.

Any Agent or Calculation Agent may resign its appointment under the Agency Agreement and/or in relation to any Series of Covered Bonds upon 60 days' notice to the Bank, the Guarantor and the Bond Trustee, provided that any such resignation by the Principal Paying Agent, the Registrar or any Calculation Agent will not be effective unless a successor has been appointed.

The Bank or the Guarantor may, with the prior written consent of the Bond Trustee, revoke its appointment of any Agent or Calculation Agent under the Agency Agreement and/or in relation to any Series of Covered Bonds upon 45 days' notice to such Agent or Calculation Agent, provided that in certain circumstances, such revocation will not be effective unless a successor has been appointed. Notwithstanding the foregoing, the Guarantor may revoke the appointment of any Agent or Calculation Agent in the event that there is a breach by such Agent or Calculation Agent of certain representations and warranties or a failure by such Agent or Calculation Agent to perform certain covenants made by it under the Agency Agreement. In addition, if the ratings of a Paying Agent cease to be rated by the Rating Agencies at or above each of the Paying Agent Required Ratings at any time that (a) the Guarantor is Independently Controlled and Governed, the Guarantor may, and (b) the Guarantor is not Independently Controlled and Governed, the Guarantor shall, terminate the appointment of such Paying Agent and appoint one or more further or other Agents; provided, however, that with respect to a Paying Agent in respect of any Series of Covered Bonds issued on or after 6 October, 2023, but excluding any Covered Bonds issued under the Program after such date which are to be consolidated and form a single Series with any Covered Bonds issued and outstanding as at 6 October, 2023, no such ratings requirement shall be applicable to such Paying Agent and any reference in the Transaction Documents to the Paying Agent Required Ratings in respect of such Paying Agent shall not be applicable. Furthermore, if an Issuer Event of Default (A) occurs and is continuing, or (B) has previously occurred and is continuing, at any time that the Guarantor is Independently Controlled and Governed, the Guarantor may terminate the appointment of an Agent which is the Bank or an affiliate of the Bank and appoint one or more further or other Agents.

The appointment of any Agent or Calculation Agent under the Agency Agreement and in relation to each relevant Series of Covered Bonds will terminate if any of the following events or circumstances will occur or arise: such Agent or Calculation Agent becomes incapable of acting; such Agent or Calculation Agent is adjudged bankrupt or insolvent; such Agent or Calculation Agent files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of a receiver, administrator or other similar official of all or any substantial part of its property or admits in writing its inability to pay or meet its debts as they mature or suspends payment thereof; a receiver, administrator or other similar official of such Agent or Calculation Agent or of all or any substantial part of its property is appointed; an order of any court is entered approving any petition filed by or against such Agent or Calculation Agent under the provisions of any applicable bankruptcy or insolvency law; or any public officer takes charge or control of such Agent or Calculation Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

The Agency Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Modification of Transaction Documents

The provisions of the Transaction Documents generally require that all amendments thereto be in writing and executed by the parties thereto. In addition, any material amendment to a Transaction Document will be subject to satisfaction of the Rating Agency Condition. Pursuant to the terms of the Security Agreement and the Trust Deed, the Bond Trustee is permitted to consent to and/or execute amendments without consulting the other Secured Creditors if the amendment is of a minor or technical nature or the Bond Trustee is otherwise satisfied that the amendment is not reasonably expected to be materially prejudicial to the interests of the Covered Bondholders.

In addition to the general amendment provisions, the Managing GP has the authority to make amendments to the Guarantor Agreement without the consent of any other party in order to cure any ambiguity or correct or

supplement any provision thereof, provided that such amendments do not adversely affect the interests of the other Partners, or, while Covered Bonds are outstanding, the Bond Trustee (on behalf of the Covered Bondholders). If the interests of any such party would be adversely affected by a proposed amendment to the Guarantor Agreement, such amendment may only be made by the Managing GP with the consent of such adversely affected Partner and/or the Bond Trustee, as applicable.

For greater certainty, all amendments to the Transaction Documents must comply with the CMHC Guide.

Modification of Ratings Triggers and Consequences

Any amendment to (a) a Ratings Trigger that (i) lowers the ratings specified therein or (ii) changes the ratings type, in each case, provided for in any Transaction Document, or (b) the consequences of breaching any such Ratings Trigger, or changing the applicable ratings type, provided for in any Transaction Document that makes such consequences less onerous, will, with respect to each affected Rating Agency only, be deemed to be a material amendment and will be subject to satisfaction of the Rating Agency Condition with respect to each affected Rating Agency.

Notwithstanding the foregoing, if at any time the Bank determines that any one of DBRS, Fitch or Moody's will not be a Rating Agency in respect of the Program, then, so long as (a) the Program is in compliance with the terms of the CMHC Guide with respect to ratings of the Covered Bonds, and (b) each outstanding Series of Covered Bonds is rated by at least two Rating Agencies, the Ratings Triggers for such rating agency will not be applicable to the Program without any further action or formality, including for greater certainty satisfaction of the Rating Agency Condition or consent or approval of the Bond Trustee or the holders of the Covered Bonds.

CREDIT STRUCTURE

The Covered Bonds will constitute deposit liabilities of the Bank for purposes of the Bank Act, however the Covered Bonds will not be insured under the CDIC Act or any other governmental insurance scheme of any other country and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* with all deposit liabilities of the Bank 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, except as prescribed by law.

The Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Bank of an Issuer Acceleration Notice and on the Guarantor of a Notice to Pay or, if earlier, following the occurrence of a Guarantor Event of Default and service by the Bond Trustee of a Guarantor Acceleration Notice on the Bank and the Guarantor. The Bank will not be relying on payments by the Guarantor in respect of Advances under the Intercompany Loan Agreement or receipt of Revenue Receipts or Principal Receipts from the Portfolio in order to pay interest or repay principal under the Covered Bonds. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the Portfolio and will be subject to the applicable Priority of Payments.

The Program includes certain features relating to the timely and, as applicable, ultimate payments of principal and interest to Covered Bondholders, as follows:

- the Covered Bond Guarantee and Portfolio provide credit support to the Covered Bondholders;
- the Pre-Maturity Test tests the liquidity of the Guarantor’s assets with respect to principal due on the Final Maturity Date of Hard Bullet Covered Bonds;
- the Asset Coverage Test and the OC Valuation each determine whether the asset coverage of the Guarantor's assets with respect to the Covered Bonds is maintained at a certain level;
- the Amortization Test tests the asset coverage of the Guarantor’s assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default and service of a Notice to Pay on the Guarantor;
- the Valuation Calculation monitors the Program’s exposure to market risk;
- a Reserve Fund (if one or more Rating Agencies downgrades the ratings of the Bank below the Reserve Fund Required Amount Ratings) will be established by the Guarantor (or the Cash Manager on its behalf) in the GDA Account to reserve Available Revenue Receipts and Available Principal Receipts up to a specified amount; and
- under the terms of the Guaranteed Deposit Account Contract, the GDA Provider has agreed to pay a variable rate of interest on all amounts held by the Guarantor in the GDA Account at a floor of 0.10 per cent.below one-month CDOR that appears on the Reuters Screen as of 10:00 a.m. (Toronto time) on the date of determination, as reported by the GDA Provider (and if such screen is not available, any successor or similar service as may be selected by the GDA Provider) or such greater amount as the Guarantor and the GDA Provider may agree from time to time.

Covered Bond Guarantee

The Covered Bond Guarantee provided by the Guarantor under the Trust Deed guarantees payment of Guaranteed Amounts when they become Due for Payment in connection with all Covered Bonds issued under the Program following the service of a Notice to Pay on the Guarantor. The Covered Bond Guarantee will not guarantee any amount becoming payable on the Covered Bonds for any other reason, including any accelerated

payment pursuant to Condition 9 (Events of Default, Acceleration and Enforcement) following service of a Notice to Pay on the Bank. Under this circumstance (and until a Guarantor Event of Default occurs and a Guarantor Acceleration Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment. However, should any payments made by the Guarantor under the Covered Bond Guarantee be subject to any withholding or deduction on account of taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Canada or any province or territory thereof or by any authority therein or thereof having the power to tax, the Guarantor will not be obliged to pay any additional amount as a consequence.

See further *Overview of the Principal Documents*.

Pre-Maturity Test

Certain Series of Covered Bonds may be scheduled to be redeemed in full on their respective Final Maturity Dates without any provision for scheduled redemption other than on the Final Maturity Date (the **Hard Bullet Covered Bonds**). The applicable Final Terms Document or Pricing Supplement will identify whether any Series of Covered Bonds is a Series of Hard Bullet Covered Bonds. The Pre-Maturity Test is intended to test the liquidity of the Guarantor's assets in respect of the Hard Bullet Covered Bonds when the Bank's ratings fall below a certain level. On each Toronto Business Day that falls within 12 months prior to the Final Maturity Date of any Series of Hard Bullet Covered Bonds (each, a **Pre-Maturity Test Date**) prior to the occurrence of an Issuer Event of Default or the occurrence of a Guarantor Event of Default, the Guarantor or the Cash Manager on its behalf will determine if the Pre-Maturity Test has been breached, and if so, it will immediately notify the Seller and the Bond Trustee.

The Issuer will fail and be in breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds on a Pre-Maturity Test Date if on any Toronto Business Day, the Issuer's unsecured, unsubordinated and unguaranteed debt obligations falls below:

(a) in the case of Fitch, F1+; or

(b) in the case of Moody's, P-1; or

(c) in the case of DBRS, (i) if such Toronto Business Day falls within six months of the Final Maturity Date of any Series of Hard Bullet Covered Bonds, A(high), or (ii) otherwise, A (low),

each of the ratings set out above, the **Pre-Maturity Required Ratings**.

Following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the Guarantor shall, subject to any right of pre-emption of the Seller pursuant to the terms of the Mortgage Sale Agreement and the Security Sharing Agreement, as applicable, offer to sell Selected Loans pursuant to the terms of the Guarantor Agreement, subject to:

(a) any right of pre-emption of the Seller pursuant to the terms of the Mortgage Sale Agreement;

(b) a Capital Contribution in Kind made by one or more of the Partners (as recorded in the Capital Account Ledger for such Partners) of certain Substitute Assets in accordance with the Guarantor Agreement with an aggregate principal amount up to the Pre-Maturity Liquidity Required Amount (which will be a credit to the Pre-Maturity Liquidity Ledger); or

(c) Cash Capital Contributions made by one or more of the Partners (as recorded in the Capital Account Ledger for each applicable Partner) or proceeds advanced under the Intercompany Loan Agreement which have not been applied to acquire further Portfolio assets or otherwise applied in accordance with the Guarantor Agreement and/or the other Transaction Documents with an aggregate principal amount up to the Pre-Maturity Liquidity Required Amount (which will be a credit to the Pre-Maturity Liquidity Ledger),

provided that 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 that Series of Hard Bullet Covered Bonds, an Issuer Event of Default will occur if the Guarantor has not taken the required action described above within the earlier to occur of (i) ten 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 (see further: Condition 9.1 (Issuer Events of Default)). To cure a Pre-Maturity Test breach within such period, the Pre-Maturity Liquidity Ledger shall be funded so that by the end of such period, there will be an amount equal to the Pre-Maturity Liquidity Required Amount standing to the credit of the Pre-Maturity Liquidity Ledger. The Cash Manager and the Guarantor are required to undertake certain actions upon the failure or breach of the Pre-Maturity Test by the Bank, including the sale of Selected Loans. See *Overview of the Principal Documents—Guarantor Agreement—Sale of Selected Loans following a breach of the Pre-Maturity Test*.

In certain circumstances, Revenue Receipts will also be available to repay a Hard Bullet Covered Bond, as described in *Cashflows—Pre-Acceleration Revenue Priority of Payments* below.

Failure by the Issuer to pay the full amount due in respect of a Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, subject to applicable cure periods, will constitute an Issuer Event of Default. Following service of a Notice to Pay on the Guarantor, the Guarantor will apply funds standing to the Pre-Maturity Liquidity Ledger to repay the relevant Series of Hard Bullet Covered Bonds.

If the Issuer and/or the Guarantor fully repay the relevant Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof, cash standing to the credit of the Pre-Maturity Liquidity Ledger on the GDA Account will be applied by the Guarantor in accordance with the Pre-Acceleration Principal Priority of Payments, unless:

(a) the Issuer is failing the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case the cash will remain on the Pre-Maturity Liquidity Ledger in order to provide liquidity for that other Series of Hard Bullet Covered Bonds; or

(b) the Issuer is not failing the Pre-Maturity Test, but the Cash Manager elects to retain the cash on the Pre-Maturity Liquidity Ledger in order to provide liquidity for any future Series of Hard Bullet Covered Bonds.

Amounts standing to the credit of the Pre-Maturity Liquidity Ledger following the repayment of the Hard Bullet Covered Bonds as described above may, except where the Cash Manager has elected or is required to retain such amounts on the Pre-Maturity Liquidity Ledger, also be used to repay the Advances under the Intercompany Loan Agreement, subject to the Guarantor making provision for higher ranking items in the Pre-Acceleration Principal Priority of Payments.

Asset Coverage Test

An Asset Coverage Test is conducted on the Portfolio on the Calculation Date. The Asset Coverage Test determines whether the assets and cashflows of the Guarantor satisfy the required overcollateralization which is intended to ensure that the Guarantor meets its obligations under the Covered Bond Guarantee following the occurrence of the Covered Bond Guarantee Activation Event. If the Asset Coverage Test is not met on two consecutive Calculation Dates, an Asset Coverage Test Breach Notice will be served to the Guarantor and if not revoked (in accordance with the terms of the Transaction Documents) on or before the Guarantor Payment Date immediately following the next Calculation Date after service of such Asset Coverage Test Breach Notice, will constitute an Issuer Event of Default and entitle the Bond Trustee to serve a Notice to Pay on the Guarantor.

The Bank will use all reasonable efforts to ensure that the Guarantor is in compliance with the Asset Coverage Test which should reduce the risk of there ever being a breach of the Asset Coverage Test although there is no assurance of this result and the sale of Loans and their Related Security by the Seller to the Guarantor, advances

under the Intercompany Loan or additional Capital Contributions by the Limited Partner may be required to avoid or, before or after delivery of an Asset Coverage Test Breach Notice, remedy a breach of the Asset Coverage Test. There is no specific recourse available to the Guarantor in respect of any failure by the Bank to make a Capital Contribution in any circumstances, including following receipt of an Asset Coverage Test Breach Notice. See *Overview of the Principal Documents—Guarantor Agreement—Asset Coverage Test*.

Amortization Test

The Amortization Test is conducted on the Portfolio on each Calculation Date following an Issuer Event of Default that is continuing. The Amortization Test has been structured to determine whether the assets of the Guarantor, including the Loans and their Related Security in the Portfolio, have fallen below the threshold required to ensure that the assets of the Guarantor are sufficient to meet its obligations under the Covered Bond Guarantee following service of a Notice to Pay. A breach of the Amortization Test will constitute a Guarantor Event of Default and will entitle the Bond Trustee to serve a Guarantor Acceleration Notice on the Guarantor. See *Overview of the Principal Documents—Guarantor Agreement—Amortization Test*.

Valuation Calculation

The Guarantor is required to perform the Valuation Calculation to monitor exposure to the volatility to interest rate and currency exchange rates by measuring the present value of the Portfolio relative to the market value of the obligations guaranteed under the Covered Bond Guarantee. However, there is no obligation on the part of the Bank or the Guarantor to take any action in respect of the Valuation Calculation to the extent it shows the market value of the Portfolio is less than the market value of the obligations guaranteed under the Covered Bond Guarantee. See *Overview of the Principal Documents—Guarantor Agreement—Valuation Calculation*.

Reserve Fund

If at any time prior to the occurrence of an Issuer Event of Default, the Bank's ratings fall below the Reserve Fund Required Amount Ratings, the Guarantor will be required to credit Available Revenue Receipts and Available Principal Receipts to the Reserve Fund up to an amount equal to the Reserve Fund Required Amount.

The Reserve Fund Required Amount will be funded from Available Revenue Receipts and Available Principal Receipts, after the Guarantor has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the applicable Priorities of Payments on each Guarantor Payment Date and may in certain circumstances be funded through an advance under the Intercompany Loan or a Capital Contribution made in cash (a **Cash Capital Contribution**). Following the occurrence of an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay on the Guarantor, amounts standing to the credit of the Reserve Fund will be added to certain other income of the Guarantor in calculating Available Revenue Receipts.

Voluntary Overcollateralization

From time to time, the Guarantor may hold the Loans and their Related Security, Substitute Assets and cash with a value in excess of the value required to satisfy the coverage tests prescribed by the Transaction Documents and the CMHC Guide, including the Asset Coverage Test and the Amortization Test, as applicable. Such excess collateral is the **Voluntary Overcollateralization**. For the avoidance of doubt, in calculating such Voluntary Overcollateralization, any Excess Proceeds received by the Guarantor following an Issuer Event of Default will be deducted from the assets used to perform the coverage tests as described above, including the ACT Asset Value and the Amortization Asset Value.

Pursuant to the terms of the Transaction Documents and provided that the Guarantor must at all times be in compliance with such coverage tests, the terms of the Transaction Documents and the CMHC Guide, the Guarantor is from time to time permitted to:

- apply cash (in an amount up to the Voluntary Overcollateralization) to the repayment of any loan advanced by the Issuer, including the Intercompany Loan;

- distribute cash (in an amount up to the Voluntary Overcollateralization) to the Partners;

- subject to the rights of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement, transfer, or agree with the Seller to withdraw or remove the Loans and their Related Security and Substitute Assets (with an aggregate value, in the case of the Loans and their Related Security, equal to the LTV Adjusted Loan Balance thereof, and in the case of Substitute Assets, equal to the face value thereof, up to the Voluntary Overcollateralization); or

- agree with the Seller to substitute Assets owned by the Guarantor with other Loans and their Related Security and/or Substitute Assets that in each case comply with the terms of the Transaction Documents, the CMHC Guide and the Legislative Framework.

Any of the Loans and their Related Security and/or Substitute Assets transferred, withdrawn, removed or substituted in accordance with the above will be selected in a manner that would not reasonably be expected to be materially prejudicial to the interests of the Covered Bondholders and the consideration received by the Guarantor therefor (whether in cash or in kind) will, unless otherwise prescribed by the terms of the Transaction Documents, not be less than the fair market value thereof. See *Overview of the Principal Documents—Guarantor Agreement*.

CASHFLOWS

As described above under *Credit Structure*, until the occurrence of a Covered Bond Guarantee Activation Event, the Covered Bonds will be the obligations of the Bank only. The Bank is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor under the Intercompany Loan.

This section summarises the Priority of Payments of the Guarantor, as to the allocation and distribution of amounts standing to the credit of the Guarantor on the Ledgers and their order of priority:

(a) when no Asset Coverage Test Breach Notice is outstanding and no Covered Bond Guarantee Activation Event has occurred;

(b) when an Asset Coverage Test Breach Notice is outstanding but no Covered Bond Guarantee Activation Event has occurred;

(c) following service of a Notice to Pay on the Guarantor; and

(d) following service of a Guarantor Acceleration Notice and enforcement of the Security.

Allocation and distribution of Available Revenue Receipts when no Asset Coverage Test Breach Notice is outstanding and no Covered Bond Guarantee Activation Event has occurred.

At any time when no Asset Coverage Test Breach Notice is outstanding and no Covered Bond Guarantee Activation Event has occurred, Available Revenue Receipts will be allocated and distributed as described below.

The Guarantor (or the Cash Manager on its behalf) will, as of each Calculation Date, calculate:

(a) the amount of Available Revenue Receipts available for distribution on the immediately following Guarantor Payment Date;

(b) the Reserve Fund Required Amount (if applicable); and

(c) where the Pre-Maturity Test has been breached in respect of a Series of Hard Bullet Covered Bonds, on each Calculation Date falling in the 12 months prior to the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds, whether or not the amount standing to the credit of the Pre-Maturity Liquidity Ledger including the principal amount of any Substitute Assets standing to the credit of the Pre-Maturity Liquidity Ledger at such date is less than the Pre-Maturity Liquidity Required Amount.

On each Guarantor Payment Date, the Guarantor (or the Cash Manager on its behalf) will transfer Available Revenue Receipts from the Revenue Ledger to the Payment Ledger, and use Available Revenue Receipts held by the Cash Manager for and on behalf of the Guarantor and, as necessary, transfer Available Revenue Receipts from the GDA Account to the Transaction Account (to the extent maintained), in an amount equal to the lower of (a) the amount required to make the payments or credits described below and (b) the amount of Available Revenue Receipts.

Pre-Acceleration Revenue Priority of Payments

At any time, no Asset Coverage Test Breach Notice is outstanding and no Covered Bond Guarantee Activation Event has occurred, Available Revenue Receipts will be applied by or on behalf of the Guarantor (or the Cash Manager on its behalf) on each Guarantor Payment Date (except for amounts due to third parties by the Guarantor under paragraph (a) below or Third Party Amounts which will be paid when due) in making the

following payments and provisions (the **Pre-Acceleration Revenue Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction of any amounts due and payable by the Guarantor to third parties and incurred without breach by the Guarantor of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments) and to provide for any such amounts expected to become due and payable by the Guarantor in the immediately succeeding Guarantor Payment Period and to pay and discharge any liability of the Guarantor for taxes;

(b) *second*, any amounts in respect of interest due to the Bank in respect of the Demand Loan pursuant to the terms of the Intercompany Loan;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement in the immediately succeeding Guarantor Payment Period together with applicable goods and services tax and harmonized sales tax imposed under the *Excise Tax Act* (Canada) (**GST**) (or other similar taxes) thereon to the extent provided therein;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement in the immediately succeeding Guarantor Payment Period, together with applicable GST (or other similar taxes) thereon to the extent as provided therein, provided that if the Cash Manager is the Bank of a member of the Scotiabank Group, it will not receive any fees;

(iii) amounts (if any) due and payable to the Account Bank (or, as applicable, the Standby Account Bank) (including costs) pursuant to the terms of the Bank Account Agreement (or, as applicable, the Standby Bank Account Agreement), together with applicable GST (or other similar taxes) thereon to the extent provided therein;

(iv) amounts due and payable to the Cover Pool Monitor pursuant to the terms of the Cover Pool Monitor Agreement (other than the amounts referred to in paragraph (j) below), together with applicable GST (or other similar taxes) thereon to the extent provided therein; and

(v) amounts due and payable to the Custodian pursuant to the terms of the Mortgage Sale Agreement, together with applicable GST (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu*, according to the respective amounts thereof of:

(i) payment due to the Interest Rate Swap Provider (including any termination payment due and payable by the Guarantor under the Interest Rate Swap Agreement (but excluding any Excluded Swap Termination Amount)) pursuant to the terms of the Interest Rate Swap Agreement; and

(ii) payment due to the Covered Bond Swap Provider (including any termination payment due and payable by the Guarantor under the Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) pursuant to the terms of the Covered Bond Swap Agreement;

(e) *fifth*, in or towards payment on the Guarantor Payment Date of, or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (in the case of any such payment or provision, after taking into account any provisions previously made and any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreement) of any amounts due or to become due and payable (excluding principal amounts) to the Bank in respect of the Guarantee Loan pursuant to the terms of the Intercompany Loan Agreement;

(f) *sixth*, if a Servicer Event of Default has occurred, all remaining Available Revenue Receipts to be credited to the GDA Account (with a corresponding credit to the Revenue Ledger maintained in respect of that account) until such Servicer Event of Default is either remedied by the Servicer or waived by the Bond Trustee or a new Servicer is appointed to service the Portfolio (or the relevant part thereof);

(g) *seventh*, in or towards a credit to the GDA Account (with a corresponding credit to the Reserve Ledger) of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount (if applicable) exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;

(h) *eighth*, if the Guarantor is required to make a deposit to the Pre-Maturity Liquidity Ledger due to a breach of the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds, towards a credit to the GDA Account (with a corresponding credit to the Pre-Maturity Liquidity Ledger) of an amount up to but not exceeding the difference between:

(i) the Pre-Maturity Liquidity Required Amount as calculated on the immediately preceding Calculation Date; and

(ii) the sum of any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date;

(i) *ninth*, in or towards satisfaction *pro rata* and *pari passu*, according to the respective amounts thereof of:

(i) payment of any Excluded Swap Termination Amounts due and payable by the Guarantor under the Interest Rate Swap Agreement; and

(ii) payment of any Excluded Swap Termination Amounts due and payable by the Guarantor under the Covered Bond Swap Agreement;

(j) *tenth*, in or towards payment *pro rata* and *pari passu*, in accordance with the respective amounts thereof, of any indemnity amount due to the Cover Pool Monitor pursuant to the Cover Pool Monitor Agreement, and any indemnity amount due to any Partner pursuant to the Guarantor Agreement;

(k) *eleventh*, in or towards payment of the fee due to the Corporate Services Provider by the Guarantor pursuant to the terms of the Corporate Services Agreement; and

(l) *twelfth*, towards such distributions of profit to the Partners as may be payable in accordance with the terms of the Guarantor Agreement.

See *Summary of Fees and Expenses* for further details on the fees and expenses expected to be paid from the Available Revenue Receipts.

Any amounts received by the Guarantor under the Interest Rate Swap Agreement and the Covered Bond Swap Agreement (other than, in each case, amounts in respect of Swap Collateral Excluded Amounts) on or after the Guarantor Payment Date but prior to the next following Guarantor Payment Date will be applied, together

with any provision for such payments made on any preceding Guarantor Payment Date, to make payments (other than in respect of principal) due and payable in respect of the Intercompany Loan Agreement and then the expenses of the Guarantor unless an Asset Coverage Test Breach Notice is outstanding or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts received under the Interest Rate Swap Agreement and the Covered Bond Swap Agreement on the Guarantor Payment Date or on any date prior to the next succeeding Guarantor Payment Date which are not applied towards a payment or provision in accordance with paragraph (d) above or the preceding paragraph will be credited to the Revenue Ledger and applied as Available Revenue Receipts on the next succeeding Guarantor Payment Date.

Amounts (if any) held by the Cash Manager for and on behalf of the Guarantor or standing to the credit of the Transaction Account which are not required to be applied in accordance with paragraphs (a) to (l) of the Pre-Acceleration Revenue Priority of Payments or paragraphs (a) to (g) of the Pre-Acceleration Principal Priority of Payments below will, if applicable, be deposited by the Cash Manager and, in each case be credited to the appropriate ledger in the GDA Account on the Guarantor Payment Date.

If any Swap Collateral Available Amounts are received by the Guarantor on a Guarantor Payment Date, such amounts will be applied by the Guarantor (or by the Cash Manager on its behalf) on that Guarantor Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

Each Partner acknowledges that the distribution paid pursuant to paragraph (l) above to such Partner represents a reasonable commercial return to the Partner from its involvement in the Guarantor and also agrees that such profits will not be paid to the Partners at a time when they know or ought to know that there was no reasonable prospect of avoiding an insolvent liquidation of the Guarantor as a result of such profit distribution.

Allocation and Distribution of Available Principal Receipts when no Asset Coverage Test Breach Notice is outstanding and no Covered Bond Guarantee Activation Event has occurred

At any time no Asset Coverage Test Breach Notice is outstanding and no Covered Bond Guarantee Activation Event has occurred, Available Principal Receipts will be allocated and distributed as described below.

The Guarantor (or the Cash Manager on its behalf) will, as of each Calculation Date, calculate the amount of Available Principal Receipts available for distribution on the immediately following Guarantor Payment Date.

On each Guarantor Payment Date, the Guarantor (or the Cash Manager on its behalf) will transfer Available Principal Receipts from the Principal Ledger to the Payment Ledger, and use Available Principal Receipts held by the Cash Manager for and on behalf of the Guarantor and, as necessary, transfer Available Principal Receipts from the GDA Account to the Transaction Account (to the extent maintained), in an amount equal to the lower of (a) the amount required to make the payments or credits described below and (b) the amount of Available Principal Receipts.

Pre-Acceleration Principal Priority of Payments

At any time no Asset Coverage Test Breach Notice is outstanding and no Covered Bond Guarantee Activation Event has occurred, Available Principal Receipts will be applied by or on behalf of the Guarantor on each Guarantor Payment Date in making the following payments and provisions (the **Pre-Acceleration Principal**

Priority of Payments) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, if the Pre-Maturity Test has been breached by the Bank in respect of any Series of Hard Bullet Covered Bonds, towards a credit to the Pre-Maturity Liquidity Ledger in an amount up to but not exceeding the difference between:

(i) the Pre-Maturity Liquidity Required Amount as calculated on the immediately preceding Calculation Date; over

(ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date;

(b) *second*, to pay amounts in respect of principal outstanding on the Demand Loan pursuant to the terms of the Intercompany Loan Agreement;

(c) *third*, to acquire Loans and their Related Security offered to the Guarantor, if necessary or prudent, to ensure that, taking into account the other resources available to the Guarantor, the Asset Coverage Test is met and thereafter to acquire (in the discretion of the Guarantor or the Cash Manager on its behalf) Substitute Assets up to the prescribed limit in the CMHC Guide;

(d) *fourth*, to deposit the remaining Principal Receipts in the GDA Account (with a corresponding credit to the Principal Ledger) in an amount sufficient to ensure that, taking into account the other resources available to the Guarantor, the Asset Coverage Test is met;

(e) *fifth*, in or towards repayment on the Guarantor Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine) of amounts (in respect of principal) due or to become due and payable to the Bank in respect of the Guarantee Loan pursuant to the terms of the Intercompany Loan;

(f) *sixth*, in or towards a credit to the GDA Account (with a corresponding credit to the Reserve Ledger) of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount (if applicable) exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date; and

(g) *seventh*, subject to complying with the Asset Coverage Test to make Capital Distributions in accordance with the terms of the Guarantor Agreement.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts when an Asset Coverage Test Breach Notice is outstanding but no Covered Bond Guarantee Activation Event has occurred

At any time an Asset Coverage Test Breach Notice is outstanding but no Covered Bond Guarantee Activation Event has occurred all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments save that, while any Covered Bonds remain outstanding, no moneys will be applied under paragraph (b), (e), (j) (to the extent only that such indemnity amounts are payable to a Partner), (k) or (l) of the Pre-Acceleration Revenue Priority of Payments or paragraph (b), (c), (e) or (g) of the Pre-Acceleration Principal Priority of Payments and for greater certainty no Capital Distribution will be made to the Limited Partner and no payments will be made to the Intercompany Loan Provider.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay on the Guarantor

At any time after service of a Notice to Pay on the Guarantor, but prior to service of a Guarantor Acceleration Notice, all Available Revenue Receipts and Available Principal Receipts (other than Third Party Amounts and amounts credited to the Pre-Maturity Liquidity Ledger) will be applied as described below under *Guarantee Priority of Payments*.

