

## 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)**

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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 and you may not, nor are you authorized to, deliver this prospectus to any other person. By accepting this email and accessing the prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the prospectus by electronic transmission and (c) you are either (i) not a U.S. person (within the meaning of Regulation S) or acting for the account or benefit of a U.S. person and the electronic 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 in reliance upon Rule 144A under the Securities Act or (iii) an institutional accredited investor within the meaning of Rule 501(a)(1),(2),(3) or (7) 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/or (ii) is a high net worth entity falling within Article 49(2)(a) to (e) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Canadian Imperial Bank of Commerce (the **Bank**), Canadian Imperial Bank of Commerce, London Branch (**CIBC**), The Royal Bank of Scotland plc (**RBS**) (nor any person who controls it nor any director, officer, employee nor agent of it or 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 CIBC or RBS.



## CANADIAN IMPERIAL BANK OF COMMERCE

(a Canadian chartered bank)

€10,000,000,000

### Global Public Sector Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments by

**CIBC COVERED BOND GUARANTOR LIMITED PARTNERSHIP**

(a limited partnership formed under the laws of Ontario)

Under this €10 billion global public sector Covered Bond programme (the “**Programme**”), Canadian Imperial Bank of Commerce (the “**Issuer**” or the “**Bank**”) may from time to time issue Covered Bonds denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined elsewhere in this Prospectus).

CIBC Covered Bond Guarantor Limited Partnership (the “**Guarantor**”) has agreed to guarantee payments of interest and principal under the Covered Bonds pursuant to a direct and, following the occurrence of a Covered Bond Guarantee Activation Event (as defined elsewhere in this Prospectus), unconditional and irrevocable guarantee (the “**Covered Bond Guarantee**”) which is secured by the assets of the Guarantor, including the Covered Bond Portfolio (as defined elsewhere in this Prospectus). Recourse against the Guarantor under the Covered Bond Guarantee is limited to the aforementioned assets and the Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

The Covered Bonds may be issued in registered or bearer form. The maximum aggregate nominal amount of all Covered Bonds outstanding at any one time under the Programme will not exceed €10 billion (or its equivalent in other currencies calculated as described in the Dealership Agreement described herein) subject to any increase as described herein. The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer or Dealers at the time of issue in accordance with prevailing market conditions. **An investment in Covered Bonds issued under the Programme involves certain risks. See “Risk Factors” for a discussion of certain risk factors to be considered in connection with an investment in the Covered Bonds.**

Unless otherwise specified in the applicable Final Terms, the head office of the Bank in Toronto will take the deposits evidenced by the Covered Bonds but without prejudice to the provisions of Condition 9 (see “*Terms and Conditions of the Covered Bonds—Payments*”). Subject to certain conditions being met, the Bank may also issue Covered Bonds through its London branch or any other branch specified in the applicable Final Terms.

Applications have been made to the Financial Services Authority (the “**UK Listing Authority**”) in its capacity as competent authority under the *Financial Services and Markets Act 2000*, as amended (the “**FSMA**”) for covered bonds (the “**Covered Bonds**”) issued under the Programme described in this Prospectus during the period of twelve months after the date hereof to be admitted to the official list of the UK Listing Authority (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 London Stock Exchange’s Regulated Market (the “**Market**”) and on the London Stock Exchange’s Professional Securities Market (the “**PSM**”). The Market is a sub-division of a regulated market for the purposes of Directive 2004/39/EC (the “**Markets in Financial Instruments Directive**”). The PSM is not a regulated market for the purposes of the Markets in Financial Instruments Directive.

In the case of any Covered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Directive 2003/71/EC (the “**Prospectus Directive**”, which term includes any relevant implementing measures in the United Kingdom), the minimum denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Covered Bonds).

The Covered Bonds and the related Covered Bond Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except 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* and (ii) either to (a) qualified institutional buyers in reliance upon Rule 144A under the *Securities Act* or (b) institutional accredited investors within the meaning of Rule 501(a)(1), (2), (3) or (7) under the *Securities Act*. See “*Form of the Covered Bonds*” for a description of the manner in which Covered Bonds will be issued. Registered Covered Bonds are subject to certain restrictions on transfer: see “*Subscription and Sale and Transfer and Selling Restrictions*”. Covered Bonds are subject to U.S. tax law requirements.

Covered Bonds issued under the Programme are expected on issue to be assigned an “AAA” rating by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“**S&P**”), an “Aaa” by Moody’s Investors Service Inc. (“**Moody’s**”), an “AAA” by Fitch, Inc. (“**Fitch**”) and an “AAA” by DBRS Limited (“**DBRS**”) unless otherwise specified in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning agency and each rating should be evaluated independently of any other.

#### Arrangers for the Programme

RBS

CIBC

#### Dealers

RBS

CIBC

BofA Merrill Lynch

COMMERZBANK

HSBC

J.P. Morgan

or such other Dealers as may be appointed from time to time pursuant to the Dealership Agreement

“Prospectus” means this document along with all documents incorporated by reference herein.

This Prospectus together with all the documents incorporated by reference herein, other than those set out in paragraphs (h) to (k) on page 42, (such documents collectively, the “Incorporated Documents”) comprises (i) a base prospectus (the “Base Prospectus”) for the purposes of Article 5.4 of the Prospectus Directive and (ii) listing particulars (“Listing Particulars”) for the purpose of LR 2.2.11 of the Listing Rules Instrument 2005. References to Base Prospectus herein include the Listing Particulars unless the context otherwise requires.

This document supersedes the Prospectus of the Issuer dated 25 September 2009, except that Covered Bonds issued on or after the date of this document which are to be consolidated and form a single series with Covered Bonds issued prior to the date hereof will be subject to the Conditions of the Covered Bonds applicable on the date of issue for the first tranche of Covered Bonds of such series.

Copies of Final Terms for Covered Bonds that are offered to the public in the European Economic Area or admitted to trading on a regulated market in the EEA in circumstances requiring publication of a prospectus in accordance with the Prospectus Directive or admitted to trading on the PSM (i) can be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of the Issuer and the headline “Publication of Prospectus” and (ii) will be available without charge from the Issuer at Commerce Court, 199 Bay Street, Toronto, Ontario, Canada M5L 1A2, Attention: Investor Relations and the specified office of each Paying Agent set out at the end of this Prospectus, see “*Terms and Conditions of the Covered Bonds*”.

The Issuer and the Guarantor accept responsibility for the information in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus should be read and construed with any amendment or supplement hereto and with any other documents which are deemed to be incorporated herein or therein by reference and shall be read and construed on the basis that such documents are so incorporated and form part of the Prospectus (but not the Base Prospectus or Listing Particulars, save for the Incorporated Documents and any supplementary prospectus approved by the UK Listing Authority and the documents specifically incorporated by reference therein). Any reference in this document to Base Prospectus means this document together with the Incorporated Documents, any supplementary prospectus approved by the UK Listing Authority and any documents specifically incorporated by reference therein. In relation to any Tranche or Series (as such terms are defined herein) of Covered Bonds, this Prospectus shall also be read and construed together with the applicable Final Terms.

No person has been authorized by the Issuer, the Guarantor, the Bond Trustee, the Arrangers or any of the Dealers to give any information or to make any representation not contained in or not consistent with this Prospectus or any amendment or supplement hereto or any document incorporated herein or therein by reference or entered into in relation to the Programme or any information supplied by the Issuer or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorized by the Issuer, the Guarantor, the Arrangers, any Dealer or the Bond Trustee.

No representation or warranty is made or implied by the Arrangers or the Dealers or any of their respective affiliates, and neither the Arrangers nor the Dealers nor any of their respective affiliates make any representation or warranty or accept any responsibility or any liability, as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus and any other information provided by the Issuer and the Guarantor in connection with the Programme. None of the Arrangers, the Dealers nor the Bond Trustee accepts any responsibility or liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer and the Guarantor in connection with the Programme. Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Covered Bond shall, in any circumstances, create any implication that the information contained or incorporated by reference herein is true subsequent to the date hereof, the date indicated on such document incorporated by reference herein or the date upon which this Prospectus has been most recently amended or supplemented or that

there has been no adverse change in the financial situation of the Issuer or the Guarantor since the date hereof, the date indicated on such document incorporated by reference herein or, as the case may be, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of this Prospectus nor any Final Terms nor any financial statements nor any further information supplied in connection with the Programme constitutes an offer or an invitation to subscribe for or purchase any Covered Bonds, nor are they intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor, the Arrangers, the Dealers, the Bond Trustee or any of them that any recipient of this Prospectus, any supplement hereto, any information incorporated by reference herein or therein, any other information provided in connection with the Programme and, in respect to each Tranche of Covered Bonds, the applicable Final Terms, should subscribe for or purchase any Covered Bond. Each investor contemplating purchasing Covered Bonds should determine for itself the relevance of the information contained or incorporated by reference in this Prospectus, should make its own independent investigation of the condition (financial or otherwise) and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor and should consult its own legal and financial advisors prior to subscribing for or purchasing any of the Covered Bonds. Each investor's or purchaser's purchase of Covered Bonds should be based upon such investigation as it deems necessary. Potential purchasers cannot rely, and are not entitled to rely, on the Arrangers, the Dealers or the Bond Trustee in connection with their investigation of the accuracy of any information or their decision whether to subscribe for, purchase or invest in the Covered Bonds. None of the Arrangers, the Dealers or the Bond Trustee undertakes any obligation to advise any investor or potential investor in or purchaser of the Covered Bonds of any information coming to the attention of any of the Arrangers, the Dealers or the Bond Trustee, as the case may be.

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. In particular, no action has been taken by the Issuer or the Guarantor or the Arrangers or the Dealers which would permit a public offering of the Covered Bonds or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Covered Bonds may not 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 the Prospectus Directive and any other applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuer, the Guarantor, the Bond Trustee, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of the Prospectus or any Final Terms and other offering material relating to the Covered Bonds in Canada, the United States, the EEA (including the United Kingdom, France and Italy), Hong Kong and Japan, see "*Subscription and Sale and Transfer and Selling Restrictions*" below. Neither this Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

This Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly, any person making or intending to make an offer in that Relevant Member State of Covered Bonds which are the subject of an offering contemplated in this Prospectus as completed by Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, the Guarantor, the Bond Trustee, the Arrangers or any Dealer has authorized, nor do they authorize, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The Prospectus has not been submitted for clearance to the *Autorité des marchés financiers* in France.

All references in this Prospectus to “U.S.\$”, “U.S. dollars”, “USD” or “United States dollars” are to the currency of the United States of America, to “\$”, “C\$”, “CAD” or “Canadian dollars” are to the currency of Canada and 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 establishing the European Community, as amended. In the documents incorporated by reference in this Prospectus, unless otherwise specified herein or the context otherwise requires, references to “\$” are to Canadian dollars.

All references in this Prospectus to the “European Economic Area” or “EEA” are to the Member States of the European Union together with Iceland, Norway and Liechtenstein.

All references to “Condition(s)” are to the conditions described in the Prospectus under “*Terms and Conditions of the Covered Bonds*”.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF COVERED BONDS UNDER THE PROGRAMME, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT COVERED BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE COVERED BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) WILL UNDERTAKE STABILISATION ACTIVITIES. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF THE COVERED BONDS IS MADE AND, IF BEGUN, MAY BE ENDED 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 THE COVERED BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Investors whose investment authority is subject to legal restrictions should consult their legal advisors to determine whether and to what extent the Covered Bonds constitute legal investments for them. See “*Risk Factors—Legal investment considerations may restrict certain investments*”.

## U.S. INFORMATION

The Covered Bonds have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”) or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

This Prospectus is being provided on a confidential basis in the United States to a limited number of “qualified institutional buyers” within the meaning of Rule 144A under the *Securities Act* (“QIBs”) or institutional “accredited investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the *Securities Act* (“**Institutional Accredited Investors**”) 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 authorized. 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 submitted.

Registered Covered Bonds may be offered or sold within the United States only to QIBs or Institutional Accredited Investors, in either case in transactions exempt from registration under the *Securities Act*. Each U.S. purchaser of Registered Covered Bonds is hereby notified that the offer and sale of any Registered Covered Bonds to it may be made in reliance upon the exemption from the registration requirements of the *Securities Act* provided by Rule 144A under the *Securities Act* or Section 4(2) of the *Securities Act*. Purchasers of Definitive IAI Registered Covered Bonds will be required to execute and deliver an IAI Investment Letter. Each purchaser or holder of Definitive IAI Registered Covered Bonds, Covered Bonds represented by a Rule 144A Global Covered Bond or any Covered Bonds issued in registered

form in exchange or substitution therefor (together “**Legended Covered Bonds**”) will be deemed, by its acceptance or purchase of any such Legended Covered Bonds, to have made certain representations and agreements intended to restrict the resale or other transfer of such Covered Bonds as set out in “*Subscription and Sale and Transfer and Selling Restrictions*”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Form of the Covered Bonds*” and “*Subscription and Sale and Transfer and Selling Restrictions*”.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

#### **AVAILABLE INFORMATION**

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are “restricted securities” as defined in Rule 144(a)(3) under the *Securities Act*, the Issuer has 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 him, the information required to be delivered under Rule 144A(d)(4) under the *Securities Act* if, at the time of request, the Issuer is neither subject to reporting under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “*Exchange Act*”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

By requesting copies of any of the documents referred to herein, each potential purchaser agrees to keep confidential the various documents and all written information clearly labelled “Confidential” which from time to time have been or will be disclosed to it concerning the Guarantor or the Issuer or any of their affiliates, and agrees not to disclose any portion of the same to any person.

Notwithstanding anything herein to the contrary, investors (and each employee, representative or other agent of the investors) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such tax treatment and tax structure (as such terms are defined in Treasury Regulation Section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions between the Issuer, the Guarantor, the Dealers or their respective representatives and a prospective investor regarding the transactions contemplated herein.

#### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

From time to time, the Issuer and or the Guarantor make written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Such statements are made in this Prospectus and in the documents incorporated by reference in this Prospectus. These forward-looking statements include, among others, statements with respect to the Issuer’s medium-term and 2010 objectives, and strategies to achieve those objectives, as well as statements with respect to the Issuer’s beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words “may,” “could,” “should,” “would,” “suspect,” “outlook,” “believe,” “plan,” “anticipate,” “estimate,” “expect,” “intend,” “forecast,” “objective,” “opportunity” and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these statements as a number of important factors could cause actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include credit, market, operational and other risks identified and discussed under the “Risk management” section of the Issuer’s management’s discussion and analysis incorporated by reference herein; general business and economic conditions in Canada, the United States and other countries in which the Issuer and the Guarantor conduct business, including the impact from the continuing volatility in the financial markets and lack of liquidity in the financial markets; the impact of the movement of the Canadian dollar relative to other currencies, particularly the U.S. dollar and United Kingdom pound; the effects of changes in government monetary and other policies; the effects of competition in the markets in which the Issuer and the Guarantor operate; the impact of changes in laws and regulations including tax laws; judicial or regulatory judgments and legal proceedings; the accuracy and completeness of information concerning the clients and counterparties of the Issuer and the Guarantor; successful execution of strategy; ability to complete and integrate strategic acquisitions and joint ventures successfully; changes in accounting standards, policies and estimates, including changes in estimates of provisions and allowances; and the ability to attract and retain key employees and executives. Other factors that may affect future results include: the timely and successful development of new products and services; the successful expansion and new development of distribution channels and realizing increased revenue from these channels; global capital markets activity; technological changes and reliance on third parties to provide components of the Issuer’s and the Guarantor’s business infrastructure; fraud by internal or external parties; unexpected changes in consumer spending and saving habits; the possible impact on the Issuer’s business from disease or illness that affects local, national or global economies; disruptions to public infrastructure, including transportation, communication, power and water; the possible impact on the Issuer’s and the Guarantor’s businesses of international conflicts and other political developments including those relating to the war on terrorism; and success in anticipating and managing the associated risks. Readers are cautioned that the foregoing list of important factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Issuer and the Guarantor, investors, purchasers and others should carefully consider the foregoing factors and other uncertainties and potential events. None of the Issuer, the Guarantor, the Dealers, the Bond Trustee or any other person undertakes to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Issuer or the Guarantor.

Additional information about these factors can be found under “**Risk Factors**” and the discussion and analysis of the Issuer’s management pertaining to risk factors incorporated by reference herein (see “**Documents Incorporated by Reference**”).

#### **LIMITATIONS ON ENFORCEMENT OF U.S. LAWS AGAINST THE ISSUER, ITS MANAGEMENT AND OTHERS**

The Bank is a Canadian chartered bank. Many of its directors and executive officers and some of the experts named in this document, are resident outside the United States, and a substantial portion of its assets and all or a substantial portion of the assets of such persons are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons to enforce against them judgments of the courts of the United States predicated upon, among other things, the civil liability provisions of the federal securities laws of the United States. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, among other things, civil liabilities predicated upon such securities laws.

The Bank has been advised by its Canadian counsel, McCarthy Tétrault LLP, that a judgment of a United States court predicated solely upon civil liability of a compensatory nature under such laws would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Bank has also been advised by such counsel, however, that there is some residual doubt whether an original action could be brought successfully in Canada predicated solely upon such civil liabilities.

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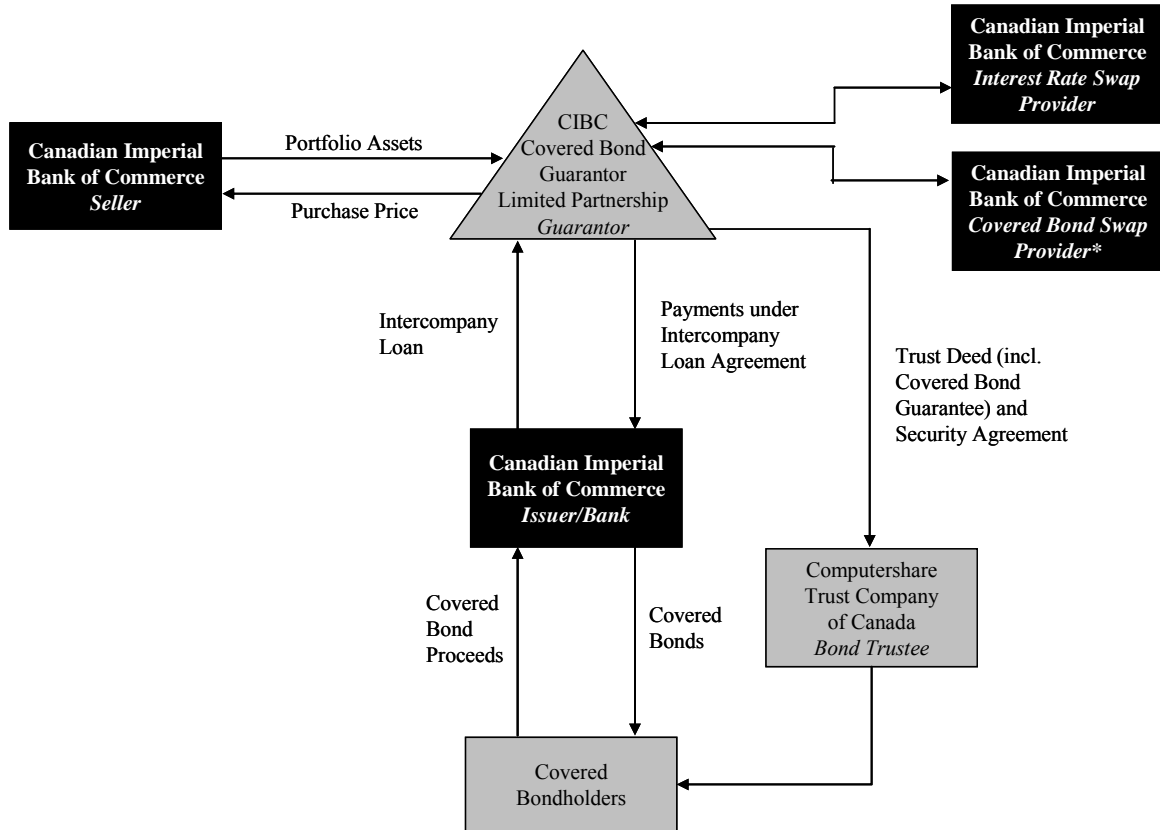
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## STRUCTURE OVERVIEW

*The information in this section is an overview of the structure relating to the Programme and does not purport to be complete. The information is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Words and expressions defined below shall have the same meanings in this summary. A glossary of certain defined terms used in the Prospectus is contained at the end of this Prospectus.*

### Structure Diagram



\* Cashflows under the Covered Bond Swap Agreement will be exchanged only after the occurrence of a Covered Bond Guarantee Activation Event.

### Structure Overview

- **Programme:** Under the terms of the Programme, the Issuer will issue Covered Bonds on each Issue Date. The Covered Bonds will be direct, unsecured and unconditional obligations of the Issuer. The Covered Bonds will be treated as deposits under the Bank Act; however the Covered Bonds will not be deposits insured under the *Canada Deposit Insurance Corporation Act* (Canada).
- **Covered Bond Guarantee:** The Guarantor has provided a direct and, following the occurrence of a Covered Bond Guarantee Activation Event, unconditional and irrevocable guarantee as to payments of interest and principal under the Covered Bonds when such amounts become Due for Payment where such amounts would otherwise be unpaid by the Issuer. Upon the occurrence of a Covered Bond Guarantee Activation Event, the Covered Bonds will become immediately due and payable as against the Issuer and, where that Covered Bond Guarantee Activation Event is the

service of a Guarantor Acceleration Notice on the Guarantor, the Guarantor's obligations under the Covered Bond Guarantee will also be accelerated. Payments by the Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the Priorities of Payment.

- *Security*: The Guarantor's obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party are secured by a first ranking security interest over the present and future acquired assets of the Guarantor (which consist principally of the Guarantor's interest in the Covered Bond Portfolio, the Substitute Assets, the Authorized Investments, the Transaction Documents to which it is a party, funds being held for the account of the Guarantor by its service providers and funds in the Guarantor Accounts) in favour of the Bond Trustee (for itself and on behalf of the Secured Creditors) pursuant to the Security Agreement.
- *Covered Bond Portfolio*: The Initial Covered Bond Portfolio consisted solely of Loans originated by the Seller and subsidiaries of the Seller (each such subsidiary, an "**Originator**") that are secured by Canadian first lien residential mortgages ("**CMHC Insured Mortgages**") and insured under CMHC Mortgage Insurance as to principal and interest by Canada Mortgage and Housing Corporation ("**CMHC**") under the *National Housing Act* (Canada) ("**NHA**"). The Loans originated by the Originators have been originated on behalf of the Seller and the applicable Originator holds registered title to the related Mortgages and any applicable Related Security on behalf of the Seller. The Loans will be serviced by the Bank pursuant to the terms of the Servicing Agreement (see "*Summary of the Principal Documents—Servicing Agreement*"). The Bank, as a CMHC Approved Lender, has agreed to exercise reasonable care and prudence in the making of the Loans, in the administration of the Loans, in the collection of the repayment of the Loans and in the protection of the security for each Loan.

In addition to the CMHC Insured Loans and Related Security included or to be included in the Covered Bond Portfolio, the Covered Bond Portfolio may contain securities ("**NHA MBS**") evidencing ownership rights of undivided shares of pools of CMHC Insured Loans (each an "**NHA Pool**") originated by the Seller or an Originator. NHA MBS are fully guaranteed as to timely payment of principal and interest by CMHC pursuant to the powers given to CMHC under the NHA. The CMHC Insured Loans to be included in an NHA Pool are Loans which would satisfy the applicable Eligibility Criteria for Loans and the Loan Representations and Warranties at the relevant time. Any NHA MBS being acquired by the Guarantor are required to be issued by the Seller, as an approved issuer under the CMHC NHA MBS Program, and constitute all of the ownership interests in the applicable NHA Pools of CMHC Insured Loans. NHA MBS have been sold by the Seller to the Guarantor for inclusion in the Covered Bond Portfolio.

CMHC is Canada's national housing agency, and is a Canadian federal Crown corporation, wholly owned by the Government of Canada. CMHC's obligations are those of Her Majesty The Queen in Right of Canada and as such carry the full faith and credit of the Government of Canada. CMHC derives its authorities from the *Canada Mortgage and Housing Corporation Act* (Canada), the NHA and, as a federal Crown corporation, the *Financial Administration Act* (Canada). CMHC insures the payment of principal and interest on first mortgage loans on private residential properties in Canada on and subject to the terms and conditions of the applicable CMHC Mortgage Insurance, and guarantees the timely payment of principal and interest on NHA MBS. As of the date hereof, CMHC Insured Loans and NHA MBS are considered zero per cent credit risk weighted by the Canadian banking regulator, the Office of the Superintendent of Financial Institutions ("**OSFI**").

- *Intercompany Loan Agreement*: Under the terms of the Intercompany Loan Agreement, the Bank has made available to the Guarantor an interest-bearing Intercompany Loan, comprised of a Guarantee Loan and a revolving Demand Loan in an initial combined aggregate amount equal to the Total Credit Commitment. 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 the floating rate under the Interest Rate Swap Agreement less the sum of a minimum spread and an amount for certain expenses of the Guarantor. The balance 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. The Guarantee Loan is a drawn amount equal to the balance of outstanding Covered Bonds at any relevant time plus that portion of the Covered Bond Portfolio required to collateralize the Covered Bonds to ensure that the Asset Coverage Test is met at all times (see "*Summary of the Principal Documents—Guarantor Agreement—Asset Coverage Test*"). 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 any undrawn committed amount 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. Unless otherwise agreed by the Bank and subject to Rating Agency Confirmation, 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 Covered Bond 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 New Loans and their Related Security and/or NHA MBS 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 on the Guarantor, subject to a Demand Loan Repayment Event having occurred (see below in respect of the repayment of the Demand Loan in such circumstance) and the Asset Coverage Test being met on the date of repayment after giving effect to such repayment.

Following the occurrence of a Demand Loan Repayment Event, the Guarantor will 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 such Demand Loan Repayment Event. Following such Demand Loan Repayment Event, the Guarantor will be required to repay the then outstanding Demand Loan on the date on which the Asset Percentage is next calculated. Repayment of any amount outstanding under the Demand Loan will be subject to the Asset Coverage Test being met on the date of repayment after giving effect to such repayment.

The Guarantor may repay the principal on the Demand Loan in accordance with the Priorities of Payment and the terms of the Intercompany Loan Agreement, using (i) funds being held for the account of the Guarantor by its service providers and/or funds in the Guarantor Accounts (other than any amount standing to the credit of the Pre-Maturity Liquidity Ledger); and/or (ii) proceeds from the sale of Substitute Assets and/or Authorized Investments, as the case may be; and/or (iii) proceeds from the sale of Portfolio Assets to the Seller or to another person subject to a right of pre-emption on the part of the Seller.

The Guarantor will be entitled to set off amounts paid by the Guarantor under the Covered Bond Guarantee against amounts owing by it to the Bank under the Intercompany Loan Agreement.

For greater certainty, payments due by the Issuer under the Covered Bonds are not conditional upon receipt by the Issuer of payments in respect of the Intercompany Loan.

- *Proceeds of the Intercompany Loan:* The Guarantor used the initial advance of proceeds from the Intercompany Loan to purchase the Initial Covered Bond Portfolio consisting of Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement and, following the initial advance, has used additional advances and may use subsequent additional advances (i) to purchase New Loans and their Related Security and/or NHA MBS for the Covered Bond Portfolio 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; 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 (to an amount not exceeding the prescribed limit) and the Pre-Maturity Liquidity Ledger) and make investments in Authorized Investments.
- *Consideration:* Under the terms of the Mortgage Sale Agreement, the Seller sold the Initial Covered Bond Portfolio and may, from time to time, sell New Loans and their Related Security to the Guarantor on a fully-serviced basis and/or NHA MBS in exchange for cash consideration equal to the fair market value of such Loans and/or NHA MBS at the relevant Transfer Date. The Limited Partner may also make Capital Contributions of New Loans and their Related Security on a fully-serviced basis and/or NHA MBS in exchange for an additional interest in the capital of the Guarantor.

- *Cashflows*: At any time there is no Asset Coverage Test Breach Notice outstanding and no Covered Bond Guarantee Activation Event has occurred, the Guarantor will:
  - apply Available Revenue Receipts to (i) pay interest due on the Intercompany Loan; and (ii) make Capital Distributions to the Limited Partner. However, these payments will only be made in accordance with, and after payment of certain items ranking higher in, the Pre-Acceleration Revenue Priority of Payments (including, but not limited to certain expenses and amounts, if any, due to the Interest Rate Swap Provider and the Covered Bond Swap Provider); and
  - apply Available Principal Receipts to (i) fund the Pre-Maturity Liquidity Ledger in respect of any liquidity that may be required in respect of Hard Bullet Covered Bonds following any breach of the Pre-Maturity Test; (ii) acquire New Loans and their Related Security and/or NHA MBS; (iii) pay principal amounts outstanding on the Intercompany Loan; and (iv) make Capital Distributions to the Limited Partner. However, these payments will only be made in accordance with, and after payment of certain items ranking higher in, the Pre-Acceleration Principal Priority of Payments.

For further details of the Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments, see “*Cashflows*” below.

While an Asset Coverage Test Breach Notice is outstanding but prior to a Covered Bond Guarantee Activation Event having occurred, the Guarantor will continue to apply Available Revenue Receipts and Available Principal Receipts as described above, except that, while any Covered Bonds remain outstanding:

- in respect of Available Revenue Receipts, no further amounts will be paid to the Issuer under the Intercompany Loan Agreement, towards any indemnity amount due to any of the Partners under the Guarantor Agreement or towards any Capital Distributions (but payments will, for the avoidance of doubt, continue to be made under the relevant Swap Agreements); and
- in respect of Available Principal Receipts, no payments will be made other than into the GIC Account and, as required, credited to the Pre-Maturity Liquidity Ledger (see “*Cashflows*” below).

Following service of a Notice to Pay on the Guarantor (but prior to service of a Guarantor Acceleration Notice on the Guarantor) the Guarantor will use all moneys to pay Guaranteed Amounts in respect of the Covered Bonds when the same become Due for Payment subject to paying higher ranking obligations of the Guarantor (including the obligations of the Guarantor to make repayment on the Demand Loan, as described above) in accordance with the Priorities of Payment.

Following service of a Guarantor Acceleration Notice on the Guarantor, the Covered Bonds will become immediately due and repayable (if not already due and payable following the occurrence of an Issuer Event of Default) and the Bond Trustee will enforce its 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 accrued interest and any other amounts due under the Covered Bonds (other than additional amounts payable by the Issuer under Condition 8). At such time, the Security will also become enforceable by the Bond Trustee (for the benefit of the Covered Bondholders). Any moneys recovered by the Bond Trustee from realization on the Security following enforcement will be distributed according to the Post-Enforcement Priority of Payments, see “*Cashflows*” below.

- *Asset Coverage Test*: The Programme provides that the assets of the Guarantor are subject to an Asset Coverage Test in respect of the Covered Bonds. Accordingly, for so long as Covered Bonds remain outstanding, the Guarantor must ensure that monthly, on each Calculation Date, the Adjusted Aggregate Asset Amount will be in an amount at least equal to the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on that Calculation Date. The Bank shall use all reasonable efforts to ensure that the Guarantor is in compliance with the Asset Coverage Test. The Asset Coverage Test will give limited credit (as agreed with the Rating Agencies) to Non-Performing Loans. The Asset Coverage Test will be tested by the Cash Manager on each Calculation Date and monitored from time to time by the Asset Monitor. A breach of the Asset Coverage Test on a

Calculation Date, if not remedied so that the breach no longer exists on the immediately succeeding Calculation Date, will require the Guarantor (or the Cash Manager on its behalf) to serve an Asset Coverage Test Breach Notice on the Partners, the Bond Trustee and, if delivered by the Cash Manager, the Guarantor. An Asset Coverage Test Breach Notice will be revoked if the Asset Coverage Test is satisfied on the next Calculation Date following service of the Asset Coverage Test Breach Notice, provided a Covered Bond Guarantee Activation Event has not occurred. See “*Summary of the Principal Documents—Guarantor Agreement—Asset Coverage Test*”.

At any time an Asset Coverage Test Breach Notice is outstanding:

- (a) the application of Available Revenue Receipts and Available Principal Receipts will be restricted while any Covered Bonds remain outstanding; and
- (b) the Issuer will not be permitted to make further issuances of Covered Bonds.

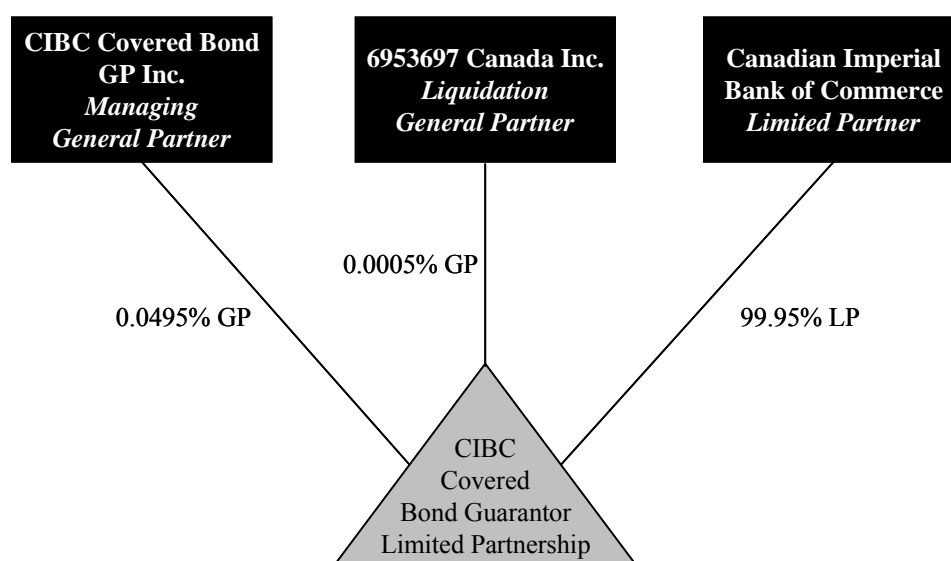
If an Asset Coverage Test Breach Notice has been served and is not revoked on or before the Guarantor Payment Date following the next Calculation Date after service of such Asset Coverage Test Breach Notice, then an Issuer Event of Default will have occurred and the Bond Trustee will be entitled (and, in certain circumstances, may be required) to serve an Issuer Acceleration Notice on the Issuer, following which the Bond Trustee must forthwith serve a Notice to Pay on the Guarantor (which shall constitute a Covered Bond Guarantee Activation Event).

- *Amortization Test:* Following service of a Notice to Pay on the Guarantor (but prior to service of a Guarantor Acceleration Notice) and, for so long as Covered Bonds remain outstanding, the Guarantor must ensure that, on each Calculation Date following service of such Notice to Pay, the Guarantor is in compliance with the Amortization Test. The Amortization Test will be tested by the Cash Manager and will be verified by the Asset Monitor on each Calculation Date. A breach of the Amortization Test will constitute a Guarantor Event of Default, which will entitle the Bond Trustee to serve a Guarantor Acceleration Notice declaring the Covered Bonds immediately due and repayable and entitle the Bond Trustee to exercise the remedies available to it under the Security Agreement, including to enforce on the Security granted under the Security Agreement. See “*Summary of the Principal Documents—Guarantor Agreement—Amortization Test*”.
- *Extendable obligations under the Covered Bond Guarantee:* An Extended Due for Payment Date may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms. This means that, if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on the Final Maturity Date (subject to applicable grace periods) and if the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the Extension Determination Date (for example because, following the service of a Notice to Pay on the Guarantor, the Guarantor has insufficient moneys available in accordance with the Priorities of Payment 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 Payment), then payment of the unpaid amount pursuant to the Covered Bond Guarantee will be automatically deferred (without a Guarantor Event of Default occurring as a result of such non-payment) and will be due and payable 12 months later on the Extended Due for Payment Date (subject to any applicable grace period) and interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 5, at a Rate of Interest determined in accordance with Condition 5.03 (in the same manner as the Rate of Interest for Floating Rate Covered Bonds). To the extent that a Notice to Pay has been served on the Guarantor and the Guarantor has sufficient time and sufficient moneys to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Guarantor will make such partial payment on any Interest Payment Date up to and including the relevant Extended Due for Payment Date, in accordance with the Priorities of Payment and as described in Condition 6.01 and will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date with any unpaid portion thereof (if any) becoming due and payable on the Extended Due for Payment Date. Any amount that remains unpaid on any such Interest Payment Date will be automatically deferred for payment until the applicable Extended Due for Payment Date (where the relevant Series of Covered Bonds are subject to an Extended Due for Payment Date).

- *Servicing*: The Bank, as Servicer, has agreed to provide administrative services to the Guarantor in respect of the Covered Bond Portfolio. In certain circumstances, the Bank may be required to assign the role of Servicer to a third party acceptable to the Bond Trustee and qualified to service the Covered Bond Portfolio (see “*Summary of the Principal Documents—Servicing Agreement*”).
- *Further Information*: For a more detailed description of the transactions summarized above relating to the Covered Bonds see, amongst other relevant sections of this Prospectus, “*Summary of the Programme*”, “*Terms and Conditions of the Covered Bonds*”, “*Summary of the Principal Documents*”, “*Credit Structure*” and “*Cashflows*”.

### Ownership Structure of the Guarantor

- As at the date of this Prospectus, the Partners of the Guarantor are the Limited Partner, which holds 99.95 per cent. of the interest in the Guarantor, and the Managing GP and the Liquidation GP, each of which own 99 per cent. and 1 per cent., respectively, of the remaining 0.05 per cent. general partner interest in the Guarantor.



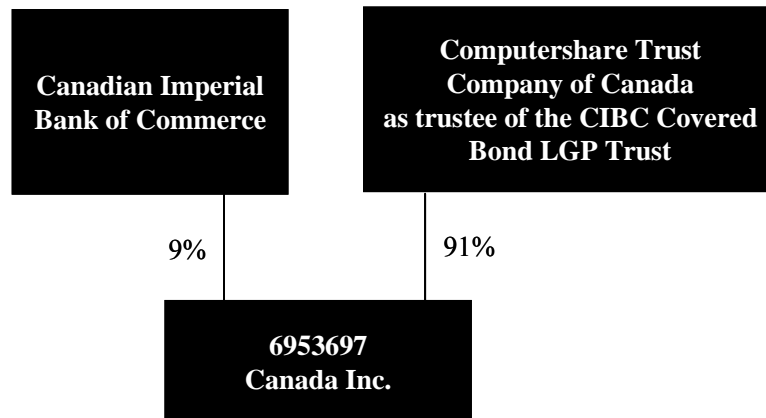
- A new Limited Partner may be admitted to the Guarantor, subject to meeting certain conditions precedent including (except in the case of a Subsidiary of a current Limited Partner), but not limited to, receipt of Rating Agency Confirmation.
- Other than in respect of those decisions reserved to the Partners and the limited circumstances described below, the Managing GP will manage and conduct the business of the Guarantor and will have all the rights, power and authority to act at all times for and on behalf of the Guarantor (provided that a voluntary liquidation of the Guarantor would require the consent of the Liquidation GP).
- Under certain circumstances, including a Covered Bond Guarantee Activation Event or insolvency or winding-up of the Managing GP, the Liquidation GP will assume the management responsibilities of the Managing GP.

### Ownership Structure of the Managing GP

- The Managing GP is a wholly-owned subsidiary of the Bank. The directors and officers of the Managing GP are officers and employees of the Bank.

### Ownership Structure of the Liquidation GP

- As at the date of this Prospectus, 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 CIBC Covered Bond LGP Trust (the “**LGP Trust**”) and 9 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 will be one or more Canadian non-profit organizations or registered charities.



## **RISK FACTORS**

The Issuer and the Guarantor believe that the following risk factors are material for the purpose of assessing risks associated with the Issuer and the Guarantor. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring or the likelihood or extent to which any such contingencies may affect the ability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Covered Bonds. In addition, factors, although not exhaustive, which could be material for the purpose of assessing the market risk associated with Covered Bonds issued under the Programme are described below.

The Issuer and the Guarantor believe that the factors described below represent certain risks inherent in investing in Covered Bonds issued under the Programme, but the inability of the Issuer and the Guarantor to pay interest, principal or other amounts on or in connection with any Covered Bonds or to perform any of its obligations may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Covered Bonds are exhaustive. The risks described below are not the only risks faced by the Issuer and the Guarantor. Additional risks and uncertainties, including those not presently known to the Issuer or the Guarantor or that they currently believe to be immaterial, could also have a material impact on the Issuer's or the Guarantor's business and could adversely affect the ability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Covered Bonds or to perform any of its obligations. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and any applicable Final Terms (including information incorporated by reference herein or therein) to reach their own views prior to making any investment decisions.

### **Factors which are material for the purpose of assessing risks relating to the Issuer**

The value of the Covered Bonds may be affected by the general creditworthiness of the Issuer. Management's Discussion & Analysis for the year ended 31 October 2009, which is part of the Issuer's 2009 Annual Report incorporated by reference in the Prospectus, provides an analysis of the Issuer's financial condition, results of operations and cash flows and discusses, among other things, known material trends, demands, commitments, events and risks or uncertainties that are reasonably likely to have a material effect on the Issuer's business. Prospective purchasers of Covered Bonds should consider the categories of risks identified and discussed therein including credit, market, liquidity, strategic, operational, reputation, legal, regulatory and environmental risk.

### ***Legislative and regulatory developments in the jurisdictions where the Issuer conducts business could affect the Issuer's results***

Changes to statutes, regulations or regulatory policies or guidelines in the jurisdictions where the Issuer conducts business, including changes in their interpretation, implementation or enforcement, could adversely affect the Issuer in a number of ways including, but not limited to, increasing the ability of competitors to compete with the products and services the Issuer provides, limiting the products and services the Issuer can provide and increasing the Issuer's costs of compliance.

### ***Legal proceedings and judicial or regulatory decisions or judgments against the Issuer may adversely affect the Issuer's results***

From time to time the Issuer is a party to a number of legal proceedings arising in the ordinary course of its business. The adverse resolution of any such proceeding, individually or in the aggregate, could have a material adverse effect on the Issuer's results or could give rise to significant reputational damage, which could impact the Issuer's future business prospects. While the Issuer takes what it believes are reasonable measures designed to ensure compliance with governing statutes, laws, regulations and regulatory policies or guidelines in the jurisdictions in which it conducts business, there can be no assurance that the Issuer will always be in compliance or deemed to be in compliance. It is possible that the Issuer could receive judicial or regulatory decisions or judgments that result in fines, criminal prosecution, damages and other costs that would damage its reputation and have a negative impact on the Issuer's results.



***The Issuer relies on third parties to provide certain components of its business infrastructure***

Third parties provide key components of the Issuer's business infrastructure such as Internet connections and network access and other voice or data communication services. Given the high volume of transactions the Issuer processes on a daily basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. Any disruption in Internet, network access or other voice or data communication services provided by these third parties could adversely affect the Issuer's ability to deliver products and services to clients and otherwise conduct business.

***Counterparty risk exposure***

The ability of the Issuer to make payments in connection with any Covered Bonds is subject to general credit risks, including credit risks of borrowers. Third parties that owe the Issuer money, securities or other assets may not pay or perform under their obligations. These parties include borrowers under loans granted, trading counterparties, counterparties under swaps and credit and other derivative contracts, agents and financial intermediaries. These parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

***Changes in market rates and prices may adversely affect the value of financial products held by the Issuer***

The performance of financial markets may affect the value of financial products held by the Issuer. This market risk arises from positions in securities and derivatives held in the Issuer's trading portfolios, and from its retail banking business, investment portfolios and other non-trading activities. Market risk is the potential for financial loss from adverse changes in underlying market factors, including interest and foreign exchange rates, credit spreads, and equity and commodity prices. It is difficult to predict with accuracy changes in economic and market conditions and to anticipate the effects that such changes could have on the Issuer's financial performance.

***Failure to obtain accurate and complete information from or on behalf of the Issuer's clients and counterparties could adversely affect the Issuer's results***

The Issuer depends on the accuracy and completeness of information about clients and counterparties. When deciding to extend credit or enter into other transactions with clients and counterparties, the Issuer may rely on information provided to it by or on behalf of clients and counterparties, including financial statements and other financial information. The Issuer also may rely on representations of clients and counterparties as to the completeness and accuracy of that information. The Issuer's financial results could be adversely impacted if the financial statements and other financial information relating to clients and counterparties on which it relies do not comply with generally accepted accounting principles, are materially misleading, or do not fairly present, in all material respects, the financial condition and results of operations of the clients and counterparties.

***The Issuer faces intense competition in all aspects of its business from established competitors and new entrants in the financial services industry***

The competition for clients among financial services companies is intense. Client loyalty and retention can be influenced by a number of factors, including the prices and attributes of the Issuer's products or services, the Issuer's relative service levels, the Issuer's reputation and actions taken by the Issuer's competitors. Non-financial companies can provide consumers with the option to pay bills and transfer funds without involving banks. Securities transactions can be conducted through the Internet and other alternative, non-trading systems. In addition, the trend toward consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. The Issuer expects these trends to continue. Such developments could reduce revenues and adversely affect the Issuer's earnings.

***The Issuer's revenues and earnings are substantially dependant on the economies of Canada, the United States and the Caribbean, which can in turn be affected by general economic conditions worldwide***

The Issuer's revenues and earnings are dependant on the level of financial services its customers require. Levels of customer activity can be affected by factors such as interest rates, foreign exchange rates, consumer spending, business

investment, government spending, the health of the capital markets, inflation and terrorism. The Issuer conducts most of its business in Canada, the United States and the Caribbean. Consequently, its performance is influenced by the level and cyclical nature of business and home lending activity in these countries, which is in turn impacted by both domestic and international economic and political events. There can be no assurance that a weakening in the Canadian, United States or Caribbean economies will not materially affect the Issuer's financial condition and results of operations. The economic conditions of other regions where the Issuer conducts operations can also affect the future performance of the Issuer.

***The Issuer's success in developing and introducing new products and services, expanding distribution channels, developing new distribution channels and realizing revenue from these channels could affect the Issuer's revenues and earnings***

The Issuer's ability to maintain or increase its market share depends, in part, on its ability to adapt products and services to evolving industry standards. There is increasing pressure on financial services companies to provide products and services at lower prices. This can reduce the Issuer's net interest income and revenues from fee-based products and services. In addition, the widespread adoption of new technologies, including Internet-based services, could require the Issuer to make substantial expenditures to modify or adapt existing products and services. The Issuer might not be successful in developing and introducing new products and services, achieving market acceptance of its products and services, developing and maintaining loyal clients, developing and expanding distribution channels and/or realizing revenue from these channels.

***Movements of the Canadian dollar relative to other currencies, particularly the U.S. dollar and the currencies of other jurisdictions in which the Issuer conducts business, may affect the Issuer's revenues, expenses and earnings***

The Issuer's revenues, expenses and earnings denominated in currencies other than the Canadian dollar are subject to fluctuations in the movement of the Canadian dollar relative to such currencies. Such fluctuations may affect the Issuer's overall business and results.

***The Issuer's earnings are affected by the monetary policies of central banks and other financial market developments***

Changes in central banks' monetary policies and the general level of interest rates can impact the Issuer's profitability. A change in the level of interest rates can affect the interest spread between the Issuer's deposits and loans and as a result could impact the Issuer's net interest income. Changes in monetary policy and developments in the financial markets are beyond the Issuer's control and difficult to predict or anticipate.

***The accounting policies and methods the Issuer utilizes determine how it reports its financial condition and results of operations, and they may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revision, and changes to them could have a material impact on the Issuer's financial results and financial condition.***

The Issuer's financial condition and results of operations are reported using accounting policies and methods prescribed by Canadian GAAP. In certain cases, Canadian GAAP allows accounting policies and methods to be selected from two or more alternatives, any of which might be reasonable, yet could result in the reporting of materially different amounts.

Management exercises judgment in selecting and applying the Issuer's accounting policies and methods to ensure that, while Canadian GAAP compliant, they reflect the Issuer's best judgment of the most appropriate manner in which to record and report the Issuer's financial condition and results of operations. Significant accounting policies applicable to the consolidated financial statements of the Issuer are described in Note 1 thereto on pages 105 through 111 of the 2009 Annual Report, which pages are incorporated herein by reference.

***The Issuer is exposed to operational and infrastructure risks***

The Issuer is exposed to many types of operational risk, including the risk of loss resulting from inadequate or failed internal processes and systems, from human error or external events and from fraud or unauthorized transactions by employees, clients and other third parties. Given the high volume of transactions the Issuer processes on a daily basis,

certain errors may be repeated or compounded before they are discovered and successfully rectified. Shortcomings or failures in the Issuer's internal processes, systems or people, including any of the Issuer's financial, accounting or other data processing systems, could lead to, among other consequences, financial loss and reputational damage. In addition, despite the contingency plans the Issuer has in place, the Issuer's ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the Issuer's businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by the Issuer or by third parties with which the Issuer conducts business. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the Financial Services Authority.

#### ***Risk factors related to fair value adjustments***

The Issuer believes that it has made appropriate fair value adjustments and has taken appropriate write-downs to date. The establishment of fair value adjustments and the determination of the amount of write-downs involve estimates that are based on accounting processes and judgments by management. The Issuer evaluates the adequacy of the fair value adjustments and the amount of write-downs on an ongoing basis. The levels of fair value adjustments and the amount of the write-downs could be changed as events warrant.

The Issuer has policies that set standards governing the independent verification of prices of traded instruments at a minimum on a monthly basis. Where lack of adequate price discovery in the market results in a non-compliance for a particular position, management is required to assess the need for an appropriate valuation adjustment to address such valuation uncertainties.

#### ***Potential for further valuation adjustments and write-downs***

The Issuer's credit valuation adjustments are driven off market observed credit spreads for each counterparty, or a proxy for a comparable credit quality where no observed credit spreads exist, or where observed credit spreads are considered not to be representative of an active market. These credit spreads are applied in relation to the weighted average life of the underlying instruments protected by these counterparties, while considering the probabilities of default derived from these spreads. Furthermore the Issuer's approach takes into account the correlation between the performance of the underlying assets and the counterparties.

Where appropriate, on certain financial guarantors, the Issuer determines the credit valuation adjustments based on estimated recoverable amounts.

#### ***Potential Conflict of Interest in Connection with the Covered Bond Programme***

The Bank has a number of roles pursuant to the Programme including, but not limited to, the roles of Issuer, Seller, Servicer, Cash Manager, counterparty under the Swap Agreements and Limited Partner. In respect of the Programme, 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 be detrimental to the holders of 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.

#### ***Privacy Issues associated with the Covered Bond Programme***

The Loans originated by the Seller or the relevant Originator have been originated at various times with the result that the underlying mortgage documentation may vary from Loan to Loan. 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).

### ***Other factors***

Other factors that may affect future results include amendments to, and interpretations of risk-based capital guidelines and reporting instructions, the effect of changes to accounting standards, rules and interpretations, changes in the Issuer's estimates of reserves and allowances, changes in tax laws, political conditions and developments, the possible effect on the Issuer's business of international conflicts and the war on terror, natural disasters, public health emergencies, disruptions in public infrastructure and other catastrophic events, technological changes, the ability of the Issuer to attract and retain key employees and executives, changes in client spending habits, the failure of third parties to comply with their obligations to the Issuer and its affiliates and the Issuer's ability to anticipate and manage the risks associated with all of the above factors.

### **Factors which are material for the purpose of assessing risks relating to the Guarantor**

#### ***Finite resources available to the Guarantor to meet its obligations under the Covered Bond Guarantee***

The Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on: (i) the realizable value of the assets of the Guarantor, including the Covered Bond Portfolio; (ii) the amount of Available Revenue Receipts and Available Principal Receipts generated by the Covered Bond Portfolio and the timing thereof; (iii) amounts received from the Swap Providers and the timing thereof; (iv) the realizable value of Substitute Assets and/or Authorized Investments held by it; and (v) the receipt by it of funds held for and on behalf of the Guarantor by its service providers and of credit balances and interest on credit balances from the Guarantor Accounts. The Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If a Guarantor Event of Default occurs and the Security created by or pursuant to the Security Agreement is enforced, the Charged Property may not be sufficient to meet the claims of all the Secured Creditors, including the holders of the Covered Bonds.

If, following enforcement of the Security constituted by or pursuant to the Security Agreement, the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, it is expected that they will have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall in whole or in part.

Holders of the Covered Bonds should note that the Asset Coverage Test has been structured to ensure that the Adjusted Aggregate Asset Amount is at least equal to the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall (although there is no assurance of this result and the sale of New Loans and their Related Security and/or NHA MBS 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 remedy a breach of the Asset Coverage Test). The Guarantor must ensure that following the service of a Notice to Pay, the Amortization Test is met on each Calculation Date. 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 "*Summary of the Principal Documents—Guarantor Agreement—Asset Coverage Test*" and "*Credit Structure—Asset Coverage Test*"). The Bank shall use all reasonable efforts to ensure that the Guarantor is in compliance with the Asset Coverage Test. This may include making advances under the Intercompany Loan, selling New Loans and their Related Security and/or NHA MBS to the Guarantor or making a Capital Contribution on or before the next Calculation Date following delivery of an Asset Coverage Test Breach Notice in amounts sufficient to avoid such shortfall on future Calculation Dates.

#### ***Reliance of the Guarantor on Third Parties***

The Guarantor has entered into agreements with a number of third parties pursuant to which such third parties have agreed to perform services for the Guarantor. In particular, but without limitation, the Servicer has been appointed to service Loans in the Covered Bond Portfolio sold to the Guarantor, the Cash Manager has been appointed to calculate and monitor compliance with the Asset Coverage Test and the Amortization Test and to provide cash management services to the Guarantor and the GIC Account and Transaction Account (to the extent maintained) will be held with the Account Bank. In the event that any of those parties fails to perform its obligations under the relevant agreement to

which it is a party, the realizable value of the Covered Bond Portfolio or any part thereof or pending such realization (if the Covered Bond Portfolio or any part thereof cannot be sold) the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee may be affected. For instance, if the Servicer has failed to administer adequately the Loans, this may lead to higher incidences of non-payment or default by Borrowers. Further, if the Servicer ceases to be a CMHC Approved Lender or fails to administer a Loan in accordance with the terms of the applicable CMHC Mortgage Insurance, the ability to make a claim or obtain the benefit of coverage under such CMHC Mortgage Insurance may be adversely affected or terminated. See “*Default by Borrowers in paying amounts due on their Loans: CMHC Mortgage Insurance*”. The Guarantor is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Loan Agreement and the Covered Bond Guarantee, as described below.

Following a Covered Bond Guarantee Activation Event, the Guarantor is also reliant on the ability of the Standby GIC Provider (or any successor Standby GIC Provider) to repay funds deposited with it into the Standby GIC Account in order for the Guarantor to pay amounts due under the Covered Bonds. In particular, in this circumstance, if a Notice to Pay has been served on the Guarantor, Available Revenue Receipts and Available Principal Receipts not required to pay certain higher ranking obligations of the Guarantor in accordance with the Guarantee Priority of Payments will be deposited in the Standby GIC Account and holders of Covered Bonds will be dependent on the credit of the Standby GIC Provider for the availability of these amounts.

If a Servicer Event of Default occurs pursuant to the terms of the Servicing Agreement, then the Guarantor and/or the Bond Trustee will be entitled to terminate the appointment of the Servicer and appoint a new servicer in its place. There can be no assurance that a substitute servicer with sufficient experience in administering mortgages of residential properties in Canada would be found who would be willing and able to service the Loans and their Related Security and enter into a servicing agreement with the Guarantor. If found, a substitute servicer may not have ratings from the Rating Agencies on its unsecured, unguaranteed and unsubordinated debt obligations above the level specified in the Servicing Agreement or may not be rated at all and Rating Agency Confirmation may not be delivered for such substitute servicer. A substitute servicer may charge higher servicing fees that it agrees to with the Guarantor, which servicing fees will be entitled to priority over payments to holders of the Covered Bonds. CMHC Mortgage Insurance may cease to be in force in respect of a Loan if it is not administered by a CMHC Approved Lender. Further, the removal of the Seller as initial Servicer without the consent of CMHC may adversely affect the coverage of the CMHC Insured Loans under the CMHC Mortgage Insurance. Prior to terminating the Servicer, the Guarantor and/or the Bond Trustee, as applicable, will use reasonable commercial efforts to obtain the consent of CMHC to any successor Servicer and take such other steps reasonably required to avoid impairment of such CMHC Mortgage Insurance.

