IMPORTANT NOTICE
NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

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This Base 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 Fairstone Bank of Canada ("**Fairstone Bank of Canada**", "**FBOC**" or the "**Issuer**"), RBC Europe Limited (the "**Arranger**") nor any other Dealer nor any person who controls any of them nor any director, officer, employee nor agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arranger.

BASE PROSPECTUS DATED 21 SEPTEMBER 2026

Fairstone Bank of Canada
(a Canadian chartered bank)
CAD 1,500,000,000
Global Legislative Covered Bond Programme
unconditionally and irrevocably guaranteed as to payments by
FBOC COVERED BOND (LEGISLATIVE) GUARANTOR LIMITED PARTNERSHIP
(a limited partnership formed under the laws of Ontario)

This prospectus comprises a base prospectus ("**Base Prospectus**") for the purposes of Article 8 of the Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**").

Under this CAD 1.50 billion Programme, Fairstone Bank of Canada (the "**Bank**", "**FBOC**" or the "**Issuer**") may from time to time issue covered bonds (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined elsewhere in this Base Prospectus).

FBOC Covered Bond (Legislative) 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 Base 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 Base 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 maximum aggregate nominal amount of all Covered Bonds outstanding at any one time under the Programme will not exceed CAD 1.50 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.**

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*"). For the purposes of the *Bank Act* (Canada) (the **"Bank Act**"), the Bank will designate the head office of the Bank in Toronto as the "Branch of Account" (as detailed in the section entitled "*Overview of the Programme*" on page 19 of this Base Prospectus) for deposits evidenced by the Covered Bonds, which designation will be specifically stated in the Final Terms relating to the Covered Bonds being issued. Irrespective of the Branch of Account designation, the Bank is (a) the legal entity that is the issuer of the Covered Bonds and (b) the legal entity obligated to repay the Covered Bonds. The Bank is the only legal entity that will issue Covered Bonds pursuant to this Base Prospectus.

The Central Bank of Ireland, as competent authority under the Prospectus Regulation has approved this Base Prospectus as a "base prospectus". The Central Bank of Ireland only has approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval is not to be considered as an endorsement of the Issuer or the Guarantor or the quality of the Covered Bonds that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds. Application will be made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for Covered Bonds issued under the Programme within 12 months of this Base Prospectus to be admitted to the official list of Euronext Dublin (the "**Official List**") and trading on its regulated market (the "**Regulated Market**"). The Regulated

Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). Such approval relates only to the Covered Bonds which are to be admitted to trading on a regulated market for the purposes of MiFID II and which are to be offered to the public in any Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation.

This Base Prospectus is valid (where an offer of Covered Bonds requires a prospectus for the purposes of Article 3(3) of the Prospectus Regulation) for a period of twelve months from the date of approval. The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which may affect the assessment of any Covered Bonds to be issued under the Programme, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds. The obligation to prepare a supplement to this Base Prospectus in the event of any significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

In the case of any Covered Bonds which are to be admitted to trading on a regulated market for purposes of MiFID II within the European Economic Area (the "**EEA**"), or offered to the public in a Member State of the EEA, in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation, the minimum denomination of such Covered Bonds shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Covered Bonds).

On 8 September 2026, the Issuer was registered as a registered issuer in the registry (the "**Registry**") established by Canada Mortgage and Housing Corporation ("**CMHC**") pursuant to Section 21.51 of Part I.1 of the *National Housing Act* (Canada). On 8 September 2026, the Programme was also registered in the Registry.

THE COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY CMHC NOR HAS CMHC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. THE COVERED BONDS ARE NOT INSURED OR GUARANTEED BY CMHC OR THE GOVERNMENT OF CANADA OR ANY OTHER AGENCY THEREOF.

NONE OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Amounts payable under the Covered Bonds may be calculated by reference to the Euro Inter-Bank Offered Rate ("**EURIBOR**"), which is provided by the European Money Markets Institute ("**EMMI**"). As at the date of this Base Prospectus, EMMI appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmarks Regulation (EU) 2016/1011, as amended (the "**Benchmarks Regulation**").

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**") or with any securities regulatory authority of any state or other jurisdiction of the United States, 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 in offshore transactions to non-U.S. persons in reliance upon Regulation S under the Securities Act ("**Regulation S**").

The Covered Bonds will be issued in registered form as described in "*Form of the Covered Bonds*" and are subject to certain restrictions on transfer as described in "*Subscription and Sale and Selling Restrictions*".

Covered Bonds issued under the Programme are expected on issue to be assigned a rating by DBRS Limited ("**DBRS**") and Moody's Ratings ("**Moody's**"). Covered Bonds are expected on issue to be assigned the following ratings AA (high) by DBRS and Aa1 by Moody's, 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. Investors are cautioned to evaluate each rating independently of any other rating. All Covered Bonds will have the benefit of the Covered Bond Guarantee and the Security granted over the Charged Property (as such terms are defined in this Base Prospectus).

Unless otherwise specified in the Final Terms, it is not expected that any credit rating applied for in relation to any Series of Covered Bonds will be issued by a credit rating agency established in the EU or in the UK and registered under Regulation (EC) No. 1060/2009 (as amended, the "**EU CRA Regulation**") or

Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "**EUWA**") (the "**UK CRA Regulation**" and together with the EU CRA Regulation, the "**CRA Regulations**"). The rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. The credit ratings included and referenced in this Base Prospectus have been issued by DBRS and Moody's Canada Inc., neither of which is established in the EU or in the UK. See "Credit Rating Agencies" on page 7. References in this Base Prospectus to DBRS or Moody's shall be construed accordingly, save for references to DBRS or Moody's in the context of ratings triggers applicable to parties other than the Bank which shall be read as referring to the relevant DBRS and/or Moody's entity (if applicable) at the relevant time.

In general, EEA regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such credit ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (an "**EU Registered CRA**") (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EU Registered CRA or the relevant third country non-EEA credit rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation (a "**UK Registered CRA**"). In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK Registered CRA; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

Arranger for the Programme

RBC EUROPE LIMITED

Dealer
RBC EUROPE LIMITED

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

IMPORTANT NOTICES

Each Tranche (as defined herein) of Covered Bonds will be issued on the terms set out herein under "Terms and Conditions of the Covered Bonds" on pages 77 to 114, in each case, as completed by the applicable Final Terms.

Copies of Final Terms for Covered Bonds that are admitted to trading on a regulated market in the EEA in circumstances requiring publication of a prospectus in accordance with the Prospectus Regulation (i) can be viewed on the website of Euronext Dublin under the name of the Issuer, (ii) will be available without charge from the Issuer at the head office of the Issuer located at 145 King Street West, Suite 2300, Toronto, Ontario M5H 1J8 and the specified office of each Paying Agent set out at the end of this Base Prospectus, see "Terms and Conditions of the Covered Bonds" and (iii) can be viewed on the Issuer's website at https://www.fairstonebank.ca/covered-bonds.

This Base 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 this Base Prospectus. Any reference in this document to "Base Prospectus" means those aspects of this Base Prospectus approved by the Central Bank together with the documents incorporated herein, any supplementary prospectus approved by the Central Bank 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 Base Prospectus shall also be read and construed together with the applicable Final Terms.

The Issuer and the Guarantor accept responsibility for the information in this Base Prospectus, including any information incorporated by reference, and the Final Terms for each Tranche of Covered Bonds issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor, the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus makes no omission likely to affect its import.

No person has been authorized by the Issuer, the Guarantor, the Bond Trustee, the Arranger or any of the Dealers to give any information or to make any representation not contained in or not consistent with this Base 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 Arranger, any Dealer or the Bond Trustee.

No representation or warranty is made or implied, and no responsibility or liability is accepted, by the Arranger or the Dealers or any of their respective affiliates, and none of the Arranger, the Dealers or any of their respective affiliates makes any representation or warranty or accepts any responsibility or any liability, as to the accuracy or completeness of any statement, representation, warranty or covenant of the Issuer or Guarantor contained or incorporated by reference in this Base Prospectus or the Transaction Documents and any other information provided by the Issuer and the Guarantor in connection with the Programme or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof. None of the Arranger, the Dealers nor the Bond Trustee accepts any responsibility or liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer and the Guarantor in connection with the Programme. Neither the delivery of this Base 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 Base 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 Base 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 Base 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 Arranger, the Dealers, the Bond Trustee or any of them that any recipient of this Base 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. No Arranger or Dealer is acting as an investment adviser or providing advice of any other nature, or assumes any fiduciary obligations, to any purchaser of the Covered Bonds. Each investor contemplating purchasing Covered Bonds should determine for itself the relevance of the information contained or incorporated by reference in this Base 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 Arranger, 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 Arranger, the Dealers or the Bond Trustee undertakes to review the financial condition of affairs of the Issuer or the Guarantor during the life of the Programme or 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 Arranger, the Dealers or the Bond Trustee, as the case may be.

The distribution of this Base 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 Arranger or the Dealers which would permit a public offering of the Covered Bonds or distribution of this Base 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 Base 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 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 Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor, the Bond Trustee, the Arranger 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 this Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds in Canada, the UK, the EEA (including France, Italy, the Netherlands, Ireland, Belgium, Denmark and Sweden), Switzerland, Hong Kong, Japan, and Singapore. See "*Subscription and Sale and Selling Restrictions*" below. Neither this Base 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 Base Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly, any person making or intending to make an offer in any Member State of the EEA of Covered Bonds which are the subject of an offering contemplated in this Base 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 Regulation; or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in

each case, in relation to such offer. Neither the Issuer, the Guarantor, the Bond Trustee, the Arranger nor any Dealer has authorized, nor do they authorize, the making of any offer of Covered Bonds in any Member State of the EEA in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

IMPORTANT – PROHIBITION OF SALES TO UK RETAIL INVESTORS: If the Final Terms in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to United Kingdom Retail Investors", the Covered Bonds are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the UK. For these purposes, a "retail investor" means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 (as amended) as it forms part of domestic law of the UK by virtue of the EUWA; or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Covered Bonds may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Covered Bonds may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**UK distributor**") should take into consideration the target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME – The applicable Final Terms may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Covered Bonds pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**").

If applicable, the Issuer will make a determination in relation to each issue about the classification of the Covered Bonds being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms in respect of any Covered Bonds will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

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

All capitalised terms used will be defined in this Base Prospectus or the Final Terms and are set out in the Glossary of this Base Prospectus.

All references in this Base Prospectus or any applicable supplement or Final Terms to "$", "C$", "CAD" or "Canadian dollars" are to the lawful currency for the time being of Canada, to "Euro" and "€" are to 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, and to "GBP", "pound sterling", "sterling", "£" are to the lawful currency for the time being of the UK. In the information incorporated by reference in this Base Prospectus, unless otherwise specified herein or the context otherwise requires, references to "$" are to Canadian dollars.

All references in this Base Prospectus to EU directives or regulations shall be deemed to refer to any modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such modification or re-enactment and any successor legislation, statutory instrument, order or regulation thereto and shall include any applicable implementing measure in a Member State.

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

Save in relation to information incorporated by reference, any website (or part thereof) that is referred to in this Base Prospectus is referred to for information purposes only and does not form part of this Base Prospectus and the contents of any such website have not been approved by or submitted to the Central Bank, CMHC, the Government of Canada or any other agency thereof.

All references in this Base Prospectus to the "European Economic Area" or "EEA" are to the Member States of the European Union (the "EU") together with Iceland, Norway and Liechtenstein and "Member State" shall be construed accordingly.

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

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF COVERED BONDS UNDER THE PROGRAMME, ONE OR MORE RELEVANT DEALER OR DEALERS (IF ANY) (THE "STABILISATION

MANAGER(S)") (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) 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, STABILISATION MAY NOT NECESSARILY OCCUR. 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 CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF COVERED BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF THE COVERED BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

None of the Arranger, the Dealers, the Bond Trustee, the Guarantor or the Issuer makes any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws. Any investor in the Covered Bonds should satisfy itself that it is able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time. 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.

THE COVERED BONDS MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS

Each of the risks highlighted in the "*Risk Factors*" section of this Base Prospectus could adversely affect the trading price of any Covered Bonds or the rights of investors under any Covered Bonds and, as a result, investors could lose all or some of their investment. The Issuer and the Guarantor believe that the factors described in the "*Risk Factors*" section of this Base Prospectus represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but the Issuer and the Guarantor may be unable to pay or deliver amounts on or in connection with any Covered Bonds for other reasons and the Issuer and the Guarantor do not represent that the statements herein regarding the risks of holding any Covered Bonds are exhaustive. Additional information about these factors can be found under "*Risk Factors*".

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

(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 Base 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.

In addition, 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 advisers to determine whether and to what extent (i) Covered Bonds are legal investments for it, (ii) Covered Bonds can be used as collateral for various types of borrowing, (iii) Covered Bonds can be used as repo-eligible securities, and (iv) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

AVAILABLE INFORMATION

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.

CREDIT RATING AGENCIES

DBRS is not established nor is it registered in the EU or the UK but: (1) DBRS Ratings Limited, its UK Registered CRA affiliate: (i) is established in the UK; (ii) is registered under the UK CRA Regulation; and (iii) is permitted by the Financial Conduct Authority (the "**FCA**") to endorse credit ratings of DBRS used in specified third countries, including Canada, for use in the UK by relevant market participants; and (2) DBRS Ratings GmbH, its EU Registered CRA affiliate: (i) is established in the EU; (ii) is registered under the EU CRA Regulation; and (iii) is permitted by ESMA to endorse credit ratings of DBRS used in specified third countries, including Canada, for use in the EU by relevant market participants.

Moody's Investors Service, Inc. is not established nor is it registered in the EU or the UK but: (1) Moody's Investors Service Limited, its credit rating agency affiliate: (i) is established in the UK; (ii) is registered under the UK CRA Regulation; and (iii) is permitted to endorse credit ratings of Moody's used in specified third countries, including the United States and Canada, for use in the UK by relevant market participants; and (2) Moody's Deutschland GmbH., its credit rating agency affiliate: (i) is established in the EU; (ii) is registered under the EU CRA Regulation; and (iii) is permitted to endorse credit ratings of Moody's used in specified third countries, including the United States and Canada, for use in the EU by relevant market participants.

Moody's Canada Inc. is not established nor is it registered in the EU or the UK but: (1) Moody's Investors Service Limited, its credit rating agency affiliate: (i) is established in the UK; (ii) is registered under the UK CRA Regulation; and (iii) is permitted to endorse credit ratings of Moody's used in specified third countries, including the United States and Canada, for use in the UK by relevant market participants; and (2) Moody's Deutschland GmbH., its credit rating agency affiliate: (i) is established in the EU; (ii) is registered under the EU CRA Regulation; and (iii) is permitted to endorse credit ratings of Moody's used in specified third countries, including the United States and Canada, for use in the EU by relevant market participants.

ESMA is obliged to maintain on its website a list of credit rating agencies registered in accordance with the EU CRA Regulation. This list is updated within five working days of ESMA's adoption of a registration or certification decision in accordance with the EU CRA Regulation. ESMA's website address is https://www.esma.europa.eu/esmas-activities/investors-and-issuers/credit-rating-agencies.

The FCA is obliged to maintain on its website a list of credit rating agencies registered in accordance with the UK CRA Regulation. The FCA's website address is https://www.fca.org.uk/firms/credit-rating-agencies/applying-registration-certification.

Please note that these websites do not form part of this Base Prospectus.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Issuer and/or the Guarantor will make written and oral forward-looking statements, within the meaning of certain securities laws, such as those contained in this Base Prospectus and in other communications. These statements include, but are not limited to, statements about the Issuer's objectives, strategies and initiatives, financial performance expectations and other statements made herein, whether with respect to the Issuer's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "guidance", "planned", "estimates", "forecasts", "outlook", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases which state that certain actions, events or results "may", "could", "would", "should", "might" or "will be taken", "occur", "be achieved", "will likely" or other similar expressions of future or conditional verbs.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of the Issuer to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to global capital market activity, changes in government monetary and economic policies, changes in interest rates, inflation levels and general economic conditions, legislative and regulatory developments, climate change, competition and technological change.

Forward-looking statements are provided to assist the reader in understanding the Issuer's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes.

All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current economic uncertainties pertaining to high interest rates, declining house prices and inflationary pressure.

Although the Issuer believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material assumptions are applied by the Issuer in making forward-looking statements, including without limitation, assumptions regarding its continued ability to fund its loan business, changes in prevailing interest rates, a continuation of the current level of economic uncertainty that affects real estate market conditions including, without limitation, continued acceptance of its products in the marketplace, as well as no material changes in its operating cost structure and the current tax regime.

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Issuer considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect. By their nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. It is therefore important that expectations, forecasts, predictions, projections or conclusions should be considered carefully, that assumptions may not prove to be accurate, and that objectives, strategic goals and priorities may not be realized within the expected time frame or at all.

There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Issuer does not undertake to

update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

The foregoing list of risk factors is not exhaustive. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they were made. Investors and others who rely on the Issuer's or the Guarantor's forward-looking statements should carefully review the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes. Except as required by law, none of the Issuer, the Guarantor, the Arranger, 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 "*Information Incorporated by Reference*").

LEGALITY OF THE COVERED BONDS

The legality of the Covered Bonds will be passed upon by McCarthy Tétrault LLP as to matters of Canadian law.

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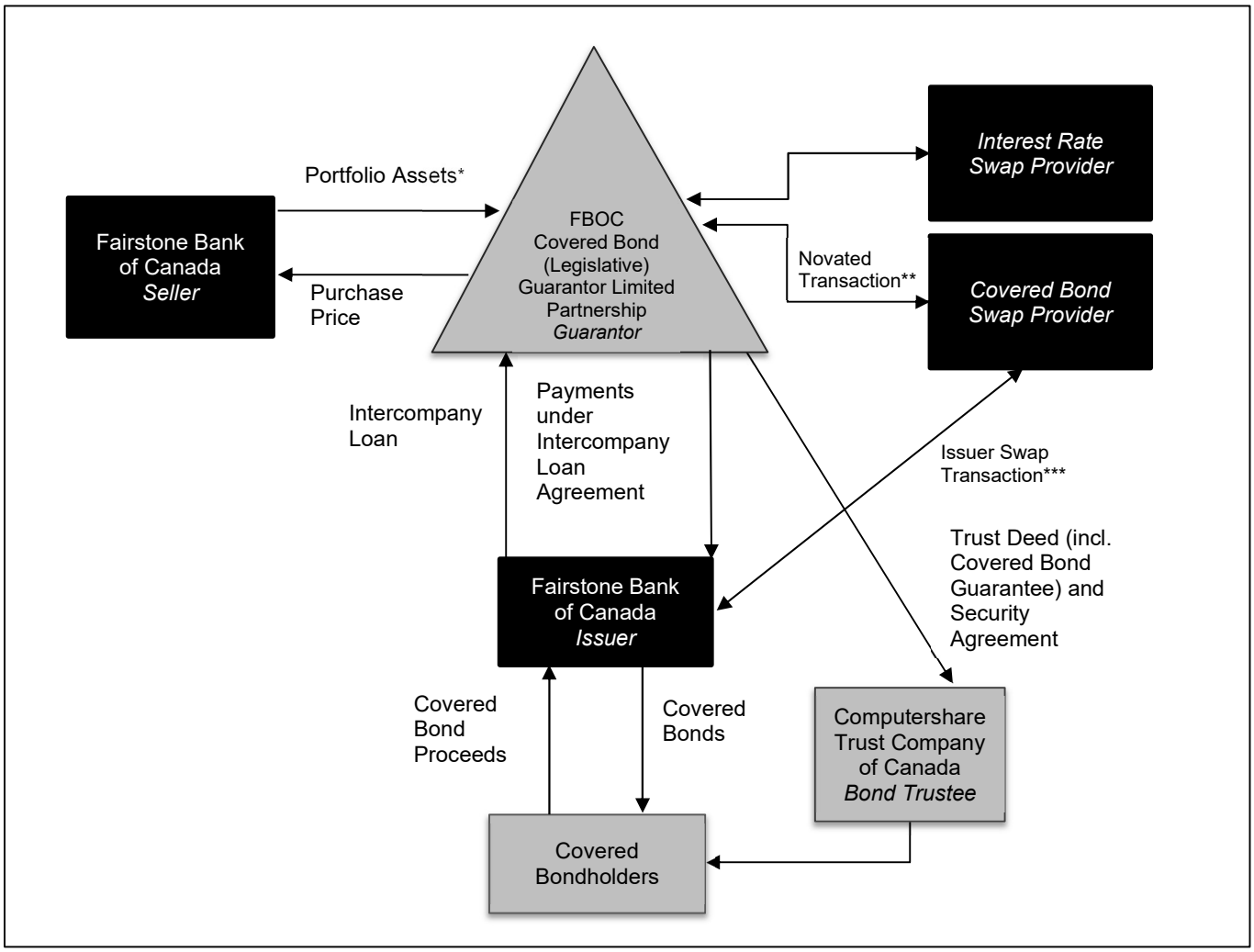
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STRUCTURE OVERVIEW

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 Base Prospectus. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this overview. A glossary of certain defined terms used in this Base Prospectus is contained at the end of this Base Prospectus.

Structure Diagram

COVERED BOND STRUCTURE OVERVIEW



***As part of the sale of Portfolio Assets by the Seller to the Guarantor, the Seller may, from time to time, include Loans that have been originated by the Seller's wholly-owned subsidiaries, HTC and HB. Each sale of Portfolio Assets by the Seller to the Guarantor will be subject to the same terms and eligibility criteria under the Mortgage Sale Agreement.**

****Cashflows under the Novated Transaction will be exchanged between the Guarantor and the Covered Bond Swap Provider, and credit support will be required to be delivered by the Covered**

Bond Swap Provider upon a Downgrade CBS Trigger Event, in each case, only after the Covered Bond Guarantee Activation Event and automatic novation of the Issuer Swap Transaction.

*****Cashflows under the Issuer Swap Transaction will be exchanged prior to the Covered Bond Guarantee Activation Event. The Issuer Swap Transaction will be automatically novated by the Issuer to the Guarantor upon 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 are not deposits insured under the *Canada Deposit Insurance Corporation Act* (Canada). The Covered Bonds will 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).

- *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 Payments.

- *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 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, including the Reserve Fund) 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 will consist solely of Loans acquired by the Seller from the Originators that are secured by Canadian first lien residential mortgages ("**Mortgages**"). In respect of the Loans in the Covered Bond Portfolio, the Custodian will hold registered title to the Mortgages and any applicable related security on behalf of the Guarantor. The Loans in the Covered Bond Portfolio will be serviced by the Bank pursuant to the terms of the Servicing Agreement and by the Subservicer pursuant to the Subservicing Agreement (see "*Summary of the Principal Documents—Servicing Agreement and Subservicing Agreement*"). The Bank, HTC and HB, as applicable, have 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.

- *Intercompany Loan Agreement*: Under the terms of the Intercompany Loan Agreement, the Bank has made available to the Guarantor, on an unsecured basis, an interest-bearing Intercompany Loan, comprised of a Guarantee Loan and a revolving Demand Loan in a 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, which rate shall not exceed the amount received by the Guarantor pursuant to the Interest Rate Swap Agreement after taking into account 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. Upon the occurrence of (x) a Contingent Collateral Trigger Event, (y) an event of default (other than an insolvency event of default) or an additional termination event in respect of which the relevant Swap Provider is the defaulting party or the affected party, as applicable, or (z) a Downgrade Trigger Event, in each case, in respect of the Interest Rate Swap Agreement or the Covered Bond Swap Agreement, the relevant Swap Provider, in its capacity as (and provided it is) the lender under the Intercompany Loan Agreement, may deliver a Contingent Collateral Notice to the Guarantor under which it elects to decrease the amount of the Demand Loan with a corresponding increase in the amount of the Guarantee Loan, in each case, in an amount equal to the related Contingent Collateral Amount(s).

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 satisfaction of the Rating Agency Condition, no further advances will be made to the Guarantor under the Intercompany Loan following the occurrence of a Demand Loan Repayment Event.

To the extent the 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 from the Seller.

The Demand Loan or any portion thereof is repayable no later than the first Canadian 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 Payments and the terms of the Intercompany Loan Agreement, (a) 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 the Yield Supplement Fund Ledger and non-released funds from the Reserve Fund); and/or (ii) proceeds from the sale of Substitute Assets; 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; and/or (b) by selling, transferring and assigning to the Seller all of the Guarantor's right, title and interest in and to Portfolio Assets.

The Demand Loan shall not have a positive balance at any time following the occurrence of a Demand Loan Repayment Event and the repayment in full of the then outstanding Demand Loan by the Guarantor.

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, the obligations of the Issuer for 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 has used advances of proceeds from the Intercompany Loan to pay for the purchase price for the Loans and their Related Security in the Covered Bond Portfolio purchased from the Seller in accordance with the terms of the Mortgage Sale Agreement and may use additional advances (i) to purchase New Loans and their Related Security 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 under the CMHC Guide; and/or (iii) subject to complying with the Asset Coverage Test, to make Capital Distributions to the Limited Partner; and/or (iv) to make deposits of the proceeds in the Guarantor Accounts (including without limitation, to fund the Reserve Fund, and the Pre-Maturity Liquidity Ledger, if applicable (in each case to an amount not exceeding the prescribed limit) and to fund the Yield Supplement Fund).

- *Consideration*: Under the terms of the Mortgage Sale Agreement, the Seller sold the Loans and their Related Security in the Covered Bond Portfolio and may, from time to time, sell New Loans and their Related Security to the Guarantor on a fully-serviced basis in exchange for cash consideration equal to the fair market value of such Loans 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 in exchange for an additional interest in the capital of the Guarantor.

- *Cashflows*: At any time that 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; and (iii) fund the Reserve Fund and the Yield Supplement Fund as required. 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, if applicable (to an amount not exceeding the prescribed limit) 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; (iii) pay principal amounts outstanding on the Intercompany Loan; (iv) make Capital Distributions to the Limited Partner and (v) fund the Reserve Fund as required. 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, if applicable and the Reserve Fund (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 Payments.

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 Secured Creditors). 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.

- *OC Valuation*: The CMHC Guide requires that the Guarantor confirm that the cover pool's level of overcollateralization exceeds 105 percent. The level of overcollateralization (expressed as a percentage) shall be calculated at the same time as the Asset Coverage Test. The Issuer must provide immediate notice to CMHC if the level of overcollateralization falls below the Guide OC Minimum. See "*Summary of the Principal Documents—Guarantor Agreement—OC Valuation*".

- *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 not give credit to Non-Performing Loans. The Asset Coverage Test will be tested by the Cash Manager as at each Calculation Date and monitored from time to time by the Asset Monitor. Such testing will be completed within the time period specified in the Cash Management Agreement. A breach of the Asset Coverage Test as at 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, CMHC 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 the occurrence and during the continuance of an Issuer Event of Default (but prior to service of a Guarantor Acceleration Notice) and, for so long as Covered Bonds remain outstanding, the Guarantor must ensure that, as at each Calculation Date following the occurrence and during the continuance of an Issuer Event of Default, 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 as at each Calculation Date. Such testing will be completed within the time period specified in the Cash Management Agreement. 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 Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Priorities of Payments), 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 the applicable Rate of Interest including, if applicable, as may be 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 Payments 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, including through sub-servicing arrangements. 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*").

- *Covered Bond Legislative Framework*: The Issuer and the Programme were registered in the Registry in accordance with the Covered Bond Legislative Framework and the CMHC Guide on 8 September 2026.