On each Guarantor Payment Date, but prior to service of a Notice to Pay on the Guarantor, the Guarantor or the Cash Manager on its behalf will transfer Available Revenue Receipts and Available Principal Receipts from the Revenue Ledger, the Reserve Ledger, the Principal Ledger or the Capital Account Ledger, as the case may be, to the Payment Ledger, in an amount equal to the lower of (a) the amount required to make the payments set out in the Guarantee Priority of Payments and (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of such Ledgers.

The Guarantor will create and maintain ledgers for each Series of Covered Bonds and record amounts allocated to such Series of Covered Bonds in accordance with paragraphs (e) and (f) of the *Guarantee Priority of Payments* below, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due in respect of the relevant Series of Covered Bonds under the Covered Bond Swap Agreement on the scheduled repayment dates thereof.

Guarantee Priority of Payments

If a Notice to Pay is served to the Guarantor, the Guarantor will on the relevant Final Maturity Date for any Series of Hard Bullet Covered Bonds, apply all funds standing to the credit of the Pre-Maturity Liquidity Ledger with respect to such Series of Hard Bullet Covered Bonds (and transferred to the Transaction Account on the relevant Guarantor Payment Date) to repay the relevant Series of Hard Bullet Covered Bonds. Subject thereto, on each Guarantor Payment Date after the service of a Notice to Pay on the Guarantor (but prior to service of a Guarantor Acceleration Notice), the Guarantor (or the Cash Manager on its behalf) will apply Available Revenue Receipts and Available Principal Receipts to make the following payments, provisions or credits in the following order of priority (the **Guarantee Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, to pay any amounts, in respect of principal and interest due to the Bank in respect of the Demand Loan pursuant to the terms of the Intercompany Loan Agreement;

(b) *second*, in or towards payment of all amounts due and payable or to become due and payable to the Bond Trustee with respect to the performance of its obligations as Bond Trustee in the immediately succeeding Guarantor Payment Period under the provisions of the Trust Deed and the Security Agreement together with interest and applicable GST (or other similar taxes) thereon as provided therein;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

    (i) any remuneration then due and payable to the Agents under the provisions of the Agency Agreement together with applicable GST (or other similar taxes) thereon as provided therein, other than any Indemnity Amounts payable to the Agents in excess of $150,000; and

    (ii) any amounts then due and payable by the Guarantor to third parties, including the Corporate Services Provider and incurred without breach by the Guarantor of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the Guarantor in the

immediately succeeding Guarantor Payment Period and to pay or discharge any liability of the Guarantor for taxes;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Guarantor Payment Period under the provisions of the Servicing Agreement together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any Indemnity Amounts payable to the Servicer in excess of $150,000;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Guarantor Payment Period under the provisions of the Cash Management Agreement, together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any Indemnity Amounts payable to the Cash Manager in excess of $150,000, provided that if the Cash Manager is the Bank of a member of the Scotiabank Group, it will not receive any fees;

(iii) amounts (if any) due and payable to the Account Bank (or, as applicable, the Standby Account Bank) (including costs) pursuant to the terms of the Bank Account Agreement (or, as applicable, the Standby Bank Account Agreement), together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any Indemnity Amounts payable to the Account Bank (or, as applicable, the Standby Account Bank) in excess of $150,000;

(iv) amounts due and payable to the Cover Pool Monitor pursuant to the terms of the Cover Pool Monitor Agreement, together with applicable GST (or other similar taxes) thereon as provided therein, other than any Indemnity Amounts payable to the Cover Pool Monitor in excess of $150,000; and

(v) amounts due and payable to the Custodian pursuant to the terms of the Mortgage Sale Agreement, together with applicable GST (or other similar taxes) thereon as provided therein, other than any Indemnity Amounts payable to the Custodian in excess of $150,000;

(e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof:

(i) the amounts due and payable to the Interest Rate Swap Provider *pro rata* and *pari passu* according to the respective amounts thereof (including any termination payment due and payable by the Guarantor under the Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) in accordance with the terms of the Interest Rate Swap Agreement;

(ii) the amounts due and payable to the Covered Bond Swap Provider (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment (other than in respect of principal) due and payable by the Guarantor to the Covered Bond Swap Provider but excluding any Excluded Swap Termination Amount) in accordance with the terms of the Covered Bond Swap Agreement; and

(iii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* Scheduled Interest that is Due for

Payment (or will become Due for Payment in the immediately succeeding Guarantor Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds,

provided, that if the amount available for distribution under this paragraph (e) (excluding any amounts received from the Covered Bond Swap Provider) would be insufficient to pay the Canadian Dollar Equivalent of the Scheduled Interest that is Due for Payment in respect of each Series of Covered Bonds under (e)(iii) above, the shortfall will be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the Guarantor in respect of each relevant Series of Covered Bonds to the Covered Bond Swap Provider under (e)(ii) above will be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(f) *sixth*, to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof:

(i) the amounts (in respect of principal) due and payable *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment (relating solely to principal) due and payable by the Guarantor under the Covered Bond Swap Agreement but excluding any Excluded Swap Termination Amount) to the Covered Bond Swap Provider in accordance with the terms of the relevant Covered Bond Swap Agreement; and

(ii) to the Bond Trustee or (if so directed by the Bond Trustee) the Principal Paying Agent on behalf of the holders of the Covered Bonds *pro rata*, and *pari passu* Scheduled Principal that is Due for Payment (or will become Due for Payment in the immediately succeeding Guarantor Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds, provided that if the amount available for distribution under this paragraph (f) (excluding any amounts received from the Covered Bond Swap Provider) in respect of the amounts referred to in (f)(i) above would be insufficient to pay the Canadian Dollar Equivalent of the Scheduled Principal that is Due for Payment in respect of the relevant Series of Covered Bonds under this (f)(ii), the shortfall will be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the Guarantor in respect of each relevant Series of Covered Bonds under (f)(i) to the Covered Bond Swap Provider above will be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(g) *seventh*, to deposit the remaining funds into the GDA Account for application on the next following Guarantor Payment Date in accordance with the Priorities of Payments described in paragraphs (a) to (f) (inclusive) above, until the Covered Bonds have been fully repaid provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);

(h) *eighth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the Guarantor to the relevant Swap Provider under the relevant Swap Agreement;

(i) *ninth*, to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, any Indemnity Amounts payable to the Agents, the Servicer, the Cash Manager, the Account Bank (or the Standby Account Bank, as applicable), the Cover Pool Monitor and the Custodian, to the extent not paid pursuant to paragraph (c) or (d) above;

(j) *tenth*, any remaining funds will be applied in and towards repayment in full of amounts outstanding under the Intercompany Loan Agreement;

(k) *eleventh*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any indemnity amount due to the Partners pursuant to the Guarantor Agreement; and

(l) *twelfth*, thereafter any remaining funds will be applied in accordance with the Guarantor Agreement.

Any amounts received by the Guarantor under the Interest Rate Swap Agreement after the Guarantor Payment Date but prior to the next following Guarantor Payment Date will be applied, together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments (other than in respect of principal) due and payable *pro rata* and *pari passu* in respect of the Covered Bond Swap Agreement or, as the case may be, in respect of interest due under the Covered Bond Guarantee *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds.

Any amounts received by the Guarantor under the Covered Bond Swap Agreement (whether or not in respect of principal) after the Guarantor Payment Date but prior to the next following Guarantor Payment Date will be applied, together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments of interest or principal, as the case may be, in respect of the Covered Bond Guarantee *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds.

Any amounts received under the Interest Rate Swap Agreement or any Covered Bond Swap Agreement on the Guarantor Payment Date or any date prior to the next succeeding Guarantor Payment Date which are not put towards a payment or provision in accordance with paragraph (e) or (f) above or the two preceding paragraphs will be credited to the Revenue Ledger or the Principal Ledger on the GDA Account (as appropriate) and applied as Available Revenue Receipts or Available Principal Receipts, as the case may be, on the next succeeding Guarantor Payment Date.

If the Guarantor requires any available funds to be exchanged into a currency other than Canadian Dollars, and such exchange would not be subject to or covered by the terms of the Covered Bond Swap Agreement, then the Guarantor (or the Cash Manager on its behalf) will perform all necessary currency conversions at the then prevailing spot rate of exchange.

If any Swap Collateral Available Amounts are received by the Guarantor on a Guarantor Payment Date, such amounts will be applied by the Guarantor (or by the Cash Manager on its behalf) on that Guarantor Payment Date in the same manner as it would have applied the receipts which such Swap Collateral Available Amounts replace.

Termination payments received in respect of the Swap Agreements, premiums received in respect of replacement Swap Agreements

If the Guarantor receives any termination payment from a Swap Provider in respect of a Swap Agreement, such termination payment will first be used, to the extent necessary (prior to the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice) to pay a replacement Swap Provider to enter into a replacement Swap Agreement with the Guarantor, unless a replacement Swap Agreement has already been entered into on behalf of the Guarantor. If the Guarantor receives any premium from a replacement Swap Provider in respect of a replacement Swap Agreement, such premium will first be used to make any termination payment due and payable by the Guarantor with respect to the previous Swap Agreement, unless such termination payment has already been made on behalf of the Guarantor.

Any amounts received by the Guarantor which are not applied to pay a replacement Swap Provider to enter into a replacement Swap Agreement will be credited to the Revenue Ledger and applied as Available Revenue Receipts on the next succeeding Guarantor Payment Date.

Application of funds received by the Bond Trustee following service of a Guarantor Acceleration Notice and enforcement of the Security

Following a Guarantor Event of Default, service of a Guarantor Acceleration Notice and enforcement of the Security granted under the terms of the Security Agreement, all funds received or recovered by the Bond Trustee (or a receiver appointed on its behalf) (excluding all amounts due or to become due in respect of any

tax credits, Swap Collateral Excluded Amounts or Third Party Amounts) will be applied in the following order of priority (the **Post-Enforcement Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *first*, in or towards satisfaction of *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) all amounts due and payable or to become due and payable to the Bond Trustee under the provisions of the Trust Deed and the Security Agreement with respect to the performance of its obligations thereunder together with interest and applicable GST (or other similar taxes) thereon as provided therein; and

(ii) all amounts due and payable or to become due and payable to the Bond Trustee or any Receiver under the provisions of the Security Agreement together with interest and applicable GST (or other similar taxes) thereon as provided therein;

(b) *second*, in or towards satisfaction of any remuneration then due and payable to the Agents under or pursuant to the Agency Agreement together with applicable GST (or other similar taxes) thereon to the extent provided therein;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement in the immediately succeeding Guarantor Payment Period, together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any Indemnity Amounts payable to the Servicer in excess of $150,000;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with any applicable GST (or other similar taxes) thereon to the extent provided therein, other than any Indemnity Amounts payable to the Cash Manager in excess of $150,000 *provided that* if the Cash Manager is the Bank of a member of the Scotiabank Group, it will not receive any fees;

(iii) amounts (if any) due and payable to the Account Bank (or, as applicable, the Standby Account Bank) (including costs) pursuant to the terms of the Bank Account Agreement (or, as applicable, the Standby Bank Account Agreement), together with applicable GST (or other similar taxes) thereon to the extent provided, other than any Indemnity Amounts payable to the Account Bank, or, as applicable, the Standby Account Bank, in excess of $150,000; and

(iv) amounts due to the Custodian pursuant to the terms of the Mortgage Sale Agreement, together with applicable GST (or other similar taxes) thereon to the extent provided therein other than any Indemnity Amounts payable to the Custodian in excess of $150,000;

(d) *fourth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof:

(i) any amounts due and payable to the Interest Rate Swap Provider *pro rata* and *pari passu* according to the respective amounts thereof (including any termination payment (but excluding any Excluded Swap Termination Amounts)) pursuant to the terms of the Interest Rate Swap Agreement;

(ii) the amounts due and payable to the Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds to the Covered Bond Swap Agreement

(including any termination payment due and payable by the Guarantor under the Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) in accordance with the terms of the Covered Bond Swap Agreement; and

(iii) the amounts due and payable under the Covered Bond Guarantee to the Bond Trustee (if so directed by the Bond Trustee) or the Paying Agent on behalf of the holders of the Covered Bonds *pro rata* and *pari passu* in respect of interest and principal due and payable on each Series of Covered Bonds,

provided, that if the amount available for distribution under this paragraph (d) (excluding any amounts received from the Covered Bond Swap Provider in respect of amounts referred to in (d)(ii) above) would be insufficient to pay the Canadian Dollar Equivalent of the amounts due and payable under the Covered Bond Guarantee in respect of each Series of Covered Bonds under (d)(iii) above, the shortfall will be divided among all such Series of Covered Bonds on a *pro rata* basis and the amount payable by the Guarantor in respect of each relevant Series of Covered Bonds under (d)(ii) above to the Covered Bond Swap Provider will be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(e) *fifth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the Guarantor to the relevant Swap Provider under the relevant Swap Agreement;

(f) *sixth*, to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, any Indemnity Amounts payable to the Servicer, the Cash Manager, the Account Bank (or, as applicable the Standby Account Bank) and the Custodian, to the extent not paid pursuant to paragraph (c) above;

(g) *seventh*, in or towards repayment in full of all amounts outstanding under the Intercompany Loan Agreement;

(h) *eighth*, towards payment of any indemnity amount due to the Partners pursuant to the Guarantor Agreement;

(i) *ninth*, in or towards payment of the fee due to the Corporate Services Provider; and

(j) *tenth*, thereafter any remaining funds will be applied in or towards payment to the Partners pursuant to the Guarantor Agreement.

If the Guarantor receives any tax credits in respect of a Swap Agreement following the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice, such tax credits will be used to reimburse the relevant Swap Provider for any gross-up in respect of any withholding or deduction made under the relevant Swap Agreement. Following the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice, any Swap Collateral Excluded Amounts in respect of a Swap Agreement will be returned to the relevant Swap Provider subject to the terms of the relevant Swap Agreement, and any Third Party Amounts will be returned to the Seller, with the Seller paying such Third Party Amounts to the relevant third party.

Any Third Party Amount received by the Bond Trustee or any Receiver after service of a Guarantor Acceleration Notice will be held by it on trust for the Seller until they have been returned to the Seller.

Summary of Fees and Expenses

Prior to the occurrence of a Covered Bond Guarantee Activation Event, the following fees and expenses will be paid from the Available Revenue Receipts.

Fee Description	Payable To	Purpose	Amount (per cent. or $ per annum)	Current Provider
Agent Fees	Principal Paying Agent Exchange Agent Calculation Agent	Making payments on bonds	Up to $20,000	Citibank, N.A., London Branch
Bond Trustee Fee	Bond Trustee	Trustee for bond holders	Up to $22,000*	Computershare Trust Company of Canada
Servicing Fee and Expenses of Servicer	Replacement Servicer	Servicing the mortgage loans	Up to 0.20 per cent. (expected fee for replacement servicer)	The Bank of Nova Scotia
Cash Manager Fee and expenses of Cash Manager	Replacement Cash Manager	Hold cash	Up to $10,000	The Bank of Nova Scotia
Account Bank Fee	Standby Account Bank		None	The Bank of Nova Scotia
Cover Pool Monitor Fee	Cover Pool Monitor	Check accuracy of records and confirm mathematical accuracy of tests and calculations	Up to $200,000	KPMG LLP
GDA Provider Fee	Standby GDA Provider		None	Canadian Imperial Bank of Commerce
Custodial Fee	Custodian		Up to $10,000	Computershare Trust Company of Canada
Corporate Service Fees, Asset Trustee Fees, and Liquidation General Partner Fees	Corporate Service Provider, Covered Bond – Asset Trustee, Liquidation General Partner		Up to approximately $120,000**	Computershare Trust Company of Canada
CMHC registration fees	CMHC	Ongoing fees to maintain registration with CMHC	Up to $225,000***	CMHC

** Expenses may be in excess of this amount depending on the amount of the annual fees*
** Expenses may be in excess of this amount in an Issuer Event of Default
*** Currently, ongoing fees to maintain registration amount to $225,000. Expenses may, however, be greater or less than this amount for years subsequent to 2018

THE PORTFOLIO

The Portfolio

The Portfolio consists of cash, Loans and their Related Security, and in some cases Substitute Assets up to certain prescribed limits. The Loans sold to the Guarantor were randomly selected from the Bank's uninsured residential mortgage portfolio after applying the eligibility criteria. For details on the Eligibility Criteria and Loan Representations and Warranties provided with respect to the Loans in the Portfolio, see *Overview of the Principal Documents—Mortgage Sale Agreement—Eligibility Criteria* and *Overview of the Principal Documents—Mortgage Sale Agreement—Loan Representations and Warranties*. The Asset Coverage Test and the Amortization Test performed by the Cash Manager are intended to determine whether the assets and cashflows of the Guarantor, including the Loans and their Related Security in the Portfolio and cashflows in respect thereof, will be adequate to enable the Guarantor to meet its obligations under the Covered Bond Guarantee following the occurrence of a Covered Bond Guarantee Activation Event and the Valuation Calculation performed by the Cash Manager is intended to monitor exposure to volatility in interest rate and currency exchange rates.

Because the Portfolio is not a static pool of assets, statistical data for the Portfolio will be provided in the Investor Reports. The Cash Manager will prepare and provide Investor Reports to the Bank, the Guarantor, the Bond Trustee, and the Rating Agencies that will set out certain information in relation to the Portfolio, the calculation of the Asset Coverage Test, the Valuation Calculation, if applicable the Amortization Test, statistical information about the Loans in the Portfolio, performance information about the Loans, information on proceeds received on assets in the Portfolio and the application of such proceeds and other information prescribed by the requirements of the CMHC Guide. The Investor Reports will be available to Covered Bondholders within 15 Toronto Business Days after the end of each month on the Bank's website at https://www.scotiabank.com/ca/en/about/investors-shareholders/funding-programs/covered-bonds.html.

Characteristics of the Loans

Mortgage loans are originated by the Originator on behalf of the Seller, and are subsequently sold by the Originator to the Seller pursuant to an intercompany transfer agreement. Such mortgage loans are secured by a first mortgage on the residential property to which they relate and are full recourse against the borrower (subject to exceptions in Alberta and Saskatchewan, as described below) and if guaranteed to the guarantor and against the property securing the mortgage loan.

Interest is calculated using either a fixed or variable rate. Fixed rate mortgage loans provide for interest based on a fixed annual rate agreed to at the time the mortgage loan is advanced or renewed with interest calculated semi-annually, not in advance. Variable rate mortgage loans provide for interest based on the Bank's annual rate of interest announced from time to time as a reference rate then in effect for determining interest rates on Canadian Dollar commercial loans in Canada (the **Bank's Prime Rate**) plus or minus a set percentage, calculated on the outstanding balance when each regular payment is due. In the case of variable rate mortgage loans, the interest rate varies automatically with changes in the Bank's Prime Rate. If the Bank's Prime Rate changes between scheduled payment dates, the revised rate becomes effective from the date of such change and is reflected on the next payment date. Unless the mortgage provides for a fixed payment amount, the payment due changes with the prime rate such that the amortization period remains unchanged. In some circumstances the interest rate on a variable rate mortgage loan may be capped at a maximum rate.

Mortgage loans can either be prepaid in part or in their entirety without pre-payment charges based on the type of mortgage and can be for terms up to ten years (with a typical term of five years) with amortization periods that do not exceed 30 years. They provide for regular payments (e.g. weekly, bi-weekly, semi-monthly or monthly) and early and/or increased payment options subject to pre-payment charges in certain circumstances. Payments are applied first to interest, then to principal and lastly, to any fees. In the case of variable rate mortgage loans, in the event that the borrower's regular payment is insufficient to pay all interest when due,

the mortgage loan terms and conditions allow the Bank to increase the regular payment amount payable by the borrower to cover interest costs. Interest which is not paid when due is subject to interest.

The Bank may make more than one mortgage loan and provide other credit products to a borrower under the STEP Plan. In such circumstances, each mortgage loan and other credit products are subject to cross-default in the event payments on any loan are not made in accordance with their terms and prior to default the Bank is entitled to allocate payments received from the relevant borrower among amounts owing by such borrower under the STEP Plan. Only STEP Loans are subject to cross-default provisions; Loans other than STEP Loans that are included in the Portfolio are not subject to cross-default provisions. The number of STEP Loans and Loans other than STEP Loans that are included in the Portfolio will be provided in the Investor Report.

Where a mortgage loan is in default, all amounts owing in respect of the mortgage loan will become due and payable and the Bank is allowed to require immediate payment of all amounts owing under the mortgage loans. Similarly, if multiple mortgage loans under a single registered mortgage loan document are in default, all amounts owing in respect of the mortgage loans will become due and payable and the Bank is allowed to require immediate payment of all amounts owing under the mortgage loans. In the case of multiple mortgage loans under a single registered mortgage document, any amounts obtained from enforcement are applied first to pay amounts owing under any such mortgage loans that are term mortgage loans and then to other amounts owing. However, see *Overview of the Principal Documents—Mortgage Sale Agreement—Scotia Total Equity Plan and STEP Loans* above for a discussion of the Guarantor's priority where any such mortgage loan(s) are owned by the Guarantor. In Alberta and Saskatchewan the law restricts a lender's recourse against a borrower where the proceeds from enforcement of the mortgage by way of a foreclosure action are insufficient to repay the amounts owing on a mortgage loan.

Loan Origination and Lending Criteria

The following description of the Bank's lending criteria and procedures for the origination of mortgage loans by the Originator on the Seller's behalf is as of the date of this Prospectus. There is no requirement for the Bank to maintain such lending criteria or procedures described below and the Bank reserves the right to change such policies and procedures at any time.

The Bank's residential mortgages (including STEP Loans) are originated by the Originator on its behalf by employees of the Bank or third parties, such as independent mortgage brokers. Many of the Bank's mortgage clients have multiple products and services with the Bank.

Mortgage Origination

Real Estate Secured Lending, a unit of the Bank, is responsible for the Bank's retail lending secured by real estate. It uses four channels for mortgage origination: (i) the Bank's Canadian branch network, (ii) Scotia Mortgage Authority, (iii) Home Financing Solutions and (iv) eHOME. The Bank uses the same origination and lending criteria for conventional residential mortgages and STEP Loans.

Canadian Branch Network

The Bank's Canadian branch network is a significant source of mortgage origination for the Bank. Trained personal bankers in branches review mortgage loan applications and underwrite them based on policy criteria and systems instructions/conditions. The Canadian branch network channel also focuses on the refinancing and renewal needs of both existing clients and new clients.

Scotia Mortgage Authority

The Scotia Mortgage Authority underwrites mortgage loan applications received from external Bank-approved independent mortgage brokers. Applications processed and underwritten by Scotia Mortgage Authority are primarily for new customers of the Bank and include initial purchases, product switches and refinancing

transactions. Existing Bank customers may also choose to use an independent mortgage broker for their mortgage needs. The underwriting process used by Scotia Mortgage Authority is the same for new customers and existing Bank customers and is based on the Bank's mortgage process described below.

Home Financing Solutions

Home Financing Solutions is a mobile sales force of Bank mortgage specialists, also known as Home Financing Advisors, who originate mortgage loan applications primarily from new customers (existing Bank customers may choose this channel as well). Home Financing Advisors have credit training but do not have approval authority for loans; therefore, applications are submitted by Home Financing Advisors to underwriters of the Bank for review, approval, and condition fulfillment, all pursuant to the Bank's mortgage process described below. The activities and performance of Home Financing Advisors are monitored by their sales managers, who are expected to monitor the performance of loans originated in their markets. Mortgage sales managers at the Bank have a number of tools available to monitor credit and market trends, and results are reviewed with each mortgage originator on a quarterly basis (at a minimum).

eHOME

eHOME is a digital end-to-end mortgage origination system that allows customers to obtain a mortgage without the need to visit a Branch or a mortgage specialist. eHOME is currently available for purchase transactions and switches of existing mortgages from other financial institutions. The underwriting process follows the same process as other origination channels, as described below. Mortgage documents and credit agreements are signed by the customer using a solicitor.

Mortgage Renewals

All mortgages that are not in arrears are automatically eligible for renewal. Typically, customers are contacted to choose their preferred term. A customer may be contacted by their branch, customer contact centre, electronically (by e-mail, through online banking or via mobile banking app) or by direct mail. If no contact or renewal arrangements have been confirmed with the customer within five days after maturity, the mortgage will be automatically renewed for a six-month closed fixed rate term. If a customer renews a mortgage, the customer may change the payment structure (including amount and frequency of payments) subject to certain limitations.

Valuations, Appraisals and Credit Strategy

The Bank, in determining property values, uses a variety of methods, including risk assessment tools and appraisals. For all residential mortgage loans that have an LTV ratio of 80 per cent.or less, the Bank's mortgage approval policy requires one of the following methods as an acceptable property valuation type:

(a) Low ratio assessment – a third party automated risk assessment system (the **Risk Assessment Model**) is used to assess whether the valuation meets the Bank's predetermined risk parameters;

(b) Automated Valuation Model - a third party mathematically based valuation that does not require input from an appraiser;

(c) Desktop appraisal – a Bank approved appraiser's opinion of the property that does not require a property inspection; or

(d) Full appraisal – a Bank approved appraiser's opinion of the property based on an exterior and interior inspection of the property.

The type of property valuation used may depend on any combination of the following loan characteristics at the time of the application: the location of the property, property value, mortgage loan amount, borrower risk profile, specialty product programs, and the LTV ratio.

The Risk Assessment Model

The Risk Assessment Model assesses risk using formulas based on various factors, including the financial institution's risk parameters, sales trends, neighborhood analysis, tax assessments and other available information regarding the prospective mortgaged property. If the result of the risk assessment with respect to a property is outside of the Bank's predetermined risk parameters, as described below, a desktop appraisal or full appraisal of the property is required.

As part of the Bank's financial management systems, a process independent from the lending and origination process, a random sample of results generated by the Risk Assessment Model are, on a quarterly basis, re-confirmed by an independent team within the Bank's Risk Management group manually. The Bank continuously reviews and updates its financial management systems.

In accordance with the Bank's requirements, in order for a mortgage to be eligible to be evaluated by the Risk Assessment Model, the mortgage must (i) relate to the multiple listing service purchase or refinance of a property, provided that for any refinance, the property must include only one unit with an LTV of 80 per cent.or less and must have been owned for more than 12 months, and for any purchase (ii) the property must be listed on the multiple listing services, and (iii) the property must be owner occupied.

The Risk Assessment Model analyzes specific characteristics of the property in question to determine whether the loan value is appropriate for the property by using various information sources, including:

- the physical characteristics of the property (such as square footage, lot size, age, style of the home, etc.);
- the municipal property tax assessment;
- historical and current sales activity within the local housing market; and
- prior sales activity of the property being assessed, when available.

Automated Valuation Model (AVM)

An AVM is a third party real estate appraisal conducted using a mathematically based computer software program that produces an estimate of real property value through modelling based on market analysis of location, market condition and real estate characteristics using data that was previously and separately collected, including but not limited to property sales data, property assessment data, multiple listing service data, census and geographic information systems data. The AVM value is compared to the estimated value/purchase price. If it is within the Bank's predetermined tolerance range, the estimated value is accepted.

Desktop Appraisals

A desktop appraisal is an independent appraisal completed by a Bank approved third party appraiser. The third party appraiser opines on the value of the property but the appraisal is completed without an inspection of the property. A desktop appraisal report does not include all of the sections that a full appraisal report would, but it does include basic market information, comparable sales and a value range on the property. A desktop appraisal is only for properties sold on publicly available listing services where the property is owner-occupied.

Full Appraisals

A full appraisal is an independent appraisal completed by a Bank approved third party appraiser. This third party appraiser opines on the value of the property based on an exterior and interior inspection of the property, and other factors including, but not limited to, sales records, comparable property analysis and tax assessments. In appointing appraisers, the Bank relies on the professional industry accreditation of the appraisers and

random sample reviews of their reports completed by senior appraisers of the Bank. The Bank uses full appraisals in cases where the Risk Assessment Model does not support the value of the property or a full appraisal is required under Bank policy (e.g. if a mortgage is a private sale or if a mortgage over a certain LTV ratio is to be issued in connection with a refinancing).

Mortgage Processing

The Bank's underwriting platform and associated credit policies are consistent across all of the Bank's origination channels. Credit exception decisions, when required, are performed by a dedicated credit department separate from the delivery network and business line.

All mortgage applications are limited to systemic credit and conditions generated through the Bank's Adjudication Decision Engine called Origination Manager (**OM**), developed by Fair Isaac, which is an underwriting tool housing many of the Bank's credit policies and which is used for the adjudication of credit applications. OM adjudicates at the customer level, assessing both customer risk and capacity, to determine the amount of credit the applicant can be offered. It has been designed to support the strategic objective of providing customer centric retail lending products, accessible through the customer's channel of choice. OM decisions utilise pre-screen and auto-decline logic, credit bureau and behavior scoring supplemented with bankruptcy scores for further determination. It also includes fraud detection and capacity determination capabilities. The methodologies' and parameters are reviewed and validated on a regular basis, to complement monitoring of trends in key rating criteria.

All originating channels have certain approval authorities. All mortgage loan applications exceeding such approval authority or that were declined by OM but are supported for approval by the branch or originating unit based on sound business reasons are submitted to the Bank's exception underwriting centre, known as the Adjudication Centre of Expertise (**ACE**), for review and approval. Generally, the reason for an additional review by ACE is the result of (i) the mortgage being above the lending limit of the relevant branch or underwriting unit or (ii) the mortgage does not conform to the Bank's mortgage origination policy. A mortgage may not initially conform to the Bank's origination standards as a result of (i) the borrower's credit score, (ii) the borrower's income is low relative to the required mortgage payments, (iii) the price of the property is high relative to other houses in the neighborhood, or (iv) the property is unusual (a farm or cottage in a rural area). If the mortgage does not meet the Bank's origination standards, the ACE unit will review the mortgage for any compensating factors which include the strength of the borrower's financial reserves, the borrower's housing stability, the borrower's job stability, the Loan-to-Value Ratio, the credit scores of the borrower, the property type and location and whether the co-borrower is part owner and decide whether a compensating factor is available and sufficient to compensate for any deficiency to the standard origination standards.