The ability of a substitute servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect the realizable value of the Covered Bond Portfolio or any part thereof, and/or the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

The Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. Holders of the Covered Bonds will have no right to consent to or approve of any actions taken by the Servicer under the Servicing Agreement.

The Bond Trustee is not obligated to act as a servicer or to monitor the performance by the Servicer of its obligations in any circumstances.

If the Government of Canada’s sovereign debt credit rating is downgraded, this may negatively affect the long term debt credit rating of CMHC, and consequently, negatively impact the value of the Portfolio Assets for the purposes of the Asset Coverage Test and Amortization Test.

### ***Reliance on Swap Providers***

To provide a hedge against possible variances in the rates of interest payable on the Portfolio Assets (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 occurrence of a Covered Bond Guarantee Activation Event) the amount (if any) payable under the Covered Bond Swap Agreement, the Guarantor has entered into the Interest Rate Swap Agreement with the Interest Rate Swap Provider. In addition, to provide a hedge against currency and/or other risks arising, following the occurrence

of a Covered Bond Guarantee Activation Event, 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 will enter 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 assets 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 and delivery 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 assets 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) equal to the full amount to be paid 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.

If a Swap Agreement terminates, then 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 agrees to enter into a replacement swap agreement and has sufficiently high ratings to prevent a downgrade of the then current ratings of the Covered Bonds by any one of the Rating Agencies.

If the Guarantor is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank ahead of amounts due on the Covered Bonds (in respect of the Interest Rate Swap Agreement) and *pari passu* with amounts due on the Covered Bonds (in respect of the Covered Bond Swap Agreement), except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation to pay a termination payment 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 adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

#### ***Differences in timings of obligations of the Guarantor and the Covered Bond Swap Provider under the Covered Bond Swap Agreement***

With respect to the Covered Bond Swap Agreement, cashflows will be exchanged under the Covered Bond Swap Agreement following a Covered Bond Guarantee Activation Event. Following a Covered Bond Guarantee Activation Event, the Guarantor will make payments to the Covered Bond Swap Provider on each Guarantor Payment Date from the amounts received by the Guarantor under the Interest Rate Swap Agreement. The Covered Bond Swap Provider may not be obliged to make payments to the Guarantor under the Covered Bond Swap Agreement until amounts are Due for Payment on the Covered Bonds, which may be up to 12 months after payments have been made by the Guarantor to the Covered Bond Swap Provider under the Covered Bond Swap Agreement. If the Covered Bond Swap Provider does not meet its payment obligations to the Guarantor under the Covered Bond Swap Agreement and the Covered Bond Swap Provider does not make a termination payment that has become due from it to the Guarantor, the Guarantor may have a larger shortfall in funds with which to meet its obligations under the Covered Bond Guarantee than if the Covered Bond Swap Provider's payment obligations coincided with Guarantor's payment obligations under the Covered Bond Guarantee. As a result, the difference in timing between the obligations of the Guarantor under the Covered Bond Swap Agreement and the obligations of the Covered Bond Swap Provider under the Covered Bond Swap Agreement could adversely affect the Guarantor's ability to meet its obligations under the Covered Bond Guarantee.

#### ***Withholding on payments under the Covered Bond Guarantee***

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 withholding tax to the extent interest paid or credited by the Issuer on such Covered Bond would have been exempt. See "*Taxation—Canada*". If such payments by the Guarantor pursuant to the Covered Bond Guarantee are not exempt, such payments will be made subject to any applicable withholding or

deduction and the Guarantor will have no obligation to gross up in respect of any withholding which may be required in respect of any such payment.

### **Factors which are material for the purposes of assessing the risks relating to the Covered Bond Portfolio**

#### ***Limited description of the Covered Bond Portfolio***

The Initial Covered Bond Portfolio consisted solely of Loans originated by the Seller and the Originators (which are subsidiaries of the Seller) that are CMHC Insured Loans. CMHC, Canada's national housing agency, is a Canadian federal Crown corporation, wholly owned by the Government of Canada. CMHC's obligations are those of Her Majesty The Queen in Right of Canada, and as such carry the full faith and credit of the Government of Canada. As a federal Crown corporation, CMHC reports to the Parliament of Canada through a Minister. CMHC derives its authorities from the *Canada Mortgage and Housing Corporation Act* (Canada), the NHA and, as a federal Crown corporation, the *Financial Administration Act* (Canada). CMHC insures the payment of principal and interest on first mortgage loans on private residential properties in Canada on and subject to the terms of the applicable CMHC Mortgage Insurance.

In addition to the CMHC Insured Loans and Related Security included or to be included in the Covered Bond Portfolio, the Covered Bond Portfolio may contain NHA MBS, evidencing ownership rights of undivided shares of the NHA Pools of CMHC Insured Loans originated by the Seller or an Originator. The NHA MBS are fully guaranteed as to timely payment of principal and interest by CMHC pursuant to the powers given to CMHC under the NHA. The CMHC Insured Loans to be included in an NHA Pool are Loans which would satisfy the applicable Eligibility Criteria for Loans and the Loan Representations and Warranties at the relevant time. Any NHA MBS being acquired by the Guarantor are required to be issued by the Seller, as an approved issuer under the CMHC NHA MBS Program, and constitute all of the ownership interests in the applicable NHA Pools of CMHC Insured Loans. NHA MBS have been sold by the Seller to the Guarantor for inclusion in the Covered Bond Portfolio.

Holders of the Covered Bonds will not receive detailed statistics or information in relation to the Loans and the Related Security or NHA MBS comprising the Covered Bond Portfolio because it is expected that the constitution of the Covered Bond Portfolio will frequently change due to, for instance, repayments of Loans by Borrowers from time to time and the need to replace such Loans and NHA MBS with New Loans and/or NHA MBS in the Covered Bond Portfolio, or the Covered Bond Portfolio being increased to, among other things, permit the issuance of additional Covered Bonds and ensure that the Asset Coverage Test is met.

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 Initial Covered Bond Portfolio described above. However, each Loan will be required to meet the applicable Eligibility Criteria and the Loan Representations and Warranties set out in the Mortgage Sale Agreement although the applicable Eligibility Criteria and Loan Representations and Warranties may change in certain circumstances as described herein. In particular, each Loan will have the benefit of CMHC Mortgage Insurance. See "*Summary of the Principal Documents—Mortgage Sale Agreement—Sale by the Seller of Portfolio Assets*". In addition, the Asset Coverage Test is intended to ensure that the Adjusted Aggregate Asset Amount is an amount equal to or in excess of the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding. The Cash Manager will continue to provide monthly reports to investors that will set out certain information in relation to the Asset Coverage Test.

#### ***Maintenance of the Covered Bond Portfolio***

The Asset Coverage Test and the Amortization Test are intended to ensure that the assets and cashflows of the Guarantor, including the Portfolio Assets 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. Accordingly, it is expected (but there is no assurance) that the Covered Bond Portfolio could be realized for sufficient values, together with the other assets of the Guarantor, to enable the Guarantor to meet its obligations under the Covered Bond Guarantee.

*Asset Coverage Test:* The Bank shall use all reasonable efforts to ensure that the Guarantor is in compliance with the Asset Coverage Test. This may include making advances under the Intercompany Loan, selling New Loans and their

Related Security and/or NHA MBS to the Guarantor or making a Capital Contribution in cash or in kind in amounts sufficient to avoid such shortfall on future Calculation Dates.

If a breach of the Asset Coverage Test occurs which is not cured on the next Calculation Date, an Asset Coverage Test Breach Notice will be served on the Guarantor. An Asset Coverage Test Breach Notice that is not revoked on or before the Guarantor Payment Date immediately following the next Calculation Date after service of the Asset Coverage Test Breach Notice will result in an Issuer Event of Default. There is no specific recourse by the Guarantor to the Bank in respect of any failure of the Bank to make a Capital Contribution on or before the Guarantor Payment Date immediately following the next Calculation Date after service of an Asset Coverage Test Breach Notice, in sufficient amounts, rates or margins, as applicable.

The Asset Percentage is a component of the Asset Coverage Test which establishes the credit enhancement required for the then outstanding Covered Bonds in accordance with the terms of the Guarantor Agreement and in accordance with Rating Agency methodologies. Pursuant to the terms of the Asset Coverage Test, there is a limit to the degree to which the Asset Percentage may be decreased without the consent of the Issuer and as a result, there is a corresponding limit on the amount of credit enhancement required to be maintained to meet the Asset Coverage Test.

If the methodologies used to determine the Asset Percentage conclude that additional credit enhancement is required beyond the maximum provided for (by requiring a reduction in the Asset Percentage below the minimum Asset Percentage), and the Issuer does not agree to provide credit enhancement beyond the maximum provided for (by agreeing to a reduction in the Asset Percentage below the minimum Asset Percentage), any Rating Agency may reduce, remove, suspend or place on credit watch, its rating of the Covered Bonds and the assets of the Guarantor may be seen to be insufficient to ensure that, in the scenarios employed in the cashflow models, the assets and cashflows of the Guarantor will be adequate to enable it to meet its obligations under the Covered Bond Guarantee following a Covered Bond Guarantee Activation Event, notwithstanding that the Asset Coverage Test continues to be met.

*Amortization Test:* Pursuant to the Guarantor Agreement, following service of a Notice to Pay on the Guarantor (but prior to service of a Guarantor Acceleration Notice) and, for so long as Covered Bonds remain outstanding, the Guarantor must ensure that, on each Calculation Date following service of such Notice to Pay, the Guarantor is in compliance with the Amortization Test. The Amortization Test is intended to ensure that the assets of the Guarantor do not fall below a certain threshold to ensure that the assets of the Guarantor are sufficient to meet its obligations under the Covered Bond Guarantee.

If the collateral value of the Covered Bond Portfolio has not been maintained in accordance with the terms of the Asset Coverage Test or the Amortization Test, that may affect the realizable value of the Covered Bond Portfolio or any part thereof (both before and after the occurrence of a Guarantor Event of Default) and/or the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee. Failure to satisfy the Amortization Test on any Calculation Date following an Issuer Event of Default will constitute a Guarantor Event of Default, thereby entitling the Bond Trustee to accelerate the Covered Bonds against the Issuer (if the Covered Bonds have not already been accelerated) and the Guarantor's obligations under the Covered Bond Guarantee against the Guarantor subject to and in accordance with the Conditions.

Prior to the occurrence of an Issuer Event of Default, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, test the calculations performed by the Cash Manager in respect of the Asset Coverage Test once each year on the Calculation Date immediately prior to each anniversary of the Programme Date and more frequently in certain circumstances. Following the occurrence of an Issuer Event of Default, the Asset Monitor will be required to test the calculations performed by the Cash Manager in respect of the Amortization Test. See further "*Summary of the Principal Documents—Asset Monitor Agreement*".

The Bond Trustee will not be responsible for monitoring compliance with, nor the monitoring of, the Asset Coverage Test or the Amortization Test or any other test, or supervising the performance by any other party of its obligations under any Transaction Document.



***Sale of Portfolio Assets following the occurrence of a Pre-Maturity Test breach, an Asset Coverage Test Breach Notice or a Notice to Pay***

If, prior to maturity of Hard Bullet Covered Bonds, the Pre-Maturity Test is breached, the Guarantor may offer to sell Randomly Selected Loans and/or Randomly Selected NHA MBS to seek to generate sufficient cash to enable the Guarantor to pay the Final Redemption Amount on any Hard Bullet Covered Bonds should the Issuer fail to pay the Final Redemption Amount on the Final Maturity Date: see “*Summary of the Principal Documents—Guarantor Agreement—Sales of Randomly Selected Loans and/or Randomly Selected NHA MBS following a breach of the Pre-Maturity Test*”.

If an Asset Coverage Test Breach Notice or a Notice to Pay is served on the Guarantor (and, in the case of an Asset Coverage Test Breach Notice, for as long as such notice has not been revoked), the Guarantor may be obliged to sell Randomly Selected Loans and/or Randomly Selected NHA MBS 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: see “*Summary of the Principal Documents—Guarantor Agreement—Sale of Randomly Selected Loans and/or Randomly Selected NHA MBS at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served on the Guarantor*”.

There is no guarantee that a buyer will be found to acquire such Portfolio Assets at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Covered Bond Guarantee. However, prior to the service of a Guarantor Acceleration Notice, the Portfolio Assets may not be sold by the Guarantor for less than an amount equal to the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until six months prior to: (i) the Final Maturity Date in respect of such Covered Bonds; or (ii) (if the same is specified as applicable in the applicable Final Terms) the Extended Due for Payment Date under the Covered Bond Guarantee in respect of such Covered Bonds. In the six months prior to, as applicable, the Final Maturity Date or Extended Due for Payment Date, the Guarantor is obliged to sell Portfolio Assets for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount. The Seller that assigned the relevant Portfolio Assets to the Guarantor will have a right of pre-emption to purchase such Portfolio Assets in the event the Guarantor wishes to or is required to sell such Portfolio Assets (see “*Summary of the Principal Documents—Mortgage Sale Agreement—Right of pre-emption*”).

***Realization of Charged Property following the occurrence of a Guarantor Event of Default***

If a Guarantor Event of Default occurs and a Guarantor Acceleration Notice is served on the Guarantor, then the Bond Trustee will be entitled to enforce the Security created under and pursuant to the Security Agreement and the proceeds from the realization of the Charged Property will be applied by the Bond Trustee towards payment of all secured obligations in accordance with the Post-Enforcement Priority of Payments described in “*Cashflows*” below.

There is no guarantee that there will be a market for the Charged Property or that the proceeds of realization of the Charged Property will be in an amount sufficient to repay all amounts due to the Secured Creditors (including the holders of the Covered Bonds) under the Covered Bonds and the Transaction Documents.

If a Guarantor Acceleration Notice is served on the Guarantor, then the Covered Bonds may be repaid sooner or later than expected or not at all.

***Factors that may affect the realizable value of the Covered Bond Portfolio or any part thereof or the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee***

Following the occurrence of a Covered Bond Guarantee Activation Event, the realizable value of the Portfolio Assets 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), on the sale of the Portfolio Assets by the Guarantor;

- default by Borrowers of amounts due on the Loans or Loans not being administered in accordance with the applicable CMHC Mortgage Insurance (see “*Default by Borrowers in paying amounts due on their Loans: CMHC Mortgage Insurance*”);
- changes to the lending criteria of the Seller (or the relevant Originator) assigning the Portfolio Assets;
- the Guarantor not being the registered creditor of the Loans in the Covered Bond Portfolio and notice of the sale, transfer and assignment of such Loans and their Related Security not having been given to Borrowers;
- risks in relation to some types of the Portfolio Assets which may adversely affect the value of the Covered Bond Portfolio or any part thereof;
- recourse to the Seller being limited under the terms of the Mortgage Sale Agreement;
- possible regulatory changes by OSFI, CMHC and other regulatory authorities;
- regulations that could lead to some terms of the Loans being unenforceable or rights under NHA MBS being impaired; and
- general market conditions which may make the sale of Portfolio Assets unattainable or difficult.

Each of these factors is considered in more detail below. However, it should be noted that the Asset Coverage Test, the Amortization Test and the Eligibility Criteria are intended to ensure that the Guarantor will have adequate assets and cashflows to enable the Guarantor to meet its obligations under the Covered Bond Guarantee following the occurrence of a Covered Bond Guarantee Activation Event. Accordingly, it is expected (but there is no assurance) that the Covered Bond Portfolio could be realized for sufficient values, together with the other assets of the Guarantor, to enable the Guarantor to meet its obligations under the Covered Bond Guarantee.

In the event the Bank is required to assign some or all of its obligations to one or more third party service providers, as Servicer, Covered Bond Swap Provider, Interest Rate Swap Provider or Cash Manager, such third party service providers may require fees for such services in excess of the rates or amounts, if any, currently being paid to the Bank by the Guarantor. Any such increase in fees for the services currently provided by the Bank could have an adverse impact on the ability of the Guarantor to meet its obligations under the Covered Bonds. Additionally, there can be no assurance that any such third party service provider will have the same level of operational experience as the Bank and operational issues may arise in connection with the appointment of a third party service provider.

***No representations or warranties to be given by the Guarantor or the Seller if Portfolio Assets are to be sold***

Following the occurrence of a Covered Bond Guarantee Activation Event (including as a result of an Issuer Event of Default following a breach of the Pre-Maturity Test), and/or an Asset Coverage Test Breach Notice or a Notice to Pay is served on the Guarantor (and, in the case of an Asset Coverage Test Breach Notice, for so long as such notice has not been revoked), the Guarantor may be obliged to sell Portfolio Assets to third party purchasers, subject to a right of pre-emption of the Seller that assigned such Portfolio Assets to the Guarantor (see “*Summary of the Principal Documents—Guarantor Agreement—Method of sale of Portfolio Assets*”). In respect of any sale of Portfolio Assets to third parties, however, the Guarantor will not be permitted to give warranties or indemnities in respect of those Portfolio Assets (unless expressly permitted to do so by the Bond Trustee). There is no assurance that the Seller would give any warranties or representations in respect of the Portfolio Assets. Any Loan Representations and Warranties previously given by the Seller in respect of Loans in the Covered Bond Portfolio may not have value for a third party purchaser particularly if the Seller is then insolvent. Accordingly, there is a risk that the realizable value of the Portfolio Assets could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

***Default by Borrowers in paying amounts due on their Loans: CMHC Mortgage Insurance***

Borrowers may default on their obligations due under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, market, 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 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 involving Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce and other similar factors may 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 buyers for that property, the value of that property and property values in general at the time. Non-Performing Loans in the Covered Bond Portfolio may be given limited weighting for the purposes of the Asset Coverage Test or the Amortization Test.

Interest and principal payments on the Loans will be insured under CMHC Mortgage Insurance. CMHC is Canada's national housing agency, and is a Canadian federal Crown corporation, wholly owned by the Government of Canada. CMHC's obligations are those of Her Majesty The Queen in Right of Canada, and as such carry the full faith and credit of the Government of Canada. Under the CMHC Mortgage Insurance, the amount payable by CMHC to an insured under the policy is generally equal to:

- (a) the aggregate of:
  - (i) the outstanding principal amount of the Loan;
  - (ii) specified charges advanced by approved mortgage lenders or the holder of a Loan in order to safeguard the interest of such mortgage lender, Loan holder or of CMHC;
  - (iii) such reasonable amount on account of legal costs as is approved by CMHC; and
  - (iv) unpaid interest accruing under the Loan for a period of 12 months and such additional periods as determined in accordance with the policy, including additional periods relating to enforcement of rights or remedies with respect to the Loan (the amount of interest payable under the CMHC Mortgage Insurance will generally be at the mortgage rate stated in the Loan documents); less,
- (b) the aggregate of the amount of any loss or damage:
  - (i) that results from a failure to exercise reasonable care and prudence in the making or administration of the Loan, in the collection of the repayment thereof or in the protection of or realization on security for the Loan;
  - (ii) that results from a contravention of or failure to comply with the regulations under the NHA applicable to the policy or a condition on which the Loan was insured; or
  - (iii) that CMHC is satisfied, on reasonable grounds, results from a contravention of or failure to comply with a requirement of CMHC to refrain from exercising such of its remedies in respect of the default as CMHC may specify.

The proceeds from the claims under the CMHC Mortgage Insurance will be paid to the Servicer and will be held by the Servicer in trust for the Guarantor. Pursuant to its purchase of the CMHC Insured Loans and the Related Security, the Guarantor will acquire all of the Seller's right, title and interest in the proceeds of the claims made under the CMHC Mortgage Insurance related to such Loans. Claims under the CMHC Mortgage Insurance must be made by the initial Servicer or a successor Servicer acceptable to CMHC. As a result, the Guarantor will not have a right itself to collect the

amounts which may be payable pursuant to the CMHC Mortgage Insurance related to the Loans. The Servicer will hold its rights under the CMHC Mortgage Insurance relating to the Loans forming part of the Covered Bond Portfolio in trust for the Guarantor and the Bond Trustee.

A future change in the policies of CMHC could affect the amount CMHC will pay on insured loans, or the circumstances in which CMHC Mortgage Insurance will be provided for mortgage loans secured by mortgages which may form part of the Covered Bond Portfolio.

If a Loan is not being administered by the initial Servicer, or a successor Servicer acceptable to CMHC, in accordance with the CMHC Mortgage Insurance, the ability to make a claim or obtain the benefit of coverage under the applicable CMHC Mortgage Insurance may be adversely affected or terminated. Further, the filing of a claim under CMHC Mortgage Insurance is not complete unless the insured delivers to CMHC all documentation and evidence required by CMHC.

Payments by CMHC in respect of a Loan may not occur if the filing of the related claim is not complete.

CMHC Mortgage Insurance will cease to be in force if:

- (a) it has been obtained by fraud or fraudulent misrepresentation on the part of the insured or current holder;
- (b) the insured Loan is sold to a person other than a CMHC Approved Lender unless the Loan continues to be administered by CMHC, the initial Servicer or a successor Servicer acceptable to CMHC (the Servicer is a CMHC Approved Lender for the purposes of CMHC Mortgage Insurance); or
- (c) the right of recovery under the mortgage securing the insured Loan has ceased to exist (which, for greater certainty, would include valid security was not initially created or the security has been discharged), other than by reason of the acquisition by the insured of the mortgaged property after default.

### ***Changes to the Lending Criteria***

Each of the Loans originated by the Seller or the applicable Originator will have been originated in accordance with such Seller's or the applicable Originator's Lending Criteria at the time of origination. It is expected that the Seller's or the applicable Originator's Lending Criteria will generally consider type of property, term of loan, age of applicant, loan-to-value ratio, status of applicants and credit history. In the event of the sale of any Loans and their Related Security to the Guarantor, the Seller will only warrant that such Loans and their Related Security meet the applicable Eligibility Criteria and were originated in accordance with the Seller's or the applicable Originator's Lending Criteria applicable at the time of origination. The Seller and the Originators retain the right to revise their Lending Criteria from time to time. 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 realizable value of the Covered Bond Portfolio, or part thereof, and the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee. As described above, however, Non-Performing Loans in the Covered Bond Portfolio may be given in certain circumstances a lower weighting for the purposes of the Asset Coverage Test and the Amortization Test.

### ***Notice and registration of the sale, transfer and assignment of the Loans and their Related Security in the Covered Bond Portfolio may not be made or given, as the case may be, on the relevant Transfer Dates***

The sale, transfer and assignment by the Seller to the Guarantor of the Loans and their Related Security will be effected in accordance with the terms of the Mortgage Sale Agreement.

Other than (i) registrations in the appropriate land registry or land titles offices in respect of the sale, transfer and assignment of the relevant Loans from the Seller to the Guarantor effected by the Mortgage Sale Agreement, and (ii) 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, all material filings, recordings, notifications, registrations or other

actions under all applicable laws will have been made or taken in each jurisdiction where necessary or appropriate (and where permitted by applicable law) to give legal effect to the sale, transfer and assignment of the Loans and their Related Security and the right to transfer servicing of such Loans as contemplated by the Mortgage Sale Agreement, and to validate, preserve, perfect and protect the Guarantor's 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.

Notice of the sale, transfer and assignment of the Loans and, where appropriate, the registration or recording in the appropriate land registry or land title offices of the transfer of legal title to the Mortgages will not be given or made, as the case may be, except in the circumstances described in "*Summary of the Principal Documents—Mortgage Sale Agreement—Notice to Borrower of the Sale, assignment and transfer of the Loans and their Related Security and registration of transfer of title to the Mortgages*". Similarly, Borrowers will not be given notice of the interests of the Bond Trustee (for itself and on behalf of the other Secured Creditors) in the Loans and their Related Security, granted pursuant to the terms of the Security Agreement, nor will the interests of the Bond Trustee (for itself and on behalf of the other Secured Creditors) in the Mortgages be registered in the appropriate land registry or land titles offices, prior to notice of the Guarantor's interests in the Loans and their Related Security, and/or registration of the transfer of title to the Mortgages, having been given or made, as the case may be.

As long as the interests of the Guarantor in the Loans and their Related Security are not registered at the appropriate land registry or land titles offices, and notice has not been given to Borrowers, the following risks exist:

- *first*, if the Seller or the relevant Originator wrongly sells a Loan and its Related Security, which has already been sold to the Guarantor, to another person and that person acted in good faith and did not have notice of the interests 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 interests of the Guarantor. If this occurred then the Guarantor would not have good title to the affected Loan and its Related Security and it would 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 relevant Originator of its contractual obligations or fraud, negligence or mistake on the part of the Seller, the relevant 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 or the relevant Originator, such as rights of set-off, which occur in relation to transactions or deposits made between Borrowers and the Seller, as applicable, and the rights of Borrowers to redeem their mortgages by repaying the Loans directly to the Seller, as applicable; and
- *third*, unless the Guarantor has registered the sale, transfer and assignment of the Loans and their Related Security (which it is only entitled to do in certain limited circumstances), the Guarantor may not, itself, be able to enforce any Borrower's obligations under a Loan or its Related Security but would have to join the Seller or the relevant Originator as a party to any legal proceedings.

The foregoing risks apply equally to the Bond Trustee (for itself and on behalf of the other Secured Creditors). If any of the risks described in the first two bullet points above were to occur then the realizable value of the Covered Bond Portfolio or any part thereof and/or the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee or the Bond Trustee (for itself and on behalf of the other Secured Creditors) to enforce its Security granted under the Security Agreement with respect to the Covered Bond Portfolio may be adversely affected.

While the exercise of set-off rights by Borrowers may adversely affect the realizable value of the Covered Bond Portfolio and/or the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee or the Bond Trustee (for itself and on behalf of the other Secured Creditors) to realize on the Covered Bond Portfolio under the Security Agreement, the Canadian dollar deposits of Borrowers with the Bank are currently insured up to C\$100,000, subject to certain exceptions, by Canada Deposit Insurance Corporation, a Canadian Crown corporation.

Once notice has been given to the Borrowers of the sale, transfer and assignment of the Loans and their Related Security to the Guarantor and of the interest of the Bond Trustee in the Loans and their Related Security (for itself and on behalf

of the other Secured Creditors), legal set-off rights which a Borrower may have against the Seller or the relevant Originator, as applicable (such as, for example, set-off rights associated with Borrowers holding deposits with the Seller), will crystallise and further rights of legal set-off would cease to accrue from that date and no new rights of legal set-off could be asserted following that notice. Set-off rights arising out of a transaction connected with the Loan will not be affected by that notice and will continue to exist.

Further, for so long as notice of the sale, transfer and assignment of the Loans and their Related Security has not been given to the Borrowers and legal title to the Mortgages has not been registered in the appropriate land registry or land titles offices in the name of the Guarantor, the Seller will undertake for the benefit of the Guarantor and the Secured Creditors that it will lend its name to, and take such other steps as may be reasonably required by the Guarantor and/or the Bond Trustee in relation to, any legal proceedings in respect of the Loans and their Related Security.

### ***Recourse to the Seller***

The Guarantor and the Bond Trustee will not undertake any investigations, searches or other actions on any Portfolio Assets and will rely instead on the Representations and Warranties given in the Mortgage Sale Agreement by the Seller in respect of the Portfolio Assets sold by it to the Guarantor.

If any Portfolio Asset assigned by the Seller to the Guarantor does not materially comply with any of the applicable Representations and Warranties made by the Seller as at the Transfer Date of that Portfolio Asset, then the Seller will be required to notify the Guarantor and the Bond Trustee as soon as reasonably practical after becoming aware of the fact and, upon receipt of a request to do the same from the Guarantor, remedy the breach within 28 Toronto Business Days of receipt by it of the request.

If the Seller fails to remedy the breach of a Representation and Warranty within 28 Toronto Business Days of such request, then the Seller will be required (but only prior to the occurrence of an Issuer Event of Default and after the service of a Portfolio Asset Repurchase Notice) to repurchase on or before the next following Calculation Date (or such other date that may be agreed between the Guarantor and the Seller) the relevant Portfolio Assets (and, with respect to Loans, any other Loans of the relevant Borrower that are included in the Covered Bond Portfolio) at the purchase price paid by the Guarantor for the relevant Portfolio Assets plus expenses as at the relevant repurchase date, less any amounts received since the Transfer Date in respect of principal on such Portfolio Assets.

There can be no assurance that the Seller, in the future, will have the financial resources to repurchase a Loan or Loans and its or their Related Security. There is no further recourse to the Seller in respect of a breach of a Representation or Warranty.

### **Factors which are material for the purpose of assessing risks relating to the Covered Bonds**

#### ***Obligations under the Covered Bonds***

The Covered Bonds will not represent an obligation or be the responsibility of any of the Dealers, the Arrangers, the Bond Trustee, or any other person involved in or associated with the Programme, or their officers, directors, employees, security holders or incorporators, other than the Issuer and, after a Covered Bond Guarantee Activation Event, the Guarantor. The Issuer 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 of the Guarantor will be liable in its corporate capacity solely to the extent of its interests in the Guarantor, for their respective obligations in respect of the Covered Bonds and the Covered Bond Guarantee, as applicable, and such obligations will not be the obligations of any of their respective officers, directors, employees, security holders or incorporators, as the case may be.

#### ***Issuer liable to make payments when due on the Covered Bonds***

The Issuer is liable to make payments when due on the Covered Bonds. The Covered Bonds constitute deposit liabilities of the Issuer for purposes of the Bank Act, however will not be insured under the *Canada Deposit Insurance Corporation Act* (Canada), and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* with all deposit liabilities of the Issuer without any preference

among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (except as otherwise prescribed by law).

The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of a Covered Bond Guarantee Activation Event. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute a Guarantor Event of Default which would entitle the Bond Trustee to accelerate the obligations of the Issuer under the Covered Bonds (if the Covered Bonds have not already become due and payable) and the obligations of the Guarantor under the Covered Bond Guarantee and entitle the Bond Trustee to enforce the Security.

***Guarantor only obliged to pay Guaranteed Amounts when the same are Due for Payment***

Subsequent to a failure by the Issuer to make a payment in respect of one or more Series of Covered Bonds, the Bond Trustee may, but is not obliged to, serve an Issuer Acceleration Notice on the Issuer and Notice to Pay on the Guarantor (which would constitute a Covered Bond Guarantee Activation Event) unless and until service of such Issuer Acceleration Notice is requested or directed, as applicable, by the Holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding as if they were a single Series or an Extraordinary Resolution of all the Holders of the Covered Bonds in accordance with Condition 7.01. As a result, a certain percentage of Holders of the Covered Bonds may be able to direct such action without obtaining the consent of the other Holders of the Covered Bonds.

Following a Covered Bond Guarantee Activation Event, the Guarantor will be obliged to pay Guaranteed Amounts as and when the same are Due for Payment. The Guarantor will not be obliged to pay Holders of the Covered Bonds any amounts which may be payable in respect of the Covered Bonds until a Covered Bond Guarantee Activation Event has occurred.

Payments by the Guarantor will be made subject to any applicable withholding or deduction and the Guarantor will not be obliged to pay any additional amounts as a consequence. Prior to service on the Guarantor of a Guarantor Acceleration Notice, the Guarantor will not be obliged to make any payments payable in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds. In addition, the Guarantor will not be obliged at any time to make any payments in respect of additional amounts which may become payable by the Issuer under Condition 8.

Subject to any grace period, if the Guarantor fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other Guarantor Event of Default occurs, then the Bond Trustee may accelerate the obligations of the Guarantor under the Covered Bond Guarantee by service of a Guarantor Acceleration Notice, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than additional amounts payable under Condition 8). In such circumstances, the Guarantor will not be obliged to gross up in respect of any withholding or deduction which may be required in respect of any payment. Following service of a Guarantor Acceleration Notice, the Bond Trustee may enforce the security granted under the Security Agreement over the Covered Bond Portfolio. The proceeds of enforcement of the Security will be applied by the Bond Trustee in accordance with the Post-Enforcement Priority of Payments in the Security Agreement, and holders of the Covered Bonds will receive amounts from the Guarantor (if any) on an accelerated basis.

***Excess Proceeds received by the Bond Trustee***

Following the occurrence of an Issuer 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 Holders of the Covered Bonds of the relevant Series, to the Guarantor for the account of the Guarantor and will be held by the Guarantor in the Guarantor Accounts. 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 Guarantor Accounts. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons (subject to restitution of the same if such Excess Proceeds will be required to be repaid by

the Guarantor). However, the obligations of the Guarantor under the Covered Bond Guarantee are direct and, following service of a Notice to Pay on the Guarantor, unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations.

By subscribing for Covered Bond(s), each holder of the Covered Bonds will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Guarantor in the manner as described above.

### ***Covered Bonds issued under the Programme***

Save in respect of the first Series of Covered Bonds issued under the Programme, Covered Bonds issued under the Programme 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).

All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share in the security granted by the Guarantor under the Security Agreement. If an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds, the Covered Bonds of all Series outstanding will, provided a Covered Bond Guarantee Activation Event has occurred, accelerate at the same time against the Issuer and have the benefit of payments made by the Guarantor under the Covered Bond Guarantee. In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect holders of the existing Covered Bonds:

- the Asset Coverage Test will be required to be met both before and after any further issue of Covered Bonds; and
- on or prior to the date of issue of any further Covered Bonds, the Issuer will be obliged to obtain Rating Agency Confirmation.

### ***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 Issuer.

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 Covered Bonds of the relevant Series then outstanding.

### ***Extendable obligations under the Covered Bond Guarantee***

Following the failure by the Issuer to pay the Final Redemption Amount of a Series of Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and if following service of a Notice to Pay on the Guarantor (by no later than the date which falls one Toronto Business Day prior to the Extension Determination Date), payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of the Covered Bonds are not paid in full, then the payment of such Guaranteed Amounts may be automatically deferred for payment until the applicable Extended Due for Payment Date (where the relevant Series of Covered Bonds are subject to an Extended Due for Payment Date) and interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 5, at a Rate of Interest determined in accordance with Condition 5.03 (in the same manner as the Rate of Interest for Floating Rate Covered Bonds). To the extent that a Notice to Pay has been served on the Guarantor and the Guarantor has sufficient time and sufficient moneys to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of such Covered Bonds, the Guarantor will make such partial payment on any Interest Payment Date up to and including the relevant Extended Due for Payment Date in accordance with the Priorities of Payment and as described in Condition 6.01 and 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 shall be due and payable on the Extended Due for Payment Date. The Issuer is not required to notify



Covered Bondholders of such deferral. This will occur (subject to no Guarantor Event of Default having occurred) if the Final Terms for a relevant Series of Covered Bonds provides that such Covered Bonds are subject to an Extended Due for Payment Date.

The Extended Due for Payment Date will fall one year after the Final Maturity Date and 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 shall be due and payable on the Extended Due for Payment Date. In these circumstances, except where the Guarantor has failed to apply money in accordance with the Priorities of Payment, failure by the Guarantor to meet its obligations in respect 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. However, failure by the Guarantor to pay Guaranteed Amounts corresponding to 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 (subject to any applicable grace period) be a Guarantor Event of Default.

***Modification and Waivers; The Bond Trustee may agree to modifications to the Transaction Documents without, respectively, the holders of the Covered Bonds' or Secured Creditors' prior consent***

The conditions of the Covered Bonds contain provisions for calling meetings of Holders of the Covered Bonds to consider matters affecting their interest generally. These provisions permit defined majorities to bind all Holders of the Covered Bonds including Holders of Covered Bonds who do not attend and vote at the relevant meeting and Holders of the Covered Bonds who voted in a manner contrary to the majority.

Pursuant to the terms of the Trust Deed, the Bond Trustee may also, without the consent or sanction of any of the Holders of the Covered Bonds or any of the other Secured Creditors, concur with any person in making or sanctioning any modification to the Transaction Documents:

- provided that the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interest of any of the Holders of the Covered Bonds of any Series; or
- which in the opinion of the Bond Trustee are made to correct a manifest error or are of a formal, minor or technical nature or are made to comply with mandatory provisions of law.

Pursuant to the terms of the Trust Deed, the Bond Trustee may, without the consent or sanction of any of the holders of the Covered Bonds or any of the other Secured Creditors grant any authorization or waiver of (on such terms and conditions (if any) as shall seem expedient to it) any proposed or actual breach of any of the covenants contained in the Trust Deed, the Security Agreement or any of the other Transaction Documents, provided that the Bond Trustee is of the opinion that such waiver or authorization will not be materially prejudicial to the interest of any of the holders of the Covered Bonds of any Series.

***Notwithstanding the above, none of the Issuer, the Guarantor, the Seller, the Servicer or the Bond Trustee, without the consent or sanction of the Holders of the Covered Bonds by Extraordinary Resolution, may take any action or amend any of the Transaction Documents that would result in the CMHC Mortgage Insurance relating to the Portfolio Assets becoming void or a material limit being placed on any claims that may be made thereunder.***

***Certain decisions of holders of the Covered Bonds taken at the Programme 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 holders of all Covered Bonds of all Series then outstanding.

### ***Change 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 Ontario and the laws of Canada applicable therein including federal banking, bankruptcy and income tax laws in effect as at the date of this Prospectus. 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 Mortgage Insurance and NHA MBS, the applicable laws, regulations and policies with respect to the issuance of Covered Bonds, the Covered Bonds themselves or the bankruptcy and receivership of the Issuer or the Guarantor after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to meet its obligations in respect of the Covered Bonds or the Guarantor to meet its obligations under the Covered Bond Guarantee.

The Conditions of the Covered Bonds permit the Issuer to exchange, without the consent of the Bond Trustee, or the holders of the Covered Bonds, any existing Covered Bonds then outstanding for new Covered Bonds following the coming into force in Canada of any legislation similar to covered bond legislation in force in the European Union or any rules, regulations or guidelines published by any governmental authority that provides for bonds issued by Canadian issuers or Canadian chartered banks to qualify for benefits similar to those available pursuant to covered bond legislation in force in European Union countries provided that, amongst other things, each of the Rating Agencies confirms in writing that any such new Covered Bonds will be assigned the same or better ratings as are then applicable to the existing Covered Bonds. Any such new Covered Bonds will qualify as covered bonds under such new legislation, rules, regulations or guidelines and will be in identical form, amounts and denominations and will be subject to the same economic terms and conditions as the existing Covered Bonds then outstanding.

### ***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 Holder 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.

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.

### ***Ratings of the Covered Bonds***

The ratings assigned to the Covered Bonds address with respect to DBRS, Fitch and S&P:

- the likelihood of full and timely payment to holders of the Covered Bonds of all payments of interest on each Interest Payment Date; and
- the likelihood of ultimate payment of principal in relation to Covered Bonds on: (i) the Final Maturity Date thereof; or (ii) 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, on the Extended Due for Payment Date thereof.

Additionally, with respect to DBRS and Fitch, the ratings assigned to the Covered Bonds address the likelihood of timely payment of principal in relation to the Hard Bullet Covered Bonds on the Final Maturity Date thereof.

With respect to Moody's, the ratings assigned to the Covered Bonds address the expected loss posed to investors.

The expected ratings of the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating or place the rating on negative watch 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 or placed on negative watch, the market value of the Covered Bonds may be reduced. The rating assigned to the Covered Bonds may not reflect the potential of all risks related to structure, market, additional and other factors discussed herein and other factors that may affect the value of the Covered Bonds. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

### ***Rating Agency Confirmation in respect of Covered Bonds***

The terms of certain of the Transaction Documents provide that, in certain circumstances, the Issuer 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 Issuer, 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 downgrade of the then current rating of the Covered Bonds or cause such rating to be withdrawn. 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 Rating Agency Confirmation is delivered to that Rating Agency by any of the Issuer, the Guarantor and/or the Bond Trustee, as applicable, and the Rating Agency indicates that it does not consider such confirmation or response necessary in the circumstances, the Issuer, the Guarantor and/or the Bond Trustee, as applicable, will be entitled to proceed with such particular action proposed to be taken. However, in such circumstances there can be no assurance that a Rating Agency would not downgrade the then current rating of the Covered Bonds or cause such rating to be withdrawn.

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

By subscribing for or purchasing Covered Bond(s), each holder of Covered Bonds shall be deemed to have acknowledged and agreed that: (a) a Rating Agency Confirmation 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 a Rating Agency Confirmation in the time available, or at all, and the Rating Agency shall not be responsible for the consequences thereof; (c) a Rating Agency Confirmation, 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 forms a part; and (d) a Rating Agency Confirmation represents only a restatement of the opinions given, and shall not be construed as advice for the benefit of any holder of Covered Bonds or any other party.

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

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

- (a) 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 or incorporated by reference in this Prospectus or any applicable supplement or Final Terms;
- (b) 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 the impact the Covered Bonds will have on its overall investment portfolio;
- (c) 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 potential investor's currency;

- (d) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) at the time of initial investment and on an ongoing basis possible 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.

### ***Risks related to the structure of a particular issue of Covered Bonds***

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features

#### ***Covered Bonds subject to optional redemption by the Issuer***

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds, if the Issuer has a right of redemption in respect of the relevant Series of Covered Bonds, when its cost of borrowing is lower than the interest rate on the 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 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.

#### ***Index Linked Covered Bonds, Equity Linked Covered Bonds, Commodity Linked and Dual Currency Covered Bonds***

The Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated. Potential investors should be aware that:

- (a) the market price of such Covered Bonds may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (f) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factors, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factors, the greater the effect on yield.

#### *Variable Rate Covered Bond with a multiplier or other leverage factor*

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Covered Bonds*

Inverse Floating Rate Covered Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Covered Bonds typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Covered Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Covered Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Covered Bonds.

#### *Fixed/Floating Rate Covered Bonds*

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then 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 Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

#### *Interest rate risks*

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.

#### *Covered Bonds issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Canadian usury laws*

The *Criminal Code* (Canada) prohibits the receipt of "interest" (as such term is broadly defined therein) at a "criminal rate" (namely, an effective annual rate of interest that exceeds 60 per cent.). 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.

## **Factors which are material for the purposes of assessing the risks relating to the Issuer's and the Guarantor's legal and regulatory situation**

### ***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. However, if the Seller or the Guarantor were to become bankrupt or otherwise subject to insolvency and/or restructuring proceedings, the Superintendent of Financial Institutions (the “**Superintendent**”), appointed pursuant to the *Office of the Superintendent of Financial Institutions Act* (Canada), any liquidator or other stakeholder of the Seller, could attempt to re-characterize 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* (“**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. 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.

To the extent that the Servicer becomes insolvent and loses its status as a CMHC Approved Lender or is unable to satisfy its servicing obligations as a CMHC Approved Lender, CMHC payments under CMHC Mortgage Insurance relating to the Loans may be affected. See “*Default by Borrowers in paying amounts due on their Loans; CMHC Mortgage Insurance*”.

The ability of the Bond Trustee (for itself and on behalf of the other Secured Creditors) 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 the Seller, a liquidator 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 insolvency proceedings against the Guarantor under the BIA or the CCAA.

If the Guarantor or Issuer, including as Seller and initial Servicer, voluntarily or involuntarily becomes subject to insolvency or winding-up proceedings including pursuant to the BIA, the CCAA or the WURA or if a receiver is appointed over the Issuer or the Guarantor, 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 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 GIC Account.

### ***Remedial Powers of the Superintendent under the Bank Act***

The Superintendent, under Section 645(1) of the Bank Act, has the power, where in the opinion of the Superintendent a person, 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 person or bank, 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 June 27, 2007 that Canadian deposit taking institutions may issue covered bonds, provided certain conditions are met. The conditions are as follows: (i) at the time of issuance, the covered bonds must not make up more than 4 per cent. of the Total Assets of the relevant deposit taking institution; (ii) if at any time after issuance the 4 per cent. limit is exceeded, the relevant deposit taking

institution must immediately notify OSFI; (iii) excesses (above the 4 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. “**Total Assets**” for the purpose of the foregoing limit, will be equal to the numerator of the asset-to-capital multiple of the relevant deposit taking institution. In addition, relevant deposit taking institutions are expected, prior to issuing any covered bonds, 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 and to obtain board and/or committee approval for such amendments prior to issuance of any covered bonds.

Each of the full Programme amount and the total aggregate amount of covered bonds issued by the Bank is less than 4 per cent. of the Total Assets of the Bank as of the date of this Prospectus. The Bank did not issue covered bonds prior to June 27, 2007. 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 Programme.

### ***Basel Capital Requirements Directive***

The Basel Committee on Banking Supervision has issued proposals for further reform of the 1988 Basel Capital Accord which increase both the quality and quantity of regulatory capital in an effort to create a more resilient global banking sector. The Issuer cannot predict the precise effects of the potential changes that might result from implementation of the proposals on both its own financial performance or the impact on the pricing of the Covered Bonds issued under this Programme. Prospective investors should consult their own advisers as to the potential consequences for them and for the Issuer of the potential application of the proposed framework.

### ***General***

No assurance can be given that additional regulations or guidance from CMHC, OSFI, Canadian Deposit Insurance Corporation or any other regulatory authority will not arise with regard to the mortgage market in Canada generally, the Seller’s or 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 Covered Bond Portfolio or any part thereof in a timely manner and/or the realizable value of the Covered Bond Portfolio or any part thereof and accordingly affect the ability of the Issuer and (following the occurrence of a Covered Bond Guarantee Activation Event) the Guarantor, respectively, to meet their obligations under the Covered Bonds in the case of the Issuer and the Covered Bond Guarantee in the case of the Guarantor.

### **Other factors which are material for the purposes of assessing the risks involved in an investment in the Covered Bonds**

#### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, interest rate risk and credit risk:

#### ***The secondary market generally***

Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

### *Absence of secondary market; lack of liquidity*

There is not, at present, 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. 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 “*Subscription and Sale and Transfer and Selling Restrictions*”. If a secondary market does develop, it may not continue for the life of the Covered Bonds or it may not provide holders of the Covered Bonds with liquidity of investment with the result that 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 realize a desired yield.

In addition, Covered Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to (and including) the Covered Bonds. As a result, investors may suffer losses on the Covered Bonds in secondary market transactions even if there is no decline in the performance of the Issuer. The Issuer cannot predict how and when these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Covered Bonds or instruments similar to the Covered Bonds at that time.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including the Covered Bonds. While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for securities including the Covered Bonds will recover or will recover at the same time or to the same degree as such other recovering global credit market sectors.

### *No obligation to maintain listing*

The Issuer is not under any obligation to Holders of the Covered Bonds to maintain any listing of Covered Bonds and may, in certain circumstances, seek to terminate the listing of any Series of Covered Bonds. These circumstances include: (i) the implementation of Transparency Obligations Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 (the “**TOD**”), or any law implementing or complying with, or introduced in order to conform to TOD is introduced, so as to require the Issuer or any of its affiliates, as a direct or indirect result of the listing of Covered Bonds or the offering of Covered Bonds to the public, (a) to prepare its financial statements in accordance with, or reconciled to, International Financial Reporting Standards (“**IFRS**”) or International Accounting Standards (“**IAS**”); (b) to provide additional quantitative or qualitative disclosures regarding significant differences between Canadian generally accepted accounting principles (“**Canadian GAAP**”) and IFRS or any additional auditor’s report relating to such disclosures; (c) to change the form of its financial reports in any other respect (other than Canadian GAAP and Canadian generally accepted auditing standards); or (d) to have its financial statements audited in accordance with International Standards on Auditing (“**ISA**”); or (ii) any other future law, rule of any securities exchange or any EU directive imposes other requirements (including new corporate governance requirements) on the Issuer or the Guarantor or any of its respective affiliates that it in good faith determines are impractical or unduly burdensome in order to maintain the continued listing of any Covered Bonds issued under the Programme on a regulated market in the European Union (see item 2 in “*General Information*”).

In December 2006, the European Union passed Commission Regulation (EC) No. 1787/2006 and a Commission Decision (2006/891/EC) permitting non-EEA issuers, such as the Bank, to use among others Canadian GAAP in prospectuses filed under the Prospectus Directive and financial reporting under the TOD until financial years beginning on or after 1 January 2009. On 21 December 2007, the European Union passed Commission Regulation (EC) No. 1569/2007 pursuant to which these transitional measures have been extended until financial years beginning on or after 31 December 2011, provided that the relevant accounting standards setter in the non-EEA country (such as Canada) had before 30 June 2008 publicly committed to adopt IFRS before 31 December 2011 and taken effective measures to ensure the timely and complete transition to IFRS by that date. On 13 February 2008, the Accounting Standards Board of Canada (the AcSB) publicly confirmed the adoption of IFRS for financial years beginning on or after 1 January 2011. On 12 December 2008, Commission Decision (2008/961/EC) repealed Commission Decision (2006/891/EC) and reaffirmed that prior to financial years starting on or after 1 January 2012, a third country issuer would be permitted to prepare its annual consolidated financial statements and half-yearly consolidated financial statements in accordance with Canadian GAAP.



In the circumstances noted in the first paragraph above, the Issuer may, in its sole discretion, determine that it is impractical or 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 deems appropriate. However, if such alternative listing is not available or, in the opinion of the Issuer is impractical or unduly burdensome, an alternative listing may not be obtained.

Although there is no assurance as to the liquidity of any Covered Bonds as a result of the listing on a regulated market in the European Union, delisting such Covered Bonds may have a material affect on the ability to (i) continue to hold such Covered Bonds or (ii) resell the Covered Bonds in the secondary market.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

On 13 November 2008, the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above. Covered Bondholders who are in any doubt as to their position should consult their professional advisors.

If a payment to an individual were to be made or collected through a Member State (or any non-EU country or territory which has adopted similar measures in order to conform to the Directive) which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bonds as a result of the imposition of such withholding tax. The Issuer has agreed to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to such directive.

### ***Legal investment considerations may restrict certain investments***

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 and (iii) 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.

### ***Interests of Dealers***

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer in the ordinary course of business without regard to the Issuer, the Bond Trustee, the holders of the Covered Bonds or the Guarantor.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published by the Issuer or are published simultaneously with this Prospectus and as at the date of this Prospectus have been approved by or filed with the UK Listing Authority are hereby incorporated in, and form part of, this Prospectus and both the Base Prospectus and Listing Particulars set out in the Prospectus:

- (a) The Bank's Annual Information Form dated 2 December 2009 (the "**2009 Annual Information Form**");
- (b) the following sections of the Bank's Annual Accountability Report for the year ended 31 October 2009 (the "**2009 Annual Report**") which are incorporated by reference in the 2009 Annual Information Form:
  - (i) information about the intercorporate relationships among the Bank and its principal subsidiaries on page 168 of the 2009 Annual Report;
  - (ii) Management's Discussion and Analysis of the Bank for the fiscal year ended 31 October 2009 on pages 39 to 95 of the 2009 Annual Report;
  - (iii) information about the Bank's business lines, CIBC Retail Markets and Wholesale Banking, on pages 59 to 64 of the 2009 Annual Report;
  - (iv) a discussion of risk factors related to the Bank and its business, and the steps taken to manage those risks on pages 73 to 88 of the 2009 Annual Report;
  - (v) information concerning the cash dividends declared and paid per shares on pages 138 to 142 of the 2009 Annual Report;
  - (vi) a description of the Bank's capital structure on pages 136 to 142 of the 2009 Annual Report
  - (vii) information concerning the directors and board committees of the Bank on pages 35 to 37 of the 2009 Annual Report;
  - (viii) a description of legal proceedings to which the Bank is a party under the heading "Contingent liabilities" on page 154 of the 2009 Annual Report; and
  - (ix) information on the professional service fees for services provided by the Bank's external auditor on page 175 of the 2009 Annual Report;
- (c) pages 96 through 167 of the Bank's 2009 Annual Report, comprising the Bank's audited consolidated financial statements for the years ended 31 October 2009 and 2008, together with the notes thereto and the auditors' report thereon dated 2 December 2009 included therein;
- (d) the following sections of the Issuer's Third Quarter 2010 Report to Shareholders:
  - (i) Management's discussion and analysis on pages 4 to 39, including, in particular, information about trends, commitments, events and uncertainties for the Issuer known to the Issuer's management which is provided on pages 7 to 10 under the heading "Overview" together with the caution provided under the heading "A note about forward-looking statements" on page 4; and
  - (ii) the unaudited interim consolidated financial statements for the three and nine month periods ended 31 July 2010 with comparative unaudited interim consolidated financial statements for

the three and nine month periods ended 31 July 2009, prepared in accordance with Canadian GAAP, set out on pages 40 to 57;

- (e) the following sections of the Issuer's Third Quarter 2009 Report to Shareholders:
  - (i) Management's discussion and analysis on pages 4 to 39, including, in particular, information about trends, commitments, events and uncertainties for the Issuer known to the Issuer's management which is provided on pages 7 to 9 under the heading "Overview" together with the caution provided under the heading "A note about forward-looking statements" on page 4; and
  - (ii) the unaudited interim consolidated financial statements for the three and nine month periods ended 31 July 2009 with comparative unaudited interim consolidated financial statements for the three and nine month periods ended 31 July 2008, prepared in accordance with Canadian GAAP, set out on pages 41 to 56;
- (f) pages 53 through 88 of the Bank's prospectus in connection with the Programme dated 25 September 2009, comprising the terms and conditions applicable to Covered Bonds issued pursuant to such prospectus; and
- (g) pages 66 through 109 of the Bank's prospectus in connection with the Programme dated 30 June 2008, comprising the terms and conditions applicable to Covered Bonds issued pursuant to such prospectus.

Information, documents or statements expressed to be incorporated by reference into, or that form part of one or more of, the documents described above form part of this Prospectus but do not form part of the Base Prospectus or the Listing Particulars of the Issuer approved by the UK Listing Authority for purposes of the Prospectus Directive. In addition, the following documents published or issued from time to time after the date hereof will be deemed to be incorporated in, and form part of, this Prospectus, provided that such documents will not form part of the Base Prospectus or the Listing Particulars approved by the UK Listing Authority for the purposes of the Prospectus Directive unless otherwise incorporated in a supplementary prospectus approved by the UK Listing Authority:

- (h) the Issuer's most recently published Annual Information Form;
- (i) the Issuer's audited consolidated financial statements, together with the auditor's report thereon (excluding, for greater certainty, management's report on internal control and financial reporting and the report of the independent registered chartered accountants thereon) and management's discussion and analysis for the year then ended contained in the most recently published Annual Report to Shareholders and, if published later, the Issuer's comparative unaudited interim consolidated financial statements and management's discussion and analysis for the period then ended contained in the most recently published Quarterly Report to Shareholders;
- (j) all supplements or amendments to the Prospectus prepared by the Issuer from time to time (other than those filed pursuant to Article 16 of the Prospectus Directive and approved by the UK Listing Authority under section 87G of FSMA); and
- (k) any material change reports (excluding confidential material change reports) filed by the Issuer with the various securities commissions or similar authorities in Canada pursuant to the requirements of applicable securities legislation, after the date of this Prospectus and during the currency of this Prospectus.