- *Interest Rate Swap Agreement*: To provide a hedge against possible variances in (i) the rates of interest payable on the Portfolio Assets and (ii) amounts payable under the Intercompany Loan Agreement and,

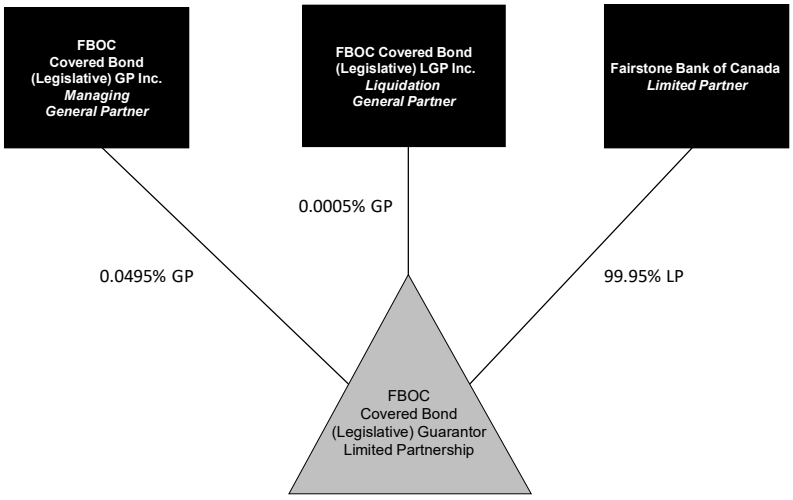
following the Covered Bond Guarantee Activation Event, the Covered Bond Swap Agreement, the Guarantor has entered into the Interest Rate Swap Agreement with the Interest Rate Swap Provider (see "*Summary of the Principal Documents—Interest Rate Swap Agreement*").

- *Covered Bond Swap Agreement*: To provide a hedge against currency and/or other risks arising (i) prior to the occurrence of a Covered Bond Guarantee Activation Event, in respect of amounts payable by the Issuer under the Covered Bonds and (ii) on and after the occurrence of a Covered Bond Guarantee Activation Event, in respect of amounts payable by the Guarantor in respect of its obligations under the Covered Bond Guarantee, the Issuer and the Guarantor will enter into the Covered Bond Swap Agreement with the Covered Bond Swap Provider in respect of each Series of Covered Bonds (see "*Summary of the Principal Documents—Covered Bond Swap 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 Base Prospectus, "*Overview 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 Base Prospectus, the Partners of the Guarantor are the Limited Partner, which holds the substantial economic interest in the Guarantor, and the Managing GP and the Liquidation GP. As of the Programme Date, the Limited Partner held 99.95 percent of the interest in the Guarantor, and the Managing GP and the Liquidation GP, each of which owned 99 percent and 1 percent, respectively, of the remaining 0.05 percent general partner interest in the Guarantor as shown in the diagram below.



- 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, satisfaction of the Rating Agency Condition.

- 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 an Issuer Event of Default or insolvency or winding-up of the Managing GP, the Liquidation GP will assume the management responsibilities of the Managing GP.

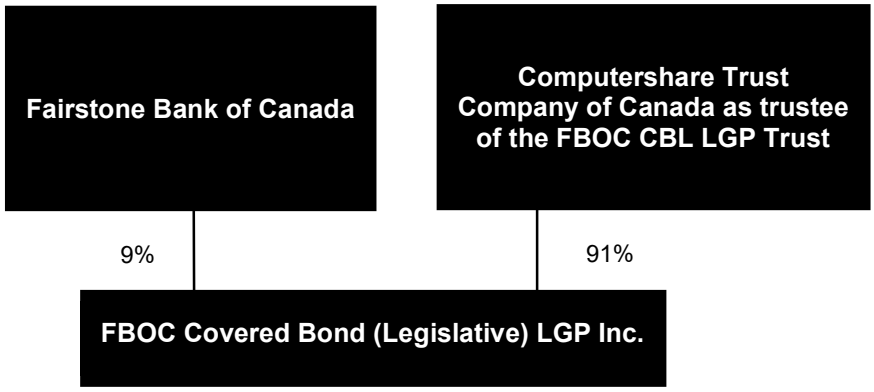
Ownership Structure of the Managing GP

- 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 Base Prospectus, 91 percent of the issued and outstanding shares in the capital of the Liquidation GP are held by the Corporate Services Provider, as trustee of the FBOC CBL LGP Trust (the "**LGP Trust**") and 9 percent of the issued and outstanding shares in the capital of the Liquidation GP are held by the Bank. All 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 "observer" of 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.



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 Base 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 Base Prospectus shall have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Base Prospectus.

This overview constitutes a general description of the Programme for the purposes of Article 25(1)(b) of the Commission Delegated Regulation (EU) No. 2019/980 (as amended).

Issuer:	Fairstone Bank of Canada (the "**Bank**" or the "**Issuer**")
Issuer LEI:	894500E7T4VPWVBNGQ73
Branch of Account:	The head office of the Bank in Toronto 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 "*Terms and Conditions of the Covered Bonds—Payments*"). Covered Bonds, irrespective of their Branch of Account specified in the applicable Final Terms, are obligations of the Bank.
Guarantor:	FBOC Covered Bond (Legislative) Guarantor Limited Partnership.
Guarantor LEI:	894500HO25OQ5DOFI035
Arranger:	RBC Europe Limited
Dealers:	RBC Europe Limited 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 the Rating Agency Condition has been satisfied, who may from time to time accede to the Mortgage Sale Agreement and sell New Loans and their Related Security to the Guarantor.
Servicer:	The Bank, subject to replacement in accordance with the terms of the Servicing Agreement.
Subservicer:	HTC, subject to replacement in accordance with the terms of the Subservicing Agreement.
Cash Manager:	The Bank, subject to replacement in accordance with the terms of the Cash Management Agreement.
Issuing and Paying Agent, Calculation Agent, and Paying Agent:	The Bank of New York Mellon, London Branch, acting through its office at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom.
European Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch, acting through its office at Riverside Two, Sir John Rogerson's Quay**,** Grand Canal Dock**,** Dublin 2, Ireland.

Bond Trustee:	Computershare Trust Company of Canada, acting through its offices located at 320 Bay Street, 14th Floor, Toronto, Ontario, Canada M5H 4A6.
Asset Monitor:	Ernst & Young LLP, acting through its offices at EY Tower, Toronto, Ontario Canada M5H 0B3.
Custodian:	Computershare Trust Company of Canada, acting through its offices located at 320 Bay Street, 14th Floor, Toronto, Ontario, Canada M5H 4A6.
Interest Rate Swap Provider:	Royal Bank of Canada, acting through its branch located at 200 Bay Street, Toronto, Ontario, Canada, M5J 2J5 will be the initial Interest Rate Swap Provider, subject to replacement in accordance with the terms of the Interest Rate Swap Agreement.
Covered Bond Swap Provider:	In respect of a Tranche and/or Series of Covered Bonds, the Covered Bond Swap Provider in respect thereof.
GIC Provider:	Bank of Montreal, acting through its branch located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, Canada M5X 1A3.
Account Bank:	Bank of Montreal, acting through its branch located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, Canada M5X 1A3.
Standby Account Bank:	Royal Bank of Canada, acting through its branch located at 200 Bay Street, Toronto, Ontario, Canada, M5J 2J5.
Standby GIC Provider:	Royal Bank of Canada, acting through its branch located at 200 Bay Street, Toronto, Ontario, Canada, M5J 2J5.
Description:	Global Legislative Covered Bond Programme.
Covered Bond Legislative Framework:	The Issuer and the Programme were registered in the Registry in accordance with the Covered Bond Legislative Framework and the CMHC Guide on 8 September 2026.
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 "*Subscription and Sale and Selling Restrictions*").
Programme Size:	Up to CAD 1,500,000,000 (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 CAD shall be converted into CAD at the date of the agreement to issue such Covered Bonds using the spot rate of exchange for the purchase of such currency against payment of CAD being quoted by the Covered Bond Swap Provider 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 (which shall be specified as the "Exchange

	Rate" in the Investor Reports), and in all other cases, the date of 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 "*Subscription and Sale and Selling Restrictions*".
Issuance of Series:	Covered Bonds will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") issued on different issue dates. The Covered Bonds of each Series will all be subject to identical terms, except that (i) the issue date, issue price, first interest payment date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Covered Bonds in more than one denomination.
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 Regulated Market, be delivered to the Central Bank and to Euronext Dublin 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 "Terms and Conditions of the Covered Bonds", as completed by the applicable Final Terms.
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.
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 the EEA in circumstances which would otherwise require a prospectus under the Prospectus Regulation will be, at least €100,000 (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.
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 registered form as described in "*Form of the Covered Bonds*". Registered Covered Bonds will be sold in reliance on Regulation S and will be issued in the form of Registered Global Covered Bonds (the "**Registered Global Covered Bonds**") will (i) if held under the new safekeeping structure for registered global securities which are intended to constitute eligible collateral for monetary policy of the central banking system for the Euro (the "**Eurosystem**") and intra-day credit operations (the "**NSS**"), be registered in the name of a nominee of, and delivered to, a common safekeeper or Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"); and (ii) if not held under the NSS, either be deposited with a custodian, a common depositary or a common safekeeper for, and registered in the name of a nominee for Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Registered Global Covered Bonds will be exchangeable for Registered Definitive Covered Bonds only in the limited circumstances specified in, or subject to the notice requirements of the "*Terms and Conditions of the Covered Bonds*". Registered Covered Bonds are subject to transfer restrictions described under "*Subscription and Sale 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:	The following is a list of the types of Covered Bonds that may be issued under the Programme: • Fixed Rate Covered Bonds • Floating Rate Covered Bonds • Zero Coupon Covered Bonds
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 the applicable Rate of Interest, including, if applicable, as may be 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 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; 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.
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.
Rating Agency Condition:	Any issuance of new Covered Bonds will be conditional upon satisfaction of the Rating Agency Condition in respect of the ratings of the then outstanding Covered Bonds by the applicable Rating Agencies.
Ratings:	Covered Bonds issued under the Programme are expected on issue to be assigned a rating of AA (high) by DBRS and Aa1 by Moody's unless otherwise specified in the applicable Final Terms.
Listing and admission to trading:	Application will be made to admit Covered Bonds issued under the Programme for the period of 12 months from the date of this Base Prospectus to the Official List and to admit such Covered Bonds to trading on the Regulated Market. The Final Terms relating to each Tranche of the Covered Bonds will state where 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 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 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*".
Hard Bullet Covered Bonds:	If offered, Hard Bullet Covered Bonds will be subject to a Pre-Maturity Test. The intention of the Pre-Maturity Test is to test the liquidity of the Guarantor's assets in respect of Hard Bullet Covered Bonds maturing within 12 months from the relevant Pre-Maturity Test Date when the Bank's credit ratings have fallen below the Pre-Maturity Required Ratings.
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 Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds after payment of higher ranking amounts and taking into account amounts ranking *pari passu* in the Priorities of Payments). To the extent 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 the applicable Rate of Interest including, if applicable, as may be 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, 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 discussed in Condition 8), pay such additional amounts as will result in the holders of Covered Bonds receiving such amounts as they would have received in respect of such Covered Bonds had no such withholding or deduction been made (see "*Terms and Conditions of the Covered Bonds—Taxation*"). 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.
Canadian Taxation:	See the discussion under the heading "*Taxation – Canada*".
Cross Default:	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. 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:	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 *pari passu* 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. The Covered Bonds will not be deposits insured under the *Canada Deposit Insurance Corporation Act* (Canada).
Governing Law and Jurisdiction:	The Covered Bonds issued pursuant to this Base Prospectus and all Transaction Documents (other than, as of the date of this Base Prospectus, certain provisions of the Security Agreement relating to real property located outside of the Province of Ontario, which are governed by the law of the jurisdiction in which such property is located) will be governed by, and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. See "*Summary of the Principal Documents*". 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 judgments in respect of agreements governed by foreign laws.
Clearing System:	Euroclear and 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 this Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds in Canada, the UK, the EEA (including France, Italy, the Netherlands, Ireland, Belgium, Denmark and Sweden), Switzerland, Hong Kong, Japan, and Singapore, 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. Also see "*Subscription and Sale and Selling Restrictions*".
U.S. Selling Restrictions:	Regulation S, Category 2.
U.S. Transfer Restrictions:	There are restrictions on the transfer of certain Registered Covered Bonds. See "*Subscription and Sale and Selling Restrictions—United States of America-Transfer Restrictions*".
Covered Bond Guarantee:	Payment of interest and principal in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the Guarantor. The obligations of the Guarantor to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that a Covered Bond Guarantee Activation Event has occurred. The obligations of the Guarantor under the Covered Bond Guarantee will accelerate against the Guarantor upon the service of a Guarantor Acceleration Notice. The obligations of the Guarantor under the Covered Bond Guarantee constitute direct obligations of the Guarantor secured against the assets of the Guarantor, including the Covered Bond Portfolio. Payments made by the Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the applicable Priorities of Payments.

Security:	To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the Guarantor has granted a first ranking security interest over 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 Initial Covered Bond Portfolio will consist solely of Loans originated by the Originators (initially, HTC and HB) that are secured by Canadian first lien residential Mortgages. Subject to satisfaction of the Rating Agency Condition and compliance with the CMHC Guide and the Covered Bond Legislative Framework, the Covered Bond Portfolio may also contain New Portfolio Asset Types. Covered Bond Portfolio static data and statistics relating to the Loans comprising the Covered Bond Portfolio from time to time will be disclosed in the Investor Reports. The Investor Reports will also disclose, among other things, the outstanding Covered Bonds, the results of the Asset Coverage Test, the Valuation Calculation, the OC Valuation, the Reserve Fund, the Yield Supplement Required Amount, cash inflows and outflows of the Guarantor and ratings triggers (as contemplated by the CMHC Guide). The Initial Covered Bond Portfolio will consist only of Fixed Rate Loans. Further, the Issuer has not, and will not, include in the Covered Bond Portfolio in any circumstance any asset-backed securities which do not satisfy the ECB eligibility criteria for covered bonds as set out in Article 80 of the Guideline on the implementation of the Eurosystem monetary policy framework (recast) (ECB/2014/60). Asset backed securities cannot be included in covered bond collateral or substitute assets in a registered covered bond program under Part I.1 of the *National Housing Act* (Canada). See "*Description of the Canadian Registered Covered Bond Programs Regime - Eligible Covered Bond Collateral and Coverage Tests*."
Intercompany Loan:	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 a combined aggregate amount equal to the Total Credit Commitment, subject to increases and decreases as described below. The Intercompany Loan is denominated in Canadian dollars. The interest rate on the Intercompany Loan is a Canadian dollar floating rate determined by the Bank from time to time, which rate shall not exceed the amount received by the Guarantor pursuant to the Interest Rate Swap Agreement after taking into account 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. Upon the occurrence of (x) a Contingent Collateral Trigger Event, (y) an event of default (other than an insolvency event of default) or an additional termination event in respect of which the relevant Swap Provider is the defaulting party or the affected party, as applicable, or (z) a Downgrade Trigger Event, in each case, in respect of the Interest Rate Swap Agreement or the Covered Bond Swap Agreement, the relevant Swap Provider, in its capacity as (and provided it is) the lender under the Intercompany Loan Agreement, may deliver a Contingent Collateral Notice

to the Guarantor under which it elects to decrease the amount of the Demand Loan with a corresponding increase in the amount of the Guarantee Loan, in each case, in an amount equal to the related Contingent Collateral Amount(s).

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 from the Seller. The balance of the Guarantee Loan and the Demand Loan from time to time will be disclosed in the Investor Report.

Guarantee Loan: The Guarantee Loan is in an amount equal to the balance of outstanding Covered Bonds at any relevant time plus that portion of the 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 "*Summary of the Principal Documents—Guarantor Agreement—Asset Coverage Test*") plus, if applicable, any Contingent Collateral Amount.

Demand Loan: The Demand Loan is a revolving credit facility, the outstanding balance of which is equal to the difference between the balance of the Intercompany Loan and the balance of the Guarantee Loan at any relevant time. At any time prior to a Demand Loan Repayment Event (or following a Demand Loan Repayment Event if agreed to by the Bank and subject to satisfaction of the Rating Agency Condition), 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.

The Proceeds of the Intercompany Loan: The Guarantor has used advances of proceeds from the Intercompany Loan to pay for the purchase price for the Loans and their Related Security in the Covered Bond Portfolio purchased from the Seller in accordance with the terms of the Mortgage Sale Agreement and may use additional advances (i) to purchase New Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement; and/or (ii) to invest in Substitute Assets in an amount not exceeding the prescribed limit under the CMHC Guide; and/or (iii) subject to complying with the Asset Coverage Test to make Capital Distributions to the Limited Partner; and/or (iv) to make deposits of the proceeds in the Guarantor Accounts (including, without limitation, to fund the Reserve Fund and the Pre-Maturity Liquidity Ledger, if applicable (in each case to an amount not exceeding the prescribed limit) and to fund the Yield Supplement Fund).

Capital Contribution: Each of the Managing GP and the Liquidation GP contributed an initial nominal cash amount to the Guarantor and respectively held at that time 99 percent and 1 percent of the initial general partner interest in the Guarantor. The Limited Partner holds the substantial economic interest in the Guarantor having made an initial Cash Capital Contribution to the Guarantor. The Limited Partner has made and may make from time to time additional Capital Contributions.

Consideration: Under the terms of the Mortgage Sale Agreement, the Seller sold the Loans and their Related Security in the Covered Bond Portfolio and may, from time to time, sell New Loans and their Related Security to the Guarantor on a fully-serviced basis in exchange for cash consideration. The Limited

	Partner may also make Capital Contributions of New Loans and their Related Security in exchange for an additional interest in the capital of the Guarantor.
Interest Rate Swap Agreement:	To provide a hedge against possible variances in (i) the rates of interest payable on the Portfolio Assets and (ii) amounts payable under the Intercompany Loan Agreement and, following the 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. See "*Summary of the Principal Documents—Interest Rate Swap Agreement*". Subject to the terms of the Transaction Documents and the CMHC Guide, the structure of the swap agreements may be amended, supplemented or revised from time to time and the swap counterparties may be changed from time to time.
Covered Bond Swap Agreement:	To provide a hedge against currency and/or other risks arising, (i) prior to the occurrence of a Covered Bond Guarantee Activation Event, in respect of amounts payable in respect of obligations of the Issuer under the Covered Bonds, and (ii) following the occurrence of a Covered Bond Guarantee Activation Event, in respect of amounts payable in respect of obligations of the Guarantor under the Covered Bond Guarantee, the Issuer and the Guarantor will enter into a Covered Bond Swap Agreement from time to time with the Covered Bond Swap Provider in respect of each Series of Covered Bonds. See "*Summary of the Principal Documents—Covered Bond Swap Agreement*". Subject to the terms of the Transaction Documents and the CMHC Guide, the Covered Bond Swap Provider may change and the structure of the swap agreements may be amended, supplemented or revised from time to time and the swap counterparties may be changed from time to time.
Risk Factors:	There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand. A description of the principal categories and sub-categories of such risks is set out under "*Risk Factors*".

RISK FACTORS

In purchasing Covered Bonds, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Covered Bonds. The Issuer and the Guarantor believe that the factors described below represent the principal categories and subcategories of risks inherent in investing in Covered Bonds issued under the Programme.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme. In each category below, the most material risk factors are listed in a manner that is consistent with the assessment based on the likelihood of their occurrence and the expected magnitude of their negative impact on the Issuer.

Neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Additional risks and uncertainties not presently known to or able to be anticipated by the Issuer or the Guarantor or that they currently believe to be immaterial based on information currently available to them could, individually or cumulatively, also have a material impact on the Issuer's business operations.

Such risks could also have a material impact on the Issuer's or the Guarantor's financial results, businesses, financial condition or liquidity and could, directly or indirectly, 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 their respective obligations.

In addition to considering the categories of principal risks identified and discussed herein related to the Issuer and its business, including steps taken to manage those risks, prospective investors should also consider, in consultation with their own financial and legal advisers, the detailed information set out elsewhere in this Base Prospectus (including information incorporated by reference) and any applicable Final Terms to reach their own views prior to making any investment decisions. The Covered Bonds are not a suitable investment for a prospective investor that does not understand their terms or the risks involved in holding the Covered Bonds.

THE PURCHASE OF COVERED BONDS MAY INVOLVE SUBSTANTIAL RISKS AND MAY BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE COVERED BONDS. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY, IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, (I) ALL THE INFORMATION SET FORTH IN THIS BASE PROSPECTUS AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW AND (II) ALL THE INFORMATION SET FORTH IN THE APPLICABLE FINAL TERMS. PROSPECTIVE INVESTORS SHOULD MAKE SUCH ENQUIRIES AS THEY DEEM NECESSARY, INCLUDING (WITHOUT LIMITATION) WITH THEIR OWN FINANCIAL, TAX AND LEGAL ADVISORS, WITHOUT RELYING SOLELY ON THE ISSUER, THE GUARANTOR, ANY ARRANGER OR ANY DEALER.

1. PRINCIPAL RISKS RELATING TO THE ISSUER AND ITS ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE COVERED BONDS ISSUED UNDER THE PROGRAMME

A description of risk factors relating to the Issuer that may affect the ability of the Issuer to fulfil its obligations to the investors under the Covered Bonds issued under the Programme is set out below.

a) Macro-economic and geopolitical risks

The Issuer's results and earnings could be affected by global and local economic and market conditions

In the past, market and economic conditions have caused significant disruption in the credit markets. Such an event could lead to increased market uncertainty and instability in capital and credit markets, as well as a decline in business and consumer confidence.

Recent developments in North American trade policy, including the imposition, adjustment, and legal review of various tariff measures between the United States and Canada, have introduced ongoing uncertainty in the bilateral trade environment. These evolving tariff actions and related policy shifts have the potential to affect key sectors of the Canadian economy, such as manufacturing, automotive, and agriculture. In addition, the recent escalation of conflict in the Middle East has contributed to broader global economic uncertainty, particularly in relation to energy markets, supply chain stability, and geopolitical risk. Management notes that these combined sources of uncertainty may contribute to heightened market volatility, inflationary pressures, and potential impacts on employment levels and property values. Over the medium to long term, such conditions could influence customers' financial capacity to meet loan obligations, which may affect the assumptions and estimates used by management in the preparation of the financial statements. Global economic uncertainty remains elevated due to the economic impacts of decreasing but still elevated interest rates, lower house prices and geopolitical risks. These global economic factors continue to cast uncertainty on assumptions pertaining to the Canadian economy and the Bank's business. Accordingly, there is a higher level of uncertainty with respect to management's judgements and estimates.

The Canadian housing market, and in particular the Greater Toronto and Greater Vancouver areas, remain susceptible to a decline in value and is an area of focus for the FBOC Entities as their portfolio of mortgages is concentrated in these areas. Federal and provincial measures designed to cool the housing market may impact the Issuer's mortgage originations and/or renewals and make it more difficult for borrowers to obtain financing elsewhere at the end of the term of their mortgage. Losses on all types of residential mortgage loans will increase if there is a decline in residential real estate values, resulting in reduced home equity. Any decline in real estate values may be more severe for mortgage loans secured by high-value properties. Declining property values may also create an oversupply of homes on the market which may increase negative home equity. There can be no assurance that a decline in home prices will not occur and continue for an indefinite period of time in the future. Risks associated with high Canadian household indebtedness remain elevated, particularly in the event of high interest rates and any economic weakness. The FBOC Entities continue to apply conservative credit risk management practices, which include establishing and monitoring prudent risk limits and regular performance of stress tests.

In addition, given the interconnectedness of global financial markets and the importance of trade flows, changes in the global economic and political environment, such as the prolonged and escalating Russia-Ukraine and the U.S. and Israel-Iran war and other geopolitical developments, continued differences between the U.S. and China over a range of strategic issues and the evolution of the UK's relationship with the EU, lower oil prices and trade disputes could affect the pace of economic growth in Canada, which may result in defaults by other financial services companies which are counterparties to the Issuer and could, in turn, adversely affect the Issuer's earnings.

If economic growth is subdued, for example, asset prices and payment patterns may be adversely affected, leading to greater than expected increases in the Issuer's delinquencies, default rates and expected credit losses. However, if growth is too rapid, new asset valuation bubbles could appear, particularly in the real estate sector, with potentially negative consequences for the FBOC Entities.

The occurrence of any of these events or circumstances could have a material adverse effect on the business, financial condition, results of operations, prospects and customers of the FBOC Entities.

The Issuer is subject to risks associated with market fluctuations which may reduce its income or the value of its portfolios

The Issuer's businesses are inherently subject to risks associated with financial markets and the wider economy, including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices, business investment, government spending and the risk that the Issuer's customers act in a manner inconsistent with its business, pricing and hedging assumptions.

Market volatility has at times been high, and ongoing market movements could significantly affect the Issuer in a number of key areas. For example, banking and trading activities are subject to interest rate risk, foreign exchange risk and credit spread risk. Changes in interest rate levels, interbank spreads over official rates, yield curves and spreads affect the interest rate spread realized between lending and borrowing costs.

The interest rate sensitivity position of the Issuer as at 31 December 2025 is disclosed on page 41 of the 2025 Consolidated Financial Statements, which is incorporated herein by reference. With respect to equity price risk, the value of the Issuer's securities portfolio may be impacted by market determined variables which are beyond the Issuer's control, such as benchmark yields, credit and/or market spreads, implied volatilities, the possibility of credit migration and default, among others. The Bank will follow a prudent and disciplined approach to managing the impacts of changes in the market on its financial position.

Further, repayment and renewal activity may increase in a rising interest rate environment, which may negatively impact the Issuer's liquidity. Competitive pressures on fixed rates or product terms in existing loans and deposits may restrict the Issuer's ability to change interest rates to customers in response to changes in official and wholesale market.

It is difficult to predict with any degree of accuracy changes in market conditions, and such changes could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

The level of competition among financial services companies is high. Customer loyalty and retention can be influenced by a number of factors, including service levels, prices for products or services, the Issuer's reputation and the actions of competitors.

The Issuer generally competes on the basis of the quality of its customer service, the variety of products and services that the Issuer can offer its target customers, the ability of those products and services to satisfy its customers' needs, the distribution channels available for its customers, its innovation and its reputation. Continued and increased competition in any one or all of these areas may negatively affect its market share and/or cause the Issuer to increase its capital investment in its businesses in order to remain competitive. Additionally, the Issuer's products and services may not be accepted by its targeted clients. In many markets, there is increased competitive pressure to provide products and services at current or lower prices. Consequently, the Issuer's ability to reposition or reprice its products and services from time to time may be limited and could be influenced significantly by the actions of its competitors who may or may not charge similar fees for their products and services. Any changes in the types of products and services that the Issuer offers its customers, and/or the pricing for those products and services, could result in a loss of customers and market share. Changes in these factors or any subsequent loss of market share could adversely affect the Issuer's earnings.

Furthermore, non-financial companies (such as financial technology ('fintech') companies) have increasingly been offering services traditionally provided by banks. While this presents a number of opportunities, there is also a risk that it could disrupt the Issuer's business model. Such new entrants to the market or new technologies could require the Issuer to spend more to modify or adapt its products to attract

and retain customers. The Issuer may not respond effectively to these competitive threats from existing and new competitors and may be forced to increase its investment in its business to modify or adapt its existing products and services or develop new products and services to respond to its customers' needs.

Any of these factors could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and reputation.

b) Macro-prudential, regulatory and legal risks to the Issuer's business model

The Issuer's results could be affected by legislative and regulatory developments and changes in policies and approach to supervision in the jurisdictions where the Issuer conducts business

The financial services industry in Canada is highly regulated. The Issuer is subject to on-going regulation, including by the Office of the Superintendent of Financial Institutions (Canada), the Canada Deposit Insurance Corporation, the Financial Transactions and Reports Analysis Centre of Canada and the Financial Consumer Agency of Canada, and associated regulatory risks, including the effects of changes in the laws and regulations. Regulators in Canada, where the Issuer conducts its business, are very active on a number of fronts, including consumer protection, data protection and privacy, capital markets activities, anti-money laundering, and the oversight and strengthening of risk management.