ACE also has an approval authority, and all mortgage loan applications exceeding such approval authority are submitted to the Bank's Real Estate Credit, Global Risk Management group. See —*Credit Adjudication and the Risk Management Group* below.

All credit conditions must be fulfilled by the customer prior to the scheduled closing date. The related lending officer is responsible for ensuring that all of the conditions are fulfilled. Management reviews are conducted to identify situations where closing conditions were not met prior to funding so that appropriate corrective action can be taken. Specialised teams review the effective execution of the Bank's policies and processes before any funds are advanced. An internal audit team also conducts a full detailed review from loan application to post-fund in connection with a review of the Bank's residential mortgage business. In both cases, material and non-material issues are identified. In addition, the Adjudication Lending Review Team, an independent department within the Adjudication Centre of Expertise, reviews a selection of such files, mostly post-fund, with a focus on regulatory compliance, fraud, special programs and ad hoc requests.

Credit Scores

The Bank utilises different credit scoring models: one is used for new customers and is based primarily on the credit scores and bankruptcy scores provided by recognised credit bureaus, and the second is a proprietary model that evaluates existing Bank clients' historical loan, credit and deposit performance. The models are independently validated and monitored on a regular basis to ensure their continuing functionality and market relevance.

The Bank's underwriting policies and procedures require each prospective borrower to submit a mortgage loan application that discloses the applicant's credit history, assets, liabilities, income and employment history, and includes consent to the Bank obtaining a credit report in respect of such applicant.

Credit reports are obtained by the Bank from either TransUnion LLC or Equifax Information Services LLC, which are nationally recognised credit reporting bureaus, as a means of assessing the creditworthiness of the borrowers. Each of these credit reports contains a standardised credit score (a **Bureau Score**) that is designed to assess a borrower's credit history at a single point in time, using data currently on file for the borrower at the particular credit reporting bureau. Bureau Scores range from approximately 300 to approximately 900, with higher scores indicating an individual with a more favourable credit history (i.e. statistically expected to be less likely to default) compared to an individual with a lower score. Information used to create a Bureau Score may include, among other things, the borrower's payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience. A Bureau Score, however, only assesses a borrower's past credit history and provides an indicator of the relative degree of potential risk that a borrower represents to a lender on a specified date. In addition, Bureau Scores were developed to indicate levels of default probability over a two-year period and were not developed specifically for use with mortgage loans, but for consumer loans in general. Accordingly, Bureau Scores are not necessarily accurate indicators of levels of default probability over the entire terms of the mortgage loans (which extend beyond a two-year period to three or five years). Furthermore, Bureau Scores do not take into account the differences between mortgage loans and consumer loans, including the particular Loan-to-Value Ratios of the mortgage loans, the quality or value of the real estate collateral, or the borrower's debt to income ratio. There can be no assurance that a borrower's Bureau Score will be an accurate predictor of the likelihood of such borrower's mortgage loan being repaid, or that a borrower's Bureau Score has or will remain unchanged after origination. Very similar to bureau scores, the Bank also employs bankruptcy scores obtained from the credit bureaus. Bankruptcy scores use credit file data to specifically predict the likelihood of a customer declaring bankruptcy. Both the bankruptcy score and bureau scores are used together to assess the creditworthiness of the borrowers.

Based on the data provided in the prospective borrower's application and certain verifications, if required, the Bank determines whether the applicant's monthly income will be sufficient to enable such applicant to meet the obligations under the proposed mortgage loan and other expenses relating to the mortgaged property, including taxes, insurance costs and other fixed obligations. The Bank generally requires that: (i) the scheduled payments for the first year of the mortgage loan, including all related taxes, and (ii) all other scheduled payments due for the applicant's other debt obligations during the same period, not exceed a specified percentage of the applicant's gross employment or stated income.

Credit Adjudication and the Risk Management Group

As noted above, mortgage applications that do not meet standard guidelines are sent to the Adjudication Centre of Expertise for a secondary review. In general, the Adjudication Centre of Expertise reviews any mortgage loan application that is valued over a branch's or underwriting unit's approval authority or if there are evident credit issues with the application (e.g. unsatisfactory scoring from the Bank's valuation models or applications with total debt servicing ratios that exceed the Bank's standard credit risk policies).

Large mortgage loan applications exceeding a certain dollar amount threshold are sent to the Bank's specialised group for credit adjudication unit (ACE).

Suspicious or potentially fraudulent activity is monitored throughout the process. Fraud detection systems are designed to look for inconsistencies in applications and checks are performed against databases of prior suspicious activity. Suspicious applications are referred to the Bank's corporate security & investigation group for investigation.

Credit Effectiveness Review, Audit Process and Quality Control Process

Pre- and post-funding loan reviews are conducted in all origination channels by a variety of groups depending on the circumstances. These reviews ensure loans are being granted with specified authority levels and in compliance with the Bank's policy and program guidelines. In addition to these reviews, further independent reviews are performed by a specialised adjudication lending and review team. The Bank also has a dedicated team of employees that audits the mortgage business and monitors quality control. Prior to each Loan being included in the Portfolio, each Loan is reviewed by the Bank for violations of, as of its time of its origination, the Loan Representations and Warranties. All Loans currently included in the Portfolio were not in violation of, as of their time of origination, the Loan Representations and Warranties. The Bank does not have a history of identifying material issues or a significant amount of non-material issues through its pre- and post-funding loan reviews referenced in the question above.

THE SERVICER

General

The Bank is a servicer (a **Servicer**) of the Loans and their Related Security pursuant to a servicing agreement (the **Servicing Agreement**) dated 19 July 2013 between the Bank, in its capacity as the Servicer, Seller, and Cash Manager, the Guarantor, as owner of the Loans and their Related Security, and Computershare Trust Company of Canada, as the Bond Trustee. The Servicer will not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by the Guarantor and/or any other person as a result of the proper performance by it of its servicing obligations under the Servicing Agreement unless such loss, liability, claim, expense or damage is suffered or incurred as a result of any gross negligence, dishonesty, bad faith, fraud or wilful misconduct of the Servicer or as a result of a breach by the Servicer of the terms and provisions of the Servicing Agreement or the other Transaction Documents in relation to such functions.

Servicing Activities

The Bank has been originating and servicing uninsured residential mortgage loans since 1954. The Bank has also been servicing credit cards, automobile loans, floorplan financings, commercial loans and unsecured lines of credit since 1967. The Bank services its own portfolio of mortgage loans and generally retains the servicing rights with respect to any mortgage loans it sells or securitises. The Bank's prior and current servicing activities include collecting and remitting loan payments, administering escrow funds for the payment of real estate taxes and insurance premiums, contacting delinquent mortgagors, supervising foreclosures in the event of non-remedied defaults, and generally administering the loans. As at 31 October 2022, the Bank acted as primary servicer and owned the corresponding servicing rights to approximately 1,038,712 loans having an aggregate unpaid balance of approximately $279.6 billion.

Servicing Procedures with respect to Loans and their Related Security

Following the sale of a mortgage loan to the Guarantor, the Servicer keeps and maintains records in relation to the Loans and their Related Security sold to the Guarantor on a loan by loan basis, for the purposes of identifying amounts paid by each borrower, any amount due from a borrower and the principal balance (and, if different, the total balance) from time to time outstanding on a borrower's account and such other records as would be customarily kept by a reasonable and prudent mortgage lender. The Servicer also identifies the Loan and its Related Security as belonging to the Guarantor and maintains a computer record of the location and identification of the Loans and their Related Security by reference to an account number and pool identifier so as to be able to distinguish them from other mortgage loans and security serviced by the Servicer for retrieval purposes. In the event the ratings of the Servicer by the Rating Agencies fall below certain ratings, the Servicer shall use reasonable efforts to ensure that files relating to the Loans and their Related Security are identified as distinct from the conveyancing deeds and documents which make up the title and security of other properties and mortgages which do not form part of the Portfolio. Pursuant to the Servicing Agreement, the Servicer will, subject to the terms and conditions of the Loans and their Related Security and the other Transaction Documents, have the full power, authority and right to do or cause to be done any and all things, not inconsistent with the sale, transfer and assignment of the Loans and their Related Security to the Guarantor, which they reasonably consider necessary, convenient or incidental to the servicing of the Loans and their Related Security or the exercise of their rights, powers and discretions under the Servicing Agreement.

The Servicer provides customary servicing functions with respect to the Loans and their Related Security. The Servicer makes reasonable efforts to collect all payments called for under the loan documents and follows such collection procedures as are customary with respect to loans. The Servicer collects and remits mortgage loan payments, responds to borrower inquiries, accounts for principal and interest, holds escrow account information and funds for payment of property taxes, counsels or otherwise works with delinquent borrowers, supervises powers of sale, judicial sales or foreclosures, and property dispositions and generally administers the Loans and is required to take all reasonable steps to recover all sums due to the Guarantor in respect of the Loans and their Related Security.

After a Loan becomes delinquent and to the extent permitted under and in compliance with applicable law, each Servicer is entitled to commence proceedings with respect to enforcing payment of such Loans and their Related Security, and adjusting, settling or compromising the account or payment thereof, in accordance with the Credit and Collection Policy and the terms of the Mortgage Sale Agreement.

The Credit and Collection Policy is designed to identify payment problems in the early stages to permit the Servicer to address such delinquency problems and minimise losses. A Loan is considered delinquent if a scheduled payment is not received by the due date. Delinquent loans are assigned to collections to attempt to recover the delinquent payment(s).

Various collection techniques are employed such as automated letters and telephone calls until the account is current or other payment arrangements have been made. When contact is made with a delinquent borrower, collectors present the borrower with alternative payment methods, in order to expedite payments. Collectors have computer access to telephone numbers, payment histories, loan information, and all past collection notes. The Servicer supplements the collectors' efforts with advanced technology such as predictive dialers and statistical behavioral software used to determine the optimal times to call a particular customer. Additionally, collectors may attempt to mitigate losses through the use of behavioral or other models that are designed to assist in identifying workout options. For those Loans in which collection efforts have been exhausted without success, the Servicer determines whether mortgage enforcement proceedings are appropriate. The course of action elected with respect to a delinquent Loan generally will be guided by a number of factors, including the related borrower's payment history, ability and willingness to pay, the condition and occupancy of the Mortgaged Property, the amount of borrower equity in the Mortgaged Property, and whether there are any tax arrears, condominium or strata arrears, or construction liens.

Prior to a foreclosure or sale by power of sale, once the Servicer is in possession of the Mortgaged Property, it obtains an appraisal from a Bank approved appraiser. The Servicer then hires a real estate agent to sell the property. The real estate agent performs a current market analysis which includes: (i) a current valuation of the Mortgaged Property; (ii) an evaluation of the amount owed, if any, for real estate taxes; and (iii) estimated carrying costs, brokers' fees, repair costs, and other related costs associated with real estate owned properties. The Servicer bases the sale price at the foreclosure process or power of sale on this analysis and its own appraisal.

The foreclosure process and power of sale process vary by jurisdiction across Canada, but generally there are two different ways that the Servicer can acquire the right to sell the Mortgaged Property. If the Servicer acquires title to a Mortgaged Property at a foreclosure process or through a power of sale process, it obtains an estimate of the sale price of the Mortgaged Property and then hires one or more real estate agents to begin marketing the Mortgaged Property. If the Mortgaged Property is not vacant when acquired, the lawyers that have been hired to facilitate the mortgage enforcement commence eviction proceedings and/or negotiations are held with occupants in an attempt to have them vacate the Mortgaged Property without incurring the additional time and cost of eviction. Repairs are performed if it is determined that they will increase the net liquidation proceeds, taking into consideration the cost of repairs, the carrying costs during the repair period and the marketability of the Mortgaged Property both before and after the repairs.

The Servicer's collection procedures include the consolidation of tasks and activities under common management and across multiple sites and risk based collections (the collection of payments by client as opposed to the use of a mono-line). Risk based collections involve one collector collecting all delinquent accounts for a borrower at the same time as opposed to different collectors calling the same borrower for each Loan or other product that is delinquent. The Servicer's collections procedures are updated regularly and continue to evolve on a regular basis to improve their efficiency and effectiveness.

Servicing and Other Compensation and Payment of Expenses

Each Loan acquired by the Guarantor is sold by the Seller on a fully serviced interest basis, and as a result the Guarantor does not have any obligation or liability to the Servicer on account of costs, expenses,

disbursements, charges, or fees of the Servicer, the sole responsibility for such expenses being that of the Servicer, and as a result, at any time that the Servicer is the Bank or an affiliate of the Bank, the Guarantor does not have any obligation or liability to the Servicer on account of costs, expenses, disbursements, charges, or fees of the Servicer.

Property Insurance

Each Loan contains a requirement that the mortgaged property be covered by building insurance maintained by the borrower with the Servicer being noted as a loss payee/mortgagee. Proof of property insurance is reviewed by the Bank before the mortgage is advanced. The Bank does not require evidence of such insurance to be retained on file. The Bank self-insures to protect against losses that occur in cases of damage to defaulted properties where property insurance has not been maintained by the borrower. The Bank therefore retains the risk of loss due to damage where property insurance has not been maintained by the borrower.

Payments on Loans; Deposits to Custodial Accounts

Any collections received by the Servicer or the Originator in respect of the Loans and their Related Security to which the Guarantor is entitled are required to be held by the Servicer or the Originator in trust for the Guarantor and to be kept distinguishable from all other moneys held by the Servicer or the Originator and following a Rating Agency withdrawing or downgrading the ratings below certain thresholds, to be deposited directly into the GDA Account. All other sums received by the Servicer in respect of the Loans and their Related Security shall be held by the Servicer for itself.

Replacement of Servicer

The Guarantor and the Bond Trustee may terminate the Servicing Agreement in the circumstances described in *Overview of the Principal Documents—Servicing Agreement—Removal or resignation of the Servicer*.

DESCRIPTION OF THE CANADIAN REGISTERED COVERED BOND PROGRAM REGIME

The CMHC Guide elaborates on the role and powers of CMHC as administrator of the Legislative Framework and sets out the conditions and restrictions applicable to registered issuers and registered covered bond programs.

Eligible Issuers

The Legislative Framework provides that in order to apply for registration as a registered issuer, a proposed issuer of covered bonds must be a "federal financial institution", as defined in section 2 of the Bank Act (Canada), or a co-operative credit society that is incorporated and regulated by or under an act of the legislature of a province of Canada.

Eligible Covered Bond Collateral and Coverage Tests

Assets held by a guarantor as collateral for covered bonds issued under a registered program may not include mortgages or other secured residential loans that (i) are insured by the CMHC or other Prohibited Insurers, or (ii) have a Loan-to-Value Ratio that exceeds 80 per cent. A guarantor may hold substitute assets consisting of Government of Canada securities and repos of such securities, provided that the value of such substitute assets may not exceed 10 per cent. of the total value of the assets of the guarantor held as covered bond collateral. The Legislative Framework, as further described in the CMHC Guide, further restricts assets comprising covered bond collateral by limiting cash held by the guarantor at any time to the amount necessary to meet the guarantor's payment obligations for the next six months, subject to certain exceptions.

In addition to confirming a Level of Overcollateralization greater than the Guide OC Minimum, the CMHC Guide requires registered issuers to establish a minimum and maximum level of overcollateralization by adopting a minimum and maximum value for the Asset Percentage to be used to perform the Asset Coverage Test and disclose such Asset Percentages in the registered issuer's offering documents and in the registry. The methodology to be employed for the asset coverage and amortization tests is specified in the CMHC Guide. Since 1 July 2014, in performing such tests registered issuers have been required to adjust the market values of the residential properties securing the mortgages or other residential loans comprising covered bond collateral to account for subsequent price adjustments.

The CMHC Guide also requires that the Guarantor engage in certain risk-monitoring and risk-mitigation practices, including (i) measurement of the present value of the assets comprising covered bond collateral as compared to the outstanding covered bonds (the **Valuation Calculation**), and (ii) hedging of its interest rate and currency exchange risks.

Bankruptcy and Insolvency

The Legislative Framework contains provisions that will limit the application of the laws of Canada and the provinces and territories relating to bankruptcy, insolvency and fraudulent conveyance to the assignments of loans and other assets to be held by a guarantor as covered bond collateral under a registered covered bond program. Such provisions will not be applicable to any covered bonds that are issued under a registered program at a time that the registered issuer has been suspended by CMHC in accordance with the powers afforded to it under the Legislative Framework and the CMHC Guide.

Qualifications of Counterparties

The CMHC Guide prescribes certain qualifications for each of the counterparties to a registered covered bond program, including that such counterparty (i) possess the necessary experience, qualifications and facilities to perform its obligations under the Program, (ii) meet or exceed any minimum standards prescribed by an applicable rating agency, (iii) if regulated, be in regulatory good standing, (iv) be in material compliance with any internal policies and procedures relevant to its role as a counterparty, and (v) be in material compliance

with all laws, regulations and rules applicable to that aspect of its business relevant to its role as a counterparty (collectively, the **Counterparty Qualifications**). In connection with the Program, the counterparties are the Swap Providers, the Servicer, the Cash Manager, the Cover Pool Monitor, the Custodian, the Bond Trustee, the Account Bank, the Standby Account Bank, the GDA Provider and the Standby GDA Provider (collectively, the **Counterparties**). Each of the Counterparties has represented and warranted in the Transaction Documents that it meets the Counterparty Qualifications.

Cover Pool Monitor

The role of the cover pool monitor, as well as the specified procedures to be carried out by the cover pool monitor, are also detailed in the CMHC Guide. The Cover Pool Monitor's responsibilities include confirmation of the arithmetical accuracy of the tests required by the CMHC Guide to be carried out under the registered covered bond program and the preparation and delivery of an annual report detailing the results of the specified procedures undertaken in respect of the covered bond collateral and the Program. In addition to the Counterparty Qualifications, the cover pool monitor must be either (i) a firm engaged in the practice of accounting that is qualified to be an auditor of the registered issuer under the *Bank Act* (Canada) and Canadian generally accepted auditing standards, or (ii) otherwise approved by CMHC (the **Cover Pool Monitor Qualifications**). The Cover Pool Monitor has represented and warranted in the Transaction Documents that it meets the Cover Pool Monitor Qualifications.

Custodian

The CMHC Guide requires that a registered issuer appoint a custodian for each of its registered covered bond programs. The custodian's responsibilities include holding on behalf of the Guarantor applicable powers of attorney granted by the Bank to the Guarantor and details of the Portfolio assets and Substitute Assets. In addition to the Counterparty Qualifications, the custodian must satisfy certain other qualifications, including that it (i) be a federally or provincially chartered institution authorised to act in a fiduciary capacity with respect to valuable documents, or a chartered bank as described in Schedule I to the *Bank Act* (Canada), (ii) be equipped with secure, fireproof storage facilities, with adequate controls on access to assure the safety, confidentiality and security of the documents in accordance with customary standards for such facilities, (iii) use employees who are knowledgeable in the handling of mortgage and security documents and in the duties of a mortgage and security custodian, (iv) have computer systems that can accept electronic versions of asset details and be able to transmit that data as required by the CMHC Guide, and (v) be at arm's length from (and otherwise independent and not an affiliate of) the registered issuer (collectively, the **Custodian Qualifications**). The Custodian has represented and warranted in the Transaction Documents that it meets the Custodian Qualifications.

Bond Trustee

A registered issuer is required to appoint a bond trustee to represent the views and interests, and to enforce the rights, of the covered bondholders. In addition to the Counterparty Qualifications, a bond trustee must be at arm's length from (and otherwise independent and not an affiliate of) the registered issuer (the **Bond Trustee Qualifications**). The Bond Trustee has represented and warranted in the Transaction Documents that it meets the Bond Trustee Qualifications.

Ratings

If there are covered bonds outstanding under a registered covered bond program, at least two rating agencies must at all times have current ratings assigned to at least one Series or Tranche of covered bonds outstanding, provided that such ratings need not be for the same Series or Tranche.

Disclosure and Reporting

The CMHC Guide sets out a number of disclosure and reporting obligations for registered issuers. Underlying these obligations is the principle that investors should have access to all material information with respect to the registered issuer and the relevant Series of covered bonds in order to make an informed investment decision with respect to buying, selling or holding such covered bonds. Registered issuers will be required to maintain a website where investors can access, among other things, material transaction documents, Investor Reports on the covered bond collateral and static covered bond collateral portfolio data that users may download and analyze. The provisions of the CMHC Guide permit registered issuers to restrict access to such website (for example, through the use of a password) in order to comply with securities laws or otherwise. The Bank's website will be https://www.scotiabank.com/ca/en/about/investors-shareholders/funding-programs/covered-bonds.html.

Status of the Bank and the Program

On 25 March 2013, the Bank was accepted as a registered issuer under Part I.1 of the NHA and the CMHC Guide in accordance with their terms and on 22 July 2013, the Program was registered as a registered program under Part I.1 of the NHA and the CMHC Guide.

USE OF PROCEEDS

Except as otherwise specified in the applicable Final Terms Document or Pricing Supplement, the net proceeds from each issue of Covered Bonds will be added to the general funds of the Bank.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank and the Guarantor believe to be reliable, but none of the Bank, the Guarantor, the Bond Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Bank, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and may include certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (**DTCC**). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., and the Financial Industry Regulatory Authority. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Direct or Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Covered Bonds accepted into DTC's book-entry settlement system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each actual purchaser of each DTC Covered Bond (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity

of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to DTC Covered Bonds unless authorised by a Direct Participant in accordance with the procedures laid out by DTC. Under its usual procedures, DTC mails an omnibus proxy (**Omnibus Proxy**) to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Covered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Principal Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct or Indirect Participant and not of DTC or its nominee, the Principal Paying Agent or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorised representative of DTC) is the responsibility of the Issuer or the Principal Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Covered Bonds for Registered Definitive Covered Bonds, which it will distribute to its Direct Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Covered Bond, will be legended as set forth under *Selling Restrictions*.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Covered Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to withdraw its Registered Covered Bonds from DTC as described below.

CDS has advised the Issuer that it is a private corporation, owned one-third by investment dealers, one-third by banks and one-third by trust companies through their respective industry associations. CDS is the exclusive clearing house for equity trading on the Toronto Stock Exchange and also clears a substantial volume of "over the counter" trading in equities and bonds and that it was incorporated in 1970 and is Canada's national securities clearing and depositary services organization functioning as a service utility for the Canadian financial community. CDS provides a variety of computer automated services for financial institutions and investment dealers active in domestic and international capital markets. CDS participants include banks (including the Canadian subcustodians), investment dealers and trust companies and may include certain of the underwriters. Indirect access to CDS is available to other organizations that clear through or maintain a custodial relationship with a CDS participant. Transfers of ownership and other interests, including cash

distributions, in Covered Bonds in CDS may only be processed through CDS participants and will be completed in accordance with existing CDS rules and procedures. CDS operates in Montreal, Toronto, Calgary and Vancouver to centralize securities clearing functions through a central securities depositary.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC or CDS Covered Bonds

The Bank may apply to DTC or CDS, as the case may be, in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian or CDS or its custodian, as the case may be, will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC or CDS, as the case may be. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC or CDS, as the case may be, will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee or by CDS or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

It should be noted that DTC will only process payments of principal and interest in U.S. dollars. Payments in U.S. dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond.

The Bank expects DTC or CDS, as the case may be, to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC or CDS, as applicable, unless DTC or CDS, as the case may be, has reason to believe that it will not receive payment on such payment date. The Bank also expects that payments by Direct or Indirect Participants to beneficial owners of Covered Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Direct or Indirect Participant and not the responsibility of DTC or CDS, as the case may be, the Bond Trustee, the Agents or the Bank. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC or CDS is the responsibility of the Bank.

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, CDS, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and

operating procedures of the relevant clearing system. The laws in some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC or CDS can only act on behalf of direct participants in the DTC system or CDS system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC or CDS to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or CDS system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC or CDS to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a Direct or Indirect Participant in the DTC or CDS systems.

Subject to compliance with the transfer restrictions applicable to the Regulation S Covered Bonds described under *Selling Restrictions*, cross-market transfers between DTC or CDS, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Covered Bonds Custodian**) with whom the relevant Registered Global Covered Bonds have been deposited.

On or after the Issue Date for any Series, transfers of Covered Bonds of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Covered Bonds of such Series between participants in DTC or CDS will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC and CDS participants will need to have an agreed settlement date between the parties to such transfers. Because there is no direct link between DTC or CDS, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Covered Bonds Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC or CDS participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, CDS, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of DTC, CDS, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bond Trustee, the Bank, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, CDS, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

CERTAIN TAX LEGISLATION AFFECTING THE COVERED BONDS

Canadian Taxation

The following summary describes the principal Canadian federal income tax considerations under the Income Tax Act and the regulations thereunder (the **Regulations**) applicable to a holder of Covered Bonds who acquires Covered Bonds, including entitlement to all payments thereunder, as a beneficial owner pursuant to this Prospectus, and who, at all relevant times, for the purposes of the Income Tax Act deals at arm's length with the Bank and the Guarantor (a **Holder**).

This summary assumes that no amount paid or payable as, on account or in lieu of payment of, or in satisfaction of, interest will be in respect of a debt or other obligation to pay an amount to a person who does not deal at arm's length with the Bank or the Guarantor, as the case may be, for the purposes of the Income Tax Act.

This summary is based upon the provisions of the Income Tax Act and the Regulations in force on the date hereof and counsel's understanding of the current administrative and assessing practices and policies of the Canada Revenue Agency published in writing by it prior to the date hereof. This summary takes into account all specific proposals to amend the Income Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the **Proposed Amendments**) and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice, whether by legislative, regulatory, administrative or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation.

This summary is of a general nature only and is not intended to be legal or tax advice in respect of any particular issuance of Covered Bonds, the terms and conditions of which will be material to the Canadian federal income tax considerations with respect thereto. The Canadian federal income tax considerations applicable to Covered Bonds may be described more particularly when such Covered Bonds are offered (and then only to the extent material) in the Final Terms Document or Pricing Supplement related thereto if they are not addressed by the comments following and, in that event, the following will be superseded thereby to the extent indicated in such Final Terms Document or Pricing Supplement. Prospective purchasers of Covered Bonds should consult their own tax advisers.

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations. It is not intended to be legal or tax advice to any particular holder, or in respect of any particular issuance of Covered Bonds, the terms and conditions of which will be material to the Canadian federal income tax considerations with respect thereto. The Canadian federal income tax considerations may be supplemented, amended and/or replaced in a Final Terms Document or Pricing Supplement related thereto, based on the terms and conditions of the Covered Bonds issued pursuant to such Final Terms Document or Pricing Supplement, as the case may be. Accordingly, prospective purchasers of Covered Bonds should consult their own tax advisors with respect to their particular circumstances, and in any event where Covered Bonds are otherwise issued without disclosure of Canadian federal income tax considerations.

Currency Conversion

While the Covered Bonds may be denominated in a currency other than Canadian Dollars, all amounts relating to the acquisition, holding or disposition of the Covered Bonds must be converted into Canadian Dollars based on exchange rates determined in accordance with the Income Tax Act. The amount of interest required to be included in the income of, and capital gains or capital losses realised by, a Holder may be affected by fluctuations in relevant exchange rates.

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Income Tax Act, is, or is deemed to be resident in Canada, is not affiliated with the Bank or the Guarantor and holds the Covered Bonds as capital property (a **Resident Holder**). Generally, the Covered Bonds will be capital property to a Holder provided the Holder does not acquire or hold those Covered Bonds in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Income Tax Act the effect of which may be to deem to be capital property any Covered Bonds (and all other **Canadian securities**, as defined in the Income Tax Act) owned by such Holder in the taxation year in which the election is made and in all subsequent taxation years. Holders whose Covered Bonds might not otherwise be considered to be capital property should consult their own tax advisers concerning this election. This portion of the summary is not applicable to (i) a purchaser that has entered into, with respect to the Covered Bonds, a **derivative forward agreement**, (ii) a purchaser an interest in which is a tax shelter investment, (iii) a purchaser that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a **financial institution**, or (iv) a purchaser that reports its Canadian tax results in a currency other than Canadian currency, each as defined in the Income Tax Act. Such purchasers should consult their own tax advisers.

Taxation of Interest and Other Amounts

A Resident Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest or amount that is considered for the purposes of the Income Tax Act to be interest on the Covered Bond that accrues or is deemed to accrue to such holder to the end of the year or became receivable or is received by the holder before the end of the year, to the extent that such amount was not included in computing the holder's income for a preceding taxation year.

A Resident Holder (other than a holder referred to in the previous paragraph) will be required to include in computing the holder's income for a taxation year any amount received or receivable (depending upon the method regularly followed by the holder in computing income) by the holder as interest in the year on the Covered Bond, to the extent that such amount was not included in computing the holder's income for a preceding taxation year.

Dispositions

On a disposition or deemed disposition of the Covered Bond, including a purchase or redemption by the Bank prior to maturity or a repayment by the Bank upon maturity, a Resident Holder will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest (including amounts deemed to accrue as interest) that has accrued on the Covered Bond to the date of disposition to the extent that such amount has not otherwise been included in computing the holder's income for the year in which the disposition occurred or a preceding taxation year.

In general, on a disposition or deemed disposition of a Covered Bond, a Resident Holder will realise a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the holder's income as interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Covered Bond to the holder immediately before the disposition or deemed disposition. Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any such capital gain (a **taxable capital gain**). Subject to and in accordance with the provisions of the Income Tax Act, a Resident Holder is required to deduct one-half of the amount of any such capital loss (an **allowable capital loss**) realised in a taxation year from taxable capital gains realised by the holder in the year and allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realised in such years.

In the event of an Issuer Event of Default and receipt by the Guarantor of any Excess Proceeds, holders should consult their own tax advisers as to whether they are required to recognise a capital gain at such time and whether any capital loss otherwise arising will be deferred until a subsequent disposition of the covered bonds.

Additional Refundable Tax

A Resident Holder that is a Canadian-controlled private corporation (as defined in the Income Tax Act) throughout a taxation year or a "substantive CCPC" (as proposed to be defined in the Income Tax Act as announced in certain Proposed Amendment) at any time may be liable to pay an additional refundable tax on certain investment income including amounts in respect of interest and taxable capital gains.