Any statement contained herein or in a document all or the relative portion of which is or is deemed to be incorporated by reference will be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein, in any other subsequently filed document which is or is deemed to be incorporated by reference in this Prospectus, or in any supplement approved by the UK Listing Authority (including any documents incorporated by reference therein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of this Prospectus and the documents incorporated by reference in this Prospectus (but excluding items (h) to (k) above unless otherwise incorporated in a supplementary prospectus under Article 16 of the Prospectus Directive) and any supplement hereto approved by the UK Listing Authority can be (i) viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name of the Issuer and the headline “Publication of Prospectus”; (ii) obtained on written request and without charge from the specified offices of the Issuer and each Paying Agent, as set out at the end of this Prospectus; and (iii) obtained by accessing the Issuer’s disclosure documents through the Internet (A) on the Canadian System for Electronic Document Analysis and Retrieval at [www.SEDAR.com](http://www.SEDAR.com) (an internet-based securities regulatory filing system), and (B) at the U.S. Securities and Exchange Commission’s web site at <http://www.sec.gov>.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Covered Bonds issued in circumstances requiring publication of a prospectus under the Prospectus Directive. The Issuer has undertaken to the Dealers in the Dealership Agreement that it will comply with section 87G of the FSMA.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, information contained elsewhere in this Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this summary. A glossary of certain defined terms is contained at the end of this Prospectus.*

Issuer or the Bank:	Canadian Imperial Bank of Commerce
Branch of Account:	The head office of the Bank in Toronto, or such other branch as may be specified in the applicable Final Terms, any such branch being the “Branch of Account” for the purposes of the Bank Act, will take the deposits evidenced by the Covered Bonds, but without prejudice to the provisions of Condition 9 (see “ <i>Terms and Conditions of the Covered Bonds—Payments</i> ”).
Guarantor:	CIBC Covered Bond Guarantor Limited Partnership.
Arrangers:	Canadian Imperial Bank of Commerce, London Branch (“ <b>CIBC</b> ”) and The Royal Bank of Scotland plc (“ <b>RBS</b> ”).
Dealers:	CIBC, Commerzbank Aktiengesellschaft, HSBC Bank plc (“ <b>HSBC</b> ”), Merrill Lynch International, J.P. Morgan Securities Ltd. and RBS or such other dealer(s) as may be appointed from time to time by the Issuer generally in respect of the Programme or in relation to a particular Series or Tranche of Covered Bonds.
Seller:	The Bank, any New Seller, or other party for whom Rating Agency Confirmation has been received, who may from time to time accede to the Mortgage Sale Agreement and sell New Loans and their Related Security or NHA MBS 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.
Issuing and Paying Agent, European Registrar, European Exchange Agent, Calculation Agent and Transfer Agent:	HSBC Bank plc, acting through its office at 8 Canada Square, London, E14 5HQ.
U.S. Registrar, Transfer Agent and Exchange Agent	HSBC Bank USA, National Association acting through its offices at 452 Fifth Avenue, New York, New York 10018-2706.
Bond Trustee:	Computershare Trust Company of Canada, acting through its offices located at 100 University Avenue, 9 <sup>th</sup> Floor, North Tower, Toronto, Ontario, Canada M5J 2Y1.
Asset Monitor:	Ernst & Young LLP, acting through its offices at Ernst & Young Tower, 222 Bay Street, Toronto, Ontario Canada M5K 1J7.
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.
GIC Provider:	Initially, the Bank, acting through its head office in Toronto.
Account Bank	Initially, the Bank, acting through its head office in Toronto.
Standby Account Bank:	The Bank of Nova Scotia, acting through its offices located at Scotia Plaza, 44 King Street West, Toronto, Ontario Canada M5H 1H1.
Standby GIC Provider:	The Bank of Nova Scotia, acting through its offices located at Scotia Plaza, 44 King Street West, Toronto, Ontario Canada M5H 1H1.
Description:	Global Public Sector Covered Bond Programme.
Certain Restrictions:	Each Series or Tranche of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”).
Programme Size:	Up to €10,000,000,000 (or its equivalent in Specified Currencies), outstanding at any time, subject to increase. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealership Agreement.  Covered Bonds denominated in a currency other than euros shall be translated into euros at the date of the agreement to issue such Covered Bonds using (a) the spot rate of exchange for the purchase of such currency against payment of euros being quoted by the Issuing and Paying Agent on the date on which such agreement was made which, where the parties enter into a subscription agreement in respect of the Covered Bonds, shall be the date of execution thereof, and in all other cases, the date of the applicable Final Terms or (b) such other rate as the Issuer and the relevant Dealer may agree, such rate being indicated in the applicable Final Terms.
Distribution:	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”.
Issuance of Series:	Covered Bonds will be issued in series (each, a “ <b>Series</b> ”). Each Series may comprise one or more tranches (“ <b>Tranches</b> ” and each, a “ <b>Tranche</b> ”) issued on different issue dates. The Covered Bonds of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Covered Bonds in bearer form and Covered Bonds in registered form and Covered Bonds in more than one denomination. The Covered Bonds of each Tranche will be subject to identical terms in all respects, save that a Tranche may comprise Covered Bonds in bearer form and Covered Bonds in registered form and may comprise Covered Bonds of different denominations
Specified Currencies:	Covered Bonds may be denominated in any currency or currencies subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, such currencies to be agreed upon between the Issuer, the relevant Dealer(s) and the Bond Trustee (as set out in the applicable Final Terms).  Payments in respect of Covered Bonds may, subject to compliance as described above, be made in and/or linked to, any currency or currencies other than the currency in

which such Covered Bonds are denominated as may be specified in the applicable Final Terms. The Issuer is an “authorized person” under the FSMA.

**Denomination:** 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) and as indicated in the applicable Final Terms, save that the minimum denomination of each Covered Bond to be admitted to trading on a regulated market within the EEA or offered to the public in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive, will be at least €50,000 (or, if the Covered Bonds are denominated in a currency other than euros, 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.

The minimum denomination of each Definitive IAI Registered Covered Bond, each Definitive Rule 144A Covered Bond and each Definitive N Covered Bond will be as stated in the applicable Final Terms in U.S. dollars (or its approximate equivalent in other Specified Currencies).

**Redenomination:** The applicable Final Terms may provide that certain Covered Bonds may be redenominated into another currency. If so, the redenomination provisions will be set out in the applicable Final Terms.

**Maturities:** Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, 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 Issuer 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 exchangeable for Bearer Covered Bonds and vice versa.

Each Tranche of Bearer Covered Bonds will be issued in the form of either a Temporary Global Covered Bond or a Permanent Global Covered Bond deposited with the Common Safekeeper for Euroclear and Clearstream, Luxembourg (in the case of Bearer Covered Bonds intended to be issued in NGCB form) or otherwise with a Common Depositary for Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. A Temporary Global Covered Bond will be exchangeable for a Permanent Global Covered Bond or, if so specified in the applicable Final Terms, Bearer Definitive Covered Bonds. Unless otherwise specified in the applicable Final Terms, a Permanent Global Covered Bond will be exchangeable for Bearer Definitive Covered Bonds only in the limited circumstances specified in the “*Terms and Conditions of the Covered Bonds*”.

Registered Covered Bonds sold in reliance on Regulation S under the *Securities Act* will be issued in the form of Regulation S Global Covered Bonds, while Registered Covered Bonds sold in reliance on Rule 144A under the *Securities Act* will be issued in the form of 144A Global Covered Bonds (together, the “**Registered Global Covered Bonds**”). Registered Global Covered Bonds will either be deposited with a custodian for, and registered in the name of a nominee for, DTC or Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Unless otherwise specified in the applicable Final Terms, Registered Covered Bonds will be exchangeable for Registered Definitive Covered Bonds in the limited circumstances specified in “*Terms*”.

*and Conditions of the Covered Bonds”.*

Registered Covered Bonds sold to Institutional Accredited Investors who agree to purchase for their own account and not with a view to the distribution thereof will be issued in definitive form in the name of the holder thereof in denominations specified in the applicable Final Terms.

Definitive N Covered Bonds will be issued to each holder (unless otherwise specified in the applicable Final Terms) by a deed of issuance (a “**Definitive N Covered Bonds Deed**”).

Registered Covered Bonds are subject to transfer restrictions described under “*Subscription and Sale and Transfer and Selling Restrictions*”.

See “*Form of the Covered Bonds*” for further details.

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 lifetime of the relevant Series.
Types of Covered Bonds:	<p>The following is a non-exhaustive list of the types of Covered Bonds that may be issued under the Programme:</p> <ul style="list-style-type: none"><li>• Fixed Rate Covered Bonds</li><li>• Floating Rate Covered Bonds</li><li>• Index Linked Covered Bonds</li><li>• Dual Currency Covered Bonds</li><li>• Instalment Covered Bonds</li><li>• Zero Coupon Covered Bonds</li></ul>
Other Types of Covered Bonds:	Covered Bonds with respect to which payment of principal and/or interest is linked to any source or types of Covered Bonds not referred to above (including Equity Linked Covered Bonds and Credit Linked Covered Bonds) may be issued under the Programme on terms agreed between the Issuer and the relevant Dealer(s) and/or Purchaser(s) and set out in the applicable Final Terms, as appropriate.
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 Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms), provided that if an Extended Due for Payment Date is specified in the Final Terms, interest following the Due for Payment Date will continue to accrue and be payable on the unpaid amount in accordance with Condition 5, at a Rate of Interest determined in accordance with Condition 5.03 (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:



- (i) on the same basis as the floating rate under a schedule and confirmation for the relevant Tranche and/or Series of Covered Bonds in the relevant Specified Currency governed by the Covered Bond Swap Agreement incorporating the ISDA Definitions; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

as set out in the applicable Final Terms. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Tranche and Series of Floating Rate Covered Bonds as set out in the applicable Final Terms.

Index Linked Covered Bonds:	Payments of principal in respect of Index Linked Redemption Covered Bonds or of interest in respect of Index Linked Interest Covered Bonds will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree (as set out in the applicable Final Terms).
Dual Currency Covered Bonds:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Covered Bonds will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as set out in the applicable Final Terms).
Instalment Covered Bonds:	Instalment Covered Bonds are redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.
Zero Coupon Covered Bonds:	Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment unless otherwise specified in the applicable Final Terms.
Rating Agency Confirmation:	Any issuance of new Covered Bonds will be conditional upon obtaining Rating Agency Confirmation in respect of the ratings of the then outstanding Covered Bonds by the Rating Agencies.
Ratings:	Covered Bonds issued under the Programme are expected on issue to be assigned an “AAA” rating by S&P, an “Aaa” by Moody’s, an “AAA” by Fitch and an “AAA” by DBRS unless otherwise specified in the applicable Final Terms.
Listing and admission to trading:	Application has been made to admit Covered Bonds issued under the Programme for the period of 12 months from the date of this prospectus to the Official List and to admit the Covered Bonds to trading on the regulated market of the London Stock Exchange. Covered Bonds may be unlisted or may be listed on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the Issuer, the Guarantor, the Bond Trustee and the relevant Dealer(s) in relation to each Tranche. The Final Terms relating to each Tranche of the Covered Bonds will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.
Redemption:	The applicable Final Terms relating to each Tranche of Covered Bonds will indicate either that the relevant Covered Bonds of such Tranche cannot be redeemed prior to their stated maturity (other than in the case of Instalment Covered Bonds or following an Issuer Event of Default or a Guarantor Event of Default or as indicated below) or

that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the holders of the Covered Bonds, 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 Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Early redemption will be permitted for taxation reasons and illegality as mentioned in “*Terms and Conditions of the Covered Bonds — Early Redemption for Taxation Reasons*” and “*—Redemption due to Illegality*”, but will otherwise be permitted only to the extent specified in the applicable Final Terms.

The Issuer may also issue Covered Bonds the terms of which permit it to pay and/or discharge its obligations with respect to such Covered Bonds by the payment or delivery of securities and/or other property or any combination of cash, securities and/or other property. The terms of such Covered Bonds and the conditions upon which such payment and/or discharge may be effected will be set out in full in the applicable Final Terms, as appropriate.

Extendable obligations under the Covered Bond Guarantee:

The applicable Final Terms may also 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 their 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 Issuer 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 moneys in accordance with the Priorities of Payment 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 Payment). To the extent a Notice to Pay has been served on the Guarantor and the Guarantor has sufficient time and sufficient moneys 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 6.01. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 5, at a Rate of Interest determined in accordance with Condition 5.03 (in the same manner as the Rate of Interest for Floating 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 shall be due and payable on the Extended Due for Payment Date.

Taxation:

Payments in respect of Covered Bonds 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 imposed or levied by or on behalf of Canada or any province or territory thereof, or, in the case of Covered Bonds issued by a branch of the Issuer located outside 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, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (subject to customary exceptions) pay such additional amounts as will result in the holders of Covered Bonds or Coupons receiving such amounts as they would have received in respect of such Covered Bonds or Coupons had no such withholding or deduction been required (see “*Terms and Conditions of the Covered Bonds—Early Redemption for Taxation Reasons*”). Under the Covered Bond Guarantee, the Guarantor will not be

liable to pay any such additional amounts as a consequence of any applicable tax withholding or deduction, including such additional amounts which may become payable by the Issuer under Condition 8.

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, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders on any class of shares of a corporation; or (ii) the recipient of such interest does not deal at arm's length with the Issuer for purposes of the Act, such interest may be subject to Canadian non-resident withholding tax. Additional opinions from Canadian tax counsel may be required. See the discussion under the caption "*Taxation—Canada*".

ERISA:	Subject to the limitations described under ERISA and certain other U.S. considerations, a Covered Bond may be purchased by Benefit Plan Investors (as defined in Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended (" <b>ERISA</b> ")), subject to certain conditions. See " <i>ERISA and Certain Other U.S. Considerations</i> ".
Cross Default:	If a Guarantor Acceleration Notice is served in respect of any one Series of Covered Bonds, then the obligation of the Guarantor to pay Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated.
Status of the Covered Bonds:	<p>The Covered Bonds will constitute deposits for purposes of the Bank Act and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> with all deposit liabilities of the Issuer without any preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.</p> <p>The Covered Bonds will not be deposits insured under the <i>Canada Deposit Insurance Corporation Act</i> (Canada).</p>
Governing Law and Jurisdiction:	<p>The Covered Bonds and all Transaction Documents will be governed by, and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, except that the Swap Agreements will be governed by English law. See "<i>Summary of the Principal Documents</i>".</p> <p>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, and, subject to certain exceptions can enforce foreign judgements in respect of agreements governed by foreign laws.</p>
Terms and Conditions:	Final Terms will be prepared in respect of each Tranche of Covered Bonds. A copy of each Final Terms will, in the case of Covered Bonds to be admitted to the Official List and to be admitted to trading on the Market or the PSM, be delivered to Listing Applications at the UK Listing Authority and to the London Stock Exchange on or before the closing date of such Covered Bonds. The terms and conditions applicable to each Tranche will be those set out herein under " <i>Terms and Conditions of the Covered Bonds</i> " as supplemented, modified or replaced by the applicable Final Terms.
Clearing System:	DTC, Euroclear, Clearstream, Luxembourg and/or, in relation to any Covered Bonds, any other clearing system as may be specified in the applicable Final Terms.

Non-U.S. Selling Restrictions:	There will be specific restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of offering material in Canada, Japan and the EEA, the United Kingdom, France and Italy, Hong Kong, 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. See “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ”.
U.S. Selling Restrictions:	<p>The Issuer is Category 2 for the purposes of Regulation S under the <i>Securities Act</i>.</p> <p>If specified in the applicable Final Terms, Covered Bonds may be sold in compliance with Rule 144A under the <i>Securities Act</i> or to Institutional Accredited Investors who agree to purchase for their own account and not with a view to the distribution thereof.</p> <p>The Covered Bonds in bearer form will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the “<b>TEFRA D Rules</b>”) unless (i) the applicable Final Terms state that the Covered Bonds are issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the “<b>TEFRA C Rules</b>”) or (ii) the Covered Bonds are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstances in which the Covered Bonds will not constitute “registration required obligations” under the <i>United States Tax Equity and Fiscal Responsibility Act of 1982</i> (“<b>TEFRA</b>”), which circumstances will be referred to in the applicable Final Terms as a transfer to which TEFRA is not applicable.</p>
Transfer Restrictions:	There are restrictions on the transfer of certain Registered Covered Bonds. See “ <i>Subscription and Sale and Transfer and Selling Restrictions—United States of America-Transfer Restrictions</i> ”.
Covered Bond Guarantee:	<p>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 Covered Bond Portfolio.</p> <p>Payments made by the Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the applicable Priorities of Payment.</p>
Security:	To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the Guarantor will grant a first ranking security interest over its present and future acquired assets, including the Covered Bond 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.
Covered Bond Portfolio:	The Covered Bond Portfolio will consist solely of Loans which are CMHC Insured Loans (and their Related Security) and/or NHA MBS. CMHC is Canada’s national housing agency, and is a Canadian federal Crown corporation, wholly owned by the Government of Canada. CMHC’s obligations are those of Her Majesty The Queen in Right of Canada, and as such carry the full faith and credit of the Government of Canada. CMHC insures the payment of principal and interest on first mortgage loans on private residential properties in Canada on and subject to the terms of the applicable CMHC Mortgage Insurance, and guarantees the timely payment of principal and interest on NHA MBS. As of the date hereof, CMHC Insured Loans and NHA MBS

are considered zero credit risk by the Canadian banking regulator OSFI.

Intercompany Loan:	<p>Under the terms of the Intercompany Loan Agreement, prior to the issuance of the first Tranche of Covered Bonds, the Bank has made available to the Guarantor an interest-bearing Intercompany Loan, comprised of 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 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 the floating rate under the Interest Rate Swap Agreement less the sum of a minimum spread and an amount for certain expenses of the Guarantor. The balance 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.</p> <p>To the extent the Covered Bond 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 purchase New Loans and their Related Security and/or NHA MBS from the Seller.</p>
Guarantee Loan:	<p>The Guarantee Loan is in an amount equal to the balance of outstanding Covered Bonds at any relevant time plus that portion of the Covered Bond Portfolio required in accordance with the Asset Coverage Test as over collateralization for the Covered Bonds in excess of the amount of then outstanding Covered Bonds (see “<i>Summary of the Principal Documents—Guarantor Agreement—Asset Coverage Test</i>”).</p>
Demand Loan:	<p>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 (or following a Demand Loan Payment Event if agreed to by the Bank and subject to Rating Agency Confirmation), the Guarantor may re-borrow any amount repaid by the Guarantor under the Intercompany Loan for a permitted purpose provided, among other things, such drawing does not result in the Intercompany Loan exceeding the Total Credit Commitment.</p>
The Proceeds of the Intercompany Loan:	<p>The Guarantor used the initial advance of proceeds from the Intercompany Loan to purchase the Initial Covered Bond Portfolio consisting of Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement and, following the initial advance, has used additional advances and may use subsequent additional advances (i) to purchase New Loans and their Related Security and/or NHA MBS 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; 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 to an amount not exceeding the prescribed limit), fund the Pre-Maturity Liquidity Ledger and make investments in Authorized Investments.</p>
Capital Contribution:	<p>Each of the Managing GP and the Liquidation GP have contributed a nominal cash amount to the Guarantor and respectively hold 99 per cent. and 1 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 (approximately 99.95 per cent.) having made a Cash Capital Contribution to the Guarantor. The Limited Partner may from time to time make additional Capital Contributions.</p>
Consideration:	<p>Under the terms of the Mortgage Sale Agreement, the Seller sold the Initial Covered Bond Portfolio and may, from time to time, sell New Loans and their Related Security</p>

to the Guarantor on a fully-serviced basis and/or NHA MBS in exchange for cash consideration. The Limited Partner may also make Capital Contributions of New Loans and their Related Security and/or NHA MBS in exchange for an additional interest in the capital of the Guarantor.

**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 Covered Bond Portfolio (which may, for instance, include variable rates of interest or fixed rates of interest) and the amounts payable on the Intercompany Loan and (following the occurrence of a Covered Bond Guarantee Activation Event) under the Covered Bond Swap Agreement, the Guarantor has entered into the Interest Rate Swap Agreement with the Interest Rate Swap Provider. See “*Summary of the Principal Documents—Interest Rate Swap Agreement*”.

**Covered Bond Swap Agreement:** To provide a hedge against currency and/or other risks arising, following the occurrence of a Covered Bond Guarantee Activation Event, 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 schedule and confirmation(s) for each Tranche and/or Series of Covered Bonds) with the Covered Bond Swap Provider. See “*Summary of the Principal Documents—Covered Bond Swap Agreement*”.

**Risk Factors:** There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand. A non-exhaustive summary of such issues is set out under “*Risk Factors*” from page 15 of this Prospectus.

## FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without receipts, interest coupons and/or talons attached, or registered form, without receipts, 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 from registration provided by Regulation S and within the United States or to, or for the benefit of U.S. persons 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 or interest coupons attached (a “**Temporary Global Covered Bond**”) or, if so specified in the applicable Final Terms (the “**applicable Final Terms**”), a permanent global covered bond without receipts or interest coupons attached (a “**Permanent Global Covered Bond**”) and, together with the Temporary Global Covered Bonds, the “**Bearer Global Covered Bonds**” and each a “**Bearer Global Covered Bond**”) which, in either case, will:

- (a) if the Bearer Global Covered Bonds are intended to be issued in new global Covered Bond (“**NGCB**”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to one of the international central securities depositories as common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”); and
- (b) if the Bearer Global Covered Bonds are not intended to be issued in NGCB form, be delivered on or prior to the original issue date of the Tranche to a common depository (the “**Common Depository**”) for Euroclear and Clearstream, Luxembourg.

Whilst 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 for U.S. federal income tax purposes or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent.

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: (i) interests in a Permanent Global Covered Bond of the same Series; or (ii) for Bearer Definitive Covered Bonds of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-US beneficial ownership as described above unless such certification has already been given. 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 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 either: (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on

the instructions of any holder of an interest in such Permanent Global Covered Bond) to the Issuing and Paying Agent as described therein; or (ii) only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that: (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, 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 (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Covered Bonds represented by the Permanent Global Covered Bond in definitive form. The Issuer will promptly give notice to holders of the Covered Bonds of each Series of Bearer Global Covered Bonds in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, 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 Issuing and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Issuing and Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent.

Bearer Global Covered Bonds and Bearer Definitive Covered Bonds will be issued pursuant to the Agency Agreement.

The following legend will appear on all Permanent Global Covered Bonds and all Bearer Definitive Covered Bonds which have an original maturity of more than one year and on all receipts and interest coupons relating to such Bearer Covered Bonds:

“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, disposition, redemption or payment of principal 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 global covered bond in registered form (a “**Regulation S Global Covered Bond**”). Prior to expiry of the Distribution Compliance Period (as defined in Regulation S) 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 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer.

The Registered Covered Bonds of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions exempt from registration under the *Securities Act*: (i) to “**qualified institutional buyers**” within the meaning of Rule 144A under the *Securities Act* (“**QIBs**”); or (ii) to institutional “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the *Securities Act* “**Institutional Accredited Investors**”) who agree to purchase the Covered Bonds for their own account and not with a view to the distribution thereof.

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 either: (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of its participants or Euroclear and Clearstream, Luxembourg; or (ii) be deposited



with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. 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.

The Registered Covered Bonds of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (“**Definitive IAI Registered Covered Bonds**”). Definitive IAI Registered Covered Bond will be issued in the denominations specified in the applicable Final Terms in U.S. dollars (or the approximate equivalents in the applicable Specified Currency). The Rule 144A Global Covered Bonds and the Definitive IAI Registered Covered Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions described under “*Subscription and Sale and Transfer and 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 the registered holder of the Registered Global Covered Bonds. None of the Issuer, 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 Registered Global Covered Bonds 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 Registered Covered Bonds in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date 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: (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository 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*; (ii) in the case of Covered Bonds registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, 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 (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by the Registered Global Covered Bond in definitive form. The Issuer will promptly give notice to holders of the Covered Bonds of each Series of Registered Global Covered Bonds in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Definitive Rule 144A Covered Bonds, Definitive IAI Registered Covered Bonds and Definitive N Covered Bonds will be issued in the minimum denominations specified in the applicable Final Terms in U.S. dollars (or the approximate equivalents in the applicable Specified Currency).

Definitive N Covered Bonds will be issued to each holder (unless otherwise specified in the applicable Final Terms) by a Definitive N Covered Bonds Deed.

### **Transfer of Interests**

Interests in a Registered Global Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Covered Bond or in the form of a Definitive IAI Registered Covered Bond, and Definitive IAI Registered Covered Bonds may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Covered Bonds in the form of an interest in a Registered Global Covered Bond. 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, 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 “Subscription and Sale and Transfer and Selling Restrictions”.**

## **General**

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Covered Bonds*”), the Issuing and Paying Agent shall 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 shall 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 assigned to Covered Bonds of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Covered Bonds of such Tranche.

Any reference herein to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Issuing and Paying Agent and the Bond Trustee.

No holder of the Covered Bonds, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Bond Trustee, having become so bound to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the terms and conditions of the Covered Bonds (the “**Terms and Conditions**”), which as supplemented, modified or replaced in relation to any Covered Bonds by the applicable Final Terms, will be applicable to each Series of Covered Bonds issued after the date of this Prospectus unless otherwise specified in the applicable Final Terms. Either (i) the full text of these Terms and Conditions (subject to simplification by deletion of non-applicable provisions) together with the relevant provisions of the Final Terms or (ii) these Terms and Conditions as so supplemented, modified or replaced (subject to simplification by deletion of non-applicable provisions) shall be endorsed on the definitive Bearer Covered Bonds and Registered Covered Bonds or attached to the Temporary Global Covered Bond or the Permanent Global Covered Bond. All capitalized terms that are not defined in these Terms and Conditions will have the meanings given to them in the Final Terms.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Canadian Imperial Bank of Commerce (the “**Issuer**” or the “**Bank**”) as part of the Issuer’s €10 billion global public sector Covered Bond programme (the “**Programme**”) and constituted by a Trust Deed dated the Programme Date (such trust deed as amended, supplemented or replaced, the “**Trust Deed**”) made between the Issuer, CIBC Covered Bond Guarantor Limited Partnership, as guarantor (the “**Guarantor**”) and Computershare Trust Company of Canada, as bond trustee (in such capacity, the “**Bond Trustee**” which expression shall include any successor as bond trustee).

The Covered Bonds have the benefit of an agency agreement dated the Programme Date (as amended, supplemented or replaced, the “**Agency Agreement**”) and made between the Issuer, the Guarantor, the Bond Trustee, HSBC Bank USA, National Association in its capacities as U.S. registrar (the “**U.S. Registrar**”, which expression shall include any successor in this capacity), transfer agent and exchange agent (the “**U.S. Exchange Agent**”, which expression shall include any successor in this capacity) and HSBC Bank plc, in its capacity as issuing and principal paying agent (the “**Issuing and Paying Agent**”, and which expression shall include any successor to HSBC Bank plc, in such capacity), and as European registrar (the “**European Registrar**”, which expression shall include any successor to HSBC Bank plc, in its capacity as such, and the “**Registrar**” or “**Registrars**” for a Tranche (as defined below)) shall be as specified in the applicable Final Terms (as defined below), and as exchange agent (the “**European Exchange Agent**”, and collectively with the U.S. Exchange Agent, the “**Exchange Agent**”, which expression shall include any successor in this capacity) and as calculation agent (the “**Calculation Agent**”, which expression shall include any successor to HSBC Bank plc, in its capacity as such and any substitute calculation agent appointed in accordance with the Agency Agreement either with respect to the Programme or with respect to a particular Series) and as transfer agents and the other transfer agents named therein (collectively, the “**Transfer Agent**” which expression shall include any Registrar and any additional or successor transfer agents), and the paying agents named therein (the “**Paying Agents**”, which expression shall include the Issuing and Paying Agent and any substitute or additional paying agents appointed in accordance with the Agency Agreement either with respect to the Programme or with respect to a particular Series). As used herein, “**Agents**” shall mean the Paying Agents, the Registrar or Registrars, the Exchange Agent and the Transfer Agents.

Save as provided in Conditions 7 and 13, references in these Terms and Conditions to “**Covered Bonds**” are to Covered Bonds of this Series and shall mean:

- (a) in relation to any Covered Bonds represented by a global covered bond (a “**Global Covered Bond**”), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Covered Bond;
- (c) any definitive Covered Bonds in bearer form (“**Bearer Definitive Covered Bonds**”) issued in exchange for a Global Covered Bond in bearer form; and
- (d) any definitive Covered Bonds in registered form (“**Registered Definitive Covered Bonds**”) (whether or not issued in exchange for a Global Covered Bond in registered form).

Save as provided in Conditions 7 and 13, any references to “**Coupons**” (as defined in Condition 1.06), “**Receipts**” (as defined in Condition 1.07) or “**Talons**” (as defined in Condition 1.06) are to Coupons, Receipts and Talons relating to Covered Bonds of this Series.

References in these Terms and Conditions to the Final Terms are to Part A of the Final Terms(s) prepared in relation to the Covered Bonds of the relevant Tranche or Series.

In respect of any Covered Bonds, references herein to these “Terms and Conditions” are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by Part A of the Final Terms and any reference herein to a “**Condition**” is a reference to the relevant Condition of the Terms and Conditions of the relevant Covered Bonds.

The Covered Bonds are issued in series (each, a “**Series**”), and each Series may comprise one or more tranches (“**Tranches**” and each, a “**Tranche**”) of Covered Bonds. Each Tranche will be the subject of Final Terms (each, “**Final Terms**”), a copy of which will be available free of charge during normal business hours at the specified office of the Issuing and Paying Agent and/or, as the case may be, the applicable Registrar and each other Paying Agent. In the case of a Tranche of Covered Bonds that is not offered to the public nor admitted to trading on a regulated market in any the EEA in circumstances requiring publication of a prospectus in accordance with Directive 2003/71/EC and any relevant implementing measure nor admitted to trading on the Professional Securities Market, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (each as defined herein) in respect of, such Covered Bonds.

The Bond Trustee acts for the benefit of the holders for the time being of the Covered Bonds (the “holders of the Covered Bonds”, which expression shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below), the holders of the Receipts (the “**Receiptholders**”) and the holders of the Coupons (the “**Couponholders**”, which expression shall, unless the context otherwise requires, include the holders of the Talons (as defined in Condition 1.06 below)), and for holders of each other series of Covered Bonds in accordance with the provisions of the Trust Deed.

The Guarantor has, in the Trust Deed, irrevocably and unconditionally guaranteed the due and punctual payment of the Guaranteed Amounts in respect of the Covered Bonds as and when the same shall become due for payment on certain dates and in accordance with the Trust Deed (“**Due for Payment**”), but only after the occurrence of a Covered Bond Guarantee Activation Event.

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 (such security agreement as amended, supplemented or replaced the “**Security Agreement**”) dated the Programme Date and made between the Guarantor, the Bond Trustee and certain other Secured Creditors.

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

Copies of the Trust Deed, the Security Agreement, the Master Definitions and Construction Agreement (as defined below), the Agency Agreement and each of the other Transaction Documents (other than the Dealership Agreement, any subscription agreements and any Definitive N Covered Bonds Deeds) are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the date of this Prospectus at 100 University Avenue, 9th 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 of all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours of the specified office of each of the Paying Agents, and any holder of the Covered Bonds must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, relevant Paying Agent as to its holding of Covered Bonds and identity. The holders of the Covered Bonds, the Receiptholders and Couponholders are deemed to have notice of, or are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Trust Deed, the Security Agreement, the Master Definitions and Construction Agreement, the Agency Agreement, each of the other Transaction Documents (other than the Dealership Agreement, any subscription agreements and any Definitive N Covered Bonds Deeds) and the applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

Except where the context otherwise requires, capitalized terms used or otherwise defined in these Terms and Conditions shall bear the meanings given to them in the applicable Final Terms and/or the Master Definitions and Construction Agreement made between the parties to the Transaction Documents on or about the Programme Date (such master

definitions and construction agreement as amended, supplemented or replaced, the “**Master Definitions and Construction Agreement**”), a copy of each of which may be obtained as described above.

## **1. Form and Denomination**

**1.01** Covered Bonds are issued in bearer form (“**Bearer Covered Bonds**”) or in registered form (“**Registered Covered Bonds**”), as specified in the Final Terms and are serially numbered. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa.

The Covered Bond is a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond or an Indexed Linked Interest Covered Bond or any appropriate combination thereof, depending on the Interest Basis specified in the applicable Final Terms.

The Covered Bond may also be an Index Linked Redemption Covered Bond (collectively with Index Linked Interest Covered Bonds, “**Index Linked Covered Bonds**” and each an “**Index Linked Covered Bond**”), a Dual Currency Covered Bond, an Instalment Covered Bond or in a combination of any of the foregoing, depending on the Redemption/Payment Basis specified in the applicable Final Terms.

The Covered Bond may also be a Covered Bond to which payment of principal and/or interest is linked to any other source or of a type not referred to above (including Equity Linked Covered Bonds and Credit Linked Covered Bonds) the terms of which will be specified in the applicable Final Terms.

**1.02** For so long as any of the Covered Bonds is represented by a Temporary Global Covered Bond and/or Permanent Global Covered Bond held on behalf of Euroclear and/or Clearstream, Luxembourg or so long as The Depository Trust Company (“**DTC**”) or its nominee is the registered holder of a Registered Global Covered Bond, each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or DTC as the holder of a particular principal amount of such Covered Bonds (a “**Relevant Account Holder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the principal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Bond Trustee, the Issuing and Paying Agent, the Registrar and any other Agent as the holder of such principal amount of such Covered Bonds for all purposes, in accordance with and subject to the Terms and Conditions of the relevant Global Covered Bond and the Trust Deed, other than with respect to the payment of principal or interest on the Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Temporary Global Covered Bond and/or Permanent Global Covered Bond or registered holder of a Registered Global Covered Bond (or in either case, the Bond Trustee in accordance with the Trust Deed) shall be treated by the Issuer, the Guarantor, the Bond Trustee, the Issuing and Paying Agent and any Agent and any Registrar as the holder of such principal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression “Holder” and related expressions shall be construed accordingly. Similar rights as those made available to Relevant Account Holders in the preceding sentence may be made available to Relevant Account Holders in other relevant clearing systems as more fully provided in the Final Terms. Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the then current rules and procedures of Euroclear or of Clearstream, Luxembourg or DTC or any other relevant clearing system, as the case may be.

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

### ***Bearer Covered Bonds***

**1.03** The Final Terms shall, if applicable, specify whether U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) or U.S. Treasury Regulation § 1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) shall apply. Each Tranche of Bearer Covered Bonds with an original maturity of more than one year is represented upon issue by a Temporary Global Covered Bond, unless the Final Terms specify otherwise, in particular, when the TEFRA C Rules apply.

Where the Final Terms applicable to a Tranche of Bearer Covered Bonds so specify or where a Tranche of Bearer Covered Bonds has an original maturity of one year or less, such Tranche is (unless otherwise specified in the Final Terms) represented upon issue by a Permanent Global Covered Bond.

Interests in the Temporary Global Covered Bond may be exchanged for:

- (a) interests in a Permanent Global Covered Bond; or
- (b) if so specified in the Final Terms, Bearer Definitive Covered Bonds.

Exchanges of interests in a Temporary Global Covered Bond for Bearer Definitive Covered Bonds or, as the case may be, a Permanent Global Covered Bond will be made only on or after the Exchange Date (as specified in the Final Terms) and (unless the Final Terms specify that the TEFRA C Rules are applicable to the Covered Bonds) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations has been received in accordance with the terms of the Temporary Global Covered Bond (each certification in substantially the form set out in the Temporary Global Covered Bond or in such other form as is customarily issued in such circumstances by the relevant clearing system).

**1.04** The bearer of any Temporary Global Covered Bond shall not (unless, upon due presentation of such Temporary Global Covered Bond for exchange (in whole but not in part only) for a Permanent Global Covered Bond or for delivery of Bearer Definitive Covered Bonds, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to collect any payment in respect of the Covered Bonds represented by such Temporary Global Covered Bond which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date specified in the applicable Final Terms.

**1.05** Unless the Final Terms specify that the TEFRA C Rules are applicable to the Covered Bonds and subject to Condition 1.04 above, if any date on which a payment of interest is due on the Covered Bonds of a Tranche occurs while any of the Covered Bonds of that Tranche are represented by a Temporary Global Covered Bond, the related interest payment will be made on the Temporary Global Covered Bond only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Covered Bond or in such other form as is customarily issued in such circumstances by the relevant clearing system), has been received by Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or any other relevant clearing system in accordance with the terms of the Temporary Global Covered Bond. Payments of amounts due in respect of a Permanent Global Covered Bond or (subject to Condition 1.04 above) a Temporary Global Covered Bond will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for further certification. Any reference herein to Euroclear or Clearstream, Luxembourg shall be deemed to include a reference to any other relevant clearing system.

**1.06** Bearer Definitive Covered Bonds that are not Zero Coupon Covered Bonds have attached thereto, at the time of their initial delivery, coupons ("**Coupons**"), the presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Definitive Covered Bonds that are not Zero Coupon Covered Bonds, if so specified in the Final Terms, have attached thereto, at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.

**1.07** Bearer Definitive Covered Bonds, the principal amount of which is repayable by instalments ("**Instalment Covered Bonds**") in such amounts as may be specified in, or determined in accordance with, the provisions of the Final Terms (each an "**Instalment Amount**"), have endorsed thereon a grid for recording the repayment of Instalment Amounts or, if so specified in the Final Terms, have attached thereto, at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the Instalment Amounts repaid.

## *Denomination*

### *Denomination of Bearer Covered Bonds*

**1.08** Bearer Covered Bonds are in the Specified Denomination(s) specified in the Final Terms. Unless otherwise specified in the Final Terms, Bearer Covered Bonds of one denomination may not be exchanged for Bearer Covered Bonds of any other denomination.

### *Denomination of Registered Covered Bonds*

**1.09** Registered Covered Bonds are in the Specified Denominations specified in the Final Terms.

### *Currency of Covered Bonds*

**1.10** The Covered Bonds are denominated in such currency as may be specified in the Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## **2. Title and Transfer**

**2.01** Title to Bearer Covered Bonds, Receipts and Coupons passes by delivery. References herein to the “**Holders**” of Bearer Covered Bonds or of Receipts or Coupons are to the bearers of such Bearer Covered Bonds or such Receipts or Coupons.

**2.02** Title to Registered Covered Bonds passes by due endorsement in the relevant register. The Issuer shall procure that the Registrar keep a register or registers in which shall be entered the names and addresses of the Holders of Registered Covered Bonds and particulars of the Registered Covered Bonds held by them. Such registration shall be noted on the Registered Covered Bonds by the Registrar. References herein to the “**Holders**” of Registered Covered Bonds are to the persons in whose names such Registered Covered Bonds are so registered in the relevant register.

**2.03** The Holder of any Bearer Covered Bond, Coupon, Receipt or Registered Covered Bond will for all purposes of the Trust Deed, Security Agreement and Agency Agreement (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof and no person shall be liable for so treating such Holder.

### *Transfer of Registered Covered Bonds*

**2.04** A Registered Covered Bond may, upon the terms and subject to the terms and conditions set forth in the Agency Agreement and as required by law, be transferred in whole or in part only (provided that such part is a Specified Denomination specified in the Final Terms) upon the surrender of the Registered Covered Bond to be transferred, together with a form of transfer duly completed and executed, at the specified office of the Registrar. A new Registered Covered Bond will be issued to the transferee and, in the case of a transfer of part only of a Registered Covered Bond, a new Registered Covered Bond in respect of the balance not transferred will be issued to the transferor.

**2.05** Each new Registered Covered Bond to be issued upon the registration of the transfer of a Registered Covered Bond will, within three Relevant Banking Days of the transfer date be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar or the Issuing and Paying Agent after the Record Date in respect of any payment due in respect of Registered Covered Bonds shall be deemed not to be effectively received by the Registrar or the Issuing and Paying Agent until the day following the due date for such payment.

**2.06** Transfers of beneficial interests in Rule 144A Global Covered Bonds (as defined below) and Regulation S Global Covered Bonds (as defined below) (together, the “**Registered Global Covered Bonds**”) will be effected by DTC, Euroclear or Clearstream, Luxembourg, 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 of 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 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 transferable for Registered Definitive Covered Bonds or for a beneficial interest in another Registered Global Covered Bond only in the Specified Denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

**2.07** Subject as provided in Conditions 2.09, 2.10, 2.11, 2.12 and 23, 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 authorised denominations set out in the applicable Final Terms. In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered 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 enquiry, 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 part only 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) so sent by uninsured mail to the address specified by the transferor.

**2.08** For the purposes of these Terms and Conditions:

- (a) **“Distribution Compliance Period”** means the period that ends 40 days after the completion of the distribution of the relevant Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);
- (b) **“Institutional Accredited Investor”** means an institutional “accredited investor” (as defined in Rule 501 (a)(1), (2), (3) or (7) under the *Securities Act*);
- (c) **“Legended Covered Bonds”** means Registered Definitive Covered Bonds that are issued to Institutional Accredited Investors and Registered Covered Bonds (whether in definitive form or



represented by a Registered Global Covered Bond) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

- (d) “**NGCB**” means a Temporary Global Covered Bond or a Permanent Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is a new global covered bond;
- (e) “**QIB**” means a “qualified institutional buyer” within the meaning of Rule 144A;
- (f) “**Regulation S**” means Regulation S under the *Securities Act*;
- (g) “**Regulation S Global Covered Bond**” means a Registered Global Covered Bond representing Covered Bonds sold outside the United States in reliance on Regulation S;
- (h) “**Relevant Banking Day**” means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Covered Bond for a Registered Covered Bond, where such request for exchange is made to the Issuing and Paying Agent, in the place where the specified office of the Issuing and Paying Agent is located;
- (i) “**Rule 144A**” means Rule 144A under the *Securities Act*;
- (j) “**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;
- (k) “**Securities Act**” means the United States Securities Act of 1933, as amended; and
- (l) the “**transfer date**” shall be the Relevant Banking Day following the day on which the relevant Registered Covered Bond shall have been surrendered for transfer in accordance with Condition 2.04.

**2.09** The issue of new Registered Covered Bonds on transfer will be effected without charge by or on behalf of the Issuer, the Issuing and Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Issuing and Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

**2.10** In the event of a partial redemption of Covered Bonds under Condition 6, the Issuer shall not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond called for partial redemption.

**2.11** Prior to expiry of the applicable Distribution Compliance Period, 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 (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:
  - (i) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
  - (ii) to a person who is an Institutional Accredited Investor, together with, in the case of this paragraph (ii), a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an “**IAI Investment Letter**”); 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

United States 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.

In the case of (a)(i) above, such transferee may take delivery through a Legended Covered Bond in global or definitive form and, in the case of (a)(ii) above, such transferee may take delivery only through a Legended Covered Bond in definitive form. 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. 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.

**2.12** Transfers of Legended Covered Bonds or beneficial interests therein may be made:

- (a) to a transferee who takes delivery of such interest through a Regulation S Global 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 Euroclear and/or Clearstream, Luxembourg; or
- (b) to a transferee who takes delivery of such interest through a Legended Covered Bond:
  - (i) 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
  - (ii) where the transferee is an Institutional Accredited Investor, subject, in the case of this paragraph (ii), to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; 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 United States 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.

Covered Bonds transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Covered Bonds which are the subject of such a transfer to be represented by the appropriate Registered Global Covered Bonds, where applicable. Upon the transfer, exchange or replacement of Legended Covered Bonds, or upon specific request for removal of the legend therein, the Registrar shall deliver only Legended Covered Bonds or refuse to remove the Legend therein, 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 United States 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*.

### 3. Status of the Covered Bonds

The Covered Bonds constitute deposit liabilities of the Issuer for purposes of the Bank Act, however the Covered Bonds will not be insured under the *Canada Deposit Insurance Corporation Act* (Canada), and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* with all deposit liabilities of the Issuer without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (except as otherwise prescribed by law). Unless otherwise specified in the Final Terms, the deposits to be evidenced by the Covered Bonds will be taken by the head office of the Issuer in Toronto, but without prejudice to the provisions of Condition 9.

### 4. Guarantee

Payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment has been unconditionally and irrevocably guaranteed by the Guarantor (the “**Covered Bond Guarantee**”) in favour of the Bond Trustee (for and on behalf of the Covered Bondholders) following a Covered Bond Guarantee Activation Event pursuant to the terms of the Trust Deed. The Guarantor shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until a Covered Bond Guarantee Activation Event (as defined below) has occurred. The obligations of the Guarantor under the Covered Bond Guarantee are direct and, following the occurrence of a Covered Bond Guarantee Activation Event, unconditional and, except as provided in the Guarantee Priorities of Payment, unsubordinated obligations of the Guarantor, which are secured as provided in the Security Agreement. For the purposes of these Terms and Conditions, a “**Covered Bond Guarantee Activation Event**” means the earlier to occur of (i) an Issuer Event of Default together with the service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the Guarantor; and (ii) a Guarantor Event of Default together with the service of a Guarantor Acceleration Notice on the Issuer and the Guarantor. If a Notice to Pay is served on the Guarantor, the Guarantor shall pay Guaranteed Amounts in respect of the Covered Bonds on the Original Due for Payment Dates or, if applicable, the Extended Due for Payment Date.

Any payment made by the Guarantor under the Covered Bond Guarantee shall (unless such obligation shall have been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 7) discharge pro tanto the obligations of the Issuer in respect of such payment under the Covered Bonds, Receipts and Coupons except where such payment has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the holders of the Covered Bonds.

### 5. Interest

#### *Interest*

**5.01** Covered Bonds may be interest-bearing or non interest-bearing. The Interest Basis is specified in the applicable Final Terms. Words and expressions appearing in this Condition 5 and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 5.09.

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

**5.02** Each Fixed Rate Covered Bond bears interest on its Outstanding Principal Amount from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to and including the Final Maturity Date if that does not fall on an Interest Payment Date.

Unless otherwise provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period 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, amount to the Broken Amount(s) so specified.

As used in these Terms and Conditions, “**Fixed Interest Period**” means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date.

Interest will be calculated on the Calculation Amount of the Fixed Rate Covered Bonds and will be paid to the Holders of the Covered Bonds (in the case of a Global Covered Bond, interest will be paid to Clearstream, Luxembourg and/or Euroclear and/or DTC for distribution by them to Relevant Account Holders in accordance with their usual rules and operating procedures). If interest is required to be calculated for a period ending other than on an Interest Payment Date, or if no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated in accordance with Condition 5.08.

Notwithstanding anything else in this Condition 5.02, if an Extended Due for Payment Date is specified in the Final Terms, interest following the Due for Payment Date will continue to accrue and be payable on any unpaid amount in accordance with Condition 5 at a Rate of Interest determined in accordance with Condition 5.03 (in the same manner as the Rate of Interest for Floating Rate Covered Bonds).

### ***Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds***

#### **5.03 Interest Payment Dates**

Each Floating Rate Covered Bond and Index Linked Interest Covered Bond bears interest on its Outstanding Principal Amount from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

- (a) the Specified Interest Payment Date(s) (each an “**Interest Payment Date**”) in each year specified in the applicable Final Terms; or
- (b) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression, shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). Interest will be calculated on the Calculation Amount of the Floating Rate Covered Bonds or Index Linked Interest Covered Bonds and will be paid to the Holders of the Covered Bonds (in the case of a Global Covered Bond, interest will be paid to Clearstream, Luxembourg and/or Euroclear and/or DTC for distribution by them to Relevant Account Holders in accordance with their usual rules and operating procedures).

### ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds and Index Linked Interest Covered Bonds will be determined in the manner specified in the applicable Final Terms.

Where the Screen Rate Determination is specified in the applicable Final Terms the Rate of Interest for each Interest Period will be determined by the Calculation Agent on the following basis:

- (a) the Calculation Agent will determine the rate for deposits or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits in the relevant currency for a period of the duration of the relevant Interest Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (b) if, on any Interest Determination Date, no such rate for deposits so appears or, as the case may be, if fewer than two such rates for deposits so appear or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as described above) of the rates at which deposits in the relevant currency are offered by the Reference Banks at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market in the case of LIBOR or in the Euro-zone (as defined herein) interbank market in the case of EURIBOR for a period of the duration of the relevant Interest Period

and in an amount that is representative for a single transaction in the relevant market at the relevant time;

- (c) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as described above) of the rates so quoted; or
- (d) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as described above) of the rates quoted by four major banks in the Financial Centre as selected by the Calculation Agent, at approximately 11.00 a.m. (Financial Centre time) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period for the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Rate of Interest applicable to such Covered Bonds during each Interest Period will be the sum of the Margin specified in the Final Terms and the rate or, as the case may be, the arithmetic mean (rounded as described above) of the rates so determined, provided however that if the Calculation Agent is unable to determine a rate or, as the case may be, an arithmetic mean of rates in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Covered Bonds during such Interest Period will be the sum of the Margin and the rate or, as the case may be, the arithmetic mean (rounded as described above) of the rates determined in relation to such Covered Bonds in respect of the last preceding Interest Period.

#### ***ISDA Rate Covered Bonds***

**5.04** Where ISDA Determination is specified in the Final Terms 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) the Margin, if any. For purposes of this Condition 5.04, “**ISDA Rate**” for an Interest Period means a rate equal to the Fixed Rates, Fixed Amounts, Fixed Prices, Floating Rates, Floating Amounts or Floating Prices, as the case may be, or as otherwise specified in the applicable Final Terms, as would have applied (regardless of any event of default or termination event or tax event thereunder) if the Issuer had entered into a schedule and confirmation in respect of the relevant Tranche or Series of Covered Bonds, as applicable, with the Holder of such Covered Bond under the terms of an agreement to which the ISDA Definitions applied and under which:

- the Fixed Rate Payer, Fixed Amount Payer, Floating Rate Payer or, as the case may be, Floating Amount Payer is the Issuer (as specified in the Final Terms);
- the Effective Date is the Interest Commencement Date;
- the Floating Rate Option (which may refer to a Rate Option or a Price Option, specified in the ISDA Definitions) is as specified in the applicable Final Terms;
- the Designated Maturity is the period specified in the applicable Final Terms;
- the Agent is the Calculation Agent;
- the Calculation Periods are the Interest Periods;
- the Payment Dates are the Interest Payment Dates;
- the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro-zone inter-bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms;
- the Calculation Amount is the principal amount of such Covered Bond;

- the Day Count Fraction applicable to the calculation of any amount is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions;
- the Applicable Business Day Convention applicable to any date is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions; and
- the other terms are as specified in the Final Terms;
- for the purposes of this Condition 5.04, “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

#### ***Maximum or Minimum Interest Rate***

**5.05** If any Maximum or Minimum Interest Rate is specified in the Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

#### ***Accrual of Interest after the due date***

**5.06** Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Covered Bond, in respect of each Instalment Amount, on the due date for payment of the relevant Instalment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Final Redemption Amount or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof. In such event, interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Rate of Interest then applicable or such other rate as may be specified for this purpose in the Final Terms if permitted by applicable law (“**Default Rate**”) until the date on which, upon due presentation or surrender of the relevant Covered Bond (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Covered Bond is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Covered Bonds in accordance with Condition 14 that the Issuing and Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

#### ***Interest Amount(s), Calculation Agent and Reference Banks***

**5.07** If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Final Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation) will determine the Rate of Interest and calculate the amount(s) of interest payable (the “**Interest Amount(s)**”) in the manner specified in Condition 5.08 below, calculate the Final Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Final Redemption Amount or any Instalment Amount to be notified to the Issuing and Paying Agent, the Registrar (in the case of Registered Covered Bonds), the Issuer, the Holders in accordance with Condition 14 and, if the Covered Bonds are listed on a stock exchange or admitted to listing by any other authority and the rules of such exchange or other relevant authority so require, such exchange or listing authority as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange or other relevant authority, the time required by the relevant stock exchange or listing authority. The Interest Amounts and the 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. If the Covered Bonds become due and payable under Condition 7, the Rate of Interest and the accrued interest payable in respect of the Covered Bonds shall nevertheless continue to be calculated in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of each Rate of Interest, Interest Amount, Final Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final

and binding upon the Issuer and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Rate of Interest applicable to the Covered Bonds and a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts or any other requirements, the Bond Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having regard as it shall think fit to the foregoing provision of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all circumstances or, as the case may be, the Bond Trustee shall calculate (or appoint an agent to calculate) the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent. The Calculation Agent may not resign its duties without a successor having been appointed as described above.

### ***Calculations and Adjustments***

**5.08** The amount of interest payable in respect of any Covered Bond for any period shall be calculated by applying the Rate of Interest to the Calculation Amount, and, in each case, multiplying such sum by the Day Count Fraction, save that (i) if the Final Terms specifies a specific amount in respect of such period, the amount of interest payable in respect of such Covered Bond for such Interest Period will be equal to such specified amount and (ii) in the case of Fixed Rate Covered Bonds, the interest shall be calculated on such basis as may be specified in the applicable Final Terms.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

Where the Covered Bonds are represented by a Global Covered Bond or where the Specified Denomination of a Covered Bond in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Covered Bond shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Outstanding Principal Amount of the Global Covered Bond or the Specified Denomination of a Covered Bond in definitive form, without any further rounding.

### ***Definitions***

**5.09** “**Banking Day**” means, in respect of any city, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in that city.

“**Business Day**” means (i) in relation to Covered Bonds payable in other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) and settle payments in the relevant currency in the Financial Centre(s) specified in the Final Terms or (ii) in relation to Covered Bonds payable in euro, a day (other than a Saturday or Sunday) which is a TARGET Business Day (as defined below) and on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Financial Centre(s) specified in the Final Terms.

“**Business Day Convention**” means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Final Terms in relation to any date applicable to any Covered Bonds, shall have the following meanings:

- (a) **“Following Business Day Convention”** means that such date shall be postponed to the first following day that is a Business Day;
- (b) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **“Preceding Business Day Convention”** means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (d) **“FRN Convention”** or **“Eurodollar Convention”** means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which the preceding such date occurred, provided that:
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

**“Calculation Agent”** means the Issuing and Paying Agent or such other agent as may be specified in the Final Terms as the Calculation Agent.

**“Day Count Fraction”** means, in respect of the calculation of an amount for any period of time (each such period an **“Accrual Period”**), such day count fraction as may be specified in the Final Terms and:

- (a) if **“Actual/Actual”** or **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Accrual Period divided by 365 (or, if any portion of the Accrual Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Accrual Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Accrual Period falling in a non-leap year divided by 365);
- (b) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Accrual Period divided by 365;
- (c) if **“Actual/360”** is so specified, means the actual number of days in the Accrual Period divided by 360;
- (d) if **“30E/360”** or **“Eurobond Basis”** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:



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

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

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

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

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

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

- (e) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (f) if “**30E/360 (ISDA)**” is so specified, means the number of days in the Accrual Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Accrual Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Accrual Period, unless (i) that day is the last day of February but not the Final Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if “**Actual/Actual (ICMA)**” or “**Act/Act (ICMA)**” is specified in the applicable Final Terms, 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 December 31, 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Interest Period.

“**Determination Date**” means such dates as specified in the applicable Final Terms.

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

“**Euro-zone**” means the region comprised of those member states of the European Union participating in the European Monetary Union from time to time.

“**Financial Centre**” means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of “Business Day” in the ISDA Definitions or indicated in the Final Terms or, in the case of Covered Bonds denominated in euro, such financial centre or centres as the Calculation Agent may select.

“**Interest Commencement Date**” means the date of issue (the “**Issue Date**”) of the Covered Bonds (as specified in the Final Terms) or such other date as may be specified as such in the Final Terms.

“**Interest Determination Date**” means, in respect of any Interest Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified:

- (a) in the case of Covered Bonds denominated in Pounds Sterling or in another currency if so specified in the applicable Final Terms, the first day of such Interest Period; or
- (b) in any other case, the date falling two London Banking Days (or, in the case of EURIBOR or EUROLIBOR, two TARGET Business Days) prior to the first day of such Interest Accrual Period.

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, as the same may be adjusted in accordance with the Business Day Convention, if any, specified in the Final Terms or if the Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Issue Date of the Covered Bonds (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

“**Interest Period**” means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date, provided always that the first Interest Period shall commence on

and include the Interest Commencement Date and the final Interest Period shall end on but exclude the Final Maturity Date.