The Issuer is subject to a variety of regulations and related oversight. Regulatory reforms, at the federal and provincial levels of Canadian government, remain a key risk for the Issuer. The Issuer maintains a framework and controls to address compliance with existing laws and regulations and monitors and assesses the potential impact of regulatory developments and implements any necessary changes; however, regulators or other reviewers may challenge the interpretation or implementation of such compliance. Failure to comply with legal and regulatory requirements could result in fines, penalties, litigation, regulatory sanctions and limitations, all of which could have a negative impact on the Issuer's financial performance, reputation and ability to operate as a regulated entity.

The Issuer's operations, profitability and reputation could be adversely affected by the introduction of new laws and regulations, changes to, or changes in interpretation or application of current laws and regulations, and issuance of judicial decisions. Such adverse effects may include incurring additional costs and resources to address initial and ongoing compliance; limiting the types or nature of products and services the Issuer can provide and the fees it can charge; unfavourably impacting the pricing and delivery of products and services the Issuer provides; increasing the ability of new and existing competitors to compete with their pricing, products and services; and increasing risks associated with potential non-compliance. In addition to the adverse impacts described above, the Issuer could suffer loss from exposure to fines, penalties, or punitive damages from civil litigations, contractual obligations, criminal or supervisory actions, as well as private settlements; and from not complying with regulatory requirements, regulatory changes or regulators' expectations.

Further, considerable changes have been made to laws and regulations in Canada that relate to the financial services industry and mortgages, including changes related to mortgage deferrals and capital and liquidity requirements. This is particularly the case in the post-financial crisis regulatory environment, where the Issuer expects government and regulatory intervention in the banking sector as a whole to remain high for the foreseeable future.

No assurance can be given that additional regulations or guidance from CMHC, Canada Deposit Insurance Corporation or any other regulatory body with authority over the Issuer will not arise with regard to the mortgage market in Canada generally which could adversely affect the realizable value of the Covered Bond Portfolio or any part thereof and accordingly affect the ability of the Issuer to meet its obligations under the Covered Bonds.

The Canadian Securities Administrators have implemented regulations relating to over-the-counter derivatives reform. The Issuer monitors the increased compliance costs relating to these regulations and

the related impact on the Issuer's businesses, operations and results. Further, the Canadian Securities Administrators introduced regulatory reforms to enhance the client-registrant relationship, referred to as the "Client Focused Reforms". Enhanced requirements under the Client Focused Reforms created a higher standard of conduct across all categories of registered dealers and advisors. This resulted in new training, operational and systems costs, as well as changes in the types of products and services that are offered through the Issuer's registered affiliates.

The Canadian Securities Administrators have passed regulations with operational impacts related to shortening the Canadian trade settlement cycle from T+2 to T+1 to align with U.S. trade settlement and enhanced client reporting of fund expenses, amongst others. The Issuer is taking steps to implement those regulations and is monitoring other regulatory initiatives, all of which, when implemented, could result in increased compliance costs that may impact the Issuer's businesses, operations and results.

In addition, the Issuer's earnings are affected by fiscal, monetary, interest rate and economic policies that are adopted by Canadian regulatory authorities. Such policies can have the effect of increasing or reducing competition and uncertainty in the markets. Such policies may also adversely affect the Issuer's customers and counterparties, causing a greater risk of default by these customers and counterparties. In addition, expectations in the bond and money markets about inflation and central bank monetary policy have an impact on the level of interest rates. Changes in market expectations and monetary policy are difficult to anticipate and predict. Fluctuations in interest rates that result from these changes can have an impact on the Issuer's earnings. Future changes to such policies will directly impact earnings.

Globally, the data and privacy landscape has and continues to experience regulatory change, with significant new legislation that has been passed and will be implemented in the near term in Canada and additional new legislation that is anticipated to come into force in the medium-term. Compliance with such regulatory and legislative changes may result in higher operational and system costs to the Issuer.

The Issuer is or may be subject to a number of legal and regulatory actions and investigations, the outcomes of which are inherently difficult to predict

In the ordinary course of business, the Issuer may, from time to time, become party to a variety of legal claims and regulatory proceedings including, but not limited to: disputes regarding its or its business partners' products, sales practices, disclosures, licensing, regulatory compliance and compensation arrangements; disputes with its employees, agents or brokers over compensation and termination of contracts and related claims; disputes with taxing authorities regarding its tax liabilities and tax assets; regulatory proceedings and litigation related to acquisitions or divestitures made or proposed by the Issuer or its affiliates or in connection with companies in which it holds an investment; and disputes relating to certain businesses acquired or disposed of by the Issuer. The existence of such claims against the Issuer or its affiliates, directors or officers could have various adverse effects, including negative publicity and the incurrence of significant legal expenses defending claims, even those without merit. For further details on legal proceedings and regulatory matters affecting the Issuer, please refer to Note 19 of the 2025 Consolidated Financial Statements, incorporated herein by reference.

While the Issuer takes what it believes are reasonable measures to comply with the laws and regulations in effect 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. An unfavourable result in one or more of these proceedings could result in the Issuer incurring significant expense, substantial monetary damages, loss of significant assets, other penalties and injunctive relief, potential regulatory restrictions on the Issuer's business and/or a negative effect on the Issuer's reputation, any of which could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or results of the Issuer's operations.

The Issuer may be subject to environmental risks in Canada and globally

The Issuer's operations are subject to potentially unfavourable political, social, environmental and economic developments in Canada and globally, which may include protest, acts of terrorism, political and/or social

instability, climate change and acts of God, such as natural disasters, epidemics and pandemics, and infrastructure issues, such as transportation or power failures.

Environmental risk is the possibility of loss of strategic, financial, operational, or reputational value resulting from the impact of environmental issues or concerns, including climate change, and related social risk. These risks are categorized by the industry as either: physical risks, including risks arising from a changing climate leading to the potentially increased frequency of climate-related natural disasters; or transition risks, those that result from the transition to a low-carbon economy. Transition risks are broader and could surface for the Issuer in the form of emerging regulatory and legal requirements, disruptions to its operations and services, as well as through its customers themselves. These physical and transition risks could result in potential financial impacts for the Issuer in the form of higher risk-weighted assets, greater transactional losses, and increased capital requirements.

Financial losses caused by climate change, epidemics and pandemics and infrastructure issues could also impair asset values and the creditworthiness of the Issuer's customers which in turn may result in a material adverse effect on the Issuer's business, financial condition, results of operations, prospects and strategy.

c) Risks related to the Issuer's business, operations and governance

The Issuer's operations are subject to a number of credit-related risks

Credit risk is defined as the risk of the loss of principal and/or interest from the failure of debtors and/or counterparties to honour their financial or contractual obligations to the Issuer, for any reason. Credit risk arises principally from the Issuer's lending activities, and its investment in debt and equity securities. The Issuer's overall exposure to credit risk is governed by a defined credit-specific risk appetite, risk limits, a Board-approved Credit Risk Policy, delegated lending authorities, and regular independent monitoring and reporting.

The FBOC Entities have clearly defined underwriting policies and procedures that they adhere to in the mortgage underwriting process. At a transactional level, loans are independently approved by credit and/or underwriting staff, commensurate with their experience and expertise to extend credit within the bounds of Issuer's credit risk policies and limits delegated by the Enterprise Risk Management. These include a maximum Loan-To-Value ratio on all uninsured commercial and residential mortgage loans; certain standards with regard to the asset quality and debt service coverage of commercial properties; standards for the marketability of the properties taken as security, including geographic market restrictions; and requirements surrounding the overall credit quality and integrity of all borrowers. All transactions are subject to a detailed assessment of the borrower's ability to service the loan, credit history and underlying security. Enhanced due diligence is conducted on transactions deemed to carry higher credit risks based on pre-defined parameters. Transactions in excess of individual authority are approved by the Credit Risk Transactional Sub- Committee of the Credit Risk Management Committee and ultimately by the Risk and Capital Committee of the Board as required.

The Issuer also faces risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties (e.g., counterparties in derivative transactions) and such risks are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties arising from a general deterioration in economic conditions or systemic risks in the financial system could reduce the recoverability and value of the Issuer's assets and require an increase in the Issuer's loan impairment allowances.

The Issuer estimates and recognizes impairment allowances for expected credit losses inherent in its credit exposure. This process, which is critical to the Issuer's results and financial condition, requires difficult, subjective and complex judgments, including forecasts of how the economic conditions might impair the ability of the Issuer's borrowers to repay their loans and the ability of other counterparties to meet their obligations. Further details on the methodology used by the Issuer to recognize and measure expected credit loss can be found in Note 6 of the 2025 Consolidated Financial Statements, incorporated herein by reference. As is the case with any such assessments, the Issuer may fail to estimate accurately the effect

of factors that it identifies or may fail to identify relevant factors. Further, the information the Issuer uses to assess the creditworthiness of its counterparties may be inaccurate or incorrect. Any failure by the Issuer to accurately estimate the ability of its counterparties to meet their obligations may have a material adverse effect on its business, prospects, financial condition and results of operations, including its ability to make payments in connection with any Covered Bonds.

The primary lending business of the FBOC Entities is the provision of first mortgages on real estate located across Canada. All mortgages are individually evaluated by the FBOC Entities' underwriters using internal and external credit risk assessment tools and are assigned risk ratings in accordance with the level of credit risk attributed to each loan. In the Canadian alternative mortgage market, the FBOC Entities originate loans by lending to self-employed and other Canadians that have been determined to meet the Issuer's underwriting standards, including based on character and capacity to reliably pay their mortgages, but these borrowers may not meet the credit criteria of the major Canadian banks. Alternative lending is the major line of business for the FBOC Entities. A deterioration in the credit quality of the alternative mortgage loans of the FBOC Entities could have a material adverse effect on their businesses, financial condition and prospects and/or results of the FBOC Entities' operations.

The Issuer's operations are highly dependent on the Issuer's information technology systems

As a financial institution, the Issuer is exposed to a variety of types of fraud and other financial crime, including cyber-crime. The scale, scope, complexity and velocity of these crimes is increasing, and could result in business interruptions, service disruptions, corporate espionage, theft of private and confidential information, and reputational damage. The Issuer is committed to, and continues to invest in, defensive technology, resources and processes to prevent, detect and manage information security and privacy threats. Failure to protect its operations from internet crime or cyber attacks may result in financial loss, business disruption and/or loss of customer services and data or other sensitive information that could undermine its reputation and its ability to attract and keep customers.

Third-party service providers that the Issuer uses may also be subject to these risks which can increase the Issuer's risk of potential attack. The occurrence of any such breach in relation to any of the Issuer's third-party service providers could in turn have a pass-through adverse impact on the Issuer's operations and reputation.

The Issuer continually assesses the performance of third-party suppliers against industry standards. In addition, the Issuer has limited control over the safety of its clients' personal devices that may be used to conduct transactions. To manage these risks, the Issuer's defence systems are designed as an integral part of both its existing infrastructure, and its architecture and development for its digital platform. The Issuer views cyber risk as a key component of operational risk and it proactively maintains a "defence in depth" strategy with developed standards and procedures to prevent, detect, respond, manage, and address cyber security threats from all types of malicious attackers that attempt to steal sensitive information, cause a system failure or denial of service on websites or other types of service disruption.

The Issuer has not experienced any material cyber security breaches and has not incurred any material expenses with respect to the remediation of such cyber events.

The reliability and security of the Issuer's information and technology infrastructure and the Issuer's customer databases are crucial to maintaining the service availability of its applications and processes and to protecting the Issuer's brand and reputation. The proper functioning of the Issuer's payment systems, financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between the Issuer's main data processing centres, are critical to the Issuer's operations.

The Issuer faces the risk that information technology systems could fail. Critical system failure, any prolonged loss of service availability or any material breach of data security, particularly involving confidential customer data, could cause serious damage to the Issuer's ability to service its clients including as a result of its use of paper-free mortgage documentation technology, could breach regulations under

which the Issuer operates or contractual obligations to which the Issuer is subject and could cause long-term damage to the Issuer's business operations, and brand reputation, which in turn could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations.

Operational and infrastructure risks are inherent in the Issuer's business

Operational risk, which is inherent in all business activities, is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The impact of operational risk may include financial loss, reputational harm, or regulatory enforcement actions, among other impacts. Operational risk is inherent in every business and support activity, including the practices for managing other risks such as credit, compliance and liquidity and funding risks.

The Issuer also faces the risk that computer or telecommunications systems could fail, despite its efforts to maintain these systems in good working order. Though the Issuer takes great care to maintain and enhance its controls and security, some of the Issuer's services or operations may face the risk of interruption or other security risks arising from the use of the internet in these services or operations, which may impact the Issuer's customers and infrastructure. Given the high volume of transactions the Issuer processes daily, certain errors may be repeated or compounded before they are discovered and rectified. Shortcomings or failures of the Issuer's internal processes, employees or systems, or those provided by third parties, including any of the Issuer's financial, accounting or other data processing systems, could lead to financial loss and damage to the Issuer's reputation.

In addition, despite the contingency plans the Issuer has in place, its ability to conduct business may be adversely affected by a disruption in the infrastructure that supports both its operations and the communities in which it does business, including but not limited to disruption caused by public health emergencies, environmental disasters or terrorist acts.

The Issuer may fail to adequately manage its third-party suppliers and service providers

The Issuer recognizes the value of using third parties to support its business activities, as they provide access to an expanded customer base, specialized expertise and systems, economies of scale and operational efficiencies. However, they also create reliance on the integrity, reliability and security of these relationships, and their associated people, processes and technology. A third party or any substitute may be unable to perform its obligations under the agreements to which it is a party as a result of factors outside its control, including disruptions due to technical difficulties (including as a result of cyber threats), operational or workforce difficulties, and local, national and/or global macroeconomic factors such as protest, acts of terrorism, political and/or social instability, climate change and acts of God, such as natural disasters, epidemics and pandemics, and infrastructure issues, such as transportation or power failures. The inadequate management of third-party risks could impact the Issuer's ability to meet strategic, regulatory and client expectations. While the Issuer has implemented internal controls to manage the risks associated with key vendors (including cloud service providers) as well as business partners such as mortgage brokers and loan servicers, failures could result in adverse effects including service disruptions, financial loss and damage to the Issuer's reputation, which could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations.

The Issuer's data management policies and processes may not be sufficiently robust

The use and management of data and its governance are becoming increasingly important as the Issuer continues to invest in digital solutions and innovation, the move of the Issuer's core banking system to the cloud and the ongoing expansion of business activities. There are regulatory compliance risks associated with data management and privacy as well. The Issuer has established a dedicated executive committee to ensure it effectively addresses current and future data needs (quality, security, integrity), and that it is positioned to address emerging requirements from a data management planning and governance perspective.

Financial institutions, including the Issuer, that fail to comply with the principles for effective risk data aggregation and risk reporting as set out by the Basel Committee by the required deadline may face supervisory measures, which could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations.

The Issuer's risk management measures may not be successful

The management of risk is an integral part of all the Issuer's activities. Risk constitutes the Issuer's exposure to uncertainty and the consequent variability of return. Specifically, risk equates to the adverse effect on profitability or financial condition arising from different sources of uncertainty, including, but not limited to, credit risk, liquidity and funding risk, reputational risk and operational risk. While the Issuer employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and the judgments that accompany their application cannot anticipate every unfavourable event or the specifics and timing of every outcome. Failure to manage risks appropriately could have an adverse effect on the Issuer's income, cash flows and the value of assets and liabilities, which could have a material adverse effect on the Issuer's business, its financial condition and prospects and/or results of the Issuer's operations.

The Issuer may suffer losses due to employee misconduct

The Issuer's businesses are exposed to risk from potential noncompliance with business policies, including the Issuer's values, and related behaviours and employee misconduct, which could manifest in the form of improper use or disclosure of confidential information, fraud or negligence, violation of laws and regulations concerning financial abuse and money laundering, embezzlement, unauthorised transactions or other operational errors including clerical or record keeping errors, any of which could result in regulatory sanctions against the Issuer or reputational or financial harm. It is not always possible to deter and guard against employee misconduct, or to ensure full compliance with the Issuer's policies, and the precautions the Issuer takes to prevent and detect this activity may not always be effective. The direct and indirect cost of employee misconduct to the Issuer's businesses can be substantial and could have a material adverse effect on the Issuer's business, prospects, financial condition and results of operations.

The Issuer's operations have inherent reputational risk

Reputational risk is the risk that stakeholder impressions, whether true or not, regarding the Issuer's business practices, actions or inactions, will adversely affect the Issuer's earnings, economic value, capital, or ability to maintain existing or establish new business relationships and continued access to sources of funding. Such an event could result in potential losses to the Issuer arising from a decline in business volumes, challenges accessing funding markets, or increased funding costs.

Negative public opinion may adversely affect the Issuer's ability to retain and attract customers, in particular corporate and retail depositors, which in turn could cause the Issuer to experience a decline in business volume. Negative public opinion may also adversely affect the Issuer's ability to retain and motivate highly qualified banking and financial industry professionals, a key element of the Issuer's strategy, which could result in the Issuer's inability to successfully implement its strategy and have a negative impact on the Issuer's ability to remain competitive, which in turn could have a material adverse effect on the Issuer's business, prospects, financial condition, reputation and results of operations.

The Issuer may be subject to fraud and criminal activities.

As a financial institution, the Issuer is inherently exposed to various types of fraud and other financial crime. The sophistication, complexity, and materiality of these crimes evolves quickly and these crimes can arise from numerous sources, including potential or existing clients or customers, agents, third parties, including suppliers, service providers and outsourcers, other external parties, contractors or employees. In deciding whether to extend credit or enter into other transactions with customers or counterparties, the Issuer may rely on information furnished by or on behalf of such customers, counterparties or other external parties including financial statements and financial information and authentication information. The Issuer may also

rely on the representations of customers, counterparties, and other external parties as to the accuracy and completeness of such information. In order to authenticate customers, whether through the Issuer's phone or digital channels, the Issuer may also rely on certain authentication methods which could be subject to fraud. In addition to the risk of material loss (financial loss, misappropriation of confidential information or other assets of the Issuer or its customers and counterparties) that could result in the event of a financial crime, the Issuer could face legal action and client and market confidence in the Issuer could be impacted.

The Issuer maintains a robust control framework designed to manage the risks related to misrepresentation and fraudulent activities across its operations. The Issuer has processes to keep its fraud controls relevant, agile, and current to accommodate new products, new channels, and evolving fraud trends. However, there can be no guarantee that those defensive efforts will be effective in eliminating or materially limiting the Issuer's exposure to fraud and other financial crimes, which could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects, strategy and reputation.

Changes to credit ratings may affect the cost and other terms upon which the Issuer is able to obtain market funding.

Credit ratings affect the cost and other terms upon which the Issuer is able to obtain market funding. Certain rating agencies evaluate the Issuer as well as the Covered Bonds. Their ratings are based on a number of factors, including their assessment of the relative financial strength of the Issuer as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain the Issuer's or Covered Bond's relevant ratings. In the event that a rating assigned to the Issuer or the Covered Bonds is subsequently suspended, lowered or withdrawn for any reason, other than as specified herein, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds, the Issuer may be adversely affected, the market value of the Covered Bonds is likely to be adversely affected and the ability of the Issuer to make payments under the Covered Bonds may be adversely affected.

Borrower and Counterparty risk exposure

The Issuer's counterparties that are EU or UK credit institutions and investment firms, including the Dealers under the Programme (collectively, "**BRRD Firms**"), are subject to Directive 2014/59/EU (as amended) (the "**BRRD**"), which is intended to enable a range of actions to be taken in relation to BRRD Firms considered to be at risk of failing. In the United Kingdom, the Banking Act implements the BRRD. The BRRD is designed to provide resolution authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing BRRD Firm so as to ensure the continuity of the institution's critical financial and economic functions, whilst minimising the impact of the institution's failure on the economy and financial system. The BRRD was applied in Member States and the United Kingdom from 1 January 2015 with the exception of the bail-in tool (referred to below) which was applicable from 1 January 2016.

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

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

The powers set out in the BRRD will impact how the Issuer's BRRD Firm counterparties are managed as well as, in certain circumstances, the rights of their creditors including the Issuer. For instance, the Issuer and its debtholders may be affected by disruptions due to a BRRD Firm not being able to fulfil its obligations as issuing and paying agent, European registrar, calculation agent or similar roles. The prudential framework applicable to such BRRD Firms continues to evolve (including through the UK Prudential Regulatory Authority's implementation of the Basel 3.1 standards, with certain rules having taken effect from 1 January 2026 and further rules intended to apply from 1 January 2027), which may result in changes to the capital treatment of exposures held by such counterparties, including exposures to instruments such as the Covered Bonds issued under the Programme. See the section entitled "*Subscription and Sale and Selling Restrictions*" on pages 233 to 242 of this Base Prospectus for more information on the relationship between the Issuer and the relevant BRRD Firms.

The Issuer's financial statements are based in part on judgments, estimates and assumptions that are subject to uncertainty.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the years. Estimates and underlying assumptions are reviewed by management on an ongoing basis. The critical estimates and judgments utilized in preparing the consolidated financial statements of FBOC affect the assessment of the allowance for credit losses on loans, impairment of financial and non-financial assets, fair values of financial assets and liabilities, derecognition of financial assets transferred in securitization transactions, effectiveness of financial hedges for accounting purposes, the fair values of net identifiable assets acquired and liabilities assumed and intangible assets recognized in a business combination, and income taxes, which are discussed in detail under the heading "*Use of Judgement and Estimates*" in Note 2 on pages 8 to 9 of the 2025 Consolidated Financial Statements, which are incorporated by reference herein.

In making estimates and judgments, the Issuer's management uses external information and observable market inputs where possible, supplemented by internal analysis as required. These estimates and judgments have been made taking into consideration the economic impact of the current market volatility and uncertainty due to geopolitical unrest, the current interest rate environment, and inflationary pressures. Actual results could differ materially from these estimates, in which case the impact would be recognized in the consolidated financial statements in future periods. If the judgments, estimates and assumptions FBOC uses in preparing its consolidated financial statements are subsequently found to be materially different from those assumed using information available at the reporting date, this could affect its business, prospects, financial condition and results of operations.

2. FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING RISKS RELATED TO THE GUARANTOR'S ABILITY TO FULFIL ITS COMMITMENT UNDER THE GUARANTEE

The Guarantor has finite resources available 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 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, as described in Condition 7.02 "*Guarantor Events of Default*" on page 98 of this Base Prospectus, and the Security created by or pursuant to the Security Agreement is enforced, the proceeds from the realization of 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 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 occurrence and during the continuance of an Issuer Event of Default, 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 Issuer 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 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.

Risks resulting from the Guarantor's reliance on Service Providers

The Guarantor has entered into agreements with 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 (including through the Subservicer), the Cash Manager has been appointed to calculate and monitor compliance with the Asset Coverage Test, the Amortization Test and the OC Valuation 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. Several of these roles, including, but not limited to, the roles of Servicer and Cash Manager, are initially performed by the Issuer and in the case of the Subservicer, a wholly-owned subsidiary of the Issuer. The Issuer and the Subservicer may, and in some circumstances will be required to, be terminated as a service provider if its ratings by the Rating Agencies have been downgraded below a specified rating or there is an uncured breach of the relevant agreement. There can be no assurance that a suitable replacement will be found that is willing to and able to provide such services. A third party or any substitute may be unable to perform its obligations under the agreements to which it is a party as a result of factors outside its control, including disruptions due to technical difficulties (including as a result of cyber threats), operational or workforce difficulties, and local, national and/or global macroeconomic factors such as protest, acts of terrorism, political and/or social instability, climate change and acts of God, such as natural disasters, epidemics and pandemics, and infrastructure issues, such as transportation or power failures. 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 (including through the Subservicer) has failed to administer adequately the Loans, this may lead to higher incidences of non-payment or default by Borrowers. See risk factor entitled "*Risks resulting from default by Borrowers in paying amounts due on their Loans*".

The Guarantor is also reliant on the Interest Rate Swap Provider and, following a Covered Bond Guarantee Activation Event, the Covered Bond Swap Provider, to help provide it with the funds required to meet its obligations under the Intercompany Loan Agreement and the Covered Bond Guarantee, as described below. Subject to the terms of the Transaction Documents and the CMHC Guide, the structure of the swap agreements may be amended, supplemented or revised from time to time and the swap counterparties may be changed from time to time.

The Guarantor is also reliant on the ability of the GIC Provider to repay funds deposited with it into the GIC Account in order for the Guarantor to pay amounts due under the Covered Bonds. In particular, 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 GIC Account and holders of Covered Bonds will be dependent on the credit of the GIC Provider for the availability of these amounts.

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 applicable ratings from the Rating Agencies above the level specified in the Servicing Agreement or may not be rated at all and the Rating Agency Condition may not be satisfied 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. See risk factor entitled "*Risks resulting from default by Borrowers in paying amounts due on their Loans*".

If the Seller, as initial Servicer, becomes subject to insolvency proceedings, it could give rise to a stay of proceedings that would delay and may otherwise impair the Guarantor's or the Bond Trustee's exercise of rights and remedies in respect of the removal of the Seller as the initial Servicer.

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.

Risks resulting from the Guarantor's reliance on Swap Providers

To provide a hedge against possible variances in the rates of interest payable on the Portfolio Assets and the interest amounts payable under the Intercompany Loan and, following the 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. In addition, to provide a hedge against currency and/or other risks arising, following the 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 a Covered Bond Swap Agreement from time to time with the Covered Bond Swap Provider. The Swap Providers may, and in certain circumstances will be required to, be replaced by a third party under the Swap Agreements if its ratings by the Rating Agencies have been downgraded below a specified rating or upon an event of default under the relevant Swap Agreement. Subject to the terms of the Transaction Documents and the CMHC Guide, the structure of the swap agreements may be amended, supplemented or revised from time to time and the swap counterparties may be changed from time to time.

If the Guarantor fails to make timely payments of amounts due under any Swap Agreement, 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. If a Swap Agreement terminates or the Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts (including in the relevant currency, if applicable) to the Guarantor on the payment date under the relevant Swap Agreement, the Guarantor will be exposed to changes in the relevant currency exchange rates to Canadian dollars and to any changes in the relevant rates of interest. Unless a replacement Swap Agreement is entered into, the Guarantor may have insufficient funds to meet its obligations under the Covered Bond Guarantee.

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

If the Guarantor is not Independently Controlled and Governed and is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank *pari passu* with amounts due on the Covered Bonds, except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate, in which case, such termination payment is subordinated to the interest amounts due on the Covered Bonds. If the Guarantor is Independently Controlled and Governed, it may have the discretion to afford the Interest Rate Swap Provider priority over payments due on the Covered Bonds in respect of amounts due and payable under the Interest Rate Swap Agreement, other than termination payments payable to the Interest Rate Swap Provider where the Interest Rate Swap Provider has caused the termination, in which case such termination payment is subordinated to the interest amounts due on the Covered Bonds. 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.

Risks resulting from the differences in timings of obligations of the Guarantor and the Covered Bond Swap Provider under the Covered Bond Swap Agreement

With respect to the Guarantor, cashflows will be exchanged by the Guarantor and the Covered Bond Swap Provider under the Covered Bond Swap Agreement following the Covered Bond Guarantee Activation Event. After the occurrence of a Covered Bond Guarantee Activation Event, the Guarantor will make payments to the Covered Bond Swap Provider on each Guarantor Payment Date in accordance with the Priorities of Payments. 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

Subject to the qualifications and assumptions stated in "*Taxation – Canada*", 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 or deduction which may be required in respect of any such payment, which would adversely affect the amount of payment on the Covered Bonds to be received by the applicable Covered Bondholders at the time of such payment.