Eligibility for Investment

The Covered Bonds, if issued on the date hereof, would be qualified investments under the Income Tax Act and the Regulations for trusts governed by a registered retirement savings plan (**RRSP**), registered retirement income fund (**RRIF**), registered education savings plan (**RESP**), registered disability savings plan (**RDSP**), deferred profit sharing plan (**DPSP**) (other than trusts governed by a deferred profit sharing plan for which any of the employers is the Bank, or an employer with which the Bank does not deal at arm's length within the meaning of the Income Tax Act), tax-free savings account (**TFSA**) and first home savings account (**FHSA**). The Covered Bonds will not be a **prohibited investment** for a trust governed by a TFSA, FHSA, RESP, RDSP, RRSP or RRIF on the date hereof provided the holder of the TFSA, FHSA or RDSP, the subscriber of the RESP or the annuitant of the RRSP or RRIF, for purposes of the Income Tax Act, deals at arm's length with the Bank and the Guarantor and does not have a **significant interest** (as defined in the Income Tax Act for purposes of the prohibited investment rules in the Income Tax Act) in the Bank or Guarantor.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the application of the Income Tax Act, is not, and is not deemed to be, resident in Canada, deals at arm's length with the Bank, the Guarantor and any transferee resident (or deemed to be resident) in Canada to whom the Holder disposes of the Covered Bonds, is not a **specified shareholder** (as defined in the Income Tax Act) of the Bank or any of the Partners or a person that does not deal at arm's length with a specified shareholder of the Bank for purposes of the thin capitalization rules contained in subsection 18(4) of the Income Tax Act, is not a **specified entity** (as defined in proposals to amend the Income Tax Act on 29 April 2022 with respect to **hybrid mismatch arrangements**) in respect of the Bank or the Guarantor and does not use or hold the Covered Bonds in a business carried on (or deemed to be carried on) in Canada (a **Non-Resident Holder**).

Payments by the Bank in Respect of the Covered Bonds

Interest paid or credited or deemed to be paid or credited by the Bank on a Covered Bond (including amounts on account of or in lieu of, or in satisfaction of, interest) to a Non-Resident Holder will not be subject to Canadian non-resident withholding tax, unless all or any portion of such interest (other than on a "prescribed obligation" described below) is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cashflow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class or Series of shares of the capital stock of a corporation. A **prescribed obligation** is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding which adjustment is determined by reference to a change in the purchasing power of money and no amount payable in respect thereof, other than an amount determined by reference to a change in the purchasing power of money, is contingent or dependent upon any of the criteria described in the preceding sentence. If any interest payable on a Covered Bond, or any portion of the principal amount of a Covered Bond in excess of its issue price, is to be calculated by reference to an index or formula, interest on the Covered Bond together with such portion of principal, may be subject to Canadian non-resident withholding tax.

In the event that a Covered Bond the interest on which is not exempt from Canadian non-resident withholding tax upon its terms is redeemed, cancelled, repurchased or purchased by the Bank or any other person resident or deemed to be resident in Canada from a Non-Resident Holder or is otherwise assigned or transferred by a Non-Resident Holder to a person resident or deemed to be resident in Canada for an amount which exceeds, generally, the issue price thereof, the excess may be deemed to be interest and may, together with any interest that has accrued on the Covered Bond to that time, be subject to Canadian non-resident withholding tax. Such excess (other than any part attributable to interest that has accrued or is deemed to accrue on the Covered Bond to such time) will not be subject to Canadian non-resident withholding tax, however, if, in certain circumstances, the Covered Bond is considered to be an **excluded obligation** for purposes of the Income Tax Act. A Covered Bond that is not an **indexed debt obligation** (described below), that was issued for an amount not less than 97 per cent. of the principal amount (as defined in the Income Tax Act) of the Covered Bond, and the yield from which, expressed in terms of an annual rate (determined in accordance with the Income Tax Act) on the amount for which the Covered Bond was issued does not exceed 4/3 of the interest stipulated to be payable on the Covered Bond, expressed in terms of an annual rate on the outstanding principal amount from time to time, will be an **excluded obligation** for this purpose. An **indexed debt obligation** is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation, for a period during which the obligation was outstanding, that is determined by reference to a change in the purchasing power of money.

If interest is subject to Canadian non-resident withholding tax, the rate is 25 per cent., subject to reduction under the terms of an applicable income tax treaty or convention between Canada and the country of residence of the Non-Resident Holder.

Generally, there are no other taxes on income (including taxable capital gains) payable by a Non-Resident Holder on interest, discount, or premium on a Covered Bond or on the proceeds received by a Non-Resident Holder on the disposition of a Covered Bond (including redemption, cancellation, purchase or repurchase).

Payments by the Guarantor under the Covered Bond Guarantee

Payments by the Guarantor under the Covered Bond Guarantee in respect of interest, amounts in lieu of interest on the Covered Bonds or in respect of the principal amount of the Covered Bonds will not be subject to Canadian non-resident withholding tax to the same extent such payments, if made by the Bank on the Covered Bonds, would be free of Canadian non-resident withholding tax, as discussed above.

Provision of Information

Under the Organization for Economic Co-operation and Development's (**OECD**) initiative for the automatic exchange of information, many countries have committed to automatic exchange of information relating to accounts held by tax residents of signatory countries, using a common reporting standard. Canada has implemented the OECD's Multilateral Competent Authority Agreement and Common Reporting Standard (**CRS**), which provides for the implementation of the automatic exchange of tax information. Canadian financial institutions are required to report certain information concerning certain investors resident in participating countries to the Canada Revenue Agency and to follow certain due diligence procedures, unless the applicable investment is held within an RRSP, RRIF, RESP, RDSP, DPSP or TFSA. The tax legislation applicable to FHSAs does not address whether FHSAs would be treated in the same way as an RRSP, RRIF, RESP, RDSP, DPSP or TFSA. The Canada Revenue Agency then provides such information on a bilateral, reciprocal basis to the tax authorities in the applicable investors' countries of residence, where such countries have enacted the CRS or otherwise as required under the CRS.

UK Taxation

The following is a summary of the Issuer's understanding of current UK law and published HM Revenue & Customs' practice relating only to the UK withholding taxation treatment at the date hereof in relation to payments of interest (as that terms is understood for UK tax purposes) by the Issuer in respect of the Covered Bonds and payments by the Guarantor under the Covered Bond Guarantee, which may be subject to change,

sometimes with retrospective effect. The comments do not deal with any other UK tax implications of acquiring, holding or disposing of Covered Bonds. The UK tax treatment of prospective Covered Bondholders depends on their individual circumstances and may be subject to change in the future. The comments relate only to the position of persons who are absolute beneficial owners of the Covered Bonds. Prospective Covered Bondholders should be aware that the particular terms of issue of any Series of Covered Bonds as specified in the relevant Final Terms Document or Pricing Supplement may affect the tax treatment of that and other Series of Covered Bonds. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Covered Bondholders who are in any doubt as to their tax position should consult their professional advisers. Covered Bondholders who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal of the Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain UK taxation aspects of payments in respect of the Covered Bonds. In particular, Covered Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

A. UK Withholding Tax

Payments of interest on the Covered Bonds that do not have a UK source may be made without deduction or withholding on account of UK income tax. If interest paid on the Covered Bonds does have a UK source (**UK Covered Bonds**), then such payments may be made without deduction or withholding on account of UK income tax in any of the following circumstances.

A.1 UK Covered Bonds listed on a recognised stock exchange

Payments of interest on UK Covered Bonds issued by the Bank may be made without deduction of or withholding on account of UK income tax provided the UK Covered Bonds carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the *Income Tax Act 2007* (**UK ITA**) or admitted to trading on a "multilateral trading facility" operated by a regulated recognised stock exchange (within the meaning of section 987 of the UK ITA). The ISM is a multilateral facility operated by a regulated recognised stock exchange for the purposes of Section 987 of the UK ITA and the London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange for this purpose if they are included in the UK Official List (within the meaning of and in accordance with the provisions of Part 6 of the *Financial Services and Markets Act 2000*) and admitted to trading on the London Stock Exchange (which would include being admitted to trading on the London Stock Exchange Main Market).

Provided, therefore, that the UK Covered Bonds carry a right to interest and are and remain so listed on a "recognised stock exchange" or are admitted to trading on a "multilateral trading facility" operated by a regulated recognised stock exchange, interest on the UK Covered Bonds will be payable without deduction of or withholding on account of UK income tax whether or not the Bank carries on a banking business in the UK and whether or not the interest is paid in the ordinary course of its business.

A.2 All UK Covered Bonds

In addition to the exemption set out in A.1 above, interest on UK Covered Bonds may be paid by the Bank without withholding or deduction for or on account of UK income tax provided that:

(a) the Bank is and continues to be a "bank" within the meaning of section 991 of the UK ITA; and

(b) the interest on the Covered Bonds is and continues to be paid in the ordinary course of its business within the meaning of section 878 of the UK ITA.

A.3 Payments of interest on UK Covered Bonds may be made without deduction of or withholding on account of UK income tax where the maturity date of the UK Covered Bonds is less than 365 days and those UK Covered Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

A.4 Payments of interest on UK Covered Bonds may also be paid without withholding or deduction on account of UK income tax where interest on the UK Covered Bonds is paid by a company (such as the Bank) and, at the time the payment is made, the Bank reasonably believes (and any person by or through whom interest on the UK Covered Bonds is paid reasonably believes) that the beneficial owner is within the charge to UK corporation tax as regards the payment of interest, provided that HM Revenue & Customs (**HMRC**) has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

A.5 In cases falling outside the exemptions described in A.1, A.2, A.3 and A.4 above, an amount must generally be withheld from interest on UK Covered Bonds on account of UK income tax at the basic rate (currently 20 per cent.) subject to any other available exemptions and reliefs, for example, where an applicable double taxation treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Covered Bondholder, HMRC can issue a notice to the Bank to pay interest to the Covered Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

B. Payments by Guarantor

The UK withholding tax treatment of payments by the Guarantor under the terms of the Covered Bond Guarantee which have a UK source is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemptions described in A. above. Accordingly, if the Guarantor makes any such payments, these may be subject to UK withholding tax at the basic rate (currently 20 per cent.).

C. Other Rules Relating to UK Withholding Tax

Covered Bonds may be issued at an Issue Price of less than 100 per cent. of their principal amount. Any discount element on any such Covered Bonds will not generally be subject to any UK withholding tax.

Where Covered Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest may be subject to UK withholding tax unless an exemption or relief applies as outlined above.

Where interest has been paid under deduction of UK income tax, Covered Bondholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" in paragraph A above and this paragraph C mean "interest" as such term is understood for UK tax purposes. The statements in paragraph A above and this paragraph C do not take any account of any different definition of "interest" which may prevail under any other law or which may be created by the Terms and Conditions of the Covered Bonds or any related documentation. Covered Bondholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Covered Bonds which does not constitute "interest" or "principal" as those terms are understood for UK tax purposes. Where a payment on a Covered Bond does not constitute (or is not treated as) interest for UK tax purposes, and the payment has a UK source, it would potentially be subject to UK withholding tax if, for example, it is treated as an annual payment or a manufactured payment for UK tax

purposes (which will be determined by, among other things, the terms and conditions specified by the Final Terms Document or Pricing Supplement of the Covered Bond). In such a case, an amount may be required to be withheld from such payments at the basic rate (currently 20 per cent.). However, where an applicable double taxation treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Covered Bondholder, HMRC can issue a notice to the Bank to make such payments to the Covered Bondholder without deduction of tax (or for such payments to be made with tax deducted at the rate provided for in the relevant double tax treaty).

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer or the Guarantor and does not consider the tax consequences of any such substitution.

The Issuer's understanding is that the ISM is currently a "multilateral trading facility" for the purposes of section 987 of the UK ITA and accordingly the Exempt Covered Bonds will constitute "quoted Eurobonds" for the purposes of section 987 of the UK ITA provided that they carry a right to interest, are and continue to be admitted to trading on the ISM and that the ISM is and remains a "multilateral trading facility" for those purposes.

Reporting of information in respect of the Covered Bonds

Covered Bondholders (whether or not the Branch of Account of the Covered Bonds they hold is the Bank's London branch) may wish to note that, in certain circumstances, HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the UK who either pays or credits interest to or receives interest for the benefit of a Covered Bondholder. These provisions will apply whether or not the interest has been subject to withholding or deduction for or on account of UK income tax and whether or not the Covered Bondholder concerned is resident in the UK for UK tax purposes. In certain circumstances, HMRC may communicate this information to the tax authorities of certain other jurisdictions.

For the above purposes, "interest" should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Covered Bonds.

If the Covered Bonds are treated as deeply discounted securities for the purposes of the *Income Tax (Trading and other Income) Act 2005*, any person in the UK (including any UK based paying agent) who pays amounts payable on redemption of the Covered Bonds to, or receives such amounts for the benefit of, another person may also be required by HMRC to provide certain information (which may include the name and address of the beneficial owner of the amount payable on redemption) to HMRC. In this regard HMRC published guidance for the year 2021/2022 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Covered Bondholder is resident for tax purposes.

In the UK, the International Tax Compliance Regulations 2015 (SI 2015/878) (as amended) implemented the CRS, EU Council Directive 2014/107/EU on the automatic exchange of tax information, and the UK/U.S. intergovernmental agreement on the *Foreign Account Tax Compliance Act* (**FATCA**). The regulations seek to unify the requirements of these arrangements and require prescribed UK financial institutions (including, where relevant, the London Branch of the Issuer) to identify specified account holders that are resident overseas and keep records and report specified information to HMRC. HMRC will automatically exchange the financial information reported by financial institutions with the tax authorities in the applicable investors' countries of residence where those countries have signed up to automatic exchange.

No gross-up

Covered Bondholders should note that, should any payment in respect of the Covered Bonds be subject to UK withholding tax in circumstances where the Covered Bonds are not issued by a branch of the Bank located in the UK (or withholding tax imposed by any other jurisdiction outside Canada where the Covered Bonds are

not issued by a branch of the Bank located in such other jurisdiction) then no additional amounts will be payable by the Bank. No additional amounts will be payable by the Guarantor should any payment under the Covered Bond Guarantee be subject to withholding tax imposed by any jurisdiction (including the UK), including in respect of any additional amounts which may become payable by the Bank under Condition 7 (Taxation).

United States Taxation

The following summary discusses the principal U.S. federal income tax consequences of the ownership and disposition of the Covered Bonds. Except as specifically noted below, this discussion applies only to Covered Bonds purchased on original issuance at their "issue price" (as defined below) and held as capital assets. Except as expressly set out below, this discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder based on such holder's particular circumstances, nor does it address any aspect of state, local, or non-U.S. tax laws or the possible application of the alternative minimum tax, excise tax, Medicare tax on net investment income or U.S. federal gift or estate taxes. In particular, this discussion does not address aspects of U.S. federal income taxation that may be applicable to holders that are subject to special treatment, including holders that are:

- financial institutions;
- insurance companies;
- dealers in securities, or foreign currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- regulated investment companies;
- tax-exempt entities;
- persons holding Covered Bonds as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- U.S. holders (as defined below) whose functional currency is not the U.S. dollar;
- accrual method U.S. holders that are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements;
- real estate investment trusts;
- persons that own (or are deemed to own) 10 per cent.or more of the voting shares (or interests treated as equity) of the Bank; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the **Code**), existing and proposed regulations thereunder, and current administrative rulings and court decisions, each as available on the date hereof. All of the foregoing are subject to change, possibly on a retroactive basis, and any such change could affect the continuing validity of this discussion. Persons considering the purchase of the Covered Bonds should consult the applicable Final Terms Document or Pricing Supplement for any additional discussion regarding U.S. federal income taxation and should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

This summary does not discuss Bearer Covered Bonds. In general, U.S. federal income tax law imposes significant limitations on U.S. holders of Bearer Covered Bonds. U.S. holders should consult their tax advisers regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Covered Bonds.

As used herein, the term **U.S. holder** means a beneficial owner of a Covered Bond that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organised in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

The term U.S. holder also includes certain former citizens and residents of the United States. A **Non-U.S. holder** is a beneficial owner of Covered Bonds that is not a U.S. holder and that is not an entity that is classified as a partnership for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Covered Bonds, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Covered Bonds should consult with their tax advisers.

Prospective investors should consult their own tax advisers regarding the appropriate characterization of, and U.S. federal income tax and other tax consequences of, investing in the Covered Bonds in their particular circumstances.

Tax consequences to U.S. holders

Payments of Stated Interest

Interest paid on a Covered Bond will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes, provided that the interest is "qualified stated interest" (as defined below). Additional amounts paid pursuant to the obligations described under *Terms and Conditions of the Covered Bonds—Taxation* would be treated as ordinary interest income. Interest income earned by a U.S. holder with respect to a Covered Bond will constitute foreign-source income for U.S. federal income tax purposes, which may be relevant in calculating the U.S. holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisers about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount Covered Bonds and foreign currency Covered Bonds are described under *—Original Issue Discount* and *—Foreign Currency Covered Bonds.*

Original Issue Discount

A Covered Bond that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued at an original issue discount for U.S. federal income tax purposes (and will be referred to as an **original issue discount Covered Bond**) unless the Covered Bond satisfies a *de minimis* threshold (as described below) or is a short-term Covered Bond (as defined below). The **issue price** of a Covered Bond generally will be the first price at which a substantial amount of the Covered Bonds are sold to the public (which does not include sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The **stated redemption price at maturity** of a Covered Bond generally will equal the sum of all payments required to be made under the Covered Bond

other than payments of "qualified stated interest." **Qualified stated interest** is stated interest unconditionally payable (other than in debt instruments of the Bank) at least annually during the entire term of the Covered Bond and equal to the outstanding principal balance of the Covered Bond multiplied by a single fixed rate of interest. In addition, qualified stated interest includes, among other things, stated interest on a "variable rate debt instrument" that is unconditionally payable (other than in debt instruments of the Bank) at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Covered Bond is denominated.

If the difference between a Covered Bond's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., one-fourth of one per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity, the Covered Bond will not be considered to have original issue discount. U.S. holders of Covered Bonds with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a *pro rata* basis as principal payments are made on the Covered Bond or when the Covered Bond is sold.

A U.S. holder of original issue discount Covered Bonds will be required to include any qualified stated interest payments in income in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. U.S. holders of original issue discount Covered Bonds that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

A U.S. holder may make an election to include in gross income all interest that accrues on any Covered Bond (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and may revoke such election (a **constant yield election**) only with the permission of the U.S. Internal Revenue Service (**IRS**).

A Covered Bond that matures one year or less from its date of issuance (a **short-term Covered Bond**) will be treated as being issued at a discount and none of the interest paid on the Covered Bond will be treated as qualified stated interest. In general, a cash method U.S. holder of a short-term Covered Bond is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. U.S. holders who so elect and certain other U.S. holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Covered Bond will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Covered Bonds in an amount not exceeding the accrued discount until the accrued discount is included in income.

The Bank may have an unconditional option to redeem, or U.S. holders may have an unconditional option to require the Bank to redeem, a Covered Bond prior to its stated maturity date. Under applicable regulations, if the Bank has an unconditional option to redeem a Covered Bond prior to its stated maturity date, this option will be presumed to be exercised if, by utilizing any date on which the Covered Bond may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Covered Bond as the stated redemption price at maturity, the yield on the Covered Bond would be lower than its yield to maturity. If the U.S. holders have an unconditional option to require the Bank to redeem a Covered Bond prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set

forth in the previous sentence, the yield on the Covered Bond would be higher than its yield to maturity. If an option presumed to be exercised is not in fact exercised, the Covered Bond would be treated, solely for purposes of calculating original issue discount, as if it were redeemed, and a new Covered Bond were issued, on the presumed exercise date for an amount equal to the Covered Bond's adjusted issue price on that date. The adjusted issue price of an original issue discount Covered Bond is generally defined as the sum of the issue price of the Covered Bond and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Market Discount

If a U.S. holder purchases a Covered Bond (other than a short-term Covered Bond) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Covered Bond, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. holder will be required to treat any principal payment (or, in the case of an original issue discount Covered Bond, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Covered Bond, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Covered Bond at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. holder pursuant to an election by the holder to include market discount in income as it accrues, or pursuant to a constant yield election by the holder as described under *United States Taxation—Tax consequences to U.S. holders—Original Issue Discount* above. In addition, the U.S. holder may be required to defer, until the maturity of the Covered Bond or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Covered Bond.

If a U.S. holder makes a constant yield election (as described under *United States Taxation—Tax consequences to U.S. holders—Original Issue Discount*) for a Covered Bond with market discount, such election will result in a deemed election for all market discount bonds acquired by the holder on or after the first day of the first taxable year to which such election applies.

Acquisition Premium and Amortizable Bond Premium

A U.S. holder who purchases a Covered Bond for an amount that is greater than the Covered Bond's adjusted issue price but less than or equal to the sum of all amounts payable on the Covered Bond after the purchase date other than payments of qualified stated interest will be considered to have purchased the Covered Bond at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. holder must include in its gross income with respect to the Covered Bond for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. holder purchases a Covered Bond for an amount that is greater than the amount payable at maturity, or on an earlier call date, in the case of a Covered Bond that is redeemable at the Bank's option, the U.S. holder will be considered to have purchased the Covered Bond with amortizable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The U.S. holder may elect to amortize this premium, using a constant yield method, over the remaining term of the Covered Bond (where the Covered Bond is not optionally redeemable prior to its maturity date). If the Covered Bond may be optionally redeemed prior to maturity after the U.S. holder has acquired it, the amount of amortizable bond premium is determined by substituting the call date for the maturity date and the call price for the amount payable at maturity, but only if the substitution results in a smaller amount of premium attributable to the period before the redemption date. A U.S. holder who elects to amortize bond premium must reduce his tax basis in the Covered Bond by the amount of the premium amortized in any year. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. holder and may be revoked only with the consent of the IRS.

If a U.S. holder makes a constant yield election (as described under *United States Taxation—Tax consequences to U.S. holders—Original Issue Discount*) for a Covered Bond with amortizable bond premium, such election will result in a deemed election to amortize bond premium for all of the U.S. holder's debt instruments with amortizable bond premium.

Sale, Exchange or Retirement of the Covered Bonds

Upon the sale, exchange or retirement of a Covered Bond, a U.S. holder will recognise taxable gain or loss equal to the difference between the amounts realised on the sale, exchange or retirement and the U.S. holder's adjusted tax basis in the Covered Bond. A U.S. holder's adjusted tax basis in a Covered Bond generally will equal the acquisition cost of the Covered Bond increased by the amount of original issue discount and market discount included in the U.S. holder's gross income and decreased by the amount of any payment received from the Bank other than a payment of qualified stated interest and any amortizable bond premium recognised by the U.S. holder. Gain or loss, if any, will generally be U.S.-source income for purposes of computing a U.S. holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Covered Bond. Amounts attributable to accrued interest are treated as interest as described under *United States Taxation—Tax consequences to U.S. holders—Original Issue Discount—Payments of Stated Interest.*

Except as described below, gain or loss realised on the sale, exchange or retirement of a Covered Bond will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Covered Bond has been held for more than one year. An exception to this general rule applies in the case of a short-term Covered Bond, to the extent of any accrued discount not previously included in the U.S. holder's taxable income. See *United States Taxation—Tax consequences to U.S. holders—Original Issue Discount* and *—Market Discount*. In addition, other exceptions to this general rule apply in the case of foreign currency Covered Bonds and Covered Bonds treated as contingent payment debt instruments. See *United States Taxation—Tax consequences to U.S. holders—Foreign Currency Covered Bonds* and *—Contingent Payment Debt Instruments*.

Contingent Payment Debt Instruments

If the terms of Covered Bonds that mature more than one year from their date of issuance provide for certain contingencies that affect the timing and amount of payments (including Covered Bonds with a variable rate or rates that do not qualify as "variable rate debt instruments" for purposes of the original issue discount rules) they will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Covered Bonds qualifies as qualified stated interest. Rather, a U.S. holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the Covered Bond and the Covered Bond's "projected payment schedule" as described below. The comparable yield is determined by the Issuer at the time of issuance of the Covered Bonds. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Covered Bonds. Solely for the purpose of determining the amount of interest income that a U.S. holder will be required to accrue on a contingent payment debt instrument, the Issuer will be required to construct a projected payment schedule that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. holder will be required to use the comparable yield and the projected payment schedule established by the Issuer in determining interest accruals and adjustments in respect of a Covered Bond treated as a contingent payment debt instrument, unless the holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. holder, regardless of the holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment instrument (as set forth below).

A U.S. holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e. the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e. the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a holder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
- the amount of all previous interest inclusions under the contingent payment debt instrument, over
- the total amount of the U.S. holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the limitations imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the holder's adjusted basis in the contingent payment debt instrument. A U.S. holder's adjusted basis in a Covered Bond that is a contingent payment debt instrument generally will be the acquisition cost of the Covered Bond, increased by the interest previously accrued by the U.S. holder on the Covered Bond under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any noncontingent payments and the projected amount of any contingent payments previously made on the Covered Bond. A U.S. holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a holder recognises loss above certain thresholds, the holder may be required to file a disclosure statement with the IRS (as described under *United States Taxation—Reportable Transactions*).

A U.S. holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument including in satisfaction of a conversion right or a call right equal to the fair market value of the property, determined at the time of retirement. The holder's holding period for the property will commence on the day immediately following its receipt.

Foreign Currency Covered Bonds

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. holder of the ownership and disposition of Covered Bonds that are denominated in a specified currency other than the

U.S. dollar or the payments of interest or principal on which are payable in or determined by reference to a currency other than the U.S. dollar **(foreign currency Covered Bonds)**.

The rules applicable to foreign currency Covered Bonds could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Covered Bond to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Covered Bonds are complex and may depend on the U.S. holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. holder should make any of these elections may depend on the U.S. holder's particular U.S. federal income tax situation. U.S. holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Covered Bonds.

A U.S. holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Covered Bond will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. holder's tax basis in the foreign currency. A cash method U.S. holder who receives a payment of qualified stated interest in U.S. dollars pursuant to an option available under such foreign currency Covered Bond will be required to include the amount of this payment in income upon receipt.

An accrual method U.S. holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount, but reduced by acquisition premium and amortizable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Covered Bond during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a U.S. holder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount or market discount.

An accrual method U.S. holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of an accrual period that spans two taxable years, the spot rate on the last day of the part of the period within the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount, market discount, acquisition premium and amortizable bond premium on a foreign currency Covered Bond are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortize bond premium is made, amortizable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortized bond premium with respect to any period by treating the bond premium amortized in the period in the same manner as on the sale, exchange or retirement of the foreign currency Covered Bond. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Covered Bond with amortizable bond

premium by a U.S. holder who has not elected to amortize the premium will be a capital loss to the extent of the bond premium.

A U.S. holder's tax basis in a foreign currency Covered Bond, and the amount of any subsequent adjustment to the U.S. holder's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Covered Bond, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. holder who purchases a foreign currency Covered Bond with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. holder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Covered Bond on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Covered Bond that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (a) the U.S. dollar value of the foreign currency principal amount of the Covered Bond, determined on the date the payment is received or the Covered Bond is disposed of, and (b) the U.S. dollar value of the foreign currency principal amount of the Covered Bond, determined on the date the U.S. holder acquired the Covered Bond. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Covered Bonds described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. holder on the sale, exchange or retirement of the foreign currency Covered Bond. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. holder or the qualified business unit of the U.S. holder on whose books the foreign currency Covered Bond is properly reflected. Any gain or loss realised by these U.S. holders in excess of the foreign currency gain or loss will be capital gain or loss except in the case of a short-term foreign currency Covered Bond to the extent of any discount not previously included in the U.S. holder's income. U.S. holders should consult their own tax adviser with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such foreign currency Covered Bond accrue.

A U.S. holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Covered Bond equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Covered Bond is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations provided that the foreign currency Covered Bonds are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realised by a U.S. holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase foreign currency Covered Bonds) will be ordinary income or loss.

Information with Respect to Foreign Financial Assets

Certain U.S. holders that own "specified foreign financial assets" that meet certain U.S. dollar thresholds will generally be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by certain financial institutions: (i) stock or security issued by non-United States persons; (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties; and (iii) interests in foreign entities. The Covered Bonds may be subject to these rules. U.S. holders are urged to consult their tax advisers regarding the application of this legislation to their ownership of Covered Bonds.

Taxation of Non-U.S. holders

Subject to the backup withholding and FATCA rules discussed below, Non-U.S. holders generally should not be subject to U.S. federal income or withholding tax on any payments on the Covered Bonds and gain from the sale, exchange or retirement of the covered bonds unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. holder of a trade or business in the U.S.; (ii) in the case of any gain realised on the sale or exchange of a covered bond by an individual Non-U.S. holder, that holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-U.S. holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Non-U.S. holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of owning Covered Bonds.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Covered Bonds and the proceeds from a sale or other disposition of the Covered Bonds. A holder may be subject to U.S. backup withholding on these payments if the holder fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the required information is furnished to the IRS. Holders are urged to consult their tax advisers regarding additional reporting requirements as a result of the acquisition, ownership, or disposition of the Covered Bonds.

Reportable Transactions

A U.S. holder that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. holder may be required to treat a foreign currency exchange loss from the Covered Bonds as a reportable transaction if the loss exceeds certain thresholds in a single taxable year. In the event the acquisition, ownership or disposition of Covered Bonds constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisers regarding the application of these rules to the acquisition, ownership or disposition of Covered Bonds.