**“Interest Period End Date”** means the date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, as the same may be adjusted in accordance with the Business Day Convention, if any, specified in the Final Terms or, if the Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Covered Bonds.

**“ISDA Definitions”** means the 2006 ISDA Definitions (as amended, supplemented and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the applicable Final Terms.

**“Outstanding Principal Amount”** means, in respect of a Covered Bond, its principal amount less, in respect of any Instalment Covered Bond, any principal amount on which interest shall have ceased to accrue in accordance with Condition 5.06 or otherwise as indicated in the Final Terms.

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Covered Bonds specified in, or calculated or determined in accordance with the provisions of, the Final Terms.

**“Reference Banks”** means such banks as may be specified in the Final Terms as the Reference Banks, or, if none are specified, “Reference Banks” has the meaning given in the ISDA Definitions, *mutatis mutandis*.

**“Relevant Time”** means the time as of which any rate is to be determined as specified in the Final Terms (which in the case of LIBOR means London time or in the case of EURIBOR means Central European Time) or, if none is specified, at which it is customary to determine such rate.

**“Reuters Screen”** means, when used in connection with a designated page and any designated information, the display page so designated on the Reuters Market 3000 (or such other page as may replace that page on that service for the purpose of displaying such information).

**“TARGET Business Day”** means, a day in which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

**“Toronto Business Day”** means 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.

### ***Zero-Coupon Covered Bonds***

**5.10** If any Final Redemption Amount in respect of any Zero Coupon Covered Bond is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortization Yield defined in, or determined in accordance with the provisions of, the Final Terms or at such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Covered Bond (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Covered Bond is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Covered Bonds in accordance with Condition 14 that the Issuing and Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 5.08 as if the Rate of Interest was the Amortization Yield, the Outstanding Principal Amount

was the overdue sum and the Day Count Fraction was as specified for this purpose in the Final Terms or, if not so specified, 30E/360 (as defined in Condition 5.09).

## **6. Redemption and Purchase**

**6.01** Unless previously redeemed, or purchased and cancelled or unless such Covered Bond is stated in the Final Terms as having no fixed maturity date, this Covered Bond shall be redeemed at its Final Redemption Amount specified in or determined in the manner specified in the applicable Final Terms in the Specified Currency on the Final Maturity Date.

Without prejudice to Condition 7, if an Extended Due for Payment Date is specified as applicable in the Final Terms 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 (or after expiry of the grace period set out in Condition 7.01(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 moneys available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds on the date falling on the earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the Guarantor or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 7.02) under the terms of the Covered Bond Guarantee or (b) the Extension Determination Date, then (subject as provided below) payment of the unpaid amount by the Guarantor under the Covered Bond Guarantee shall be deferred until the Extended Due for Payment Date, provided that in respect of any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (a) and (b) above, the Guarantor will apply any moneys available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) to pay the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds on any Interest Payment Date thereafter up to (and including) the relevant Extended Due for Payment Date.

The Issuer shall confirm to the Issuing and Paying Agent as soon as reasonably practicable and in any event at least 4 Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether payment will be made in full of the Final Redemption Amount in respect of such Series of Covered Bonds on that Final Maturity Date. Any failure by the Issuer to notify the Issuing and Paying Agent shall not affect the validity or effectiveness of the extension of maturity.

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Condition 14), the Rating Agencies, the Bond Trustee, the Issuing and Paying Agent and the Registrar (in the case of Registered Covered Bonds) as soon as reasonably practicable and in any event at least one Business Day prior to the dates specified in (a) and (b) of the second paragraph of this Condition 6.01 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 shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on the earlier of (a) the date falling two Business Days after the service of a Notice to Pay on the Guarantor or if later the Final Maturity Date (or, in each case, after the expiry of the applicable grace period set out in Condition 7.02) and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the moneys (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 shall pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above. Such failure to pay by the Guarantor shall not constitute a Guarantor Event of Default.

Any discharge of the obligations of the Issuer as the result of the payment of Excess Proceeds to the Bond Trustee shall be disregarded for the purposes of determining the amounts to be paid by the Guarantor under the Covered Bond Guarantee in connection with this Condition 6.01.

For the purposes of these Terms and Conditions:

**“Extended Due for Payment Date”** means, in relation to any Series of Covered Bonds, the date, if any, specified as such in the applicable Final Terms 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 on the Extension Determination Date; and

**“Extension Determination Date”** means, in respect of a 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 Covered Bonds.

**“Guarantee Priority of Payments”** means the priority of payments relating to moneys received by the Cash Manager for and on behalf of the Guarantor and moneys standing to the credit of the Guarantor Accounts, to be paid on each Guarantor Payment Date in accordance with the Guarantor Agreement.

**“Rating Agency”** means any one of Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody’s Investors Service Limited, Fitch Ratings Ltd. and DBRS Limited, to the extent that at the relevant time they provide ratings in respect of the then outstanding Covered Bonds, or their successors and **“Rating Agencies”** means more than one Rating Agency.

### ***Early Redemption for Taxation Reasons***

**6.02** If, in relation to any Series of Covered Bonds (i) as a result of any change in the laws or regulations of Canada or any province or territory thereof or any authority or agency therein or thereof having power to tax or, in the case of Covered Bonds issued by a branch of the Issuer outside Canada, of the country in which such branch is located or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the Issue Date of such Covered Bonds or any other date specified in the Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 8, (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it and (iii) such circumstances are evidenced by the delivery by the Issuer to the Issuing and Paying Agent and Bond Trustee of (x) a certificate signed by two senior officers of the Issuer stating that the said circumstances prevail and describing the facts leading thereto, and (y) an opinion of independent legal advisers of recognised standing to the effect that the circumstances set forth in (i) above prevail, the Issuer may, at its option and having given no less than 30 nor more than 60 days’ notice (ending, in the case of Floating Rate Covered Bonds, on an Interest Payment Date) to the Holders of the Covered Bonds in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Covered Bonds at their Outstanding Principal Amount or, in the case of Zero Coupon Covered Bonds, their Amortized Face Amount (as defined in Condition 6.10) or such Early Redemption Amount as may be specified in, or determined in accordance with the provisions of, the Final Terms, together with accrued interest (if any) thereon, provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Floating Rate Covered Bonds a number of days which is equal to the aggregate of the number of days falling within the then current Interest Period plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Covered Bonds then due.

The Issuer may not exercise such option in respect of any Covered Bond which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Covered Bond under Condition 6.06.

### ***Call Option***

**6.03** If a Call Option is specified in the Final Terms as being applicable, then the Issuer may, having given the appropriate notice to the Holders in accordance with Condition 14, which Notice shall be irrevocable, and shall specify the date fixed for redemption and subject to such conditions as may be specified in the Final Terms, redeem all or some only of the Covered Bonds of this Series outstanding on any Optional Redemption Date at the Optional Redemption Amount(s) specified in, or determined in the manner specified in the applicable Final Terms together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Covered Bond which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Covered Bond under Condition 6.06.

**6.04** The appropriate notice referred to in Condition 6.03 is a notice given by the Issuer to the Holders of the Covered Bonds of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:

- the Series of Covered Bonds subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Global Covered Bond) the serial numbers of the Covered Bonds of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be not less than thirty days nor more than 60 days after the date on which such notice is given and which shall be such date or the next of such dates (“**Call Option Date(s)**”) or a day falling within such period (“**Call Option Period**”), as may be specified in the Final Terms and which is, in the case of Covered Bonds which bear interest at a floating rate, a date upon which interest is payable; and
- the Optional Redemption Amount at which such Covered Bonds are to be redeemed.

#### ***Partial Redemption***

**6.05** If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 6.03:

- such redemption must be for an amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms;
- in the case of a partial redemption of Bearer Definitive Covered Bonds, the Covered Bonds to be redeemed shall be drawn by lot in such European city as the Issuing and Paying Agent may specify, or identified in such other manner or in such other place as the Issuing and Paying Agent may approve and deem appropriate and fair;
- in the case of a Global Covered Bond, the Covered Bonds to be redeemed shall be selected in accordance with the then rules of Euroclear and/or Clearstream, Luxembourg and/or DTC and/or any other relevant clearing system (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg and/or DTC or such other relevant clearing system as either a pool factor or a reduction in principal amount, at their discretion); and
- in the case of Registered Definitive Covered Bonds, the Covered Bonds shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Covered Bond shall be equal to a Specified Denomination,

subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Covered Bonds may be listed.

In the case of the redemption of part only of a Registered Definitive Covered Bond, a new Registered Definitive Covered Bond in respect of the unredeemed balance shall be issued in accordance with Conditions 2.04 to 2.08, which shall apply as in the case of a transfer of Registered Definitive Covered Bonds as if such new Registered Definitive Covered Bond were in respect of the untransferred balance.

#### ***Put Option***

**6.06** If a Put Option is specified in the Final Terms as being applicable, upon the Holder of any Covered Bond of this Series giving the required notice to the Issuer specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon expiry of such notice, redeem such Covered Bond subject to and in accordance with the terms specified in the applicable Final Terms in whole (but not in part only) on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in accordance with the provisions of, the applicable Final Terms, together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than 45 days before the Optional Redemption Date where the Covered Bond is a Covered Bond in definitive form held outside Euroclear, Clearstream, Luxembourg and/or DTC deposit the relevant Covered Bond (together, in the case of a Bearer Definitive Covered Bond that is not a Zero Coupon Covered Bond, with all unmatured Coupons appertaining thereto

other than any Coupon maturing on or before the Optional Redemption Date (failing which the provisions of Condition 9.06 apply)) during normal business hours at the specified office of, in the case of a Bearer Covered Bond, any Paying Agent or, in the case of a Registered Covered Bond, the Registrar together with a duly completed early redemption notice (“**Put Notice**”) in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Global Covered Bond, the aggregate principal amount in respect of which such option is exercised (which must be a Specified Denomination specified in the Final Terms). Notwithstanding the foregoing, Covered Bonds represented by a Permanent Global Covered Bond or Global Registered Covered Bond shall be deemed to be deposited with the Paying Agent or the Registrar, as the case may be, for purposes of this Condition 6.06 at the time a Put Notice has been received by the Paying Agent or Registrar, as the case may be, in respect of such Covered Bonds. No Covered Bond so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement).

In the case of the redemption of part only of a Registered Covered Bond, a new Registered Definitive Covered Bond in respect of the unredeemed balance shall be issued in accordance with Conditions 2.04 to 2.08 which shall apply as in the case of a transfer of Registered Definitive Covered Bonds as if such new Registered Definitive Covered Bond were in respect of the untransferred balance.

The Holder of a Covered Bond may not exercise such Put Option in respect of any Covered Bond which is the subject of an exercise by the Issuer of its option to redeem such Covered Bond under either Condition 6.02 or 6.03.

#### ***Purchase of Covered Bonds***

**6.07** The Issuer or any of its subsidiaries may at any time purchase Covered Bonds in the open market or otherwise and at any price provided that all unmatured Receipts and Coupons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all Holders of the relevant Covered Bonds alike.

#### ***Cancellation of Redeemed and Purchased Covered Bonds***

**6.08** All unmatured Covered Bonds and Coupons redeemed in accordance with this Condition 6 will be cancelled forthwith and may not be reissued or resold. All unmatured Covered Bonds and Coupons purchased in accordance with Condition 6.07 may be cancelled or may be reissued or resold.

#### ***Further Provisions applicable to Redemption Amount and Instalment Amount***

**6.09** The provisions of Condition 5.07 and the last paragraph of Condition 5.08 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Calculation Agent (as defined in Condition 5.09).

References herein to “**Redemption Amount**” shall mean, as appropriate, the Final Redemption Amount, final Instalment Amount, the Optional Redemption Amount, the Early Redemption Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with, the provisions of the applicable Final Terms.

**6.10** In the case of any Zero Coupon Covered Bond, the “**Amortized Face Amount**” shall be an amount equal to the sum of:

- (a) the Issue Price specified in the Final Terms; and
- (b) the product of the Amortization Yield (compounded annually or otherwise as specified in the Final Terms) being applied to the Issue Price from (and including) the Issue Date specified in the Final Terms 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 is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 5.09) specified in the Final Terms.

**6.11** If any Redemption Amount (other than the Final Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortized Face Amount shall be calculated as provided in Condition 6.10 but as if references in subparagraph (b) to the date fixed for redemption or the date upon which such Zero Coupon Covered Bond becomes due and repayable were replaced by references to the earlier of:

- (a) the date on which, upon due presentation or surrender of the relevant Covered Bond (if required), the relevant payment is made; and
- (b) (except where presentation or surrender of the relevant Covered Bond is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Covered Bonds in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

#### ***Instalment Covered Bonds***

**6.12** Any Instalment Covered Bond will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms.

#### ***Index Linked Redemption Covered Bonds***

**6.13** Provisions relating to the terms of any Index Linked Redemption Covered Bond, including the redemption thereof, will be set out in the applicable Final Terms.

#### ***Other Redemption and Purchase Provisions***

**6.14** Notwithstanding the foregoing:

- (a) the relevant provisions relating to the redemption and purchase of Covered Bonds the terms of which permit the Issuer to pay and/or discharge its obligations with respect to such Covered Bonds by the payment or delivery of securities and/or other property or any combination of cash, securities and/or other property shall be set forth in the applicable Final Terms; and
- (b) any additional redemption events which shall enable the Issuer to redeem the Covered Bonds of any Series shall be set forth in the applicable Final Terms.

#### ***Legislative Exchange***

**6.15** Following the coming into force in Canada, at any time after the date of this Prospectus, of (i) any legislation similar to covered bond legislation in force in any European Union country, or (ii) any rules, regulations or guidelines published by any governmental authority that provides for bonds issued by Canadian issuers to qualify for the same or similar benefits available to covered bonds issued under covered bonds legislation in force in any European Union country, the Issuer may, at its option and without the consent of the Bond Trustee, the holders of the Covered Bonds, the Receiptholders or the Couponholders, exchange all (but not some only) of the Covered Bonds of all Series then outstanding (the “**Existing Covered Bonds**”) for new Covered Bonds which qualify as covered bonds under such new legislation, rules, regulations or guidelines (the “**New Covered Bonds**”) in identical form, amounts and denominations as the Existing Covered Bonds and on the same economic terms and conditions as the Existing Covered Bonds (the “**Legislative Exchange**”) if not more than 60 nor less than 30 days’ notice to the holders of the Covered Bonds (in accordance with Condition 14) and the Bond Trustee is given and provided that:



- (a) on the date on which such notice expires the Issuer delivers to the Bond Trustee a certificate signed by two senior officers of the Issuer and a certificate signed by a designated officer of the Managing GP of the Guarantor confirming that, in the case of the Issuer, no Issuer Event of Default or Potential Issuer Event of Default (as defined below) and, in the case of the Guarantor, no Guarantor Event of Default or Potential Guarantor Event of Default (as defined below), shall have occurred and be continuing;
- (b) each of the Rating Agencies has confirmed in writing that the New Covered Bonds will be assigned the same or better ratings than those then applicable to the Existing Covered Bonds; and
- (c) if the Existing Covered Bonds are listed, quoted and/or traded on or by a competent and/or relevant listing authority, stock exchange and/or quotation system on or before the date on which such notice expires the Issuer delivers to the Bond Trustee a certificate signed by two senior officers of the Issuer confirming that all applicable rules of such competent and/or relevant listing authority, stock exchange and/or quoting system have been or will be complied with.

The Existing Covered Bonds will be cancelled concurrently with the issue of the New Covered Bonds and with effect on and from the date of issue thereof all references herein to Covered Bonds shall be deemed to be references to the New Covered Bonds.

### ***Redemption due to Illegality***

**6.16** 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 Issuing and Paying Agent, the Registrar and, in accordance with Condition 14, all holders of the Covered Bonds (which notice shall 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 advance made by it to the Guarantor pursuant to 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.

Covered Bonds redeemed pursuant to this Condition 6.16 will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 6.16, the Issuer shall deliver to the Issuing and Paying Agent and Bond Trustee a certificate signed by two senior officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Issuing and Paying Agent and Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds, Receiptholders and Couponholders.

## **7. Events of Default**

### ***Issuer Events of Default***

**7.01** 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 (as defined in the Trust Deed) referred to in this Condition 7.01 means the Covered Bonds of this 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 euros converted into euros at the rate specified in the applicable Final Terms) or if so directed by an Extraordinary Resolution of all the holders of the Covered Bonds shall, (but in the case of the happening of any of the events mentioned in sub-paragraphs (b) to (e) below, only if the Bond Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series) (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, for the avoidance of doubt, not against the Guarantor under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each, an “**Issuer Event of Default**”) shall occur and be continuing:

- (a) the Issuer fails to pay any principal or interest in respect of the Covered Bonds within 30 days of the due date; or
- (b) the Issuer fails to perform or observe any obligations under the Covered Bonds, Receipts or Coupons of any Series, the Trust Deed or any other Transaction Document to which the Issuer is a party (other than the Dealership Agreement, any subscription agreement for the Covered Bonds and any Definitive N Covered Bonds Deeds) but excluding any obligation of the Issuer to comply with the Asset Coverage Test and such failure continues for the period of 30 days (or such longer period as the Bond Trustee may permit) next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied (except in circumstances where the Bond Trustee considers such failure to be incapable of remedy in which case no period of continuation will apply and no notice by the Bond Trustee will be required); or
- (c) the Issuer shall have become insolvent or bankrupt, or if a liquidator, receiver or receiver and manager of the Issuer or any other officer having similar powers shall be appointed, or if the Superintendent of Financial Institutions (Canada) shall have taken control of the assets of the Issuer or of the Issuer itself; or
- (d) 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 Guarantor Payment Date immediately following the next Calculation Date after 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 that Series of Hard Bullet Covered Bonds, and the Guarantor has not cured the breach before the earlier to occur of: (i) ten Toronto Business Days from the date that the Seller is notified of the breach of the Pre-Maturity Test and (ii) the Final Maturity Date of that Series of Hard Bullet Covered Bonds.

For the purposes of these Terms and Conditions “**Calculation Date**” means the last Toronto Business Day of each month.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 7.01, the Bond Trustee shall forthwith serve a notice to pay (the “**Notice to Pay**”) on the Guarantor pursuant to the Covered Bond Guarantee and the Guarantor shall be required to make payments of Guaranteed Amounts when the same shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer in accordance with the first paragraph of Condition 7.03.

The Trust Deed provides that all moneys (the “**Excess Proceeds**”) received by the Bond Trustee from the Issuer or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay on the Guarantor, shall be paid by the Bond Trustee, as soon as practicable after receipt thereof by the Bond Trustee, on behalf of the holders of the Covered Bonds of the relevant Series to the Guarantor (or the Cash Manager on its behalf) for the account of the Guarantor and shall be held in the Guarantor Accounts and the Excess Proceeds shall thereafter form part of the Security granted pursuant to the Security Agreement and shall be used by the Guarantor (or the Cash Manager on its behalf) in the same manner as all other moneys from time to time held by the Cash Manager and/or standing to the credit of the Guarantor in the Guarantor Accounts. Any Excess Proceeds received by the Bond Trustee shall discharge pro tanto the obligations of the Issuer in respect of the payment of the amount of such Excess Proceeds under the Covered Bonds, Receipts and Coupons. 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 shall not reduce or discharge any of such obligations.

By subscribing for Covered Bonds, each holder of the Covered Bonds shall be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Guarantor in the manner as described above.

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

**7.02** 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 7.02 means the Covered Bonds of this 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 euros converted into euros at the rate specified in the applicable Final Terms) or if so directed by an Extraordinary Resolution of all the holders of the Covered Bonds shall (but in the case of the happening of any of the events described in paragraphs (b) to (h) below, only if the Bond Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series) (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 to the Guarantor, that (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer (if not already due and repayable against it following an Issuer Event of Default), thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest and (y) all amounts payable by the Guarantor under the Covered Bond Guarantee shall 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 the Trust Deed and thereafter the Security shall become enforceable if any of the following events (each, a “**Guarantor Event of Default**”) shall occur and be continuing:

- (a) default is made by the Guarantor for a period of seven days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series, except in the case of the payment of a Guaranteed Amount when Due for Payment under Condition 6.01 where the Guarantor shall 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) under the Trust Deed, the Security Agreement or any other Transaction Document (other than the obligation of the Guarantor to repay the Demand Loan pursuant to the terms of the Intercompany Loan Agreement) 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) an order is made or an effective resolution passed for the liquidation or winding up of the Guarantor; or
- (d) if the Guarantor ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (e) the Guarantor shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or
- (f) proceedings are initiated against the Guarantor under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganization or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up,

administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the Guarantor or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the Guarantor shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, its creditors generally; or

- (g) a failure to satisfy the Amortization Test on any Calculation Date following service of a Notice to Pay; or
- (h) the Covered Bond Guarantee is not, or is claimed by the Guarantor not to be, in full force and effect.

Following the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice on the Guarantor, the Bond Trustee may or shall take such proceedings or steps in accordance with the first and second paragraphs, respectively, of Condition 7.03 and the holders of the Covered Bonds shall have a claim against the Guarantor, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount together with accrued but unpaid interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 8) as provided in the Trust Deed in respect of each Covered Bond.

### ***Enforcement***

**7.03** The Bond Trustee may at any time, at its discretion and without further notice, take such proceedings against the Issuer and/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 Receipts and the Coupons, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds, the Receipts or the Coupons or any other Transaction Document unless (i) it shall have been so directed by an Extraordinary Resolution of all the holders of the Covered Bonds of all Series (with the Covered Bonds of all Series taken together as a single Series as described above) 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 euros at the rate specified in the applicable Final Terms as described above) and (ii) it shall have been indemnified and/or secured to its satisfaction.

The Bond Trustee may at any time, at its discretion and without further notice, take such proceedings against the Guarantor and/or any other person as it may think fit to enforce the provisions of the Security Agreement and may, at any time after the Security has become enforceable, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such steps unless (i) it shall have been so directed by an Extraordinary Resolution of all the holders of the Covered Bonds of all Series (with the Covered Bonds of all Series taken together as a single Series as described above) 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 euros at the rate specified in the applicable Final Terms as described above); and (ii) it shall have been indemnified and/or secured to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the holders of the Covered Bonds of all Series and shall not have regard to the interests of any other Secured Creditors.

No holder of the Covered Bonds, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor or to take any action with respect to the Trust Deed, the Covered Bonds, the Receipts, the Coupons, or the Security unless the Bond Trustee, having become bound so to proceed, fails so to do within a reasonable time and such failure shall be continuing.

## 8. Taxation

**8.01** All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Covered Bonds, Receipts and Coupons will be paid free and clear of and without 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 Canada, any province or territory or political subdivision thereof or any authority or agency therein or thereof having power to tax or, in the case of Covered Bonds, Receipts or Coupons issued by a branch of the Issuer located outside 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, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law or the interpretation or administration thereof. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Holder after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Covered Bonds, Receipts or Coupons (as the case may be), in the absence of such withholding or deduction; except that no additional amounts shall be payable with respect to any payment in respect of any Covered Bond, Receipt or Coupon:

- (a) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Covered Bond, Receipt or Coupon by reason of his having some connection with Canada or the country in which such branch is located otherwise than the mere holding of (but not the enforcement of) such Covered Bond, Receipt or Coupon; or
- (b) to, or to a third party on behalf of, a Holder in respect of whom such tax, duty, assessment or governmental charge is required to be withheld or deducted by reason of the Holder being a person with whom the Issuer is not dealing at arm's length (within the meaning of the *Income Tax Act* (Canada)); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a Holder who would be able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a member state of the European Union; or
- (e) 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 the thirtieth such day; or
- (f) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such Holder's failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Canada or the country in which such branch is located of such Holder, if (i) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (ii) the Issuer has given Holders at least 30 days' notice that Holders will be required to provide such certification, identification, documentation or other requirement.

**8.02** For the purposes of these Terms and Conditions, the “**Relevant Date**” means, in respect of any Covered Bond, Receipt or Coupon, the date on which payment thereof first become due and payable, or, if the full amount of the moneys payable has not been received by the Issuing and Paying Agent, or as the case may be, the Registrar on or prior to such due date, the date on which, the full amount of such moneys shall have been so received and notice to that effect shall have been duly given to the Holders in accordance with Condition 14.

**8.03** If the Issuer becomes subject generally at any time to any taxing jurisdiction other than or in addition to Canada or the country in which the relevant branch is located, references in Condition 6.02 and Condition 8.01 to Canada or the

country in which the relevant branch is located shall be read and construed as references to Canada or the country in which such branch is located and/or to such other jurisdiction(s).

**8.04** Any reference in these Terms and Conditions to any payment due in respect of the Covered Bonds, Receipts or Coupons shall be deemed to include any additional amounts which may be payable under this Condition 8. Unless the context otherwise requires, any reference in these Terms and Conditions to “**principal**” shall include any premium payable in respect of a Covered Bond, any Instalment Amount or Final Redemption Amount, any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and “**interest**” shall include all amounts payable pursuant to Condition 5 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

**8.05** Should any payments made by the Guarantor under the Covered Bond Guarantee be made subject to any withholding or deduction for or on account of taxes or duties of whatever nature imposed or levied by or on account of Canada, any province or territory, political sub-division thereof or by any authority or agency therein or thereof having power to tax, the Guarantor will not be obliged to pay any additional amounts as a consequence.

## **9. Payments**

### ***Payments—Bearer Covered Bonds***

**9.01** Conditions 9.02 to 9.07 are applicable in relation to Bearer Covered Bonds.

**9.02** Payment of amounts (other than interest) due in respect of Bearer Covered Bonds will be made against presentation and (save in the case of partial payment or payment of an Instalment Amount other than the final Instalment Amount) surrender of the relevant Bearer Covered Bonds at the specified office of any of the Paying Agents.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Covered Bond which is a Bearer Definitive Covered Bond with Receipts will be made against presentation of the Covered Bond together with the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Covered Bond to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of a Covered Bond without the relevant Receipt or the presentation of a Receipt without the Covered Bond to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

**9.03** Payment of amounts in respect of interest on Bearer Covered Bonds will be made:

- (a) in the case of a Temporary Global Covered Bond or Permanent Global Covered Bond, against presentation of the relevant Temporary Global Covered Bond or Permanent Global Covered Bond at the specified office of any of the Paying Agents outside (unless Condition 9.04 applies) the United States and, in the case of a Temporary Global Covered Bond, upon due certification as required therein;
- (b) in the case of Bearer Definitive Covered Bonds without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Bearer Definitive Covered Bonds at the specified office of any of the Paying Agents outside (unless Condition 9.04 applies) the United States; and
- (c) in the case of Bearer Definitive Covered Bonds delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on an Interest Payment Date, against presentation of the relevant Bearer Definitive Covered Bonds, in either case at the specified office of any of the Paying Agents outside (unless Condition 9.04 applies) the United States.

**9.04** Notwithstanding the foregoing (and in relation to payments in U.S. dollars only), payments of amounts due in respect of interest on the Bearer Covered Bonds and exchanges of Talons for Coupon sheets in accordance with

Condition 9.07 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (i) payment in full of amounts due in respect of interest on such Covered Bonds when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (ii) such payment or exchange is permitted by applicable United States law. If clauses (i) and (ii) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

**9.05** Unless otherwise specified in the applicable Final Terms, if the due date for payment of any amount due in respect of any Bearer Covered Bond is not a Payment Day (as defined in Condition 9.12), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Payment Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 5.06 or, if appropriate, Condition 5.10.

**9.06** Each Bearer Definitive Covered Bond initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

- (a) unless otherwise specified in the applicable Final Terms, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the Redemption Amount due) relating to Bearer Definitive Covered Bonds that are Fixed Rate Covered Bonds or bear interest in fixed amounts will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within two years of the Relevant Date applicable to payment of such Redemption Amount (whether or not the Issuer's obligation to make payment in respect of such Coupon would otherwise have ceased under Condition 10);
- (b) unless otherwise specified in the Final Terms, all unmatured Coupons relating to such Bearer Definitive Covered Bonds that are Floating Rate Covered Bonds or that bear interest in variable amounts (whether or not such Coupons are surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;
- (c) in the case of Bearer Definitive Covered Bonds initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and
- (d) in the case of Bearer Definitive Covered Bonds initially delivered with Receipts attached thereto, all Receipts relating to such Covered Bonds in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph (a) of this Condition 9.06 notwithstanding, if any Bearer Definitive Covered Bonds should be issued with a Maturity Date and Rate or Rates of Interest such that, on the presentation for payment of any such Bearer Definitive Covered Bond without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (a) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Bearer Definitive Covered Bond, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (a) in respect of such Coupons as have not so become void, the amount required by paragraph (a) to be deducted would not be greater than the Redemption Amount otherwise due for payment.

Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Bearer Definitive Covered Bond to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

**9.07** In relation to Bearer Definitive Covered Bonds initially delivered with Talons attached thereto, on or after the Interest Payment Date of the final Coupon comprised in any Coupon sheet, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 9.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.

#### ***Payments—Registered Covered Bonds***

**9.08** Condition 9.09 is applicable in relation to Registered Covered Bonds.

**9.09** Payments of principal (other than instalments of principal prior to the final instalment) 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 by electronic 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 (the “**Register**”) of holders of the Registered Covered Bonds maintained by the Registrar at the close of business on the third Business Day (being for this purpose 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. Notwithstanding the previous sentence, if (i) a holder does not have a “**Designated Account**” or (ii) 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 cheque 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 Japanese Yen to a non-resident of Japan, shall 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 (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located on 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 (i) the first Business Day (in relation to Global Covered Bonds); and (ii) the fifteenth day (in relation to Registered Definitive Covered Bonds), whether or not such fifteenth day is a Business Day, before the relevant due date (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 in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by electronic transfer on the due date in the manner provided in the preceding paragraph. Any such application for electronic transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) 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 and the final instalment of principal 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 cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.



All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by electronic transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, 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 Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### ***Payments – General Provisions***

**9.10** Save as otherwise specified in these Terms and Conditions, Conditions 9.11 to 9.14 are applicable in relation to Bearer Covered Bonds and Registered Covered Bonds.

**9.11** Payments of amounts due (whether principal, interest or otherwise) in respect of Covered Bonds will be made in the currency in which such amount is due (a) by cheque or (b) at the option of the payee, by transfer to an account denominated in the relevant currency (or in the case of euro, an account to which euro may be credited or transferred) specified by the payee. In the case of Bearer Covered Bonds, if payments are made by transfer, such payments will only be made by transfer to an account maintained by the payee outside of the United States. In no event will payment of amounts due in respect of Bearer Covered Bonds be made by a cheque mailed to an address in the United States. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to any applicable fiscal or other laws and regulations.

**9.12** For the purposes of these Terms and Conditions:

- (a) “**local banking day**” means 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 the place of presentation of the relevant Covered Bond or, as the case may be, Coupon; and
- (b) “**Payment Day**” means (a) in the case of any currency other than euro, a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) and foreign exchange markets settle payments in the Financial Centre(s) specified in the Final Terms or (b) in the case of payment in euro, a day which is a TARGET Business Day and on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Financial Centre(s) specified in the Final Terms.

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

**9.14** Notwithstanding the foregoing, the relevant provisions relating to the payment of Covered Bonds the terms of which permit the Issuer to pay and/or discharge its obligations with respect of such Covered Bonds by the payment or delivery of securities and/or other property or any combination of cash, securities and/or other property shall be set forth in the applicable Final Terms.

### ***Set-off***

**9.15** Any payments under or pursuant to the Definitive N Covered Bonds shall be made by the Issuer free of set-off and withholding if and to the extent so specified in the applicable Final Terms.

## **10. Prescription**

**10.01** Subject to applicable law, the Issuer’s obligation to pay an amount of principal and interest in respect of Covered Bonds will cease if the Covered Bonds or Coupons, as the case may be, are not presented within two years after

the Relevant Date (as defined in Condition 8.02) for payment thereof, or such other length of time as is specified in the Final Terms.

**10.02** In relation to Bearer Definitive Covered Bonds initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void pursuant to Condition 9.06 or this Condition 10 or the maturity date or due date for the payment of which would fall after the due date for the redemption of the relevant Covered Bond, or any Talon the maturity date of which would fall after the due date for the redemption of the relevant Covered Bond.

## **11. The Paying Agents, the Registrar, Transfer Agents, the Calculation Agent and the Exchange Agent**

**11.01** The initial Paying Agents, the Registrar, the Transfer Agents and the Exchange Agent and their respective initial specified offices are specified herein. The Issuer reserves the right, without approval of the Bond Trustee, at any time to vary or terminate the appointment of any Paying Agent (including the Issuing and Paying Agent), any Transfer Agent(s), the Registrar, the Exchange Agent or the Calculation Agent and to appoint additional or other Paying Agents, Transfer Agents or another Registrar, Exchange Agent or Calculation Agent provided that it will at all times maintain (i) an Issuing and Paying Agent, (ii) in the case of Registered Covered Bonds, a Registrar, (iii) a Paying Agent (which may be the Issuing and Paying Agent) with a specified office in a continental European city, (iv) a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive (v) so long as the Covered Bonds are admitted to the Official List and to trading on the London Stock Exchange and/or admitted to listing or trading on any other stock exchange or relevant authority, a Paying Agent (in the case of Bearer Covered Bonds) and a Transfer Agent (in the case of Registered Covered Bonds), which may in either case be the Issuing and Paying Agent, each with a specified office in London and/or in such other place as may be required by the rules of such other stock exchange or other relevant authority, (vi) in the circumstances described in Condition 9.04, a Paying Agent with a specified office in New York City, (vii) a Calculation Agent where required by the Terms and Conditions applicable to any Covered Bonds, and (viii) 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 with a specified office in the United States (in the case of (i), (ii), (iii) and (vii) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same metropolitan area. Notice of all changes in the identities or specified offices of any Agent, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.

**11.02** The Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer and, in certain circumstances of the Bond Trustee, and save as provided in the Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Covered Bond, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

**11.03** Notwithstanding the foregoing, the Issuing and Paying Agent, on behalf of itself and the other Paying Agents, shall have the right to decline to act as the Paying Agent with respect of any Covered Bonds issued pursuant to the Programme that are payable and/or dischargeable by the Issuer by the payment or delivery of securities and/or other property or any combination of cash, securities and/or property whereupon the Issuer or an affiliate thereof shall either (i) act as Paying Agent or (ii) engage another financial institution to act as Paying Agent in respect of such Covered Bonds. The Final Terms relating to such Covered Bonds shall include the relevant details regarding the applicable Paying Agent.

## **12. Replacement of Covered Bonds**

If any Covered Bond, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent or any Paying Agent (in the case of Bearer Covered Bonds and Coupons) or of the Registrar or any Transfer Agent (in the case of Registered Covered Bonds) (the “**Replacement Agent**”), subject to all applicable laws and the requirements of any stock exchange on which the Covered Bonds are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms

as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Covered Bonds, Receipts and Coupons must be surrendered before replacements will be delivered therefor.

### **13. Meetings of Holders of the Covered Bonds, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the holders of the Covered Bonds to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The 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 holders of the Covered Bonds 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 (as defined below), the quorum shall 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 holders of the Covered Bonds of a Series shall, subject as provided below, be binding on all the holders of the Covered Bonds of such Series, whether or not they are present at the meeting, and on all Receiptholders and Couponholders in respect of such Series of Covered Bonds. Pursuant to the Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds 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 shall 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 7 or to direct the Bond Trustee to take any enforcement action (a “**Programme Resolution**”) shall 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 Programme Resolution may be convened by the Issuer, the Guarantor or the Bond Trustee or by holders of the Covered Bonds of any Series. The quorum at any such meeting for passing a Programme 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 any Series so held or represented. A Programme Resolution passed at any meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not they are present at the meeting, and on all related Receiptholders and Couponholders in respect of such Series of Covered Bonds.

In connection with any meeting of the holders of Covered Bonds of more than one Series the Covered Bonds of any Series not denominated in euros shall be converted into euros at the rate specified in the applicable Final Terms.

The Bond Trustee, the Guarantor and the Issuer may also agree, without the consent of the holders of the Covered Bonds, Receiptholders 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 Covered Bonds of one or more Series, the related Receipts and/or Coupons or any Transaction Document provided that in the opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series; or
- (b) any modification of the Covered Bonds of any one or more Series, the related Receipts and/or Coupons or any Transaction Document which is of a formal, minor or technical nature or is in the opinion of the Bond Trustee made to correct a manifest error or to comply with mandatory provisions of law.

The Bond Trustee may also agree, without the consent of the holders of the Covered Bonds of any Series, the related Receiptholders and/or 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 described above, that any Issuer Event of Default or Guarantor Event of Default or Potential Issuer Event of Default or Potential Guarantor Event

of Default shall not be treated as such, provided that, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of any of the holders of the Covered Bonds of any Series.

Any such modification, waiver, authorization or determination shall be binding on all holders of the Covered Bonds of all Series of Covered Bonds for the time being outstanding, the related Receiptholders and the Couponholders and the other Secured Creditors, and unless the Bond Trustee otherwise agree, any such modification shall be notified by the Issuer to the holders of the Covered Bonds 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 shall have regard to the general interests of the holders of the Covered Bonds of each Series as a class (but shall not have regard to any interests arising from circumstances particular to individual holders of the Covered Bonds, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual holders of the Covered Bonds, the related Receiptholders, 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 shall not be entitled to require, nor shall any holder of the Covered Bonds, Receiptholder 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 consequences of any such exercise upon individual holders of the Covered Bonds, Receiptholders and/or Couponholders, except to the extent already provided for in Condition 8 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

For the purposes of these Terms and Conditions:

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

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

**“Series Reserved Matter”** in relation to Covered Bonds of a Series means: (i) 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; (ii) subject to any applicable redenomination provisions specified in the applicable Final Terms, alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons are to be made; (iii) alteration of the majority required to pass an Extraordinary Resolution; (iv) 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 holders of the Covered Bonds of any Series); (v) except in accordance with Condition 6.15 or Condition 13, the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds for 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 Issuer 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 described above and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the holders of the Covered Bonds 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 (vi) alteration of specific sections of the Trust Deed relating to the quorum and procedure required for meetings of holders of Covered Bonds.

## **14. Notices**

### ***To Holders of Bearer Definitive Covered Bonds***

**14.01** 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. 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.

### ***To Holders of Registered Definitive Covered Bonds***

**14.02** Notices to Holders of Registered Definitive Covered Bonds, save where another means of effective communication has been specified herein or in the Final Terms, 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.

### ***Global Covered Bonds***

**14.03** So long as the Covered Bonds are represented in their entirety by any Global Covered Bonds held on behalf of DTC and/or Euroclear and/or Clearstream, Luxembourg, there may be substituted for publication in newspaper(s) (in accordance with Condition 14.01) the delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Covered Bonds and, in addition, for so long as any Covered Bonds are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of the stock exchange, or as the case may be, other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or, as the case may be, or any other relevant authority. Any such notice shall be deemed to have been given to the holders of the Covered Bonds on the day on which the said notice was given to DTC and/or Euroclear and/or Clearstream, Luxembourg.

## **15. Further Issues**

The Issuer may from time to time, without the consent of the Holders of any Covered Bonds or Coupons, create and issue further Covered Bonds having the same terms and conditions as such Covered Bonds in all respects (or in all respects except for the first payment of interest, if any, on them and/or the Specified Denomination thereof) so as to form a single series with the Covered Bonds of any particular Series.

## **16. Currency Indemnity**

The currency in which the Covered Bonds are denominated or, if different, payable, as specified in the Final Terms (the “**Contractual Currency**”), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Covered Bonds, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction or otherwise) by any Holder of a Covered Bond or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first day on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Covered Bond or Coupon in respect of such Covered Bond or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such

purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Covered Bond or Coupon and shall continue in full force and effect despite any judgement, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Covered Bonds or any judgement or order. Any such loss shall be deemed to constitute a loss suffered by the relevant Holder of a Covered Bond or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

## **17. Waiver and Remedies**

No failure to exercise, and no delay in exercising, on the part of the Holder of any Covered Bond, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

## **18. Branch of Account**

**18.01** For the purposes of the Bank Act, the branch of the Bank set out in this Covered Bond or the Final Terms shall be the branch of account (the "**Branch of Account**") for the deposits evidenced by this Covered Bond.

**18.02** This Covered Bond will be paid without the necessity of first being presented for payment at the Branch of Account.

**18.03** If the Branch of Account is not in Canada, the Bank may change the Branch of Account for the deposits evidenced by this Covered Bond, upon not less than seven days' prior notice to its Holder given in accordance with Condition 14 and upon and subject to the following terms and conditions:

- (a) if this Covered Bond is denominated in Yen, the Branch of Account shall not be in Japan;
- (b) the Issuer shall indemnify and hold harmless the Holders of the Covered Bonds and Coupons relating thereto against any tax, duty, assessment or governmental charge which is imposed or levied upon such Holder as a consequence of such change, and shall pay the reasonable costs and expenses of the Issuing and Paying Agent in connection with such change; and
- (c) notwithstanding (b) above, no change of the Branch of Account may be made unless immediately after giving effect to such change (a) no Issuer Event of Default, Guarantor Event of Default, Potential Issuer Event of Default or Potential Guarantor Event of Default shall have occurred and be continuing and (b) payments of principal and interest on Covered Bonds of this Series and Coupons relating thereto to Holders thereof (other than Excluded Holders, as hereinafter defined) shall not, in the opinion of counsel to the Issuer, be subject to any taxes, as hereinafter defined, to which they would not have been subject had such change not taken place. For the purposes of this section, an "**Excluded Holder**" means a Holder of a Covered Bond of this Series or Coupon relating thereto who is subject to taxes by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of a Covered Bond of this Series or Coupon as a non-resident of such Relevant Jurisdiction. "**Relevant Jurisdiction**" means and includes Canada, its provinces or territories and the jurisdiction in which the new Branch of Account is located, and "**taxes**" means and includes any tax, duty, assessment or other governmental charge imposed or levied in respect of the payment of the principal of the Covered Bonds of this Series or interest thereon for or on behalf of a Relevant Jurisdiction or any authority therein or thereof having power to tax.

## **19. Substitution**

Subject as provided in the Trust Deed, the Bond Trustee, if it is satisfied that to do so would not be materially prejudicial to the interests of the holders of the Covered Bonds, may agree, without the consent of the holders of the Covered Bonds, Receiptholders or Couponholders, to the substitution of a Subsidiary of the Issuer in place of the Issuer as principal

debtor under the Covered Bonds and the Trust Deed, provided that the obligations of such Subsidiary in respect of the Covered Bonds and the Trust Deed shall be guaranteed by the Issuer in such form as the Bond Trustee may require.

Any substitution pursuant to this Condition 19 shall be binding on the holders of the Covered Bonds, the Receiptholders and the Couponholders and, unless the Bond Trustee agrees otherwise, shall be notified to the holders of the Covered Bonds as soon as practicable thereafter in accordance with Condition 14.

It shall be a condition of any substitution pursuant to this Condition 19 that the Covered Bond Guarantee shall remain in place or be modified to apply mutatis mutandis and continue in full force and effect in relation to any Subsidiary of the Issuer which is proposed to be substituted for the Issuer as principal debtor under the Covered Bonds and the Trust Deed.

## **20. Rating Agency Confirmation**

**20.01** By subscribing for or purchasing Covered Bond(s), each holder of Covered Bonds shall be deemed to have acknowledged and agreed that a credit rating of a Series of Covered Bonds by the Rating Agencies is an assessment of credit risk and does not address other matters that may be of relevance to holders of Covered Bonds, including, without limitation, in the case of a confirmation by each Rating Agency that any action proposed to be taken by the Issuer, the Guarantor, the Seller, the Servicer, the Cash Manager, the Bond Trustee or any other party to a Transaction Document will not have an adverse effect on the then current rating of the Covered Bonds or cause such rating to be withdrawn (a “**Rating Agency Confirmation**”), whether such action is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not prejudicial to, some or all of the holders of Covered Bonds.

**20.02** In being entitled to have regard to the fact that a Rating Agency has confirmed that the then current rating of the relevant Series of Covered Bonds would not be adversely affected or withdrawn, each of the Issuer, the Guarantor, the Bond Trustee, and the Secured Creditors (including the holders of Covered Bonds) is deemed to have acknowledged and agreed that a Rating Agency Confirmation does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the Guarantor, the Bond Trustee, the Secured Creditors (including the holders of Covered Bonds) or any other person or create any legal relations between the Rating Agencies and the Issuer, the Guarantor, the Bond Trustee, the Secured Creditors (including the holders of Covered Bonds) or any other person whether by way of contract or otherwise.

**20.03** By subscribing for or purchasing Covered Bond(s), each holder of Covered Bonds shall be deemed to have acknowledged and agreed that:

- (a) a Rating Agency Confirmation 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 a Rating Agency Confirmation in the time available, or at all, and the Rating Agency shall not be responsible for the consequences thereof;
- (c) a Rating Agency Confirmation, 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 forms a part; and
- (d) a Rating Agency Confirmation represents only a restatement of the opinions given, and shall not be construed as advice for the benefit of any holder of Covered Bonds or any other party.

**20.04** If a Rating Agency 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 such Rating Agency Confirmation or response is delivered to that Rating Agency by any of the Issuer, the Guarantor and/or the Bond Trustee, as applicable (each a “**Requesting Party**”), and the Rating Agency indicates that it does not consider such confirmation or response necessary in the circumstances, the Requesting Party shall be entitled to treat such indication as a deemed Rating Agency Confirmation or consent, as applicable, to the action or step.

## **21. Indemnification of Bond Trustee and 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 holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Bond Trustee shall 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 of at least 25 per cent. of the 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 relief from responsibility, including provisions relieving the Bond Trustee from taking any action unless indemnified and/or secured to the satisfaction of the Bond Trustee.

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

The Bond Trustee will not be responsible for any loss, expense or liability, which may be suffered as a result of any Portfolio Assets, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee. The Bond Trustee will not be responsible for: (i) supervising the performance by the Issuer 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 written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (iii) monitoring the Covered Bond Portfolio, including, without limitation, whether the Covered Bond Portfolio is in compliance with the Asset Coverage Test or the Amortization Test; or (iv) monitoring whether the Portfolio Assets satisfy the Eligibility Criteria. The Bond Trustee will not be liable to any holder of the Covered Bonds or other Secured Creditor for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by reasonable and prudent institutional mortgage lenders in the Seller's market 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.

## **22. Law and Jurisdiction**

The Trust Deed, Agency Agreement, the Covered Bonds and Receipts, Coupons and Talons related thereto and the other Transaction Documents, except for the Swap Agreements, are governed by and shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Swap Agreements are governed by and shall be construed in accordance with English law.

## **23. Terms and Conditions of Definitive N Covered Bonds**

**23.01** If in the applicable Final Terms it is specified that Definitive N Covered Bonds are issued, then the following terms and conditions shall apply in addition to the terms and conditions set out in Condition 1 until and including 22 above. In the event of any inconsistency between Conditions 1 until and including 22 and this Condition 23, this Condition 23 will prevail with regard to Definitive N Covered Bonds.

**23.02** *Interpretation:* For the purposes of this Condition 23, “**Holder**” means the registered holder of a Definitive N Covered Bond. Any reference herein to Holder in plural form shall constitute a reference to Holder in singular form. Any reference herein to Definitive N Covered Bond includes, unless the context otherwise requires, any new Definitive N Covered Bond that has been issued upon transfer of a Definitive N Covered Bond. With respect to Definitive N Covered



Bonds, any applicable reference herein to Covered Bonds, Definitive Covered Bonds, Definitive Registered Covered Bonds or Definitive N Covered Bonds in plural form shall constitute a reference to Covered Bond, Definitive Covered Bond, Definitive Registered Covered Bond or Definitive N Covered Bond in singular form. All grammatical and other changes required by the use of the each singular form shall be deemed to have been made herein and the provisions hereof shall be applied so as to give effect to such change.

**23.03** *Currency and Principal Amount:* Definitive N Covered Bonds may be issued by the Issuer in a specified currency and in a principal amount as specified in the applicable Final Terms.

**23.04** *Form:* Each Definitive N Covered Bond will be issued in registered form and signed manually by two authorised signatories of the Issuer and authenticated manually by or on behalf of the Registrar.

**23.05** *Payment:* The Issuer is only obliged to perform its payment obligations owed to the Holder of a Definitive N Covered Bond upon the surrender of such Definitive N Covered Bond.

**23.06** *Transfer:*

- (a) The rights of the Holder evidenced by a Definitive N Covered Bond and title to a Definitive N Covered Bond itself will pass by absolute assignment between the transferor and transferee with notification thereof to the Issuer and registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, any applicable Agents and the Registrar shall deem and treat the registered Holder of a Definitive N Covered Bond as the absolute Holder thereof and of the rights evidenced thereby.
- (b) The rights of the Holder evidenced by a Definitive N Covered Bond and title to a Definitive N Covered Bond itself shall be transferred upon the surrender of a Definitive N Covered Bond, together with the form of assignment and notification duly completed and executed, at the specified office of the Registrar. In the case of a transfer of a Definitive N Covered Bond, a new Definitive N Covered Bond will be issued to the transferee upon request of the transferee.
- (c) Each new Definitive N Covered Bond to be issued upon transfer of a Definitive N Covered Bond will, within seven Business Days of delivery of such Definitive N Covered Bond and the duly completed and executed form of assignment and notification, be available for collection at the specified office of the Registrar or, at the request of the Holder making such delivery and as specified in the relevant form of assignment, be mailed at the risk of the new Holder entitled to the new Definitive N Covered Bond to such address as may be specified in the form of assignment.
- (d) Transfers will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment (or the giving of such indemnity as may be required from the Issuer, any applicable Agents or the Registrar) in respect of any tax, duty or other charges which may be imposed in relation to it.
- (e) A Holder may not transfer a Definitive N Covered Bond (i) during the 15 Business Day period prior to the Final Maturity Date (and the 15 Business Day period prior to the Extended Due for Payment Date, as applicable) or (ii) after such Definitive N Covered Bond has been called for redemption.

**23.07** *Redenomination:* Each Definitive N Covered Bond may be redenominated at the specified office of the Replacement Agent, subject to all applicable laws, upon such terms as to evidence and otherwise as the Issuer and the Replacement Agent may require. The original Definitive N Covered Bond must be surrendered before redenominated Definitive N Covered Bonds will be delivered therefor.

## **USE OF PROCEEDS**

Except as otherwise set out in the applicable Final Terms, the net proceeds of the issue of each Tranche of Covered Bonds will be added to the general funds of the Issuer.

## PRO FORMA FINAL TERMS

Final Terms dated [       ]



### CANADIAN IMPERIAL BANK OF COMMERCE

*(a Canadian chartered bank)*

Issue of [Aggregate Principal Amount of Tranche] [Title of Covered Bonds]  
under the

€10,000,000,000

**Global Public Sector Covered Bond Programme**  
**unconditionally and irrevocably guaranteed as to payments by**  
**CIBC COVERED BOND GUARANTOR**  
**LIMITED PARTNERSHIP**

*(a limited partnership formed under the laws of Ontario)*

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly, any person making or intending to make an offer in any Relevant Member State of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorized, nor do they authorize, the making of any offer of Covered Bonds in any other circumstances.]<sup>‡</sup>

## PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [       ] [and the supplemental Prospectus dated [       ]<sup>§</sup>] (which [together] constitute[s] [a base prospectus for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) [listing particulars for the purposes of Chapter 4 of the FSA’s Listing Rules]. This document constitutes the Final Terms of the Covered Bonds described herein [for the purposes of Article 5.4 of the Prospectus Directive] and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus]], together with all documents incorporated by reference therein, [is] [are] available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> under the name Canadian Imperial Bank of Commerce and the headline “Publication of Prospectus” and copies may be obtained from the specified offices of the Issuer and the Issuing and Paying Agent, as set out at the end of this Prospectus.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the [Prospectus] dated [original date] [and the supplemental Prospectus dated [       ]<sup>§</sup>]. This document constitutes the Final Terms of the Covered Bonds described herein [for the purposes of Article 5.4 of Directive 2003/71/EC (the

<sup>‡</sup> Include this legend where the minimum denomination is less than €50,000.

<sup>§</sup> Only include details of a supplemental Prospectus in which the Conditions have been amended for the purposes of all futures issues under the Programme.

“Prospectus Directive”)] and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [ ]], which [together] constitute[s] [a base prospectus for the purposes of the Prospectus Directive] [listing particulars for the purposes of Chapter 4 of the FSA’s Listing Rules], save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated [ ]] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the [Prospectuses] dated [original date] and the Prospectus dated [current date] [and the supplemental Prospectuses dated [ ] and [ ]]. The [Prospectuses] [and the supplemental Prospectuses] are available for viewing and copies may be obtained from the offices of the Issuer, Commerce Court, 199 Bay Street, Toronto, Ontario, Canada M5L 1A2 and the offices of the Issuing and Paying Agent, 8 Canada Square, London E14 5HQ.

*[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 sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive. If so, to avoid rescission rights applicable to a supplement, one can do a Stand-Alone Prospectus incorporating by reference the Registration and Securities Note elements of the Prospectus and including the Final Terms (but renamed Pricing Supplement) and specific Risk Factors (if any) and a Summary.]*

1. (i) Issuer: Canadian Imperial Bank of Commerce  
Branch: [Head office of the Bank in Toronto] [London branch] [ • branch]
- (ii) Guarantor: CIBC Covered Bond Guarantor Limited Partnership
2. (i) [Series Number:] [ ]  
(ii) [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: [ ]  
(Condition 1.10)
4. Aggregate Principal Amount: [ ]  
(i) [Series:] [ ]  
(ii) [Tranche:] [ ]
5. Issue Price: [ ]% of the Aggregate Principal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [ ]  
(Condition 1.08 or 1.09) *[If an issue of Covered Bonds is (i) NOT admitted to trading on a regulated exchange in the European Economic Area; and (ii) only offered to qualified investors and/or fewer than 100 natural*

*or legal persons per Member State of the European Economic Area other than qualified investors or otherwise complies with the European Economic Area selling restrictions in the section entitled "Subscription and Sale" in the Prospectus, then the minimum denomination of €50,000 does not apply.]*

*[N.B.—where Bearer Covered Bonds with multiple denominations are being used, the following sample wording should be followed:*

*[[ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. No Covered Bonds in definitive form will be issued with a denomination above [ ].]*

*(N.B. If Item 24 indicates that a Bearer Global Covered Bond is exchangeable for Bearer Definitive Covered Bonds at the option of a Holder, on [ ] days' notice / at any time, the Specified Denominations may not include integral multiples of a lesser amount in excess of a minimum Specified Denomination.)*

*[So long as the Covered Bonds are represented by a Temporary Global Covered Bond or Permanent Global Covered Bond and the relevant clearing system(s) so permit, the Covered Bonds will be tradable only in 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 definitive Covered Bonds will be issued with a denomination above [ ].]*

(b) Calculation Amount:

*[If only one Specified Denomination and no integral multiples in excess thereof, insert the Specified Denomination. If there is more than one Specified Denomination, and no integral multiples in excess thereof, insert the highest common factor of the Specified Denominations. If there are integral multiples in excess of the Specified Denomination(s), insert the highest common factor of the integral multiples and the Specified Denomination(s).]*

*[Note—there must be a common factor in the case of two or more Specified Denominations or integral multiples in excess of the Specified Denomination(s).]*

7. (i) Issue Date: [ ]

(ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]

8. (i) Maturity Date: [Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]

(ii) Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee: [Specify date [one year] after the Final Maturity Date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month [one year] of the Final Maturity Date]

9. Interest Basis: [ ] per cent. Fixed Rate]  
 [[specify reference rate] +/- [ ]  
 per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Other (specify)]  
 (further particulars specified below)
10. Redemption/Payment Basis:\*\* [Redemption at par] [Hard Bullet Covered Bond]  
 [Index Linked Redemption] [Dual Currency]  
 [Instalment] [Other (specify)]
11. Change of Interest of Redemption/Payment Basis: *[Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/payment basis]*
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. (i) Status of the Covered Bonds Senior  
 (ii) Status of the Guarantee Senior secured with recourse limited to the assets of Guarantor  
 (iii) [Date [Board] approval for issuance of Covered Bonds obtained: [ ] [and [ ], respectively]]
- (N.B. Only relevant where Board (or similar) authorization is required for the particular tranche of Covered Bonds or the related Covered Bond Guarantee)*
14. Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Covered Bond Provisions: [Applicable/Not Applicable]  
 (Condition 5.02) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]  
*(NB: 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 5.03.)*

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\*\* If the Final Redemption Amount is other than 100% of the principal value the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.

- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Financial Centre(s) for the definition of "Business Day"]*/not adjusted] up to and including the [Final Maturity Date] [Extended Due for Payment Date, if applicable]/[specify other] (provided however that after the Extension Determination Date, the Interest Payment Date shall be monthly)
- (N.B. This will need to be amended in the case of long or short Coupons.)*
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount
- (iv) Broken Amount(s) [ ] PER Calculation Amount, payable on the Interest Payment Date falling [on/or] [ ]
- [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) Determination Dates: [ ] 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. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [Not Applicable/give details]
16. Floating Rate Covered Bond Provisions: [Applicable/Not Applicable]
- (Condition 5.03) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [ ]
- (ii) Specified Interest Payment Dates: [ ] (provided however that after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)
- NB: Specify the Specified Period(s)/Specified Interest Payment Date(s) up to and including the Extended Due for Payment Date, if applicable*
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (iv) Financial Centre(s): [ ]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest [ ]

Amount(s) (if not the [Agent]):

(vii) Screen Rate Determination:

– Reference Rate: [ ]

*(Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions)*

– Interest Determination Date(s) [ ]

*(Second London Business Day prior to start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to start of each Interest Period if EURIBOR or euro LIBOR.)*

*(NB: Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable)*

– Relevant Screen Page [ ]

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is on page which shows a composite rate or amend fallback provisions appropriately.)*

– Relevant Time: [ ]

– Reference Banks: [ ]

(viii) ISDA Determination: Issuer is [Fixed Rate/Fixed Amount/Floating Rate/Floating Amount] Payer

– Floating Rate Option: [ ]

– Designated Maturity: [ ]

– Reset Date: [ ]

(ix) Margin(s): [+/-][ ] per cent. per annum

(x) Minimum Interest Rate:

(Condition 5.05) [ ] per cent. per annum]

(xi) Maximum Interest Rate:

(Condition 5.05) [ ] per cent. per annum]

(xii) Day Count Fraction: [ ]

(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate [ ]

Covered Bonds, if different from those set out in the Conditions:

17. Zero Coupon Covered Bond Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortization Yield: [ ] per cent. per annum]
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
18. Index Linked Interest Covered Bond/other variable-linked interest Covered Bond Provisions<sup>††</sup> [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [ ] [include name and address of Calculation Agent]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]
- (vi) Interest or accrual period(s): [ ]
- (vii) Specified Interest Payment Dates: [ ]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (ix) Financial Centre(s): [ ]
- (x) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [ ] per cent. per annum

<sup>††</sup> If any interest payable on a Covered Bond, or any portion of the Aggregate Principal Amount in excess of the Issue Price, is to be calculated by reference to an index or formula or any Covered Bond is issued as partly paid, such interest or principal, as the case may be, may be subject to Canadian non-resident withholding tax and additional opinions from Canadian tax counsel may be required.



- (xii) Day Count Fraction: [     ]
19. Dual Currency Covered Bond Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [     ] *[include name and address of Calculation Agent]*
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [     ]

#### PROVISIONS RELATING TO REDEMPTION

20. Call Option [Applicable/Not Applicable]
- (Condition 6.03) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [     ]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [     ] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [     ] per Calculation Amount
- (b) Maximum Redemption Amount: [     ] per Calculation Amount
- (iv) Notice Period<sup>\*\*</sup> [     ]
21. Put Option [Applicable/Not Applicable]
- (Condition 6.06) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [     ]

<sup>\*\*</sup> 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 and its fiscal agent or any trustee.

- (ii) Optional Redemption Amount(s) of [ ] per Calculation Amount of each Covered Bond and method, if any, of calculation of such amount(s):
- (iii) Notice period<sup>§§</sup> [ ]
22. Final Redemption Amount of each Covered Bond [ ] per Calculation Amount/other/see Appendix]
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount [ ] [include name and address of Calculation Agent]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ] per Calculation Amount
- (vi) Payment Date: [ ]
- (vii) Minimum Final Redemption Amount: [ ] per Calculation Amount
- (viii) Maximum Final Redemption Amount [ ] per Calculation Amount
23. Early Redemption Amount:
- Early Redemption Amount(s) 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 the Conditions): [ ] per Calculation Amount/other/see Appendix [If effective date for changes in law triggering redemption for taxation reasons is not Issue Date, indicate effective date.]

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<sup>§§</sup> 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, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee.

## GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

24. Form of the Covered Bonds:

[Bearer Covered Bonds:]

[Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds on [ ] days' notice/at any time/only after an Exchange Event]

[Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds [and/or Registered Definitive Covered Bonds] on [ ] days' notice]

[Permanent Global Covered Bond exchangeable for Bearer Definitive Covered Bonds on [ ] days' notice/at any time/only after an Exchange Event]

[Registered Covered Bonds:]

[Regulation S Global Covered Bond (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg] and exchangeable on [ ] days' notice/at any time/only after an Exchange Event/Rule 144A Global Covered Bond (U.S.\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg] and exchangeable on [ ] days' notice/at any time/only after an Exchange Event /Definitive IAI Registered Covered Bonds (specify nominal amounts)/Definitive N Covered Bonds, issued to each holder by Definitive N Covered Bonds Deed. Specified office of Issuer for notification of transfers of Definitive N Covered Bonds: [Frankfurt office, [address]/other]]

25. Exclusion of set-off

[Not applicable/*give details*]

[See Condition 9.15. If set-off is excluded for the purpose of Definitive N Covered Bonds to be issued to German insurers, insert: "*Counterclaims*. As long as, and to the extent that, this Definitive N Covered Bond forms part of the restricted assets (*gebundenes Vermögen*) within the meaning of Section 54 (3) of the German Act Concerning the Supervision of Insurance Companies (*Gesetz über die Beaufsichtigung der Versicherungsunternehmen*), as amended, in conjunction with the German Regulation Concerning the Investment of the Restricted Assets of Insurance Companies (*Verordnung über die Anlage des gebundenen Vermögens von Versicherungsunternehmen*), as amended, the Issuer waives (also in the event of insolvency of the holder of the Definitive N Covered Bond or in the event that insolvency proceedings or similar proceedings are instituted against the holder of the Definitive N Covered Bond) any right of set-off, combination or consolidation as well as any right to exercise any pledges, rights of retention and other rights which could affect the rights under the Definitive N Covered Bond."

26. New Global Covered Bond: [Yes] [No]
- (If the Covered Bonds are intended to be eligible collateral for Eurosystem monetary policy and intra-day credit operations, the New Global Covered Bond should be used. The New Global Covered Bond should only be used if it is intended that the Covered Bonds be held in a manner which would allow Eurosystem eligibility and a “yes” election is made in the section in Part B under the heading “Operational Information” entitled “Intended to be held in a manner which would allow Eurosystem eligibility”).*
27. Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(iv) and 18(ix) relate]
28. Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature): (Condition 1.06) [Yes/No. If yes, give details]
29. Details relating to Instalment Covered Bonds: amount of each instalment (“**Instalment Amounts**”), date on which each payment is to be made (“**Instalment Dates**”): [Not Applicable/give details]
30. Redenomination provisions: [Not Applicable/The provisions annexed hereto apply]
31. Consolidation provisions: [Not Applicable/The provisions annexed hereto apply]
32. Covered Bond Swap Rate: [Specify/Not applicable]
33. Other final terms: [Not Applicable/give details]
- [When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*
- [Include Notice provisions other than those found in Condition 14.]*
- [Include additional Events of Default (Condition 7.01) and any Default Rate (Condition 5.06)]*

## DISTRIBUTION

34. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) [(ii)] Stabilising Manager(s) (if any): [Not Applicable/give name]
35. If non-syndicated, name of Dealer [Not Applicable/give name]

36. U.S. Selling Restrictions: [Regulation S compliance Category 2;] [TEFRA C rules apply] [TEFRA D rules apply] [TEFRA rules not applicable] [Rule 144A eligible/sales to Institutional Accredited Investors under the *Securities Act* permitted]
37. Additional selling restrictions: [Not Applicable/*give details*]  
[The Covered Bonds may not be offered, sold or distributed, directly or indirectly, in Canada or to or for the benefit of, any resident in Canada]<sup>\*\*\*</sup>
38. Additional United States Tax Considerations [Not Applicable/*give details*]
39. Exchange Date: [     ] / Not Applicable.
40. The Aggregate Principal Amount of the Covered Bonds issued has been translated into euros at the rate of €1.00 = [     ], producing a sum of: [€ ] [Not Applicable]

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<sup>\*\*\*</sup> Consider including this prohibition/certification, among others for Covered Bonds permitting physical settlement of securities.

## **[PURPOSE OF FINAL TERMS/LISTING APPLICATIONS]**

These Final Terms comprise the final terms required for the issue [and] [public offer in the Public Offer Jurisdictions] [and] [the admission to [the Official List of [*specify stock exchange*] and to] trading on [*specify relevant regulated market*] of the Covered Bonds described herein pursuant to the €10,000,000,000 Global Public Sector Covered Bond Programme of Canadian Imperial Bank of Commerce.]

## **RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [ ] has been extracted from [ ]. The Issuer and the Guarantor confirm 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:

Signed on behalf of the Managing GP for and on behalf of the Guarantor:

By: \_\_\_\_\_  
Duly authorized

By: \_\_\_\_\_  
Duly authorized

By: \_\_\_\_\_  
Duly authorized

By: \_\_\_\_\_  
Duly authorized

## PART B—OTHER INFORMATION\*\*

### 1. LISTING

- (i) Listing/Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to [the Official List of the UKLA/Luxembourg Stock Exchange/other and to] trading on [specify relevant regulated market] with effect from [ ].]  
[Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to [the Official List of the UKLA/Luxembourg Stock Exchange/other and to] trading on [specify relevant regulated market] with effect from [ ].]  
[Not Applicable.]

*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*

- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

The Covered Bonds to be issued have been rated:

Ratings: [S&P: AAA]

[Moody's: Aaa]

[Fitch: AAA]

[DBRS: AAA]

[[Other]: [ ]]

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [“Subscription and Sale and Transfer and Selling Restrictions”], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer”.]

*[When adding any other description, consideration should be given as to whether such terms constitute “significant new factors “ and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

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\*\* If an issue of Covered Bonds is (i) NOT admitted to trading on regulated market in the EEA or the PSM and (ii) only offered in the EEA in circumstances where a prospectus is not required under the Prospectus Directive, the Issuer may elect to amend and/or delete certain of the above paragraphs of Part B.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)] Reasons for the offer [ ]

*(See [“Use of Proceeds”] wording in Prospectus – if reasons for offer different from that set out in the Prospectus will need to include those reasons here.)*

[(ii)] Estimated net proceeds: [ ]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii)] Estimated total expenses: [ ]

*[N.B.: If the Covered Bonds are derivative securities to which Annex XI of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks regardless of the minimum denomination of the securities and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.]*

5. **[FIXED RATE COVERED BONDS ONLY – YIELD**

Indication of yield: [ ]

*[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

6. **[INDEX-LINKED OR OTHER VARIABLE-LINKED COVERED BONDS ONLY – PERFORMANCE OF INDEX/FORMULA/other variable, and other information concerning the underlying**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[When completing this paragraph, consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

The Issuer [intends to provide post-issuance information on [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

*[Identify source of all third party information.]*

7. **[DUAL CURRENCY COVERED BONDS ONLY – PERFORMANCE OF RATE[S] OF EXCHANGE**



*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.*

*[When adding any other description, consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[Identify source of all third party information.]*

## 8. OPERATIONAL INFORMATION

- (i) ISIN Code: [     ]
- (ii) Common Code: [     ]
- (iii) [insert here any other relevant codes such as CUSIP and CINS codes] [     ]
- (iv) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking Société Anonyme or DTC, their addresses and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Name(s) and address(es) of initial Paying Agent(s), Registrars, Exchange Agent and Transfer Agents: [     ]
- (vii) Name(s) and address(es) of additional or substitute Paying Agent(s) or Transfer Agent(s): [     ]
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
- (ix) [Covered Bond that the designation “yes” simply means that Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper 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 satisfaction of the Eurosystem eligibility criteria] [include this text if “yes” is selected *in which case the Covered Bonds must be issued in NGCB form*]

## CANADIAN IMPERIAL BANK OF COMMERCE

*The information appearing below is supplemented by the more detailed information contained in the documents incorporated by reference in the Base Prospectus. See Paragraphs (a) – (g) of the section entitled “Documents Incorporated by Reference”.*

### Introduction

The Bank is a diversified financial institution governed by the *Bank Act* (Canada) (the “**Bank Act**”). The Bank was formed through the amalgamation of The Canadian Bank of Commerce and Imperial Bank of Canada in 1961. The Canadian Bank of Commerce was originally incorporated as Bank of Canada by special act of the legislature of the Province of Canada in 1858. Subsequently, the name was changed to The Canadian Bank of Commerce and it opened for business under that name in 1867. Imperial Bank of Canada was incorporated in 1875 by special act of the Parliament of Canada and commenced operations in that year. The address of the registered and head office of the Bank is Commerce Court, 199 Bay St., Toronto, Canada M5L 1A2 and the telephone number is 1-416-980-3096.

A list of the Bank’s principal subsidiaries is provided on page 168 of the Issuer’s 2009 Annual Report, which page is included in the Bank’s 2009 Annual Information Form incorporated herein by reference.

As extracted from its latest audited consolidated financial statements, as at 31 October 2009 the Bank had total assets of C\$335.9 billion, total deposits of C\$223.1 billion and common shareholders’ equity of C\$11.1 billion. These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

### Board of Directors

The names of the Directors of the Bank (together with details of their principal outside activities), as at the date of this Prospectus, are set out below. The business address of each of the Directors is Commerce Court, 199 Bay St., Toronto, Canada M5L 1A2.

#### Name, Responsibility and Residence

#### Principal Outside Activities

Brent S. Belzberg  
Toronto, Ontario, Canada

Senior Managing Partner,  
Torquest Partners Inc.

Jalynn H. Bennett, C.M.  
Toronto, Ontario, Canada

Corporate Director

Gary F. Colter  
Mississauga, Ontario, Canada

President,  
CRS Inc.

Dominic D’Alessandro  
Toronto, Ontario, Canada

Past President and Chief Executive Officer,  
Manulife Financial Corporation

Patrick D. Daniel  
Calgary, Alberta, Canada

President and Chief Executive Officer,  
Enbridge Inc.

Luc Desjardins  
Montreal, Quebec, Canada

Equity Partner,  
The Sterling Group, LP

The Honourable Gordon D. Giffin  
Atlanta, Georgia, U.S.A.

Senior Partner,  
McKenna Long & Aldridge LLP

Linda S. Hasenfratz  
Guelph, Ontario, Canada

Chief Executive Officer,  
Linamar Corporation

Nicholas D. Le Pan  
Ottawa, Ontario, Canada

Consultant,  
6610587 Canada Inc.

The Honourable John P. Manley, P.C.  
Ottawa, Ontario, Canada

President and Chief Executive Officer,  
Canadian Council of Chief Executives

Gerald T. McCaughey  
President and Chief Executive Officer of the Bank  
Toronto, Ontario, Canada

Jane L. Peverett  
Vancouver, British Columbia, Canada

Corporate Director

Leslie Rahl  
New York, New York, U.S.A.

Founder and Managing Partner,  
Capital Market Risk Advisors, Inc.

Charles Sirois  
Chair of the Board of the Bank  
Toronto, Ontario, Canada

Robert J. Steacy  
Toronto, Ontario, Canada

Corporate Director

Ronald W. Tysoe  
Jupiter, Florida, U.S.A.

Retired Vice Chairman,  
Macy's Inc.

As at the date of this Prospectus, there are no potential conflicts of interest between the duties owed to the Bank of the persons listed above and their private interests and other duties. If a Director were to have a material interest in a matter being considered by the Board or any of its Committees, such Director would not participate in any discussions relating to, or any vote on, such matter.

## **Business**

The Issuer is a leading Canadian-based global financial institution with two major operating groups: CIBC Retail Markets and Wholesale Banking.

CIBC Retail Markets comprises the Bank's personal banking, business banking and wealth management businesses. It provides a full range of financial products and services to almost 11 million clients in Canada, as well as investment management services globally to retail and institutional clients in Hong Kong, Singapore and the Caribbean. In addition, CIBC Retail Markets offers a full range of financial services to clients in over 17 regional markets in the Caribbean through FirstCaribbean International Bank.

Wholesale Banking provides a wide range of capital markets, credit, investment banking, merchant banking and research products and services to government, institutional, corporate and retail clients in Canada and in key markets around the world.

## **Major Shareholders**

To the extent known to the Issuer, the Issuer is not directly or indirectly owned or controlled by any person. The Bank Act prohibits any person from having a "significant interest" in any class of shares of the Issuer, that is, from beneficially owning more than 10 per cent. of the outstanding shares of the class either directly or through controlled entities, without the approval of the Minister of Finance of Canada. A person may, with the approval of the Minister of Finance, beneficially own up to 20 per cent. of a class of voting share and up to 30 per cent. of a class of non-voting share of the

Issuer, subject to a “fit and proper” test based on the character and integrity of the applicant. In addition, the holder of such a significant interest could not have “control in fact” of the Issuer.

*There are no measures in place to ensure that control of the Bank is not abused as the Bank has no major shareholders.*

### **Material Contracts**

Neither the Bank nor the Guarantor has entered into any contracts outside the ordinary course of the Bank’s business which could materially affect the Bank’s obligations in respect of any Covered Bonds to be issued by the Bank pursuant to this Prospectus other than, with respect to any Covered Bonds, the contracts described in “*Subscription and Sale and Transfer and Selling Restrictions*” and in “*Terms and Conditions of the Covered Bonds*” and “*Summary of the Principal Documents*”.

## **PRESENTATION OF FINANCIAL RESULTS**

The information in the tables appearing under “Financial Summary” below was prepared in accordance with Canadian GAAP.

### **FINANCIAL SUMMARY**

Information in the tables below at 31 October 2009 and 2008 has been extracted from the audited financial statements of the Bank for the years ended 31 October 2009 and 2008 contained in the Bank’s 2009 Annual Report, which statements are incorporated by reference in this Prospectus together with the accompanying notes and the report of the auditors as it relates to their opinion on the financial statements as further described on page 41.

An audit comprises audit tests and procedures deemed necessary for the purpose of expressing an opinion on financial statements taken as a whole. An audit opinion has not been expressed on individual balances of accounts or summaries of selected transactions in the table below.

With the exception of the figures for return on common equity, the information in the table below for the nine months ended 31 July 2010 and 2009 has been extracted from the unaudited interim consolidated financial statements of the Bank for the nine months ended 31 July 2010 and 2009 contained in the Bank’s Report to Shareholders for the Third Quarter, 2010 and 2009, which statements are incorporated by reference in this Prospectus. All figures for the nine months ended 31 July 2010 and 2009 are unaudited.

### Condensed Consolidated Balance Sheet

	As at July 31, 2010 <sup>(1)</sup>	As at July 31, 2009 <sup>(1)</sup>	As at October 31, 2009 <sup>(2)</sup>	As at October 31, 2008 <sup>(2)</sup>
(in millions of Canadian dollars, except per share amounts)				
Loans, net of allowance for loan losses .....	177,678	157,111	167,212	171,475
Total assets .....	349,600	335,917	335,944	353,930
Deposits .....	238,102	214,227	223,117	232,952
Other liabilities .....	89,254	101,409	92,621	99,704
Subordinated indebtedness.....	6,067	5,691	5,157	6,658
Preferred share liabilities .....	600	600	600	600
Non-controlling interests .....	165	170	174	185
Shareholders' equity .....	15,412	13,820	14,275	13,831

- 1 The amounts (other than return on common equity) have been extracted from the Bank's unaudited interim consolidated financial statements incorporated by reference in this Prospectus.
- 2 The amounts (other than return on common equity) have been extracted from the Bank's audited consolidated financial statements incorporated by reference in this Prospectus.

### Condensed Consolidated Statement of Income

	Nine months ended July 31, 2010 <sup>(1)</sup>	Nine months ended July 31, 2009 <sup>(1)</sup>	Year ended October 31, 2009 <sup>(2)</sup>	Year ended October 31, 2008 <sup>(2)</sup>
(in millions of Canadian dollars, except per share amounts)				
Net interest income .....	4,559	3,975	5,394	5,207
Non-interest income.....	4,272	3,065	4,534	(1,493)
Total revenue .....	8,831	7,040	9,928	3,714
Provision for credit losses.....	896	1,225	1,649	773
Non-interest expenses .....	5,167	4,991	6,660	7,201
Non-controlling interests .....	25	15	21	18
Net income.....	1,952	530	1,174	(2,060)
Earnings per Share				
—basic.....	\$4.72	\$1.08	\$2.65	\$ (5.89)
—diluted .....	\$4.71	\$1.08	\$2.65	\$ (5.89)
Dividends per common share.....	\$2.61	\$2.61	\$3.48	\$ 3.48

- 1 The amounts (other than return on common equity) have been extracted from the Bank's unaudited interim consolidated financial statements incorporated by reference in this Prospectus.
- 2 The amounts (other than return on common equity) have been extracted from the Bank's audited consolidated financial statements incorporated by reference in this Prospectus.

## CIBC COVERED BOND GUARANTOR LIMITED PARTNERSHIP

### General

CIBC Covered Bond Guarantor Limited Partnership (the “**Guarantor**”) is a limited partnership formed on June 10, 2008 and existing under the *Limited Partnerships Act* (Ontario). The principal place of business of the Guarantor is Commerce Court, 199 Bay Street, Toronto, Ontario, Canada M5L 1A2 and the telephone contact number is +1 (416) 980-3096. The Guarantor is governed by the Guarantor Agreement (see “*Summary of the Principal Document – 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 to provide services to the Bank in respect of the Programme by entering into the Intercompany Loan Agreement and accepting Capital Contributions from its partners; using the proceeds from the Intercompany Loan and Capital Contributions (i) to purchase the Covered Bond Portfolio consisting of Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement and New Loans and their Related Security and/or NHA MBS 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 and Authorized Investments; and/or (iii) subject to complying with the Asset Coverage Test (as described below) 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 to an amount not exceeding the prescribed limit); and/or (v) arranging for the servicing of the Loans and their Related Security by the Servicer; and/or (vi) entering into the Trust Deed, giving the Covered Bond Guarantee and entering into the Security Agreement; and/or (vii) entering into the Transaction Documents to which it is a party; and (viii) performing its obligations thereunder 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:

- CIBC Covered Bond GP Inc., as the managing general partner (the “**Managing GP**”), a wholly owned subsidiary corporation of the Bank incorporated on February 29, 2008 under the laws of Canada as a special purpose entity to be the managing general partner of the Guarantor, with its registered office at Commerce Court, 199 Bay Street, Toronto, Ontario, Canada M5L 1A2;
- 6953697 Canada Inc., as the liquidation general partner (the “**Liquidation GP**”), a corporation incorporated on April 8, 2008 under the laws of Canada as a special purpose entity to be the liquidation general partner of the Guarantor, with its registered office at 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario, Canada M5J 2Y1; and

- The Bank, as the sole limited partner.

The Capital Contribution Balance 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.

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, declare a trust over, 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.

### **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 “*Canadian Imperial Bank of Commerce – Directors*”, above.

#### ***Directors of the Managing GP***

<b><u>Name</u></b>	<b><u>Business Address</u></b>	<b><u>Business Occupation</u></b>
Wojtek Niebrzydowski .....	Brookfield Place 161 Bay Street, 11 <sup>th</sup> Floor Toronto, Ontario Canada M5J 2S8	Vice President, Treasury Canadian Imperial Bank of Commerce
David Dickinson .....	Brookfield Place 161 Bay Street, 11 <sup>th</sup> Floor Toronto, Ontario Canada M5J 2S8	Vice President, Treasury Financing Canadian Imperial Bank of Commerce
Claudia Lai .....	Brookfield Place 161 Bay Street, 11th Floor Toronto, Ontario Canada M5J 2S8	Vice President, Capital Management Canadian Imperial Bank of Commerce

Each of the directors of the Managing GP are officers and/or employees of the Bank

#### ***Directors of the Liquidation GP***

<b><u>Name</u></b>	<b><u>Business Address</u></b>	<b><u>Business Occupation</u></b>
Stuart Swartz .....	100 University Avenue 8th Floor, North Tower Toronto, Ontario Canada M5J 2Y1	Vice President, Corporate Trust Computershare Trust Company of Canada
Charles Eric Gauthier .....	100 University Avenue 8th Floor, North Tower Toronto, Ontario Canada M5J 2Y1	General Manager, Corporate Trust Computershare Trust Company of Canada
Wojtek Niebrzydowski .....	Brookfield Place 161 Bay Street, 11 <sup>th</sup> Floor Toronto, Ontario Canada M5J 2S8	Vice President, Treasury Canadian Imperial Bank of Commerce

Except for Wojtek Niebrzydowski, each of the directors of the Liquidation GP are independent of the Bank.

## **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 and one of the three directors of the Liquidation GP are officers or employees of the Issuer; however, the Issuer and Guarantor believe that no material potential conflict of interest exists between any duties of these individuals to the Guarantor and their private interests or 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 will 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 shall 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, 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, a Covered Bond Guarantee Activation Event occurs, or a winding-up or insolvency of the Managing GP occurs, the Managing GP shall 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 shall 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 acceptable to the limited partner(s) of the Guarantor and the Bond Trustee 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 shall have the powers, duties and responsibilities of the Managing GP of the Guarantor and the Liquidation GP shall resume its role, as it was, prior to assuming the role and responsibility of the Managing GP.

## SUMMARY OF THE PRINCIPAL DOCUMENTS

### Trust Deed

The Trust Deed, made between the Issuer, the Guarantor and the Bond Trustee on the Programme Date as amended and/or restated and/or supplemented from time to time, is the principal agreement governing the Covered Bonds. The Trust Deed contains provisions relating to, among other things:

- 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 Issuer and the Guarantor;
- 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, retire or be removed.

### Covered Bond Guarantee

Under the terms of the Covered Bond Guarantee (contained in the Trust Deed) the Guarantor has agreed to, following the occurrence of a Covered Bond Guarantee Activation Event, unconditionally and irrevocably pay or procure to be paid to or to the order of the Bond Trustee (for the benefit of the holders of the Covered Bonds), an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date, or, if applicable, Extended Due for Payment Date, by the Issuer. Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any date on which a Guarantor Acceleration Notice is served.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee will serve a Notice to Pay on the Guarantor. Payment by the Guarantor of the Guaranteed Amounts pursuant to the Covered Bond Guarantee will be made on the later of: (i) the day which is two Toronto Business Days after service of a Notice to Pay on the Guarantor; or (ii) the day on which the Guaranteed Amounts are otherwise Due for Payment.

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, imposed or levied by or on behalf of Canada or any province or territory thereof, or in the case of Covered Bonds issued by a branch of the Issuer located outside 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, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Guarantor will not pay any additional amounts to the Bond Trustee or any holder of Covered Bonds, Receipts and/or Coupons in respect of the amount of such withholding or deduction.

Under the terms of the Covered Bond Guarantee, the Guarantor agrees that its obligations under the Covered Bond Guarantee will be as guarantor and will be absolute and unconditional, 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 Receipts 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 holders of the Covered Bonds, Receiptholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a Guarantor.

As consideration for providing the Covered Bond Guarantee, the Guarantor will be entitled to receive guarantee fees from the Issuer in accordance with the terms of the Covered Bond Guarantee. Any failure on the part of the Issuer 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 7.02(a) of the Conditions, failure by the Guarantor to pay the Guaranteed Amounts when Due for Payment will result in a Guarantor Event of Default.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may receive Excess Proceeds. The Trust Deed provides that all Excess Proceeds received by the Bond Trustee, will, as soon as practicable after receipt thereof by the Bond Trustee, be paid on behalf of the Holders of the Covered Bonds of the relevant Series to the Guarantor (or the Cash Manager on its behalf) for the account of the Guarantor. Such Excess Proceeds will be held in the Guarantor Accounts and will thereafter form part of the Security granted pursuant to the Security Agreement and be used by the Guarantor (or the Cash Manager on its behalf) in the same manner as all other moneys from time to time held by the Cash Manager and/or standing to the credit of the Guarantor in the Guarantor Accounts. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds, Receipts and Coupons (subject to restitution of the same if such Excess Proceeds will be required to be repaid by the Guarantor). However, the obligations of the Guarantor under the Covered Bond Guarantee are direct and, following the occurrence of 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 of such obligations.

By subscribing for Covered Bond(s), each holder of the Covered Bonds will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Guarantor in the manner as described above.

### **Intercompany Loan Agreement**

The Intercompany Loan Agreement between the Bank and the Guarantor entered into on the Programme Date as amended and/or restated and/or supplemented from time to time, is the governing agreement with respect to the Intercompany Loan.

Under the terms of the Intercompany Loan Agreement, prior to the issuance of the first Series of Covered Bonds, the Bank loaned to the Guarantor an interest-bearing intercompany loan (the “**Intercompany Loan**”), comprised of a guarantee loan (the “**Guarantee Loan**”) and a revolving demand loan (the “**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 loan was an amount sufficient to acquire the Initial Covered Bond 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 the floating rate under the Interest Rate Swap Agreement less the sum of a minimum spread and an amount for certain expenses of the Guarantor.

The Guarantee Loan is in an amount equal to the balance of outstanding Covered Bonds at any relevant time plus that portion of the Covered Bond Portfolio required to collateralize the Covered Bonds to ensure that the Asset Coverage Test is met (see “*Summary of the Principal Documents—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 Demand Loan will fluctuate with the issuances and redemptions of Covered Bonds and the requirements of the Asset Coverage Test.

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 by the Bank and subject to Rating Agency Confirmation, 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 Covered Bond 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 New Loans and their Related Security and/or NHA MBS 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 on the Guarantor, subject to a Demand Loan Repayment Event having occurred

(see below in respect of the repayment of the Demand Loan in such circumstance) and the Asset Coverage Test being met 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 (i) the Bank is required to assign the Interest Rate Swap Agreement to a third party (due to a failure by the Issuer to meet the ratings levels specified in the Interest Rate Swap Agreement or otherwise); (ii) a Notice to Pay has been served on the Guarantor; (iii) the Intercompany Loan Agreement is terminated or the revolving commitment thereunder is not renewed; or (iv) to the extent Fitch is a Rating Agency, if the Issuer's unsecured, unsubordinated and unguaranteed debt obligations are assigned a rating by Fitch of less than the ratings specified in the Intercompany Loan Agreement (each of (i), (ii), (iii) and (iv) above, a "**Demand Loan Repayment Event**"), the Guarantor will 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 greater certainty, following an Issuer Event of Default, the Asset Coverage Test will be conducted and the Asset Percentage calculated, solely for the purpose of determining the amount of the Demand Loan repayable on the relevant repayment date and that the Asset Coverage Test will be met after giving effect to any such repayment. In calculating the Asset Coverage Test following an Issuer Event of Default, the amount of any Excess Proceeds received by the Guarantor from the Bond Trustee will be deducted from the Adjusted Aggregate Asset Amount. For the purposes of the foregoing, the "**Demand Loan Contingent Amount**" will be equal to the lesser of:

- (a) 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
- (b) 1 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 shall 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 Demand Loan in accordance with the Priorities of Payment and the terms of the Intercompany Loan Agreement, using (i) 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, (ii) proceeds from the sale of Substitute Assets and/or Authorized Investments; and/or (iii) 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. 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 used the initial advance of proceeds from the Intercompany Loan to purchase the Initial Covered Bond Portfolio consisting of Loans and their Related Security from the Seller in accordance with the terms of the Mortgage Sale Agreement and, following the initial advance, has used additional advances and may use subsequent additional advances (i) to purchase New Loans and their Related Security and/or NHA MBS 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; 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 to an amount not exceeding the prescribed limit), fund the Pre-Maturity Liquidity Ledger and make investments in Authorized Investments.

## **Mortgage Sale Agreement**

### ***The Seller***

Loans and their Related Security were sold by the Seller to the Guarantor on a fully serviced basis prior to the issuance of the first Series of Covered Bonds, and from time to time thereafter, New Loans and their Related Security and/or NHA MBS may be sold by the Seller to the Guarantor on a fully-serviced basis pursuant to the terms of the Mortgage Sale Agreement entered into on the Programme Date by and among the Seller, the Guarantor and the Bond Trustee and such terms will apply, with necessary modification to a Capital Contribution in Kind by the Seller in its capacity as Limited Partner.

### ***Sale by the Seller of Portfolio Assets***

The Initial Covered Bond Portfolio consisted solely of Loans which were secured by CMHC Insured Mortgages.

The Covered Bond Portfolio will consist of Loans and their Related Security sold for cash by the Seller to the Guarantor as part of the Initial Covered Bond Portfolio and New Loans and their Related Security and/or NHA MBS sold for cash or contributed by way of Capital Contributions in Kind from time to time following the sale of the Initial Covered Bond Portfolio by the Seller to the Guarantor on the First Transfer Date. The Covered Bond Portfolio may, at any time, include Loans originated by Originators on behalf of the Seller, which are subsidiaries of the Seller. With respect to Loans originated by Originators on behalf of the Seller, prior to the sale of such Loans by the Seller to the Guarantor, the Seller will beneficially own such Loans and the applicable Originator will hold registered title to the related Mortgages and any applicable Related Security on behalf of the Seller. Following such sale, the Originators will hold registered title to such Mortgages and any applicable Related Security on behalf of the Guarantor.

The Guarantor may from time to time acquire Loans and their Related Security and/or NHA MBS from the Seller as described below:

- (a) *first*, the Guarantor will use the proceeds of a drawing under the Intercompany Loan (which may be applied in whole or in part by the Guarantor) and/or Available Principal Receipts to acquire Loans and their Related Security and/or NHA MBS from the Seller. As consideration for the sale of the Loans and their Related Security and/or NHA MBS to the Guarantor, the Seller will receive a cash payment or deemed cash payment equal to the fair market value of those Loans and/or NHA MBS sold by it as at the relevant Transfer Date; and
- (b) *second*, 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 and/or NHA MBS 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 and/or NHA MBS sold by it as at the relevant Transfer Date minus any cash considerations received by the Seller described in paragraph (a) above.

If Loans and their Related Security and/or NHA MBS are sold by or on behalf of the Guarantor as described below or upon a breach of the Pre-Maturity Test under “*Guarantor Agreement—Sale of Randomly Selected Loans and/or Randomly Selected NHA MBS at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served on the Guarantor*”, the obligations of the Seller insofar as they relate to such Loans and their Related Security and/or NHA MBS will cease to apply.

The Seller will also be required to repurchase Portfolio Assets sold to the Guarantor in the circumstances described below under “*Repurchase of Portfolio Assets—Representations and Warranties*”.

The Seller will (i) not cancel the CMHC Mortgage Insurance relating to any Loan which comprises part of the Covered Bond Portfolio, (ii) hold in trust for the benefit of the Guarantor any proceeds received in respect of CMHC Mortgage Insurance relating to a Loan in the Covered Bond Portfolio and any insurance rights in connection therewith and (iii)

satisfy those covenants arising under the CMHC Mortgage Insurance which are necessary for the CMHC Mortgage Insurance to continue to apply to each Loan as described herein.

### ***Portfolio Assets***

The Initial Covered Bond Portfolio consisted solely of Loans originated by the Seller and subsidiaries of the Seller (each such subsidiary, an “**Originator**”) that are secured by Canadian first lien residential mortgages (“**CMHC Insured Mortgages**”) insured under CMHC Mortgage Insurance as to principal and interest by Canada Mortgage and Housing Corporation (“**CMHC**”) under the *National Housing Act* (Canada). The Loans originated by the Originators have been originated on behalf of the Seller and the applicable Originator holds registered title to the related Mortgages and any applicable Related Security on behalf of the Seller.

In addition to the CMHC Insured Loans and Related Security included or to be included in the Covered Bond Portfolio, the Covered Bond Portfolio may contain securities (“**NHA MBS**”) evidencing ownership rights of undivided shares of pools of CMHC Insured Loans (each an “**NHA Pool**”) originated by the Seller or an Originator. NHA MBS are fully guaranteed as to timely payment of principal and interest by CMHC pursuant to the powers given to CMHC under the *National Housing Act* (Canada) (“**NHA**”). The CMHC Insured Loans to be included in an NHA Pool are Loans which would satisfy the applicable Eligibility Criteria for Loans and the Loan Representations and Warranties at the relevant time. Any NHA MBS being acquired by the Guarantor are required to be issued by the Seller, as an approved issuer under the CMHC NHA MBS Program, and constitute all of the ownership interests in the applicable NHA Pools of CMHC Insured Loans. NHA MBS have been sold by the Seller to the Guarantor for inclusion in the Covered Bond Portfolio.

### ***CMHC Insured Loans***

Interest and principal payments on the Loans will be insured under CMHC Mortgage Insurance. CMHC is Canada’s national housing agency, and is a Canadian federal Crown corporation, wholly owned by the Government of Canada. CMHC’s obligations are those of Her Majesty The Queen in Right of Canada, and as such carry the full faith and credit of the Government of Canada. Under the CMHC Mortgage Insurance, the amount payable by CMHC to an insured under the policy is generally equal to:

- (a) the aggregate of:
  - (i) the outstanding principal amount of the Loan;
  - (ii) specified charges advanced by approved mortgage lenders or the holder of a Loan in order to safeguard the interest of such mortgage lender, Loan holder or of CMHC;
  - (iii) such reasonable amount on account of legal costs as is approved by CMHC; and
  - (iv) unpaid interest accruing under the Loan for a period of 12 months and such additional periods as determined in accordance with the policy, including additional periods relating to enforcement of rights or remedies with respect to the Loan (the amount of interest payable under the CMHC Mortgage Insurance will generally be at the mortgage rate stated in the Loan documents); less,
- (b) the aggregate of the amount of any loss or damage:
  - (i) that results from a failure to exercise reasonable care and prudence in the making or administration of the Loan, in the collection of the repayment thereof or in the protection of or realization on security for the Loan;
  - (ii) that results from a contravention of or failure to comply with the regulations under the NHA applicable to the policy or a condition on which the Loan was insured; or

- (iii) that CMHC is satisfied, on reasonable grounds, results from a contravention of or failure to comply with a requirement of CMHC to refrain from exercising such of its remedies in respect of the default as CMHC may specify.

The proceeds from the claims under the CMHC Mortgage Insurance (in respect of Loans in the Covered Bond Portfolio) will be paid to the Servicer and will be held by the Servicer in trust for the Guarantor. Pursuant to its purchase of CMHC Insured Loans and the Related Security, the Guarantor will acquire all of the Seller's right, title and interest in the proceeds of the claims made under the CMHC Mortgage Insurance related to such Loans. Claims under the CMHC Mortgage Insurance must be made by the initial Servicer or a successor Servicer acceptable to CMHC. As a result, the Guarantor will not have a right itself to collect the amounts which may be payable pursuant to the CMHC Mortgage Insurance related to the Loans. The Servicer will hold its rights under the CMHC Mortgage Insurance relating to the Loans forming part of the Covered Bond Portfolio and the proceeds received of any claims made under such CMHC Mortgage Insurance in trust for the Guarantor and the Bond Trustee.

A future change in the policies of CMHC could affect the amount CMHC will pay on insured loans, or the circumstances in which CMHC Mortgage Insurance will be provided for mortgage loans secured by mortgages which may form part of the Covered Bond Portfolio.

If a Loan is not being administered by the initial Servicer, or a successor Servicer acceptable to CMHC, in accordance with the CMHC Mortgage Insurance, the ability to make a claim or obtain the benefit of coverage under the applicable CMHC Mortgage Insurance may be adversely affected or terminated. Further, the filing of a claim under CMHC Mortgage Insurance is not complete unless the insured delivers to CMHC all documentation and evidence required by CMHC. Payments by CMHC in respect of a Loan may not occur if the filing of the related claim is not complete.

CMHC Mortgage Insurance will cease to be in force if:

- (a) it has been obtained by fraud or fraudulent misrepresentation on the part of the insured or current holder;
- (b) the insured Loan is sold to a person other than a CMHC Approved Lender unless the Loan continues to be administered by CMHC, the initial Servicer or a successor Servicer acceptable to CMHC (the Servicer is a CMHC Approved Lender for the purposes of CMHC Mortgage Insurance); or
- (c) the right of recovery under the mortgage securing the insured Loan has ceased to exist (which, for greater certainty, would include circumstances where valid security was not initially created or the security has been discharged), other than by reason of the acquisition of the mortgaged property by the insured after default.

#### ***CMHC Approved Lender***

CMHC has designated certain mortgage lenders as CMHC Approved Lenders in respect of the origination and administration of CMHC insured loans. The Seller, as initial Servicer, is a CMHC Approved Lender. A CMHC Approved Lender is required to exercise reasonable care and prudence in the making of an approved CMHC insured loan, in the administration of a CMHC insured loan (including the filing of any claims under the applicable CMHC Mortgage Insurance), in the collection of the repayment of a CMHC insured loan and in the protection of the security for a CMHC insured loan, in addition to complying with all applicable eligibility, origination, servicing, realisation and other relevant criteria and servicing standards of CMHC.

Obligations of a CMHC Approved Lender include the following:

- (a) CMHC Approved Lenders must comply with the NHA, the National Housing Loan Regulations and applicable CMHC's policies and procedures;
- (b) CMHC Approved Lenders must be able to demonstrate, on an ongoing basis, an acceptable level of mortgage administration and servicing expertise; and

- (c) minimum capitalization requirements must be maintained by CMHC Approved Lenders.

The retention of CMHC Approved Lender designation is conditioned upon the CMHC Approved Lender continuing to meet the requirements, criteria and policies as established in the original designation or previous renewal granted by CMHC, including, without limitation, continuing to be a viable concern at all times, acting in a prudent manner at all times and demonstrating a continuing satisfactory overall performance in the underwriting or administration of Loans.

CMHC Approved Lenders who do not abide by the applicable policies and regulations in respect of retention of a CMHC Approved Lender designation may be:

- (a) suspended from initiating and administering CMHC insured loans;
- (b) suspended from initiating further CMHC insured loans but allowed to administer their current portfolio; or
- (c) subject to lending restrictions.

### ***NHA MBS***

In addition to the CMHC Insured Loans and Related Security included or to be included in the Covered Bond Portfolio, the Covered Bond Portfolio may contain NHA MBS, evidencing ownership rights of undivided shares of NHA Pools of CMHC Insured Loans originated by the Seller or an Originator. The NHA MBS are fully guaranteed as to timely payment of principal and interest by CMHC pursuant to the powers given to CMHC under the NHA. The CMHC Insured Loans to be included in an NHA Pool are Loans which would satisfy the applicable Eligibility Criteria for Loans and the Loan Representations and Warranties at the relevant time. Any NHA MBS being acquired by the Guarantor are required to be issued by the Seller, as an approved issuer under the CMHC NHA MBS Program, and constitute all of the ownership interests in the applicable NHA Pools of CMHC Insured Loans. Payments of interest and principal on NHA MBS in the Covered Bond Portfolio shall be remitted directly to the Guarantor. NHA MBS have been sold by the Seller to the Guarantor for inclusion in the Covered Bond Portfolio.

CMHC, as agent of Her Majesty in right of Canada, guarantees the timely payment of principal and interest in accordance with terms and conditions applicable to the NHA MBS, pursuant to the powers given to CMHC by the NHA and undertakes to make payments of principal and interest in respect of any NHA MBS in default of the issuer fulfilling such obligation of timely payment to investors (the “**CMHC Guarantee**”).

Interest at the applicable rate shall be paid on NHA MBS each month for the preceding month, on the unpaid portion of the principal amount due on the mortgage loans comprising the NHA Pool at the end of the preceding month. The amount of principal due on NHA MBS each month shall be in an amount equal to the scheduled principal amount due on the mortgage loans comprising the NHA Pool.

Each of the monthly payments of principal on NHA MBS shall also be subject to adjustments by reason of any prepayment penalties and additional principal payments or other early or unscheduled recoveries of principal on the related NHA Pool during the preceding month. However, the monthly payments on NHA MBS shall be not less than the sum of (i) the interest due on such NHA MBS certificates at the rate specified thereon, together with any payments of principal owing under the mortgage loans in the applicable NHA Pool during such month, whether or not collected from the related mortgagors, (ii) additional principal payments or early recovery of principal in respect of such mortgage loans during the preceding month and (iii) all prepayment penalties due thereon to which the holder of such NHA MBS may be entitled. The remaining principal outstanding on the mortgage loans will be paid out on required liquidation of such mortgage loans or over the final 6 months of the term of the NHA MBS as the related NHA Pool matures. The final payment of interest will be remitted on the payment date of the month of maturity. No interest accrues or is payable for the period of time between the maturity date and the final payment date. The final payment of principal is remitted only upon surrender of the outstanding NHA MBS certificate.

The Seller, as an issuer of NHA MBS (an “**NHA Issuer**”), is responsible for servicing and otherwise administering the mortgage loans which constitute each NHA Pool in respect of its NHA MBS in accordance with generally accepted



practices of the mortgage lending industry. The monthly remuneration of an NHA Issuer, for its servicing and administrative function in respect of an NHA Pool, is the excess of interest at the stated interest rates on the mortgage loan(s) comprising such NHA Pool over the interest at the stated rate on the related NHA MBS.

In respect of a particular issuance of NHA MBS, CMHC holds the mortgage loans (and accessory rights) in the NHA Pool as trustee on behalf of, and for the benefit of, the investors in such issuance. With respect to a particular issuance of NHA MBS, the documents pertaining to each of the mortgage loans included in the NHA Pool is held by a custodian, on behalf of the investors.

An NHA Pool may be terminated prior to the maturity date of the outstanding related NHA MBS certificates, if the NHA Issuer and all holders of the outstanding NHA MBS based on the NHA Pool have entered into a mutually agreeable arrangement for such termination. Upon formal notification with satisfactory evidence that all parties to the termination agreement have agreed, and return of the related NHA MBS certificates to the transfer agent for cancellation has occurred, the CMHC Guarantee will be terminated. With respect to NHA MBS sold to the Guarantor, any such arrangement for termination will provide that the Guarantor shall receive consideration, the value of which is not less than the fair market value of the related NHA MBS subject to termination. Any such arrangement for termination shall only be made if the Guarantor is in compliance with the Asset Coverage Test, and following termination, will remain in compliance with the Asset Coverage Test.

### ***Eligibility Criteria***

The sale of Portfolio Assets to the Guarantor will be subject to various conditions (the “**Eligibility Criteria**”), (which are all subject to amendment and replacement from time to time provided Rating Agency Confirmation is received) being satisfied on the relevant Transfer Date, including:

- (a) no Issuer Event of Default or Guarantor Event of Default under the Transaction Documents shall have occurred which is continuing 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 purchase of the Portfolio Assets, would adversely affect the then current ratings of the Covered Bonds by the Rating Agencies;
- (c) in respect of Loans and their Related Security:
  - (i) no Loan has a Current Balance of more than C\$3,000,000 as at the relevant Cut-off Date;
  - (ii) no Loan relates to a Property which is not a residential Property;
  - (iii) no Loan is without the benefit of CMHC Mortgage Insurance;
  - (iv) if the Loans that are proposed to be sold constitute a New Loan Type, such Loans have the benefit of CMHC Mortgage Insurance and Rating Agency Confirmation has been received by the Bond Trustee in accordance with the terms of the Mortgage Sale Agreement that the Seller’s interest in such Loans may be sold to the Guarantor; and
- (d) in respect of NHA MBS, each NHA MBS has the benefit of a guarantee of CMHC as to timely payment of principal and interest.

In addition to the satisfaction of the Eligibility Criteria, on the relevant Transfer Date, the Loan Representations and Warranties (described below in “*Loan Representations and Warranties*”) and the NHA MBS Representations and Warranties (described below in “*NHA MBS Representations and Warranties*”), as applicable, will be given by the Seller in respect of the Loans and their Related Security and NHA MBS sold by the Seller to the Guarantor.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch or Additional Loan Advance, then if the Eligibility Criteria referred to in paragraphs (c), (i), (ii) and (iii) above relating to

the Loan subject to that Product Switch or Additional Loan Advance are not satisfied on the next following Calculation Date, the Guarantor will be entitled to rectify such breach of the Eligibility Criteria by requiring the Seller to repurchase such Loan.

***Notice to Borrower of the sale, assignment and transfer of the Loans and their Related Security and registration of transfer of title to the Mortgages***

Loans sold, transferred and assigned by the Seller to the Guarantor pursuant to the terms of the Mortgage Sale Agreement, will have legal title to the related Mortgages remain registered in the name of the Seller or the applicable 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 by the Seller or the relevant Originator to the Guarantor of legal title to the Mortgages will be deferred and will only take place in the circumstances described below.

The Seller (directly or through the applicable Originator) will agree to (a) hold registered title to the related Loans and their Related Security as agent, bare nominee and bailee for the Guarantor and (b) deliver such agreements and take all actions with respect to the Loans and Related Security as the Guarantor may direct in accordance with the Mortgage Sale Agreement (or an applicable nominee agreement).

Notice of the sale, assignment and transfer of the Loans and their Related Security and a direction to make all future repayments of the Loans to the Standby Account Bank for the account of the Guarantor will be sent by the Seller or the applicable Originator, or, as necessary, by the Guarantor (or the Servicer on behalf of the Guarantor) on behalf of the Seller or the applicable Originator (under applicable powers of attorney granted to the Guarantor) and where required, registration of the transfer of legal title to the Mortgages will be made in the appropriate land registry or land titles offices, on or before the 60th day following the earliest to occur of:

- (a) a Servicer Event of Default;
- (b) the occurrence of a Covered Bond Guarantee Activation Event;
- (c) 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 who is not the Seller or the relevant Originator, unless otherwise agreed by such Purchaser and the Guarantor, with the consent of the Bond Trustee, which consent will not be unreasonably withheld;
- (d) the Seller, the Originators and/or the Guarantor being required: (a) by law; (b) by an order of a court of competent jurisdiction; or (c) by a regulatory authority which has jurisdiction over the Seller, the Originators or the Guarantor; to effect such notice and registration;
- (e) the date on which the Bank incurs a downgrade in the ratings of its unsecured, unsubordinated and unguaranteed debt obligations by the Rating Agencies below a level specified in the Mortgage Sale Agreement; and
- (f) the occurrence of an Insolvency Event in relation to the Seller.

Except where lodged with the relevant registry in relation to any registration or recording which may be pending, the Loan, the Related Security and the Loan Files relating to the Loans in the Covered Bond Portfolio will be held by, or to the order of, the Seller or the Servicer, as the case may be, or by solicitors, service providers or licensed conveyancers acting for the Seller and/or the Originators in connection with the creation of the Loans and their Related Security. The Seller or the Servicer, as the case may be, will undertake that all the Loan Files relating to the Loans in the Covered Bond Portfolio which are at any time in their possession or under their control or held to their order will be held to the order of the Bond Trustee or as the Bond Trustee may direct. The right, interest and title of the Guarantor to the Loans and their Related Security will be secured by irrevocable powers of attorney granted by the Seller and the relevant

Originator, as of the Transfer Date such Loans are transferred, in favour of the Guarantor (or the Managing GP) and the Bond Trustee in respect of registered title to the Loans and their Related Security.

### ***Loan Representations and Warranties***

Neither the Guarantor nor the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Loans and their Related Security sold or to be sold to the Guarantor. Instead, each is relying entirely on the Loan Representations and Warranties by the Seller contained in the Mortgage Sale Agreement. The parties to the Mortgage Sale Agreement may, with the prior written consent of the Bond Trustee (which shall be given if Rating Agency Confirmation has been received) amend the Loan Representations and Warranties in the Mortgage Sale Agreement.

The material Loan Representations and Warranties are as follows and are given: (i) in respect of Loans and their Related Security, on the Transfer Date of such Loans and their Related Security; and (ii) in respect of a Loan and its Related Security to which a Further Advance or Product Switch has been made, on the Calculation Date following the making of such Further Advance or Product Switch:

- the Seller is the legal and beneficial owner of the Loans to be sold to the Guarantor (excluding registered or recorded title to Loans which may continue to be held by an applicable Originator, if any), free and clear of any encumbrances, other than certain permitted encumbrances and upon each purchase, the Guarantor shall acquire a valid and enforceable first priority perfected beneficial ownership interest in the applicable Loans free and clear of any encumbrances, other than certain permitted encumbrances;
- each Loan was originated by the Seller or the applicable Originator in the ordinary course of business (and kept on its books for a minimum of one month) prior to the Cut-off Date;
- the first payment due in respect of each Loan has been paid by the relevant Borrower;
- each Loan was originated in Canadian dollars and is denominated in Canadian dollars;
- no Loan has a Current Balance of more than C\$3,000,000 as at the relevant Cut-off Date;
- each Loan has a remaining amortization period of less than 50 years as at the relevant Cut-off Date;
- prior to the making of each advance under a Loan, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions as would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market;
- the Lending Criteria is consistent with the criteria that would be used by reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator'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 whole of the Current Balance on each Loan is secured by a Mortgage over residential property;
- each Mortgage constitutes a valid first mortgage lien over the related Property, or is insured as a first priority lien, in each case subject to certain permitted encumbrances;
- the True Balance on each Loan (other than any agreement for Additional Loan Advances (if any)) constitutes a legal, valid, binding and enforceable debt due to the Seller or the applicable Originator from the relevant Borrower and the terms of each Loan and its related Mortgage constitute valid and binding obligations of the Borrower 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 (i) registrations in the appropriate land registry or land titles offices in respect of the sale, transfer and assignment of the relevant Loans from the Seller to the Guarantor effected by the Mortgage Sale Agreement (and any applicable registration in respect of registered title to the relevant Loans), and (ii) 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, 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 give legal effect to the sale, transfer and assignment of the Loans and their Related Security and the right to transfer servicing of such Loans as contemplated by the Mortgage Sale Agreement, and to validate, preserve, perfect and protect the Guarantor's 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 the Borrower to such sale, transfer or assignment and such sale, transfer and assignment shall not give rise to any claim by the Borrower against the Guarantor, the Bond Trustee or any of their successors in title or assigns;
- all of the Properties are in Canada;
- not more than 12 months (or a longer period as may be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market) prior to the granting of each Loan, the Seller or the applicable Originator obtained information on the relevant Property from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market, or received a valuation report on the relevant Property, which would be, and the contents or confirmation, as applicable, of which, were such as would be, acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market or obtained such other form of valuation of the relevant Property which has received Rating Agency Confirmation;
- prior to the taking of Related Security (other than a re-mortgage) in respect of each Loan, the Seller or the applicable Originator instructed lawyers or service providers to conduct a search of title to the relevant Property and to undertake such other searches, investigations, enquiries and actions on behalf of the Seller or the applicable Originator as would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market or the Borrower was required to obtain either (i) a solicitor's opinion on title or (ii) lender's title insurance in respect of the Loan from an insurer acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market;
- each Loan contains a requirement that the relevant Property be covered by building insurance maintained by the Borrower or in the case of a leasehold property under a policy arranged by a relevant landlord or property management company;
- the Seller or the applicable Originator 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;
- each Loan is not a Non-Performing Loan;
- there are no governmental authorizations, approvals, licences or consents required as appropriate 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, enforceable and admissible into evidence in a court of competent jurisdiction, other than authorizations, approvals, licenses, consents, actions, notices, filings or polling that have been obtained, made or taken; and

- each Loan has the benefit of CMHC Mortgage Insurance and (A) the CMHC Mortgage Insurance connected to the Loan (i) was granted for the full amount of the Loan at origination and (ii) constitutes legal, valid and binding obligations of CMHC, enforceable in accordance with their terms, (B) all material terms and conditions applicable to the CMHC Mortgage Insurance at the time of origination of the Loan were complied with by the Seller or the Originator, as applicable, and (C) the Seller is not aware of any reason why any claim made in accordance with the requirements pertaining thereto under the CMHC Mortgage Insurance in respect of a Loan should not be met in full and in a timely manner.