3. FACTORS WHICH ARE MATERIAL FOR THE PURPOSES OF ASSESSING THE RISKS RELATED TO THE COVERED BOND PORTFOLIO

a) Risks related to the constitution and maintenance of the Covered Bond Portfolio

Changes to the constitution of the Covered Bond Portfolio

The Initial Covered Bond Portfolio will consist solely of fixed rate Loans originated by the Originators. See "*Loan Origination and Lending Criteria*" on page 138 of this Base Prospectus for additional information. 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 with New Loans 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.

The Initial Covered Bond Portfolio will consist of Loans originated by the Originators in the Canadian alternative mortgage market. In the Canadian alternative mortgage market, each Originator originates loans by lending to self-employed and other Canadians that have been determined to meet such Originator's underwriting standards, as applicable, including based on character and capacity to reliably pay their mortgages, but these borrowers may not meet the credit criteria of the major Canadian banks. Alternative lending is the major line of business for the Issuer and the Originators. The Covered Bond Portfolio will vary from time to time in respect of the alternative mortgage loans, but such Loans will all be required to meet the Eligibility Criteria. A deterioration in the credit quality of the alternative mortgage Loans in the Covered Bond Portfolio could have a material adverse effect on the Covered Bond Portfolio and the Covered Bonds.

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 Covered Bond Portfolio at the date of this Base Prospectus, which may result in a material change in the composition of the Covered Bond Portfolio held by the Guarantor in support of the Covered Bonds. The New Loans may perform in a materially different manner from the existing Loans in the Covered Bond Portfolio as it existed at the time that an investor first acquired the Covered Bonds. Each Loan will be required to meet the Eligibility Criteria and satisfy the Loan Representations and Warranties set out in the Mortgage Sale Agreement, the HTC Mortgage Sale Agreement and the HB Mortgage Sale Agreement, although the Eligibility Criteria and the Loan Representations and Warranties may change in certain circumstances as described herein, which may also result in a material change in the New Loans in the Covered Bond Portfolio and represent a material risk to the investors if such New Loans perform in a

materially different manner from the existing Loans in the Covered Bond Portfolio. 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 prepares and provides Investor Reports that set out certain information in relation to, among other things, the outstanding Covered Bonds, the Covered Bond Portfolio, the Asset Coverage Test, the OC Valuation, the Reserve Fund and the Valuation Calculation, cash inflows and outflows of the Guarantor and rating triggers (as contemplated by the CMHC Guide), and the Issuer will make such Investor Reports available to Covered Bondholders. See "*General Information*".

Risks related to the 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. See "*Summary of the Principal Documents – Asset Coverage Test*" and "*Amortization Test*" on pages 181 to 186 of this Base Prospectus for further details on these two tests. 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.

1) Risks to credit rating of the Covered Bonds due to insufficient enhancement

Asset Coverage Test: The Issuer shall use all reasonable efforts to ensure that the Guarantor is compliant with the Asset Coverage Test. This may include making advances under the Intercompany Loan, selling New Loans and their Related Security 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 as at 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 Issuer 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.

2) Risks related to the variance between the market value of the Covered Bond Portfolio and market value of the obligations guaranteed under the Covered Bond Guarantee

Valuation Calculation: The Guarantor is required to perform the Valuation Calculation to monitor exposure to interest rates and currency exchange rates by measuring the present value of the Covered Bond Portfolio relative to the market value of the obligations guaranteed under the Covered Bond Guarantee. As a result, the market value of the Covered Bond Portfolio may not be sufficient to satisfy the obligations guaranteed under the Covered Bond Guarantee. However, there is no obligation on the part of the Issuer or the Guarantor to take any action in respect of the Valuation Calculation to the extent it shows the market value of the Covered Bond Portfolio is less than the market value of the obligations guaranteed under the Covered Bond Guarantee. The Valuation Calculation does not take into account the Covered Bond Swap Agreement, which is intended to provide a hedge against currency risks, interest rate risks and timing risks in respect of, among other things, amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable in respect of its obligations under the Covered Bond Guarantee after the occurrence of a Covered Bond Guarantee Activation Event, except to the extent of any cash or securities transferred to the Guarantor by the Covered Bond Swap Provider as credit support for the obligations of the Covered Bond Swap Provider under the terms of the Covered Bond Swap Agreement. Such protection afforded by the Covered Bond Swap Agreement would only be applicable if the Covered Bond Swap Agreement has not been terminated at the relevant time and the Swap Counterparty satisfies its obligations. If not, the mismatch identified by the Valuation Calculation may have an adverse effect on the investors in the Covered Bonds if the Covered Bond Portfolio is disposed of at the time.

3) Risks related to the failure to meet the Amortization Test

Amortization Test: Pursuant to the Guarantor Agreement, following the occurrence and during the continuance of an Issuer Event of Default (but prior to service of a Guarantor Acceleration Notice) and, for so long as Covered Bonds remain outstanding, the Guarantor must ensure that, as at each Calculation Date following the occurrence and during the continuance of an Issuer Event of Default, the Guarantor is in compliance with the Amortization Test. The Amortization Test is met if the Amortization Test 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. 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 and/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 as at 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, carry out the arithmetic testing of, and report on the arithmetic accuracy of, the calculations performed by the Cash Manager in respect of the Asset Coverage Test and the OC Valuation once each year and more frequently in certain circumstances as required by the terms of the Asset Monitor Agreement. Following the occurrence of an Issuer Event of Default, the Asset Monitor will be required to carry out the arithmetic testing of, and report on the arithmetic accuracy of, 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, the OC Valuation or the Amortization Test or any other test, or supervising the performance by any other party of its obligations under any Transaction Document.

The Properties subject to the Related Security for Loans in the Covered Bond Portfolio do not undergo periodic appraisals but are required to be indexed to account for subsequent market developments. Appraisals are obtained when a Loan is originated, but generally not subsequent to origination.

The Guarantor employs an indexation methodology that meets the requirements provided for in the CMHC Guide to determine indexed valuations for Properties relating to the Loans in the Covered Bond Portfolio (which methodology may be updated from time to time and will, at any time, be disclosed in the then-current Investor Report, the "**Indexation Methodology**") for purposes of the Asset Coverage Test, the Amortization Test, the Valuation Calculation and for other purposes as may be required by the CMHC Guide from time to time. Further information about the Indexation Methodology can be found at any time in the then-current Investor Report. Changes to the Indexation Methodology may only be made (i) upon notice to CMHC and satisfaction of any other conditions specified by CMHC in relation thereto, (ii) if such change constitutes a material change, subject to satisfaction of the Rating Agency Condition, and (iii) if such change is materially prejudicial to the Covered Bondholders, subject to the consent of the Bond Trustee. The Indexation Methodology must at all times comply with the requirements of the CMHC Guide.

Neither the Issuer nor the Guarantor can give any assurance as to the accuracy or completeness of any data obtained from a third-party index for use in the Indexation Methodology and it is not expected that a sponsor of a third-party index will represent as to the accuracy or completeness of such data or accept any liability therefor.

4) Renewal risk related to the Loans in the Covered Bond Portfolio with Short Maturities

Loans generally provide for the renewal of the loans periodically (e.g., every two years), but the amortization period of the loans is generally much longer (e.g., 30 years). The borrower faces a change, perhaps a substantial change, in the applicable interest rate on the loan at the time of renewal and the prospect of seeking a replacement loan from another lender if the current lender does not renew the loan. In an adverse economic environment, obtaining a replacement loan may be difficult. Accordingly, if prevailing interest rates have risen significantly, an existing lender may need to renew the loan at below market rates in order to avoid a default on a loan up for renewal.

In the event that the Guarantor must liquidate some Loans in order to meet its obligations under the Covered Bond Guarantee, it may realize less than the principal amount of the Loans liquidated. If the Guarantor is required to liquidate a large number of Loans that have interest rates significantly below prevailing interest rates, the Guarantor may not realize sufficient proceeds to pay the Covered Bonds in full.

5) Risks arising from the trigger of the Guarantor's obligation to sell randomly selected Loans following the breach of the Pre-Maturity Test, if applicable, Asset Coverage Test Breach Notice or Notice to pay

If, to the extent any Hard Bullet Covered Bonds are issued and outstanding and the Pre-Maturity Test is breached, the Guarantor may offer to sell Randomly Selected Loans to seek to generate sufficient cash to enable the Guarantor to pay the Final Redemption Amount on any such 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 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 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 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*"). The Guarantor may also use Portfolio Assets to repay the Demand Loan and will, following a Covered Bond Guarantee Activation Event, receive credit for such repayment equal to the True Balance on such Portfolio Assets or in certain circumstances, the fair market value thereof.

6) Risk of insufficient market for Charged Property upon realisation 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.

b) Risks related to the realizable value of the Covered Bond Portfolio

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 or the Originators, 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 (see "*Risks resulting from default by Borrowers in paying amounts due on their Loans*");
- the insolvency of the Seller (including as initial Servicer) or the insolvency of an Originator or the Subservicer;
- changes to the lending criteria of an Originator, or changes to the implementation thereof by an Originator or any external broker used by an Originator in the origination of Loans;
- 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 Loans 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;
- law or regulations that could lead to some terms of the Loans being unenforceable; and
- general market conditions which may make the sale of Portfolio Assets at a price sufficient to repay all amounts due under the Covered Bonds and the Transaction Documents unattainable or difficult.

However, it should be noted that the Asset Coverage Test, the Amortization Test, the OC Valuation, the Reserve Fund, the Pre-Maturity Test, if applicable, 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 (a) the Bank is required to assign some or all of its obligations to one or more third-party service providers, as Servicer or Cash Manager (or the Subservicer is required to do so), and/or (b) the Swap Providers are required to assign some or all of its obligations under the applicable Swap Agreement to a replacement swap provider, in each case, such third-party service providers or replacement swap provider, as the case may be, may require fees for such services in excess of the rates or amounts, if any, currently being paid to the Bank or the applicable Swap Provider by the Guarantor. Any such increase in fees for the services currently provided by the Bank and/or the Swap Providers 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 and/or replacement swap provider will (i) have the same level of operational experience as the Bank or the Covered Bond Swap Provider or the Interest Rate Swap Provider and operational issues may arise in connection with the appointment of a third-party service provider and/or replacement swap provider, or (ii) not require more onerous terms in any relevant Transaction Document.

Risks resulting from no new Guarantor or Seller representations and warranties

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, if applicable), 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 or any Originator would give any warranties or representations in respect of the Portfolio Assets. Any Loan Representations and Warranties previously given by the Seller or any Originator in respect of Loans in the Covered Bond Portfolio may not have value for a third-party purchaser particularly if the Seller or Originators are 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.

Risks resulting from default by Borrowers in paying amounts due on their Loans

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, local, regional or national economic or housing conditions, and changes in law, 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 will be given no credit for the purposes of the Asset Coverage Test, the Amortization Test, the Valuation Calculation or the OC Valuation. See "*Summary of the Principal Documents – Guarantor Agreement"* on page 179 of this Base Prospectus for additional information on those tests.

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

Risks resulting from the changes to the Lending Criteria which may result in increased borrower defaults

Each of the Loans originated by the applicable Originator will have been originated in accordance with such Originator's Lending Criteria at the time of origination. See "*Loan Origination and Lending Criteria*" on page 138 of this Base Prospectus for additional information. It is expected that the Originators Lending Criteria will generally consider type of property, term of loan, age of applicant, LTV 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 Eligibility Criteria and were originated in accordance with the applicable Originator's Lending Criteria applicable at the time of origination. Each of the Originators retains the right to revise its 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 will be given no credit for the purposes of the Asset Coverage Test, the Amortization Test, the Valuation Calculation and the OC Valuation.

Risks particular to the Multiproduct Mortgage Loans

The Covered Bond Portfolio may include Multiproduct Mortgage Loans. For a detailed description of the Multiproduct Mortgage Loans, see "*Summary of the Principal Documents-Mortgage Sale Agreement-Multiproduct Accounts*" on page 162 of this Base Prospectus. Such Multiproduct Mortgage Loans are subject to certain additional risks which include, without limitation, the following:

- the risk that Multiproduct Mortgage Loans may be more difficult for the Guarantor to sell to third parties than other Loans due to the related servicing and priority arrangements governing the Multiproduct Mortgage Loans and/or the continuing ownership interests of the Seller (or the applicable Originator) and/or Multiproduct Purchasers in the related Multiproduct Accounts and the related Multiproduct Mortgages;

- the risk that the Guarantor, or the Servicer on its behalf or the Subservicer, is or will become subject to certain fiduciary and other rights, duties and obligations under applicable law or under any

applicable agreements in regard to the Seller (or the applicable Originator) or the Servicer or the Subservicer and/or any Multiproduct Purchasers having an interest in the related Multiproduct Mortgages which could delay, or otherwise adversely affect its right to make certain servicing and/or enforcement decisions relating to such Multiproduct Mortgage Loans or, with respect to such agreements, which may affect the respective priorities of the related Multiproduct Mortgage Loans and Lines of Credit; and

- since the Seller (or the applicable Originator) or Multiproduct Purchasers will each be entitled to an interest in the related Multiproduct Mortgages in the Province of Québec to the extent of the outstanding indebtedness owing under any related Line of Credit or Multiproduct Mortgage Loan, the Guarantor will in respect of each Multiproduct Mortgage have to join the Seller (or the applicable Originator) or Multiproduct Purchaser in enforcement proceedings against the related Borrower.

Limitations on 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 Loan 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 Loan 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 30 calendar days of receipt by it of the request. There is no further recourse to the Seller in respect of a breach of a Loan Representation or Warranty.

If the Seller fails to remedy the breach of a Representation and Warranty within 30 calendar 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 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. Any failure by the Seller to do so when required could have a negative impact on the realizable value of the Covered Bond Portfolio.

4. FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING RISKS RELATED TO THE COVERED BONDS GENERALLY

Sole Obligors of the Covered Bonds are the Issuer and, after a Covered Bond Guarantee Activation Event, the Guarantor

The Covered Bonds will be obligations of the Issuer and, after a Covered Bond Guarantee Activation Event, the Guarantor. The Covered Bonds will not be obligations of any subsidiaries or affiliates of the Issuer, other than the Guarantor. The Covered Bonds will not represent an obligation or be the responsibility of the Arranger or any of the Dealers, 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.

The Issuer is 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 the Covered Bonds will not be insured under the *Canada Deposit Insurance Corporation Act* (Canada) (the "**CDIC Act**") or any other governmental insurance scheme of any other country, and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the 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.

The Guarantor is 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) (see Condition 4 on page 81 of this Base Prospectus) unless and until service of such Issuer Acceleration Notice is requested or directed, as applicable, by the Holders of at least 25 percent 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 (as discussed further in Condition 7.01 on page 97 of this Base Prospectus). 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 (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 shall 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. As a result, the Holders of the Covered Bonds will not receive the Excess Proceeds directly from the Issuer or the Guarantor and will be limited on their recovery against the Guarantor only for the Guaranteed Amounts and only pursuant to the Covered Bond Guarantee.

All Covered Bonds issued under the Programme will accelerate at the same time if there is a Covered Bond Guarantee Activation Event

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 satisfy the Rating Agency Condition.

Based on the foregoing, the holders of a Series of Covered Bonds will not have full entitlement to amounts available from the Issuer for holders of Covered Bonds and will be limited to their applicable entitlement on a shared priority basis and will, on a similar basis, be limited in their access to the security granted by the Guarantor under the Security Agreement.

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

In the exercise of its powers, trusts, authorities and discretions, the Bond Trustee will only have regard to the interests of the holders of the Covered Bonds. In the exercise of its powers, trusts, authorities and discretions, the Bond Trustee may not act on behalf of the 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 percent of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding. See Condition 21 "*Indemnification of Bond Trustee and Bond Trustee contracting with the Issuer and/or the Guarantor*" on page 113 of this Base Prospectus. As a result, the rights of an individual holder of Covered Bonds may be adversely affected by decisions made by the Bond Trustee, by an Extraordinary Resolution of the applicable holders of a Series or a direction in writing by holders of Covered Bonds representing the requisite percentage of Covered Bonds of the relevant Series.

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 Canadian 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 the applicable Rate of Interest including, if applicable, as may be 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. 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 Payments 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 up to one year after the Final Maturity Date (as specified in the applicable Final Terms) 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 Payments, 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 (including at a physical location or by means of an electronic platform (such as a conference call or videoconference) or a combination thereof) of Holders of the Covered Bonds to consider, and for passing written resolutions on, matters affecting their interests 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 (or do not sign the written resolutions) 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.

Pursuant to the terms of the Transaction Documents certain conditions, actions and steps under or with respect to the Transaction Documents require satisfaction of the Rating Agency Condition. Certain Rating Agencies have issued policies or commented that such Rating Agencies do not provide consent to or approval of changes or amendments to the transaction documents or structure and that such Rating Agencies are not bound by the provisions of transaction documents in programmes for which they provide ratings. As a result of such policies and comments, a formal written or published response from the Rating Agencies with respect to the satisfaction of the Rating Agency Condition or confirming that such Rating Agencies do not consider such confirmation or response necessary in the circumstances (which would also satisfy such requirement) may not be forthcoming despite such condition, action or step being in the best interest of Covered Bondholders. In these circumstances, the Issuer may in the future be restricted from taking such conditions, actions or steps in a timely manner.

Certain modifications to the Transaction Documents may be made in some cases without the consent of Covered Bondholders, and in other cases, Covered Bondholders will be deemed to have consented to such modifications unless holders of the Covered Bonds representing at least 10 percent of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds have notified their objection to the Bond Trustee in writing

In addition to the right of the Bond Trustee to make certain modifications to the Transaction Documents without the consent of the holders of the Covered Bonds described under *"—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 Bond Trustee shall, without any consent or sanction of any of the holders of the Covered Bonds or any of the other Secured Creditors, concur with the Issuer in making any modification (other than a Series Reserved Matter) to the Trust Deed, the Conditions or any other Transaction Document to which it is a party or in relation to which it holds security for the purpose of changing the Reference Rate to an Alternative Base Rate as further described in Conditions

5.03 and 13.02(c) for the relevant Series of Covered Bonds (and such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change) to the extent there has been or there is reasonably expected to be a material disruption or cessation to EURIBOR or any other relevant benchmark, provided that such amendments will not constitute a Series Reserved Matter and, in each case subject to the satisfaction of certain requirements, including receipt by the Bond Trustee of a Base Rate Modification Certificate, certifying, among other things, that the modification is required for its stated purpose.

The Issuer must provide at least 30 days' notice to the holders of the Covered Bonds of the proposed modification in accordance with Condition 14 and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds. If, within 30 days from the giving of such notice, holders of the Covered Bonds representing at least 10 percent of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds have notified the Issuer or the Issuing and Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held) that such holders of the Covered Bonds do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series is passed in favour of the Base Rate Modification in accordance with Condition 13.01 and the Trust Deed. However, in the absence of such a notification, all Covered Bondholders will be deemed to have consented to such modification and the Bond Trustee shall, subject to the requirements of Condition 13.02(c), without seeking further consent or sanction of any of the holders of the Covered Bonds and irrespective of whether such modification is or may be materially prejudicial to the interest of the holders of the Covered Bonds as a class, concur with the Issuer in making the proposed modification.

Therefore, it is possible that a modification to the Reference Rate (and as otherwise described above) could be made without the vote of any holders of the relevant Series of Covered Bonds or even if holders of such Series of Covered Bonds holding less than 10 percent of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds objected to it. In addition, holders of the Covered Bonds should be aware that, unless they have made arrangements to promptly receive notices sent to Covered Bondholders from any custodians or other intermediaries through which they hold their Covered Bonds and give the same their prompt attention, meetings may be convened or resolutions (including Extraordinary Resolutions) may be proposed and considered and passed or rejected or deemed to be passed or rejected without their involvement even if, were they to have been promptly informed by such custodians or other intermediaries as aforesaid, they would have voted in an affirmative manner to the holders of the Covered Bonds which passed or rejected the relevant proposal or resolution.

Issuer's potential conflict of interest in connection with the Covered Bond Programme

The Issuer has a number of roles pursuant to the Programme including, but not limited to, the roles of Issuer, Seller, Servicer, Cash Manager and Limited Partner and its subsidiaries, HTC and HB are Originators and HTC is also the Subservicer (as further described in "*Summary of the Principal Documents*" on pages 150 to 209 of this Base Prospectus). In respect of the Programme, the Issuer, HTC and HB will act in its own interest subject to compliance with the Transaction Documents. Such actions by the Issuer, HTC and HB may not be in the best interests of and may adversely affect the holders of the Covered Bonds, including by negatively impacting the ability for the Issuer to pay to the holders of the Covered Bonds any principal and/or interest due on the Covered Bonds. Subject to compliance with the Transaction Documents, the Issuer 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 Originators have been originated at various times with the result that the underlying mortgage documentation may vary from Loan to Loan. See the section entitled "*Loan Origination and Lending Criteria*" on pages 138 to 145 of this Base Prospectus for further details on the Loans. Earlier Loan documentation may not have the same level of acknowledgements and consents from borrowers regarding the disclosure of information, and, in certain circumstances may not provide for an express right

to share client information. As a result, limited information may be available to parties other than the Issuer and its related entities (which would include the Originators, the Subservicer and the Guarantor).

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. In the event that there is more than one Series of Covered Bonds outstanding, the Holders of the Covered Bonds of any particular Series may not have sufficient votes to control any matter voted on at a single meeting of the Holders of all Covered Bonds of all Series outstanding. See Condition 13.01 "*Meetings of Holders of the Covered Bonds*" for additional information.

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 law of Ontario and the law of Canada applicable therein including federal banking, bankruptcy and income tax laws in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change in law, including applicable laws, regulations and policies with respect to the issuance of Covered Bonds, the Covered Bonds themselves or the bankruptcy, insolvency, winding-up and receivership of the Issuer or the Guarantor after the date of this Base 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. Any such change could adversely impact the value of the Covered Bonds.

It should also be noted that the Covered Bonds and their holders may be affected by the covered bond legislative package of the EU that entered into force on 7 January 2020 with the deadline for application of 8 July 2022. This legislative package is composed of Directive 2019/2162 on the issue of covered bonds and covered public supervision, as amended (the "**EU Covered Bond Directive**") and Regulation 2019/2160 replacing article 52(4) of the UCITS Directive (Directive 2009/65/EC) as regards exposures in the form of covered bonds. This legislative package established a revised common base-line for issuances of covered bonds for EU regulatory purposes (subject to various options that Member States may choose to exercise when implementing the EU Covered Bond Directive into their national law and amended Article 129 of Regulation (EU) No 575/2013 (Capital Requirements Regulation – the "**CRR**") and related provisions regarding the criteria for covered bonds to benefit from a preferential capital treatment under the CRR regime. However, the preferential treatment under Art. 129 of the CRR currently cannot extend to covered bonds issued by Canadian issuers and the holders thereof. Any such extension is dependent on the introduction of an equivalence regime for third countries in relation to covered bonds.

Pursuant to Article 31(1) of the EU Covered Bond Directive, the EU Commission was to submit a report together with a legislative proposal (if appropriate) on whether and, if so, how any equivalence regime could be introduced for third-country credit institutions issuing covered bonds and for investors in those covered bonds by 8 July 2024. In a call for advice (the "**CfA**") dated 27 July 2023, the EU Commission requested input and technical assistance from the European Banking Authority (the "EBA") to conduct the review referred to in Article 31 of the EU Covered Bond Directive. The EBA published its advice in response to the EU Commission's CfA on 23 September 2025. Having considered the advantages and disadvantages, the EBA is of the opinion that there is a relevant case for developing a third country equivalence regime and made recommendations for the prerequisites, scope and design of the equivalence assessment. Following EBA's advice, the EU Commission has not yet published its report or any related legislative proposal as at the date of this Prospectus. Therefore, it is currently unknown whether and how a future reform of the EU Covered Bond Directive might affect the marketability of the Covered Bonds and other covered bonds issued by Canadian issuers.

Further, Covered Bonds may be eligible to be used as liquid assets under the liquidity coverage ratio requirements provided for in the CRR, as supplemented by Commission Delegated Regulation (EU)

2015/61 (as amended, the "**LCR Delegated Regulation**"), provided that they are assigned a certain credit assessment by an external credit assessment institution or have otherwise been assigned a 10% risk weight under Article 129 CRR and provided that they also comply with the other requirements set out in the LCR Delegated Regulation such as transparency requirements. There is no assurance that the Covered Bonds are eligible for such purpose and prospective investors should therefore make themselves aware of all applicable regulatory requirements with respect of their investment in the Covered Bonds.

Under the UK Capital Requirements Regulation (the "**UK CRR**"), preferential capital treatment under Article 129,UK CRR currently cannot extend to covered bonds issued by Canadian issuers and the holders thereof. However, HMT has published draft legislation – the Overseas Prudential Requirements Regime (Credit Institutions and Investment Firms) Regulations 2026 (the "**OPPR**"), which is intended to come into force on 1 January 2027. This draft legislation proposes to introduce a power for HM Treasury to designate jurisdictions through the OPPR in relation to covered bonds, with the effect that covered bonds headquartered in designated jurisdictions that meet the non-jurisdictional Article 129 criteria (under the UK CRR) would be treated as eligible covered bonds for the purpose of applying the preferential standardised approach treatment under the UK CRR. The PRA has consulted on changes to its rulebook to reflect the introduction of this new power and has announced a further consultation in January 2027 on how this overseas recognition regime may impact on liquidity risk management requirements.

HM Treasury has not taken any decisions as to whether it will use the power to designate jurisdictions in relation to covered bonds in the future, and no assurances or predictions can be made as to the precise effect of the HM Treasury and the PRA's proposed amendments to the UK's covered bonds regime on the Covered Bonds in the future or how HM Treasury's powers may be exercised and may then affect the Covered Bonds (including their eligibility under Art. 129, CRR) or the Issuer as a foreign issuer. Prospective investors should therefore make themselves aware of all applicable regulatory requirements with respect of their investment in the Covered Bonds.

In addition, the implementation of and/or changes to the Basel III framework may affect the capital requirements and/or liquidity associated with a holding of the Covered Bonds for certain investors. See risk factor entitled "*Factors which are material for the purposes of assessing the risks relating to the Issuer's and the Guarantor's legal and regulatory situation – Basel Accord, Basel Committee on Banking Supervision Global Standards for Capital and Liquidity Reform (Basel III) and regulatory environment*" below.

Change of Tax Law

Statements in this Base Prospectus concerning the taxation of investors (see the section entitled "*Taxation*" on page 230 of this Base Prospectus) are of a general nature and are based upon current tax law and published practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective or retroactive effect, and this could adversely affect holders.

In addition, any change in the Issuer's tax status or in taxation legislation or practice in a relevant jurisdiction could adversely impact the market value of the Covered Bonds.

Ratings of the Covered Bonds

The ratings assigned to the Covered Bonds address (i) with respect to DBRS, the risk that the Issuer will fail to satisfy its financial obligations thereunder in accordance with the terms under which the Covered Bonds are issued and (ii) with respect to Moody's, 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, the Issuer or Canada 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.

(i) Credit ratings might not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. The ratings might not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time based on a number of factors including the Issuer's financial strength, competitive position, and liquidity, as well as factors not entirely within the Issuer's control, including the methodologies used by rating agencies and conditions affecting the overall financial services industry.

In general, EEA regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU under the EU CRA Regulation (and such registration has not been withdrawn or suspended) subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. See "*Credit Rating Agencies*" on page 7 of this Base Prospectus for additional information. Such general restriction will also apply in the case of credit ratings issued by third country non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU Registered CRA or the relevant third country non-EU rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified credit rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a UK Registered CRA. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK Registered CRA; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended and (b) transitional provisions that apply in certain circumstances.