Benchmark Amendments

Pursuant to Condition 4.2(f), (g) or (h), the Issuer may in certain circumstances modify a Series of the Floating Rate Covered Bonds to change the relevant Benchmark or screen rate (as applicable) to a successor rate or an alternative rate and, in either case, an adjustment spread (such change, a **Benchmark Amendment**). It is possible that a Benchmark Amendment will be treated as a deemed exchange of old Covered Bonds for new Covered Bonds, which may be taxable to U.S. holders. United States Treasury regulations describe circumstances under which a Benchmark Amendment (or other related adjustments to the calculation of the interest rate on the Covered Bonds) would not be treated as a deemed exchange of old Covered Bonds for new Covered Bonds. Under the regulations, generally, an alteration of the terms of a debt instrument to replace a rate referencing an interbank offered rate (such as EURIBOR) with a "qualified rate" as defined in the regulations, and associated alterations reasonably necessary to adopt or implement that replacement, would not be treated as a deemed exchange. U.S. holders should consult with their own tax advisers regarding the potential consequences of a Benchmark Amendment.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their own tax advisers with respect to the tax consequences to them of the acquisition, ownership and disposition of

the Covered Bonds, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the Code, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**, a term not yet defined) to persons that fail to meet certain certification, reporting, or related requirements. The Bank is a foreign financial institution for these purposes. A number of jurisdictions (including Canada) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Covered Bonds executed prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Covered Bonds (as described under *Terms and Conditions of the Covered Bonds—Further Issues*) that are not distinguishable from previously issued Covered Bonds are executed after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds executed prior to the expiration of the grandfathering period, as subject to withholding under FATCA, which may have negative consequences for the existing Covered Bonds, including a negative impact on market price. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Covered Bonds.

Certain EU Taxation

The proposed financial transactions tax (FTT)

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Covered Bonds (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate. Prospective holders of Covered Bonds are advised to seek their own professional advice in relation to the FTT.

Common Reporting Standard

Similar to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, under the Organization for Economic Co-operation and Development's (**OECD**) initiative for the automatic exchange of information, many countries have committed to automatic exchange of information relating to accounts held by tax residents of signatory countries, using a common reporting standard.

Canada is one of over 90 countries that has signed the OECD's Multilateral Competent Authority Agreement and Common Reporting Standard (**CRS**), which provides for the implementation of the automatic exchange of tax information. On 15 December 2016, legislation to implement the CRS in Canada was enacted, which, effective as of 1 July 2017, requires Canadian financial institutions to report certain information concerning certain investors resident in participating countries to the Canada Revenue Agency and to follow certain due diligence procedures. The Canada Revenue Agency then provides such information to the tax authorities in the applicable investors' countries of residence, where required under CRS. The UK Government has enacted legislation giving effect to the EU's implementation of CRS (contained in certain EU Council Directives) from 1 January 2016. Similar implementing legislation is expected to be introduced by other signatory countries to the CRS.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER EMPLOYEE BENEFIT PLANS

Unless otherwise provided in the Final Terms Document or Pricing Supplement, the Covered Bonds should be eligible for purchase by employee benefit plans and other plans subject to Title I of ERISA, and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to state, local, other federal or non-U.S. law or regulations that is substantially similar to such provisions of ERISA or the Code (**Similar Law**) subject to consideration of the issues described in this Section. ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, **ERISA Plans**), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under *Risk Factors.*

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and entities whose underlying assets include the assets of such plans (together with ERISA Plans, the **Plans**)) and certain persons (referred to as parties in interest under ERISA or disqualified persons under the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. The Bank, the Guarantor, the Dealers, the Bond Trustee or any other party to the transactions referred to in this Prospectus may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Covered Bonds is acquired or held by a Plan, including, but not limited to, where the Bank, the Guarantor, the Dealers, the Bond Trustee, or any other party to such transactions is a party in interest or a disqualified person.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Covered Bonds and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the Plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (**PTCE**) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisers regarding the prohibited transaction rules and these exceptions. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Covered Bonds.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should

consult with their counsel before purchasing the covered bonds to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Accordingly, except as otherwise provided in any Final Terms Document or Pricing Supplement, each purchaser and subsequent transferee (and, if applicable, its fiduciary) of any Covered Bonds will be deemed by such purchase or acquisition of any such Covered Bonds to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Covered Bonds (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Covered Bonds (or any interest therein), either that (a) it is not, and for so long as it holds a Covered Bond (or any interest therein) will not be, and will not be acting on behalf of, a Plan, or a governmental, church or non-U.S. plan which is subject to Similar Law, or (b) its acquisition, holding and disposition of such Covered Bonds (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law).

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Covered Bonds should determine whether, under the documents and instruments governing the Plan, an investment in such Covered Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan (and any governmental, church or non-U.S. plan) proposing to invest in such Covered Bonds should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Covered Bonds to a Plan or any other plan is in no respect a representation by the Bank, the Guarantor, the Dealers, the Bond Trustee, or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans or other plans generally or any particular Plan or other plan, or that such an investment is appropriate for Plans or other plans generally or any particular Plan or other plan.

CERTAIN INVESTMENT COMPANY ACT CONSIDERATIONS

The Guarantor is not now, and solely after giving effect to any offering and sale of Covered Bonds pursuant to the Trust Deed will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the *Bank Holding Company Act of 1956*, as amended, commonly known as the **Volcker Rule**. In reaching this conclusion, although other statutory or regulatory exemptions under the *Investment Company Act of 1940*, as amended (**Investment Company Act**), and under the Volcker Rule and its related regulations may be available, we have relied on the determinations that the Guarantor may rely on the exemption from registration as an investment company pursuant to the Investment Company Act, and accordingly the Guarantor does not rely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for its exemption from registration under the Investment Company Act and may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to entities that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act.

SELLING RESTRICTIONS

The Dealers have, in a program agreement (as the same may be amended and/or supplemented and/or restated from time to time, the **Program Agreement**), agreed with the Bank and the Guarantor on a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated under *Form of the Covered Bonds* and *Terms and Conditions of the Covered Bonds*. The Bank may pay the Dealers commissions from time to time in connection with the sale of any Covered Bonds. In the Program Agreement, the Bank has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Program and the issue of Covered Bonds under the Program. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to purchase Covered Bonds under the Program Agreement in certain circumstances prior to the closing of the issue of the relevant Tranche of Covered Bonds, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the the Issue Date of the relevant Tranche of Covered Bonds. In this situation, the issuance of the relevant Tranche of Covered Bonds may not be completed. Investors will have no rights against the Issuer or Dealers in respect of any expense incurred or loss suffered in these circumstances.

Other relationships

Certain of the Dealers have, directly or indirectly through affiliates, provided and may in the future provide investment banking, commercial banking, financial advisory and other services to the Bank and its affiliates from time to time, for which they have received or may in the future receive, customary fees and commissions. Certain of the Dealers may from time to time also enter into swap and other derivative transactions with the Bank and its affiliates, including in relation to the hedging of the Covered Bonds. Certain of the Dealers, directly or indirectly through affiliates, have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, certain of the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank or its affiliates. The Dealers and/or their affiliates may receive allocations of the Covered Bonds (subject to customary closing conditions), which could affect future trading of the Covered Bonds. If any of the Dealers or their affiliates have a lending relationship with the Bank, certain of those Dealers or their affiliates routinely hedge, and certain other of those Dealers may hedge, their credit exposure to the Bank consistent with their customary risk management policies. Typically, these Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Covered Bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Covered Bonds offered hereby. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Bank may sell the Covered Bonds to one or more Dealers which may include Barclays Bank PLC, Scotiabank (Ireland) Designated Activity Company and The Bank of Nova Scotia, London Branch (for distributions in Europe) and Barclays Capital Inc., and, if added as dealers pursuant to the terms of a Program Agreement, Scotia Capital (USA) Inc. (for distributions in the United States) or Scotia Capital Inc. (for distributions in Canada). The terms of the Program were negotiated at arm's length with the Bank. Scotiabank (Ireland) Designated Activity Company and The Bank of Nova Scotia, London Branch are European investment dealers (not registered in the United States). Scotiabank (Ireland) Designated Activity Company is a wholly owned subsidiary of the Issuer and The Bank of Nova Scotia, London Branch is a branch of the Issuer. Scotia Capital (USA) Inc., a wholly owned subsidiary of Scotia Capital Inc., is a registered broker and dealer in securities with the SEC under the Exchange Act. Scotia Capital Inc. is a Canadian investment dealer (not registered in the United States). In addition to the proceeds from any offering of the Covered Bonds under

the Program being applied, directly or indirectly for the benefit of Scotiabank (Ireland) Designated Activity Company and The Bank of Nova Scotia, London Branch in its capacity as a wholly-owned direct subsidiary or a branch of the Bank, as the case may be, Scotia Capital (USA) Inc. and Scotia Capital Inc. in their capacity as wholly owned indirect subsidiaries of the Bank, they will also receive a portion of any fees and commissions payable in connection with any such offering of Covered Bonds in their capacity as Dealers if they act as such.

Each of Scotia Capital (USA) Inc. and Scotia Capital Inc. is an affiliate of the Bank and, as such, has a "conflict of interest" in this offering within the meaning of Financial Industry Regulatory Authority, Inc. (**FINRA**) Rule 5121. In addition, the Bank will receive the gross proceeds from a public offering of the Covered Bonds, thus creating an additional conflict of interest within the meaning of FINRA Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of FINRA Rule 5121. Neither Scotia Capital (USA) Inc. nor Scotia Capital Inc. is permitted to sell the Covered Bonds in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

Each of Scotia Capital (USA) Inc. and Scotia Capital Inc. and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Each of Scotia Capital (USA) Inc. and Scotia Capital Inc. and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Bank, for which they received or will receive customary fees and expenses.

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

Transfer Restrictions

As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.

Each purchaser of Registered Covered Bonds or person wishing to transfer an interest from one Registered Global Covered Bond to another will be deemed to or will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either:

(i) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs, and it is aware and each beneficial owner of such Covered Bond has been advised that any sale to it is being made in reliance on Rule 144A; or

(ii) it is outside the United States and is not a U.S. person and it is not purchasing (or holding) the Covered Bonds for the account or benefit of a U.S. person;

(b) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or any

applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth in this section;

(c) that neither the Bank nor the Guarantor has any obligation to register the Covered Bonds or the Covered Bond Guarantee under the Securities Act;

(d) that, unless it holds an interest in a Regulation S Global Covered Bond, if in the future it decides to resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Bank or an affiliate of the Bank was the owner of such Covered Bonds, only (i) to the Bank or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing the Covered Bonds for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act, or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(e) that either (i) it is not, and for so long as it holds a Covered Bond (or any interest therein) will not be, and will not be acting on behalf of, a Plan, or a governmental, church or non-U.S. plan which is subject to Similar Law, or (ii) its acquisition, holding and disposition of the Covered Bonds (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, a violation of any Similar Law).

(f) that it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (d) above, if then applicable;

(g) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds, and that Covered Bonds initially offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;

(h) that the Covered Bonds represented by a Rule 144A Global Covered Bond and Definitive Rule 144A Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Bank:

"THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE *U.S. SECURITIES ACT OF 1933*, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE **AGENCY AGREEMENT**) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY, OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN

COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF SUCH SECURITY SENT TO ITS REGISTERED ADDRESS, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS ACQUISITION AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE *U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974*, AS AMENDED (**ERISA**), THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE *U.S. INTERNAL REVENUE CODE OF 1986*, AS AMENDED (THE **CODE**), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE (**SIMILAR LAW**), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.";

(i) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part), it will do so only (i)(A) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (B) to a QIB in compliance with Rule 144A and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Covered Bonds represented by a Regulation S Global Covered Bond and Definitive Regulation S Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Bank:

"THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE *U.S. SECURITIES ACT OF 1933*, AS AMENDED (THE **SECURITIES**

ACT), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE **AGENCY AGREEMENT**) AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THIS SECURITY FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE (I) PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT.

BY ITS ACQUISITION AND HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF, (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE *U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974*, AS AMENDED (**ERISA**) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE (**SIMILAR LAW**), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW).

(j) that the Bank and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Bank; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Rule 144A Covered Bonds in the United States to any one purchaser will be for less than U.S.$200,000 (or the approximate equivalent in another Specified Currency) principal amount and no Rule 144A Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or the approximate equivalent in another Specified Currency) principal amount of Registered Covered Bonds.

Relevant Dealer(s) may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the relevant Dealer(s) may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent in another Specified Currency). To the extent that the Bank and the Guarantor are not subject to or do not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Bank and the Guarantor have agreed to furnish to holders of Covered Bonds and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Selling Restrictions

Canada

Each Dealer has acknowledged and each further Dealer appointed under the Program will be required to acknowledge that the Covered Bonds have not been and will not be qualified for sale under the securities laws of Canada or any province or territory thereof and has represented and agreed that it has not offered, sold or distributed, and that it will not offer, sell or distribute, any Covered Bonds, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof. Each Dealer has also agreed and each further Dealer appointed under the Program will be required to agree not to distribute or deliver this Prospectus, or any other offering material relating to the Covered Bonds in Canada in contravention of the securities laws of Canada or any province or territory thereof.

EEA - Prohibition of Sales to EEA Retail Investors

Unless the Final Terms Document (or Pricing Supplement, as the case may be) in respect of any Covered Bonds specifies the "**PROHIBITION OF SALES TO EEA RETAIL INVESTORS**" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms Document (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the EU Prospectus Regulation (as defined below); and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms Document (or Pricing Supplement, as the case may be) in respect of any Covered Bonds specifies "**PROHIBITION OF SALES TO EEA RETAIL INVESTORS**" as "Not Applicable", then, in relation to each relevant Member State of the EEA (each, a **Member State**), each Dealer has represented and agreed, and each further Dealer will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms Document (or Pricing Supplement, as the case may be) in relation thereto to the public in that Member State except that it may make an offer of such Covered Bonds to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors, as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer(s) nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds, and the expression **EU Prospectus Regulation** means Regulation (EU) 2017/1129 (as amended).

UK - Prohibition of Sales to UK Retail Investors

Unless the Final Terms Document (or Pricing Supplement, as the case may be) in respect of any Covered Bonds specifies "**PROHIBITION OF SALES TO UK RETAIL INVESTORS**" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms Document (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the domestic law of the UK by virtue of the EUWA; or

(iii) not a qualified investor as defined in the UK Prospectus Regulation; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms Document (or Pricing Supplement, as the case may be) in respect of any Covered Bonds specifies "**PROHIBITION OF SALES TO UK RETAIL INVESTORS**" as "Not Applicable", then each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms Document (or Pricing Supplement, as the case may be) in relation thereto to the public in the UK except that it may make an offer of such Covered Bonds to the public in the UK:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer(s) nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Covered Bonds in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Covered Bonds to the public**" in relation to any Covered Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds and the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 (as amended) as it forms part of the domestic law of the UK by virtue of the EUWA.

UK – Other regulatory requirements

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Guarantor or, in the case of the Bank, would not, if it were not an authorised person, apply to the Bank; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the UK.

United States

Each Dealer has acknowledged that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act and Covered Bonds may not be offered, sold or delivered directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Each Dealer has agreed that it will not offer, sell or deliver a Covered Bond in bearer form within the United States or to United States persons except as permitted by the Program Agreement. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

In connection with any Covered Bond represented by a Regulation S Global Covered Bond or any Definitive Regulation S Covered Bond (**Regulation S Covered Bond**), each Dealer has represented and agreed that it will not offer, sell or deliver any such Regulation S Covered Bond within the United States or to, or for the account or benefit of, U.S. persons (a) as part of its distribution at any time or (b) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Covered Bond during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of such Regulation S Covered Bond within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the completion of the offering of a Tranche of Covered Bonds, an offer or sale of any Regulation S Covered Bond within the United States by any dealer (whether or not participating in the offering)

may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Program Agreement provides that selected Dealers, through their selling agents which are registered broker-dealers in the United States, may resell Covered Bonds in the United States to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the Dealers may be relying on the exemption from the Securities Act provided by Rule 144A.

Each Dealer appointed under the Program Agreement will be required to represent and agree in respect of transactions under Rule 144A that it has not (and will not), nor has (nor will) any person acting on its behalf, (a) made offers or sales of any security, or solicited officers to buy, or otherwise negotiated in respect of, any security, under circumstances that would require the registration of the Covered Bonds under the Securities Act, or (b) engaged in any form of general solicitation or general advertising (within the meaning of Rule 502(c) under the Securities Act) in connection with any offer or sale of Covered Bonds in the United States.

Australia

No prospectus or other disclosure document (as defined in the *Corporations Act 2001* (Cth) (the **Australian 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**).

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that unless a supplement to this Prospectus or, in the case of Exempt Covered Bonds, a Pricing Supplement, otherwise provides, it:

(a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for issue, sale or purchase of the Covered Bonds 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 draft, preliminary or definitive prospectus, offering circular, advertisement or any other offering material relating to the Covered Bonds in Australia,

unless:

(i) the aggregate consideration payable by each offeree or invitee 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 does not otherwise require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;

(ii) 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 Australian Corporations Act);

(iii) such action does not require any document to be lodged with ASIC; and

(iv) the offer or invitation is not made to a person who is a “retail client” as defined for the purposes of section 761G of the Australian Corporations Act.

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.

The persons referred to in this document may not hold Australian financial services licences and may not be licensed to provide financial product advice in relation to the securities. No “cooling-off” regime will apply to an acquisition of any interest in the Bank.

This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this document, you should assess whether the acquisition of any interest in the Bank is appropriate in light of your own financial circumstances or seek professional advice.

Any Covered Bonds issued upon acceptance of the offer may not be offered for sale or transferred to any person located in, or a resident of, Australia for a period of at least 12 months after the issue, except in circumstances where:

(a) the aggregate principal amount of the Covered Bonds being transferred, and the consideration payable by the transferee at the time of transfer within 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 Parts 6D.2 or 7.9 of the Australian 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 Australian Corporations Act);

(c) such action does not require any document to be lodged with ASIC; and

(d) the transfer is not made to a person who is a "retail client" as defined for the purposes of section 761G of the Australian Corporations Act,

and, 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).

Accordingly, each investor acknowledges these restrictions and, by applying for the securities under this document, gives an undertaking not to sell these securities (except in the circumstances referred to above) for 12 months after their issue.

Belgium

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that an offering of Covered Bonds may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Covered Bonds, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Covered Bonds, directly or indirectly, to any Belgian Consumer.

Denmark

This Prospectus has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in Denmark.

The Covered Bonds have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with *Danish Capital Markets Act* (*Kapitalmarkedsloven*), and Executive Orders issued pursuant thereto as amended from time to time and the EU Prospectus Regulation.

France

Each of the relevant Dealer(s) and the Bank has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France (other than to qualified investors as described

below), and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France (other than to qualified investors as described below), this Prospectus, the relevant Final Terms Document (or Pricing Supplement, in the case of Exempt Covered Bonds) or any other offering material relating to the Covered Bonds, and that such offers, sales and distributions have been and will be made in France pursuant to Article L. 411-2 1° of the French *Code monétaire et financier*, only to qualified investors (*investisseurs qualifiés*), other than individuals, as defined in Article 2 of the EU Prospectus Regulation and Article L.411-2 of the French *Code monétaire et financier*.

This Prospectus is not required and has not been submitted to the clearance procedures of the AMF in France.

Hong Kong

Each Dealer has represented and agreed that each further Dealer appointed under the Program will be required to represent and agree that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Covered Bonds other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Covered Bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Covered Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made under that Ordinance.

Republic of Italy

As of the date of this Prospectus, the Bank is not licensed to "collect deposits and other funds with the obligation to reimburse" in the Republic of Italy and therefore, the Bank and each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or delivered Covered Bonds, nor has it distributed copies of the Prospectus or any other document relating to the Covered Bonds in the Republic of Italy and that no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy unless such license has been obtained.

Upon the issuance of the license to "collect deposits and other funds with the obligation to reimburse" in the Republic of Italy in relation to the Bank the following selling restrictions shall apply:

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that the offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, the Covered Bonds may not be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Covered Bonds be distributed, in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the EU Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and/or Italian CONSOB regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the EU Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Furthermore, each Dealer has represented and agreed that any offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under paragraph (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the *Financial Services Act*, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time), and/or any other Italian authority.

Japan

The Covered Bonds have not been and will not be registered under Article 4, Paragraph 1 of the *Financial Instruments and Exchange Act of Japan* (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan (as defined under Article 6, Item 5 of the *Foreign Exchange and Foreign Trade Act* (Act No. 228 of 1949 of Japan, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The Kingdom of Norway

Notwithstanding the section "Prohibition of sales to EEA Retail Investors" above, Covered Bonds may not be offered or sold within Norway or to or for the account of benefit of persons domiciled in Norway unless in compliance with all laws, regulations and guidelines applicable to the offering of Covered Bonds in Norway, including, but not limited to, the *Norwegian Securities Trading Act of 29 June 2007 no. 75* (as amended from time to time) (Nw. *verdipapirhandelloven*) (the **Norwegian Securities Trading Act**), the Norwegian implementation of the EU Prospectus Regulation in section 7-1 of the Norwegian Securities Trading Act and any other applicable Norwegian legislation.

Covered Bonds governed by Norwegian law and/or denominated in NOK may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway unless the requirements in the *Norwegian Registration of Financial Instruments Act of 15 March 2019 no. 6* (as amended or replaced from time to time, the **CSD Act**) (Nw. *verdipapirsentralloven*) are complied with, including, but not limited to, the requirement to register such Covered Bonds in book-entry form in a licensed central securities depository in accordance with regulation (EU) no. 909/2014 (as amended from time to time, the **CSDR**) regardless of the Covered Bonds being traded on a trading venue and only permit physical bonds or documents of title evidencing the Covered Bonds in accordance with the CSD Act and the CSDR.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the Covered Bonds will be offered pursuant to exemptions under the *Securities and Futures Act 2001 of Singapore*, as modified or amended from time to time (the **SFA**). Accordingly, the Covered Bonds may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Prospectus or any other

document or material in connection with the offer or sale or invitation for subscription or purchase of any Covered Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Covered Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Covered Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Switzerland

(a) Unless otherwise specifically provided in a Pricing Supplement in respect of Exempt Covered Bonds only and subject to paragraph (b), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree that (i) the Covered Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the *Swiss Financial Services Act* (as amended, the **FinSA**), (ii) no application has or will be made to admit the Covered Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland, (iii) neither this Prospectus nor any Final Terms Document or Pricing Supplement nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus pursuant to the FinSA, and (iv) neither this Prospectus nor any Final Terms Document or Pricing Supplement nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

(b) The Bank and the relevant Dealer(s) may agree in respect of any Covered Bonds to be issued that (i) such Covered Bonds may be publicly offered in Switzerland within the meaning of FinSA, and/or (ii) an application may be made by or on behalf of the Bank to admit such Covered Bonds on a trading venue (exchange or multilateral trading facility) in Switzerland, provided that the Bank and the relevant Dealer(s) comply with the applicable requirements of

the FinSA including, without limitation, any requirement to prepare and publish a prospectus in accordance with FinSA and the listing rules of the relevant trading venue in Switzerland.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that any Covered Bonds will only be offered in the Netherlands to Qualified Investors within in meaning of the EU Prospectus Regulation).

General

These selling restrictions may be modified by the agreement of the Bank and any relevant Dealer following a change in a relevant law, regulation or directive. Any such modification and any additional selling restrictions with which any relevant Dealer will be required to comply will be set out in the Final Terms Document or the Pricing Supplement issued in respect of the issue of Covered Bonds to which it relates or in a supplement to this Prospectus.

Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Prospectus, any other offering material or any Final Terms Document or any Pricing Supplement and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws, directives and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Bank, the Guarantor, the Bond Trustee nor any of the other Dealers shall have any responsibility therefor. Furthermore, they will not directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Bank, the Guarantor, the Bond Trustee or any of the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the Dealers will be required to comply with such other restrictions as the Bank and the Dealers shall agree as a term of issue and purchase.

Each Dealer will, unless prohibited by applicable law, furnish to each person to whom they offer or sell Covered Bonds a copy of the Prospectus as then amended or supplemented or, unless delivery of the Prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The Dealers are not authorised to give any information or to make any representation not contained in the Prospectus in connection with the offer and sale of Covered Bonds to which the Prospectus relates.

This Prospectus may be used by the Dealers for offers and sales related to market-making transactions in the Covered Bonds. Any or each of the Dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the Dealers has any obligation to make a market in the Covered Bonds, and any market-making may be discontinued at any time without notice. The Dealers are participating in the initial distribution of the Covered Bonds.

GENERAL INFORMATION

1. Trading information in relation to Covered Bonds admitted to the Official List and admitted to trading on the Main Market or in relation to ISM Covered Bonds will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Covered Bonds on the Official List and admission to trading on the Main Market or admission to trading on the ISM will be granted on the relevant Issue Date, subject only to the issue of a Global Covered Bond of the relevant type in respect of each Tranche. The listing of the Program in respect of the Covered Bonds on the Main Market and the ISM is expected to be granted on or about 11 October 2023.

2. The establishment and renewal of the Program and the issue of Covered Bonds thereunder up to the Program Size has been authorised by Resolutions of the Board of Directors of the Bank passed on 28 August 2012, 28 August 2015, 25 October 2016, 30 October 2018, 25 March 2020 and 6 April 2020. The giving of the Covered Bond Guarantee has been authorised by resolution of the Managing GP on behalf of the Guarantor on 19 July 2013. The Bank and the Guarantor have obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Covered Bonds and the Covered Bond Guarantee.

3. Each Permanent Global Covered Bond and Bearer Definitive Covered Bond, Coupon and Talon will bear the following legend where TEFRA D is specified in the applicable Final Terms Document or the applicable Pricing Supplement: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

4. There has been no significant change in the financial performance or financial position of the Bank and its Subsidiaries, including the Guarantor, taken as a whole since 31 July 2023, being the date of the latest unaudited condensed interim consolidated financial statements of the Bank for the three and nine month periods ended 31 July 2023. There has been no material adverse change in the prospects of the Bank and its Subsidiaries, including the Guarantor, taken as a whole since 31 October 2022, being the date of the latest audited published consolidated financial statements of the Bank.

5. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) during the during the twelve months prior to the date of this document which may have, or have had during the recent past, significant effects on the Guarantor's financial position or profitability.

6. The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms Document or Pricing Supplement. In addition, the Bank may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC and CDS. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds cleared through DTC or CDS, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms Document or Pricing Supplement. Euroclear, Clearstream, Luxembourg and DTC and CDS are the entities in charge of keeping the records, as applicable. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms Document or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 570 Washington Boulevard, Jersey City, New Jersey, 07310, United States of America. The address of CDS is 100 Adelaide Street West, Toronto, Ontario, M5H 1S3.

7. For the period of 12 months following the date of this Prospectus, all the following documents except (v) will, when published, be available for inspection from https://www.scotiabank.com/ca/en/about/investors-shareholders/funding-programs/scotiabank-global-registered-covered-bond-program.html and all the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), at the Executive Offices of the Bank and at the specified office of the Principal Paying Agent:

(a) the Trust Deed (which includes the Covered Bond Guarantee and true form of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons);

(b) the Security Agreement (and any documents entered into pursuant to the Security Agreement);

(c) the Mortgage Sale Agreement;

(d) the Servicing Agreement;

(e) the Intercompany Loan Agreement;

(f) the Title Registration Agreement;

(g) the Interest Rate Swap Agreement;

(h) the Covered Bond Swap Agreement;

(i) the Cover Pool Monitor Agreement;

(j) the Cash Management Agreement;

(k) the Guaranteed Deposit Account Contract;

(l) the Standby Guaranteed Deposit Account Contract;

(m) the Bank Account Agreement;

(n) the Standby Bank Account Agreement;

(o) the Agency Agreement;

(p) the Guarantor Agreement;

(q) the Corporate Services Agreement;

(r) the Bank Act (being the charter of the Bank) and By-laws of the Bank and the constating documents of the Guarantor;

(s) the Annual Statements of the Bank, including the Annual Information Form, the Annual Report which includes the audited consolidated financial statements for the fiscal years ended 31 October 2021 and 31 October 2022, the independent auditor's report thereon, the management's discussion and analyses for the year ended 31 October 2022, Report of Independent Registered Public Accounting Firm on the Bank's internal control over financial reporting as of 31 October 2022, and the 2023 Third Quarter Report for the three and nine month periods ended 31 July 2023;

(t) the most recently published audited annual financial statements of the Bank and the most recently published unaudited interim financial statements of the Bank, in each case, together with any audit prepared in connection therewith;

(u) each Final Terms Document or Pricing Supplement for Covered Bonds which are listed on the Official List or admitted to trading on the Main Market or ISM Covered Bonds admitted to trading on the ISM;

(v) each Pricing Supplement (in the case of Exempt Covered Bonds other than ISM Covered Bonds) (save that Pricing Supplements will only be available for inspection by a holder of such Covered Bonds and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Covered Bonds and identity);

(w) any Security Sharing Agreement entered into by the Guarantor;

(x) the Master Definitions and Construction Agreement;

(y) the Australian Deed Poll;

(z) a copy of this Prospectus together with any further or supplementary Prospectuses when published.

8. This Prospectus may also be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html under the name of the Bank and the headline "Publication of Prospectus" or through the National Storage Mechanism at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

9. The Legal Entity Identifier (**LEI**) code of the Issuer is L3I9ZG2KFGXZ61BMYR72.

10. *Conditions for determining price* — The price and amount of Covered Bonds to be issued under the Program will be determined by the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

11. *Post-issuance information* — The Issuer will provide post-issuance information to Covered Bondholders in the form of monthly Investor Reports, which will be available on the Issuer's website at https://www.scotiabank.com/ca/en/about/investors-shareholders/funding-programs/scotiabank-global-registered-covered-bond-program.html. The Investor Reports will set out certain information in relation to the Portfolio, the calculation of the Asset Coverage Test, the Valuation Calculation, the Amortization Test (if applicable), the indexation methodology, statistical information about the Loans in the Portfolio, performance information about the Loans, information on proceeds received on assets in the Portfolio and the application of such proceeds and other information prescribed by the requirements of the CMHC Guide. The Issuer does not intend to provide any other post-issuance information in relation to any issues of Covered Bonds.

12. Settlement arrangements will be agreed between the Bank, the relevant Dealer(s) and the Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Covered Bonds.

13. The website of the Issuer is www.scotiabank.com. The information on this website does not form part of the Prospectus, except where that information has been incorporated by reference into this Prospectus.

14. Pursuant to the *Canada Deposit Insurance Corporation Act* (Canada) and the *Bank Recapitalization (Bail-in) Conversion Regulations* and the *Bank Recapitalization (Bail-in) Issuance Regulations* and the *Compensation Regulations* thereunder, which provide for Canada's bail-in regime for domestic systemically important banks, covered bonds are excluded from a bail-in conversion under the regime. As such, the Covered Bonds are not subject to conversion under the Canadian bail-in regime.