If New Loan Types are to be sold to the Guarantor, then the Loan Representations and Warranties in the Mortgage Sale Agreement will be modified as required to accommodate these New Loan Types. All Loans constituting a New Loan Type will have the benefit of CMHC Mortgage Insurance. The prior consent of the holders of the Covered Bonds to the requisite amendments will not be required. On each Transfer Date, the Guarantor shall be entitled to collections in respect of the Loans purchased on such Transfer Date during the period from the Cut-off Date to the Transfer Date.

### ***NHA MBS Representations and Warranties***

Neither the Guarantor nor the Bond Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the NHA MBS sold or to be sold to the Guarantor. Instead, each is relying entirely on the NHA MBS Representations and Warranties by the Seller contained in the Mortgage Sale Agreement. The parties to the Mortgage Sale Agreement may, with the prior written consent of the Bond Trustee (which shall be given if Rating Agency Confirmation has been received), amend the NHA MBS Representations and Warranties in the Mortgage Sale Agreement.

The material NHA MBS Representations and Warranties are as follows and are given on the relevant Transfer Date in respect of the NHA MBS to be sold to the Guarantor only on that date:

- the Seller is the NHA Issuer in respect of the NHA MBS to be sold to the Guarantor;
- the Seller is the legal owner (or legal title is held on its behalf by a securities depository) and beneficial owner of the NHA MBS to be sold to the Guarantor, free and clear of any encumbrances, other than certain permitted encumbrances and, upon each purchase, the Guarantor shall acquire a valid and enforceable first priority perfected beneficial ownership interest in the applicable NHA MBS free and clear of any encumbrances, other than certain permitted encumbrances;
- each NHA MBS was issued in Canadian dollars and is denominated in Canadian dollars;
- each NHA MBS constitutes a legal, valid, binding and enforceable obligation due to the Seller;
- all material filings, recordings, notifications, registrations or other actions under all applicable laws have been made or taken in each jurisdiction where necessary (and where permitted by applicable law) to give legal effect to the sale, transfer and assignment of the NHA MBS, and to validate, preserve, perfect and protect the Guarantor's ownership interest in and rights to collect the NHA MBS;
- there is no requirement in order for a sale, transfer and assignment of the NHA MBS to be effective to obtain the consent of a third party to such sale, transfer or assignment and such sale, transfer and assignment shall not give rise to any claim by third parties against the Guarantor, the Bond Trustee or any of their successors in title or assigns;
- the NHA MBS sold to the Guarantor constitute all of the ownership interests in the applicable NHA Pool(s) of CMHC Insured Loans;
- each NHA Pool, in respect of NHA MBS sold to the Guarantor, consists solely of Loans which would satisfy the Eligibility Criteria for Loans and the Loan Representations and Warranties as of the date such NHA Pool is constituted;

- there are no governmental authorizations, approvals, licences 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, enforceable and admissible into evidence in a court of competent jurisdiction, other than authorizations, approvals, licenses, consents, actions, notices, filings or polling that have been obtained, made or taken; and
- each NHA MBS has the benefit of a guarantee of CMHC as to timely payment of principal and interest and (A) the CMHC Guarantee connected to the NHA MBS (i) was granted for the full amount of the NHA MBS at the date of issue, and (ii) constitutes a legal, valid and binding obligation of CMHC, enforceable in accordance with their terms, (B) all material terms and conditions applicable to the CMHC Guarantee at the time of issuance of the NHA MBS were complied with by the Seller, and (C) the Seller is not aware of any reason why any amounts to be distributed pursuant to the NHA MBS should not be met in full and in a timely manner.

On each Transfer Date, the Guarantor shall be entitled to collections in respect of the NHA MBS purchased on such Transfer Date during the period from the Cut-off Date to the Transfer Date.

### ***Repurchase of Portfolio Assets – Representations and Warranties***

If the Seller receives a Portfolio Asset Repurchase Notice from the Guarantor (or the Cash Manager on its behalf) identifying a Portfolio Asset in the Covered Bond Portfolio which, as at the relevant Transfer Date or relevant Calculation Date (in the case of a Product Switch or an Additional Loan Advance): (i) does not comply with the Representations and Warranties set out in the Mortgage Sale Agreement; or (ii) is subject to an adverse claim other than certain permitted security interests, and such breach or adverse claim materially and adversely affects the interest of the Guarantor in such Portfolio Asset or the value of such Portfolio Asset, then the Seller will, subject to the applicable breach or adverse claim being cured during a 20 Toronto Business Day period commencing on the date on which such non-compliance is discovered, be required to repurchase on the first Calculation Date occurring after such 20 Toronto Business Day Period: (i) any such Portfolio Asset; and (ii) with respect to a Loan and its Related Security, any other Loan secured or intended to be secured by that Related Security or any part of it. The repurchase price payable upon the repurchase of any Portfolio Asset is an amount (not less than zero) equal to the purchase price paid by the Guarantor for such Portfolio Asset plus expenses as at the relevant repurchase date, less any amounts received from the Borrower since the Transfer Date in respect of principal on such Portfolio Asset. The repurchase proceeds received by the Guarantor will be applied (other than Accrued Interest and Arrears of Interest) in accordance with the Pre-Acceleration Principal Priority of Payments (see “Cashflows” below).

### ***Non-Performing Loans***

The Cash Manager will identify any Non-Performing Loans in the Covered Bond Portfolio and upon identification serve a Non-Performing Loans Notice on the Bank and the Servicer. Non-Performing Loans will be given limited credit (as agreed from time to time with the Rating Agencies) in the Asset Coverage Test or the Amortization Test, as applicable.

### ***General ability to repurchase***

Prior to the occurrence of an Issuer Event of Default, the Seller may from time to time offer to repurchase a Loan (or Loans) and their Related Security and/or NHA MBS from the Guarantor for a purchase price of not less than the fair market value of the relevant Loan and/or NHA MBS. The Guarantor may accept such offer at its discretion, provided that any such sale, will be subject to the Asset Coverage Test, being met on the date of such sale, after giving effect to the sale.

### ***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 Portfolio Assets.

In connection with any sale of Portfolio Assets by the Guarantor, except where such Portfolio Assets are being sold to the Seller pursuant to an offer from the Seller, the Guarantor will serve on the Seller a Portfolio Asset Offer Notice offering to sell Portfolio Assets for an offer price equal to the greater of the fair market value of such Portfolio Assets

and the Adjusted Required Redemption Amount, subject to the offer being accepted by the Seller within 10 Toronto Business Days.

At any time there is no Asset Coverage Test Breach Notice outstanding and no Covered Bond Guarantee Activation Event has occurred, it will be a condition to the Guarantor's right to sell Portfolio Assets that the Asset Coverage Test or Amortization Test, as applicable, will be met on the date of such sale, after giving effect to the sale.

If an Issuer Event of Default has occurred but no liquidator or administrator has been appointed to the Seller, the Seller's right to accept the offer (and therefore its right of pre-emption) will be conditional upon the delivery by the Seller of a solvency certificate to the Guarantor and the Bond Trustee. If the Seller rejects the Guarantor's offer or fails to accept it in accordance with the foregoing, the Guarantor may offer to sell such Portfolio Assets to other Purchasers (as described under "*Guarantor Agreement—Sale of Randomly Selected Loans and/or Randomly Selected NHA MBS at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served on the Guarantor*", below).

If the Seller validly accepts the Guarantor's offer to sell such Portfolio Assets, the Guarantor will, within three Toronto Business Days of such acceptance, serve a Portfolio Asset Repurchase Notice on the Seller. The Seller will sign and return a duplicate copy of such Portfolio Asset Repurchase Notice and will repurchase from the Guarantor free from the Security created by the Security Agreement the relevant Portfolio Assets (and, in respect of a Loan, any other Loan secured or intended to be secured by Related Security securing such Loan) referred to in the relevant Portfolio Asset Repurchase Notice. Completion of the purchase of such Portfolio Assets by the Seller will take place, upon satisfaction of any applicable conditions to the purchase and sale, on the first Guarantor Payment Date following receipt of the relevant Portfolio Asset Repurchase Notice(s) or such other date as the Guarantor may direct in the Portfolio Asset Repurchase Notice (provided that such date is not later than the earlier to occur of the date which is: (a) 10 Toronto Business Days after returning the Portfolio Asset Repurchase Notice to the Guarantor; and (b) the Final Maturity Date of the Earliest Maturing Covered Bonds).

For the purposes hereof:

**"Adjusted Required Redemption Amount"** means the Canadian Dollar Equivalent of the Required Redemption Amount, plus or minus the Canadian Dollar Equivalent of 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 Guarantor Accounts and the Canadian Dollar Equivalent of the principal balance of any Substitute Assets and/or any Authorized Investments (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 any swap termination amounts payable to or by the Guarantor under the Interest Rate Swap Agreement.

**"Required Redemption Amount"** means, 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)]
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#### ***Further drawings under Loans***

The Seller is solely responsible for funding all Further Advances, if any, in respect of Loans sold by the Seller to the Guarantor. The amount of the Intercompany Loan will increase by the amount of the funded Further Advances, provided that, if for any reason, the Intercompany Loan is not increased at any relevant time such amount shall be deemed to constitute a Capital Contribution by the Seller and the Seller's interest, as a limited partner in the Guarantor, shall be increased by such amount.

### ***Authorized Underpayments***

In the event that the Servicer permits a Borrower to make an Authorized Underpayment, the Seller of such Loan will be required to pay to the Guarantor an amount equal to the unpaid interest associated with that Authorized Underpayment. The amount of any such payment representing capitalized interest in respect of that Authorized Underpayment shall constitute a Cash Capital Contribution by the Seller to the Guarantor.

### ***New Sellers***

In the future, any New Seller that wishes to sell Loans and their Related Security and/or NHA MBS to the Guarantor will accede to, *inter alios*, the Mortgage Sale Agreement. The sale of New Loans and their Related Security and/or NHA MBS 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 New Loans and their Related Security and/or NHA MBS to be sold by the relevant New Seller, subject to, in the case of those New Loans and their Related Security, the requirements of the related CMHC Mortgage Insurance, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security and/or NHA MBS previously sold into the Covered Bond Portfolio under the Guarantor Agreement;
- 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 enters into a new mortgage sale agreement with the Guarantor and the Bond Trustee, in each case so that it has, in relation to those New Loans and their Related Security and/or NHA MBS 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 and/or NHA MBS previously sold into the Covered Bond Portfolio under the Mortgage Sale Agreement;
- each New Seller accedes to the Dealership Agreement(s) and enters into such other documents as may be required by the Bond Trustee and/or the Guarantor (acting reasonably) to give effect to the addition of a New Seller to the transactions contemplated under the Programme;
- any Portfolio Assets sold by a New Seller to the Guarantor comply with the applicable Eligibility Criteria set out in the Mortgage Sale Agreement;
- either (i) the Servicer services the New Loans and their Related Security sold by a New Seller on the terms set out in the Servicing Agreement (with such subsequent amendments as may be agreed by the parties thereto) and CMHC approves of such servicing or (ii) the New Seller is a CMHC Approved Lender and enters into a servicing agreement with the Guarantor and the Bond Trustee which sets out the servicing obligations of the New Seller in relation to the New Loans and their Related Security and which is on terms substantially similar to the terms set out in the Servicing Agreement (in the event the New Loans and their Related Security are not purchased on a fully serviced basis, the servicing agreement shall set out fees payable to the Servicer or the New Seller acting as servicer of such New Loans and their Related Security which may be determined on the date of the accession of the New Seller to the Programme), and, in such case, such New Seller and the Servicer comply with the requirements of the applicable CMHC Mortgage Insurance;
- the Bond Trustee is satisfied that any accession of a New Seller to the Programme will not prejudice the Asset Coverage Test; and
- the Bond Trustee is satisfied that the accession of a New Seller to the Programme is not materially prejudicial to holders of the Covered Bonds and has received a Rating Agency Confirmation.

If the above conditions are met, the consent of holders of the Covered Bonds will not be required or obtained in connection with the accession of a New Seller to the Programme.



## **Servicing Agreement**

Pursuant to the terms of the Servicing Agreement entered into on the Programme Date between the Guarantor, the Servicer, the Seller, the Cash Manager and the Bond Trustee, the Servicer has agreed to service on behalf of the Guarantor the Loans and their Related Security sold by the Seller to the Guarantor in the Covered Bond Portfolio.

The Servicer will administer the Loans and their Related Security comprised in the Covered Bond Portfolio in accordance with the applicable CMHC Mortgage Insurance, applicable law, CMHC servicing standards, the Servicing Agreement and the other Transaction Documents and with reasonable care and diligence, using that degree of skill and attention that it exercises in managing, servicing, administering, collecting on and performing similar functions relating to comparable loans that it services for itself.

The Servicer will be required to administer the Loans in accordance with the Servicing Agreement:

- (a) as if the Loans and their Related Security sold by the Seller to the Guarantor had not been sold to the Guarantor but remained with the Seller; and
- (b) in accordance with the Seller's or the relevant Originator's administration, arrears and enforcement policies and procedures forming part of the Servicer's policy from time to time as they apply to those Loans.

The Servicer's actions in servicing the Loans in accordance with its procedures will be binding on the Guarantor and the Secured Creditors.

The Servicer will have the power to exercise the rights, powers and discretions and to perform the duties of the Guarantor in relation to the Loans and their Related Security that it is servicing pursuant to the terms of the Servicing Agreement, and to do anything which it reasonably considers necessary or convenient or incidental to the administration of those Loans and their Related Security, in accordance with the terms of the applicable CMHC Mortgage Insurance.

### ***Undertakings of the Servicer***

Pursuant to the terms of the Servicing Agreement, the Servicer will undertake in relation to those Loans and their Related Security in the Covered Bond Portfolio that it is servicing, among other things, to:

- keep records and accounts on behalf of the Guarantor in relation to the Loans;
- keep the Loan Files in its possession or under its control in safe custody and maintain records necessary to enforce each Mortgage and to provide the Guarantor and the Bond Trustee with access to the Loan Files and other records relating to the administration of the Loans and their Related Security;
- maintain a register in respect of the Covered Bond Portfolio;
- make available upon request to the Guarantor and the Bond Trustee a report on a monthly basis containing information about the Loans and their Related Security comprised in the Covered Bond Portfolio;
- assist the Cash Manager in the preparation of a monthly asset coverage report in accordance with the Cash Management Agreement;
- take all reasonable steps to recover all sums due to the Guarantor, including instituting proceedings and enforcing any relevant Loan or Mortgage using the discretion of reasonable and prudent institutional mortgage lenders in the Seller's or the relevant Originator's market in applying the enforcement procedures forming part of the Seller's or the relevant Originator's policy;
- enforce any Loan which is in default in accordance with the Seller's or applicable Originator's enforcement procedures or, to the extent that such enforcement procedures are not applicable having regard to the nature of the

default in question, with the usual procedures undertaken by reasonable and prudent institutional mortgage lenders in the Seller's or the relevant Originator's market on behalf of the Guarantor; and

- notify the Rating Agencies upon a material change to the terms of CMHC Mortgage Insurance or a material change to CMHC's published guidelines relating to residential mortgage insurance.

The Servicer undertakes to do the following upon the request of the Guarantor or the Bond Trustee: (i) on the Servicer being assigned a rating on its unsecured, unguaranteed and unsubordinated debt obligations by the Rating Agencies below the Servicer Replacement Threshold Ratings (as defined below) or (ii) if the Servicer fails to comply with the requirement for it to maintain its status as a CMHC Approved Lender or if CMHC threatens to revoke the CMHC Approved Lender status of the Servicer, the Servicer and the Bond Trustee will use commercially reasonable efforts to enter into a new or a master servicing agreement with a third party substantially in the form of the Servicing Agreement (or otherwise subject to Rating Agency Confirmation) in accordance with the terms of the CMHC Mortgage Insurance, with such modifications as the Guarantor and the Bond Trustee may reasonably require (including with respect to the payment of servicing fees), provided such third party is a CMHC Approved Lender, within 60 days under which such third party will undertake the servicing obligations in relation to the Covered Bond Portfolio. In connection with the foregoing and unless Rating Agency Confirmation is obtained, upon entering into the new or master servicing agreement with such third party, the Servicer or replacement Servicer, as agreed between the parties to the Servicing Agreement, will (on behalf of the Guarantor) deliver notice of the sale, assignment and transfer of the Loans and their Related Security and direct Borrowers to make all future repayments on the Loans to the Standby Account Bank for the account of the Guarantor. "**Servicer Replacement Threshold Ratings**" means the threshold ratings BBB-, Baa2 or F2 (in respect of S&P, Moody's and Fitch, respectively) or A(low) or R-1(middle) (in respect of DBRS), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations of the Servicer by the Rating Agencies.

#### ***Setting of variable rate and other discretionary rates and margins***

Pursuant to the terms of the Mortgage Sale Agreement and in accordance with Mortgage Conditions applicable to certain Loans, the Seller or the applicable Originators have prescribed policies relating to interest rate setting, arrears management and handling of complaints which the Guarantor (and any subsequent purchaser thereof) will be required to adhere to following the transfer of Loans and their Related Security. Such arrears management and handling of complaints policies are consistent with those to be applied by the Servicer under the terms of the Servicing Agreement. The interest rate setting policy specified in the Mortgage Sale Agreement is only applicable to Loans with interest rates which may be varied from time to time in the discretion of the lender under the relevant Loan.

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set the variable rate and any other discretionary rates and margins in relation to any applicable Loans in the Covered Bond Portfolio for which the Guarantor is entitled to set the variable rate and any other discretionary rates and margins pursuant to the terms of such Loans. The Servicer shall set such rates and margins in accordance with the policy to be adhered to by the Guarantor above, at such times as the Guarantor would be entitled to set such rates and margins, except in the limited circumstances described below, when the Guarantor will be entitled to set such rates and margins. The Servicer will not at any time prior to the earlier of (i) the occurrence of a Covered Bond Guarantee Activation Event, and/or (ii) a Servicer Event of Default having occurred, without the prior written consent of the Guarantor, set or maintain any such discretionary rates or margins at rates or margins which are higher than (although they may be lower than or equal to) the applicable then prevailing discretionary rates or margins of the Seller for loans owned by the Seller which have a similarly determined variable rate or margin to the relevant Loan in the Covered Bond Portfolio sold by the Seller to the Guarantor.

In particular, the Servicer will determine on each Calculation Date, having regard to:

- (a) the income which the Guarantor would expect to receive during the next succeeding Guarantor Payment Period (the relevant Guarantor Payment Period);
- (b) any discretionary rates and margins in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the relevant Guarantor Payment Period; and

- (c) the other resources available to the Guarantor including the Interest Rate Swap Agreement, the Covered Bond Swap Agreement and the Reserve Fund,

whether the Guarantor would receive an amount of income during the relevant Guarantor Payment Period which, when aggregated with the funds otherwise available to it, is less than the amount which is the aggregate of (1) the amount of interest which would be payable (or provisioned to be paid) under the Covered Bond Guarantee on each Guarantor Payment Date falling at the end of the relevant Guarantor Payment Period and any amounts which would be payable (or provisioned to be paid) to the Covered Bond Swap Provider under the Covered Bond Swap Agreement in respect of all Covered Bonds on each Guarantor Payment Date of each Series of Covered Bonds falling at the end of the relevant Guarantor Payment Period and (2) the other senior expenses payable by the Guarantor ranking in priority thereto in accordance with the relevant Priorities of Payment applicable prior to a Guarantor Event of Default.

If the Servicer determines that there will be a shortfall in the foregoing amounts, it will give written notice to the Guarantor and the Bond Trustee, within one Toronto Business Day, of the amount of the shortfall. If the Guarantor or the Bond Trustee notifies the Servicer and the Bank that, having regard to the obligations of the Guarantor and the amount of the shortfall, further Loans and their Related Security and/or further NHA MBS should be sold to the Guarantor, the Bank will use all reasonable efforts to ensure that the obligations of the Guarantor for such period will be met. This may include, making advances under the Intercompany Loan, selling Portfolio Assets to the Guarantor or making a Capital Contribution on or before the next Calculation Date in such amounts and with such rates or margins, as applicable, sufficient to avoid such shortfall on future Calculation Dates

In addition, the Servicer will determine on each Calculation Date following an Issuer Event of Default, having regard to the aggregate of:

- (a) any discretionary rate or margin, in respect of the Loans which the Servicer proposes to set under the Servicing Agreement for the relevant Guarantor Payment Period; and
- (b) the other resources available to the Guarantor under the Interest Rate Swap Agreement,

whether the Guarantor would receive an aggregate amount of interest on the Loans sufficient to pay the full amounts payable under the Interest Rate Swap Agreement during the relevant Guarantor Payment Period (the “**Post Issuer Event of Default Yield Shortfall Test**”).

If the Servicer determines that the Post Issuer Event of Default Yield Shortfall Test will not be met, it will give written notice to the Guarantor and the Bond Trustee, prior to the Guarantor Payment Date immediately following such Calculation Date, of the amount of the shortfall and the rates or margins, for any discretionary rates or margins which the Guarantor is entitled to set with respect to Loans in the Covered Bond Portfolio pursuant to the terms of such Loans, which need to be set in order for no shortfall to arise and the Post Issuer Event of Default Yield Shortfall Test to be met, having regard to the date(s) on which the change to such discretionary rates or margins would take effect and at all times acting in accordance with the standards of reasonable and prudent institutional mortgage lenders in the Seller’s market. If the Guarantor or the Bond Trustee notifies the Servicer that, having regard to the obligations of the Guarantor, such discretionary rates or margins should be increased, the Servicer or replacement Servicer, as the case may be, will take all steps which are necessary to increase such discretionary rates or margins including publishing any notice which is required in accordance with the Mortgage Terms.

The Guarantor and the Bond Trustee may terminate the authority of the Servicer to determine and set any such discretionary rates or margins on the occurrence of a Servicer Event of Default as defined under “—*Removal or resignation of the Servicer*”, in which case the Guarantor and the Bond Trustee will agree to appoint the replacement Servicer to set such discretionary rates or margins itself in the manner described above.

#### ***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 set out below, a “**Servicer Event of Default**”) occurs:

- the Servicer's unsecured, unguaranteed and unsubordinated debt obligations are assigned a rating from the Rating Agencies below the Servicer Replacement Threshold Ratings and the Servicer does not obtain a Rating Agency Confirmation by, for example, taking certain remedial measures which may include providing collateral for or arranging for its obligations under the Servicing Agreement to be guaranteed by an entity with rating(s) required by the relevant Rating Agencies, or taking such other action as it may agree with the relevant Rating Agencies;
- 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;
- 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 holders of the Covered Bonds (or the Servicer fails to comply with the requirement for it to maintain its status as a CMHC Approved Lender) and does not remedy such failure within the earlier of 20 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;
- an Insolvency Event occurs in relation to the Servicer or any credit support provider in respect of the Servicer or the merger of the Servicer without an assumption of the obligations under the Servicing Agreement; or
- 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 substitute servicing agreement with the parties to the Servicing Agreement (excluding the Servicer) on substantially similar terms and conditions as the Servicing Agreement and for which Rating Agency Confirmation has been received.

Such termination will become effective upon the appointment of a successor Servicer in place of such Servicer. The Servicer, the Guarantor and the Bond Trustee agree to use commercially reasonable efforts to arrange for the appointment of a successor Servicer that is a CMHC Approved Lender for which the consent of CMHC has been obtained for such servicing. Any such appointment of a successor Servicer without the prior approval of CMHC may adversely affect the coverage under CMHC Mortgage Insurance for a CMHC Insured Loan.

Subject to the fulfillment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' notice to the Bond Trustee and the Guarantor provided that a CMHC approved substitute servicer qualified to act as such with a management team with experience of administering mortgages in Canada has been appointed and enters into a servicing agreement with the Guarantor substantially on the same terms as the Servicing Agreement, except as to fees, and CMHC has consented to the appointment of such successor Servicer. The resignation of the Servicer is conditional on Rating Agency Confirmation unless the holders of the Covered Bonds agree otherwise by Extraordinary Resolution.

If the appointment of the Servicer is terminated, the Servicer must deliver the Loan Files relating to the Loans in the Covered Bond Portfolio administered by it to, or at the direction of, the Guarantor. Any successor Servicer shall be a CMHC Approved Lender. The Servicing Agreement will terminate at such time as the Guarantor has no further interest in any of the Loans or their Related Security sold to the Guarantor and serviced under the Servicing Agreement that comprised the Covered Bond Portfolio.

The Servicer may sub-contract or delegate the performance of its duties under the Servicing Agreement provided that it meets conditions as set out in the Servicing Agreement and that such sub-contracting or delegation is in accordance with the CMHC Mortgage Insurance.

The Bond Trustee will not be obliged to act as Servicer in any circumstances.

## **Asset Monitor Agreement**

Under the terms of the Asset Monitor Agreement entered into on the Programme Date between the Asset Monitor, the Guarantor, the Issuer, the Cash Manager and the Bond Trustee, the Asset Monitor has agreed, subject to due receipt of the information to be provided by the Cash Manager to the Asset Monitor, to carry out arithmetic testing of, and report on the arithmetic accuracy of the calculations performed by the Cash Manager in respect of the Calculation Date immediately prior to each anniversary of the Programme Date with a view to confirming that the Asset Coverage Test or the Amortization Test, as applicable, is met on that Calculation Date.

If the ratings of the unsecured, unguaranteed and unsubordinated debt obligations of the Cash Manager or the Issuer by the Rating Agencies fall below the ratings specified in the Asset Monitor Agreement or if an Asset Coverage Test Breach Notice has been served and has not been revoked, the Asset Monitor will, subject to receipt of the relevant information from the Cash Manager, be required to carry out such arithmetic testing and report on such arithmetic accuracy following each Calculation Date and, following a determination by the Asset Monitor of any errors in the calculations performed by the Cash Manager such that the Asset Coverage Test has been failed on the applicable Calculation Date (where the Cash Manager had recorded it as being satisfied) or the Adjusted Aggregate Asset Amount or the Amortization Test Aggregate Asset Amount is mis-stated by an amount exceeding 1 per cent. of the Adjusted Aggregate Asset Amount or the Amortization Test Aggregate Asset Amount, as applicable, (as at the date of the relevant Asset Coverage Test or the relevant Amortization Test), the Asset Monitor will be required to conduct such arithmetic tests and report on such arithmetic accuracy following each Calculation Date for a period of six months thereafter. The role of the Asset Monitor shall be limited to verification of the arithmetical accuracy of the calculations performed by the Cash Manager.

The Asset 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 reporting on the arithmetic accuracy 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. The Asset Monitor Report will be delivered to the Cash Manager, the Guarantor, the Issuer and the Bond Trustee.

The Guarantor will pay to the Asset Monitor a fee per report (exclusive of GST), equal to the amount set out in the Asset Monitor Agreement from time to time, for the reports to be performed by the Asset Monitor.

The Guarantor may, at any time, only with the prior written consent of the Bond Trustee, terminate the appointment of the Asset Monitor by giving at least 60 days' prior written notice to the Asset Monitor, and the Asset Monitor may, at any time, resign by giving at least 60 days' prior written notice (and immediately if continuing to perform its obligations under the Asset Monitor Agreement becomes unlawful or conflicts with independence or professional rules applicable to the Asset Monitor) to the Guarantor and the Bond Trustee.

Upon giving notice of resignation, the Asset Monitor will use reasonable efforts to assist the Guarantor in appointing a replacement Asset Monitor approved by the Bond Trustee (such approval to be granted by the Bond Trustee if the replacement is an accounting firm of national standing which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement). If a replacement is not appointed 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 Asset Monitor Agreement, then the Guarantor will use all reasonable efforts to appoint an accounting firm of national standing to carry out the relevant tests on a one-off basis, provided that notice of such appointment is given to the Bond Trustee.

The Bond Trustee will not be obliged to act as Asset Monitor in any circumstances.

## **Guarantor Agreement**

The general and limited partners of the Guarantor have agreed to operate the business of the Guarantor in accordance with the terms of a limited partnership agreement entered into on the Programme Date between the Managing GP, as managing general partner, the Liquidation GP, as liquidation general partner, and the Bank, as Limited Partner, together with such other persons as may become partners of the Guarantor and the Bond Trustee (the "**Guarantor Agreement**").

### ***General Partner and Limited Partners of the Guarantor***

The Managing GP is the managing general partner and the Liquidation GP is the liquidation general partner and the Bank is the sole limited partner of the Guarantor. The Partners will have the duties and obligations, rights, powers and privileges specified in the *Limited Partnerships 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 the consent of the Limited Partner and, while there are Covered Bonds outstanding, the Bond Trustee, and receipt by the Issuer and/or the Bond Trustee of Rating Agency Confirmation.

### ***Capital Contribution***

Each of the Managing GP and the Liquidation GP have contributed a nominal cash amount to the Guarantor and 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.) having also contributed cash to the Guarantor. 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 and/or NHA MBS sold 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 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 Guarantor and the Bond Trustee, and the assignee of such interest acceding to the Guarantor Agreement. Any such assignment shall not relieve the Limited Partner of its obligations under the Guarantor Agreement or require the consent of the General Partners, Bond Trustee, the holders of the Covered Bonds or, if applicable, any other Limited Partner.

### ***Capital Distributions***

Provided the Asset Coverage Test or the Amortization Test, as applicable, 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. 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.

### ***Asset Coverage Test***

The Guarantor must ensure that on each Calculation Date, the Adjusted Aggregate Asset Amount is in an amount at least equal to the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated at the relevant Calculation Date.

If on any Calculation Date, the Adjusted Aggregate Asset Amount is less than the aggregate Principal Amount Outstanding of all Covered Bonds as calculated at the relevant Calculation Date, then the Guarantor (or the Cash Manager on its behalf) will notify the Partners and the Bond Trustee thereof. The Bank shall use all reasonable efforts to ensure that the Guarantor satisfies the Asset Coverage Test. This may include making advances under the Intercompany Loan, selling New Loans and their Related Security and/or NHA MBS to the Guarantor or making a Capital Contribution in cash or in kind on or before the next Calculation Date in amounts sufficient to avoid such shortfall on future Calculation Dates. If the Adjusted Aggregate Asset Amount is less than the aggregate Principal Amount

Outstanding of all Covered Bonds on the next following Calculation Date, the Asset Coverage Test will be breached and the Guarantor (or the Cash Manager on its behalf) will serve an Asset Coverage Test Breach Notice on the Partners, the Bond Trustee and, if delivered by the Cash Manager, the Guarantor. The Asset Coverage Test Breach Notice will be revoked if the Asset Coverage Test is satisfied on the next Calculation Date following service of an Asset Coverage Test Breach Notice provided no Covered Bond Guarantee Activation Event has occurred.

At any time there is an Asset Coverage Test Breach Notice outstanding:

- (a) the Guarantor may be required to sell Randomly Selected Loans and/or Randomly Selected NHA MBS (as described further under “*Guarantor Agreement—Sale of Randomly Selected Loans and/or Randomly Selected NHA MBS at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served on the Guarantor*”);
- (b) prior to the occurrence of a Covered Bond Guarantee Activation Event, the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments will be modified as more particularly described in “*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; and
- (c) the Issuer will not be permitted to make any further issuances of Covered Bonds.

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:

“**Adjusted Aggregate Asset Amount**” means the amount calculated as at each Calculation Date as follows:

$$A+B+C+D+E+F-Z$$

where,

A = the lower of (i) and (ii) where:

- (i) = the sum of the “**LTV Adjusted True Balance**” of each Loan in the Covered Bond Portfolio, which shall be the lower of (1) the actual True Balance of the relevant Loan in the Covered Bond Portfolio on such Calculation Date, and (2) the Latest Valuation relating to that Loan multiplied by M.

“M” means:

- (a) 90% for all Loans on any day that no long-term debt credit rating assigned to CMHC is below the ratings specified in the Guarantor Agreement;
- (b) 80% for all Loans that are not Non-Performing Loans on any day that a long-term debt credit rating assigned to CMHC is below the ratings specified in the Guarantor Agreement; or
- (c) 0% for all Loans that are Non-Performing Loans on any day that a long-term debt credit rating assigned to CMHC is below the ratings specified in the Guarantor Agreement;

*minus*

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted True Balance of the Loans in the Covered Bond 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 True Balance of the Loans in the Covered Bond Portfolio on such Calculation Date will be deemed to be reduced by an amount equal to the LTV Adjusted True Balance 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 True Balance of the Loans in the Covered Bond 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);

AND

- (ii) = the aggregate “**Asset Percentage Adjusted True Balance**” of the Loans in the Covered Bond Portfolio which in relation to each Loan shall be the lower of (1) the actual True Balance of the relevant Loan in the Covered Bond Portfolio on such Calculation Date, and (2) the Latest Valuation relating to that Loan multiplied by N.

“N” means

- (a) 100% for all Loans that are not Non-Performing Loans;
- (b) 90% for all Loans that are Non-Performing Loans on any day that no long-term debt credit rating assigned to CMHC is below the ratings specified in the Guarantor Agreement; or
- (c) 0% for all Loans that are Non-Performing Loans on any day that a long-term debt credit rating assigned to CMHC is below the ratings specified in the Guarantor Agreement;

*minus*

the aggregate sum of the following deemed reductions to the aggregate Asset Percentage Adjusted True Balance of the Loans in the Covered Bond 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 Asset Percentage Adjusted True Balance of the Loans in the Covered Bond Portfolio on such Calculation Date will be deemed to be reduced by an amount equal to the Asset Percentage Adjusted True Balance of the relevant Loan or Loans



(as calculated on the last day of the immediately preceding Calculation Period) 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 the immediately preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Asset Percentage Adjusted True Balance of the Loans in the Covered Bond 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),

*the result of the calculation in this paragraph (ii) being multiplied by the Asset Percentage (as defined below);*

- B = the aggregate outstanding principal balance of all NHA MBS in the Covered Bond Portfolio multiplied by the Asset Percentage (as defined below);
- C = the aggregate amount of any Principal Receipts on the Portfolio Assets up to such Calculation Date (as recorded in the Principal Ledger) which have not been applied as at such Calculation Date to acquire further Portfolio Assets or otherwise applied in accordance with the Guarantor Agreement and/or the other Transaction Documents;
- D = the aggregate amount of any Cash Capital Contributions made by the Partners (as recorded in the Capital Account Ledger for each Partner of the Guarantor) or proceeds advanced under the Intercompany Loan Agreement which have not been applied as at such Calculation Date to acquire further Portfolio Assets or otherwise applied in accordance with the Guarantor Agreement and/or the other Transaction Documents;
- E = the aggregate outstanding principal balance of any Substitute Assets and/or Authorized Investments, as applicable;
- F = the aggregate amount of the proceeds from any sale of Randomly Selected Loans and/or Randomly Selected NHA MBS standing to the credit of the Pre-Maturity Liquidity Ledger (but without double counting); and
- Z = zero so long as the Interest Rate Swap Agreement provides for the hedging of interest received in respect of (i) any Substitute Assets; and (ii) cash balances held in the GIC Account; otherwise the weighted average remaining maturity expressed in years of all Covered Bonds then outstanding *multiplied* by the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor where the “**Negative Carry Factor**” is (i) 0.5 per cent. if the weighted average margin of the interest rate payable on the Covered Bonds is less or equal to 0.1 per cent. per annum or (ii) 0.5 per cent. plus that margin minus 0.1 per cent., if that margin is greater than 0.1 per cent. per annum (provided that if the weighted average remaining maturity is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one).

“**Asset Percentage**” means 97 per cent. or such lesser percentage figure as determined from time to time in accordance with the terms of the Guarantor Agreement, provided that the Asset Percentage shall not be less than 90 per cent. unless otherwise agreed by the Issuer (and following an Issuer Event of Default, the Guarantor for the purposes of making certain determinations in respect of the Intercompany Loan).

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 Bank may request following the date on which the Bank is required to assign the Interest Rate Swap Agreement to a third party, the Guarantor (or the Cash Manager on its behalf) will determine the Asset Percentage in accordance with the terms of the Guarantor Agreement and the various

methodologies of the Rating Agencies which may from time to time be prescribed for the Covered Bond Portfolio based on the value of the Portfolio Assets as at the Calculation Date immediately preceding such Calculation Date (being such values for the Loans on the Calculation Date in January, April, July or October, as applicable) as a whole or on the basis of a sample of Randomly Selected Loans and/or Randomly Selected NHA MBS in the Covered Bond Portfolio, such calculations to be made on the same basis throughout unless Rating Agency Confirmation has been received in respect thereof.

### ***Amortization Test***

Following service of a Notice to Pay on the Guarantor (but prior to service of a Guarantor Acceleration Notice) and, for so long as Covered Bonds remain outstanding, the Guarantor must ensure that, on each Calculation Date following service of such Notice to Pay, the Guarantor is in compliance with the Amortization Test.

Following service of a Notice to Pay on the Guarantor, if on any Calculation Date the Amortization Test Aggregate Asset Amount is less than the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortization Test will be deemed to be breached and a Guarantor Event of Default will occur. The Guarantor, the Cash Manager or the Asset Monitor, as the case may be, will immediately and in any event prior to the Guarantor Payment Date immediately following such Calculation Date, notify the Guarantor, the Issuer, and the Bond Trustee (while Covered Bonds are outstanding) of any breach of the Amortization Test and the Bond Trustee will be entitled to serve a Guarantor Acceleration Notice in accordance with the Conditions.

The “**Amortization Test Aggregate Asset Amount**” will be calculated as at each Calculation Date as follows:

$$A+B+C+D+E-Z$$

where

A = the aggregate “**Amortization Test True Balance**” of each Loan, which shall be the lower of (1) the actual True Balance of the relevant Loan as calculated on such Calculation Date multiplied by N and (2) the Latest Valuation multiplied by N.

“N” means

- (a) 100% for all Loans that are not Non-Performing Loans;
- (b) 90% for all Loans that are Non-Performing Loans on any day that no long-term debt credit rating assigned to CMHC is below the ratings specified in the Guarantor Agreement; or
- (c) 0% for all Loans that are Non-Performing Loans on any day that a long-term debt credit rating assigned to CMHC is below the ratings specified in the Guarantor Agreement;

B = the aggregate outstanding principal balance of all NHA MBS in the Covered Bond Portfolio multiplied by the Asset Percentage (as defined above);

C = the sum of the amount of any cash standing to the credit of the Guarantor Accounts (excluding any Revenue Receipts received in the immediately preceding Calculation Period);

D = the aggregate outstanding principal balance of any Substitute Assets and/or Authorized Investments, as applicable;

E = the aggregate amount of the proceeds from any sale of Randomly Selected Loans and/or Randomly Selected NHA MBS standing to the credit of the Pre-Maturity Liquidity Ledger (but without double counting); and

Z = zero so long as the Interest Rate Swap Agreement provides for the hedging of interest received in respect of (i) any Substitute Assets; and (ii) cash balances held in the GIC Account; otherwise the weighted average remaining maturity of all Covered Bonds then outstanding multiplied by the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor.

***Sales of Randomly Selected Loans and/or Randomly Selected NHA MBS following a breach of the Pre-Maturity Test***

The Pre-Maturity Test will be breached if the ratings of the Issuer's unsecured, unsubordinated and unguaranteed debt obligations fall below the Pre-Maturity Minimum Ratings and a Hard Bullet Covered Bond is due for repayment within a specified period of time thereafter. See "*Credit Structure—Pre-Maturity Liquidity*". If the Pre-Maturity Test is breached, the Guarantor may offer to sell Randomly Selected Loans and/or Randomly Selected NHA MBS pursuant to the terms of the Guarantor Agreement (see "*Method of sale of Portfolio Assets*" below), subject to:

- (i) any right of pre-emption of the Seller pursuant to the terms of the Mortgage Sale Agreement;
- (ii) a Contribution in Kind made by one or more of the Partners (as recorded in the Capital Account Ledger for such Partners of the Guarantor) of certain Substitute Assets and/or Authorized Investments in accordance with the Guarantor Agreement with an aggregate principal amount up to at least the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which the breach of the Pre-Maturity Test relates (which shall be a credit to the Pre-Maturity Liquidity Ledger); or
- (iii) Cash Capital Contributions made by one or more of the Partners (as recorded in the Capital Account Ledger for each applicable Partner of the Guarantor) 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 at least the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which the breach of the Pre-Maturity Test relates (which shall be a credit to the Pre-Maturity Liquidity Ledger).

If the Issuer 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, the proceeds from any sale of Randomly Selected Loans and/or Randomly Selected NHA MBS 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 Liquidity below.

***Sales of Randomly Selected Loans and/or Randomly Selected NHA MBS after a Demand Loan Repayment Event has occurred or the Issuer 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 Issuer has demanded that the Demand Loan be repaid, the Guarantor may be required to sell Portfolio Assets 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. 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 Randomly Selected Loans and/or Randomly Selected NHA MBS at any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served on the Guarantor***

At any time an Asset Coverage Test Breach Notice is outstanding or a Notice to Pay has been served on the Guarantor, but prior to service of a Guarantor Acceleration Notice on the Guarantor, the Guarantor may be obliged to sell Portfolio Assets 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 GIC 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 Portfolio Assets 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 Issuer, 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 Portfolio Assets for sale:

- (a) the Portfolio Assets being sold are Randomly Selected Loans and/or Randomly Selected NHA MBS; and
- (b) the Portfolio Assets have an aggregate True Balance in an amount (the “**Required True Balance Amount**” which 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 Randomly Selected Loans and/or Randomly Selected NHA MBS were sold at their True Balance plus the Arrears of Interest and Accrued Interest thereon (as applicable), 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 Portfolio Assets were sold at their True Balance plus the Arrears of Interest and Accrued Interest thereon (as applicable), the Asset Coverage Test would be satisfied on 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:

$$N \times \frac{\text{True Balance of all the Portfolio Assets in the Covered Bond Portfolio}}{\text{the Canadian Dollar Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where “N” is an amount equal to

- (x) in respect of Randomly Selected Loans and/or Randomly Selected NHA MBS being sold following a breach of the Pre-Maturity Test, the Canadian Dollar Equivalent of the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds less 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; or
- (y) in respect of Randomly Selected Loans and/or Randomly Selected NHA MBS 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 and/or Authorized Investments (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).

The Guarantor will offer the Portfolio Assets 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 Balance of the Portfolio Assets plus the Arrears of Interest and Accrued Interest thereon (as applicable); and
- (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.

Following the service of a Notice to Pay on the Guarantor, if the Portfolio Assets 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 Portfolio Assets 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 recognized standing on a basis intended to incentivize 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 their 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 Portfolio Assets at any time an Asset Coverage Test Breach Notice is outstanding, a breach of the Pre-Maturity Test, or a Notice to Pay has been served on the Guarantor, the Guarantor will instruct the portfolio manager to use all reasonable efforts to procure that Portfolio Assets 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 Portfolio Assets (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 Portfolio Assets from the Security unless the conditions relating to the release of the Security (as described under “*Security Agreement—Release of Security*”, below) are satisfied.

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 Portfolio Assets 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. Any such sale will not include any Representations and Warranties from the Guarantor in respect of the Portfolio Assets unless expressly agreed by the Bond Trustee or otherwise agreed with the Seller.

#### ***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, declare a trust over, 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.

#### ***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 on 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 total assets of the Guarantor 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. For greater certainty, amounts standing to the credit of the Guarantor in any Guarantor Account and invested in Authorized Investments will not constitute Substitute Assets.

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 GIC Account and/or invested in Authorized Investments.

There is no limit on the amounts that the Guarantor will be entitled to invest in Authorized Investments.

#### ***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. 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 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 only.

### **Cash Management Agreement**

The Cash Manager has agreed to provide certain cash management services to the Guarantor pursuant to the terms of the Cash Management Agreement entered into on the Programme Date between the Guarantor, the Bank in its capacities as Cash Manager, 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) collecting the Revenue Receipts and the Principal Receipts from the Servicer and distributing and/or depositing the Revenue Receipts and the Principal Receipts in accordance with the Priorities of Payment described under "*Cashflows*", below;
- (c) determining whether the Asset Coverage Test is satisfied on each Calculation Date in accordance with the Guarantor Agreement, as more fully described under "*Credit Structure—Asset Coverage Test*";
- (d) determining whether the Amortization Test is satisfied on each Calculation Date following 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 in respect of the Covered Bonds for the Bond Trustee and the Rating Agencies and as otherwise specified in the applicable Final Terms; 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 Liquidity*" below.

In the event of a downgrade in the ratings of the unsecured, unsubordinated and unguaranteed debt obligations of the Issuer or the Cash Manager by the Rating Agencies below a level specified in the Cash Management Agreement, 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 GIC Account.

In the event of a further downgrade in the ratings of the unsecured, unsubordinated and unguaranteed debt obligations of the Cash Manager by the Rating Agencies below a level specified in the Cash Management Agreement, the Cash Manager will be required to assign the Cash Management Agreement to a third party service provider acceptable to the Bond Trustee and for which Rating Agency Confirmation has been received. In addition to the foregoing, the Guarantor and the Bond Trustee will, in certain circumstances, each have the right to terminate the appointment of the Cash Manager in which event 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).

## 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 Covered Bond 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 occurrence of a Covered Bond Guarantee Activation Event) the Covered Bond Swap Agreement the Guarantor has entered into the Interest Rate Swap Agreement with the Interest Rate Swap Provider. The Guarantor and the Interest Rate Swap Provider have agreed to swap the amount of interest received by the Guarantor from Borrowers and related amounts and from NHA MBS in the Covered Bond Portfolio in exchange for an amount sufficient to pay the interest payable on the Intercompany Loan plus a certain amount for expenses.

The monthly amount received by the Guarantor under the Interest Rate Swap Agreement will be equal to the monthly amount of interest payable on the Intercompany Loan plus an amount for certain expenses of the Guarantor.

The amounts received by the Guarantor under the Interest Rate Swap Agreement will be equal to the amount to be paid by the Guarantor under the Covered Bond Swap Agreement plus an amount for certain expenses of the Guarantor, in each case, following the occurrence of a Covered Bond Guarantee Activation Event.

The Interest Rate Swap Agreement will terminate (unless terminated earlier by an Interest Rate Swap Early Termination Event) on the earlier of:

- (a) the Final Maturity Date for the final Tranche or Series of Covered Bonds then outstanding (provided that the Issuer has not given prior written notice to the Interest Rate Swap Provider and the Guarantor that it intends to issue additional Covered Bonds following such date) or, if the Guarantor notifies the Interest Rate Swap Provider, prior to the Final Maturity Date for such final Tranche or Series of Covered Bonds then outstanding, of the inability of the Guarantor to pay in full Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such final Tranche or Series of Covered Bonds then outstanding, the final date on which an amount representing the Final Redemption Amount for such final Tranche or Series of Covered Bonds then outstanding is paid (but in any event not later than the Extended Due for Payment Date for such Tranche or Series of Covered Bonds);
- (b) the date designated therefor by the Bond Trustee and notified to the Interest Rate 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 7.03;
- (c) the date on which the notional amount under the Interest Rate Swap Agreement reduces to zero (as a result of the reduction for the amount of any Early Redemption Amount paid pursuant to Condition 7.02 in respect of the final Tranche or Series of Covered Bonds then outstanding or any Final Redemption Amount paid pursuant to Condition 6.01 in respect of the final Tranche or Series of Covered Bonds then outstanding following the Final Maturity Date for such Tranche or Series of Covered Bonds, provided in each case that the Issuer has not given prior written notice to the Interest Rate Swap Provider that it intends to issue additional Covered Bonds following such date); and
- (d) the date of redemption pursuant to Conditions 6.02 or 6.16 in respect of any final Tranche or Series of Covered Bonds then outstanding (provided that the Issuer has not given prior written notice to the Interest Rate Swap Provider that it intends to issue additional Covered Bonds following such date).

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 (for the avoidance of doubt, 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, in the event that the ratings of the unsecured, unsubordinated and unguaranteed debt obligations of the Interest Rate Swap Provider, or any credit support provider, as applicable, by the Rating Agencies are downgraded by the Rating Agencies below the ratings of the Rating Agencies specified in the Interest Rate Swap Agreement and the Interest Rate Swap Provider does not obtain a Rating Agency Confirmation by, for example, taking certain remedial measures which may include providing collateral for or arranging for its obligations under the Interest Rate Swap Agreement to be guaranteed by an entity with rating(s) required by the relevant Rating Agencies, or taking such other action as it may agree with the relevant Rating Agencies; 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.

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.

As noted herein, the notional amount of an Interest Rate Swap Agreement 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 Issuer, 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 shall not be obliged to gross up those payments.

The Interest Rate Swap Agreement is in the form of an ISDA Master Agreement, including a schedule and confirmation thereto and credit support annex, if applicable.

Under the Interest Rate Swap Agreement, the Guarantor's obligations are limited in recourse to the Charged Property.

The Interest Rate Swap Agreement will be governed by, and construed in accordance with English law.

### **Covered Bond Swap Agreement**

To provide a hedge against currency and/or other 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, and may enter into a new schedule and confirmation(s) 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 and/or other 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 cash flows will be exchanged under the Covered Bond Swap Agreement unless and until a Covered Bond Guarantee Activation Event has occurred.

If prior (i) to the Final Maturity Date in respect of the relevant Series or Tranche of Covered Bonds, or (ii) any Interest Payment Date or the Extended Due for Payment Date following a deferral of the Due for Payment Date to the Extended Due for Payment Date by the Guarantor pursuant to Condition 6.01 (if an Extended Due for Payment Date is specified as applicable in the Final Terms 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 6.01), 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 such 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 7.02, the Covered Bond Swap Provider will pay the Guarantor such 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 7.03.

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 (for the avoidance of doubt, 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, in the event that the ratings of the unsecured, unsubordinated and unguaranteed debt obligations of the Covered Bond Swap Provider, or any credit support provider, as applicable, by the Rating Agencies are downgraded by the Rating Agencies below the ratings of the Rating Agencies specified in the Covered Bond Swap Agreement and the Covered Bond Swap Provider does not obtain a Rating Agency Confirmation by, for example, taking certain remedial measures which may include providing collateral for or arranging for its obligations under the Covered Bond Swap Agreement to be guaranteed by an entity with rating(s) required by the relevant Rating Agencies, or taking such other action as it may agree with the relevant Rating Agencies; 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.

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 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 or 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.

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 is 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's obligations are limited in recourse to the Charged Property. To the extent that the Guarantor is unable to make any payment in full under the Covered Bond Swap Agreement due to its assets being insufficient to make such payment in full, the Covered Bond Swap Provider's payment obligations will ratably reduce.

The Covered Bond Swap Agreement will be governed by, and construed in accordance with English law.

### **Bank Account Agreement**

Pursuant to the terms of the Bank Account Agreement entered into on the Programme Date between the Guarantor, the Account Bank, the GIC Provider, the Cash Manager and the Bond Trustee, the Guarantor will maintain with the Account Bank the accounts described below, which will be operated in accordance with the Cash Management Agreement, the Guarantor Agreement and the Security Agreement:

- (a) the GIC Account into which amounts may be deposited by the Guarantor (including, following the occurrence of an Issuer Event of Default which is not cured within the applicable grace period, all amounts received from Borrowers in respect of Loans in the Covered Bond Portfolio and amounts received in respect of NHA MBS). On each Guarantor Payment Date as applicable, amounts required to meet the Guarantor's various creditors and amounts to be distributed to the Partners under the Guarantor Agreement will be transferred to the Transaction Account (to the extent maintained); and
- (b) the Transaction Account (to the extent maintained) into which, amounts may be deposited by the Guarantor prior to their transfer to the GIC Account. Moneys standing to the credit of the Transaction Account will be transferred on each Guarantor Payment Date and applied by the Cash Manager in accordance with the Priorities of Payments described below under "*Cashflows*".

If the unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank cease to be rated by the Rating Agencies at or above the Account Bank Threshold Ratings (as defined below), then within 30 calendar days of such occurrence either:

- the GIC 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; or
- the Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the Bank Account Agreement from a satisfactorily rated financial institution, provided that Rating Agency Confirmation has been received within 30 calendar days of such downgrade.

**“Account Bank Threshold Ratings”** means the threshold ratings A-1, P-1 or F1 (in respect of S&P, Moody’s and Fitch, respectively) or A(low) or R-1(middle) (in respect of DBRS), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank by the Rating Agencies.

### **Standby Bank Account Agreement**

Pursuant to the terms of a standby bank account agreement (the **“Standby Bank Account Agreement”**) entered into on the Programme Date between the Guarantor, the Standby Account Bank, the Standby GIC Provider, the Cash Manager 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 GIC account (the **“Standby GIC 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 GIC 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 GIC 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 shall be subject to the relevant Priorities of Payment set out in the Guarantor Agreement and the Security Agreement.

The Standby Bank Account Agreement further provides that if the ratings of the unsecured, unsubordinated and unguaranteed debt obligations of the Standby Account Bank by the Rating Agencies fall below the ratings for the Standby Account Bank specified in the Standby Bank Account Agreement, then within 30 calendar days of such occurrence either:

- the Standby GIC 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 satisfactorily rated bank; or
- the Standby Account Bank will obtain an unconditional and unlimited guarantee of its obligations under the Standby Bank Account Agreement from a satisfactorily rated financial institution,

in each case, provided that Rating Agency Confirmation has been received in respect of the substitute bank or credit enhancement provider within 30 calendar days of such downgrade.

References in this Prospectus to the GIC Account or the Transaction Account include, unless otherwise stated, references to the Standby GIC Account or the Standby Transaction Account when the Standby GIC Account and the Standby Transaction Account become operative.

### **Guaranteed Investment Contract**

The Guarantor entered into a Guaranteed Investment Contract (or **“GIC”**) with the GIC Provider, the Cash Manager and the Bond Trustee on the Programme Date, pursuant to which the GIC Provider has agreed to pay interest on the moneys standing to the credit of the Guarantor in the GIC Account at specified rates determined in accordance with the GIC during the term of the GIC. The Guarantor or the Bond Trustee may terminate the GIC following the closing of the GIC Account or termination of the Bank Account Agreement.

### **Standby Guaranteed Investment Contract**

Pursuant to the terms of a standby guaranteed investment contract (the **“Standby Guaranteed Investment Contract”**) entered into on the Programme Date between the Standby Account Bank, the Standby GIC Provider, the Guarantor, the

Cash Manager and the Bond Trustee (as amended and/or restated and/or supplemented from time to time), the Standby GIC Provider has agreed to pay interest on the moneys standing to the credit of the Standby GIC Account at specified rates determined in accordance with the terms of the Standby Guaranteed Investment Contract during the term of the Standby Account Agreement. The Standby Guaranteed Investment Contract will be automatically terminated following the closing of the Standby GIC Account or termination of the Standby Bank Account Agreement in accordance with the Standby Bank Account Agreement.

### **Security Agreement**

Pursuant to the terms of the Security Agreement entered into on the Programme 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 after-acquired undertaking, property and assets of the Guarantor (the “**Charged Property**”), including without limitation the Covered Bond Portfolio, and any other Portfolio Assets, Substitute Assets or Authorized Investments that the Guarantor may acquire from time to time and funds being held for the account of the Guarantor by its service providers and the amounts standing to the credit of the Guarantor in the Guarantor Accounts, subject to the right of the Guarantor (provided the Asset Coverage Test or the Amortization Test, as applicable, is met) to sell such Charged Property.