The list of registered and certified credit rating agencies published by the FCA on its website in accordance with the UK CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated FCA list.

If the regulated status of a rating agency under the EU CRA Regulation or the UK CRA Regulation changes, EEA and UK regulated investors may no longer be able to use the rating for regulatory purposes and the Covered Bonds may have a different regulatory treatment. This may result in EEA and UK regulated investors selling the Covered Bonds which may impact the value of the Covered Bonds on any secondary market. Certain information with respect to the credit rating agencies and ratings is disclosed in the "*Credit Rating Agencies*" section on page 7 of this Base Prospectus.

(ii) Rating Agency Condition 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 reduction or withdrawal of the rating of the Covered Bonds in effect immediately before the taking of such action. However, holders of the Covered Bonds should be aware that if a confirmation or some other response by a Rating Agency is a condition to any action or step or is otherwise required under any Transaction Document and a written request for confirmation of the satisfaction of the Rating Agency Condition is delivered to that Rating Agency by any of the Issuer, the Guarantor and/or the Bond Trustee, as applicable, and either (i) the Rating Agency indicates in its sole discretion that it does not consider such confirmation or response necessary in the circumstances or (ii) within 30 days (or in the case of Moody's, 10 Canadian Business Days) of actual receipt of such request by the applicable Rating Agency, such request elicits no confirmation or response and/or such request elicits no statement by the applicable Rating Agency that such confirmation or response could not be given, the Issuer, the Guarantor and/or the Bond Trustee, as applicable, will be entitled to disregard the requirement for satisfaction of the Rating Agency Condition or affirmation of rating or other response by the applicable Rating Agency and proceed on the basis that such confirmation or affirmation of rating or other response by the applicable Rating Agency is not required in the particular circumstances of the request. In such circumstances there can be no assurance that a Rating Agency would not downgrade or place on watch the then current rating of the Covered Bonds or cause such rating to be withdrawn or suspended.

The failure by a Rating Agency to respond to a written request for a confirmation or affirmation shall not be interpreted to mean that such Rating Agency has given any deemed confirmation of the satisfaction of the Rating Agency Condition or affirmation of rating or other response in respect of such action or step. No Rating Agency is a party to any of the Transaction Documents and no Rating Agency will at any time be under an obligation to confirm satisfaction of the Rating Agency Condition.

As described in Condition 20 on page 112 of this Base Prospectus, 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 applicable 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 Condition 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.

Further, as discussed in Condition 20 on page 112 of this Base Prospectus, by subscribing for or purchasing Covered Bond(s), each holder of Covered Bonds shall be deemed to have acknowledged and agreed that: (a) confirmation of the satisfaction of the Rating Agency Condition may or may not be given at the sole discretion of each Rating Agency; (b) depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide confirmation of the satisfaction of the Rating Agency Condition in the time available, or at all, and the Rating Agency shall not be responsible for the consequences thereof; (c) confirmation of the satisfaction of the Rating Agency Condition, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the Covered Bonds forms a part; and (d) confirmation of the satisfaction of the Rating Agency Condition represents only a restatement of the opinions given, and shall not be construed as advice for the benefit of any holder of Covered Bonds or any other party.

5. RISKS RELATING 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, the most common of which are set out below:

a) Risks related to Floating Rate Covered Bonds

Changes or uncertainty in respect of interest rates and indices that are deemed "benchmarks" may adversely affect the value or payment of interest under the Covered Bonds, including where such benchmarks may not be available.

(i) IBOR Replacement

Reference rates such as EURIBOR and other types of rates or indices which are deemed to be "benchmarks" (each, a "**Benchmark**" and together the "**Benchmarks**") have been the subject of regulatory scrutiny and national and international regulatory reform and review aimed at supporting the transition to robust benchmarks. Most reforms have now reached their planned conclusion (including the transition away from LIBOR), and Benchmarks remain subject to ongoing monitoring, although different interest rate benchmarks are being reformed or discontinued at different speeds and in different ways.

International reform of Benchmarks includes the implementation of the Benchmarks Regulation (Regulation (EU) 2016/1011, as amended) (the "**EU BMR**"). Certain types of benchmark, which may include interest rates and indices, including equity, commodity and "proprietary" indices or strategies, may be within the scope of the EU BMR as Benchmarks where they are used to determine the amount payable under, or the value of, certain financial instruments, and where they meet certain criteria, including, for some Benchmarks, exceeding specific EU use thresholds.

Following recent reforms to the EU BMR, only certain benchmarks considered to have significant economic relevance are subject to the full requirements of the regime:

- Benchmarks that are categorised as "critical" or "significant" under the EU BMR;
- EU Paris-aligned Benchmarks (as defined in the EU BMR);
- EU Climate Transition Benchmarks (as defined in the EU BMR); and
- certain commodity Benchmarks.

Other EU-administered Benchmarks may be voluntarily brought within scope upon request by the administrator, subject to use thresholds.

The ESMA maintains a public register of approved EU and non-EU Benchmark administrators pursuant to the EU BMR (the "**ESMA Register**").

The EU BMR applies to the contribution of input data to an in-scope Benchmark, the administration of an in-scope Benchmark, and the use of an in-scope Benchmark in the EU, and requires administrators of in-scope Benchmarks to comply with extensive requirements relating to Benchmark administration.

The EU BMR could have a material adverse impact on the value of and return on securities linked to an in-scope Benchmark. For example, subject to applicable transitional provisions, the EU BMR:

- prohibits new use by EU supervised entities of critical Benchmarks, in-scope commodity Benchmarks, EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks whose administrators are not included on the ESMA Register; and
- prohibits new use by EU supervised entities of newly categorised "significant" Benchmarks that are the object of a public notice issued under Article 24a(6) of the EU BMR, and (ii) requires any such Benchmark to be replaced in existing securities within six months (where possible).

Furthermore, the methodology or other terms of a critical Benchmark, such as EURIBOR, could be changed to comply with the requirements of the EU BMR, or mandatory substitution of any Benchmark (including

those that are not in scope of the EU BMR more broadly) with a replacement Benchmark could be imposed in certain circumstances.

Amendments made to the EU BMR by Regulation (EU) 2025/914 mean that only Benchmarks perceived to have the greatest economic relevance for the EU market are now in mandatory scope of core provisions of the new regime. As discussed above, such Benchmarks are those defined as critical or significant (determined based on quantitative or qualitative criteria), EU Paris-aligned Benchmarks, EU Climate Transition Benchmarks, and certain commodity benchmarks. These all remain in scope of the mandatory application of the core provisions of the EU BMR. An exemption applies for certain FX benchmarks. Other Benchmarks are no longer in mandatory scope of the EU BMR (other than certain limited provisions including in relation to statutory replacement of a Benchmark, connected with cessation and/or non-representativeness).

For Benchmarks that are in scope of the revised regime, similar risks apply to those which apply to Benchmarks in scope of the previous regime. Investors should note however that Benchmarks that are not in scope of the revised regime are no longer regulated in the same way as under the previous regime. This means that previously mandatory requirements, regulating (for example) governance, conflicts of interest, oversight functions, input data requirements, methodology and transparency of the methodology, and requirements for contributors and in relation to input data, have fallen away. Among other things, there is a risk that this could mean that the methodology of such Benchmarks may be less robust, resilient or transparent (potentially being capable of being materially amended without consultation). This may reduce or increase or affect the volatility of the level of such Benchmarks.

The Benchmarks Regulation (Regulation (EU) 2016/1011) as it forms part of domestic law by virtue of the EUWA (the "**UK BMR**") applies, subject to applicable transitional provisions, to "contributors", "administrators" and "users" of "Benchmarks" in the UK.

Amongst other things, it requires UK Benchmark administrators to be authorised or registered as such and to comply with extensive requirements relating to benchmark administration. It also prohibits (subject to applicable transitional provisions) certain uses by UK supervised entities of (a) Benchmarks provided by UK administrators that are not authorised or registered in accordance with the UK BMR and (b) Benchmarks provided by non-UK administrators where (i) the administrator's regulatory regime has not been determined to be "equivalent" to that of the UK, (ii) the administrator has not been recognised in accordance with the UK BMR, and (iii) the Benchmark has not been endorsed in accordance with the UK BMR.

The UK BMR transitional provisions for third country benchmark administrators continue until 31 December 2030. However, in December 2025, the UK launched a consultation on a new regime for Benchmarks and Benchmark administrators, which will replace the UK BMR when it enters into force.

According to the consultation, the proposed new Specified Authorised Benchmarks Regime (the "**SABR**") will be significantly narrower in scope than the UK BMR and will only apply to Benchmarks and administrators that are designated as systemically important to UK financial markets.

Administrators of Benchmarks that are not in scope of the new SABR will no longer be subject to rules relating to benchmark governance, conflicts of interest, oversight functions, methodology and transparency, requirements for contributors, and input data. This means that the methodologies of these Benchmarks could become less robust, resilient or transparent, and may be capable of being materially amended without consultation. This may affect the volatility of such Benchmarks, or, if the methodology is materially amended, trigger an Additional Disruption Event.

The consultation closed on 11 March 2026 and further timescales for introduction of the new SABR are not known.

The EU BMR and the UK BMR also give regulators additional powers to intervene in relation to critical benchmarks (such as EURIBOR under the EU BMR or ICE Swap Rate under the UK BMR), including to support the orderly wind-down of a critical benchmark.

Legislation such as the EU BMR and/or the UK BMR, if applicable, or other similar legislation could have a material impact on any Covered Bonds linked to or referencing a Benchmark in scope of one/both of these regulations, in particular, if certain regulatory approvals with respect to the administrator for the Benchmark or the Benchmark are not obtained and/or maintained which may restrict certain uses by a supervised entity, or if the methodology or other terms of an in-scope Benchmark are changed in the future in order to comply with the requirements of the EU BMR and/or the UK BMR or other similar legislation. Changes to the methodology or other terms of a Benchmark or any announcement by a regulator pursuant to the EU BMR or UK BMR that a Benchmark is no longer representative (or risks becoming unrepresentative), or is not in compliance with the relevant legislation, could, among other things, have the effect of reducing or otherwise affecting the volatility of the published rate of the relevant Benchmark.

Although EURIBOR has been reformed in order to comply with the terms of the EU BMR, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative Benchmark.

It is not possible to predict whether, and to what extent, EURIBOR and other Benchmarks will continue to be supported and/or available for use by reference to the same or an alternative calculation methodology going forward. This may cause these Benchmarks to perform differently than they have done in the past and may have other consequences which cannot be predicted. More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks (including the EU BMR and/or the UK BMR and/or the future SABR) may have (without limitation) the following effects on certain Benchmarks: (i) discouraging market participants from continuing to administer or contribute to a Benchmark; (ii) triggering changes in the rules of methodologies used in the Benchmark; or (iii) leading to the disappearance of the Benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value or liquidity of, and return on, any Covered Bonds linked to, referencing, or otherwise dependent (in whole or in part) on, a Benchmark.

(ii) Fallback arrangements under the Conditions

The Conditions provide for certain fallback arrangements in the event that a published benchmark is discontinued or otherwise becomes unavailable, including the possibility under Condition 13.02 (and subject to the requirements thereof) that the rate of interest could be determined: (i) by the Issuer, either solely or in consultation with an Independent Financial Adviser (as defined below), or (ii) set by reference to an Alternative Base Rate. In making such determinations and adjustments, the Issuer may be entitled to exercise substantial discretion and potential conflicts of interest may arise in exercising this discretion. Any Alternative Base Rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. However, it may not be possible to determine or apply any such adjustment and even if an adjustment is applied, such adjustment may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment can be determined, an Alternative Base Rate may nonetheless be used to determine the rate of interest on the Covered Bonds.

Based on the foregoing, investors should be aware that:

- any of the reforms or pressures described above or any other changes to a relevant interest rate benchmark could affect the level of the published rate, including causing the published rate to be lower and/or more volatile than it would otherwise be;

- if EURIBOR or any other relevant benchmark rate is discontinued, then to the extent that an Alternative Base Rate has not been determined in accordance with Condition 5.03 at the relevant time, the rate of

interest on the Covered Bonds will be determined for a period by the fall-back provisions provided for under Condition 5.03 of the "*Terms and Conditions of the Covered Bonds*", although if such provisions are dependent in part upon the provision by major banks of offered quotations to prime banks in the Euro-zone interbank market (in the case of EURIBOR), they may not operate as intended depending on market circumstances and the availability of rate information at the relevant time and may result, to the extent that other fall-back provisions under Condition 5.03 are not applicable, in the effective application of a fixed rate based on the rate which applied in the previous period when EURIBOR or any other relevant benchmark rate was available;

- while the base rate on the Floating Rate Covered Bonds may be changed by the Independent Financial Adviser or by the Issuer, as applicable, from EURIBOR or any other relevant benchmark to an Alternative Base Rate in accordance with Condition 5.03, and, subject to certain conditions being satisfied, Condition 13.02(c), there can be no assurance that any such amendment will be made or, if made, that it (i) will fully or effectively mitigate all or any relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the Floating Rate Covered Bonds which could result in a material adverse effect on the value and liquidity of and return on such Covered Bonds or (ii) will be made prior to any date on which any of the risks described in this risk factor may arise (see "*Certain modifications to the Transaction Documents may be made in some cases without the consent of Covered Bondholders, and in other cases, Covered Bondholders will be deemed to have consented to such modifications unless holders of the Covered Bonds representing at least 10 percent of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds have notified their objection to the Bond Trustee in writing*");

- there is no requirement, or expectation, that either the Independent Financial Adviser or the Issuer, as applicable, will take into account the individual circumstances of a particular holder of Covered Bonds and due to the uncertainty concerning the availability of successor rates and alternative reference rates, and the involvement of an Independent Financial Adviser, the relevant fall-back provisions may not operate as intended at the relevant time;

- if EURIBOR or any other relevant benchmark rate is discontinued or is otherwise unavailable, and whether or not the base rate on the Floating Rate Covered Bonds is changed to an Alternative Base Rate in accordance with Conditions 5.03 and 13.02(c), there can be no assurance that the applicable fall-back provisions under the Swap Agreements would operate so as to ensure that the benchmark rate used to determine payments under the Swap Agreements would be the same as that used to determine interest payments under the Intercompany Loan or under the Covered Bonds, or that the Swap Agreements would operate to allow the transactions under the Swap Agreements to effectively mitigate interest rate and currency risks in respect of the Guarantor's obligations under the Covered Bond Guarantee or the Intercompany Loan (subject to the Intercompany Loan Agreement's requirement that the applicable rate of interest thereunder does not exceed the amount received by the Guarantor pursuant to the Interest Rate Swap less certain specified amounts); and

(iii) Additional Risks related to benchmarks applicable to Covered Bonds

The use of an Alternative Base Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Covered Bonds if the relevant benchmark remained available in its current form.

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between the Loans, the Covered Bonds and/or the Swap Agreements due to applicable fall-back provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the Issuer or the Guarantor to meet its payment obligations in respect of the Covered Bonds.

More generally, any of the above matters (including a change in the base rate under Condition 5.03 and any amendments under Condition 13.02(c) as described above) or any other significant change to the

setting or existence of EURIBOR or any other relevant benchmark rate could affect the amounts available to the Issuer or the Guarantor to meet their respective obligations under the Covered Bonds and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Covered Bonds. No assurance may be provided that relevant changes will not be made to EURIBOR or any other relevant benchmark rate and/or that such benchmarks will continue to exist, and any of the foregoing methods of determining an appropriate Alternative Base Rate or making permitted adjustments thereto may result in interest payments on the Covered Bonds that are lower than or that do not otherwise correlate over time with the payments that would have been made thereon if the published benchmark continued to be available. Investors should consider these matters when making their investment decision with respect to the Covered Bonds.

b) 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. See "*Form of the Covered Bonds*" on page 74 of this Base Prospectus for additional information.

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

c) Covered Bonds subject to optional redemption by the Issuer

An optional redemption feature of Covered Bonds is likely to limit their market value and could reduce secondary market liquidity of the Covered Bonds. 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 may also 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. See Condition 6.03 "*Call Option*" on page 94 of this Base Prospectus for additional information. 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.

d) Risks related to Fixed Rate Covered Bonds

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in the market interest rates applying to fixed rate debt instruments issued in the same currency and having the same term to maturity as those Fixed Rate Covered Bonds may adversely affect the value of the Fixed Rate Covered Bonds, as an equivalent investment issued at the current market interest rate may be more attractive to investors. In such circumstances an investor may not be able to obtain the expected return on the sale of the relevant Covered Bonds.

e) Covered Bonds issued at a substantial discount or premium

The issue price of Covered Bonds specified in the applicable Final Terms may be more than the market value of such Covered Bonds as of the issue date, and the price, if any, at which a Dealer or any other person willing to purchase the Covered Bonds in secondary market transactions may be lower than the issue price. In particular, the issue price may take into account amounts with respect to commissions relating to the hedging of the Issuer's obligations under such Covered Bonds, and secondary market prices are likely to exclude such amounts. In addition, pricing models of market participants may differ or produce a different result. Covered Bonds may also be issued at a discount or premium from their principal amount as a result of off-market coupons, including zero coupons.

The market values of Covered Bonds 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 Covered Bonds. Generally, the longer the remaining term of the Covered Bonds, the greater the price volatility as compared to conventional interest-bearing Covered Bonds with comparable maturities.

f) Registered Global Covered Bonds

The laws of some jurisdictions 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. See "*Form of the Covered Bonds – Transfer of Interests*" on page 75 of this Base Prospectus for additional information. Similarly, because certain clearing systems can only act on behalf of direct participants in such clearing systems 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 such clearing systems to pledge such Covered Bonds to persons or entities that do not participate in such clearing systems 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.

6. FACTORS WHICH ARE MATERIAL FOR THE PURPOSES OF ASSESSING THE RISKS RELATING TO THE ISSUER'S AND THE GUARANTOR'S LEGAL AND REGULATORY SITUATION

The principal risks related to the Issuer's and Guarantor's legal and regulatory situation are described below. There can be no assurance that further regulations or guidance from CMHC, OSFI, Canada Deposit Insurance Corporation or any other regulatory authority, in addition to those referred to specifically below, will not arise with regard to the mortgage market in Canada generally, the Issuer's or Guarantor's particular sector in that market or specifically in relation to the Issuer or the Guarantor. Any such action or developments may have a material adverse effect on the Issuer, 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.

Bankruptcy or Insolvency Risk

The assignments of the Portfolio Assets from the Originators to the Seller and the subsequent assignments from the Seller to the Guarantor pursuant to the terms of the HTC Mortgage Sale Agreement, the HB Mortgage Sale Agreement, and the Mortgage Sale Agreement, as applicable, are intended by the Seller, the Originators and the Guarantor to be and have been documented as sales for legal purposes. For a description of the principal mortgage terms of the Mortgage Sale Agreement see pages 154 to 167 of this Base Prospectus. As the subject of a legal sale, the Portfolio Assets would not form part of the assets of the Issuer or the Originators and would not be available to the creditors of the Issuer or the Originators. However, if the Seller, the Originators or the Guarantor were to become bankrupt or otherwise subject to insolvency, winding up 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 or the Originators, could attempt to re-

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

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

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

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

The ability of the Bond Trustee (for itself and on behalf of the other Secured Creditors) to 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, or the Subservicer voluntarily or involuntarily becomes subject to insolvency or winding-up proceedings including pursuant to the BIA, the CCAA or the WURA, or subject to "control" pursuant to the Bank Act or "resolution" processes pursuant to the CDIC Act, or other applicable legislation, if a receiver is appointed over the Issuer, the Guarantor or the Subservicer, notwithstanding the protective provisions of the Covered Bond Legislative Framework, this may delay or otherwise impair the exercise of rights or any realization by the Bond Trustee (for itself and on behalf of the other Secured Creditors) under the Covered 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 (or the Subservicer on its behalf) has commingled with any other funds held by it prior to such funds being paid into the GIC Account. In the event of a Servicer Termination Event as a result of the insolvency of the Issuer, the right of the Guarantor to appoint a successor Servicer (or Subservicer) may be stayed or prevented.

CMHC has the right under the Covered Bond Legislative Framework and the CMHC Guide to suspend a registered issuer from issuing further covered bonds under a registered program if the issuer has breached certain requirements of its registered program or the CMHC Guide. A suspended issuer is not permitted to issue any covered bonds during a period of suspension.

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, such as the Issuer, 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, including the Issuer (during which it requested that financial institutions refrain from issuing covered bonds), OSFI confirmed by letter dated 27 June 2007 that Canadian deposit taking institutions, including the Issuer, may issue covered bonds, provided certain conditions are met. That letter from OSFI was first updated in a letter dated 19 December 2014 from OSFI to Canadian deposit taking institutions issuing covered bonds (the "**December 2014 letter**") and further updated in a second letter dated 23 May 2019 from OSFI to Canadian deposit taking institutions issuing covered bonds (the "**May 2019 letter**"), a third letter dated 27 March 2020 from OSFI to Canadian deposit taking institutions (the "**March 2020 letter**") and a fourth letter dated 6 April 2021 (the "**April 2021 letter**"). The conditions set out in the 27 June 2007 letter, as modified by the December 2014 letter, included that at the time of issuance, the covered bonds must not make up more than 4 percent of the total assets (defined using a select number of data points from the 2015 Leverage Requirements Return and 2015 Basel Capital Adequacy Return filed with OSFI) of the relevant deposit taking institution.

As a result of the May 2019 letter, as of 1 August 2019, OSFI required that the total assets pledged by the deposit-taking institution for covered bonds (calculated as the Canadian dollar equivalent of the deposit-

taking institution's covered bonds outstanding multiplied by the level of overcollateralization, as calculated in accordance with the CMHC Guide and reported in the monthly investors' reports), must not, at any time, exceed 5.5 percent of the deposit-taking institution's on-balance sheet assets (as reported on the regulatory balance sheet return of the deposit-taking institution). The OSFI covered bond limit must be met on an ongoing basis and the following requirements must be satisfied: (i) if at any time after issuance the 5.5 percent limit is exceeded, the relevant deposit taking institution must notify OSFI in a timely manner; and (ii) excesses (above the 5.5 percent limit) due to factors not under the control of the issuing institution, such as foreign exchange fluctuations, will not require the relevant deposit taking institution to take action to reduce the amount outstanding, however, for other excesses, the relevant deposit taking institution must provide a plan showing how it proposes to eliminate the excess quickly. Institutions which exceed the 5.5 percent pool assets limit will be expected to return below this threshold as soon as market funding conditions permit, and provide a plan to OSFI outlining their proposed approach and timing to return below the required threshold. As of the date of this Base Prospectus, the Issuer is in compliance with the OSFI covered bond limits.

The May 2019 letter also confirms that relevant deposit taking institutions will continue to be expected to amend the pledging policies they are required to maintain under the Bank Act or other applicable federal law to take into account the issuance of covered bonds consistent with the above limits. The Issuer is not able to carry out a future issuance unless such applicable test is satisfied at the time of issuance.

Basel Committee on Banking Supervision Global Standards for Capital and Liquidity Reform (Basel III)

In Europe, the U.S. and elsewhere, there is significant focus on fostering greater financial stability through increased regulation of financial institutions and their corresponding capital and liquidity positions. This has resulted in a number of regulatory initiatives which are currently at various stages of implementation and which may have an impact on the regulatory position for certain investors with covered bond exposures and/or on the incentives for certain investors to hold covered bonds, and may thereby affect the liquidity of such securities. Investors in the Covered Bonds are responsible for analysing their own regulatory position and none of the Issuer, the Guarantor, any Arranger or any Dealer makes any representation to any prospective investor or purchaser of the Covered Bonds regarding their treatment of their investment on the closing date of such Covered Bonds or at any time in the future. See also risk factor entitled "*The Issuer's results could be affected by legislative and regulatory developments and changes in policies and approach to supervision in the jurisdictions where the Issuer conducts business*" above for details on the Issuer's approach to managing regulatory compliance risk more generally.

In particular, the Basel Committee on Banking Supervision published significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as "**Basel III Reform**") which have been revised over time with further reforms, between December 2010 and December 2017.

The implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of covered bonds (e.g., as Liquidity Coverage Ratio (LCR) eligible assets or not), may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements are anticipated for insurance and reinsurance undertakings through national initiatives, such as the Solvency II framework in Europe.

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

Impact of Regulatory Guidelines on Residential Mortgage Underwriting Practices and Procedures

Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures ("**Guideline B-20**"), published by OSFI in June 2012 as amended in November 2014, July 2017 and revised in October 2017, sets out OSFI's expectations for prudent residential mortgage underwriting by federally-regulated financial

institutions, which includes the applicable Originators in respect of Loans originated by them. Guideline B-20 calls for the establishment of a residential mortgage underwriting policy (the "**Residential Mortgage Underwriting Policy**") by the Seller and each of the Originators and sets out expectations with respect to borrower due diligence, collateral management and appraisal processes and credit and counterparty risk management practices and procedures by the Seller and the Originators. OSFI indicates in Guideline B-20 that it expects federally-regulated financial institutions, such as the Issuer in its role as the Seller and the Originators, to limit the non-amortizing home equity line of credit component of a residential mortgage to a maximum authorized loan-to-value ratio of less than or equal to 65 percent, and has further clarified by way of a 28 June 2022 advisory that on combined loan plans any and all lending above the 65 percent loan-to-value limit should be both amortizing and non-re-advanceable. Principal payments applied to the portion above 65 percent loan-to-value should be matched by a reduction in the overall authorized limit, until this overall combined loan plan limit reduces to the 65 percent the loan-to-value limit for all segments on a combined basis. The implementation of the 28 June 2022 advisory for federally-regulated lenders became effective after the fiscal year end in 2023 of the relevant lender, such as the Seller and the Originators. See the section entitled "*Loan Origination and Lending Criteria*" on page 138 of this Base Prospectus for further details regarding the loan-to-value ratio requirements as related to the Covered Bond Portfolio. Notwithstanding the foregoing, under the current CMHC Guide requirements, loans that are home equity lines of credit are not permitted to be included by the Seller in the Covered Bond Portfolio. Guideline B-20 does not apply to any Loans that are non-amortizing home equity lines of credit which are existing and in force prior to the implementation of Guideline B-20.

Loans that may be sold to the Guarantor in the future may have characteristics differing from current Loans generated under prior Guideline B-20 requirements, including in respect of loss experience, delinquencies, revenue experience and monthly payment rates. Compliance with Guideline B-20 requirements from time to time may impact the Originators' ability to generate new Loans for sale to the Guarantor under the Programme at the same rate as the Originators originated previously.

Guideline B-20 also provides that where a federally-regulated financial institution such as the Issuer acquires a residential mortgage loan, including a home equity line of credit, that has been originated by a third party, such federally-regulated financial institution should ensure that the underwriting standards of that third party are consistent with those set out in the residential mortgage underwriting policy of the federally-regulated financial institution and compliant with Guideline B-20. To the extent that the Guarantor proposes to sell mortgage loans to a third party or the Bond Trustee realizes upon the security it has on the assets of the Guarantor, including the Covered Bond Portfolio, the Guarantor or the Bond Trustee, as applicable, may be limited in its ability to sell such assets to a federally-regulated financial institution if such purchaser determines that the sale would not be in compliance with Guideline B-20. OSFI published the final version of the Guideline B-20 on 17 October 2017, which went into effect on 1 January 2018.

On 1 January 2018, OSFI implemented changes to clarify or strengthen expectations in a number of specific areas, including:

- Requiring a qualifying stress test for all uninsured mortgages;
- Requiring that Loan-to-Value ("**LTV**") measurements remain dynamic and adjust for local market conditions where they are used as a risk control, such as for qualifying borrowers; and
- Expressly prohibiting co-lending arrangements that are designed, or appear to be, designed to circumvent regulatory requirements.