GLOSSARY

$ or **Canadian Dollar(s)**	The lawful currency for the time being of Canada
€ or **Euro**	The meaning given on page 12
£ or **Sterling**	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland
30/360, **360/360** or **Bond Basis**	The meaning given in Condition 4.5(x)(vi)
30E/360 or **Eurobond Basis**	The meaning given in Condition 4.5(x)(viii)
U.S.$ or U.S. Dollars	The lawful currency for the time being of the United States of America
Yen	The lawful currency for the time being of Japan
ABMs	The meaning given on page 91
Account Bank	The Bank and any other financial institution which accedes to the Bank Account Agreement as an Account Bank or enters into an agreement in form and substance similar to the Bank Account Agreement
Account Bank Required Ratings	The threshold ratings of (a) P-1 (in respect of Moody's), (b) A and F1 (in respect of Fitch), and (c) A or R-1 (low) (in respect of DBRS), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations (or, in the case of Fitch, the issuer default rating) of the Account Bank by the Rating Agencies
Accrual Yield	In relation to a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms Document or Pricing Supplement
Accrued Interest	In relation to a Loan as at any date, interest accrued but not yet due and payable on the Loan from (and including) the Monthly Payment Day immediately preceding the relevant date to (but excluding) the relevant date
Actual/Actual (ICMA)	The meaning given in Condition 4.5(x)(i)
Actual/Actual or **Actual/Actual (ISDA)**	The meaning given in Condition 4.5(x)(ii)
Actual/360	The meaning given in Condition 4.5(x)(v)
Actual/360 (Observation Period)	The meaning given in Condition 4.5(x)(v)
Actual/365 (Fixed)	The meaning given in Condition 4.5(x)(iii)
Actual/365 (Sterling)	The meaning given in Condition 4.5(x)(iv)

Additional Business Centre ..... The meaning (if any) given in the applicable Final Terms Document or Pricing Supplement

Additional Loan Advance ..... A further drawing (including, but not limited to, Further Advances) in respect of Loans sold by the Seller to the Guarantor. Unless and until a New Loan Type is approved by the Rating Agencies which requires an Additional Loan Advance, such as a home equity line of credit, the Seller does not expect that any Loan included in the Portfolio will require an Additional Loan Advance

Additional Loans ..... Loans, other than the Loans comprised in the Initial Portfolio, which the Seller may sell to the Guarantor after the First Transfer Date pursuant to the Mortgage Sale Agreement, including each Additional STEP Loan

Additional STEP Loans ..... Additional Loans made by the Seller to a particular STEP Borrower which are originated subsequent to the sale to the Guarantor of the First STEP Loan to the same STEP Borrower

Adjusted Required Redemption Amount..... The Canadian Dollar Equivalent of:

(a) the Required Redemption Amount; plus or minus

(b) any swap termination amounts payable under the Covered Bond Swap Agreement to or by the Guarantor in respect of the relevant Series of Covered Bonds less (where applicable) amounts held by the Cash Manager for and on behalf of the Guarantor and amounts standing to the credit of the GDA Account and the principal balance of any Substitute Assets (excluding all amounts to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds); plus or minus

(c) any swap termination amounts payable to or by the Guarantor under the Interest Rate Swap Agreement in respect of the relevant Series of Covered Bonds, determined on a *pro rata* basis among all Series of Covered Bonds according to the respective Principal Amount Outstanding thereof; minus

(d) amounts standing to the credit of the Pre-Maturity Liquidity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature within 12 months of the date of such calculation

Adjustment Spread ..... The meaning given in Condition 4.2(f)

Advance ..... An advance denominated in Canadian Dollars under the Intercompany Loan pursuant to the terms of the Intercompany Loan Agreement

Affiliate ..... The meaning given in the Bank Act

Agency Agreement ..... The meaning given on page 151

Agents ..... The meaning given on page 150

Alternative Rate ..... The meaning given in Condition 4.2(f)

Amortization Test ..... The meaning given on page 30

Amortized Face Amount ..... The meaning given in Condition 6.7(b)

Arrangers ..... Barclays Capital Inc. and The Bank of Nova Scotia, London Branch

Arrears of Interest ..... In relation to a Loan as at any date, the aggregate of all interest and expenses which are due and payable and unpaid on that date

Asset Coverage Test ..... The meaning given on page 29

Asset Coverage Test Breach Notice ..... The notice required to be served in accordance with Section 5.1 of the Guarantor Agreement if the Asset Coverage Test has not been met on two consecutive Calculation Dates

Asset Percentage ..... The meaning given on page 248

Asset Percentage Adjusted Loan Balance ..... The meaning given on page 247

ASIC ..... Australian Securities and Investments Commission

Austraclear ..... Austraclear Ltd. (ABN 94 002 060 773)

Austraclear Regulations ..... The regulations and related operating procedures established from time to time by Austraclear for the conduct of the Austraclear System

Australian Agent ..... The Bank of New York Mellon, appointed to act as the paying agent and registrar in respect of the Australian Covered Bonds pursuant to an assignment

and assumption agreement dated 14 April 2023 to the supplemental agency agreement dated 6 October 2022, in respect of any Series of Covered Bonds issued on or after October 6, 2022

Australian Corporations Act..... The meaning given on page 335

Australian Covered Bonds..... Each Series of Covered Bonds created and issued pursuant to the Australian Deed Poll

Australian Deed Poll ..... The Deed Poll for Australian Covered Bonds dated as of 4 December 2014 executed by the Issuer

Authorised Signatory .....

(a) in relation to the Bank Account Agreement, any authorised signatory referred to in the GDA Account Mandate;

(b) in relation to the Standby Bank Account Agreement, any authorised signatory referred to in the Standby Transaction Account Mandate or the Standby GDA Account Mandate, as applicable; and

(c) in all other cases, an officer of the Bank, or the Guarantor, or such other person appointed by the Bank or the Guarantor to act as an authorised signatory, in each case as specified in the list of authorised signatories (as amended from time to time) sent to the Bond Trustee pursuant to Section 15.1(f) of the Trust Deed

Available Principal Receipts..... On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

(a) the amount of Principal Receipts received during the immediately preceding Calculation Period and credited to the Principal Ledger (but, for the avoidance of doubt, excluding any Principal Receipts received in the Calculation Period commencing on (but excluding) the relevant Calculation Date);

(b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any advances under the Intercompany Loan Agreement (where such proceeds have not been applied to acquire additional Loans and their Related Security, refinance an advance under the Intercompany Loan, invest in Substitute Assets or make a Capital Distribution), (ii) any Cash Capital Contributions and (iii) the proceeds from any sale of Loans and their Related Security or

Substitute Assets pursuant to the terms of the Guarantor Agreement or the Mortgage Sale Agreement but excluding any amounts Covered Bond Swap Agreement in respect of principal (but, for the avoidance of doubt, excluding in each case any such amounts received in the Calculation Period commencing on (but excluding) the relevant Calculation Date); and

(c) following repayment of any Hard Bullet Covered Bonds by the Bank and the Guarantor on the Final Maturity Date thereof, any amounts standing to the credit of the Pre-Maturity Liquidity Ledger in respect of such Series of Hard Bullet Covered Bonds (except where the Guarantor has elected to or is required to retain such amounts on the Pre-Maturity Liquidity Ledger)

Available Revenue Receipts..... On a relevant Calculation Date, an amount equal to the aggregate of (without double counting):

(a) the amount of Revenue Receipts received during the immediately preceding Calculation Period and credited to the Revenue Ledger;

(b) other net income of the Guarantor including all amounts of interest received on the Guarantor Accounts and the Substitute Assets in the immediately preceding Calculation Period but excluding amounts received by the Guarantor under the Interest Rate Swap Agreement and in respect of interest received by the Guarantor under the Covered Bond Swap Agreement;

(c) prior to the service of a Notice to Pay on the Guarantor, amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;

(d) the amount of any termination payment or premium received from a Swap Provider which is not applied to pay a replacement Swap Provider;

(e) any other Revenue Receipts not referred to in paragraphs (a) to (d) (inclusive) above received during the immediately preceding Calculation Period and standing to the credit of the Revenue Ledger; and

(f) following the service of a Notice to Pay on the Guarantor, amounts standing to the credit of the Reserve Fund;

Less

(g) Third Party Amounts, which shall be paid on receipt in cleared funds to a Seller

Bank Account Agreement..... Bank account agreement entered into on the Program Date, as amended by an amending agreement dated 7 February 2018 between the Guarantor, the Account Bank, the Cash Manager, the GDA Provider and the Bond Trustee

Bank Act..... The meaning given on page 9

Bearer Covered Bonds..... Covered Bonds in bearer form

Bearer Definitive Covered Bond..... A Bearer Covered Bond in definitive form issued or, as the case may require, to be issued by the Bank in accordance with the provisions of a Program Agreement or any other agreement between the Bank and the relevant Dealer(s), the Agency Agreement and the Trust Deed in exchange for either a Temporary Global Covered Bond or part thereof or a Permanent Global Covered Bond (all as indicated in the applicable Final Terms Document or Pricing Supplement), such Bearer Covered Bond in definitive form being in the form or substantially in the form set out in the relevant schedule to the Trust Deed with such modifications (if any) as may be agreed between the Bank, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) or lead manager (in the case of syndicated issues) and having the Terms and Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Terms and Conditions by reference as indicated in the applicable Final Terms Document or Pricing Supplement and having the relevant information supplementing, replacing or modifying the Terms and Conditions appearing in the applicable Final Terms Document or Pricing Supplement endorsed thereon or attached thereto and (except in the case of a Zero Coupon Covered Bond in bearer form) having Coupons and, where appropriate, Talons attached thereto on issue

Bearer Global Covered Bonds..... Global Covered Bonds in bearer form, comprising Temporary Global Covered Bonds and Permanent Global Covered Bonds

Benchmark Amendments ..... The meaning given in Condition 4.2(f)

Benchmark Event	The meaning given in Condition 4.2(f)
Beneficial Owner	Each actual purchaser of each DTC Covered Bond
Bond Trustee	Computershare Trust Company of Canada, in its capacity as bond trustee under the Trust Deed or as trustee under the Security Agreement together with any successor or additional bond trustee or trustee appointed from time to time thereunder
Bonds	At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the GDA Account) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms Document or Pricing Supplement (ignoring any acceleration of amounts due under the Covered Bonds prior to service of a Guarantor Acceleration Notice)
Borrower	In relation to a Loan, each individual specified as such in the relevant Mortgage Terms together with each individual (if any) who assumes from time to time an obligation to repay such Loan or any part of it, and includes a STEP Borrower
Broken Amount	The meaning (if any) given in the applicable Final Terms Document or Pricing Supplement
Business Day	In the case of any Covered Bond, the meaning given in Condition 4.5(v) in respect of such Covered Bonds and in all other cases a Toronto Business Day
Business Day Convention	In respect of a Tranche of Covered Bonds and either the Interest Periods or the Interest Payment Dates, the business day convention specified in the applicable Final Terms Document or Pricing Supplement and determined in accordance with Condition 4.5(w)
Calculation Agent	In respect of a Series of Covered Bonds, the Person identified as the Calculation Agent for such Series of Covered Bonds in the applicable Final Terms Document or Pricing Supplement
Calculation Amount	The meaning given in the applicable Final Terms Document or Pricing Supplement
Calculation Date	The last day of each Calculation Period
Calculation Period	Each Guarantor Calculation Period
Canadian Dollar Equivalent	In relation to a Series of Covered Bonds (including any calculations of the Required Redemption Amount of such Series of Covered Bonds) which is denominated in (a) a currency other than Canadian

Dollars, the Canadian Dollar equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to the Guarantee Loan applicable to such Series of Covered Bonds, and (b) Canadian Dollars, the applicable amount in Canadian Dollars

Canadian GAAP..... Canadian generally accepted accounting principles as pronounced from time to time by the Chartered Professional Accountants Canada

Capital Account Ledger..... The ledger maintained by the Managing GP (or the Cash Manager on its behalf) in respect of each Partner to record the balance of each Partner's Capital Contributions from time to time

Capital Contribution..... In relation to each Partner, the aggregate of the capital contributed by or agreed to be contributed by that Partner to the Guarantor from time to time by way of Cash Capital Contributions and Capital Contributions in Kind as determined on each Calculation Date in accordance with the formula set out in the Guarantor Agreement

Capital Contribution in Kind..... A contribution by a Partner to the Guarantor other than a Cash Capital Contribution, including contributions of Substitute Assets (up to the prescribed limit), and/or Loans and their Related Security on a fully serviced basis to the Guarantor (which shall constitute a Capital Contribution equal to (a) the aggregate of the fair market value of those Loans as at the relevant Transfer Date, minus (b) any cash payment paid by the Guarantor for such Loans and their Related Security on that Transfer Date)

Capital Distribution ..... Any return on a Partner's Capital Contribution in accordance with the terms of the Guarantor Agreement

Capital Requirements Directive..... Directive 2006/48 of the European Parliament and the Council dated 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast) (implementing the Basel II framework) (as the same may be varied, amended or re-enacted from time to time)

Capitalised Arrears..... In relation to a Loan at any date (the **determination date**), the amount (if any) at such date of any Arrears of Interest in respect of which, on or prior to the determination date, each of the following conditions has been satisfied:

(a) the Seller (or the Servicer on the Seller's behalf) acting as a reasonable and prudent institutional mortgage lender in the Seller's

market has, by arrangement with the relevant Borrower, agreed to capitalise such Arrears of Interest; and

(b) such Arrears of Interest have been capitalised and added, in the relevant accounts of the Seller (or, if the determination date occurs after the First Transfer Date, the Guarantor), to the principal amount outstanding in respect of such Loan

Capitalised Expenses..... In relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding, however, any Arrears of Interest) capitalised and added to the principal amount outstanding in respect of such Loan in accordance with the relevant Mortgage Terms

Cash Capital Contribution ..... A Capital Contribution made in cash

Cash Management Agreement..... The cash management agreement entered into on the Program Date, as amended by an amending agreement dated 7 February 2018 between the Guarantor, the Cash Manager, the GDA provider, the Seller, the Servicer and the Bond Trustee

Cash Management Deposit Ratings..... The threshold ratings of (a) P-1 (in respect of Moody's), (b) F1 or A (in respect of Fitch) and (c) BBB (low) or R-1 (low) (in respect of DBRS) as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations (or, in the case of Fitch, the issuer default rating) of the Cash Manager by the Rating Agencies

Cash Manager..... The Bank, in its capacity as cash manager or any successor cash manager appointed from time to time thereunder

Cash Manager Required Ratings..... The threshold ratings P-2(cr), F2 and BBB (low) (in respect of Moody's, Fitch and DBRS, respectively) as applicable, of, in the case of Moody's the short term counterparty risk assessment, in the case of Fitch, the issuer default rating, and in the case of DBRS, the unsecured, unsubordinated and unguaranteed debt obligations, in each case, of the Cash Manager by the Rating Agencies

Cash Manager Termination Event ..... If any of the following events occur:

(a) the Cash Manager defaults in the payment on the due date of any payment due and payable by it under the Cash Management Agreement or in the performance of its obligations thereunder and such default continues

unremedied for a period of five Toronto Business Days after the earlier of the Cash Manager becoming aware of such default; or

(b) the Cash Manager defaults in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, or any representation or warranty of the Cash Manager is incorrect and such default continues unremedied for a period of 30 days after the Cash Manager becoming aware of such default or misrepresentation; or

(c) an Insolvency Event occurs in respect of the Cash Manager; or

(d) the Ratings of the Cash Manager are withdrawn or fall below the level specified in the Cash Management Agreement (unless the Cash Manager obtains an unconditional and unlimited guarantee of its obligations under the Cash Management Agreement from a credit support provider that has the Rating(s) required by the relevant Rating Agencies (including the ratings specified for the Cash Manager in the Cash Management Agreement) within 30 days of the first downgrade below the level specified in the Cash Management Agreement); or

(e) an Issuer Event of Default (A) occurs and is continuing, or (B) has previously occurred and is continuing, at any time that the Guarantor is Independently Controlled and Governed (provided that the Cash Manager is the Bank or an Affiliate thereof)

CDOR ..... Canadian Deposit Offering Rate for Canadian Dollar deposits having the relevant maturity

CDS ..... CDS Clearing and Depositary Services Inc., or its successors

CDS Covered Bonds ..... Registered Covered Bonds accepted into CDS's book-entry settlement system

Cessation Date ..... The meaning given on page 212

Charged Property ..... The property, assets and rights of the Guarantor charged by the Guarantor pursuant to the Security Agreement

Clearing Systems ..... Euroclear, Clearstream, Luxembourg, DTC, CDS and/or, in relation to any Covered Bonds, any other

	clearing system as may be specified in the applicable Final Terms Document or Pricing Supplement.
Clearstream, Luxembourg	Clearstream Banking S.A. or its successors
CMHC	Canada Mortgage and Housing Corporation and its successors
CMHC Guide.....	The Canadian Registered Covered Bond Programs Guide published by CMHC, as the same may be amended, restated or replaced from time to time
Collection Activities.....	The meaning given on page 220
Common Depositary.....	The common depositary for Euroclear and Clearstream, Luxembourg
Common Safekeeper	An ICSD in its capacity as a common safekeeper or a person nominated by the ICSDs to perform the role of common safekeeper
CONSOB.....	The Italian Securities Exchange Commission
Corporate Services Provider	Computershare Trust Company of Canada, a trust company formed under the laws of Canada, as corporate services provider to the Liquidation GP under the Corporate Services Agreement, together with any successor corporate services provider appointed from time to time
CORRA	The meaning given in "*Overview of the Principal Documents*" on page 259
Couponholders.....	The meaning given on page151
Coupons.....	The meaning given on page 151
Cover Pool Monitor.....	KPMG LLP, in its capacity as cover pool monitor under the Cover Pool Monitor Agreement, together with any successor or additional cover pool monitor appointed from time to time thereunder
Cover Pool Monitor Agreement.....	The cover pool monitor agreement entered into on the Program Date, as amended by an amending agreement dated 7 February 2018 between the Cover Pool Monitor, the Guarantor, the Cash Manager and the Bond Trustee (as further amended and/or supplemented and/or restated from time to time)
Covered Bond Guarantee	The meaning given on page 157
Covered Bond Guarantee Activation Event.....	The earlier to occur of (a) an Issuer Event of Default, service of an Issuer Acceleration Notice on the Bank and service of a Notice to Pay on the Guarantor, and (b) a Guarantor Event of Default and service of a

	Guarantor Acceleration Notice on the Bank and the Guarantor
Covered Bond Swap	Each transaction between the Guarantor, the Covered Bond Swap Provider and the Bond Trustee in respect of a Series or Tranche, as applicable, of Covered Bonds
Covered Bond Swap Agreement	The agreement(s) between the Guarantor, the Covered Bond Swap Provider and the Bond Trustee governing any Covered Bond Swap in the form of an ISDA Master Agreement, including a schedule and one or more confirmations thereunder for each Tranche and/or Series of Covered Bonds entered into at the time such Covered Bonds are issued
Covered Bond Swap Early Termination Event	The meaning given on page 262
Covered Bond Swap Effective Date	The earliest to occur of (a) an Issuer Event of Default, (b) a Guarantor Event of Default, and (c) the date on which one or more Rating Agencies downgrades or withdraws the long-term, unsecured, unsubordinated and unguaranteed debt obligations (or, in the case of Fitch, the long-term issuer default rating) of the Covered Bond Swap Provider, or any credit support provider from time to time in respect of the Covered Bond Swap Provider, below BBB (high) (in respect of DBRS), BBB+ (in respect of Fitch) and Baa1 (in respect of Moody's)
Covered Bond Swap Provider	The Bank and, from time to time, any additional provider(s) of a Covered Bond Swap under the Covered Bond Swap Agreement, together with any successor covered bond swap provider(s)
Covered Bond Swap Rate	In relation to a Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap Agreement relating to such Covered Bonds or, if the Covered Bond Swap Agreement has terminated, the applicable spot rate
Covered Bondholders	The meaning given on page 151
Covered Bonds	Each covered bond issued or to be issued pursuant to the Program Agreement and which is or is to be constituted under the Trust Deed, or the Australian Deed Poll, as applicable, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements for a Covered Bond issued pursuant to Condition 10 (Replacement of Covered Bonds, Coupons and Talons) of the Terms and Conditions

Covered Bonds Custodian	The meaning given on page 305
CRA Regulation.....	The meaning given on page 2
Credit and Collection Policy.....	The customary credit and collection policies and practices of the Seller and the Originator relating to the granting of credit on the security of Loans and the collection and enforcement of Loans, as in effect on the Program Date, as modified in compliance with the Mortgage Sale Agreement from time to time
CSDR.....	The meaning given in "*Selling Restrictions*" on page 338
Custodian	Computershare Trust Company of Canada, in its capacity as Custodian under the Mortgage Sale Agreement
Customer Files.....	The file or files relating to each Loan and its Related Security containing, inter alia: (a) all material correspondence relating to that Loan; and (b) the completed mortgage documentation applicable to the Loan, including the Valuation Report and the solicitor's, notary's or licensed or qualified conveyancer's certificate of title or report on title, whether original documentation, in electronic form or otherwise
Cut-off Date	The second Toronto Business Day following the Calculation Date preceding a relevant Transfer Date or (in the case of a Product Switch or Additional Loan Advance) the Guarantor Payment Date, as the case may be
Day Count Fraction.....	The applicable meaning given in Condition 4.5(x)
DBRS	DBRS Limited and its successors
Dealer.....	Each dealer appointed from time to time in accordance with the Program Agreement, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the relevant Dealer(s) will, in the case of an issue of Covered Bonds being (or intended to be) subscribed for or purchased by more than one Dealer, be to all Dealers agreeing to subscribe for or purchase such Covered Bonds
Definitive Covered Bonds	The meaning given on page 150

Demand Loan.....	The meaning given on page 25
Demand Loan Contingent Amount.....	The meaning given on page 218
Demand Loan Repayment Event	The meaning given on page 218
Designated Account.....	The meaning given in Condition 5.4 (Payments in respect of Registered Covered Bonds)
Designated Bank.....	The meaning given in Condition 5.4 (Payments in respect of Registered Covered Bonds)
Designated Maturity.....	The meaning given in the Relevant ISDA Definitions
Determination Date	The meaning given in the applicable Final Terms Document or Pricing Supplement
Direct Participants	The meaning given in "*Book-Entry Clearance Systems*" on page 302 and includes participants of CDS, as the context requires
Directors.....	The directors for the time being of the Bank
Distribution Compliance Period	The meaning given on page 156
Downgrade Trigger Event	The Initial Downgrade Trigger Event and the Subsequent Downgrade Trigger Event
DTC	The Depository Trust Company, or its successors
DTC Covered Bonds	Registered Covered Bonds accepted into DTC's book-entry settlement system
DTCC.....	The Depository Trust & Clearing Corporation or its successors
Due for Payment.....	The requirement by the Guarantor to pay any Guaranteed Amount: (a) following service of a Notice to Pay but prior to service of a Guarantor Acceleration Notice: (i) (except where paragraph (ii) below applies) on the date on which the Scheduled Payment Date in respect of such Guaranteed Amount is reached, or, if the applicable Final Terms Document or Pricing Supplement specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, on the Interest Payment Date that would have applied if the Final Maturity Date of

such Series of Covered Bonds had been the Extended Due for Payment Date or such other Interest Payment Date(s) specified in the applicable Final Terms Document or Pricing Supplement (the **Original Due for Payment Date**); and

(ii) in relation to any Guaranteed Amount in respect of the Final Redemption Amount payable on the Final Maturity Date of a Series of Covered Bonds for which an Extended Due for Payment Date is specified in the applicable Final Terms Document or Pricing Supplement, on the Extended Due for Payment Date, but only to the extent that the Guarantor, having received the Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date, does not pay Guaranteed Amounts corresponding to the full amount of the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date, because the Guarantor has insufficient funds available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of (A) the date which falls two Business Days after service of the 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 Condition 9.2(a)) and (B) the Extension Determination Date.

For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise; or

(b) following service of a Guarantor Acceleration Notice, on the date on which the Guarantor Acceleration Notice is served on the Bank and the Guarantor

Due for Payment Date..... The requirement by the Guarantor to pay any Guaranteed Amount:

(a) following service of a Notice to Pay but prior to service of a Guarantor Acceleration Notice:

(i) (except where paragraph (ii) below applies) on the date on which the Scheduled Payment Date in respect of such Guaranteed Amount is reached, or, if the applicable Final Terms Document or Pricing Supplement specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, on the Interest Payment Date that would have applied if the Final Maturity Date of such Series of Covered Bonds had been the Extended Due for Payment Date or such other Interest Payment Date(s) specified in the applicable Final Terms Document or Pricing Supplement (the **Original Due for Payment Date**); and

(ii) in relation to any Guaranteed Amount in respect of the Final Redemption Amount payable on the Final Maturity Date of a Series of Covered Bonds for which an Extended Due for Payment Date is specified in the applicable Final Terms Document or Pricing Supplement, on the Extended Due for Payment Date, but only to the extent that the Guarantor, having received the Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date, does not pay Guaranteed Amounts corresponding to the full amount of the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date, because the Guarantor has insufficient funds available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of (A) the date which falls two Business Days after service of the 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 Condition 9.2(a) of

the Terms and Conditions and (B) the Extension Determination Date

For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise; or

(b) following service of a Guarantor Acceleration Notice, on the date on which the Guarantor Acceleration Notice is served on the Bank and the Guarantor

Earliest Maturing Covered Bonds ..... At any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the GDA Account) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms Document or Pricing Supplement (ignoring any acceleration of amounts due under the Covered Bonds prior to service of a Guarantor Acceleration Notice)

Early Redemption Amount..... The amount calculated in accordance with Condition 6.7 (Early Redemption Amounts)

EEA..... Member states of the EU together with Iceland, Norway and Liechtenstein

Eligibility Criteria ..... The meaning given on page 225

€STR ..... The meaning given on page 168

Established Rate ..... The meaning given in Condition 5.9 (Definitions)

EU ..... European Union

EU CRA Regulation ..... The meaning given on page 2

EU Prospectus Regulation ..... The meaning given on cover page

Euroclear..... Euroclear Bank S.A./N.V. or its successors

Euro-zone ..... means those member states that are participating in the European economic and monetary union whose lawful currency is the euro

EUWA ..... The meaning given on the cover page

Excess Proceeds ..... The meaning given on page 203

Exchange Agent..... The meaning given on page 150

Exchange Date ..... The meaning given on page 107

Exchange Event	In the case of Bearer Covered Bonds, the meaning given on page 108 and in the case of Registered Covered Bonds, the meaning given on page 108
Exchange Notice	The meaning given on page 194
Excluded Scheduled Interest Amounts.....	The meaning given in the definition of Scheduled Interest on page 390
Excluded Scheduled Principal Amounts	The meaning given in the definition of Scheduled Principal on page 391
Excluded Swap Termination Amount	In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable under that Swap Agreement (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider, or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider
Executive Offices	The meaning given on page 15
Extended Due for Payment Date.....	In relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms Document or Pricing Supplement to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full by the Extension Determination Date
Extension Determination Date	In relation to any Series of Covered Bonds, the date falling two Business Days after the expiry of seven days from (and including) the Final Maturity Date of such Series of Covered Bonds
Extraordinary Resolution.....	A resolution passed at a meeting of the Covered Bondholders duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll; or (b) a resolution in writing signed by or on behalf of Covered Bondholders holding not less than 75 per cent. of the Principal Amount Outstanding of the Covered Bonds, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Covered Bondholders
Fair Market Value.....	In respect of a Loan and its Related Security, the fair market value at the relevant time, being the price

expressed in terms of money or moneys' worth, a willing, prudent and informed buyer would pay in an open and unrestricted market to a willing, prudent and informed seller, each acting at arm's length, where neither party is under any compulsion to enter into the transaction, as part of the acquisition of all of the Loans and their Related Security being purchased or sold at the relevant time

FCA..... The meaning given on the cover page

Final Maturity Date..... The Interest Payment Date on which a Series of Covered Bonds will be redeemed at the Final Redemption Amount in accordance with the Terms and Conditions

Final Redemption Amount ..... The meaning given in the relevant Final Terms Document or Pricing Supplement

Final Terms Document ..... The final terms document or (a) in the case of Exempt Covered Bonds, the relevant European Pricing Supplement, or (b) in the case of Australian Covered Bonds, the relevant Australian Pricing Supplement; and applicable Final Terms Document means, with respect to a Series or Tranche of Covered Bonds, the Final Terms Document applicable to such Series or Tranche, as the case may be, and unless the context requires otherwise, any reference to a Final Terms Document or applicable Final Terms Document shall include a reference to the related pricing supplement, if applicable

First STEP Loan..... The first Loan made by the Seller to a particular STEP Borrower subject to the relevant STEP Plan which is sold to the Guarantor

First Transfer Date..... The date on which the Initial Portfolio was sold, assigned and transferred to the Guarantor pursuant to the terms of the Mortgage Sale Agreement

Fitch..... Fitch Ratings, Inc. and its successors

Fixed Coupon Amount..... The meaning given in the applicable Final Terms Document or Pricing Supplement

Fixed Rate ..... The rate of interest paid under the Fixed Rate Covered Bonds

Fixed Rate Covered Bonds ..... Covered Bonds that pay a Fixed Rate of interest on such date or dates as may be agreed between the Bank and the relevant Dealer(s) and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Bank and the relevant Dealer(s)

Floating Rate..... The meaning given in the Relevant ISDA Definitions

Floating Rate Convention..... The meaning given in Condition 4.5(w)(i)

Floating Rate Covered Bond Margin ..... In respect of a Floating Rate Covered Bond, the percentage rate per annum (if any) specified in the applicable Final Terms Document or Pricing Supplement

Floating Rate Covered Bonds..... Covered Bonds which bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the Relevant ISDA Definitions; or

(b) on the basis of a Reference Rate appearing on the agreed screen page of a commercial quotation service; or

(c) on such other basis as may be agreed between the Bank and the relevant Dealer(s),

as set out in the applicable Final Terms Document or Pricing Supplement

Floating Rate Option..... The meaning given in the Relevant ISDA Definitions

Following Business Day Convention..... The meaning given in Condition 4.5(w)(ii)