### ***Release of Security***

In the event of any sale of Portfolio Assets by the Guarantor pursuant to and in accordance with the Transaction Documents, the Bond Trustee will, while any Covered Bonds are outstanding (subject to the written request of the Guarantor), release those Portfolio Assets from the Security created by and pursuant to the Security Agreement on the date of such sale but only if:

- (a) the Bond Trustee provides its prior written consent to the terms of such sale as described under “*Guarantor Agreement – Method of sale of Portfolio Assets*” above; and
- (b) in the case of the sale of Portfolio Assets, the Guarantor provides to the Bond Trustee a certificate confirming that the Portfolio Assets being sold are Randomly Selected Loans and/or Randomly Selected NHA MBS.

In the event of the repurchase of a Portfolio Asset by the Seller pursuant to and in accordance with the Transaction Documents, the Bond Trustee will release that Portfolio Asset from the Security created by and pursuant to the Security Agreement on the date of the repurchase.

### ***Enforcement***

If a Guarantor Acceleration Notice is served on 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 Covered Bond Portfolio), and/or take such steps as it deems necessary, subject in each case to being indemnified and/or secured to its satisfaction. All proceeds 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 Ontario law (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).

### **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**”) entered into on the Programme Date with, *inter alios*, the Corporate Services Provider, the Liquidation GP, the Bank and the Guarantor, the Corporate Services Provider will provide corporate services to the Liquidation GP.

## CREDIT STRUCTURE

Under the terms of the Covered Bond Guarantee, the Guarantor has agreed to, following the occurrence of a Covered Bond Guarantee Activation Event, unconditionally and irrevocably pay or procure to be paid to or to the order of the Bond Trustee (for the benefit of the holders of the Covered Bonds), an amount equal to that portion of the Guaranteed Amounts which shall become Due for Payment but would otherwise be unpaid, as of any Original Due for Payment Date, or, if applicable, Extended Due for Payment Date, by the Issuer. Under the Covered Bond Guarantee, the Guaranteed Amounts will become due and payable on any earlier date on which a Guarantor Acceleration Notice is served. The Issuer will not be relying on payments from the Guarantor in respect of advances under the Intercompany Loan Agreement or receipt of Available Revenue Receipts or Available Principal Receipts from the Covered Bond Portfolio in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to holders of the Covered Bonds, as follows:

- the Covered Bond Guarantee provides credit support to the Issuer;
- the Pre-Maturity Test is intended to test the liquidity of the Guarantor's assets in respect of principal due on the Final Maturity Date of Hard Bullet Covered Bonds;
- the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds at all times;
- the Amortization Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds following the occurrence of a Covered Bond Guarantee Activation Event;
- a Reserve Fund (if the ratings of the Issuer's unsecured, unsubordinated and unguaranteed debt obligations by the Rating Agencies fall below the levels specified in the Guarantor Agreement) will be established by the Guarantor (or the Cash Manager on its behalf) in the GIC Account to trap Available Revenue Receipts; and
- under the terms of the GIC, the GIC Provider has agreed to pay a variable rate of interest on all amounts held by the Guarantor in the GIC Account 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 GIC Provider (and if such screen is not available, any successor or similar service as may be selected by the GIC Provider) or such greater amount as the Guarantor and the GIC Provider may agree from time to time.

Certain of these factors are considered more fully in the remainder of this Section.

### **Guarantee**

The Covered Bond Guarantee provided by the Guarantor under the Trust Deed guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Covered Bond Guarantee will not guarantee any amount becoming payable for any other reason, including any accelerated payment pursuant to Condition 7 (Events of Default and Enforcement) following the occurrence of an Issuer Event of Default. In 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 such amounts fall Due for Payment.

See further "*Summary of the Principal Documents – Trust Deed*" as regards the terms of the Covered Bond Guarantee. See further "*Cashflows – Guarantee Priority of Payments*" as regards the payment of amounts payable by the Guarantor to holders of the Covered Bonds and other Secured Creditors following the occurrence of an Issuer Event of Default.

## Pre-Maturity Liquidity

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 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 Issuer’s unsecured, unsubordinated and unguaranteed debt obligations credit ratings, as applicable, fall below a certain level. On each Toronto Business Day (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**” on a Pre-Maturity Test Date if

- (a) the rating from Fitch of the Issuer’s unsecured, unsubordinated and unguaranteed debt obligations falls below F1+ and the Final Maturity Date of the Series of Hard Bullet Covered Bonds falls within 12 months from the relevant Pre-Maturity Test Date; or
- (b) the rating from Moody’s of the Issuer’s unsecured, unsubordinated and unguaranteed debt obligations falls below P-1 and the Final Maturity Date of the Series of Hard Bullet Covered Bonds falls within 12 months from the relevant Pre-Maturity Test Date; or
- (c) the rating from S&P of the Issuer’s unsecured, unsubordinated and unguaranteed debt obligations falls below A-1 and the Final Maturity Date of the Series of Hard Bullet Covered Bonds falls within 12 months from the relevant Pre-Maturity Test Date; or
- (d) the rating from DBRS of the Issuer’s unsecured, unsubordinated and unguaranteed debt obligations falls below A(high) or A(low) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds falls within six months or 12 months, respectively, from the relevant Pre-Maturity Test Date,

(each of the ratings set out above, the “**Pre-Maturity Minimum Ratings**”)

Following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the Guarantor may offer to sell Randomly Selected Loans and/or Randomly Selected NHA MBS to Purchasers, subject to:

- (i) any right of pre-emption of the Seller pursuant to the terms of the Mortgage Sale Agreement;
- (ii) a Contribution in Kind made by one or more of the Partners (as recorded in the Capital Account Ledger for such Partners of the Guarantor) of certain Substitute Assets and/or Authorized Investments in accordance with the Guarantor Agreement with an aggregate principal amount up to at least the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which the Pre-Maturity Test Date relates (which shall be a credit to the Pre-Maturity Liquidity Ledger); or
- (iii) Cash Capital Contributions made by one or more of the Partners (as recorded in the Capital Account Ledger for each applicable Partner of the Guarantor) 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 at least the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which the Pre-Maturity Test Date relates (which shall be a credit to the Pre-Maturity Liquidity Ledger);

provided that an Issuer Event of Default will occur if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached and the Guarantor has not taken the required action as described above, following the breach less than six months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds within the earlier to

occur of (i) 10 Toronto Business Days from the date that the Seller is 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 7.01). 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 Required Redemption Amount of that Series of Hard Bullet Covered Bonds standing to the credit of the Pre-Maturity Liquidity Ledger (after taking into account the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature within 12 months of the date of such calculation). The method for selling Randomly Selected Loans and/or Randomly Selected NHA MBS is described in “*Summary of Principal Documents – Guarantor Agreement – Method of sale of Portfolio Assets*” above. The proceeds of sale of Randomly Selected Loans and/or Randomly Selected NHA MBS will be recorded to the Pre-Maturity Liquidity Ledger on the GIC Account.

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 GIC 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**

The Asset Coverage Test is intended to ensure that (subject to certain limitations with respect to the Asset Percentage, which may be removed by agreement with the Issuer) the Guarantor can meet its obligations under the Covered Bond Guarantee. Under the Guarantor Agreement, so long as the Covered Bonds remain outstanding, the Guarantor must ensure that on each Calculation Date the Adjusted Aggregate Asset Amount will be in an amount at least equal to the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If, on any Calculation Date, the Asset Coverage Test is not satisfied and such failure is not remedied on or before the next following Calculation Date, the Asset Coverage Test will be breached and the Guarantor (or the Cash Manager on its behalf) will serve an Asset Coverage Test Breach Notice on the Partners, the Bond Trustee and, if delivered by the Cash Manager, the Guarantor. The Asset Coverage Test is a formula which adjusts the True Balance of each Loan in the Covered Bond Portfolio and has further adjustments to take account of failure by the Seller to repurchase Portfolio Assets, in accordance with the terms of the Mortgage Sale Agreement, that do not materially comply with the Representations and Warranties on the relevant Transfer Date.

See further “*Summary of the Principal Documents – Guarantor Agreement – Asset Coverage Test*”, above.



An Asset Coverage Test Breach Notice will be revoked if, on any Calculation Date falling on or prior to the next Calculation Date following the service of the Asset Coverage Test Breach Notice, the Asset Coverage Test is satisfied and no Covered Bond Guarantee Activation Event has occurred.

If an Asset Coverage Test Breach Notice has been served and is 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 have occurred 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 must serve a Notice to Pay on the Guarantor.

### **Amortization Test**

The Amortization Test is intended to ensure that if, following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the Guarantor (but prior to service on the Guarantor of a Guarantor Acceleration Notice), the assets of the Guarantor available to meet its obligations under the Covered Bond Guarantee fall to a level where holders of the Covered Bonds may not be repaid, a Guarantor Event of Default will occur and all amounts owing under the Covered Bonds may be accelerated. Under the Guarantor Agreement, following service of a Notice to Pay on the Guarantor, for so long as there are Covered Bonds outstanding, the Guarantor must ensure that, on each Calculation Date following an Issuer Event of Default, service of an Issuer Acceleration Notice and the service of a Notice to Pay on the Guarantor, the Amortization Test Aggregate Asset Amount will be in an amount at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Amortization Test is a formula which adjusts the True Balance of each Loan in the Covered Bond Portfolio and has further adjustments to take account of Loans in arrears. See further “*Summary of the Principal Documents – Guarantor Agreement – Amortization Test*”, above.

### **Reserve Fund**

The Guarantor will be required (if the ratings of the Issuer’s unsecured, unsubordinated and unguaranteed debt obligations by the Rating Agencies fall below the levels specified in the Guarantor Agreement) to establish the Reserve Fund on the GIC Account which will be credited with Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount. The Guarantor will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default.

The Reserve Fund will be funded from Available Revenue Receipts after the Guarantor has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the Pre-Acceleration Revenue Priority of Payments on each Guarantor Payment Date.

A Reserve Ledger will be maintained by the Cash Manager to record the balance from time to time of the Reserve Fund. 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.

## CASHFLOWS

As described above under “*Credit Structure*”, until the occurrence of a Covered Bond Guarantee Activation Event, the Covered Bonds will be obligations of the Issuer only. The Issuer 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 summarizes the Priorities 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.

If the Transaction Account is closed in accordance with the terms of the Bank Account Agreement or no Transaction Account is maintained, any payment to be made to or from the Transaction Account will, as applicable, be made to or from the GIC Account, or no payment shall be made at all if such payment is expressed to be from the GIC Account to the Transaction Account.

### **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 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:

- (i) the amount of Available Revenue Receipts available for distribution on the immediately following Guarantor Payment Date;
- (ii) the Reserve Fund Required Amount (if applicable);
- (iii) 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 five 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 and/or Authorized Investments standing to the credit of the Pre-Maturity Liquidity Ledger at such date is less than the Required Redemption Amount for the relevant Series of Hard Bullet Covered Bonds at such date (together with the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds which mature within 12 months of the date of such calculation).

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 GIC 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 (taking into account any Available Revenue Receipts held by the Cash Manager for or on behalf of the Guarantor and any Available Revenue Receipts standing to the credit of the Transaction Account), 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) 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 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 provided therein;
  - (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; and
  - (iv) amounts due and payable to the Asset Monitor pursuant to the terms of the Asset 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;
- (d) *fourth*, in or towards 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;
- (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) 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 GIC 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 Covered Bond Portfolio (or the relevant part thereof);
- (g) *seventh*, in or towards a credit to the GIC 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, towards a credit to the GIC Account (with a corresponding credit to the Pre-Maturity Liquidity Ledger) of an amount up to but not exceeding the difference between:
  - (i) the Required Redemption Amount as calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and
  - (ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date after deducting from the Pre-Maturity Liquidity Ledger the Required Redemption Amounts of all other Series of Hard Bullet Covered Bonds as calculated on that Calculation Date which mature within 12 months of the date of such calculation;
- (i) *ninth*, payment of any Excluded Swap Termination Amounts due and payable by the Guarantor under the Interest Rate 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 Asset Monitor pursuant to the Asset 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.

Any amounts received by the Guarantor under the Interest Rate Swap Agreement 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 on the Guarantor Payment Date or on any date prior to the next succeeding Guarantor Payment Date which are not put 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 (f) 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 GIC Account on the Guarantor Payment Date.

**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 GIC 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 (taking into account any Available Principal Receipts held by the Cash Manager for or on behalf of the Guarantor and/or standing to the credit of the Transaction Account), and (b) the amount of Available Principal Receipts.

If a Guarantor Payment Date is the same as an Interest Payment Date, then the distribution of Available Principal Receipts under the Pre-Acceleration Principal Priority of Payments will be delayed until the Issuer has made Scheduled Interest and/or principal payments on that Interest Payment Date unless payment is made by the Guarantor directly to the Bond Trustee (or the Issuing and Paying Agent at the direction of the Bond Trustee).

***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 (other than Cash Capital Contributions made from time to time by the Seller in its capacity as a Limited Partner) 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 Issuer 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 Required Redemption Amount calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and
  - (ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date after deducting from the Pre-Maturity Liquidity Ledger the Required Redemption Amount of all other Hard Bullet Covered Bonds, as calculated on that Calculation Date, which mature within 12 months of the date of such calculation;
- (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 New Loans and their Related Security and/or NHA MBS 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 and/or Authorized Investments;
- (d) *fourth*, to deposit the remaining Principal Receipts in the GIC 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 Issuer in respect of the Guarantee Loan; and
- (f) *sixth*, 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 paragraphs (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 paragraphs (b), (c), or (e) or (f) of the Pre-Acceleration Principal Priority of Payments.

**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) will be applied as described below under “*Guarantee Priority of Payments*”.

On each Guarantor Payment Date, 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 paragraph (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 on the Guarantor in connection with the Pre-Maturity Test, the Guarantor will on the relevant Final Maturity Date apply all funds standing to the credit of the Pre-Maturity Liquidity Ledger (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 in the immediately succeeding Guarantor Payment Period under the provisions of the Trust Deed 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; and
  - (ii) any amounts then 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) 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;
  - (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;
  - (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; and
  - (iv) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (k) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable GST (or other similar taxes) thereon as provided therein;
- (e) *fifth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due and payable 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;
- (f) *sixth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof:
  - (i) 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 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
  - (ii) to the Bond Trustee or (if to directed by the Bond Trustee) the Issuing and Paying Agent on behalf of the holders of the Covered Bonds *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 (f) (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 (f)(ii) above, the shortfall will be divided amongst 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 (f)(i) 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 pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, of:
  - (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 Issuing and 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 (g) (excluding any amounts received from the Covered Bond Swap Provider) in respect of the amounts referred to in (g)(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 (g)(ii), the shortfall will be divided amongst 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 (g)(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;
- (h) *eighth*, to deposit the remaining moneys into the GIC Account for application on the next following Guarantor Payment Date in accordance with the Priorities of Payment described in paragraphs (a) to (g) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);
- (i) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the Guarantor to the relevant Swap Provider under the relevant Swap Agreement;
- (j) *tenth*, after the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), any remaining moneys 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 certain costs, expenses and indemnity amounts due by the Guarantor to the Asset Monitor pursuant to the Asset Monitor Agreement; and
- (l) *twelfth*, thereafter any remaining moneys will be applied in accordance with the Guarantor Agreement.



***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 moneys received by the Bond Trustee following service of a Guarantor Acceleration Notice and enforcement of the Security**

Following service of a Guarantor Acceleration Notice and enforcement of the Security granted under the terms of the Security Agreement, all moneys 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 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 all amounts due and payable or to become due and payable to the Bond Trustee under the provisions of the Trust Deed together with interest and applicable GST (or other similar taxes) thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to respective amounts thereof 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, together with applicable 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, together with applicable GST (or other similar taxes) thereon to the extent provided therein; and
  - (iii) amounts due 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;
- (d) *fourth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, of any amounts due and payable to the Interest Rate Swap Provider (including any termination payment (but excluding any Excluded Swap Termination Amounts)) pursuant to the terms of the Interest Rate Swap Agreement;

- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof, of:
- (i) 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
  - (ii) the amounts due and payable under the Covered Bond Guarantee, to the Bond Trustee 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 (e) (excluding any amounts received from the Covered Bond Swap Provider in respect of amounts referred to in (e)(i) 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 (e)(ii) above, the shortfall will be divided amongst 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 (e)(i) 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;
- (f) *sixth*, 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;
- (g) *seventh*, after the Covered Bonds have been fully repaid, any remaining moneys shall be applied 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 moneys will be applied in or towards payment to the Partners pursuant to the Guarantor Agreement.

## 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 Issuer and the Guarantor believe to be reliable, but none of the Issuer, 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 Issuer, 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 New York Banking Law, a “banking organisation” within the meaning of the 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 computerized 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 certain other organisations. 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., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. 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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of DTC Covered Bonds under the DTC 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 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 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 nominee as may be requested by an authorized 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 effect 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 communication 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 Tranche are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Tranche to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Covered Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an 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 authorized 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 Issuing and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC or its nominee, the Issuing and Paying Agent, the Issuer, the Guarantor, the Bond Trustee or the Dealers, 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 authorized representative of DTC) is the responsibility of Issuer or 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 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 "*Subscription and Sale and Transfer and 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.

### ***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 world-wide 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 Covered Bonds**

The Issuer may apply to DTC 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 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. 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 will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

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. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by 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 Participant and not the responsibility of DTC, the Bond Trustee, the Issuing and Paying Agent, the Registrar, the Issuer, the Guarantor or the Dealers. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer and after a Covered Bond Guarantee Activation Event the Guaranteed Amounts in respect thereof are obligations of the Guarantor under the Covered Bond Guarantee.

#### **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, 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 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. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC 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 system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between DTC, 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 Issuing and Paying Agent and any custodian (“**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 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 participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, 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 Issuing and Paying Agent and the 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 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, 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, 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 Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, 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.

## TAXATION

### Canada

The following summary describes the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the “**Act**”) and Income Tax Regulations (the “**Regulations**”) generally applicable to a holder of Covered Bonds who acquires Covered Bonds pursuant to this Prospectus, and who, for purposes of the Act, at all relevant times, is not resident and is not deemed to be resident in Canada, deals at arm’s length with the Issuer and any Canadian resident (or deemed Canadian resident) to whom the holder disposes of the Covered Bonds and does not use or hold and is not deemed to use or hold Covered Bonds in or in the course of carrying on a business in Canada and is not an insurer carrying on an insurance business in Canada and elsewhere (a “**Non-resident Holder**”).

This summary is based upon the provisions of the Act and the Regulations in force on the date hereof, proposed amendments to the Act and the Regulations in a form publicly announced prior to the date hereof by or on behalf of the Minister of Finance (Canada) (included for this purpose in the reference to the Act and Regulations) and the current administrative practices and policies published in writing by the Canada Revenue Agency prior to the date hereof. This summary does not take into account or anticipate any other changes in law, whether by legislative, governmental or judicial action or interpretation, nor does it take into account provincial, territorial or foreign income tax legislation. Subsequent developments could have a material effect on the following description.

Material Canadian federal income tax considerations applicable to Covered Bonds may be described particularly when such Covered Bonds are offered in the Final Terms related thereto if they are not otherwise addressed herein. In that event, the following will be superseded to the extent indicated therein.

Interest paid or credited or deemed to be paid or credited by the Issuer on a Covered Bond (including, except as described below, accrued interest on the Covered Bond involving the assignment or other transfer of a Covered Bond to a resident or deemed resident of Canada) to a Non-resident Holder will not be subject to Canadian non-resident withholding tax unless 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, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders on any class of shares of a corporation (a “**Participating Debt Interest**”). 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 the use of or the production from property in Canada, or is calculated by reference to any of the criteria described in the Participating Debt Interest definition.

In the event that a Covered Bond which is not exempt from Canadian withholding tax upon its terms is redeemed, cancelled, repurchased or exchanged pursuant to Condition 6 or 7, as applicable, or purchased by the Issuer 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 be subject to non-resident withholding tax if the Covered Bond is not considered to be an “excluded obligation” for purposes of the Act. A Covered Bond will be an “excluded obligation” for this purpose if it was issued for an amount not less than 97% of its principal amount (as defined), and the yield from which, expressed in terms of an annual rate (determined in accordance with the Act) on the amount for which the Covered Bonds was issued, does not exceed 4/3 of the interest stipulated to be payable on the Covered Bond.

Interest paid or credited or deemed to be paid or credited on a Covered Bond by the Guarantor to a Non-resident Holder pursuant to the Covered Bond Guarantee will be exempt from Canadian withholding tax to the extent interest paid or credited by the Issuer to such Non-resident Holder on such Covered Bond would have been exempt.

Generally, there are no other taxes on income (including taxable capital gains) payable in respect of a Covered Bond or interest, discount, or premium thereon by a Non-resident Holder.

**The foregoing summary is of a general nature only, and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Non-resident Holder. Non-resident Holders should therefore consult their own tax advisors with respect to their particular circumstances.**

## **United Kingdom Taxation**

The following comments relate only to United Kingdom withholding tax and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to holders of Covered Bonds (including, for instance, income tax, capital gains tax and corporation tax). The comments are of a general nature and are based on current United Kingdom law and practice. The comments below relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon.

Any holders of Covered Bonds who are in doubt as to their tax position (under the law or the United Kingdom and/or any other jurisdiction that may be relevant to such holders) should consult their professional advisers.

### ***Covered Bonds issued by the Issuer's London branch***

The Issuer, provided that it continues to be a bank within the meaning of section 991 of the U.K. Income Tax Act 2007 (the “**UK Act**”), and provided that interest on the Covered Bonds is paid in the ordinary course of its business within section 878 of the UK Act, will be entitled to make payments of interest without withholding or deduction on account of United Kingdom income tax.

Payments of interest on the Covered Bonds may also be made without deduction of or withholding on account of United Kingdom income tax provided that the Covered Bonds continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the UK Act. The London Stock Exchange is a recognised stock exchange. Section 1005 of the UK Act provides that securities will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in the EEA, in a country outside the United Kingdom in which there is a recognised stock exchange.

Interest on the Covered Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Covered Bonds is paid by the Issuer and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Covered Bonds is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs has not given a direction (where it has reasonable grounds to believe that it is likely that the beneficial owner is not within the charge to United Kingdom corporation tax in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Covered Bonds may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Covered Bonds is less than 365 days and the Issuer and the holder of the Covered Bonds in question do not contemplate that the indebtedness under the Covered Bonds will continue, through a succession of subsequent redemptions and subscriptions of further Covered Bonds, for a period of 365 days or more.

In other cases, where interest has a UK source, an amount generally must be withheld from payments of interest on the Covered Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available, for example under the provisions of any applicable double taxation treaty, or in certain other circumstances.

### ***Payments by the Guarantor***

If the Guarantor makes any payment in respect of interest on Covered Bonds issued by the Issuer's London branch (or any other amounts due under such the Covered Bonds other than the repayment of amounts subscribed for under the Covered Bonds) such payment may be subject to United Kingdom withholding tax, whether or not the Covered Bonds are listed on a “recognised stock exchange” within the meaning of section 1005 of the UK Act.



### ***Issue at a Discount and/or Redemption at a Premium***

If Covered Bonds are issued at a price which is a discount to their nominal amount, any discount element of the redemption amount should not be subject to withholding or deduction on account of United Kingdom income tax. If Covered Bonds are issued with a premium payable on redemption (as opposed to being issued at a discount), the payment of such a redemption premium may be treated as a payment of interest for United Kingdom tax purposes and may be subject to withholding or deduction on account of United Kingdom income tax (unless it falls within one of the exemptions from withholding or deduction described above).

### ***UK Information Gathering Powers***

Covered Bondholders (whether or not the Covered Bonds they hold are issued by the Issuer's London branch) who are individuals may wish to note that HM Revenue & Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual (other than solely by clearing or arranging the clearing of a cheque). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the holder of a Covered Bond is resident in the United Kingdom for United Kingdom taxation purposes. Any person in the United Kingdom (including any United Kingdom based paying agent) who pays amounts payable on redemption of Covered Bonds which are deeply discounted securities for the purposes of the Income Tax (Trading and other Income) Act 2005 to, or receives such amounts for the benefit of, an individual may also be required by HM Revenue & Customs to provide certain information (which may include the name and address of the beneficial owner of the amount payable on redemption) to HM Revenue & Customs although HM Revenue & Customs published practice for the tax year to 5 April 2011 indicates that HM Revenue & Customs will not exercise this power in respect of such amounts paid in that year. Any information obtained may, in certain circumstances, be exchanged by HM Revenue & Customs with the tax authorities of the jurisdiction in which the Covered Bondholder is resident for tax purposes.

### ***European Union Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 13 November 2008, the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above. Covered Bondholders who are in any doubt as to their position should consult their professional advisers.

### **United States Federal Income Taxation**

**The discussion of tax matters in this Prospectus is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal, state or local tax penalties, and was written to support the promotion or marketing of the Programme. Each prospective investor should seek advice based on such person's particular circumstances from an independent tax advisor.**

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)
- Covered Bonds held as capital assets; and
- U.S. holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a holder’s particular circumstances or to holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding Covered Bonds as part of a hedging transaction, “straddle,” conversion transaction or other integrated transaction;
- U.S. holders whose functional currency is not the U.S. dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the “**Code**”), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this Prospectus may affect the tax consequences described below. Persons considering the purchase of the Covered Bonds should consult the applicable Final Terms 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.

As used herein, the term “**U.S. holder**” means a beneficial owner of a Covered Bond that is for United States federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized 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.

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.

### ***Characterization of the Covered Bonds***

Unless otherwise indicated under the applicable Final Terms, the Issuer intends, and each holder, by purchasing the Covered Bonds, agrees, to treat such Covered Bonds as indebtedness for U.S. federal income tax purposes.

The tax treatment of certain Covered Bonds, such as Index Linked Covered Bonds, Equity Linked Covered Bonds, Dual Currency Covered Bonds, Credit Linked Covered Bonds and Covered Bonds that are not principal protected, will be specified in the applicable Final Terms. Moreover, 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 advisors regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Covered Bonds.

**Prospective investors should consult their own tax advisers regarding the appropriate characterisation of, and U.S. federal income tax and other tax consequences of investing in, the Covered Bonds.**

### ***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 holder's method of accounting for U.S. federal income tax purposes, provided that the interest is "qualified stated interest" (as defined below). 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 holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisors 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, exchangeable Covered Bonds and foreign currency Covered Bonds are described under "*Taxation – United States Federal Income Taxation – Original Issue Discount*," "*– Contingent Payment Debt Instruments*," 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 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 issuer) 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 date instrument" that is unconditionally payable (other than in debt instruments of the issuer) 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., 1/4 of 1 percent 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.

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 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 only with the permission of the IRS (a "**constant yield election**").

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. Holders who so elect and certain other 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 realized 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 Issuer may have an unconditional option to redeem, or U.S. holders may have an unconditional option to require the Issuer to redeem, a Covered Bond prior to its stated maturity date. Under applicable regulations, if the Issuer 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 Issuer 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 this option 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 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 nonrecognition 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 “*Taxation – United States Federal Income Taxation – 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 nontaxable 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 “*Taxation – United States Federal Income Taxation – 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 the earlier call date, in the case of a Covered Bond that is redeemable at the Issuer's option, the 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 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 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 only if the substitution results in a smaller amount of premium attributable to the period before the redemption date. A 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 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 "*Taxation – United States Federal Income Taxation – 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 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 recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the 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 OID and market discount included in the Holder's gross income and decreased by the amount of any payment received from the Issuer other than a payment of qualified stated interest. 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 realized 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 "*Taxation – United States Federal Income Taxation – Payments of Stated Interest*".

Except as described below, gain or loss realized 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. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Covered Bond, to the extent of any accrued discount not previously included in the holder's taxable income. See "*Taxation– United States Federal Income Taxation – Original Issue Discount*" and "*– Market Discount*". In addition, other exceptions to this general rule apply in the case of foreign currency Covered Bonds, and contingent payment debt instruments. See "*Taxation – United States Federal Income Taxation – Foreign Currency Covered Bonds*" and "*– Contingent Payment Debt Instruments*".

### ***Contingent Payment Debt Instruments***

If the terms of the Covered Bonds 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 us 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, we 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 us 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 recognize 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 two percent floor limitation 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 realized 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 recognize taxable gain or loss equal to the difference between the amount realized 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 recognizes loss above certain thresholds, the holder may be required to file a disclosure statement with the IRS (as described under "*Taxation – United States Federal Income 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 summarizes 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 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 recharacterized as ordinary income or loss. The rules applicable to foreign currency Covered Bonds are complex and may depend on the holder’s particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a holder should make any of these elections may depend on the 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 holder who receives a payment of qualified stated interest in U.S. dollars pursuant to an option available under such 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 recognize 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 recognized 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 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 a partial accrual period, the spot rate on the last day of 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 realized 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 realized 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 realized 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 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 recognize 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 realized 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 (i) 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 (ii) 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 recognized only to the extent of the total gain or loss realized by the 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 holder or the "qualified business unit" of the holder on whose books the Covered Bond is properly reflected. Any gain or loss realized by these holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of a short-term Covered Bond, to the extent of any discount not previously included in the holder's income. Holders should consult their own tax advisor with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such 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 Covered Bonds are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realized 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.

### ***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 U.S. holder may be subject to U.S. backup withholding on these payments if it 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 holder's U.S. federal income tax liability and may entitle them to a refund, provided that the required information is furnished to the IRS.

Beginning in 2011, individual U.S. holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Covered Bonds. Investors who fail to report required information could be subject to substantial penalties.

### ***Reportable Transactions***

A U.S. taxpayer 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 U.S. \$50,000 in a single taxable year if the U.S. holder is an individual or trust, or higher amounts for other U.S. holders. 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.

**The United States 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 advisors with respect to the tax consequences to them of the 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.**

## ERISA AND CERTAIN OTHER U.S. CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**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.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), which are among the ERISA and Code fiduciary provisions governing plans, 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 (together with ERISA Plans, “**Plans**”)) and certain persons (referred to as “**parties in interest**” or “**disqualified persons**”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Covered Bonds are acquired by a Plan with respect to which any of the Issuer, the Dealers, the Arranger or the Bond Trustee or any of their respective affiliates are a party in interest or a disqualified person. Certain parties in interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realized by the Plan or profits realized by such persons and certain other liabilities could result that have a significant adverse effect on such persons. 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 Covered Bonds and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA (relating to certain transactions between a plan and a non-fiduciary service provider), Prohibited Transaction Class Exemption (PTCE) 95-60 (relating to investments by insurance company general accounts), 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 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any exemption will be available with respect to any particular transaction involving the Covered Bonds, or that, if an exemption is available, it will cover all aspects of any particular transaction.

Governmental plans and certain church and other non-U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Covered Bonds.

By its purchase of any Covered Bonds (or any interest in a Covered Bond), each purchaser (whether in the case of the initial purchase or in the case of a subsequent transferee) will be deemed to have represented and agreed that either (i) it is not and for so long as it holds a Covered Bond (or any interest therein) will not be a Plan, an entity whose underlying assets include the assets of any such Plan, or a governmental or other employee benefit plan which is subject to any non-U.S. or U.S. federal, state or local law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Covered Bonds will not 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 or other employee benefit plan, any such substantially similar non-U.S. or U.S. federal, state or local law for which an exemption is not available.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Covered Bonds should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of Covered Bonds to a Plan is in no respect a representation by the Issuer, the Guarantor, the Bond Trustee, the Arranger or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

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

Covered Bonds may be sold from time to time by the Issuer to any one or more of Canadian Imperial Bank of Commerce, London Branch, Commerzbank Aktiengesellschaft, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International and The Royal Bank of Scotland plc, or such other dealer(s) as may be appointed from time to time in accordance with the Dealership Agreement, which appointment may be for a specific issue or on an ongoing basis (the “**Dealers**”). Covered Bonds may also be sold by the Issuer directly to institutions who are not Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealership agreement dated the Programme Date (as amended, supplemented or replaced, the “**Dealership Agreement**”) and made between the Bank, the Guarantor, the Dealers and the Arrangers. Any such agreement will, among other things, make provision for the form and terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds. The Dealership Agreement will be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein.

### **Canada**

The Covered Bonds have not been and will not be qualified for sale under the securities laws of any province or territory of Canada.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold, distributed or delivered, and that it will not offer, sell, distribute or deliver 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.

If the applicable Final Terms provide that the Covered Bonds may be offered, sold or distributed in Canada, the issue of the Covered Bonds will be subject to such additional selling restrictions as the Issuer and the relevant Dealer may agree, as specified in the applicable Final Terms. Each Dealer will be required to agree that it will offer, sell and distribute such Covered Bonds only in compliance with such additional Canadian selling restrictions.

Each Dealer has agreed, and each further Dealer appointed under the Programme 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.

### **United States of America**

#### ***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 Covered Bonds.

Each purchaser of Registered Covered Bonds (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or vice versa, 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: (a) 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 that any sale to it is being made in reliance on Rule 144A, (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter (as defined below) or (c) it is outside the United States and is not 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) it agrees that neither the Issuer 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 and is a person located outside the United States and is not a U.S. person, 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 Issuer or an affiliate of the Issuer was the owner of such Covered Bonds, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the *Securities Act*, (d) pursuant to the exemption from registration provided by Rule 144 under the *Securities Act* (if available) or (e) pursuant to an effective registration statement under the *Securities Act*, in each case in accordance with all applicable U.S. state securities laws;
- (e) 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;
- (f) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds, that Covered Bonds offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Covered Bonds and that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;
- (g) that either (a) it is not and for so long as it holds a Covered Bond (or any interest therein) will not be (i) an “employee benefit plan” as defined in Section 3(3) of 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 the Code, or (iv) a governmental or other benefit plan which is subject to any non-U.S. or U.S. federal, state or local law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (b) its purchase and holding of the Covered Bonds will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of such a governmental or other employee benefit plan, any such substantially similar non-U.S. or U.S. federal, state or local law for which an exemption is not available;
- (h) that the Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAS NOT BEEN 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 (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN “INSTITUTIONAL ACCREDITED

INVESTOR”); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES 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 COVERED BONDS, 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 FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER 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) IT 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 HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES 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 PURCHASE AND HOLDING OF THIS COVERED BOND (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR ANY INTEREST HEREIN) WILL NOT BE (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 OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY NON-U.S. OR U.S. FEDERAL, STATE OR LOCAL LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS COVERED BOND WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR NON-U.S. OR U.S. FEDERAL, STATE OR LOCAL LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION 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, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the *Securities Act* or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“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 COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND 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 OR 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 PURCHASE AND HOLDING OF THIS COVERED BOND (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR ANY INTEREST HEREIN) WILL NOT BE (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 OR OTHER BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS COVERED BOND WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE.”; and

- (j) that the Issuer 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 will promptly notify the Issuer; 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.

Institutional Accredited Investors who purchase Registered Covered Bonds in definitive form offered and sold in the United States in reliance on an exemption from registration under the *Securities Act* are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Covered Bonds will be issued in definitive registered form, see “*Form of the Covered Bonds*”. The IAI Investment Letter will state, among other things, the following:

- (a) that the Institutional Accredited Investor has received a copy of the Prospectus and such other information as it deems necessary in order to make its investment decision;
- (b) that the Institutional Accredited Investor understands 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 have not been and will not be registered under the *Securities Act* or any other applicable U.S. State securities laws and that any subsequent transfer of the Covered Bonds is subject to certain restrictions and conditions set forth in the Prospectus and the Covered Bonds (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Covered Bonds except in compliance with, such restrictions and conditions and the *Securities Act*;
- (c) that, in the normal course of its business, the Institutional Accredited investor invests in or purchases securities similar to the Covered Bonds;
- (d) that the Institutional Accredited Investor is an institution that is an accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the *Securities Act* and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Covered Bonds, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts’ investment for an indefinite period of time;
- (e) that the Institutional Accredited Investor is acquiring the Covered Bonds purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Covered Bonds, subject, nevertheless, to the understanding that the disposition of its property will at all times be and remain within its control; and
- (f) that, in the event that the Institutional Accredited Investor purchases Covered Bonds, it will acquire Covered Bonds having at least the minimum purchase price set forth in the applicable Final Terms.

No sales of Legended Covered Bonds in the United States to any one purchaser will be for less than the minimum purchase price set forth in the applicable Final Terms in respect of the relevant Legended Covered Bonds (which minimum amount may vary for Institutional Accredited Investors). If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least an amount equal to the applicable minimum purchase price set forth in the applicable Final Terms in respect of the relevant Legended Covered Bonds.

Dealers 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 Dealers 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 will be specified in the applicable Final Terms (or the approximate equivalent in another Specified Currency).

### ***Selling Restrictions***

Regulation S, Category 2, TEFRA D Rules apply, unless TEFRA C Rules are specified as applicable in the applicable Final Terms or unless TEFRA Rules are not applicable. Rule 144A eligible or sales to Institutional Accredited Investors who agree to purchase for their own account and not with a view to distribution will be permitted, if so specified in the applicable Final Terms.

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any State securities laws and may not be offered or sold within the United States or its territories or possessions or to or for the account or benefit of U.S. persons as defined in Regulation S and the *Securities Act* except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of 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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

In connection with any Covered Bonds which are offered or sold outside the United States in reliance on Regulation S (“**Regulation S Covered Bonds**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulations S Covered Bonds (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the *Securities Act*. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Covered Bonds 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*.

In addition, until forty days after the commencement of the offering of Covered Bonds comprising any Tranche, any offer or sale of Covered Bonds 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 exemption from registration under the *Securities Act*.

Dealers 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 Dealers 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 will be specified in the applicable Final Terms in U.S. dollars (or the approximate equivalent in another Specified Currency). Each issuance of Index Linked Covered Bonds or Dual Currency Covered Bonds will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer(s) may agree as a term of the issuance and purchase of such Covered Bonds, which additional selling restrictions will be set out in the applicable Final Terms.

#### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) 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 in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Covered Bonds to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Covered Bonds specify that an offer of those Covered Bonds may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Covered Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive,



in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable;

- (b) at any time to any legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Covered Bonds referred to in (b) to (e) above shall require the Issuer or any Dealer(s) to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Covered Bonds to the public**” in relation to any Covered Bonds in any Relevant 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 the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### **Selling Restrictions addressing additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme 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 an 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 Issuer, would not, if the Issuer was not an authorized person, apply to the Issuer; 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 United Kingdom.

#### **Hong Kong**

In relation to each Tranche of Covered Bonds issued by the Issuer each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies 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 purpose 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 of Hong Kong and any rules made under that Ordinance.

## Republic of France

The Issuer and each Dealer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the applicable Final Terms 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 only to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L 411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

## Republic of Italy

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme 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:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”), and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (“**Regulation No. 11971**”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Furthermore, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Covered Bonds or distribution of copies of the Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (i) or (ii) above must be:

- (a) 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. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “**Banking Act**”); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

*Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Covered Bonds on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Covered Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

## **Japan**

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme 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 Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a 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.

## **General**

No action has been or will be taken in any country or jurisdiction by the Issuer, the Guarantor, the Dealers or the Bond Trustee that would permit a public offering of Covered Bonds, or possession or distribution of any offering material in relation thereto, in such country or jurisdiction where action for that purpose is required. Persons into whose hands the Prospectus or any Final Terms comes are required by the Issuer, the Guarantor, the Dealers and the Bond Trustee to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers will not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions will, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the applicable Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Covered Bonds) or (in any other case) in a supplement to this document.

## GENERAL INFORMATION

1. The listing of the Covered Bonds on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Covered Bonds which is to be listed on the Official List and to trading on the Market or the PSM will be admitted separately upon submission of the applicable Final Terms and any other information required, subject to the issue of the relevant Covered Bonds. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

Covered Bonds may be issued pursuant to the Programme which will not be admitted to the Official List or to trading on the Market or the PSM or listed on any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

2. The Transparency Obligations Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 (the “**TOD**”), which relates to information about issuers whose securities are admitted to trading on a regulated market in the European Union was published in the Official Journal of the EU on 31 December 2004. The TOD has been implemented in most (but not all) Member States. At present, the Issuer’s financial statements are not prepared in accordance with, or reconciled to, IFRS or IAS or audited in accordance with International Standards on Auditing (“**ISA**”) and do not contain any additional quantitative or qualitative disclosures relating to significant differences between IFRS and Canadian GAAP, nor any auditor’s report relating thereto. The TOD contains provisions which, when applied to any Covered Bonds issued under the Programme and admitted to trading on a regulated market in the European Union, will have the effect of either requiring the Issuer to prepare its financial statements in accordance with, or reconciled to, IAS and IFRS or to have them audited in accordance with ISA or to provide the above-noted additional disclosures and a related audit report in order for the Covered Bonds to remain listed on a regulated market in the European Union, unless it is determined that Canadian law imposes “equivalent” requirements in all respects.

In December 2006, the European Union passed Commission Regulation (EC) No. 1787/2006 and a Commission Decision (2006/891/EC) permitting non-EEA issuers, such as the Bank, to use among others Canadian GAAP in prospectuses filed under the Prospectus Directive and financial reporting under the TOD until financial years beginning on or after 1 January 2009. On 21 December 2007, the European Union passed Commission Regulation (EC) No. 1569/2007 pursuant to which these transitional measures have been extended until financial years beginning on or after 31 December 2011, provided that the relevant accounting standards setter in the non-EEA country (such as Canada) had before 30 June 2008 publicly committed to adopt IFRS before 31 December 2011 and taken effective measures to ensure the timely and complete transition to IFRS by that date. On 13 February 2008, the Accounting Standards Board of Canada (the AcSB) publicly confirmed the adoption of IFRS for financial years beginning on or after 1 January 2011. On 12 December 2008, Commission Decision (2008/961/EC) repealed Commission Decision (2006/891/EC) and reaffirmed that prior to financial years starting on or after 1 January 2012, a third country issuer would be permitted to prepare its annual consolidated financial statements and half-yearly consolidated financial statements in accordance with Canadian GAAP.

3. The establishment of the Programme and the issue of Covered Bonds has been authorized by the Issuer. The giving of the Covered Bond Guarantee has been duly authorized by resolution of the Managing GP on behalf of the Guarantor dated 10 June 2008. The Issuer and the Guarantor have obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the issue and performance of the Covered Bonds and the Covered Bond Guarantee.
4. Other than as noted in note 25 of the audited consolidated financial statements for the year ended 31 October 2009 set out on pages 152 through 154 of the Bank’s 2009 Annual Report and note 13 of the unaudited interim consolidated financial statements for the three and nine month periods ended 31 July 2010 set out on page 55 of the Bank’s Third Quarter Report to Shareholders and incorporated by reference herein (such claims are unquantifiable), there are no, nor have there been any governmental, legal or arbitration proceedings involving the Issuer or any of its subsidiaries or the Guarantor (including any such proceedings which are pending or threatened of which the Issuer or Guarantor is aware) which may have, or have had during the 12 months prior

to the date of this document, individually or in the aggregate, a significant effect on the financial position or profitability of the Issuer or of the Issuer and its subsidiaries taken as a whole or the Guarantor.

5. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries, including the Guarantor, taken as a whole since 31 July 2010, the last day of the financial period in respect of which the most recent interim published consolidated financial statements of the Issuer have been prepared. There has been no material adverse change in the prospects of the Issuer and its subsidiaries, including the Guarantor, taken as a whole since 31 October 2009, the last day of the financial period in respect of which the most recent audited published consolidated financial statements of the Issuer have been prepared.
6. The auditors of the Issuer are Ernst & Young LLP (“E&Y”) who are Chartered Accountants and Licensed Public Accountants. E&Y is independent of the Bank within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and has no material interest in the Bank. The address for E&Y is set out on the last page hereof.
7. The consolidated financial statements of the Issuer for the years ended October 31, 2009 and 2008 prepared in accordance with Canadian GAAP, were audited in accordance with Canadian generally accepted auditing standards by E&Y. The consolidated financial statements of the Issuer for the years ended October 31, 2009 and 2008 were also audited in accordance with the standards of the Public Company Accounting Oversight Board by E&Y. E&Y expressed an unqualified opinion thereon in their report dated December 2, 2009.
8. For so long as the Programme remains in effect or any Covered Bonds are outstanding, copies of the following documents may be inspected during normal business hours at the specified offices of the Issuing and Paying Agent, the Registrar and the Issuer, namely:
  - (i) the Bank Act (being the charter of the Issuer) and by-laws of the Issuer and the constating documents of the Guarantor;
  - (ii) the Agency Agreement;
  - (iii) the Transaction Documents (including, without limitation, the Trust Deed containing the Covered Bond Guarantee);
  - (iv) the Annual Report of the Issuer for the two most recently completed fiscal years, which includes audited annual comparative consolidated financial statements of the Issuer and the auditors’ reports thereon; the Guarantor is not required to prepare any audited accounts on an annual basis pursuant to applicable Canadian law;
  - (v) the most recent quarterly report of the Issuer including the unaudited interim consolidated financial statements; the Guarantor is not required to prepare any unaudited interim accounts pursuant to applicable Canadian law;
  - (vi) each Final Terms for a Tranche of Covered Bonds that is offered to the public or admitted to trading on a regulated market in any Member State of the EEA in circumstances requiring publication of a prospectus in accordance with Directive 2003/71/EC and any relevant implementing measure or admitted to trading on the PSM; and
  - (vii) a copy of the Prospectus together with any supplementary listing particulars or other supplement to the Prospectus or further Prospectus.
9. The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records in respect of the Covered Bonds. The appropriate common code and International Securities Identification Number for the relevant Covered Bonds will be contained in the Final Terms relating thereto. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of

Registered Bonds, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information (including address) will be specified in the applicable Final Terms. The address of Euroclear is 3 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream is 42 Avenue J. F. Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York, 10041-0099, United State of America.

10. The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
11. Bearer Covered Bonds (other than Temporary Global Covered Bonds) and any Coupon appertaining thereto will bear a legend substantially to the following effect: “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 in such legend provide that a United States person who holds a Bearer Covered Bond or Coupon generally will not be allowed to deduct any loss realized on the sale, exchange or redemption of such Bearer Covered Bond or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
12. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Issuing and Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Covered Bonds.
13. The Issuer will provide post-issuance information to Holders of the Covered Bonds in the form of investor reports, which will be available on the Issuer’s website at [www.cibc.com/ca/investor-relations/share-info/debt-info/covered-bond-programme.html](http://www.cibc.com/ca/investor-relations/share-info/debt-info/covered-bond-programme.html). Unless otherwise provided in the applicable Final Terms, the Issuer has no intention of providing any other post-issuance information to Holders of the Covered Bonds.
14. The Issuer may, on or after the date of this Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive, as implemented in the United Kingdom, to be issued by the UK Listing Authority to the competent authority in any Member State.
15. The Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Trust Deed. However, the Bond Trustee will have no recourse to the professional advisers in respect of such certificates or reports unless the professional advisers have agreed to have a duty of care for such certificates or reports to the Bond Trustee pursuant to the terms of the relevant document(s) between the Bond Trustee and such persons.

## GLOSSARY

“2009 Annual Information Form” .....	The meaning given to it in “ <i>Documents Incorporated by Reference</i> ” on page 41;
“2009 Annual Report” .....	The meaning given to it in “ <i>Documents Incorporated by Reference</i> ” on page 41;
“30/360” .....	The meaning given in Condition 5.09 on page 72;
“360/360” .....	The meaning given in Condition 5.09 on page 72;
“30E/360” .....	The meaning given in Condition 5.09 on page 71;
“30E/360 (ISDA)” .....	The meaning given in Condition 5.09 on page 72;
“\$”, “C\$”, “CAD” or “Canadian dollars” ...	The lawful currency for the time being of Canada;
“€” or “euro” .....	The lawful currency for the time being of the Partner states of the European Union that have adopted or may adopt the single currency in accordance with the treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the treaty on European Union;
“£”, “Sterling” and “United Kingdom Pound” .....	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;
“U.S.\$”, “U.S. dollars”, “USD” or “United States dollars” .....	The lawful currency for the time being of the United States of America;
“¥”, “Yen” and “Japanese Yen” .....	The lawful currency for the time being of Japan;
“Account Bank” .....	Canadian Imperial Bank of Commerce together with any successor Account Bank appointed under the Bank Account Agreement;
“Account Bank Threshold Ratings” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 155;
“accredited investor” .....	As defined in Rule 501(a)(1), (2), (3) or (7) of the <i>Securities Act</i> ;
“Accrual Period” .....	The meaning given in Condition 5.09 on page 71;
“Accrued Interest” .....	In respect of a Portfolio Asset as at any relevant date the aggregate of all interest accrued but not yet due and payable on the Portfolio Asset from (and including) the Monthly Payment Date immediately preceding the relevant date to (but excluding) the relevant date;
“Act” .....	The meaning given in “ <i>Taxation</i> ” on page 174;
“Actual/360” .....	The meaning given in Condition 5.09 on page 71;
“Actual/365 (Fixed)” .....	The meaning given in Condition 5.09 on page 71;
“Actual/Actual” or “Actual/Actual (ISDA)” .....	The meaning given in Condition 5.09 on page 71;
“Actual/Actual (ICMA)” .....	The meaning given in Condition 5.09 on page 73;
“Additional Loan Advance” .....	A further drawing (including, but not limited to, Further Advances) in respect of Loans sold by the Seller to the Guarantor;
“Adjusted Aggregate Asset Amount” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 142;

<b>“Adjusted Required Redemption Amount”</b> .....	The Canadian Dollar Equivalent of the Required Redemption Amount, plus or minus the Canadian Dollar Equivalent of 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 Guarantor Accounts and the Canadian Dollar Equivalent of the principal balance of any Substitute Assets and/or any Authorized Investments (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 any swap termination amounts payable to or by the Guarantor under the Interest Rate Swap Agreement minus amounts standing to the credit of the Pre-Maturity Liquidity Ledger;
<b>“Agency Agreement”</b> .....	The agency agreement (as amended and/or supplemented and/or restated from time to time) dated the Programme Date and made between the Issuer, the Guarantor, the Bond Trustee, the Issuing and Paying Agent and the other Paying Agents, the Exchange Agent, the Registrar and the Transfer Agents;
<b>“Agent”</b> .....	Each of the Paying Agents, the Registrar, the Exchange Agent and the Transfer Agent;
<b>“AMF”</b> .....	Autorité des marchés financiers;
<b>“Amortization Test”</b> .....	The test as to whether the Amortization Test Aggregate Asset Amount is at least equal to the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date;
<b>“Amortization Test Aggregate Asset Amount”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 145;
<b>“Amortization Test True Balance”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 145;
<b>“Amortization Yield”</b> .....	The rate defined by, or determined in accordance with the provisions of, the relevant Final Terms;
<b>“Amortized Face Amount”</b> .....	The meaning given in Condition 6.10 on page 78;
<b>“applicable Final Terms”</b> .....	The meaning given on page 54;
<b>“Arrangers”</b> .....	CIBC and RBS;
<b>“Arrears of Interest”</b> .....	As at any date in respect of any Portfolio Asset, interest (other than Capitalized Interest or Accrued Interest) on that Portfolio Asset which is currently due and payable and unpaid on that date;
<b>“Asset Coverage Test”</b> .....	The test as to whether the Adjusted Aggregate Asset Amount is at least equal to the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date and from time to time;
<b>“Asset Coverage Test Breach Notice”</b> .....	The notice required to be served by the Guarantor if the Asset Coverage Test has not been met on two consecutive Calculation Dates;
<b>“Asset Monitor”</b> .....	Ernst & Young LLP, in its capacity as Asset Monitor under the Asset Monitor Agreement, together with any successor asset monitor appointed from time to time;



<b>“Asset Monitor Agreement”</b> .....	The asset monitor agreement entered into on the Programme Date between the Asset Monitor, the Guarantor, the Cash Manager, the Issuer and the Bond Trustee (as amended and/or restated and/or supplemented from time to time);
<b>“Asset Monitor Report”</b> .....	The results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Cash Manager, the Issuer and the Bond Trustee;
<b>“Asset Percentage”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 144;
<b>“Asset Percentage Adjusted True Balance”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 143;
<b>“Authorized Investments”</b> .....	Investments of a type or class for which Rating Agency Confirmation has been received, including for example, short-term government bonds and money market securities;
<b>“Authorized Underpayment”</b> .....	A Borrower making either no Monthly Payment under a Loan or a payment in an amount less than the Monthly Payment then due on the Loan, in each case, where the Servicer has authorized such underpayment or non-payment;
<b>“Available Principal Receipts”</b> .....	On a relevant Calculation Date, an amount equal to the aggregate of (without double counting): <ul style="list-style-type: none"> <li>(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 beginning in the month in which the relevant Calculation Date falls);</li> <li>(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 Covered Bond Portfolios of Portfolio Assets, refinance an advance under the Intercompany Loan or invest in Substitute Assets and/or Authorized Investments), (ii) any Cash Capital Contributions and (iii) the proceeds from any sale of Portfolio Assets pursuant to the terms of the Guarantor Agreement or the Mortgage Sale Agreement but excluding any amount of principal received under the Covered Bond Swap Agreement; and</li> <li>(c) following repayment of any Hard Bullet Covered Bonds by the Issuer 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);</li> </ul>
<b>“Available Revenue Receipts”</b> .....	On a relevant Calculation Date, an amount equal to the aggregate of: <ul style="list-style-type: none"> <li>(a) the amount of Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger;</li> <li>(b) other net income of the Guarantor including all amounts of interest received on the Guarantor Accounts, the Substitute Assets, the Authorized Investments and in the previous Calculation Period but excluding amounts received by the Guarantor under the Interest Rate Swap Agreement and in respect of interest received by the Guarantor</li> </ul>

	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) any other Revenue Receipts not referred to in paragraphs (a) to (c) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger; and
	(e) following the service of a Notice to Pay on the Guarantor, amounts standing to the credit of the Reserve Fund;
	<i>less</i>
	(f) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller;
<b>“Bank”</b> .....	Canadian Imperial Bank of Commerce;
<b>“Bank Account Agreement”</b> .....	The bank account agreement entered into on the Programme Date between the Guarantor, the Account Bank, the Cash Manager and the Bond Trustee (as amended and/or restated and/or supplemented from time to time);
<b>“Bank Act”</b> .....	<i>Bank Act</i> (Canada);
<b>“Banking Act”</b> .....	The meaning given in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” on page 193;
<b>“Banking Day”</b> .....	The meaning given in Condition 5.09 on page 70;
<b>“Base Prospectus”</b> .....	The meaning given on page 2;
<b>“Bearer Covered Bonds”</b> .....	Covered Bonds in bearer form;
<b>“Bearer Definitive Covered Bond”</b> .....	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
<b>“Bearer Global Covered Bonds”</b> .....	The meaning given on page 54;
<b>“Beneficial Owner”</b> .....	The meaning given in “ <i>Book-Entry Clearance Systems</i> ” on page 170;
<b>“BIA”</b> .....	The meaning given in “ <i>Risk Factors</i> ” on page 37;
<b>“Bond Basis”</b> .....	The meaning given in Condition 5.09 on page 72;
<b>“Bond Trustee”</b> .....	Computershare Trust Company of Canada, in its capacity as bond trustee under the Trust Deed together with any successor bond trustee appointed from time to time;
<b>“Borrower”</b> .....	In relation to a Loan, the person or persons specified as such in the relevant Mortgage together with the person or persons (if any) from time to time assuming an obligation thereunder to repay such Loan or any part of it;
<b>“Branch of Account”</b> .....	The meaning given in Condition 18.01 on page 93;
<b>“Business Day”</b> .....	The meaning given in Condition 5.09 on page 70;
<b>“Business Day Convention”</b> .....	The meaning given in Condition 5.09 on page 70;
<b>“Calculation Agent”</b> .....	In relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer and the Guarantor pursuant to the Agency Agreement or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds;