Additionally, as of 1 June 2021, OSFI increased the minimum qualifying rate for uninsured mortgages.

Also, pursuant to a consultation process launched in January 2023, OSFI noted that mortgage lending risks, particularly related to debt serviceability, have increased considerably since the onset of the pandemic, and stated that, in addition to the Minimum Qualifying Rate (MQR), or "stress test", OSFI is exploring

complementary measures to better mitigate risks to federally-regulated financial institutions, such as the Issuer, arising from high consumer indebtedness.

Further to the consultation process, OSFI introduced a Loan-to-Income (LTI) limit on the portfolios of federally regulated financial institutions for new uninsured mortgage loans. The new framework assesses the portion of new loans exceeding a 4.5x loan-to-income ratio on a quarterly basis, with limits customized to each institution's business model. The LTI limit will apply to first and second mortgages, home equity lines of credit, and other borrowings, but exclude insured loans and renewals. Implementation for the LTI limit for financial institutions, such as the Seller, has been in effect since the applicable start of the financial institutions fiscal Q1 2025, with institutions required to report compliance quarterly. While both the LTI limit and MQR are intended to reduce mortgage lending risks, the LTI limits are expected to contain overall residential mortgage credit risk to institutions. OSFI stated it will consider the efficacy of, and continued need for, the MQR for uninsured mortgages following implementation of the new LTI limit framework.

Financial Regulatory Reforms in Canada Could Have a Significant Impact on the Issuer or the Guarantor

In Canada, a regulatory framework for swap transactions is proposed by the regulators, and most rules thereunder are in effect. Such regulatory framework may have certain consequences for the Issuer and the Guarantor, including a potential disruption in the Guarantor's ability to hedge its exposure to various transaction risks (see "*Summary of the Principal Documents – Interest Rate Swap Agreement*" and "*Covered Bond Swap Agreement*" on pages 193 to 202 of this Base Prospectus), including any obligations the Issuer or the Guarantor, as applicable, may owe to investors under the Covered Bonds, and may materially and adversely impact a transaction's value or the value of the Covered Bonds. In addition, it is possible that compliance with other emerging regulations could result in the imposition of higher administration expenses on the Issuer and the Guarantor.

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

The Issuer is monitoring international and Canadian developments and proposed reforms and will take action to mitigate the impact on its business, where possible. The changes may result in significant systems changes, less flexible trading options, higher capital requirements, more stringent regulatory requirements along with some potential benefits as a result of reduced risk through central counterparty clearing.

7. OTHER FACTORS WHICH ARE MATERIAL FOR THE PURPOSES OF ASSESSING THE RISKS INVOLVED IN AN INVESTMENT IN THE COVERED BONDS

Risks related to the secondary market

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. See also the risk factors under sub-category "*Risks related to the structure of a particular issue of Covered Bond*" above. 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.

The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable state securities or "blue sky" laws and are subject to certain restrictions on the resale and other

transfer thereof as set forth under the section entitled "*Subscription and Sale and Selling Restrictions*" on pages 233 to 242 to this Base Prospectus. 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. There can be no expectation or assurance that the Issuer or any of its affiliates will create or maintain a market in the Covered Bonds.

The Covered Bonds 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 an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable state securities laws. Accordingly, the Covered Bonds are being offered and sold only in a private sale exempt from the registration requirements of the Securities Act. Each purchaser of the Covered Bonds will be required to have made certain acknowledgments, representations and agreements as set forth under "*Subscription and Sale and Selling Restrictions*". Transfers of the Covered Bonds may only be made outside the United States to non-U.S. persons in reliance upon Regulation S. The Issuer has not agreed to provide registration rights to any purchaser of the Covered Bonds, and as such is not obligated to register the Covered Bonds under the Securities Act or any state securities laws or the laws of any other jurisdiction. See "*Subscription and Sale and Selling Restrictions*". The Issuer does not intend to provide registration rights to holders of the Covered Bonds and does not intend to file any registration statement with the SEC in respect of the Covered Bonds.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency (see Condition 9 "*Payments*" and Condition 5 "*Interest*" for additional information). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

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

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 good faith, 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 (including a market which is not a regulated market for the purposes of MiFID II or a market outside the EEA) that it may reasonably determine, provided however that any such listing authority, securities exchange and/or quotation system is commonly used for the listing and trading of debt securities in the international debt markets (see "*Overview of the Programme*" on page 19 of this Base Prospectus for further details regarding listings). Although there is no assurance as to the liquidity of any Covered Bonds as a result of the admission to trading on a regulated market for the purposes of MiFID II, delisting of such Covered Bonds may have a material effect on the ability of investors to (i) continue to hold such Covered Bonds, (ii) resell the Covered Bonds in the secondary market or (iii) use the Covered Bonds as eligible collateral.

INFORMATION INCORPORATED BY REFERENCE

The following information is incorporated in and taken to form part of, this Base Prospectus (each of which has been filed with the Central Bank in accordance with the Prospectus Regulation):

(a) FBOC's audited consolidated financial statements for the years ended 31 December 2025 and 31 December 2024 (the **"2025 Consolidated Financial Statements**", together with the notes to the consolidated financial statements, including a summary of material accounting policy information and the independent auditor's report thereon dated 26 March 2026, which are provided on pages 1 through 42 of the 2025 Consolidated Financial Statements; and

(b) FBOC's unaudited interim condensed consolidated financial statements for the six month period ended 30 June 2026 with comparative financial information for the six month period ended 30 June 2025 (the "**2026 Second Quarter Financial Statements**"), together with the notes thereto.

The following documents, which may be produced or issued from time to time after the date hereof, shall upon publication be deemed to be incorporated in, and form part of, this Base Prospectus:

(a) FBOC's audited consolidated financial statements, together with the notes to the consolidated financial statements, including a summary of material accounting policy information and the independent auditor's report thereon for the relevant year (the "**2026 Annual Consolidated Financial Statements**");

(b) FBOC's unaudited interim condensed consolidated financial statements for the relevant three month period, in each case as published quarterly by FBOC (the "**Quarterly Financial Statements**"); and

(c) the Issuer's monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at each Calculation Date arising during the validity period of this Prospectus**,** including the Investor Report containing static data in respect of the Covered Bond Portfolio (the "**Monthly Investor Reports**"), each of which is incorporated by reference in its entirety.

The 2026 Annual Consolidated Financial Statements, Quarterly Financial Statements and Monthly Investor Reports published by the Issuer after the date of this Prospectus and during the 12-month period of validity of this Prospectus will be available on the Issuer's covered bond website at https://www.fairstonebank.ca/covered-bonds.

Any documents or information themselves incorporated by reference in the information incorporated by reference in this Base Prospectus will not form part of this Base Prospectus. Any non-incorporated parts of a document referred to herein are either (i) not considered by the Issuer to be relevant for prospective investors in the Covered Bonds to be issued under the Programme, or (ii) covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus, one or more supplements to this Base Prospectus may be prepared by the Issuer and approved by the Central Bank in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. The Issuer will prepare supplements to this Base Prospectus from time to time for the purpose of incorporating by reference Investor Reports into this Base Prospectus.

Copies of this Base Prospectus and the information incorporated by reference in this Base Prospectus and any supplement hereto approved by the Central Bank can be (i) viewed on the website of the Issuer at

https://www.fairstonebank.ca/covered-bonds; (ii) will be published on the website of the Euronext Dublin (http://live.euronext.com); and (iii) 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 Base Prospectus.

Except as stated within this section, neither the content of any website nor the content of any website accessible from hyperlinks within such website is incorporated by reference into, or forms a part of, this Base Prospectus.

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

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in registered form without receipts, interest coupons and/or talons attached. Registered Covered Bonds issued pursuant to this Base Prospectus will be issued outside the United States in reliance on the exemption from registration provided by Regulation S.

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 "**Registered 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 Registered Global Covered Bond may not be offered, sold or delivered to, or for the account or benefit of, a U.S. person (as defined in Regulation S) save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg or other approved clearing system and such Registered Global Covered Bond will bear a legend regarding such restrictions on transfer.

Registered Global Covered Bonds will: (i) be deposited with a custodian, a common depositary or a common safekeeper for, and registered in the name of a nominee of Euroclear and/or Clearstream, Luxembourg; (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, in each case, or (iii) if held under the new safekeeping structure for registered global securities which are intended to constitute eligible collateral for Eurosystem monetary policy and intra-day credit operations (the "**NSS**"), be registered in the name of a nominee of, and delivered to, a Common Safekeeper for Euroclear and/or 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 ("**Registered Definitive Covered Bonds**").

If the Registered Global Covered Bonds are stated in the Final Terms to be held under the NSS, such Final Terms will also specify whether the Covered Bonds are intended to be held in a manner which would allow Eurosystem eligibility, notwithstanding that recognition as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem will depend upon satisfaction of the Eurosystem eligibility criteria. However, in any particular case, such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Covered Bonds meet such Eurosystem eligibility criteria.

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 a common depositary for Euroclear and Clearstream, Luxembourg, or, if the applicable Final Terms specifies that the Covered Bond is to be held under the NSS, a nominee for a common safekeeper 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 at least 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 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 described in (i)-(ii) above, 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. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

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. 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 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 Selling Restrictions*").

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Covered Bonds*"), the Issuing and Paying Agent (or any additional agent appointed pursuant to the Agency Agreement) 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, which are different from the common code and ISIN assigned to Covered Bonds of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which should not be prior to the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Covered Bonds of such Tranche, if any.

Any reference herein to 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.

Covered Bonds that are initially deposited with a clearing system may also be credited to the accounts of subscribers with other clearing systems (if indicated in the applicable Final Terms) through direct or indirect accounts with such clearing systems held by such other clearing systems.

No holder of the Covered Bonds 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.

The Issuer will notify Euroclear, Clearstream, Luxembourg and the Issuing and Paying Agent upon issue whether the Covered Bonds are intended, or are not intended, to be held in a manner which would allow Eurosystem eligibility and deposited with one of Euroclear and Clearstream, Luxembourg as common safekeeper (and in the case of registered Covered Bonds, registered in the name of a nominee of one of Euroclear and Clearstream, Luxembourg acting as common safekeeper). Where the Covered Bonds are not intended to be deposited with one of Euroclear and Clearstream, Luxembourg as common safekeeper upon issuance, should the Eurosystem eligibility criteria be amended in the future such as that the Covered Bonds are capable of meeting such criteria, the Covered Bonds may then be deposited with one of Euroclear and Clearstream, Luxembourg as common safekeeper. Where the Covered Bonds are so deposited with one of Euroclear and Clearstream, Luxembourg as common safekeeper (and in the case of

registered Covered Bonds, registered in the name of a nominee of one of Euroclear and Clearstream, Luxembourg acting as common safekeeper) upon issuance or otherwise, this does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

TERMS AND CONDITIONS OF THE COVERED BONDS

*The following are the terms and conditions of the Covered Bonds (the "**Terms and Conditions**" or the "**Conditions**") which will, as completed by the applicable Final Terms in relation to a Tranche of Covered Bonds, apply to each Registered Global Covered Bond and each Registered Definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Registered Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Registered Global Covered Bond and Registered Definitive Covered Bond.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Fairstone Bank of Canada (the "**Bank**" or the "**Issuer**") as part of the Issuer's CAD 1,500,000,000 global legislative covered bond programme (the "**Programme**") and constituted by a trust deed initially dated as of the Programme Date (such trust deed as may be amended, restated, supplemented or replaced, the "**Trust Deed**") made between the Issuer, FBOC Covered Bond (Legislative) 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 initially dated as of the Programme Date (as may be amended, supplemented or replaced, the "**Agency Agreement**") and made between the Issuer, the Guarantor, the Bond Trustee, The Bank of New York Mellon, London Branch, in its capacities as issuing and principal paying agent (the "**Issuing and Paying Agent**", and which expression shall include any successor in such capacity), and as calculation agent (the "**Calculation Agent**", which expression shall include any successor in such capacity 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 paying agent named therein (the "**Paying Agent**", which expression shall include the Issuing and Paying Agent, and any substitute or additional paying agent appointed in accordance with the Agency Agreement either with respect to the Programme or with respect to a particular Series) and The Bank of New York Mellon SA/NV, Dublin Branch, in its capacities as transfer agent, (the "**Transfer Agent**" which expression shall include any Registrar and any additional or successor transfer agents), and as European registrar (the "**European Registrar**", which expression shall include any successor in such capacity, and the "**Registrar**" or "**Registrars**" for a Tranche (as defined below) shall be as specified in the applicable Final Terms (as defined below)). As used herein, "**Agents**" shall mean the Paying Agents, the Registrar or Registrars, 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 Registered Global Covered Bond, units of the lowest Specified Denomination in the Specified Currency; and

(b) any Registered Definitive Covered Bonds (whether or not issued in exchange for a Registered Global Covered Bond).

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 completed by 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. 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 Registered Global Covered Bond, be construed as provided 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, restated, 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 and any subscription agreements) are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee being at the date of this Base Prospectus at 320 Bay Street, 14th Floor, Toronto, Ontario, Canada M5H 4A6 and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms of all Covered Bonds of each Series are obtainable during normal business hours of the specified office of each of the Paying Agents and/or, as the case may be, the applicable Registrar, 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 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 and any subscription agreements) 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 master definitions and construction agreement made between certain parties to the Transaction Documents dated as of the Programme Date (such master definitions and construction agreement as may be 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 registered form ("**Registered Covered Bonds**") and are serially numbered. The Covered Bond is a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a Zero Coupon Covered Bond or any appropriate combination thereof, depending on the Interest Basis specified in the applicable Final Terms.

1.02 For so long as a Registered Global Covered Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the

time being shown in the records of Euroclear or Clearstream, Luxembourg 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 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 Registered Global Covered Bond and the Trust Deed, other than with respect to the payment of principal or interest on the Covered Bonds, where the registered holder 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 Registered Global Covered Bond and the expression "Holder" and related expressions shall be construed accordingly. Covered Bonds which are represented by a Registered Global Covered Bond will be transferable only in accordance with the then current rules and procedures of Euroclear or Clearstream, Luxembourg, or any other relevant clearing system, as the case may be.

References to Euroclear or Clearstream, Luxembourg, shall, whenever the context so permits, (but not in the case of any Registered Global Covered Bond to be held under the NSS), 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.

Denomination

1.03 The Covered Bonds are in the Specified Denominations specified in the Final Terms.

Currency of Covered Bonds

1.04 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 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.

2.02 The Holder of any 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

2.03 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.

2.04 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 mail 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.

2.05 Transfers of beneficial interests in Registered Global Covered Bonds will be effected by 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. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond 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 of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.06 Subject as provided in Conditions 2.08 and 2.09, 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.

2.07 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) "**Regulation S**" means Regulation S under the Securities Act;

(c) "**Registered Global Covered Bond**" means a Registered Global Covered Bond representing Covered Bonds sold outside the United States in reliance on Regulation S;

(d) "**Securities Act**" means the United States Securities Act of 1933, as amended; and

(e) 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 2.03.

2.08 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.

2.09 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.

2.10 Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Registered Global Covered Bond to a transferee in the United States or who is a U.S. person will only be made 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.

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) or any other governmental insurance scheme of any other country, and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the 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 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 Payments, 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, 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 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 (provided that, in the case of a Registered Global Covered Bond, interest will be paid to Euroclear and/or Clearstream, Luxembourg 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 Original 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 specified in the applicable Final Terms which may provide that such Series of Fixed Rate Covered Bonds will continue to bear interest at a fixed rate or at a floating rate determined in accordance with Condition 5.03 despite the fact that interest accrued and was payable on such Covered Bonds prior to the Final Maturity Date at a fixed rate.

Interest on Floating Rate Covered Bonds

5.03 Interest Payment Dates

Each Floating Rate 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(s) 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 (provided that, in the case of a Registered Global Covered Bond, interest will be paid to Clearstream, Luxembourg and/or Euroclear for distribution by them to Relevant Account Holders in accordance with their usual rules and operating procedures).

Rate of Interest

Where the Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below and subject to the provisions of Condition 13.02, be determined by the Calculation Agent on the following basis:

(a) the Calculation Agent will determine the Reference Rate as it appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(b) if, on any Interest Determination Date no rate so appears or if the Relevant Screen Page is unavailable, the Issuer will request appropriate quotations of the Reference Rate be provided to the Calculation Agent and the Calculation Agent 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 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 pursuant to the Issuer's request, the Issuer will request the Calculation Agent to and 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 pursuant to the Issuer's request, the Issuer will request the Calculation Agent to and the Calculation Agent will determine the arithmetic mean (rounded as described above) of the rates quoted by major banks in the Euro-zone in the case of EURIBOR as selected by the Issuer, at approximately the Relevant 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 Reference 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 Reference Rate or 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 provided that in any circumstances where under the ISDA definitions the Calculation Agent would be required to exercise any discretion, including the selection of any Reference Banks and seeking quotations from Reference Banks, when calculating the relevant ISDA Rate, the relevant determination(s) which require the Calculation Agent to exercise its discretion shall instead be made by the Issuer or its designee. For purposes of this Condition 5.04, "**ISDA Rate**" for an Interest Period means a rate equal to the Fixed Rates, Fixed Amounts, Floating Rates or Floating Amounts, as the case may be, as set out 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, credit support annex and confirmation(s) 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 is as specified in the applicable Final Terms;
- the Designated Maturity, if applicable, 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 the day specified in the applicable Final Terms;
- if applicable, the Applicable Benchmark, Fixing Day, Fixing Time and /or any other items specified in the applicable Final Terms as relating to ISDA Determination are 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 (which may be Actual/Actual (ISDA), Actual/365 (Fixed), Actual/360, 30E/360, Eurobond Basis, 30/360, 360/360, Bond Basis, 30E/360 (ISDA), Actual/Actual (ICMA) or Act/Act (ICMA)), or if none is so specified, as may be determined in accordance with the ISDA Definitions; and
- the Business Day Convention applicable to any date is that specified in the Final Terms (which may be Following Business Day Convention, Modified Following Business Day Convention, Modified Business

Day Convention, Preceding Business Day Convention, FRN Convention or Eurodollar Convention), or if none is so specified, as may be determined in accordance with the ISDA Definitions.

For the purposes of this Condition 5.04, "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**", "**Applicable Benchmark**", "**Fixing Day**" and "**Fixing Time**" 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 and in any event will not be less than zero.

Accrual of Interest after the due date

5.06 Interest will cease to accrue as from the due date for redemption therefor unless upon due presentation or surrender thereof (if required), payment in full of the Final Redemption 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 applicable Paying Agent 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 applicable Paying Agent 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 (or, if appropriate, such other time as is customary in the principal financial centre of the country of the Specified Currency), 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 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 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 the Final Redemption Amount to be notified to the Paying Agents, the Registrar, the Issuer and 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 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 and Final Redemption Amount 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, or rate made or provided by it.

The Issuer will procure that there shall at all times be 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 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.

For the purposes of any calculations referred to in these Terms and Conditions, (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 percent being rounded up to 0.00001 percent) and (b) 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 Registered 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 Registered Global Covered Bond or the Specified Denomination of a Covered Bond in definitive form, without any further rounding.

Definitions

5.09 In the Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**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 Business Centre(s) specified in the Final Terms, (ii) if T2 is specified in the Final Terms as a Business Centre, a T2 Business Day (as defined below), or (iii) in relation to Covered Bonds payable in Euro, a day which is a T2 Business Day and a day on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Business 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.

"Canadian 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.

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (each such period from and including the first day of such period to but excluding the last, an "**Accrual Period**"), such day count fraction as may be specified in the Final Terms and:

(a) if "**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 Accrual Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(I)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

"Y_I" is the year, expressed as a number, in which the first day of such period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in such period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of such period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in such period falls;

"D_I" is the first calendar day, expressed as a number, of such period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in such period, unless such number would be 31, in which case D_2, 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_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30; and

(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_1" is the year, expressed as a number, in which the first day of the Accrual Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included the Accrual Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Accrual Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Accrual Period falls;

"D_1" 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_1 will be 30; and

"D_2" 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_2 will be 30; and

(g) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is specified in the applicable Final Terms, then:

(A) in the case of Covered Bonds where the Accrual Period is equal to or shorter than the Determination Period during which the Accrual Period ends, it means the number of days in such Accrual Period divided by the product of: (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, it means the sum of:

(I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of: (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

"Designated Maturity" means, in relation to Screen Rate Determination, the period of time designated on the Reference Rate.

"**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 EU participating in the European Monetary Union from time to time.

"Independent Financial Adviser" means an independent financial institution of international repute or other independent financial adviser, if any, experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

"**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 specified as such in the applicable Final Terms, or if none is so specified, the date falling two T2 Business Days prior to the first day of such Interest Period.

"**Interest Payment Date**" means the date or dates specified as such in 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 Specified 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: (i) 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, or the Extended Due for Payment Date, as applicable; or (ii) such other period (if any) in respect of which interest is to be calculated being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which in the case of the scheduled final or early redemption of any Covered Bonds, shall be such redemption date and in other cases where the relevant Covered Bonds become due and payable in accordance with Condition 9, shall be the date on which such Covered Bonds become due and payable).

"**ISDA Definitions**" means, in relation to any Series of Covered Bonds, the 2021 ISDA Interest Rate Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"**Outstanding Principal Amount**" means, in respect of a Covered Bond, its principal amount 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 or "Not Applicable" is specified in the Final Terms, "Reference Banks" has the meaning given in the ISDA Definitions, *mutatis mutandis*.

"**Reference Rate**" means EURIBOR or such other benchmark rate specified in the applicable Final Terms.

"**Relevant Nominating Body"** means, in respect of a benchmark or screen rate (as applicable):

(a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or

(b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof.

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the "Relevant Screen Page" in the applicable Final Terms, or such other page, section or other part as may replace it in that information service (or any successor page thereto or any page of any successor information service, as applicable), in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Time**" means the time as of which any rate is to be determined as specified in the applicable Final Terms (which 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 Page**" 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).

"**T2**" means the real-time gross settlement system operated by the Eurosystem which was launched in March 2023 or any successor or replacement thereto.

"T2 Business Day" means a day on which T2 is open.

Linear Interpolation

5.10 Where "**Linear Interpolation**" is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Issuing and Paying Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Issuing and Paying Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

Zero Coupon Covered Bonds

5.11 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 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 applicable Paying Agent 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 applicable Paying Agent 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 (ISDA) (as defined in Condition 5.09).

6. Redemption and Purchase Redemption at Maturity

6.01 Unless previously redeemed, or purchased and cancelled, this Covered Bond shall be redeemed at its Final Redemption Amount 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 Canadian 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 Paying Agents 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 Paying Agents 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 Paying Agents and the Registrar 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 Canadian 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, provided that such date shall not be more than 12 months following the applicable Final Maturity Date.

"**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 Series of Covered Bonds provided that such date shall not occur later than the last day of the remedy period afforded to the Issuer to repay the Final Redemption Amount.

"**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 (i) DBRS Limited and Moody's Ratings to the extent that at the relevant time it provides ratings in respect of the then outstanding Covered Bonds, its successors or any other credit rating agency that the Issuer may in the future designate to provide ratings in respect of the Covered Bonds; or (ii) any other rating agency rating a particular Series of Covered Bonds, as specified in the applicable Final Terms; 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 amendment to, clarification of, or change, including any announced proposed change, in the laws or regulations, or the application or interpretation thereof of Canada or 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; (ii) any judicial decision, administrative pronouncement, published or private ruling, regulatory procedure, rule, notice, announcement, assessment or reassessment (including any notice or announcement of intent to adopt or issue such decision, pronouncement, ruling, procedure, rule, notice, announcement, assessment or reassessment) (collectively, an "administrative action"); or (iii) any amendment to, clarification of, or change in, the official position with respect to or the interpretation of any administrative action or any interpretation or pronouncement that provides for a position with respect to such administrative action that differs from the theretofore generally accepted position, in each of case (i), (ii) or (iii), by any legislative body, court, governmental authority or agency, regulatory body or taxing authority, irrespective of the manner in which such amendment, clarification, change, administrative action, interpretation or pronouncement is made known, which amendment, clarification, change or administrative action is effective or which interpretation, pronouncement or administrative action is announced on or after the date of issue of the Covered Bonds, there is more than an insubstantial risk (assuming any proposed or announced amendment, clarification, change, interpretation, pronouncement or administrative action is effective and applicable in respect of clauses (i), (ii) or (iii)) the Issuer would be required to pay additional amounts as provided in Condition 8, and such circumstances are evidenced by the delivery by the Issuer to the Paying Agents 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), (ii) or (iii) above prevail, the Issuer may, at its option and at any time, 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.

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, redeem all, or if so specified in the applicable Final Terms, 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 Registered 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 30 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 Registered Global Covered Bond, the Covered Bonds to be redeemed shall be selected in accordance with the then rules of Euroclear and Clearstream, Luxembourg, and/or any other relevant clearing system (to be reflected in the records of Euroclear and Clearstream, Luxembourg, and/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 2.03 to 2.06, 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 and Clearstream, Luxembourg, deposit the relevant Covered Bond during normal business hours at the specified office of the Registrar together with a duly completed early redemption notice ("**Put Notice**") in the form which is available from the specified office of the Registrar specifying, in the case of a Registered 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 Registered Global Covered Bond shall be deemed to be deposited with the Registrar for purposes of this Condition 6.06 at the time a Put Notice has been received by the Registrar 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 2.03 to 2.06 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 (i) 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, or (ii) following an Issuer Event of Default.

Purchase of Covered Bonds

6.07 The Issuer or any of its subsidiaries may at any time, but will at no time be obligated to, purchase Covered Bonds in the open market, by tender or otherwise and at any price.

Cancellation of Redeemed and Purchased Covered Bonds

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

Further Provisions applicable to Redemption 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 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, 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) 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 Paying Agents 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).

Redemption due to Illegality

6.12 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 Paying Agents, 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 6.12 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 6.12, the Issuer shall deliver to the Paying Agents 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 Paying Agents 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.

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 percent 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 CAD converted into CAD at the applicable Covered Bond FX Rate) 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 (f) 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 10 Business Days in the case of principal and 30 days in the case of interest, in each case of the respective due date; or

(b) the Issuer fails to perform or observe any obligations under the Covered Bonds of any Series, the Trust Deed or any other Transaction Document (other than the Dealership Agreement and any subscription agreement for the Covered Bonds) to which the Issuer is a party (other than any obligation of the Issuer to comply with the Asset Coverage Test and any other obligation of the Issuer specifically provided for in this Condition 7.01) and such failure continues for a 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) an Insolvency Event in respect of the Issuer; 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) to the extent any Series of Hard Bullet Covered Bonds is issued and outstanding and the Pre-Maturity Test in respect of any such 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 Canadian 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; or

(f) if a ratings trigger prescribed by the Conditions or the Transaction Documents (and not otherwise specifically provided for in this Condition 7.01) is breached and the prescribed remedial action is not taken within the specified time period, unless, in respect of any ratings trigger other than the Account Bank Threshold Ratings, the Standby Account Bank Threshold Ratings, the Cash Manager Required Ratings and the Servicer Deposit Threshold Ratings, such breach occurs at a time that the Guarantor is Independently Controlled and Governed; or

(g) the designation of an "Early Termination Date" (as defined under the Issuer Swap Transaction) in respect of the Issuer under the Issuer Swap Transaction.