FSMA..... The meaning given on page 3

Further Advance ..... In relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, excluding the amount of any retention in respect of the Initial Advance

GDA Account..... The account in the name of the Guarantor held with the Bank and maintained subject to the terms of the Guaranteed Deposit Account Contract, the Bank Account Agreement and the Security Agreement or such additional or replacement account as may for the time being be in place with the prior consent of the Bond Trustee and designated as such

GDA Provider..... The Bank, in its capacity as GDA provider under the Guaranteed Deposit Account Contract or any successor or additional GDA provider appointed from time to time thereunder

GDA Rate ..... The variable rate of interest accruing on the balance standing to the credit of the GDA Account being a variable rate at a minimum of 0.10 per cent.below the one-month CDOR that appears on the Reuters screen as of 10:00 a.m. (Toronto time) on the date of determination, as reported by the GDA Provider (and if such screen is not available, any successor or similar service as may be selected by the GDA Provider) (calculated on the basis of the actual number of days elapsed and a 365 day year) or such greater amount as the Guarantor (or the Cash Manager on its behalf) and the GDA Provider may agree from time to time. For greater certainty, any change in the GDA Rate agreed to by the Guarantor (or the Cash Manager on its behalf) and the GDA Provider in accordance with the foregoing shall not constitute an amendment to, or a modification or variation of, the Guaranteed Deposit Account Contract

Global Covered Bond ..... A Bearer Global Covered Bond and/or a Registered Global Covered Bond, as the context may require

Governmental Authority ..... The government of Canada or any other nation, or of any political subdivision thereof, whether provincial, territorial, state, municipal or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, including any supra-national bodies, the Superintendent or other comparable authority or agency

Guarantee Loan ..... The meaning given on page 25

Guarantee Priority of Payments ..... The meaning given on page 281

Guaranteed Amounts ..... Prior to service of a Guarantor Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or after service of a Guarantor Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the Terms and Conditions plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds (other than additional amounts payable under Condition 7 (Taxation)), including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same

arose) and all amounts payable by the Bank under the Trust Deed

Guaranteed Amounts Due Date ..... The meaning given on page 215

Guaranteed Deposit Account Contract or **GDA** The guaranteed deposit account contract between the Guarantor, the GDA Provider, the Bond Trustee and the Cash Manager dated the Program Date

Guarantor ..... The meaning given on the cover page

Guarantor Acceleration Notice ..... A notice in writing given by the Bond Trustee to the Bank and the Guarantor that each Covered Bond of each Series is, and each Covered Bond of each Series will, as against the Bank (if not already due and repayable against it following an Issuer Acceleration Notice) and as against the Guarantor, thereupon immediately become due and repayable at its Early Redemption Amount together with accrued interest, and 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 accrued interest in each case as provided in and in accordance with the Trust Deed and thereafter the Security will become enforceable, if any of the Guarantor Events of Default will occur and be continuing

Guarantor Accounts..... The GDA Account and the Transaction Account and any additional or replacement accounts opened in the name of the Guarantor, including the Standby GDA Account and Standby Transaction Account

Guarantor Agreement..... The limited partnership agreement in respect of the Guarantor entered into on the Program Date, as amended by an amending agreement dated 7 February 2018, by and among the Managing GP, the Liquidation GP, the Bond Trustee and the Bank as Limited Partner and any other parties who accede thereto in accordance with its terms

Guarantor Calculation Period ..... Each period from, but excluding, the last Toronto Business Day of each month to, and including, the last Toronto Business Day of the next succeeding month, provided that (a) the first Guarantor Calculation Period begins on, and includes, the Program Date, (b) if the last Toronto Business Day of a month is (i) a Friday or (ii) the day before a statutory holiday in Toronto which occurs on any day other than a Tuesday, in each case the Guarantor Calculation Period for the relevant month will end on the second last Toronto Business Day of such month and the

succeeding Guarantor Calculation Period will begin on the day following such second last Toronto Business Day of such month and (c) if the last Toronto Business Day of a month is the day before a statutory holiday in Toronto and such holiday is on a Tuesday, the Guarantor Calculation Period for the month will end on the third last Toronto Business Day and the succeeding Guarantor Calculation Period will begin on the second last Toronto Business Day of such month

Guarantor Event of Default..... The meaning given in Condition 9.2 (Guarantor Events of Default)

Guarantor Payment Date ..... The 17th day of each month or if not a Toronto Business Day the next following Toronto Business Day

Guarantor Payment Period ..... The period from (and including) a Guarantor Payment Date to (but excluding) the next following Guarantor Payment Date

Hard Bullet Covered Bonds..... The meaning given on page 20

ICMA..... International Capital Market Association

ICMA Rule Book..... The meaning given on page 187

IFRS..... The meaning given on page 42

Income Tax Act..... *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time

Indemnity Amounts..... In respect of any person that is a party to a Transaction Document, any amounts payable to such person pursuant to the indemnification provisions of such Transaction Document

Independent Adviser ..... The meaning given in Condition 4.2(f)

Independently Controlled and Governed..... In respect of the Guarantor, at the time of determination, it is demonstrated that, whether by attestation of an executive officer of the Bank or otherwise, each of the following is correct:

(a) the general partner of the Guarantor is not (and cannot be) an Affiliate of the Bank and less than 10 per cent. of its voting securities are (or can be) owned, directly or indirectly, by the Bank or any of its Affiliates,

(b) if an administrative agent or other analogous entity has been engaged by the managing general partner of the Guarantor to fulfill its responsibility or role to carry on, oversee,

manage or otherwise administer the business, activities and assets of the Guarantor, the agent or entity is not (and cannot be) an Affiliate of the Bank and less than 10 per cent. of its voting securities are (or can be) owned, directly or indirectly, by the Bank or any of its Affiliates,

(c) all members (but one) of the board of directors or other governing body of the managing general partner of the Guarantor and each such administrative agent or other entity are not (and cannot be) directors, officers, employees or other representatives of the Bank or any of its Affiliates, do not (and cannot) hold greater than 10 per cent. of the voting or equity securities of the Bank or any of its Affiliates and are (and must be) otherwise free from any material relationship with the Bank or any of its Affiliates (hereinafter referred to as **Independent Members**), and

(d) the board of directors or other governing body of the managing general partner of the Guarantor and each such administrative agent or other entity is (and must be) composed of at least three members, and the non-Independent Member is not (and shall not be) entitled to vote on any resolution or question to be determined or resolved by the board (or other governing body) and shall attend meetings of the board (or other governing body) at the discretion of the remaining members thereof, provided that such board of directors or other governing body may be composed of only two Independent Members with "observer status" granted to one director, officer, employee or other representative of the Bank or any of its Affiliates

Indexation Methodology ..... The indexation methodology determined by the Guarantor that meets the requirements provided for in the CMHC Guide to determine indexed valuations for Mortgaged Properties relating to the Loans in the Portfolio, which, as of the date of this Prospectus is the Teranet-National Bank Regional and Property Type Sub-Indices (**TNB RPTSIs**), and which methodology may be updated from time to time and will, at any time, be disclosed in the then-current Investor Report. Any change to the Indexation Methodology must comply with the requirements of the CMHC Guide and will (a) require notice to CMHC and satisfaction of any other conditions specified by

CMHC in relation thereto, (b) if such change constitutes a material amendment thereto, require satisfaction of the Rating Agency Condition, and (c) if such change is materially prejudicial to the Covered Bondholders, require the consent of the Bond Trustee

Indirect Participants ..... Indirect participants in DTC or CDS that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly

Initial Advance..... In relation to a Loan, the original principal amount advanced by the Seller including any retention(s) advanced to the relevant Borrower after completion of the Mortgage

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

(a) the short-term counterparty risk assessment or the long-term counterparty risk assessment of the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, ceases to be at least P-1(cr) or A2(cr), respectively, by Moody's (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, has one of such ratings from Moody`s, an Initial Downgrade Trigger Event will not occur);

(b) (i) the short-term issuer default rating, or (ii) the derivative counterparty rating, if one is assigned, and if not, the long-term issuer default rating, in each case, of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, ceases to be at least F1 or A, respectively, by Fitch (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, has one of such ratings from Fitch, an Initial Downgrade Trigger Event will not occur), or

the short-term unsecured, unsubordinated and unguaranteed debt obligations or the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, cease to be rated at least R-1(low) or A, respectively, by DBRS (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider or any credit support provider, as applicable, has one of such

ratings from DBRS, an Initial Downgrade Trigger Event will not occur);

Initial Portfolio……. The portfolio of Loans and their Related Security sold by the Seller to the Guarantor on the First Transfer Date pursuant to the Mortgage Sale Agreement

Insolvency Event..... In respect of any Person, any impending or actual insolvency on the part of such Person, as evidenced by, but not limited to:

(a) the commencement of a dissolution proceeding or a case in bankruptcy involving the Person (and where such proceeding is the result of an involuntary filing, such proceeding is not dismissed within 60 days after the date of such filing),

(b) the appointment of a trustee or other similar court officer over, or the taking of control or possession by such officer of the Person's business, in whole or in part, before the commencement of a dissolution proceeding or a case of bankruptcy;

(c) a general assignment by the Person for the benefit of any of its creditors; and

(d) the general failure of, or the inability to, or the written admission of the inability of, the Person to pay its debts as they become due

Intercompany Loan..... The meaning given on page 25

Intercompany Loan Agreement..... The Intercompany Loan Agreement dated the Program Date, as amended by an amending agreement dated 7 February 2018 between the Bank, the Guarantor, the Cash Manager and the Bond Trustee

Intercompany Loan Ledger..... The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record all payments of interest and repayments of principal on each of the Advances

Intercompany Loan Provider..... The Bank, in its capacity as intercompany loan provider under the Intercompany Loan Agreement, or any successor or additional loan provider appointed from time to time thereunder

Interest Amount..... The meaning given on page 171

Interest Basis..... The meaning given in the applicable Final Terms Document or Pricing Supplement

Interest Commencement Date.....	In the case of interest-bearing Covered Bonds, the date specified in the applicable Final Terms Document or Pricing Supplement from (and including) which the relevant Covered Bonds will accrue interest
Interest Determination Date.....	means, with respect to an Interest Rate and Interest Period, the date specified as such in the applicable Final Terms Document or Pricing Supplement or, if none is so specified, (i) the day falling two T2 Business Days prior to the first day of such Interest Period if the Benchmark is EURIBOR or (ii) the second Oslo Business Day prior to the start of each Interest Period if the Benchmark is NIBOR
Interest Payment Date.....	In respect of Fixed Rate Covered Bonds, the meaning given in the applicable Final Terms Document or Pricing Supplement and in respect of Floating Rate Covered Bonds, the meaning given in Condition 4.2(a)
Interest Period	The meaning given on page 189
Interest Rate Swap	A swap transaction which is intended to hedge against possible variances in the rates of interest payable on the Loans in the Portfolio, the amounts payable on the Intercompany Loan and (following the Covered Bond Swap Effective Date) the Covered Bond Swap Agreement
Interest Rate Swap Agreement	The agreement(s) between the Guarantor and an Interest Rate Swap Provider governing the Interest Rate Swap in the form of an ISDA Master Agreement, including a schedule and one or more confirmations thereunder for each Tranche and/or Series of Covered Bonds entered into at the time such Covered Bonds are issued
Interest Rate Swap Early Termination Event	The meaning given on page 259
Interest Rate Swap Effective Date	The earliest to occur of (a) an Issuer Event of Default, (b) a Guarantor Event of Default, and (c) the date on which one or more Rating Agencies downgrades or withdraws the long-term, unsecured, unsubordinated and unguaranteed debt obligations (or, in the case of Fitch, the long-term issuer default rating) of the Interest Rate Swap Provider, or any credit support provider from time to time in respect of the Interest Rate Swap Provider, below BBB (high) (in respect of DBRS), BBB+ (in respect of Fitch) and Baa1 (in respect of Moody's)

Interest Rate Swap Provider	The Bank and, from time to time, any additional provider(s) of an Interest Rate Swap under the Interest Rate Swap Agreement together with any successor interest rate swap provider(s)
Investor Put.....	The meaning given in Condition 6.4 (Redemption at the option of the Covered Bondholders (Investor Put))
Investor Report.....	The monthly report made available to the Covered Bondholders, the Bond Trustee and the Rating Agencies detailing, inter alia, compliance with the Asset Coverage Test
Investor's Currency	The meaning given on page 62
ISDA	International Swaps and Derivatives Association, Inc.
ISDA Definitions.....	The 2006 ISDA Definitions, as published by ISDA, unless otherwise specified in the applicable Final Terms Document or Pricing Supplement
ISDA Determination.....	If specified as applicable in the applicable Final Terms Document or Pricing Supplement, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2(b)(i)
ISDA Master Agreement	The 2002 ISDA Master Agreement (as published by ISDA), unless otherwise specified in the applicable Final Terms Document or Pricing Supplement
ISDA Rate	The meaning given in Condition 4.2(b)(i)
ISIN.....	International Securities Identification Number
ISM	The meaning given on the cover page
ISM Covered Bonds	The meaning given on the cover page
Issue Date	Each date on which the Bank issues a Tranche of Covered Bonds under the Program, as specified in the applicable Final Terms Document or Pricing Supplement
Issue Price	The price, generally expressed as a percentage of the nominal amount of the Covered Bonds, at which a Series or Tranche of Covered Bonds will be issued
Issuer Acceleration Notice	The meaning given in Condition 9.1 (Issuer Events of Default)
Issuer Call	The meaning given in Condition 6.3 (Redemption at the option of the Issuer (Issuer Call))

Issuer Event of Default.....	The meaning given in Condition 9.1 (Issuer Events of Default)
Issuer Held Covered Bonds	Covered Bonds held by or on behalf of the Issuer or any of its Subsidiaries which are part of a Series of Covered Bonds that is not exclusively held by or on behalf of the Issuer or its Subsidiaries
Late Payment.....	The meaning given in Condition 6.10 (Late Payment)
Late Payment Date.....	The meaning given in Condition 6.10 (Late Payment)
Latest Valuation	In relation to any Mortgaged Property, the value given to that Mortgaged Property by the most recent Valuation Report addressed to the Seller or, as applicable, the Originator or the purchase price of that Mortgaged Property or current property tax assessment, as applicable, such value to be adjusted at least quarterly using the Indexation Methodology to account for subsequent price adjustments.
Law	Includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute, treaty or other legislative measure in any jurisdiction and any present or future directive, regulation, guideline, practice, concession, request or requirement whether or not having the force of law issued by any governmental body, agency or department or any central bank or other fiscal, monetary, taxation, regulatory, self regulatory or other authority or agency
Ledger.....	Each of the Revenue Ledger, the Principal Ledger, the Intercompany Loan Ledger, the Reserve Ledger, the Payment Ledger and the Pre-Maturity Liquidity Ledger
LEI.....	Legal Entity Identifier.
Lending Criteria.....	The lending criteria of the Seller, from time to time, or such other criteria as would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market
LIBOR.....	London Inter-Bank Offered Rate
Limited Partner.....	The Bank, in its capacity as a limited partner of the Guarantor, individually and together with such other persons who may from time to time, become limited partner(s) of the Guarantor pursuant to the terms of the Guarantor Agreement
Liquidation GP.....	8429057 Canada Inc., in its capacity as liquation general partner of the Guarantor together with any of

	its successors and any successor liquidation general partner appointed pursuant to the terms of the Guarantor Agreement
Loan	Each mortgage loan or (if approved by the Rating Agencies as a New Loan Type) home equity line of credit secured, in each case, by a Mortgage on Mortgaged Property, referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other funds (including all Additional Loan Advances) due or owing with respect to that mortgage loan under the relevant Mortgage Terms by a Borrower on the security of a Mortgage from time to time outstanding or, as the context may require, the Borrower's obligations in respect of the same
Loan Representations and Warranties.....	The representations and warranties relating to the Loans set out in the Mortgage Sale Agreement
Loan Repurchase Notice	A notice in substantially the form set out in the Mortgage Sale Agreement served by the Guarantor on the Seller in relation to the purchase of Loans in the Portfolio by the Seller in accordance with the terms of the Mortgage Sale Agreement
Loan-to-Value Ratio.....	The ratio of the outstanding balance of a Loan to the value of the Mortgaged Property securing that Loan
London Stock Exchange	The meaning given on the cover page
Long Maturity Covered Bond.....	The meaning given on page 190
Main Market.....	The meaning given on the cover page
Managing GP.....	Scotiabank Covered Bond GP Inc., in its capacity as managing general partner of the Guarantor, any successor managing general partner of the Guarantor appointed in accordance with the terms of the Guarantor Agreement, including without limitation the Liquidation GP if and while appointed as Managing GP in accordance with Article 11 of the Guarantor Agreement, and any successor or assign of any of them as the context requires
Market Value.....	In respect of a Mortgaged Property and any date of determination, (a) if such date of determination is prior to 31 July 2014, the Original Market Value of such Mortgaged Property, or (b) if such date of determination is on or after 31 July 2014, the Original Market Value of such Mortgaged Property as adjusted in accordance with the Indexation Methodology
Master Definitions and Construction Agreement.....	The meaning given on page 152

Maximum Rate of Interest.....	In respect of Floating Rate Covered Bonds, the percentage rate per annum (if any) specified in the applicable Final Terms Document or Pricing Supplement
Maximum Redemption Amount	The amount specified as such in the applicable Final Terms Document or Pricing Supplement
MiFID II.....	The meaning given on page 4
MiFID II Product Governance.....	The meaning given on page 4
Minimum Rate of Interest	In respect of Floating Rate Covered Bonds the percentage rate per annum (if any) specified in the applicable Final Terms Document or Pricing Supplement
Minimum Redemption Amount.....	The amount specified as such in the applicable Final Terms Document or Pricing Supplement
Minister	The meaning given on page 96
Modified Following Business Day Convention	The meaning given in Condition 4.5(w)(iii)
Monthly Payment.....	The amount which the relevant Mortgage Terms require a Borrower to pay on each Monthly Payment Day in respect of that Borrower's Loan
Monthly Payment Day	The date on which interest (and principal in relation to a repayment mortgage) is due to be paid by a Borrower on a Loan or, if any such day is not a Toronto Business Day, the next following Toronto Business Day
Moody's.....	Moody's Canada Inc. and its successors
Mortgage	The legal charge, mortgage, hypothec, standard security or charge securing a Loan or New Loan Type, and includes a STEP Collateral Mortgage
MPPA	The meaning given on page 219
Mortgage Sale Agreement	The mortgage sale agreement made as of the Program Date, as amended and restated on 7 January 2014, amended by amending agreements on 22 August 2016 and 6 February 2017 and as further amended and restated on 7 February 2018, 16 July 2019 and 6 October 2022, as between the Seller, the Bond Trustee, the Servicer, the Custodian and the Guarantor and, where the context so requires, including any New Mortgage Sale Agreement entered into from time to

time between any New Seller, the Guarantor, the Custodian and the Bond Trustee

Mortgage Terms ..... All of the terms and conditions applicable to a Loan, including, without limitation, the applicable Mortgage Terms and Offer Conditions and including, in respect of a STEP Loan, the STEP Plan

Mortgaged Property..... Freehold or leasehold residential property located in Canada (or owned residential immovable property situated in the Province of Québec) which is subject to a Mortgage

Negative Carry Factor ..... The meaning given on page 248

New Global Covered Bond ..... A Temporary Global Covered Bond in the form set out in Part 1 of Schedule 2 to the Trust Deed or a Permanent Global Covered Bond in the form set out in Part 2 of Schedule 2 to the Trust Deed, in either case where the applicable Final Terms Document or Pricing Supplement specifies that the Covered Bonds are in NGCB form

New Loan Type..... A new type of loan originated or acquired by the Seller (such as a home equity line of credit), which the Seller intends to transfer to the Guarantor, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Loans. For the avoidance of doubt, a loan will not constitute a New Loan Type if it differs from the Loans in the Portfolio due to it having different interest rates and/or interest periods and/or time periods

New Mortgage Sale Agreement..... Any new mortgage sale agreement entered into between any New Seller, the Guarantor, the Custodian and the Bond Trustee (as amended, modified, supplemented or restated from time to time), which will be substantially in the same form and contain substantially the same provisions as the mortgage sale agreement made as of the Program Date between the Seller, the Servicer, the Bond Trustee and the Guarantor (as amended, modified, supplemented or restated from time to time)

New Safekeeping Structure or NSS ..... The new safekeeping structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy operations

New Seller..... Any member of the Scotiabank Group (other than the Bank) that accedes to the relevant Transaction Documents in accordance with the terms thereof and sells Additional Loans and their Related Security to

	the Guarantor in the future pursuant to the Mortgage Sale Agreement or a New Mortgage Sale Agreement
NGCB	New Global Covered Bond
NIBOR.....	Norwegian Interbank Offered Rate
NOK.....	The lawful currency for the time being of Norway
Non-Performing Eligible Loan.....	Any Loan in the Portfolio which is 90 days or more in arrears (for greater certainty, a STEP Loan shall be considered to be 90 days or more in arrears if any Other STEP Product extended to the same STEP Borrower is 90 days or more in arrears)
Non-resident Holder.....	The meaning given on page 308
NORE	Norske Finansielle Referanser AS
Notice to Pay	The meaning given in Condition 9.1 (Issuer Events of Default)
Offer Conditions.....	The terms and conditions applicable to a specified Loan as set out in the relevant offer letter to the Borrower
Official List	The meaning given on the cover page
Omnibus Proxy.....	The omnibus proxy mailed by DTC to the Bank as soon as possible after the record date in accordance with DTC's usual procedures
Optional Redemption Amount.....	The meaning (if any) given in the applicable Final Terms Document or Pricing Supplement
Optional Redemption Date.....	The meaning (if any) given in the applicable Final Terms Document or Pricing Supplement
Original Due for Payment Date	The meaning given in paragraph (a) of the definition of Due for Payment
Original Market Value.....	In respect of a Mortgaged Property, its value as most recently determined or assessed in accordance with the underwriting policies of the Seller or, if not capable of determination in accordance therewith, on the basis of the most recent sale price of the Mortgaged Property
Original Reference Rate	The meaning given in Condition 4.2(f)
Originator	Scotia Mortgage Corporation, a wholly-owned subsidiary of the Bank
Originator Event of Default.....	The meaning given on page 221

Originator's Fundamental Rights.....	The meaning given on page 222
Originator Registered Title Event	The meaning given on page 220
Originator Termination Event.....	The meaning given on page 221
Originator Titled Loans.....	The meaning given on page 219
Originator Titled Mortgages.....	The meaning given on page 219
OSFI.....	The meaning given on page 72
Other STEP Creditor.....	With respect to any Other STEP Product, a third party purchaser of such Other STEP Product from the related Seller
Other STEP Products	Other than mortgage loans, all other STEP Accounts extended by a Seller to a particular STEP Borrower which are subject to the STEP Plan. If home equity lines of credit are approved by the Rating Agencies as a New Loan Type, then such home equity lines of credit extended to STEP Borrowers subject to the STEP Plan will not be included in Other STEP Products
Outstanding Principal Balance	In relation to any Loan at any date (the **determination date**), the aggregate at such date (but avoiding double counting) of: (a) the Initial Advance; (b) Capitalised Expenses; and (c) Capitalised Arrears in each case relating to such Loan less any prepayment, repayment or payment of any of the foregoing made on or prior to the determination date
Participating Member State	The meaning given on page 322
Partner.....	Each of the Managing GP, the Liquidation GP and the Limited Partner and any other limited partner or general partner who may become a limited partner of the Guarantor from time to time, and the successors and assigns thereof, and **Partners** means any two or more of them
Paying Agent Required Ratings.....	The threshold ratings of (a) P-1 with respect to the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Paying Agent by Moody's, (b) F1 with respect to the short-term issuer default rating of the Paying Agent by Fitch, and (c) A with respect to the long-term issuer default rating of

the Paying Agent by Fitch; provided, however, that with respect to a Paying Agent in respect of any Series of Covered Bonds issued on or after 6 October, 2023, but excluding any Covered Bonds issued under the Program after such date which are to be consolidated and form a single Series with any Covered Bonds issued and outstanding as at 6 October, 2023, no such ratings requirement shall be applicable to such Paying Agent and any reference in the Transaction Documents to the Paying Agent Required Ratings in respect of such Paying Agent shall not be applicable

Paying Agents ..... The meaning given on page 150

Payment Day..... The meaning given in Condition 5.6 (Payment Day)

Payment Ledger..... The ledger on the GDA Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement (or, if applicable, the ledger of such name maintained by the Standby Account Bank pursuant to the Standby Account Bank Agreement) to record the credits and debits of Available Revenue Receipts and Available Principal Receipts for application in accordance with the applicable Priority of Payments

Perfect..... In respect of any relevant Loan and its Related Security in the Portfolio, delivery of notice to the Borrower of the sale, assignment and transfer of such Loan and its Related Security to the Guarantor and a direction to make all future repayments of the Loan to the Standby Account Bank for the account of the Guarantor by the Seller or, as necessary, by the Guarantor (or the Servicer on behalf of the Guarantor) on behalf of the Seller (under applicable powers of attorney granted to the Guarantor) to the Guarantor of such Loan and its Related Security and if required on the advice of counsel to the Guarantor (or the Servicer on its behalf) to perfect an interest in such Loan and its Related Security, registration of the transfer of legal title to the Mortgages in the appropriate land registry office, land titles office or similar office of public registration for the location where the relevant real property is located and **Perfection** shall have the corresponding meaning

Permanent Global Covered Bond..... The meaning given on page 107

Persons..... Includes individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authority

Portfolio	The meaning given on page 29
Post-Enforcement Priority of Payments	The meaning given on page 285
Potential Guarantor Event of Default	The meaning given in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution)
Potential Issuer Event of Default	The meaning given in Condition 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution)
PPSA	The personal property security legislation, as amended, supplemented or replaced from time to time, as in effect in each province and territory of Canada (other than Québec), and the Civil Code of Québec, as amended, supplemented or replaced from time to time, as in effect in Québec
Pre-Acceleration Principal Priority of Payments	The meaning given on page 279
Pre-Acceleration Revenue Priority of Payments	The meaning given on page 276
Pre-Maturity Liquidity Ledger	The ledger on the GDA Account established to record the credits and debits of moneys available to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Test has been breached
Pre-Maturity Liquidity Required Amount	Nil, unless the Pre-Maturity Test has been breached in respect of one or more Series of Hard Bullet Covered Bonds, in which case an amount equal to the aggregate for each affected Series (without double counting) of (a) the Required Redemption Amount for such affected Series, (b) the Required Redemption Amount for all other Series of Hard Bullet Covered Bonds which will mature within 12 months of the date of the calculation, and (c) the amount required to satisfy paragraphs (a) through (f) of the Guarantee Priority of Payments on the Final Maturity Date of the affected Series of Hard Bullet Covered Bonds and on the Final Maturity Date of all other Series of Hard Bullet Covered Bonds which will mature within 12 months of the date of the calculation
Pre-Maturity Required Ratings	The meaning given on page 272
Pre-Maturity Test	If one or more Rating Agencies downgrade the Bank's ratings below the Pre-Maturity Required Ratings and a Hard Bullet Covered Bond is due for repayment within a specified period of time thereafter

Pre-Maturity Test Date.....	The meaning given on page 272
Preceding Business Day Convention.....	The meaning given in Condition 4.5(w)(iv)
Present Value.....	For any Loan, the value of the outstanding loan balance of such Loan, calculated by discounting the expected future cashflow (on a loan level basis) using current market interest rates for mortgage loans with credit risks similar to those of the Loan (using the same discounting methodology as that used as part of the fair value disclosure in the Bank's audited financial statements), or using publicly posted mortgage rates
Pricing Supplement.....	Pricing Supplement of any Tranche of Exempt Covered Bonds
Principal Amount Outstanding.....	The meaning given on page 189; provided that Issuer Held Covered Bonds shall (unless and until ceasing to be Issuer Held Covered Bonds) be deemed not have a Principal Amount Outstanding for purposes of: (a) the right to attend and vote at any meeting of the holders of the Covered Bonds of any Series; (b) the determination of the Principal Amount Outstanding of Covered Bonds of any Series for the purposes of Condition 15 (Indemnification of the Bond Trustee), Conditions 9 (Events of Default) and 14 (Meetings of Covered Bondholders, Modification, Waiver and Substitution) of the Conditions; (c) any discretion, power or authority (whether contained in the trust presents or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Covered Bonds of any Series; and (d) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series
Principal Ledger.....	The ledger on the GDA Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement (or, if applicable, the ledger of such name maintained by the Standby Account Bank pursuant to the Standby Bank Account Agreement) to record the credits and debits of Principal Receipts in accordance with the terms of the Guarantor Agreement

Principal Paying Agent ..... The meaning given on page 150

Principal Receipts..... Any payment received in respect of principal in respect of any Loan (including payments pursuant to any insurance policies), whether as all or part of a Monthly Payment in respect of such Loan, on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant Mortgaged Property) or on the disposal of such Loan or otherwise (without double counting but including principal received or treated as received after completion of the enforcement procedures) (but excluding, in respect of any STEP Loan, any such amounts required to be distributed to the Seller or Other STEP Creditor in respect of any Additional STEP Loan having priority over or *pari passu* with such STEP Loans in accordance with the STEP Accounts)

Priority of Payments ..... The orders of priority for the allocation and distribution of amounts standing to the credit of the Guarantor Accounts in different circumstances being the Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments and the Guarantee Priority of Payments (see *Article 6 of the Guarantor Agreement*) and the Post-Enforcement Priority of Payments and **Priority of Payment** means any of the foregoing

Product Switch..... In respect of a Loan, a variation in the financial terms and conditions applicable to the relevant Borrower's Loan other than:

(a) any variation agreed with a Borrower to control or manage arrears on the Loan;

(b) any variation imposed by statute; or

(c) any change in the repayment method of the Loan

Program..... The global registered covered bond program established by the Bank on the Program Date

Program Agreement..... The program agreement between the Bank, as Issuer, Seller and the Cash Manager, the Guarantor, the Bond Trustee, the Arrangers and the Dealers, dated as of 22 January 2014 (as modified or amended from time to time) and such other agreement or agreements, as the case may be, to the extent then in force, under which the Covered Bonds may from time to time be agreed to be sold by the Bank to, and purchased by, the Dealers