“ <b>Calculation Amount</b> ” .....	The meaning given in the applicable Final Terms;
“ <b>Calculation Date</b> ” .....	The meaning given in Condition 7.01 on page 81;
“ <b>Calculation Period</b> ” .....	The period from, but excluding, the Calculation Date of the previous month to, and including, the Calculation Date of the month and, for greater certainty, references to the “ <b>immediately preceding calculation period</b> ” or the “ <b>previous calculation period</b> ” are references to the Calculation Period ending on the relevant Calculation Date;
“ <b>Call Option</b> ” .....	The meaning given in the applicable Final Terms;
“ <b>Call Option Date(s)</b> ” .....	The meaning given in Condition 6.04 on page 77;
“ <b>Call Option Period</b> ” .....	The meaning given in Condition 6.04 on page 77;
“ <b>Canadian Dollar Equivalent</b> ” .....	In relation to a Covered Bond which is denominated in (i) a currency other than Canadian dollars, the Canadian dollar equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Covered Bond, and (ii) Canadian dollars, the applicable amount in Canadian dollars;
“ <b>Canadian GAAP</b> ” .....	The meaning given in “ <i>Risk Factors</i> ” on page 39;
“ <b>Capital Account Ledger</b> ” .....	The ledger maintained by the Cash Manager on behalf of the Guarantor in respect of each Partner to record the balance of each Partner’s Capital Contributions from time to time;
“ <b>Capital Balance</b> ” .....	For a Loan at any date, the principal balance of that Loan to which the Servicer applies the relevant interest rate at which interest on that Loan accrues;
“ <b>Capital Contribution</b> ” .....	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;
“ <b>Capital Contribution Balance</b> ” .....	The balance of each Partner’s Capital Contributions as recorded from time to time in the relevant Partner’s Capital Account Ledger;
“ <b>Capital Contribution in Kind</b> ” .....	A contribution of Loans and their Related Security on a fully-serviced basis and/or NHA MBS to the Guarantor in an amount equal to (a) the aggregate of the fair market value of those Loans and/or NHA MBS as at the relevant Transfer Date, minus (b) any cash payment paid by the Guarantor for such Loans and their Related Security and/or NHA MBS on that Transfer Date;
“ <b>Capital Distribution</b> ” .....	Any return on a Partner’s Capital Contribution in accordance with the terms of the Guarantor Agreement;
“ <b>Capital Requirements Directive</b> ” .....	Directive 2006/48/EC 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);
“ <b>Capitalized Arrears</b> ” .....	For any Loan at any date, interest or other amounts which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;
“ <b>Capitalized Expenses</b> ” .....	In relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding, however, any Arrears of Interest) capitalized and

	added to the Capital Balance of that Loan in accordance with the relevant Mortgage Conditions;
“Capitalized Interest” .....	For any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalized on that date);
“Cash Capital Contributions” .....	A Capital Contribution made in cash;
“Cash Management Agreement” .....	The cash management agreement entered into on the Programme Date between the Guarantor, the Bank in its capacity as the Cash Manager and the Bond Trustee (as amended and/or restated and/or supplemented from time to time);
“Cash Manager” .....	Canadian Imperial Bank of Commerce, in its capacity as cash manager under the Cash Management Agreement together with any successor cash manager appointed pursuant to the Cash Management Agreement from time to time;
“CCAA” .....	The meaning given in “ <i>Risk Factors</i> ” on page 37;
“Charged Property” .....	The property charged by the Guarantor pursuant to the Security Agreement;
“CIBC” .....	Canadian Imperial Bank of Commerce, London Branch;
“Clearing Systems” .....	DTC, Euroclear and/or Clearstream, Luxembourg;
“Clearstream, Luxembourg” .....	Clearstream Banking, <i>société anonyme</i> ;
“CMHC” .....	Canada Mortgage and Housing Corporation, a Canadian federal Crown corporation, and its successors;
“CMHC Approved Lender” .....	In respect of CMHC Mortgage Insurance, any “approved lender” thereunder;
“CMHC Guarantee” .....	In respect of an NHA MBS, the guarantee of CMHC as to timely payment of principal and interest in respect thereof;
“CMHC Insured Loan” .....	A Loan which has the benefit of CMHC Mortgage Insurance;
“CMHC Insured Mortgage” .....	A Canadian first lien, residential mortgage in respect of a CMHC Insured Loan;
“CMHC Mortgage Insurance” .....	The mortgage loan insurance in respect of a Loan issued to the Seller or the relevant Originator, as applicable, by CMHC subject, in each case, to the <i>National Housing Act</i> (Canada) and the regulations thereunder;
“Common Depositary” .....	The common depositary for Euroclear and Clearstream, Luxembourg;
“Common Safekeeper” .....	A common safekeeper for Euroclear and/or Clearstream, Luxembourg;
“Conditions” .....	Terms and conditions of the Covered Bonds as described under “ <i>Terms and Conditions of the Covered Bonds</i> ”;
“Contractual Currency” .....	The meaning given in Condition 16 on page 92;
“Corporate Services Agreement” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 156;
“Corporate Services Provider” .....	Computershare Trust Company of Canada, a trust company incorporated 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;
<b>“Couponholders”</b> .....	The meaning given in <i>“Terms and Conditions of the Covered Bonds”</i> on page 59;
<b>“Coupons”</b> .....	The meaning given in <i>“Terms and Conditions of the Covered Bonds”</i> on page 58;
<b>“Covered Bond”</b> .....	Each covered bond issued or to be issued pursuant to the Dealership Agreement and which is or is to be constituted under the Trust Deed, which covered bond may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 6.15 and Condition 12;
<b>“Covered Bond Guarantee”</b> .....	A direct and, following the occurrence of a Covered Bond Guarantee Activation Event, unconditional and irrevocable guarantee by the Guarantor set forth in the Trust Deed for the payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment;
<b>“Covered Bond Guarantee Activation Event”</b> .....	The earlier to occur of (i) an Issuer Event of Default, together with the service of an Issuer Acceleration Notice on the Issuer and the service of a Notice to Pay on the Guarantor; and (ii) a Guarantor Event of Default, together with the service of a Guarantor Acceleration Notice on the Issuer and on the Guarantor (and each a <b>“Covered Bond Guarantee Activation Event”</b> as the context requires);
<b>“Covered Bond Portfolio”</b> .....	The Initial Covered Bond Portfolio and each additional portfolio of Portfolio Assets acquired by the Guarantor;
<b>“Covered Bond Swap Agreement”</b> .....	The agreement(s) (including any replacement agreements) entered into between the Guarantor and the Covered Bond Swap Provider(s) in the form of an ISDA Master Agreement, including a schedule and confirmations in relation to each Tranche or Series of Covered Bonds (as amended and/or restated and/or supplemented from time to time);
<b>“Covered Bond Swap Early Termination Event”</b> .....	The meaning given in <i>“Summary of the Principal Documents”</i> on page 153;
<b>“Covered Bond Swap Provider”</b> .....	The provider(s) of the Covered Bond Swap under the Covered Bond Swap Agreement;
<b>“Covered Bond Swap Rate”</b> .....	In relation to a Covered Bond or Tranche or Series of Covered Bonds, the exchange rate relating to such Covered Bond or Series of Covered Bonds specified in the applicable Final Terms;
<b>“Credit Linked Covered Bonds”</b> .....	Covered Bonds in respect of which payments will be calculated by reference to the creditworthiness of, performance of obligations by or some other factor relating to one or more Reference Entities, as set out in the applicable Final Terms;
<b>“Current Balance”</b> .....	In relation to a Loan at any relevant date, means the aggregate principal balance of the Loan at such date (but avoiding double counting) including the following: (i) the Initial Advance; (ii) Capitalized Expenses; (iii) Capitalized Arrears; and (iv) any increase in the principal amount due under that Loan due to any form of Further Advance, in each case relating to such Loan less any prepayment, repayment or payment of the foregoing made on or prior to the determination date;
<b>“Custodian”</b> .....	The meaning given in <i>“Book-Entry Clearance Systems”</i> on page 172;
<b>“Cut-off Date”</b> .....	The second Toronto Business Day following the Calculation Date preceding a relevant Transfer Date or (in the case of a Product Switch or

	Further Advance) a Guarantor Payment Date, as the case may be;
“Day Count Fraction” .....	The meaning given in Condition 5.09 on page 71;
“DBRS” .....	DBRS Limited;
“Dealers” .....	CIBC, Commerzbank Aktiengesellschaft, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International and The Royal Bank of Scotland plc or such other Dealer(s) as may be appointed from time to time in accordance with the Dealership Agreement, which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the relevant Dealer(s) shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds;
“Dealership Agreement” .....	The meaning given in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” on page 186;
“Definitive Covered Bond” .....	A Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond;
“Definitive IAI Registered Covered Bond” .....	A Registered Covered Bond in definitive form sold to an Institutional Accredited Investor;
“Definitive N Covered Bond” .....	A Registered Covered Bond in definitive form made out in the name of a specific creditor;
“Definitive N Covered Bonds Deed” .....	The meaning given on page 47;
“Definitive Rule 144A Covered Bond” .....	A Registered Covered Bond in definitive form sold to QIBs pursuant to Rule 144A;
“Demand Loan” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 122;
“Demand Loan Contingent Amount” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 123;
“Demand Loan Repayment Event” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 123;
“Designated Maturity” .....	The meaning given in the ISDA Definitions;
“Determination Date” .....	The meaning given in the applicable Final Terms;
“Determination Period” .....	The meaning given in Condition 5.09 on page 73;
“Direct Participants” .....	The meaning given in “ <i>Book-Entry Clearance Systems</i> ” on page 170;
“Distribution Compliance Period” .....	The period that ends 40 days after the completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);
“DTC” .....	The Depository Trust Company;
“DTC Covered Bonds” .....	Covered Bonds accepted into DTC’s book-entry settlement system;
“DTCC” .....	The Depository Trust & Clearing Corporation;
“Dual Currency Covered Bonds” .....	Covered Bonds in respect of which payments (whether in respect of principal or interest and whether at maturity or otherwise) will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree;
“Due for Payment” .....	The requirement by the Guarantor to pay any Guaranteed Amounts

following the service of a Notice to Pay on the Guarantor,

- (i) prior to the occurrence of a Guarantor Event of Default, on:
  - (a) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, or, if later, the day which is two Business Days following service of a Notice to Pay on the Guarantor in respect of such Guaranteed Amounts or if the applicable Final Terms specify that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, 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 (the “**Original Due for Payment Date**”); and
  - (b) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, the Extended Due for Payment Date, but only
    - (i) if in respect of the relevant Series of Covered Bonds the Covered Bond Guarantee is subject to an Extended Due for Payment Date pursuant to the terms of the applicable Final Terms and (ii) to the extent that the Guarantor has been served a Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date and does not pay Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date because the Guarantor has insufficient moneys 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 such Notice to Pay on the Guarantor or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 7.01(a)) or (b) the Extension Determination Date,

or, if, in either case, such day is not a Business Day, the next following Business Day. 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 save as provided in paragraph (ii) below; or

- (ii) following the occurrence of a Guarantor Event of Default, the date on which a Guarantor Acceleration Notice is served on the Issuer and the Guarantor;

“ <b>E&amp;Y</b> ” .....	Ernst & Young LLP;
“ <b>Earliest Maturing Covered Bonds</b> ” .....	At any time, the Series of the Covered Bonds (other than any Series which is fully collateralized by amounts standing to the credit of the Guarantor in the Guarantor Accounts and/or Authorized Investments or a combination thereof) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of a Guarantor Event of Default);
“ <b>Early Redemption Amount</b> ” .....	The meaning given in the relevant Final Terms;
“ <b>EEA</b> ” or “ <b>European Economic Area</b> ” .....	The meaning given on page 4;
“ <b>Eligibility Criteria</b> ” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 128;
“ <b>Equity Linked Covered Bonds</b> ” .....	Covered Bonds in respect of which payments will be calculated by

	reference to the price, value, performance or some other factor relating to one or more Reference Assets, as set out in the applicable Final Terms;
“EU” .....	European Union;
“EURIBOR” or “EUROLIBOR” .....	Euro-zone inter-bank offered rate;
“Eurobond Basis” .....	The meaning given in Condition 5.09 on page 71;
“Euroclear” .....	Euroclear Bank S.A./N.V.;
“Eurodollar Convention” .....	The meaning given in Condition 5.09 on page 71;
“European Exchange Agent” .....	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 58;
“European Registrar” .....	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 58;
“Euro-zone” .....	The meaning given in Condition 5.09 on page 73;
“Excess Proceeds” .....	Moneys received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice) by the Bond Trustee from the Issuer or any administrator, administrative receiver, receiver, liquidator, trustee in sequestration or other similar official appointed in relation to the Issuer;
“Exchange Act” .....	The U.S. Securities Exchange Act of 1934, as amended;
“Exchange Agent” .....	Collectively, HSBC Bank USA, National Association and HSBC Bank plc in their capacity as exchange agent (which expression shall include any successor exchange agent);
“Exchange Date” .....	The meaning specified in the relevant Final Terms;
“Exchange Event” .....	The meaning given in “ <i>Form of the Covered Bonds</i> ” on page 56;
“Excluded Holder” .....	The meaning given in Condition 18.03 on page 93;
“Excluded Scheduled Interest Amounts” ..	The meaning given in the definition of “Scheduled Interest” below;
“Excluded Scheduled Principal Amounts” ..	The meaning given in the definition of “Scheduled Principal” below;
“Excluded Swap Termination Amount” ....	In relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable (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;
“Existing Covered Bonds” .....	The Covered Bonds of all Series then outstanding;
“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 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 on the Extension Determination Date;
“Extension Determination Date” .....	In respect of a 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” .....	Means (a) a resolution passed at a meeting of the Holders of the Covered Bonds duly convened and held in accordance with the terms of the Trust Deed by a majority consisting of not less than three-quarters 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 quarters of the votes cast on such



	poll; or (b) a resolution in writing signed by or on behalf of the Holders of the Covered Bond holding not less than 50 per cent. in 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 Holders of the Covered Bonds;
“FIEA” .....	The meaning given in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” on page 194;
“Final Maturity Date” .....	The Interest Payment Date on which each Series of Covered Bonds will be redeemed at their Principal Amount Outstanding in accordance with the Conditions;
“Final Redemption Amount” .....	The meaning given in the relevant Final Terms;
“Final Terms” .....	Final terms which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the applicable Tranche of Covered Bonds;
“Financial Centre” .....	The financial centre or centres specified in the applicable Final Terms;
“Financial Services Act” .....	The meaning given in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” on page 193;
“First Transfer Date” .....	The Transfer Date in respect of the Initial Covered Bond Portfolio which occurred before the first Issue Date;
“Fitch” .....	Fitch Ratings Ltd.;
“Fixed Amount Payer” .....	The meaning given in the ISDA Definitions;
“Fixed Amounts” .....	The meaning specified in the applicable Final Terms;
“Fixed Coupon Amount” .....	The meaning specified in the applicable Final Terms;
“Fixed Interest Period” .....	The meaning given in Condition 5.02 on page 66;
“Fixed Rate Covered Bonds” .....	Covered Bonds paying a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s);
“Floating Rate” .....	The meaning given in the ISDA Definitions;
“Floating Rate Convention” .....	The meaning specified in the applicable Final Terms;
“Floating Rate Covered Bonds” .....	Covered Bonds which bear interest at a rate determined: <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional schedule and confirmations for each Tranche and/or Series of Covered Bonds in the relevant Specified Currency governed by the Interest Rate Swap Agreement incorporating the ISDA Definitions; or</li> <li>(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li> <li>(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), as set out in the applicable Final Terms;</li> </ul>
“Floating Rate Option” .....	The meaning given in the ISDA Definitions;
“Following Business Day Convention” .....	The meaning specified in the applicable Final Terms;
“FRN Convention” .....	The meaning given in Condition 5.09 on page 71;

<b>“FSMA”</b> .....	Financial Services and Markets Act 2000, as amended;
<b>“Further Advance”</b> .....	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;
<b>“GIC Account”</b> .....	The account in the name of the Guarantor held with the Account Bank and maintained subject to the terms of the Master Definitions and Construction Agreement, the Guaranteed Investment Contract, the Bank Account Agreement and the Security Agreement or such additional or replacement account(s) as may be for the time being be in place with the prior consent of the Bond Trustee;
<b>“GIC Provider”</b> .....	Canadian Imperial Bank of Commerce, in its capacity as GIC provider under the Guaranteed Investment Contract together with any successor GIC provider appointed from time to time;
<b>“Global Covered Bond”</b> .....	A Bearer Global Covered Bond and/or Registered Global Covered Bond, as the context may require;
<b>“GST”</b> .....	GST means the taxes payable under Part IX of the <i>Excise Tax Act</i> (Canada).
<b>“Guarantee Loan”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 122;
<b>“Guarantee Priority of Payments”</b> .....	The meaning given in Condition 6.01 on page 76;
<b>“Guaranteed Amounts”</b> .....	Prior to the 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 Conditions plus all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Guarantor under the Trust Deed;
<b>“Guaranteed Investment Contract” or “GIC”</b> .....	The guaranteed investment contract between the Guarantor, the GIC Provider, the Bond Trustee and the Cash Manager dated the Programme Date (as amended and/or restated and/or supplemented from time to time);
<b>“Guarantor”</b> .....	CIBC Covered Bond Guarantor Limited Partnership;
<b>“Guarantor Acceleration Notice”</b> .....	The meaning given in Condition 7.02 on page 82;
<b>“Guarantor Accounts”</b> .....	The GIC Account, the Transaction Account (to the extent maintained) and any additional or replacement accounts opened in the name of the Guarantor, including the Standby GIC Account and the Standby Transaction Account;
<b>“Guarantor Agreement”</b> .....	The limited partnership agreement in respect of the Guarantor entered into on the Programme Date between 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 (as amended and/or restated and/or supplemented from time to time);
<b>“Guarantor Event of Default”</b> .....	The meaning given in Condition 7.02 on page 82;
<b>“Guarantor Payment Date”</b> .....	The 17th day of each month or if not a Toronto Business Day the next

	following Toronto Business Day;
<b>“Guarantor Payment Period”</b> .....	The period from and including a Guarantor Payment Date to but excluding the next following Guarantor Payment Date;
<b>“Hard Bullet Covered Bonds”</b> .....	The meaning given in <i>“Credit Structure”</i> on page 158;
<b>“Holder of the Covered Bonds”</b> or <b>“Holder”</b> or <b>“Covered Bondholders”</b> .....	The holders for the time being of the Covered Bonds;
<b>“HSBC”</b> .....	HSBC Bank plc;
<b>“IAI Investment Letter”</b> .....	A duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement;
<b>“IAS”</b> .....	The meaning given in <i>“Risk Factors”</i> on page 39;
<b>“IFRS”</b> .....	The meaning given in <i>“Risk Factors”</i> on page 39;
<b>“Incorporated Documents”</b> .....	The meaning given on page 2;
<b>“Index Linked Covered Bonds”</b> .....	Index Linked Redemption Covered Bonds and Index Linked Interest Covered Bonds, as applicable;
<b>“Index Linked Interest Covered Bonds”</b> ...	Covered Bonds in respect of which payments of interest will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree;
<b>“Index Linked Redemption Covered Bonds”</b> .....	Covered Bonds in respect of which payments of principal will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree;
<b>“Indirect Participants”</b> .....	The meaning given in <i>“Book-Entry Clearance Systems”</i> on page 170;
<b>“Initial Advance”</b> .....	In respect of any Loan, the original principal amount advanced by the Seller to the relevant Borrower;
<b>“Initial Covered Bond Portfolio”</b> .....	The portfolio of Loans and their Related Security, particulars of which were delivered on the First Transfer Date pursuant to the terms of the Mortgage Sale Agreement (other than any Loans and their Related Security that were redeemed in full prior to the First Transfer Date) and all right, title, interest and benefit of the Seller in and to such Loans and their Related Securities, including any rights and obligations of the Seller thereunder;
<b>“Insolvency Event”</b> .....	In respect of the Seller, the Servicer or the Cash Manager or any other person: <ul style="list-style-type: none"> <li>(a) an order is made or an effective resolution passed for the winding up of the relevant entity; or</li> <li>(b) the relevant entity stops or threatens to stop payment to its creditors generally or the relevant entity ceases or threatens to cease to carry on its business or substantially the whole of its business; or</li> <li>(c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the relevant entity or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the relevant entity and, in the case of any of the foregoing events, is not discharged within 30 days; or</li> </ul>

	(d) the relevant entity is unable to pay its debts as they fall due;
“Instalment Amount” .....	The meaning given in Condition 1.07 on page 61;
“Instalment Covered Bonds” .....	Covered Bonds which will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms;
“Instalment Dates” .....	The meaning given in the applicable Final Terms;
“Institutional Accredited Investor” .....	An institution that is an institutional “accredited investor”(as defined in Rule 501(a)(1), (2), (3) or (7) under the <i>Securities Act</i> );
“Intercompany Loan” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 122;
“Intercompany Loan Agreement” .....	The loan agreement dated the Programme Date between the Issuer, the Guarantor and the Cash Manager (as amended and/or restated and/or supplemented from time to time);
“Interest Accrual Period” .....	The relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;
“Interest Amount” .....	The amount of interest payable on the Floating Rate Covered Bonds or Index Linked Interest Covered Bonds in respect of each Specified Denomination for the relevant Interest Period;
“Interest Basis” .....	The meaning given in the applicable Final Terms;
“Interest Commencement Date” .....	The meaning given in Condition 5.09 on page 73;
“Interest Determination Date” .....	The meaning given in Condition 5.09 on page 73;
“Interest Payment Date” .....	The meaning given in Condition 5.09 on page 73;
“Interest Period” .....	The meaning given in Condition 5.09 on page 73;
“Interest Period End Date” .....	The meaning given in Condition 5.09 on page 74;
“Interest Rate Swap Agreement” .....	The agreement (including any replacement agreement) entered into between the Guarantor and the Interest Rate Swap Provider(s) in the form of an ISDA Master Agreement, including a schedule and confirmation in relation to the Covered Bond Portfolio (as amended and/or restated and/or supplemented from time to time);
“Interest Rate Swap Early Termination Event” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 151;
“Interest Rate Swap Provider” .....	The provider(s) of the Interest Rate Swap under the Interest Rate Swap Agreement;
“Inverse Floating Rate Covered Bonds” .....	A Covered Bond that has an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR;
“Investor Reports” .....	The monthly report made available to the Bond Trustee and the Rating Agencies and as otherwise specified in the applicable Final Terms, detailing, <i>inter alia</i> , that the Asset Coverage Test is met;
“IRS” .....	U.S. Internal Revenue Service;
“ISA” .....	The meaning given in “ <i>Risk Factors</i> ” on page 39;
“ISDA” .....	International Swaps and Derivatives Association, Inc.;
“ISDA Definitions” .....	The meaning given in Condition 5.09 on page 74;
“ISDA Determination” .....	The meaning specified in the applicable Final Terms;

<b>“ISDA Master Agreement”</b> .....	The 2002 Master Agreement, as published by ISDA;
<b>“ISDA Rate”</b> .....	The meaning given in Condition 5.04 on page 68;
<b>“Issue Date”</b> .....	Each date on which the Issuer issues Covered Bonds to purchasers of such Covered Bonds;
<b>“Issue Price”</b> .....	The meaning specified in the applicable Final Terms;
<b>“Issuer”</b> .....	Canadian Imperial Bank of Commerce;
<b>“Issuer Acceleration Notice”</b> .....	The meaning given in Condition 7.01 on page 80;
<b>“Issuer Event of Default”</b> .....	The meaning given in Condition 7.01 on page 81;
<b>“Issuing and Paying Agent”</b> .....	HSBC Bank plc, in its capacity as issuing and paying agent and any successor as such;
<b>“Latest Valuation”</b> .....	In relation to any Property, the value given to that Property by the most recent valuation addressed to the Seller or as applicable, an Originator or obtained from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in the Seller’s or Originator’s market or the purchase price of that Property or current property tax assessment, as applicable;
<b>“Ledger”</b> .....	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Payment Ledger, the Pre-Maturity Liquidity Ledger and the Capital Account Ledgers maintained by the Cash Manager in accordance with the terms of the Cash Management Agreement;
<b>“Legended Covered Bonds”</b> .....	The meaning given in “ <i>U.S. Information</i> ” on page 5;
<b>“Legislative Exchange”</b> .....	The meaning given in Condition 6.15 on page 79;
<b>“Lending Criteria”</b> .....	The lending criteria of the Seller or an Originator from time to time, or such other criteria as would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller’s or Originator’s market;
<b>“LGP Trust”</b> .....	The meaning given in “ <i>Structure Overview—Ownership Structure of the Liquidation GP</i> ” on page 14;
<b>“LIBOR”</b> .....	London inter-bank offered rate;
<b>“Limited Partner”</b> .....	Canadian Imperial Bank of Commerce, in its capacity as a limited partner of the Guarantor, individually and together with such other person or persons who may from time to time, become limited partner(s) of the Guarantor pursuant to the terms of the Guarantor Agreement;
<b>“Liquidation GP”</b> .....	6953697 Canada Inc., in its capacity as liquidation general partner of the Guarantor together with any successor liquidation general partner appointed pursuant to the terms of the Guarantor Agreement;
<b>“Listing Particulars”</b> .....	The meaning given on page 2;
<b>“Loan”</b> .....	Any mortgage loan secured by a Mortgage which has the benefit of CMHC Mortgage Insurance, referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other moneys (including all Additional Loan Advances) due or owing with respect to that mortgage loan under the relevant Mortgage Conditions 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;
<b>“Loan Files”</b> .....	The file or files relating to each Loan and its Related Security (including files kept in microfiche format or similar electronic data retrieval system

or the substance of which is transcribed and held on an electronic data retrieval system) containing, among other things, the original fully executed copy of the document(s) evidencing the Loan and its Related Security, including the relevant loan agreement (together with the promissory note, if any, evidencing such Loan or, if applicable, a guarantor of the Borrower), and, if applicable, evidence of the registration thereof or filing of financing statements under the PPSA, and the mortgage documentation, Mortgage Deed and other Related Security documents in respect thereof and evidence of paper or electronic registration from the applicable land registry office, land titles office or similar place of public record in which the related Mortgage is registered together with a copy of other evidence, if applicable, of any applicable insurance policies in respect thereof to which the Seller or the Guarantor, as the case may be, is entitled to any benefit, a copy of the policy of title insurance or opinion of counsel regarding title, priority of the Mortgage or other usual matters, in each case, if any, and any and all other documents (including all electronic documents) kept on file by or on behalf of the Seller relating to such Loan;

<b>“Loan Representations and Warranties” ..</b>	The loan representations and warranties of the Seller set out in the Mortgage Sale Agreement;
<b>“local banking day” .....</b>	The meaning given in Condition 9.12 on page 88;
<b>“London Banking Day” .....</b>	A day on which commercial banks in London are open for general business;
<b>“London Stock Exchange” .....</b>	London Stock Exchange plc;
<b>“LTV Adjusted True Balance” .....</b>	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 142;
<b>“Managing GP” .....</b>	CIBC Covered Bond GP Inc., in its capacity as managing general partner of the Guarantor together with any successor managing general partner;
<b>“Margin” .....</b>	In respect of a Floating Rate Covered Bond, the percentage rate per annum (if any) specified in the applicable Final Terms;
<b>“Market” .....</b>	The meaning given on the cover page;
<b>“Markets in Financial Instruments Directive” .....</b>	The meaning given on the cover page;
<b>“Master Definitions and Construction Agreement” .....</b>	The master definitions and construction agreement made between the parties to the Transaction Documents on or about the Programme Date (as amended and/or restated and/or supplemented from time to time);
<b>“Maximum Redemption Amount” .....</b>	The meaning specified in the applicable Final Terms;
<b>“Minimum and/or Maximum Interest Rate” .....</b>	The meaning specified in the applicable Final Terms;
<b>“Minimum Redemption Amount” .....</b>	The meaning specified in the applicable Final Terms;
<b>“Modified Following Business Day Convention” or “Modified Business Day Convention” .....</b>	The meaning specified in Condition 5.09 on page 71;
<b>“Monthly Payment” .....</b>	The amount which the relevant Mortgage Terms require a Borrower to pay on each Monthly Payment Date in respect of that Borrower’s Loan;
<b>“Monthly Payment Date” .....</b>	In relation to a Loan, the date in each month on which the relevant Borrower is required to make a payment of interest and, if applicable, principal for that Loan, as required by the applicable Mortgage Conditions, and, in relation to an NHA MBS, the date in each month that interest and,

	if applicable, principal is to be paid on such NHA MBS;
“Moody’s” .....	Moody’s Investors Service Limited;
“Mortgage” .....	In respect of any Loan, each first fixed charge by way of legal mortgage or hypothec sold, transferred and assigned by the Seller to the Guarantor pursuant to the Mortgage Sale Agreement or contributed by the Seller to the Guarantor pursuant to the Guarantor Agreement, which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it;
“Mortgage Conditions” .....	All the terms and conditions applicable to a Loan, including without limitation those set out in the Seller’s or the Originator’s relevant mortgage conditions booklet and the Seller’s or the Originator’s relevant general conditions, each as varied from time to time by the relevant Loan agreement between the lender under the Loan and the Borrower, as the same may be amended from time to time, and the relevant Mortgage Deed;
“Mortgage Deed” .....	In respect of any Mortgage, the deed creating that Mortgage;
“Mortgage Sale Agreement” .....	The mortgage sale agreement entered into on the Programme Date between the Seller, the Guarantor and the Bond Trustee (as amended and/or restated and/or supplemented from time to time);
“Mortgage Terms” .....	The terms of the applicable Mortgage;
“Negative Carry Factor” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 144;
“New Covered Bonds” .....	The meaning given in Condition 6.15 on page 79;
“New Loan” .....	A Loan, other than a Loan comprised in the Initial Covered Bond Portfolio, which the Seller may assign or transfer to the Guarantor after the First Transfer Date pursuant to the Mortgage Sale Agreement;
“New Loan Type” .....	A new type of mortgage loan or home equity line of credit insured, in each case, as to principal and interest by CMHC Mortgage Insurance (or equivalent insurance provided by CMHC) relating thereto, originated or acquired by the Seller, 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 mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate, tracker rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees or due to it being originated by a new Originator;
“New Seller” .....	Any member of the “ <i>CIBC banking group</i> ” that accedes to the relevant Transaction Documents and sells New Loans and their Related Security and/or NHA MBS to the Guarantor in the future;
“NGCB” .....	The meaning given in “ <i>Form of the Covered Bonds</i> ” on page 54;
“NHA” .....	<i>National Housing Act</i> (Canada);
“NHA Issuer” .....	An issuer approved under the CMHC NHA MBS Program to issue NHA MBS;
“NHA MBS” .....	The meaning given in “ <i>Structure Overview</i> ” on page 9;
“NHA MBS Representations and Warranties” .....	The NHA MBS representations and warranties of the Seller set out in the Mortgage Sale Agreement;

“NHA Pool” .....	The meaning given in “ <i>Structure Overview</i> ” on page 9;
“Non-exempt Offer” .....	The meaning given in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” on page 191;
“Non-Performing Loan” .....	Any Loan in the Covered Bond Portfolio which is more than three months in arrears;
“Non-Performing Loans Notice” .....	A notice from the Cash Manager to the Seller identifying one or more Non-Performing Loans;
“Non-resident Holder” .....	The meaning given in “ <i>Taxation</i> ” on page 174;
“Notice to Pay” .....	The meaning given in Condition 7.01 on page 81;
“Offer Period” .....	The meaning specified in the applicable Final Terms;
“Official List” .....	Official list of the UK Listing Authority;
“Optional Redemption Amount” .....	The meaning specified in the applicable Final Terms;
“Optional Redemption Date” .....	The meaning specified in the applicable Final Terms;
“Original Due for Payment Date” .....	The meaning given in paragraph (i)(a) of the definition of “ <i>Due for Payment</i> ”;
“Originator” .....	The meaning given in “ <i>Structure Overview</i> ” on page 9;
“OSFI” .....	The meaning given in “ <i>Structure Overview</i> ” on page 9;
“Outstanding Principal Amount” .....	The meaning given in Condition 5.09 on page 74;
“Participant” .....	A Direct and/or Indirect Participant;
“Participating Debt Interest” .....	The meaning given in “ <i>Taxation</i> ” on page 174;
“Partners” .....	The Managing GP, the Liquidation GP and the Limited Partner and any other limited partner who may become a limited partner of the Guarantor from time to time, and the successors and assigns thereof;
“Paying Agents” .....	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 58;
“Payment Day” .....	The meaning given in Condition 9.12 on page 88;
“Payment Ledger” .....	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record payments by or on behalf of the Guarantor in accordance with the terms of the Guarantor Agreement;
“Permanent Global Covered Bond” .....	The meaning given in “ <i>Form of the Covered Bonds</i> ” on page 54;
“Portfolio Asset Offer Notice” .....	A notice from the Guarantor served on the Seller offering to sell Portfolio Assets for an offer price equal to the greater of the then fair market value of such Portfolio Assets and the Adjusted Required Redemption Amount;
“Portfolio Asset Repurchase Notice” .....	A notice from the Guarantor (or the Cash Manager on its behalf) to the Seller identifying a Portfolio Asset in the Covered Bond Portfolio which does not, as at the relevant Transfer Date, comply with the Representations and Warranties set out in the Mortgage Sale Agreement and which materially and adversely affects the interest of the Guarantor in such Portfolio Asset or the value of such Portfolio Asset, or identifying Portfolio Assets otherwise subject to repurchase by the Seller;
“Portfolio Assets” .....	Loans and their Related Security and NHA MBS in the Covered Bond Portfolio;
“Post-Enforcement Priority of Payments” .....	The meaning given in “ <i>Cashflows</i> ” on page 168;



<b>“Post Issuer Event of Default Yield Shortfall Test”</b> .....	The meaning given in <i>“Summary of the Principal Documents”</i> on page 138;
<b>“Potential Guarantor Event of Default”</b> ....	The meaning given in Condition 13 on page 91;
<b>“Potential Issuer Event of Default”</b> .....	The meaning given in Condition 13 on page 91
<b>“Pre-Acceleration Principal Priority of Payments”</b> .....	The meaning given in <i>“Cashflows”</i> on page 164;
<b>“Pre-Acceleration Revenue Priority of Payments”</b> .....	The meaning given in <i>“Cashflows”</i> on page 162;
<b>“Preceding Business Day Convention”</b> .....	The meaning given in Condition 5.09 on page 71;
<b>“Pre-Maturity Liquidity Ledger”</b> .....	The ledger on the GIC 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;
<b>“Pre-Maturity Minimum Ratings”</b> .....	The meaning given in <i>“Credit Structure”</i> on page 158;
<b>“Pre-Maturity Test”</b> .....	The meaning given in <i>“Credit Structure”</i> on page 158;
<b>“Pre-Maturity Test Date”</b> .....	The meaning given in <i>“Credit Structure”</i> on page 158;
<b>“Price Option”</b> .....	The meaning specified in the ISDA Definitions;
<b>“Principal Amount Outstanding”</b> .....	In respect of a Covered Bond the principal amount of that Covered Bond on the relevant Issue Date thereof less all principal amounts received by the relevant holder of the Covered Bonds in respect thereof;
<b>“Principal Ledger”</b> .....	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record the credits and debits of Principal Receipts held by the Cash Manager for and on behalf of the Guarantor and/or in the Guarantor Accounts;
<b>“Principal Receipts”</b> .....	<ul style="list-style-type: none"> <li>(a) principal repayments under the Loans in the Covered Bond Portfolio (including payments of arrears, Capitalized Interest, Capitalized Expenses and Capitalized Arrears);</li> <li>(b) recoveries of principal from defaulting Borrowers under Loans in the Covered Bond Portfolio being enforced (including the proceeds of sale of the relevant Property);</li> <li>(c) any repayments of principal (including payments of arrears, Capitalized Interest, Capitalized Expenses and Capitalized Arrears) received pursuant to any insurance policy in connection with a Loan in the Covered Bond Portfolio or the related Property;</li> <li>(d) the proceeds of the purchase of any Loan in the Covered Bond Portfolio by a Purchaser from the Guarantor (excluding, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant purchase date); and</li> <li>(e) payments in respect of principal on NHA MBS in the Covered Bond Portfolio;</li> </ul>
<b>“Priorities of Payments”</b> .....	The orders of priority for the allocation and distribution of amounts standing to the credit of the Guarantor in different circumstances;
<b>“Product Switch”</b> .....	<p>A variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan other than:</p> <ul style="list-style-type: none"> <li>(a) any variation agreed with a Borrower to control or manage arrears on</li> </ul>

	a Loan;
	(b) any variation in the maturity date of a Loan;
	(c) any variation imposed by statute or any variation in the frequency with which the interest payable in respect of the Loan is charged;
	(d) any variation to the interest rate as a result of the Borrower switching to a different rate;
	(e) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan; or
	(f) any change in the repayment method of the Loan;
<b>“Programme”</b> .....	€10 billion Global Public Sector Covered Bond Programme;
<b>“Programme Date”</b> .....	June 25, 2008;
<b>“Programme Resolution”</b> .....	The meaning given in Condition 13 on page 90;
<b>“Property”</b> .....	A freehold, leasehold or commonhold property (or equivalent in the Province of Québec) which is subject to a Mortgage;
<b>“Prospectus”</b> .....	The meaning given on page 2;
<b>“Prospectus Directive”</b> .....	The meaning given on page 97;
<b>“PSM”</b> .....	The meaning given on page 1;
<b>“Purchaser”</b> .....	Any third party or the Seller to whom the Guarantor offers to sell Portfolio Assets;
<b>“Put Notice”</b> .....	The meaning given in Condition 6.06 on page 78;
<b>“Put Option”</b> .....	The meaning given in the applicable Final Terms;
<b>“QIB”</b> .....	A “qualified institutional buyer” within the meaning of Rule 144A;
<b>“Randomly Selected Loans”</b> .....	Loans selected in accordance with the terms of the Guarantor Agreement on a basis that is not designed to favour the selection of any identifiable class or type or quality of Loans over all the other Loans in the Covered Bond Portfolio, except with respect to identifying such Loans as having been acquired by the Guarantor from a particular Seller, if applicable;
<b>“Randomly Selected NHA MBS”</b> .....	NHA MBS selected in accordance with the terms of the Guarantor Agreement on a basis that is not designed to favour the selection of any identifiable class or type or quality of NHA MBS over all the other NHA MBS in the Covered Bond Portfolio, except with respect to identifying such NHA MBS as having been acquired by the Guarantor from a particular Seller, if applicable;
<b>“Rating Agency” or “Rating Agencies”</b> .....	The meaning given in Condition 6.01 on page 76;
<b>“Rating Agency Confirmation”</b> .....	The meaning given in Condition 20.01 on page 94;
<b>“Rate of Interest”</b> .....	The meaning given in Condition 5.09 on page 74;
<b>“Rate Option”</b> .....	The meaning given in the applicable Final Terms or if not specified in the Final Terms, the ISDA Definitions;
<b>“RBS”</b> .....	The Royal Bank of Scotland plc;
<b>“Receiptholders”</b> .....	The holders of the Receipts;
<b>“Receipts”</b> .....	The meaning given in Condition 1.07 on page 61;
<b>“Record Date”</b> .....	The meaning given in Condition 9.09 on page 87;

<b>“Redemption Amount”</b> .....	The meaning given in Condition 6.09 on page 78;
<b>“Redemption/Payment Basis”</b> .....	The meaning given in the applicable Final Terms;
<b>“Reference Assets”</b> .....	In respect of Equity Linked Covered Bonds, shares or other securities, as indicated in the applicable Final Terms;
<b>“Reference Banks”</b> .....	The meaning given in Condition 5.09 on page 74;
<b>“Reference Entities”</b> .....	In respect of Credit Linked Covered Bonds entities as indicated in the applicable Final Terms;
<b>“Register”</b> .....	The register of holders of the Registered Covered Bonds maintained by the Registrar;
<b>“Registered Covered Bonds”</b> .....	Covered Bonds in registered form;
<b>“Registered Definitive Covered Bonds”</b> .....	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 58;
<b>“Registered Global Covered Bonds”</b> .....	The Rule 144A Global Covered Bonds together with the Regulation S Global Covered Bonds;
<b>“Registrar” or “Registrars”</b> .....	The meaning given in “ <i>Terms and Conditions of the Covered Bonds</i> ” on page 58;
<b>“Regulation No. 11971”</b> .....	The meaning given in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” on page 193;
<b>“Regulation S”</b> .....	Regulation S under the <i>Securities Act</i> ;
<b>“Regulation S Covered Bonds”</b> .....	The meaning given in “ <i>Subscription and Sale and Transfer and Selling Restrictions</i> ” on page 191;
<b>“Regulation S Global Covered Bond”</b> .....	The meaning given in “ <i>Form of the Covered Bonds</i> ” on page 55;
<b>“Regulations”</b> .....	The meaning given in “ <i>Taxation</i> ” on page 174;
<b>“Related Security”</b> .....	In relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage, the right to any amount paid under the CMHC Mortgage Insurance relating to the Loan sold to the Guarantor, insurance (other than blanket insurance coverage maintained by a Seller or an Originator), any guarantees and any security relating to such guarantees and all other matters applicable thereto acquired as part of the Covered Bond Portfolio and all proceeds of the foregoing;
<b>“Relevant Account Holder”</b> .....	The meaning given in Condition 1.02 on page 60;
<b>“Relevant Banking Day”</b> .....	The meaning given in Condition 2.08 on page 64;
<b>“Relevant Date”</b> .....	The meaning given in Condition 8.02 on page 84;
<b>“Relevant Factor”</b> .....	The meaning given in “ <i>Risk Factors</i> ” on page 35;
<b>“Relevant Jurisdiction”</b> .....	The meaning given in Condition 18.03 on page 93;
<b>“Relevant Member State”</b> .....	The meaning given on page 3;
<b>“Relevant Screen Page”</b> .....	The meaning given in the applicable Final Terms;
<b>“Relevant Time”</b> .....	The meaning given in the applicable Final Terms;
<b>“Replacement Agent”</b> .....	The meaning given in Condition 12 on page 89;
<b>“Representations and Warranties”</b> .....	Loan Representations and Warranties and/or NHA MBS Representations and Warranties, as applicable;
<b>“Requesting Party”</b> .....	The meaning given in Condition 20.04 on page 94;

<b>“Required Redemption Amount”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 134;
<b>“Required True Balance Amount”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 147;
<b>“Reserve Fund”</b> .....	The reserve fund that the Guarantor will be required to establish in the GIC Account which may be credited with part of an advance from the proceeds of the Intercompany Loan (in the Guarantor’s discretion) and the proceeds of Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount;
<b>“Reserve Fund Required Amount”</b> .....	Nil, unless the ratings of the Issuer’s short-term, unsecured, unsubordinated and unguaranteed debt obligations by the Rating Agencies fall below the ratings specified in the Guarantor Agreement and then an amount equal to the Canadian Dollar Equivalent of one month’s interest due on each Series of Covered Bonds together with an amount equal to one-twelfth of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) and, if applicable, (d) of the Pre-Acceleration Revenue Priority of Payments;
<b>“Reserve Ledger”</b> .....	The ledger on the GIC Account of such name maintained by the Cash Manager pursuant to the Cash Management Agreement, to record the crediting of Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the Guarantor Agreement;
<b>“Reset Date”</b> .....	The meaning given in the ISDA Definitions;
<b>“Reuters Screen”</b> .....	The meaning given in Condition 5.09 on page 74;
<b>“Revenue Ledger”</b> .....	The ledger of such name maintained by the Cash Manager pursuant to the Cash Management Agreement to record credits and debits of Revenue Receipts held by the Cash Manager for and on behalf of the Guarantor Accounts;
<b>“Revenue Receipts”</b> .....	<ul style="list-style-type: none"> <li>(a) payments of interest (including Accrued Interest and Arrears of Interest as at the relevant Transfer Date of a Loan) and fees due from time to time under the Loans in the Covered Bond Portfolio and other amounts received by the Guarantor in respect of the Loans in the Covered Bond Portfolio other than the Principal Receipts including payments pursuant to any insurance policies in respect of interest amounts;</li> <li>(b) recoveries of interest from defaulting Borrowers under Loans in the Covered Bond Portfolio being enforced;</li> <li>(c) recoveries of interest and/or principal from defaulting Borrowers under Loans in the Covered Bond Portfolio in respect of which enforcement procedures have been completed; and</li> <li>(d) payments in respect of interest on NHA MBS in the Covered Bond Portfolio;</li> </ul>
<b>“Rule 144A”</b> .....	Rule 144A under the <i>Securities Act</i> ;
<b>“Rule 144A Global Covered Bond”</b> .....	The meaning given in Condition 2.08 on page 64;
<b>“S&amp;P”</b> .....	Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.;
<b>“Sarbanes-Oxley Act”</b> .....	The U.S. Sarbanes-Oxley Act of 2002;

<b>“Scheduled Interest”</b> .....	An amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 5.03 (but excluding any additional amounts relating to premiums, default interest or interest upon interest ( <b>“Excluded Scheduled Interest Amounts”</b> ) payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of a Guarantor Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms 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), less any additional amounts the Issuer 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 8.01;
<b>“Scheduled Payment Date”</b> .....	In relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date;
<b>“Scheduled Principal”</b> .....	An amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in the applicable Final Terms (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest ( <b>“Excluded Scheduled Principal Amounts”</b> ) payable by the Issuer following an Issuer Event of Default but including such amounts (whenever the same arose) following service of a Guarantor Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date and, if the Final Terms specify 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;
<b>“SEC”</b> .....	U.S. Securities and Exchange Commission;
<b>“Secured Creditors”</b> .....	The Bond Trustee (in its own capacity and on behalf of the holders of the Covered Bonds), the holders of the Covered Bonds, the Receiptholders, the Couponholders, the Issuer, the Seller, the Servicer, the Account Bank, the GIC Provider, the Standby Account Bank, the Standby GIC Provider, the Cash Manager, the Swap Providers, the Corporate Services Provider, the Paying Agents 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;
<b>“Securities Act”</b> .....	U.S. Securities Act of 1933, as amended;
<b>“Securities and Exchange Law”</b> .....	The Securities and Exchange Law of Japan;
<b>“Security”</b> .....	The meaning given in <i>“Summary of the Principal Documents”</i> on page 156;
<b>“Security Agreement”</b> .....	The Security Agreement dated the Programme Date and made between the Guarantor, the Bond Trustee and certain other Secured Creditors (as amended and/or restated and/or supplemented from time to time);
<b>“Seller”</b> .....	Canadian Imperial Bank of Commerce, any New Seller, or other party for

	whom Rating Agency Confirmation has been received, who may from time to time accede to, and sell Loans and their Related Security, New Loans and their Related Security or NHA MBS to the Guarantor;
<b>“Seller Arranged Policy”</b> .....	Any property insurance policy arranged by the Seller for the purposes of the Borrower insuring the Property for an amount equal to the full rebuilding cost of the Property;
<b>“Series”</b> .....	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) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
<b>“Series Reserved Matter”</b> .....	The meaning given to it in Condition 13 on page 91;
<b>“Servicer”</b> .....	Canadian Imperial Bank of Commerce, in its capacity as servicer under the Servicing Agreement together with any successor servicer appointed from time to time;
<b>“Servicer Event of Default”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 138;
<b>“Servicer Replacement Threshold Ratings”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 137;
<b>“Servicer Termination Event”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 138;
<b>“Servicing Agreement”</b> .....	The servicing agreement entered into on the Programme Date between the Bank, as Seller, Servicer and Cash Manager, the Guarantor and the Bond Trustee (as amended and/or restated and/or supplemented from time to time);
<b>“Specified Currency”</b> .....	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 Issuer, the relevant Dealer(s), the Issuing and Paying Agent and the Bond Trustee and specified in the applicable Final Terms;
<b>“Specified Denomination”</b> .....	In respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the applicable Final Terms;
<b>“Specified Interest Payment Date”</b> .....	The meaning given in the applicable Final Terms;
<b>“Specified Period”</b> .....	The meaning given in the applicable Final Terms;
<b>“Standard Documentation”</b> .....	The standard documentation, annexed to the relevant exhibit of the Mortgage Sale Agreement or any update or replacement therefor as the Seller may from time to time introduce;
<b>“Standardised Approach”</b> .....	means Annex VI (Standardised Approach) to the Capital Requirements Directive (or, after any amendment, variation, enactment or implementation of such Directive, the corresponding Annex);
<b>“Standby Account Bank”</b> .....	The Bank of Nova Scotia, in its capacity as Standby Account Bank under the Standby Bank Account Agreement, together with any successor Standby Account Bank;
<b>“Standby Account Bank Notice”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 155;
<b>“Standby Bank Account Agreement”</b> .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page

	155;
“Standby GIC Account” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 155;
“Standby GIC Provider” .....	The Bank of Nova Scotia, in its capacity as Standby GIC Provider under the Standby Guaranteed Investment Contract, together with any successor Standby GIC Provider;
“Standby Guarantee Investment Contract” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 155;
“Standby Transaction Account” .....	The meaning given in “ <i>Summary of the Principal Documents</i> ” on page 155;
“Subsidiary” .....	Any company which is for the time being a subsidiary (within the meaning of the Bank Act);
“Substitute Assets” .....	<p>The classes and types of assets from time to time eligible under the Capital Requirements Directive to collateralise covered bonds which, as of the date of this Prospectus, include the following, provided that the total exposure to such Substitute Assets shall not exceed 10 per cent of the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds: (a) exposures to institutions that qualify for a 10 per cent risk weighting under the Standardised Approach; (b) exposures to institutions that qualify for a 20 per cent risk weighting under the Standardised Approach, provided that the total exposure to such institutions shall not exceed 10 per cent. of the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds; and (c) Canadian dollar denominated residential mortgage backed securities provided that such class of investments has received Rating Agency Confirmation;</p> <p>in each case, provided that:</p> <ul style="list-style-type: none"> <li>(i) 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;</li> <li>(ii) the maximum aggregate total exposures in general to classes of assets with certain ratings by the Ratings Agencies will, if specified by the Rating Agencies, be limited to the maximum percentages specified by such Rating Agencies; and</li> <li>(iii) 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.</li> </ul>
“Superintendent” .....	The meaning given in “ <i>Risk Factors</i> ” on page 37;
“Swap Agreements” .....	The Covered Bond Swap Agreement together with the Interest Swap Agreement, and each a “ <b>Swap Agreement</b> ”;
“Swap Collateral” .....	At any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider to the Guarantor as collateral to secure 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 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 from time to time in accordance with the terms of the Swap Agreements and ultimately 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 or an Event of Default (each as defined in the relevant Swap Agreement) following a failure by the Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Swap Agreement;
“Swap Providers” .....	Covered Bond Swap Provider and Interest Swap Provider, and each a “Swap Provider”;
“Talon” .....	The meaning given in Condition 1.06 on page 61;
“TARGET Business Day” .....	The meaning given in Condition 5.09 on page 74;
“TARGET System” .....	Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System;
“taxes” .....	The meaning given in Condition 18.03 on page 93;
“TEFRA” .....	The U.S. <i>Tax Equity and Fiscal Responsibility Act of 1982</i> ;
“TEFRA C Rules” .....	U.S. Treasury Regulation §1.163-5(c)(2)(i)(C);
“TEFRA D Rules” .....	U.S. Treasury Regulation §1.163-5(c)(2)(i)(D);
“Temporary Global Covered Bond” .....	The meaning given in “ <i>Form of the Covered Bonds</i> ” on page 54;
“Third Party Amounts” .....	Each of: <ul style="list-style-type: none"> <li>(a) payments of insurance premiums, if any, due to the Seller in respect of any Seller Arranged Policy to the extent not paid or payable by the Seller (or to the extent such insurance premiums have been paid by the Seller in respect of any Further Advance which is not purchased by the Seller to reimburse the Seller);</li> <li>(b) amounts under an unpaid direct debit which are repaid by the Seller to the bank making such payment if such bank is unable to recoup that amount itself from its customer’s account;</li> <li>(c) payments by the Borrower of any fees (including early repayment fees) and other charges which are due to the Seller;</li> <li>(d) 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;</li> </ul> <p>which amounts may be paid daily from moneys on deposit in the Guarantor Accounts or the proceeds of the sale of Authorized Investments and/or Substitute Assets;</p>
“TOD” .....	The meaning given in “ <i>Risk Factors</i> ” on page 39;
“Toronto Business Day” .....	The meaning given in Condition 5.09 on page 74;
“Total Assets” .....	The meaning given in “ <i>Risk Factors</i> ” on page 38;
“Total Credit Commitment” .....	The combined aggregate amount available to be drawn by the Guarantor



	under the terms of Intercompany Loan Agreement, subject to increase and decrease in accordance with the terms of the Intercompany Loan Agreement, which amount is initially C\$12 billion;
<b>“Tranche” or “Tranches”</b> .....	The meaning given in <i>“Terms and Conditions of the Covered Bonds”</i> on page 59;
<b>“Transaction Account”</b> .....	The account (to the extent maintained) designated as such 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 other account as may for the time being be in place with the prior consent of the Bond Trustee and designated as such;
<b>“Transaction Documents”</b> .....	<ul style="list-style-type: none"> <li>(a) Mortgage Sale Agreement;</li> <li>(b) Servicing Agreement;</li> <li>(c) Asset Monitor Agreement;</li> <li>(d) Intercompany Loan Agreement;</li> <li>(e) Guarantor Agreement;</li> <li>(f) Cash Management Agreement;</li> <li>(g) Interest Rate Swap Agreement;</li> <li>(h) Covered Bond Swap Agreement;</li> <li>(i) Guaranteed Investment Contract;</li> <li>(j) Standby Guaranteed Investment Contract;</li> <li>(k) Bank Account Agreement;</li> <li>(l) Standby Bank Account Agreement;</li> <li>(m) Corporate Services Agreement;</li> <li>(n) Security Agreement (and any documents entered into pursuant to the Security Agreement);</li> <li>(o) Trust Deed;</li> <li>(p) Agency Agreement;</li> <li>(q) Dealership Agreement;</li> <li>(r) each set of Final Terms (as applicable in the case of each Tranche of listed Covered Bonds subscribed pursuant to a subscription agreement);</li> <li>(s) each Definitive N Covered Bonds Deed;</li> <li>(t) each subscription agreement (as applicable in the case of each Tranche of listed Covered Bonds subscribed pursuant to a subscription agreement); and</li> <li>(u) Master Definitions and Construction Agreement;</li> </ul>
<b>“Transfer Agent”</b> .....	Collectively, HSBC Bank USA, National Association and HSBC Bank plc together with any successor;
<b>“Transfer Date”</b> .....	Each of the First Transfer Date and the date of transfer of any New Loans and their Related Security or NHA MBS to the Guarantor in accordance with the Mortgage Sale Agreement;
<b>“True Balance”</b> .....	With respect to any Loan as at any given date, the aggregate (but avoiding

double counting) of:

- (a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalized in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by that Loan; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalized in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by that Loan, as at the end of the Toronto Business Day immediately preceding that given date;

*minus*

- (d) any repayment or payment of any of the foregoing made on or before the end of the Toronto Business Day immediately preceding that given date and excluding (i) any retentions made but not released and (ii) any Additional Loan Advances committed to be made but not made by the end of the Toronto Business Day immediately preceding that given date;

or, with respect to any NHA MBS as at any given date, the outstanding principal balance thereof;

<b>"Trust Deed"</b> .....	The meaning given in <i>"Terms and Conditions of the Covered Bonds"</i> on page 58;
<b>"UK Act"</b> .....	The meaning given in <i>"Taxation"</i> on page 175;
<b>"UK Listing Authority"</b> .....	Financial Services Authority in its capacity as competent authority under the <i>Financial Services and Markets Act 2000</i> (the UK Listing Authority);
<b>"WURA"</b> .....	The meaning given in <i>"Risk Factors"</i> on page 37.
<b>"Zero Coupon Covered Bonds"</b> .....	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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