For the purposes of these Terms and Conditions "**Calculation Date**" means the last Canadian 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, 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. 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 percent 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 CAD converted into CAD at the applicable Covered Bond FX Rate) 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 (f) 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 and any other obligation specifically provided for in this Condition 7.02) under the Trust Deed, the Security Agreement or any other Transaction Document (other than the obligation of the Guarantor to (i) repay the Demand Loan pursuant to the terms of the Intercompany Loan Agreement, or (ii) make a payment under a Swap Agreement if it has insufficient funds therefor) to which the Guarantor is a party and, except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the Guarantor requiring the same to be remedied; or

(c) an Insolvency Event in respect of the Guarantor; or

(d) a failure to satisfy the Amortization Test on any Calculation Date following the occurrence and during the continuance of an Issuer Event of Default; or

(e) the Covered Bond Guarantee is not, or is claimed by the Guarantor not to be, in full force and effect; or

(f) if a ratings trigger prescribed by the Conditions or the Transaction Documents (and not otherwise specifically provided for in this Condition 7.02) is breached and the prescribed remedial action is not taken within the specified time period, unless, in respect of any ratings trigger other than the Account Bank Threshold Ratings, the Standby Account Bank Threshold Ratings, the Cash Manager Required Ratings and the Servicer Deposit Threshold Ratings, such breach occurs at a time that the Guarantor is Independently Controlled and Governed; or

(g) the designation of an "Early Termination Date" (as defined under the Interest Rate Swap Agreement or the Covered Bond Swap Agreement, as applicable) in respect of the

Guarantor under the Interest Rate Swap Agreement or the Covered Bond Swap Agreement.

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.

For greater certainty, the acceleration of the Covered Bonds against the Issuer does not accelerate the payment obligations of the Guarantor under the Covered Bonds to holders of the Covered Bonds.

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 and any other Transaction Document, but it shall not be bound to take any such enforcement proceedings in relation to the Trust Deed, the Covered Bonds 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 percent of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into CAD at the applicable Covered Bond FX Rate) 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 percent of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (taken together and converted into CAD at the applicable Covered Bond FX Rate); 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, subject to applicable law, 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 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, 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 by or on behalf of the Issuer 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 ("**Taxes**") 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, unless the withholding or deduction of such Taxes 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, interest or other amounts which would have been received in respect of the Covered Bonds 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:

(a) to, or to a third party on behalf of, a Holder who is liable for such Taxes in respect of such Covered Bond by reason of such person having some connection with Canada (for these purposes "connection" includes but is not limited to any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over such holder if such holder is an estate, trust, partnership, limited liability company or corporation) and such jurisdiction) otherwise than the mere holding of (but not the enforcement of) such Covered Bond; or

(b) to, or to a third party on behalf of, a Holder in respect of whom such Taxes are required to be withheld or deducted by reason of the Holder or any other person entitled to payments under the Covered Bond, being a person with whom the Issuer or Guarantor is not dealing at arm's length (for purposes of the ITA), or being a person who is, or does not deal at arm's length (for purposes of the ITA) with any person who is, a "specified shareholder" as defined in subsection 18(5) of the ITA) of the Issuer or of a direct or indirect partner of the Guarantor for purposes of the thin capitalization rules in the ITA, or as a result of the Holder or recipient of the payment being an entity in respect of which the Issuer or Guarantor is a "specified entity" (as defined in subsection 18.4(1) of the ITA); or

(c) that is in respect of a debt or other obligation to pay an amount to a person with whom the Issuer or payor is not dealing at arm's length within the meaning of the ITA; or

(d) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amount on presenting the same for payment on the thirtieth such day assuming that day to have been a Payment Day (as defined in Condition 9.04); or

(e) to, or to a third party on behalf of, a Holder who is liable for such Taxes 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 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 reporting requirement; or

(f) in respect of any estate, inheritance, gift, sales, transfer, personal property Tax or any similar Tax; or

(g) for or on account of any withholding tax or deduction imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") (or any amended or successor version), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, whether currently in effect or as published and amended from time to time (the "**FATCA Withholding Tax Rules**"); or

(h) where any combination of items (a) - (g) applies;

nor will such additional amounts be payable with respect to any payment in respect of the Covered Bonds to a holder that is a fiduciary or partnership to the extent that the beneficiary or settlor with respect to such fiduciary, or member of such partnership would not have been entitled to receive a payment of such additional amounts had such beneficiary, settlor or member received directly its beneficial or distributive share of such payment.

For the purposes of this Condition 8.01, the term "**Holder**" shall be deemed to refer to the beneficial owner for the time being of the Covered Bonds and the term "person" shall include a partnership.

8.02 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any Covered Bond, the date on which payment thereof first becomes due and payable, or, if the full amount of the moneys payable has not been received by the 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 and/or the Guarantor become subject generally at any time to any taxing jurisdiction other than or in addition to Canada, references in Condition 6.02, Condition 8.01 and Condition 8.05, as applicable, to Canada shall be read and construed as references to Canada and/or to such other jurisdiction, provided, for the avoidance of doubt, that the Issuer shall not be considered to be subject generally to the taxing jurisdiction of the United States for purposes of this Condition 8.03 solely because payments in respect of the Covered Bonds are subject to the FATCA Withholding Tax Rules.

8.04 Any reference in these Terms and Conditions to any payment due in respect of the Covered Bonds 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 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 imposed or levied by or on behalf of Canada, any province or territory or political subdivision 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

9.01 Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of any of the Paying Agents. Notwithstanding Condition 9.02, 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 (i) the first day on which Euroclear or Clearstream, Luxembourg are open (in relation to Global Covered Bonds) or (ii) 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 (in respect of payments of principal, the "**Record 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 CAD250,000 (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 maintained by a holder with a "Designated Bank" and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than Euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in Euro) any bank which processes payments in Euro.

Payments of interest in respect of each Registered Covered Bond (whether or not in global form) will be made by a 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 Paying Agent 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 the following record date for the applicable Covered Bonds (in respect of payments of interest, the "**Record Date**"):

(i) in the case of Registered Global Covered Bonds held in Euroclear and/or Clearstream, Luxembourg, the Clearing System Business Day before the relevant due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Registered Global Covered Bonds are being held is open for business;

(ii) in the case of Registered Global Covered Bonds held in any other Clearing System, the "Business Day" as defined in Condition 5.09 before the relevant due date; and

(iii) in the case of Registered Definitive Covered Bonds, the fifteenth day, whether or not such fifteenth day is a Business Day, before the relevant due date.

Each such payment shall be 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 Paying Agent not less than three Business Days in the city where the specified office of the Paying Agent 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 installments of principal (other than the final installments)) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the Paying Agent 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 installment 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 Paying Agent in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

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.

If the due date for payment of any amount due in respect of any Registered Covered Bond is not a Payment Day (as defined in Condition 9.04), 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 5.11.

9.02 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 specified by the payee. Payments will, without prejudice to the provisions of Condition 8, be subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment and (ii) any withholding or deduction required pursuant to the FATCA Withholding Tax Rules.

9.03 Canadian usury laws

Pursuant to Condition 5.05, a maximum interest rate may be specified in the Final Terms. The Criminal Code (Canada) prohibits entering into an agreement or arrangement to receive "interest" at a "criminal rate" and the receipt of a payment or partial payment of "interest" at a "criminal rate". As of 1 January 2025, the "criminal rate" of interest is an annual percentage rate of interest that exceeds 35 percent, subject to certain exemptions with respect to loans for commercial or business purposes not made to a natural person (commercial loans), including as follows: (a) commercial loans over $500,000 are exempt from the criminal interest rate; and (b) commercial loans over $10,000 but equal to or less than $500,000 are subject to a criminal interest rate cap of an annual percentage rate of 48 percent. 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 the prohibited criminal rate, to the extent applicable.

9.04 For the purposes of these Terms and Conditions:

(a) "**Clearing System Business Day**" is defined in Condition 9.01;

(b) "**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; and

(c) "**Payment Day**" means (a) in the case of a Registered Global Covered Bond, a Clearing System Business Day, (b) 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, (c) if T2 is specified in the Final Terms as a Financial Centre, a T2 Business Day, or (d) in the case of payment in Euro, a day which is a T2 Business Day and a day 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.

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

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 are not presented within two years after the Relevant Date (as defined in Condition 8.02) for payment thereof.

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

11.01 The initial Paying Agents, the Registrar and the Transfer Agent and their respective initial specified offices are specified herein. Each of the Issuer and the Guarantor (in respect of itself only) 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, or the Calculation Agent and to appoint additional or other Paying Agents, Transfer Agents or another Registrar, or Calculation Agent provided that the Issuer and the Guarantor will at all times maintain (i) an Issuing and Paying Agent, (ii) the Registrar, (iii) so long as the Covered Bonds are admitted to the Official List and to trading on

Euronext Dublin and/or admitted to listing or trading on any other stock exchange or relevant authority, a Transfer Agent, which may be the Issuing and Paying Agent, each with a specified office in such place as may be required by the rules of Euronext Dublin or such other stock exchange or other relevant authority, and (iv) a Calculation Agent where required by the Terms and Conditions applicable to any Covered Bonds, (in the case of (i), (ii), and (iii) 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 provided that (i) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated; and (ii) so long as the Covered Bonds are listed on a stock exchange, there will at all times be an agent having its specified office in such place as may be required by the rules and regulations of such exchange or other relevant authority. 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 or the Guarantor 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 the Guarantor, 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 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 is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent (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 must be surrendered before replacements will be delivered therefor.

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

13.01 Meetings of Holders of the Covered Bonds

The Trust Deed contains provisions for convening meetings of the holders of the Covered Bonds (including at a physical location or by means of an electronic platform (such as a conference call or videoconference) or a combination thereof) to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. 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, signed a written resolution 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.

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 CAD shall be converted into CAD at the applicable Covered Bond FX Rate.

13.02 Modification and Waiver

The Bond Trustee, the Guarantor and the Issuer may also agree, without the consent of the holders of the Covered Bonds 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 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 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; or

(c) any modification (other than in respect of a Series Reserved Matter, provided that a Base Rate Modification (as defined below) will not constitute a Series Reserved Matter) to the Conditions and/or any Transaction Document (including, for the avoidance of doubt but without limitation, the Issuer Swap Transaction (without reference to the Issuer Swap Master Agreement), the Novation Agreement and the Novated Transaction, in each case, in relation to the relevant Series of Covered Bonds and subject to the consent only of the Secured Creditors (i) party to the relevant Transaction Document being amended or (ii) whose ranking in any Priorities of Payments is affected) that the Issuer considers necessary for the purpose of changing the base rate in respect of the Covered Bonds from a Reference Rate to an alternative base rate (any such rate, an "**Alternative Base Rate**") and making such other amendments as are necessary or advisable in the reasonable judgment of the Issuer to facilitate such change (a "**Base Rate Modification**"), provided that:

(i) the Issuer certifies to the Bond Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:

(1) such Base Rate Modification is being undertaken due to:

(I) a material disruption to the relevant Reference Rate, an adverse change in the methodology of calculating the relevant Reference Rate or the relevant Reference Rate ceasing to exist or be published;

(II) the insolvency or cessation of business of the administrator of the Reference Rate (in circumstances where no successor administrator has been appointed);

(III) a public statement by the administrator of the relevant Reference Rate that it will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator for the Reference Rate has been appointed that will continue publication of the relevant Reference Rate) and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable;

(IV) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner and such cessation is reasonably expected by the Issuer to occur prior to the Final Maturity Date or the Extended Due for Payment Date, as applicable;

(V) a public statement by the supervisor of the administrator of the relevant Reference Rate that means such Reference Rate may no longer be used or that its use is or will be subject to restrictions or adverse consequences;

(VI) an official announcement by the supervisor of the administrator of the original Reference Rate that the original Reference Rate is no longer representative of its relevant underlying market;

(VII) it has become unlawful for any Paying Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any holders of the Covered Bonds of any Series using the relevant Reference Rate; or

(VIII) the reasonable expectation of the Issuer that any of the events specified in sub-paragraphs (I), (II), (III), (IV), (V), (VI) or (VII) above will occur or exist within six months of the proposed effective date of such Base Rate Modification,

(2) the modifications proposed are required solely for the purpose of applying the Alternative Base Rate and making consequential modifications to the Conditions and/or any Transaction Document which are, as reasonably determined by the Issuer as necessary or advisable in its reasonable judgment, and the modifications have been drafted solely to such effect; and

(3) the consent of each Secured Creditor (x) which is party to the relevant Transaction Document being amended, or (y) whose ranking in any Priorities of

Payments is affected has been obtained (evidence of which shall be provided by the Issuer to the Bond Trustee with the Base Rate Modification Certificate) and, subject to Condition 13.02(c)(i)(vi), no other consents are required to be obtained in relation to the Base Rate Modification; and

(ii) such Alternative Base Rate is:

(1) a base rate published, endorsed, approved or recognised by the European Commission or the European Central Bank, any regulator in the European Union or any stock exchange on which the Covered Bonds are listed, any Relevant Nominating Body for the Specified Currency to which the Reference Rate relates (or any relevant committee or other body established, sponsored or approved by any of the foregoing); or

(2) a base rate utilised in a material number of publicly-listed, publicly-offered or benchmark new issues of floating rate covered bonds or floating rate senior unsecured notes prior to the effective date of such Base Rate Modification (for these purposes, five such issues shall be considered material); or

(3) a base rate utilised in a publicly-listed, publicly-offered or benchmark new issue of floating rate covered bonds where the issuer (or, in the case of asset backed securities, the originator of the relevant assets) is the Issuer or a Subsidiary of the Issuer,

(iii) at least 30 days' prior written notice of any Base Rate Modification has been given to the Bond Trustee;

(iv) the Base Rate Modification Certificate is provided to the Bond Trustee at the time the Bond Trustee is notified of the Base Rate Modification and on the effective date of such Base Rate Modification;

(v) with respect to each Rating Agency, the Rating Agency Condition (as specified in Condition 20) has been satisfied;

(vi) the Issuer pays (or arranges for the payment of) all fees, costs and expenses (including legal fees) properly incurred by the Bond Trustee in connection with such Base Rate Modification; and

(vii) the Issuer has provided at least 30 days' notice to the Covered Bondholders of the relevant Series of Covered Bonds of the Base Rate Modification in accordance with Condition 14 and by publication on Bloomberg on the "Company News" screen relating to the Covered Bonds (in each case specifying the date and time by which Covered Bondholders must respond), and Covered Bondholders representing at least 10 percent of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have not notified the Issuer or the Issuing and Paying Agent in accordance with the then current practice of any applicable Clearing System through which such Covered Bonds may be held by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification.

If Covered Bondholders representing at least 10 percent of the aggregate Principal Amount Outstanding of the relevant Series of Covered Bonds then outstanding have notified the Issuer or the Issuing and Paying Agent in accordance with the then current practice of any applicable Clearing System through which the Covered Bonds may be held or in the manner specified in the next following paragraph of

this Condition 13.02 where there is no applicable Clearing System by the time specified in such notice that such Covered Bondholders do not consent to the Base Rate Modification, then the Base Rate Modification will not be made unless an Extraordinary Resolution of the Covered Bondholders of the relevant Series then outstanding is passed in favour of the Base Rate Modification in accordance with Condition 13.01 and the Trust Deed.

Where there is no applicable Clearing System, Covered Bondholders may object in writing to a Base Rate Modification by notifying the Issuer or the Issuing and Paying Agent but any such objection in writing must be accompanied by evidence to the Bond Trustee's satisfaction (having regard to prevailing market practices) of the relevant Covered Bondholder's holding of the Covered Bonds.

With respect to the above-referenced modifications, the Issuer, may determine (acting in good faith and a commercially reasonable manner), or may, in its sole discretion appoint an Independent Financial Adviser to assist in determining, the Alternative Base Rate, as soon as reasonably practicable, following the satisfaction of the requirements of this Condition 13.02(c).

An Independent Financial Adviser appointed pursuant to this Condition 13.02(c) shall act in good faith and a commercially reasonable manner (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, Issuing and Paying Agent and/or the Covered Bondholders, for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 13.02(c).

(d) When implementing any modification pursuant to Condition 13.02(c):

(i) the Bond Trustee shall not consider the interests of the Covered Bondholders, any other Secured Creditor or any other person and shall act and rely solely and without investigation or liability on any direction of the Issuer relating to any Base Rate Modification Certificate or other certificate or evidence provided to it by the Issuer and shall not be liable to the Covered Bondholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(ii) the Bond Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee, would have the effect of (i) exposing the Bond Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights, powers, authorisations, discretions, indemnification or protections, of the Bond Trustee in the Transaction Documents and/or these Conditions.

The Bond Trustee may also agree, without the consent of the holders of the Covered Bonds of any Series, 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 and the other Secured Creditors, and unless the Bond Trustee otherwise agrees, 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 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 (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 subdivision thereof and the Bond Trustee shall not be entitled to require, nor shall any holder of the Covered Bonds 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, 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 (other than, for the avoidance of doubt, a Base Rate Modification): (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) alteration of the currency in which payments under the Covered Bonds 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 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 Registered Definitive Covered Bonds

14.01 Notices to Holders of Registered Definitive Covered Bonds, save where another means of effective communication has been specified herein, 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.

To Issuer

14.02 Notices to be given by any holder of Covered Bonds to the Issuer shall be in writing and given by lodging the same, together with the relevant Covered Bond or Covered Bonds, with the Issuing and Paying Agent or the Registrar, as the case may be. While any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any accountholder to the Issuing and Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as Euroclear and Clearstream, Luxembourg may approve for this purpose.

To Holders of Registered Global Covered Bonds

14.03 So long as the Covered Bonds are represented in their entirety by any Registered Global Covered Bonds held on behalf of Euroclear and Clearstream, Luxembourg, there may be substituted for publication in accordance with Condition 14.01, the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, for communication by them to the holders of the Covered Bonds. 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 also be published in a manner which complies with the rules and regulations of that stock exchange, 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 Euroclear and Clearstream, Luxembourg.

15. Further Issues

The Issuer may from time to time, without the consent of the Holders of any Covered Bonds, create and issue further Covered Bonds so as to form a single series with the Covered Bonds of any particular Series. Each Series may comprise one or more Tranches issued on different issue dates. The Covered Bonds of each Series will all be subject to identical terms, except that (i) the issue date, issue price, first interest payment date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Covered Bonds in more than one denomination.

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 judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Covered Bond 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 in respect of such Covered Bond, 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 and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Covered Bonds or any judgment or order. Any such loss shall be deemed to constitute

a loss suffered by the relevant Holder of a Covered Bond 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 a Covered Bond or the related Final Terms shall be the branch of account (the "**Branch of Account**") for the deposits evidenced by such Covered Bond.

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

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, 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, 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 (i) 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; and (ii) any Subsidiary of the Issuer which is proposed to be substituted for the Issuer is included in the Registry as a registered issuer and that all other provisions of the Covered Bond Legislative Framework and the CMHC Guide are satisfied prior to the substitution of the Issuer.

20. Rating Agency Condition

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 applicable 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 result in a reduction or withdrawal of the rating of the Covered Bonds in effect immediately before the taking of such action (a "**Rating Agency Condition**"), 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 reduced 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 confirmation of the satisfaction of the Rating Agency Condition does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the Guarantor, the Bond Trustee, the Secured Creditors (including the 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 confirmation of the satisfaction of the Rating Agency Condition 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 confirm the satisfaction of the Rating Agency Condition in the time available, or at all, and the Rating Agency shall not be responsible for the consequences thereof;

(c) a confirmation of the satisfaction of the Rating Agency Condition, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the Covered Bonds forms a part; and

(d) a confirmation of the satisfaction of the Rating Agency Condition represents only a restatement of the opinions given and shall not be construed as advice for the benefit of any holder of Covered Bonds or any other party.

20.04 If a confirmation of the satisfaction of the Rating Agency Condition 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 confirmation of the satisfaction of the Rating Agency Condition 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 either (i) the Rating Agency indicates that it does not consider such confirmation or response necessary in the circumstances or (ii) within 30 days (or 10 Canadian Business Days in the case of Moody's) of actual receipt of such request by the applicable Rating Agency, such request elicits no confirmation or response and/or such request elicits no statement by the applicable Rating Agency that such confirmation or response could not be given, the Requesting Party will be entitled to disregard the requirement for satisfaction of the Rating Agency Condition or affirmation of rating or other response by the applicable Rating Agency and proceed on the basis that such confirmation or affirmation of rating or other response by the applicable Rating Agency is not required in the particular circumstances of the request. The failure by a Rating Agency to respond to a written request for a confirmation or affirmation shall not be interpreted to mean that such Rating Agency has given any deemed confirmation of the satisfaction of the Rating Agency Condition or affirmation of rating or other response in respect of such 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 percent 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 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 organizations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee. The Bond Trustee will not be responsible for: (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 and/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, the Agency Agreement, the Covered Bonds and the other Transaction Documents, other than as specified therein, 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.

EXPENSES

Expenses related to the issue and distribution of each Tranche of Covered Bonds will be paid as agreed in the Dealership Agreement.

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.

FORM OF THE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds issued under this Base Prospectus.

Final Terms dated [ ]

Fairstone Bank of Canada
(a Canadian chartered bank)

Legal Entity Identifier (LEI): 894500E7T4VPWVBNGQ73
Issue of [Aggregate Principal Amount of Tranche] [Title of Covered Bonds]
under the

CAD 1,500,000,000

Global Legislative Covered Bond Programme
unconditionally and irrevocably guaranteed as to payments by
FBOC COVERED BOND (LEGISLATIVE) GUARANTOR
LIMITED PARTNERSHIP
(a limited partnership formed under the laws of Ontario)

THE COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY CANADA MORTGAGE AND HOUSING CORPORATION ("CMHC") NOR HAS CMHC PASSED UPON THE ACCURACY OR ADEQUACY OF THESE FINAL TERMS. THE COVERED BONDS ARE NOT INSURED OR GUARANTEED BY CMHC OR THE GOVERNMENT OF CANADA OR ANY OTHER AGENCY THEREOF.

THE COVERED BONDS DESCRIBED IN THESE FINAL TERMS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, THE COVERED BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS.

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

offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS.

The Covered Bonds are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 (as amended) as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "EUWA"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("DISC") for offering, selling or distributing the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024][2]

[No underwriter, dealer or agent will effect any offers or sales of any Covered Bonds in the United States.]

[**NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (the "SFA")** – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined the classification of the Covered Bonds as [prescribed capital markets products]/[capital market products other than prescribed capital markets products (as defined in the CMP Regulations 2018)] and [Excluded Investment products]/[Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][3]

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

[**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of **[each/the]** manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended ("**UK MiFIR**"); and (ii) all

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

[2] Legend to be included on front of the Final Terms if the Covered Bonds potentially constitute CCIs and where no disclosure document (*being a product summary or until the end of the transition period, expiring on 7 June 2027, either a product summary or a UK PRIIPs Regulation Key Information Document (see DISC TP 2.2)*) will be prepared, or where the Issuer wishes to prohibit offers to UK retail investors for any other reason.

[3] Legend to be included on front of the Final Terms if the Covered Bonds: (a) are being sold into Singapore; and (b) do not constitute capital markets products other than prescribed capital markets products as defined under the CMP Regulations 2018.

channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**UK distributor**") should take into consideration the UK manufacturer**['s/s']** target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the UK manufacturer**['s/s']** target market assessment) and determining appropriate distribution channels.]

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 Base Prospectus dated 21 September 2026 [and the supplement[s] to the Base Prospectus dated [●] which [together] constitute[s] a base prospectus (the "Base Prospectus") for the purposes of [Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation")]/[the Prospectus Regulation]]. This document constitutes the Final Terms of the Covered Bonds described herein [for the purposes of Article 8 of the Prospectus Regulation] and must be read in conjunction with such Base Prospectus in order to obtain all relevant information. The Base Prospectus, together with these Final Terms and all information incorporated by reference therein, is available for viewing at https://www.fairstonebank.ca/covered-bonds, and copies may be obtained from the registered office of the Issuer at 145 King Street West, Suite 2300, Toronto, Ontario M5H 1J8 and at the office of the Issuing and Paying Agent, The Bank of New York Mellon, London Branch, 160 Queen Victoria Street, London EC4V 4LA, United Kingdom, and can also be viewed on the website of Euronext Dublin available at *http://live.euronext.com*.]

[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 21 September 2026 [and the supplement[s] to it]] which are incorporated by reference in the Base Prospectus dated 21 September 2026 [and the supplement[s] to the Base Prospectus [dated][date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of [Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**")]/[the Prospectus Regulation]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Base Prospectus in order to obtain all relevant information, save in respect of the Conditions which are set forth in the prospectus dated 21 September 2026 [and the supplement[s] to it dated [ ]] and are incorporated by reference in the Base Prospectus. The Base Prospectus, together with these Final Terms and all information incorporated by reference therein, is available for viewing at https://www.fairstonebank.ca/covered-bonds, and copies may be obtained from the registered office of the Issuer 145 King Street West, Suite 2300, Toronto, Ontario M5H 1J8 and at the office of the Issuing and Paying Agent, The Bank of New York Mellon, London Branch, 160 Queen Victoria Street, London EC4V 4LA, United Kingdom, and can also be viewed on the website of Euronext Dublin available at http://live.euronext.com.]]

1.	(i)	Issuer:	Fairstone Bank of Canada
		Branch:	145 King Street West, Suite 2300, Toronto, Ontario, M5H 1J8
	(ii)	Guarantor:	FBOC Covered Bond (Legislative) Guarantor Limited Partnership
2.	(i)	Series Number:	[ ]
	(ii)	Tranche Number:	[ ]

	(iii)	Date on which the Covered Bonds become fungible:	[Not Applicable]/[The Covered Bonds shall be consolidated, form a single series and be interchangeable with [ ] on [[ ]/[the Issue Date], which is expected to occur on or about [ ]]].
3.	Specified Currency or Currencies: (Condition 1.04)		[ ]
4.	Aggregate Principal Amount [of Covered Bonds admitted to trading]:		[ ]
	(i)	[Series:]	[ ]
	(ii)	[Tranche:]	[ ]
5.	Issue Price:		[ ]% of the Aggregate Principal Amount [plus accrued interest from [insert date] (if applicable)]
6.	(i)	Specified Denominations: (Condition 1.03)	[[ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. No Covered Bonds in definitive form will be issued with a denomination above [ ].]]
	(ii)	Calculation Amount:	[ ]
7.	(i)	Trade Date:	[ ]
	(ii)	Issue Date:	[ ]
	(iii)	Interest Commencement Date:	[ ]/[Issue Date]/[Not Applicable]
8.	(i)	Final Maturity Date:	[ ]/[[Specified] Interest Payment Date falling on or nearest to [ ]]
	(ii)	Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee:	[ ]/ [Specified] Interest Payment Date falling on or nearest to [ ]
9.	Interest Basis:		[[ ] percent Fixed Rate] [[ ] +/- [ ] percent Floating Rate] [Zero Coupon] (further particulars specified in item 15 below)
10.	Redemption/Payment Basis:		[Redemption at par] [Hard Bullet Covered Bond]
11.	Change of Interest Basis:		[ ]/[Applicable if and only to the extent that item 15 below applies to the Covered Bonds.]