Program Date.....	19 July 2013
Program Resolution	The meaning given on page 208
Program Size.....	CAD100 billion (or its equivalent in other currencies at the date of issue) which may be increased by the Bank and the Guarantor in accordance with the terms of the Program Agreement and applicable regulatory requirements
Prohibited Insurer.....	CMHC, Canada Guaranty Mortgage Insurance Company, Genworth Financial Mortgage Insurance Company of Canada, PMI Mortgage Insurance Company Canada, any other private mortgage insurer recognised by CMHC for purposes of the Covered Bond Legislative Framework or otherwise identified in the *Protection of Residential Mortgage or Hypothecary Insurance Act* (Canada), or any successor to any of them
Proposed Amendments	The meaning given on page 306
Prospectus	The meaning given on the cover page
Purchaser	Any third party or the Seller to whom the Servicer offers to sell Selected Loans pursuant to the Mortgage Sale Agreement and/or the Guarantor Agreement
Put Notice.....	The meaning given in Condition 6.4 (Redemption at the option of the Covered Bondholders (Investor Put))
QIB.....	A "qualified institutional buyer" within the meaning of Rule 144A
Randomly Selected Loans.....	Loans and, if applicable, their Related Security, in the Portfolio, selected in accordance with the terms of the Guarantor Agreement on a basis that (a) would not, or would not reasonably be expected to, adversely affect the interests of the Covered Bondholders, and (b) is not designed to favour the selection of any identifiable class or type or quality of Loans and their Related Security over all the Loans and their Related Security in the Portfolio, except with respect to identifying such Loans and their Related Security as having been acquired by the Guarantor from a particular Seller, if applicable, *provided* that for such purpose, all STEP Loans made to the same STEP Borrower which are owned by the Guarantor shall be considered as a single Loan
Rate of Interest	In respect of a Series of interest-bearing Covered Bonds, the rate of interest payable from time to time in respect of such Covered Bonds determined in

accordance with the Terms and Conditions and the applicable Final Terms Document or Pricing Supplement

Rating Agencies ..... Fitch, Moody's and DBRS each, a **Rating Agency**, in each case for so long as it is rating Covered Bonds, and any other internationally recognised rating agency that may rate the Covered Bonds from time to time

Rating Agency Condition..... With respect to any event or matter, (a) an indication in writing by each of the applicable Rating Agencies (other than Fitch) that the then current ratings of the existing Covered Bonds will not be downgraded or withdrawn as a result of the relevant event or matter, and (b) no less than five Toronto Business Days' prior written notice of such event matter having been given to Fitch (for so long as Fitch is a Rating Agency),

Ratings..... With respect to any entity, a rating or assessment (a) by a Rating Agency in respect of (i) such entity's senior long-term or short-term rating of the unsecured, unsubordinated and ungraduated debt obligations, (ii) short-term depositing rating, or (iii) issuer default rating or (b) by a Rating Agency of the counterparty risk assessment rating of such entity, including the critical obligations rating (in the case of DBRS), the derivative counterparty rating if one is assigned (in the case of Fitch) or the counterparty risk assessment (in the case of Moody's), and in the event such relevant Rating Agency replaces such rating or assessment with a successor rating or assessment that uses a substantially similar methodology for assessing counterparty risk, such successor rating or assessment, in each case as the context requires or permits

Ratings Trigger..... The Account Bank Required Ratings, the Cash Management Deposit Ratings, the Cash Manager Required Ratings, Paying Agent Required Ratings (if applicable), the Pre-Maturity Required Ratings, the Reserve Fund Required Amount Ratings, the Servicer Replacement Ratings and the Swap Agreement Ratings

Receiver..... Any Person or Persons appointed (and any additional Person or Persons appointed or substituted) as (an) administrative receiver(s), receiver, manager, or receiver and manager of the Charged Property by the Bond Trustee pursuant to the Security Agreement following service of a Guarantor Acceleration Notice on the Guarantor

Record Date ..... The meaning given in Condition 5.4 (Payments in respect of Registered Covered Bonds)

Records	With respect to each Loan, all documents and information (other than the Customer File) including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related property and rights, maintained by the Seller or the Servicer with respect to such Loan, the Related Security and the related Borrower
Redeemed Covered Bonds	The meaning given in Condition 6.3 (Redemption at the option of the Issuer (Issuer Call))
Redenomination Date	The meaning given in Condition 5.9 (Definitions)
Reference Bank	In the case of a determination of CDOR, four major Canadian Schedule I chartered banks and, in the case of a determination of EURIBOR, four major banks in the Euro-zone inter-bank market and in the case of a determination of NIBOR, four major banks in the Oslo inter-bank market
Reference Price	In respect of a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms Document or Pricing Supplement
Reference Rate	In respect of Floating Rate Covered Bonds to which Screen Rate Determination applies, the meaning given in the applicable Final Terms Document or Pricing Supplement, in any case based on EURIBOR, NIBOR or another rate consistent with the provisions of the Terms and Conditions
Register	The meaning given on page 191
Registered Covered Bond	A Covered Bond in registered form
Registered Definitive Covered Bond	A Rule 144A Definitive Covered Bond, and/or a Regulation S Definitive Covered Bond, as the context may require
Registered Global Covered Bonds	Global Covered Bonds in registered form, comprising Rule 144A Global Covered Bonds and/or Regulation S Global Covered Bonds
Registered Title Event	The meaning given on page 230
Registrable Transfers	Each transfer, assignment or conveyance in appropriate form that is required to assign the relevant Loan and its Related Security to the relevant purchaser or as the relevant purchaser directs, containing all necessary information (including the mortgage registration number and a legal description of the related Mortgaged Property that complies with local law) and executed as necessary (including witnessed and under seal, if necessary) and accompanied by all

required affidavits and certificates, for registration in the land registry or land titles office for the location where the real property subject thereto is situated or filing under the PPSA, as the case may be

Registrar..... The meaning given on page 150

Regulation S..... The meaning given in Condition 2.7 (Definitions)

Regulation S Definitive Covered Bond..... The meaning given in Condition 2.7 (Definitions)

Regulation S Global Covered Bond..... The meaning given in Condition 2.7 (Definitions)

Regulations..... The meaning given on page 306

Related Retained Loans..... In relation to any STEP Loan owned by the Guarantor, all Other STEP Products and Additional STEP Loans that are not owned by the Guarantor, in either case that are secured by the same STEP Collateral Mortgages and other Related Security as such STEP Loan

Related Security..... With respect to any Loan, subject to subparagraphs (i) and (ii) of this definition in respect of any STEP Loan, all of the Seller's right, title and interest in:

(a) all security interests, hypothecs or liens and property subject thereto from time to time purporting to secure payment of such Loan and all proceeds thereof or realised thereunder, including, without limitation:

(i) the Mortgage and the security interest or hypothec granted to the Seller (or, as applicable, the Originator) by the related Borrower in the related Mortgaged Property as security for or pursuant to such Loan, and all Records related thereto; and

(ii) all legislation PPSA financing statements or other filings relating thereto;

(b) the related Customer File;

(c) all guaranties, indemnities, insurance (other than blanket insurance coverage maintained by the Seller) and other agreements or arrangements of whatever character from time to time supporting or documenting payment of such Loan, which are or should be included in the Customer Files, and all proceeds of the foregoing; and

(d) the proceeds of any claims made under the blanket insurance coverage maintained by the Seller where such proceeds relate to such Loan;

and in relation to a STEP Loan:

as to (a), (b), (c) and (d) above, all of the Seller's right, title and interest therein, *provided* that upon the transfer and/or assignment of which (excluding any such property relating solely to such STEP Loan or any related STEP Loan owned by the Guarantor from time to time) to the Guarantor, the Guarantor will hold (A) an undivided interest in such property for the sole and absolute account and benefit of the Guarantor to the extent of the indebtedness owing under such Loan or any related STEP Loan owned by the Guarantor from time to time, and (B) an undivided interest in such property as agent, nominee and bare trustee for the Seller and/or Other STEP Creditor to the extent of any amounts of indebtedness owing under any Additional STEP Loans and Other STEP Products outstanding under the STEP Plan from time to time, in each case, subject to the applicable priority arrangement described in *Overview of the Principal Documents—Mortgage Sale Agreement—Scotia Total Equity Plan and STEP Loans*; and

notwithstanding (i) above, with respect to STEP Loans secured by a STEP Collateral Mortgage over Mortgaged Property situated in the Province of Québec, as to (a) above, the Guarantor will become a beneficiary of the security interests, hypothecs or liens and property subject thereto from time to time purporting to secure payment of such Loan and all proceeds thereof or realised thereunder, and will become, together with the Seller and any related Other STEP Creditor, a secured party as to any Mortgage and other security interest or hypothec granted by the related Borrower in the related Mortgaged Property as security for or pursuant to such STEP Loan and any STEP Loan or Other STEP Product owned by the Seller or an Other STEP Creditor; provided, however, that at no time the Seller or any Other STEP Creditor shall have a right to be

registered on title with respect to the related Mortgaged Property

Release of Security..... A release of security in the form of Annex M to the CMHC Guide

Relevant Date..... The meaning given in Condition 7 (Taxation)

Relevant Nominating Body..... The meaning given in Condition 4.2(f)

Relevant Screen Page..... In respect of Floating Rate Covered Bonds to which Screen Rate Determination applies, the meaning given in the Final Terms Document or Pricing Supplement

Repurchase Amount..... With respect to a Loan at any time, the sum of the Outstanding Principal Balance of such Loan and all Arrears of Interest and Accrued Interest thereon

Requesting Party..... The meaning given on page 212

Required Redemption Amount..... In respect of a Series of Covered Bonds, the amount calculated as follows:

the Principal Amount Outstanding of the relevant Series of Covered Bonds _____ x [1+ Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/365)]

Reserve Fund..... The reserve fund that the Guarantor will be required to establish in the GDA Account which may be credited with part of an advance from the proceeds of the Intercompany Loan and with Cash Capital Contributions (in each case in the Guarantor's discretion) and the proceeds of Available Revenue Receipts and Available Principal Receipts up to an amount equal to the Reserve Fund Required Amount

Reserve Fund Required Amount..... Nil, unless the Bank's ratings fall below the ratings specified in the Master Definitions and Construction Agreement and then an amount equal to the Canadian Dollar Equivalent of three months' interest due on each Series of Covered Bonds together with an amount equal to three-twelfths of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) of the Pre-Acceleration Revenue Priority of Payments

Reserve Fund Required Amount Ratings..... The threshold ratings of (a) P-1(cr) (in respect of Moody's), (b) R-1 (low) and A (low) (in respect of DBRS; for greater certainty, the ratings from DBRS are only required to be at or above one of such ratings), and (c) F1 or A (in respect of Fitch, provided that, for greater certainty, only one of such ratings from Fitch is required to be at or above such ratings), as applicable, of, in the case of Moody's the short term

counterparty risk assessment, in the case of Fitch, the issuer default ratings, and in the case of DBRS, the unsecured, unsubordinated and unguaranteed debt obligations, in each case, of the Bank by the Rating Agencies

Reserve Ledger ..... The ledger on the GDA Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Available Revenue Receipts and Available Principal Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the Guarantor Agreement

Reset Date..... The meaning given in the Relevant ISDA Definitions

Responsible Persons ..... The meaning given on page 4

Retained Loan..... In relation to any STEP Loan owned by the Guarantor, an Other STEP Product or Additional STEP Loan that is not owned by the Guarantor, in either case that is secured by the same STEP Collateral Mortgage and other Related Security as such STEP Loan

Revenue Ledger ..... The ledger on the GDA Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record credits and debits of Revenue Receipts in accordance with the terms of the Guarantor Agreement

Revenue Receipts..... Any payment received in respect of any Loan, including payments pursuant to any insurance policies and any payment received from the Seller in respect of interest amounts on a Loan (otherwise than in respect of a Loan that has been repurchased by the Seller), whether as all or part of a Monthly Payment in respect of such Loan, on redemption (including partial redemption) of such Loan, on enforcement of such Loan (including the proceeds of sale of the relevant Mortgaged Property) or on the disposal of such Loan or otherwise, which in any such case is not a Principal Receipt in respect of such Loan (but excluding, in respect of any STEP Loan, any such amounts required to be distributed to the Seller or Other STEP Creditor in respect of any Additional STEP Loan having priority over or *pari passu* with such STEP Loans)

Rule 144A..... Rule 144A under the Securities Act

Rule 144A Covered Bond..... A Covered Bond represented by a Rule 144A Global Covered Bond or a Rule 144A Definitive Covered Bond

Rule 144A Definitive Covered Bond.....	A Registered Covered Bond sold in the United States to QIBs in reliance on Rule 144, which is in definitive form
Rule 144A Global Covered Bond.....	A Registered Global Covered Bond representing Covered Bonds sold in the United States to QIBs in reliance on Rule 144A
Rules.....	The rules, regulations and procedures creating and affecting DTC and its operations
SARON.....	The meaning given on page 166
S&P.....	Standard & Poor's Rating Services, a Division of S&P Global Canada Corporation and its successors
Scheduled Interest.....	In relation to a Series of Covered Bonds, an amount equal to the amount in respect of interest which is or would have been due and payable under such Covered Bonds on each Interest Payment Date as specified in Condition 4 (Interest) (but excluding any additional amounts relating to premiums, default interest or interest upon interest (**Excluded Scheduled Interest Amounts**) payable by the Bank following service of an Issuer Acceleration Notice, but including such amounts (whenever the same arose) following service of a Guarantor Acceleration Notice), as if such Covered Bonds had not become due and payable prior to their Final Maturity Date and (if the applicable Final Terms Document or Pricing Supplement specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds) as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date) or, where applicable, after the Final Maturity Date, such other amount of interest as may be specified in the applicable Final Terms Document or Pricing Supplement but not including any additional amounts the Bank would be obliged to pay as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 (Taxation)
Scheduled Payment Date	In relation to payments under the Covered Bond Guarantee in respect of a Series of Covered Bonds, each Interest Payment Date or the Final Maturity Date as if such Covered Bonds had not become due and payable prior to their Final Maturity Date
Scheduled Principal.....	In relation to a Series of Covered Bonds, an amount equal to the amount in respect of principal which is or

would have been due and payable under such Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Conditions 6.1 (Final redemption) and 6.7 (Early Redemption Amounts) (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest (**Excluded Scheduled Principal Amounts**)) payable by the Bank following service of an Issuer Acceleration Notice, but including such amounts (whenever the same arose) following service of a Guarantor Acceleration Notice, as if such Covered Bonds had not become due and payable prior to their Final Maturity Date and (if the Final Terms Document or Pricing Supplement specified that an Extended Due for Payment Date is applicable to such relevant Covered Bonds) as if the maturity date of such Covered Bonds had been the Extended Due for Payment Date

Scotiabank Group ..... The Bank and its Subsidiaries collectively

Screen Rate Determination..... If specified as applicable in the applicable Final Terms Document or Pricing Supplement, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2(b)(ii)

Secured Creditors..... The Bond Trustee (in its own capacity and on behalf of the other Secured Creditors and on behalf of the Covered Bondholders), the Covered Bondholders, the Couponholders, the lender under the Intercompany Loan Agreement, the Seller, the Servicer, the Bond Trustee, the Account Bank, the GDA Provider, the Standby Account Bank, the Standby GDA Provider, the Cash Manager, the Swap Providers, the Agents, the Administrative Agent, any New Secured Creditor and any other Person which becomes a Secured Creditor pursuant to the Security Agreement except, pursuant to the terms of the Guarantor Agreement, to the extent and for so long as such person is a Limited Partner

Securities Act ..... The meaning given on page 2

Security..... The meaning given on page267

Security Agreement..... The meaning given on page 151

Security Sharing Agreement ..... The meaning given in the CMHC Guide

Selected Loan Offer Notice..... A notice from the Guarantor served on the Seller offering to sell Selected Loans for an offer price equal to the amount specified in Schedule 9 of the Guarantor Agreement

Selected Loan Repurchase Notice ..... A notice from the Seller served on the Guarantor accepting an offer set out in a Selected Loan Offer Notice

Selected Loans ..... Loans and their Related Security in the Portfolio to be sold by the Guarantor, pursuant to the terms of the Guarantor Agreement or the Mortgage Sale Agreement, in accordance with Schedule 9 of the Guarantor Agreement

Selection Date..... The meaning given in Condition 6.3 (Redemption at the option of the Issuer (Issuer Call))

Seller ..... The Bank, any New Seller and any Limited Partner

Seller Arranged Policy ..... Any property insurance policy arranged by the Seller for the purposes of the Borrower insuring the Mortgaged Property for an amount equal to the full rebuilding cost of the Mortgaged Property

Series..... The meaning given on page 17

Series Reserved Matter ..... In relation to Covered Bonds of a Series:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds other than in accordance with the terms thereof;

(b) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Covered Bond Guarantee or the Security Agreement (except in a manner determined by the Bond Trustee not to be materially prejudicial to the interests of the Covered Bondholders of any Series or an amendment which is in the sole opinion of the Bond Trustee of a formal, minor or technical nature or 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);

(e) the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Bank, or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash and for the appointment of some Person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the Persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and

(f) alteration of the proviso to paragraph 6 or paragraph 7 of Schedule 5 to the Trust Deed

Servicer..... The Seller in its capacity as Servicer under the Servicing Agreement (and any successor servicer)

Servicer Deposit Threshold Ratings ..... The threshold ratings of (a) a counterparty risk assessment of P-1(cr) by Moody's (b) a deposit rating of F1 short term or A long term, or, if Fitch has not then assigned a deposit rating to the Servicer, an issuer default rating of F1 short-term or A long term, in each case by Fitch; or (c) a rating on its long-term unsecured, unsubordinated and unguaranteed debt obligations of BBB (low) by DBRS; provided, for greater certainty, that in the case of (b), only one of such ratings from Fitch is required to be at or above such ratings.

Servicer Replacement Ratings ..... The meaning given on page 241

Servicer Termination Event	The meaning given on page 241
Servicing Agreement	The servicing agreement made as of the Program Date, as amended by an amending agreement dated 7 February 2018 as between the Servicer, the Seller, the Cash Manager, the Bond Trustee and the Guarantor
SOFR	The meaning given on page 164
SOFR Index……..	The meaning given on page 165
SONIA	The meaning given on page 161
SONIA Compounded Index	The meaning given on page 161
SONIA Reference Rate	The meaning given on page 163
Specified Currency	Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. Dollars, Canadian Dollars and such other currency or currencies as may be agreed from time to time by the Bank, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms Document or Pricing Supplement
Specified Denomination	The meaning given in the applicable Final Terms Document or Pricing Supplement
Specified Time	11:00 a.m. (Brussels time) in the case of a determination of EURIBOR and 11:00 a.m. (Oslo time) in the case of a determination of NIBOR
Stabilizing Manager	If specified as applicable in the applicable Final Terms Document or Pricing Supplement, the stabilizing manager for that Series of Covered Bonds, and any successor stabilizing manager or Person acting on behalf of the stabilizing manager
Standardised Approach	Annex VI (Standardised Approach) to the Capital Requirements Directive (or, after any amendment, variation, enactment or implementation of such Directive, the corresponding Annex)
Standby Account Bank	Canadian Imperial Bank of Commerce, acting through its offices at 11th Floor, 161 Bay Street, Toronto, Ontario, Canada M5J 2S8, in its capacity as standby account bank under the Standby Bank Account Agreement, together with any successor standby account bank
Standby Account Bank Notice.....	Written notice from the Guarantor (or the Cash Manager on its behalf) to the Standby Account Bank stating that the appointment of the Standby Account Bank, under the Standby Bank Account Agreement, is

to become operative and that the Standby GDA Account and the Standby Transaction Account (if indicated in such notice) are to be opened and held with the Standby Account Bank in the name of the Guarantor

Standby Account Bank Required Ratings .... The meaning given on page 266

Standby Bank Account Agreement..... Standby bank account agreement entered into on the Program Date, as amended by an amending agreement dated 7 February 2018 between the Guarantor, the Standby Account Bank, the Standby GDA Provider, the Cash Manager and the Bond Trustee

Standby GDA Account..... The account in the name of the Guarantor held with the Standby Account Bank and maintained subject to the terms of the Standby Guaranteed Deposit Account Contract, the Standby Bank Account Agreement and the Security Agreement or such additional or replacement account as may be in place from time to time

Standby GDA Provider..... Canadian Imperial Bank of Commerce, acting through its offices at 11th Floor, 161 Bay Street, Toronto, Ontario, Canada M5J 2S8, in its capacity as standby GDA provider under the Standby Guaranteed Deposit Account Contract, together with any successor standby GDA provider

Standby GDA Rate..... The variable rate of interest accruing on the balance standing to the credit of the Standby GDA Account being a variable rate at a floor of 0.10 per cent.below the average of the rates per annum for Canadian Dollar bankers' acceptances having a term of 30 days that appears on the Reuters Screen as of 10:00 a.m. (Toronto time) on the date of determination, as reported by the Standby GDA Provider (and if such screen is not available, any successor or similar service as may be selected by the Standby GDA Provider) (calculated on the basis of the actual number of days elapsed and a 365-day year) or such greater amount as the Guarantor (or the Cash Manager on its behalf) and the Standby GDA Provider may agree from time to time

Standby Guaranteed Deposit Account Contract..... Standby guaranteed deposit account contract between the Standby GDA Provider, the Guarantor, the Cash Manager and the Bond Trustee dated the Program Date

Standby Transaction Account..... The account in the name of the Guarantor held with the Standby Account Bank and maintained subject to the terms of the Standby Bank Account Agreement and the Security Agreement or such additional or

replacement account as may be in place from time to time

STEP Account..... A separate and distinct loan or other credit product that is made available by the Seller to a STEP Borrower under the STEP Plan, being a "Mortgage Loan," "Scotia Plan Loan," "ScotiaLine line of credit," "ScotiaLine Visa," and "Overdraft Protection," as such credit products are presently described in the documentation for STEP Plans at the date hereof and such credit products as they may be differently described under the documentation for STEP Plans after the date hereof, but having the same priorities and otherwise substantially the same attributes as those previously described in this definition

STEP Borrower ..... The Borrower under a STEP Loan

STEP Collateral Mortgage ..... In respect of a STEP Loan, the Mortgage that secures the outstanding indebtedness owing in respect of outstanding STEP Accounts extended by the Seller to the same STEP Borrower

STEP Loan..... Each Loan that is a STEP Account and described in the documentation for STEP Plans at the date hereof as a "Mortgage Loan" (including a STEP Account under a successor description from time to time where the STEP Account under such successor description has the same priority and in all other respects has substantially the same attributes as a "Mortgage Loan" possesses under the documentation presently used in STEP Plans at the date hereof), which is made by the Seller to a STEP Borrower and is subject to the STEP Plan from time to time, and includes the First STEP Loan and each Additional STEP Loan advanced to such Borrower

STEP Plan..... With respect to any Borrower, the umbrella agreement with the Seller for the provision of multiple secured credit products, which is currently marketed as the Scotia Total Equity Plan

Sterling LIBOR ..... LIBOR for sterling deposits having the relevant maturity

sub-unit..... The meaning given on page 189

Subsidiary ..... Any company which is for the time being a subsidiary (within the meaning of Section 2 of the Bank Act)

Substitute Assets..... The classes and types of assets from time to time eligible under the Legislative Framework and the CMHC Guide to collateralise covered bonds which include the following: (a) securities issued by the

Government of Canada; and (b) repos of Government of Canada securities having terms acceptable to CMHC, *provided* that the total exposure to Substitute Assets shall not exceed 10 per cent. of the aggregate value of: (x) the aggregate loan balance of the Loans in the Portfolio; (y) the face value of any Substitute Assets; and (z) cash balances held by the Guarantor (subject to the Prescribed Cash Limitation),

in each case, *provided* that:

such exposures will have certain minimum long-term and short-term ratings from the Rating Agencies, as specified by such Rating Agencies from time to time;

the maximum aggregate total exposures in general to classes of assets with certain ratings by the Rating Agencies will, if specified by the Rating Agencies, be limited to the maximum percentages specified by such Rating Agencies; and

in respect of investments of Available Revenue Receipts in such classes and types of assets, the Interest Rate Swap Provider has given its consent to investments in such classes and types of assets

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

(a) the short-term counterparty risk assessment or the long-term counterparty risk assessment of the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, ceases to be at least P-2(cr) or A3(cr), respectively, by

Moody's (provided that, for greater certainty, if the Interest Rate Swap Provider, the Covered Bond Swap Provider, or any credit support provider, as applicable, has one of such ratings from Moody`s, a Subsequent Downgrade Trigger Event will not occur), or

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

or any credit support provider, as applicable, has one of such ratings from Fitch, a Subsequent Downgrade Trigger Event will not occur), or

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

Successor Rate ..... The meaning given in Condition 4.2(f)

Superintendent ..... The meaning given on page 79

Supplemental Agency Agreement..... The supplemental agency agreement dated as of 6 October 2022 in respect of Australian Covered Bonds made between the Issuer and BTA Institutional Services Australia Limited and the assignment and assumption agreement dated as of 14 April 2023, whereby the Australian Agent agreed to assume the appointment 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

Swap Agreement Ratings..... The "Minimum Ratings" and "Subsequent Ratings" by the Rating Agencies, as applicable, as such terms are defined in the Covered Bond Swap Agreement and the Interest Rate Swap Agreement

Swap Agreements ..... The Covered Bond Swap Agreement together with the Interest Rate Swap Agreement, and each a **Swap Agreement**

Swap Collateral ..... At any time, any asset (including cash and/or securities) that is paid or transferred by a Swap Provider to the Guarantor as collateral in respect of the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed

Swap Collateral Available Amounts..... At any time, the amount of Swap Collateral which under the terms of the relevant Swap Agreement may be applied at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor to the extent that such obligations relate to payments to be made in connection with the Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments or the Guarantee Priority of Payments

Swap Collateral Excluded Amounts..... At any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor, including Swap Collateral which is to be returned to the relevant Swap Provider upon termination of the relevant Swap Agreement

Swap Provider Default..... The occurrence of an Event of Default (or Termination Event) (each as defined in each of the Swap Agreements) where the relevant Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in relevant Swap Agreement), as applicable, other than a Swap Provider Downgrade Event

Swap Provider Downgrade Event..... The occurrence of an Additional Termination Event (as defined in the relevant Swap Agreement) following a failure by a Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement

Swap Providers..... The Covered Bond Swap Provider and the Interest Rate Swap Provider, and each a **Swap Provider**

T2 ..... The meaning given on page 189

T2 Business Day..... The meaning given on page 170

Talons ..... The meaning given on page 189

Tax Credit ..... The meaning given in the relevant Swap Agreement

Taxes..... All present and future taxes, levies, imposts, duties (other than stamp duty), fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including, without limitation, income tax, corporation tax, goods and services tax or other tax in respect of added value and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency

together with any penalties, fines or interest thereon, and **Tax** and **Taxation** will be construed accordingly

TEFRA ..... *United States Tax Equity and Fiscal Responsibility Act of 1982*

Temporary Global Covered Bond ..... The meaning given on page 107

Terms and Conditions or **Conditions**..... The terms and conditions of the Covered Bonds as set out herein

Third Party Amounts..... Each of:

(a) payments of insurance premiums, if any, due to an insurer in respect of the Seller Arranged Policy to the extent not paid or payable by the Seller;

(b) amounts under an unpaid direct debit which are repaid by the Seller to the issuer making such payment if such issuer is unable to recoup that amount itself from its customer's account; and

(c) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the Guarantor,

which amounts will be paid on receipt by the Guarantor to the Seller from funds on deposit in the GDA Account, with the Seller paying such amounts to the relevant third party

Title Registration Agreement..... The meaning given on page 219

Toronto Business Day ..... A day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Toronto

Total Credit Commitment..... The combined aggregate amount available to be drawn by the Guarantor under the terms of the Intercompany Loan Agreement, subject to increase and decrease in accordance with the terms of the Intercompany Loan Agreement, which amount is currently $110,000,000,000

Tranche ..... The meaning given on page 151

Transaction Account..... The account in the name of the Guarantor held with the Account Bank and maintained subject to the terms of the Bank Account Agreement and the Security Agreement or such additional or replacement account

as may for the time being be in place with the prior consent of the Bond Trustee and designated as such

Transaction Documents ..... The following documents: (a) the Trust Deed (which includes the Covered Bond Guarantee and true form of the Global Covered Bonds, the Definitive Covered Bonds, the coupons and the talons); (b) the Security Agreement (and any documents entered into pursuant to the Security Agreement); (c) the Mortgage Sale Agreement and, if applicable, any New Mortgage Sale Agreement entered into from time to time; (d) the Servicing Agreement; (e) the Guarantor Agreement; (f) the Intercompany Loan Agreement; (g) the Interest Rate Swap Agreement; (h) the Covered Bond Swap Agreement; (i) the Cover Pool Monitor Agreement; (j) the Cash Management Agreement; (k) the Guaranteed Deposit Account Contract; (l) the Standby Guaranteed Deposit Account Contract; (m) the Bank Account Agreement; (n) the Standby Bank Account Agreement; (o) the Agency Agreement; (p) the Program Agreement; (q) the Master Definitions and Construction Agreement; (r) any Security Sharing Agreement entered into by the Guarantor; (s) the Australian Deed Poll; and (t) the Title Registration Agreement

Transfer Agent..... The meaning given on page 150

Transfer Date..... Each of the First Transfer Date and each other date on which a Loan and its Related Security is sold by the Seller to the Guarantor in accordance with the terms of the Mortgage Sale Agreement

Treaty ..... The meaning given in Condition 5.9 (Definitions)

Trust Deed..... The meaning given on page 150

UK..... United Kingdom

UK CRA Regulation..... The meaning given on page 2

UK MiFIR ..... Regulation (EU) No 600/2014 (as amended) as it forms part of the domestic law of the UK by virtue of the EUWA

UK MiFIR Product Goverance..... The meaning given on page 4

UK Prospectus Regulation..... The meaning given on cover page

Valuation Report ..... The valuation report or reports for mortgage purposes, obtained by the Seller or, as applicable, the Originator in respect of each Mortgaged Property, or a valuation report in respect of a valuation of a Mortgaged Property made using a methodology that would be

	acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market and which has been approved by the relevant officers of the Seller or, as applicable, the Originator
Zero Coupon Covered Bonds	Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest

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