12.	Put/Call Options:	[Investor Put] [Issuer Call] [Not Applicable] [(further particulars specified in items 17 and 18 below)]
13.	Date of [Board] approval for issuance of Covered Bonds obtained:	[[ ] [and [ ], respectively]]/[Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Covered Bond Provisions:	[Applicable/Not Applicable]
	(Condition 5.02)	
	(i) Rate[(s)] of Interest:	[ ] percent per annum [payable [annually/semi-annually/quarterly/monthly/[ ]] in arrears on each Interest Payment Date [commencing [ ]]]
	(ii) Interest Payment Date(s):	[ ] in each year [subject to adjustment for payment day purposes only in accordance with the Business Day Convention specified in 14(iii) below/subject to adjustment for calculation of interest and payment day purposes in accordance with the Business Day Convention specified in 14(iii) below/not adjusted], commencing [ ], up to and including the [Final Maturity Date] [Extended Due for Payment Date, if applicable] (provided however that after the Extension Determination Date, the Interest Payment Date shall be monthly)
	(iii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/ Modified Business Day Convention/ Preceding Business Day Convention/ FRN Convention/Eurodollar Convention]/[Not Applicable]
	(iv) Business Centre(s):	[ ] [Not Applicable]
	(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[ ]
	(vi) Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount/[Not Applicable]
	(vii) Broken Amount(s):	[ ] per Calculation Amount, payable on the Interest Payment Date falling [on/or] [ ]/ [Not Applicable]

	(viii) Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/360 30E/360 *or* Eurobond Basis 30/360 *or* 360/360 *or* Bond Basis 30E/360 (ISDA) Actual/Actual (ICMA) *or* Act/Act (ICMA)]
	(ix) Determination Dates:	[[ ] in each year]/[Not Applicable]
15.	Floating Rate Covered Bond Provisions:	[Applicable [from and including the Final Maturity Date to but excluding the Extended Due for Payment Date to the extent payment of the Final Redemption Amount is deferred until the Extended Due for Payment Date]/Not Applicable]
	(Condition 5.03)	
	(i) Specified Period(s):	[[ ]/[Not Applicable]]
	(ii) Specified Interest Payment Dates:	[[, commencing [ ], [subject to adjustment in accordance with the Business Day Convention specified in 15(iii) below/not adjusted] [(provided however that after the Extension Determination Date, the Specified Interest Payment Date shall be monthly)]/[Not Applicable]]
	(iii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/ Modified Business Day Convention/ Preceding Business Day Convention/ FRN Convention/ Eurodollar Convention]/[Not Applicable]
	(iv) Business Centre(s):	[London]/[Toronto]/[Not Applicable] /[other (*specify*)]
	(v) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[[ ] shall be the Calculation Agent] [Not Applicable]
	(vii) Screen Rate Determination:	[Applicable]/[Not Applicable]/[ ]
	– Reference Rate:	[ ] month [EURIBOR]/[ ]
	– Interest Determination Date(s):	[the second T2 Business Day prior to the start of each Interest Period] [[ ][days prior to start of each Interest Period]]
	– Relevant Screen Page	[Reuters EURIBOR01]/[]
	– Relevant Time:	[ ]/[Not Applicable]
	– Reference Banks:	[ ]/[Not Applicable]

(viii)	ISDA Determination:	[Issue is [Fixed Rate/Fixed Amount/Floating Rate/Floating Amount] Payer]/[Not Applicable]
	– Floating Rate Option:	[ ] *(if "2021 ISDA Definitions" is selected ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions)*
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
	– 2021 ISDA Definitions:	[Not Applicable][Applicable] [*NB – Certain fallback events and fallback triggers applicable to some, or in one instance all, relevant interest rates under the 2021 ISDA Definitions (i.e. "Administrator/Benchmark Event", "Generic Fallbacks" and "Calculation Agent Alternative Rate Determination" are not workable in an issuance context without amendments to the Conditions to disapply those provisions and/or to include bespoke replacement provisions (and consequential amendments to the final terms). The additional amendments may be included in a drawdown prospectus at the point of issue.*]
	– Fixing Day:	[ ][Not Applicable]
	– Fixing Time:	[ ][Not Applicable]
	– Any other terms relating to the 2021 ISDA Definitions:	[ ][Not Applicable]
(ix)	Margin(s):	[+/-][ ] percent per annum
(x)	Linear Interpolation: (Condition 5.10)	[Not Applicable]/[Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(xi)	Minimum Interest Rate:	
	(Condition 5.05)	[ ] percent per annum/[Not Applicable]
(xii)	Maximum Interest Rate:	
	(Condition 5.05)	[Not Applicable]/[ ] percent per annum]

	(xiii) Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/360 30E/360 *or* Eurobond Basis 30/360 *or* 360/360 *or* Bond Basis 30E/360 (ISDA) Actual/Actual (ICMA) *or* Act/Act (ICMA)]
16.	Zero Coupon Covered Bond Provisions: (Condition 5.11)	[Applicable/Not Applicable]
	(i) Amortization Yield:	[[ ] percent per annum]
	(ii) Reference Price:	[ ]
	(iii) Day Count Fraction:	[30/360 Actual/360 Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	Call Option: (Condition 6.03)	[Applicable/Not Applicable]
	(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:	[ ]
	(b) Maximum Redemption Amount:	[ ]
	(iv) Notice Period	[ ]
18.	Put Option: (Condition 6.06)	[Applicable/Not Applicable]
	(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) Notice period	[ ]
19.	Final Redemption Amount of each Covered Bond:	[[ ] per Calculation Amount]
20.	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 and/or the method of calculating the same: (Conditions 6.02, 6.12 or 7)	[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Form of the Covered Bonds:	Registered Covered Bonds: [Registered Covered Bond registered in the name of a nominee for a common safekeeper for Euroclear and/or Clearstream, Luxembourg (that is, held under the NSS) and exchangeable [on [ ] days' notice/only after an Exchange Event]/[Registered Definitive Covered Bond]]
22.	Financial Centre(s):	[ ]/[Not Applicable]

THIRD PARTY INFORMATION

[[ ] 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.]/[Not Applicable]

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 Euronext Dublin and to trading on Euronext Dublin's Regulated Market with effect from [ ].] [Application will be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to the Official List of Euronext Dublin and to trading on Euronext Dublin's Regulated Market with effect from [ ].] [Not Applicable.]
[(ii) Estimate of total expenses related to admission to trading:]	[ ]

2. RATINGS

The Covered Bonds to be issued are expected to be rated:

[DBRS: AA (high)]

[Moody's: Aa1]

[*Brief explanation of the meaning of the ratings if this has been published previously by the rating provider*]

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

[[Save as discussed in ["*Subscription and Sale 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.] [The [Managers (as defined in the subscription agreement relating to the Covered Bonds)/Dealers] and their affiliates have engaged, and may in future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business for which they received or will receive customary compensation and, as applicable, without regard to the Issuer, the Bond Trustee, the Holders of the Covered Bonds or the Guarantor.] /[Not Applicable]]

4. [FIXED RATE COVERED BONDS ONLY – YIELD]

Indication of yield based on the Issue Price:	[in respect of the period from (and including) the Issue Date to (but excluding) the Final Maturity Date]

5. DISTRIBUTION

(i) US Selling Restrictions:	Regulation S compliance Category 2;
(ii) Additional Selling Restrictions:	[Not Applicable]/[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]/[Covered Bonds may only be offered, sold or distributed by the Managers on such basis and in such provinces of Canada as, in each case, are agreed with the Issuer and in compliance with any applicable

		securities laws of Canada or any province, to the extent applicable]
(iii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
(iv)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]
(v)	Singapore Sales to Institutional Investors and Accredited Investors only:	[Applicable] [Not Applicable]

6. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	[CFI:]	[[See/[[ ], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] [Not Applicable] [Not Available]]
(iv)	[FISN:]	[[See/[[ ], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] [Not Applicable] [Not Available]
(v)	[insert here any other relevant codes]	[ ]
(vi)	Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A., their addresses and the relevant identification number(s):	[Not Applicable]/[ ]
(vii)	Delivery:	Delivery [against/free of] payment
(viii)	Name(s) and address(es) of additional or substitute Paying Agent(s) or Transfer Agents:	[ ]
(ix)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times

during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

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

7. PROCEEDS

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

(ii) Estimated net proceeds: [ ]

8. Relevant Benchmark[s] [[specify benchmark] is provided by [administrator legal name]]. As at the date hereof, [[administrator legal name] [appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the Financial Conduct Authority pursuant to Article 36 of Regulation (EU) 2016/1011) as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended]/[As far as the Bank is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011) as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended]/[As far as the Bank is aware, as at the date hereof, the transitional provisions in Article 51 of Regulation (EU) 2016/1011) as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, apply]/[Not applicable]

FAIRSTONE BANK OF CANADA

The information appearing below is supplemented by the more detailed information, if any, contained in the information incorporated by reference. See Paragraphs (a) – (c) of the section entitled "*INFORMATION INCORPORATED BY REFERENCE****".***

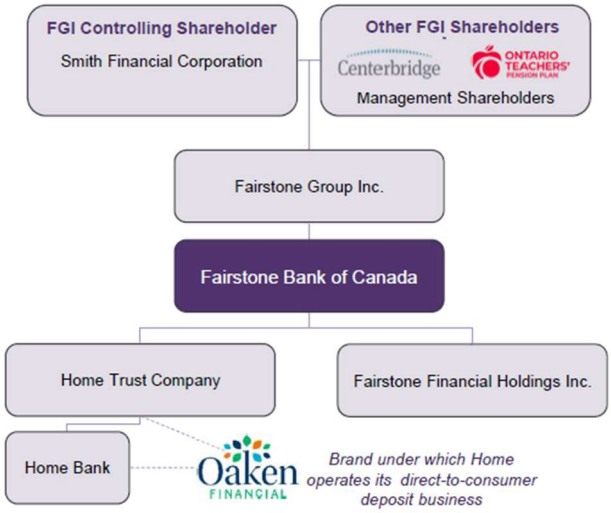
Introduction

The Bank is domiciled in Canada and was incorporated under the Bank Act on 24 July 2009. The address and registered office of the Bank is 145 King Street West, Suite 2300, Toronto, Ontario, M5H 1J8. The telephone number of the Bank is 1-437-371-2341.

The Bank, along with its wholly-owned subsidiaries Fairstone Financial Inc., Eden Park Inc., Home Trust Company ("**HTC**"), and Home Bank ("**HB**"), is a provider of direct lending, card services, auto financing and digital lending.

HTC offers residential and non-residential mortgage lending, securitization of residential mortgage products, consumer lending and credit card services. HB offers mortgage lending. HTC and HB also offer deposits via brokers and financial planners, and through a direct-to-consumer brand, Oaken Financial.

The Bank's organizational and ownership structure as of the date of this Base Prospectus is as follows:



On 1 January 2025, Fairstone Group Inc.("**FGI**") acquired all of the outstanding shares of Home Capital Group Inc. ("**HCG**"). Following the acquisition of HCG, HCG was wound up and the shares of HTC were transferred to the Bank. Smith Financial Corporation ("**SFC**"), a corporation controlled by Stephen Smith, became and continues to be the controlling shareholder and ultimate parent of FGI after the acquisition of HCG. None of the Bank, FGI's or SFC's equity is publicly listed.

Board of Directors

A Board of Directors of the Bank is responsible for managing or supervising the management of the business and affairs of the Bank. The names of the Directors of the Bank (together with details of their

principal outside activities), as of the date of this Base Prospectus, are set out below. The business address of each of the directors is 145 King Street West, Suite 2300, Toronto, Ontario M5H 1J8.

Name and Location	**Principal Occupation**
Stephen J.R. Smith Ontario, Canada	Chairman, Chairman and Chief Executive Officer, Smith Financial Corporation
Scott Wood Ontario, Canada	President and Chief Executive Officer, Fairstone Bank of Canada and Fairstone Financial Inc.
Andrew Charles Ontario, Canada	President and Chief Executive Officer, Canada Guaranty
Saurabh Rastogi Ontario, Canada	Senior Managing Director, Investment Risk Lead, Ontario Teachers' Pension Plan
Lance N. West Ontario, Canada	Senior Partner, 26North Partners LP
Eric Hoffman Ontario, Canada	Senior Managing Director, Centerbridge Partners
Jeff Markusson Ontario, Canada	Senior Managing Director, Financial Services, Ontario Teachers' Pension Plan
Krystyna Hoeg Ontario, Canada	Corporate Director
Donna Meyers Ontario, Canada	Corporate Director
Peter Levitt Ontario, Canada	Corporate Director
Robert Pearce Ontario, Canada	Corporate Director

As at the date of this Base Prospectus, there are no potential conflicts of interests between any duties owed to the Issuer by the directors and the private interests and/or external duties owed by these individuals.

Business

The Issuer and its subsidiaries, including HTC and HB (collectively, the "**FBOC Entities**") offer residential and non-residential mortgage lending, securitization of residential mortgage products, consumer lending, auto financing and credit card services. FBOC is one of the largest Canadian lenders to near-prime consumers, providing personal loans and retail financing tracing its roots in Canadian lending back more than a century. In addition, the FBOC Entities offer deposits via brokers and financial planners, and through a direct-to-consumer brand, Oaken Financial. Through its diversified product verticals, the FBOC Entities offer installment loans to consumers under its Fairstone, Fig and EdenPark brands and card services under the Fairstone Bank and Home Trust brands and residential and commercial loans under the Home Trust and Home Bank brands. By creating niche competitive offerings across all verticals, the FBOC Entities

focus includes addressing a largely underserved market in Canada. Licensed to conduct business across Canada, the FBOC Entities have offices in Ontario, Alberta, British Columbia, Nova Scotia and Quebec. Business is primarily conducted in Canadian dollars. The FBOC Entities had 2,472 active employees as of 30 June 2026.

The FBOC Entities compete with regulated mortgage lenders such as Canadian chartered banks, insurance companies, and financial institutions and lenders that provide mortgage financing in the single-family dwelling, multi-unit residential and non-residential commercial mortgage lending segments, as well as in the raising of deposits, such as guaranteed investment certificates, registered retirement savings plans, high-interest savings accounts, tax-free savings accounts, registered retirement income funds and short-term certificates. Further, the FBOC Entities compete against regulated financial institutions that issue credit cards and lines of credit. The FBOC Entities also compete with unregulated lenders.

As a federally-regulated bank, the activities of the Issuer and HB are governed by the Bank Act and are supervised by OSFI. HTC is a federally regulated trust company governed by the Trust and Loan Companies Act and is supervised by OSFI. OSFI is responsible to the Minister of Finance for the administration of the Bank Act and the Trust and Loan Companies Act. OSFI is also required to examine the affairs and business of each financial institution governed by the Bank Act or the Trust and Loan Companies Act to ensure compliance therewith and to ensure that each financial institution is in sound financial condition. OSFI's reports of its examinations are submitted to Canada's federal Minister of Finance. The Financial Consumer Agency of Canada ("**FCAC**") is responsible for enforcing consumer-related provisions of the federal statutes that govern financial institutions, including the Bank Act, the Trust and Loan Companies Act and their Regulations.

The FBOC Entities are subject to regulation by the Canada Deposit Insurance Corporation, which insures certain deposits held at the member institutions, and the FCAC, and are subject to various other federal statutory requirements including but not limited to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), which applies to federally regulated financial institutions in Canada and facilitates the detection, prevention and deterrence of money laundering and the financing of terrorist activities. The Financial Transactions and Reports Analysis Centre of Canada ("**FINTRAC**") is responsible for the enforcement of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada). Additionally, the activities of the FBOC Entities are regulated under provincial laws in those provinces where the entities operate.

The FBOC Entities' residential mortgage business focuses on providing residential first mortgages to borrowers in Canada such as self-employed business owners, people who are new to Canada and borrowers whose credit history has been bruised by a one-time life event.

HTC services the mortgage loans originated by the FBOC Entities and the FBOC Entities generally retain the servicing rights with respect to mortgage loans that the FBOC Entities originate, sell or securitize. In addition, within the Programme, the Loans will be originated by the Originators, the Issuer acts as Servicer and HTC acts as Subservicer with respect to Loans sold to the Guarantor. As at 30 June 2026, HTC acted as the primary servicer and the FBOC Entities owned the corresponding servicing rights on more than 38,000 residential mortgage loans under administration having an aggregate unpaid principal balance of more than $19 billion. More than 13.5% or $2.5 billion of the consolidated residential mortgage portfolio of the FBOC Entities is comprised of insured mortgages, with the balance of the portfolio comprised of uninsured mortgages.

Major Shareholders

The Issuer is a Canadian federally regulated bank and wholly-owned subsidiary of FGI and the rights and ownership of FGI, as the parent company of the Issuer, are restricted in accordance with the provisions of the Bank Act. FGI is controlled by SFC, a corporation incorporated under the laws of the province of Ontario, which is controlled by its founder and CEO, Stephen Smith, with Centerbridge, Ontario Teachers Pension Plan and management of FGI holding the other outstanding shares in FGI.

Expected Acquisition of Laurentian Bank of Canada

On 2 December 2025, the Bank entered into a definitive agreement to acquire all of the issued and outstanding common shares of the Laurentian Bank of Canada ("**Laurentian**"), a Schedule I bank providing a broad range of financial services and advisory solutions to clients across Canada and the United States. In parallel with the Bank's acquisition of Laurentian, Laurentian will exit its retail and small and medium enterprise banking business through a sale of those portfolios to a third party. All key regulatory approvals for the transactions have been obtained and the transactions are currently expected to close on 1 November 2026, subject to the satisfaction or waiver of the remaining closing conditions and the completion, prior to closing, of certain integration activities.

Material Contracts

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

Publication of Annual and Quarterly Financial Statements and Auditor's Report

As long as Covered Bonds are outstanding, the Bank will prepare and make available to Covered Bondholders at the Bank's website at https://www.fairstonebank.ca/covered-bonds, (i) its audited consolidated financial statements for each completed fiscal year following the date of this Base Prospectus, together with the notes to the consolidated financial statements, including a summary of material accounting policy information and the independent auditor's report thereon, within 90 days after the end of its fiscal year, and (ii) its quarterly unaudited interim condensed consolidated financial statements for each three, six and nine month period ending before the end of its fiscal year commencing with the nine-month period ending 30 September 2026, together with the notes thereto, within 45 days following the end of such period.

Ratings

As at the date of this Base Prospectus, the Issuer has been assigned the following long-term credit ratings in respect of its senior unsecured debt:

- BBB by DBRS; and
- Baa2 by Moody's

As at the date of this Base Prospectus, the Issuer has been assigned the following short-term credit ratings:

- R-2 (high) by DBRS; and
- P-2 by Moody's

Each of DBRS and Moody's Canada Inc. is established outside of the EU and the UK but its respective credit rating agency affiliate is either established in the EU or the UK and, in each case, (i) is registered under the applicable CRA Regulation; and (ii) is permitted to endorse the credit ratings of DBRS or Moody's, as applicable, issued in specified third countries, including Canada, for use in the EU or the UK, as applicable, by relevant market participants.

In accordance with Article 4.1 of the EU CRA Regulation, please note that the following documents (as defined in the section entitled "*Information Incorporated by Reference*") incorporated by reference in this Base Prospectus contain references to credit ratings from the same rating agencies: the Monthly Investor Reports.

Credit ratings are not a recommendation to buy, sell or hold a financial obligation inasmuch as they do not comment on market price or suitability for a particular investor. Ratings are subject to revision or withdrawal at any time by the rating organization.

PRESENTATION OF FINANCIAL RESULTS

The information in the tables appearing under "*Financial Overview*" below is in respect to FBOC and was prepared in accordance with IFRS.

FINANCIAL OVERVIEW

Information in the tables below as of 31 December 2025 and 31 December 2024 have been extracted from the audited consolidated financial statements of FBOC for the years ended 31 December 2025 and 31 December 2024 contained in FBOC's 2025 Consolidated Financial Statements which is incorporated by reference in this Base Prospectus together with the accompanying notes and the report of the independent auditor as it relates to their opinion on the consolidated financial statements as further described under "*Information Incorporated by Reference*".

The information in the tables below as at and for the six months ended 30 June 2026 and 2025 has been extracted from the unaudited interim consolidated financial statements of FBOC for the six months ended 30 June 2026 contained in the 2026 Second Quarter Financial Statements, which statements are incorporated by reference in this Base Prospectus.

Condensed Consolidated Balance Sheet

	As at 30 June 2026	As at 31 December 2025	As at 31 December 2024
Total Assets	$32,510,416	$32,292,488	$8,011,904
Total Liabilities	$29,413,451	$29,213,465	$6,253,414
Total Shareholders' Equity	$3,096,965	$3,079,023	$1,758,490

Condensed Consolidated Income Statements

	Six months ended 30 June 2026	Six months ended 30 June 2025	Year ended 31 December 2025	Year ended 31 December 2024
Net Interest Income	$952,045	$922,788	$1,846,889	$1,176,501
Non-Interest Income	$176,552	$180,631	$382,784	$305,557
Provision for Credit Losses	$375,182	$285,488	$608,076	$552,995
Non-Interest Expenses	$452,614	$430,958	$869,116	$597,447
Income Tax Expense	$77,263	$98,472	$186,324	$78,380
Net Income	$223,538	$288,501	$566,157	$253,236

FBOC COVERED BOND (LEGISLATIVE) GUARANTOR LIMITED PARTNERSHIP

General

FBOC Covered Bond (Legislative) Guarantor Limited Partnership (the "**Guarantor**") is a limited partnership formed on 21 August 2026 and existing under the *Limited Partnerships Act* (Ontario). The registered office of the Guarantor is 145 King Street West, Suite 2500, Toronto, Ontario M5H 1J8 and the telephone contact number is 1-416-775-5000. The Guarantor is governed by the Guarantor Agreement (see "*Summary of the Principal Documents – Guarantor Agreement*"). The Guarantor is a special purpose vehicle whose primary purpose is to support the Programme by providing the Covered Bond Guarantee.

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 structured entity whose primary purpose and sole business is to support the Programme by providing the Covered Bond Guarantee and the sole business of the Guarantor shall be related thereto by: (a) entering into the Trust Deed, giving the Covered Bond Guarantee; (b) entering into the Intercompany Loan Agreement and accepting Capital Contributions from the Partners to fund the collateralization of the Covered Bond Guarantee; (c) 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 additional Covered Bond Portfolios of New Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement to collateralize the Covered Bond Guarantee; and/or (ii) to invest in Substitute Assets in an amount not exceeding the prescribed limit (under the CMHC Guide); and/or (iii) subject to complying with the Asset Coverage Test (as described below) to from time to time make Capital Distributions to the Limited Partner; and/or (iv) to make deposits of the proceeds in the Guarantor Accounts (including to fund the Reserve Fund (to an amount not exceeding the prescribed limit) and the Pre-Maturity Liquidity Ledger, if applicable (in each case to an amount not exceeding the prescribed limit) and to fund the Yield Supplement Fund); (d) arranging for the servicing of the Covered Bond Portfolio by the Servicer (directly or through subservicing arrangements); (e) entering into the Security Agreement; (f) entering into the other Transaction Documents to which it is a party; and (g) 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.

Financial Disclosure and Alternative Performance Measures (APMs)

In accordance with the laws of the Province of Ontario and the federal laws of Canada, as a limited partnership, the Guarantor is not required to produce financial statements (audited or unaudited). Instead, (unaudited) Investor Reports are prepared by the Cash Manager on a pro forma basis under Section 9.4(a)

of the Cash Management Agreement and provide (as at the relevant Calculation Date) information and data in relation to the Covered Bond Portfolio, including the calculation of the Asset Coverage Test, the Amortization Test, the Valuation Calculation, the OC Valuation, the Intercompany Loan balance and statistical information about the Loans in the Portfolio. Such Investor Reports are, when necessary in accordance with the Prospectus Regulation, incorporated by reference into this Base Prospectus. For the purposes of the European Securities and Markets Authority guidelines on APMs of 5 October 2015 (ESMA Guidelines), such Investor Reports constitute APMs.

The Investor Reports incorporated herein by reference are not derived from the Guarantor's financial statements, since the Guarantor is not required to produce financial statements. Therefore, it is impracticable to provide comparative figures or to have such Investor Reports reconciled to financial statements of the Guarantor. The indexation methodology used for the purposes of preparing Investor Reports (in order to determine indexed valuations for Properties relating to the Loans in the Portfolio) meets the requirements provided for in the CMHC Guide (in this regard, please also refer to the "*Risk Factors*" section of this Base Prospectus and description of the Indexation Methodology set out in each Investor Report that is incorporated by reference herein). Please see "*Overview of the Programme – Covered Bond Portfolio*" and "*Information Incorporated by Reference*" herein for more information. The Investor Reports and the information included in the Investor Reports are required to be produced to meet the requirements in the CMHC Guide.

Partners of the Guarantor

As of the date of this Base Prospectus, the partners (the "**Partners**") of the Guarantor are:

- FBOC Covered Bond (Legislative) GP Inc., as the managing general partner (the "**Managing GP**"), a wholly owned subsidiary corporation of the Bank incorporated on 20 August 2026 under the laws of Canada as a special purpose entity to be the managing general partner of the Guarantor, with its registered office at 145 King Street West, Suite 2500, Toronto, Ontario M5H 1J8;

- FBOC Covered Bond (Legislative) LGP Inc., as the liquidation general partner (the "**Liquidation GP**"), a corporation incorporated on 19 August 2026 under the laws of Canada as a special purpose entity to be the liquidation general partner of the Guarantor, with its registered office at 320 Bay Street, 14th Floor, Toronto, Ontario, Canada M5H 4A6; 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 Base 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 "*Fairstone Bank of Canada – Directors*", above.

Directors of the Managing GP

Name	Business Address	Business Occupation
Heather Elaine Lee	145 King Street West, Suite 2500, Toronto, Ontario M5H 1J8	Senior Vice President - Chief Legal Officer, Fairstone Bank of Canada
Amir Gorgi	145 King Street West, Suite 2500, Toronto, Ontario M5H 1J8	Chief Financial Officer, Fairstone Bank of Canada
Scott Wood.....	145 King Street West, Suite 2500, Toronto, Ontario M5H 1J8	President and Chief Executive Officer, Fairstone Bank of Canada and Fairstone Financial Inc.

Each of the directors of the Managing GP is an officer and/or employee of the Bank.

Directors of the Liquidation GP

Name	Business Address	Business Occupation
Toni de Luca.....	650 de Maisonneuve Blvd. West, 7th floor, Montreal, QC, H3A 3T2, Canada	Executive Vice President, Corporate Trust, Computershare Trust Company of Canada
Scott Markham	320 Bay Street, 14th Floor, Toronto, Ontario, Canada M5H 4A6	Director, Corporate Trust, Computershare Trust Company of Canada]

Each of the directors of the Liquidation GP is independent of the Bank.

Governance of the Guarantor

Pursuant to the terms of the Guarantor Agreement, the Managing GP manages the business and affairs of the Guarantor, acts on behalf of the Guarantor, makes decisions regarding the business of the Guarantor and has the authority to bind the Guarantor in respect of any such decision. The Managing GP is 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 Payments have been paid in full.

Potential Conflict of Interest

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

Reimbursement of General Partners

The Guarantor is 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 operates 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, an Issuer Event of Default 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.

LOAN ORIGINATION AND LENDING CRITERIA

The Loans being sold to the Guarantor by the Bank will be originated by HTC and HB (each, an "**Originator**" and collectively, the "**Originators**") and then sold by them to the Bank. HTC and HB are subsidiaries of the Bank. The sales to the Bank and from the Bank to the Guarantor will be sold on a true sale basis and such assets to be held by the Guarantor will have the benefit provided by the Covered Bond Legislative Framework. The Covered Bond Legislative Framework contains provisions that will limit the application of the laws of Canada and the provinces and territories relating to bankruptcy, insolvency and fraudulent conveyance to the assignments of loans and other assets to be held by a guarantor as covered bond collateral under a registered covered bond program. See "*Description of the Canadian Registered Covered bond Programs Regime – Bankruptcy and Insolvency*" on page 227. The description of the Lending Criteria and procedures of the Originators herein are as of the date of this Base Prospectus.

The Originators originate residential loans in the Canadian mortgage market. The originating policies of the Originators are substantively the same as the originating policies of the Bank. The Originators provide mortgages to borrowers in the prime insured and Canadian alternative mortgage markets. In the Canadian alternative mortgage market, the Originators originate loans through the mortgage broker channel, and provide mortgage solutions by lending to self-employed and other Canadians that have been determined to meet the Originators' underwriting standards, including based on capacity and character to reliably pay their mortgages, but these borrowers may not meet the strict credit criteria of the major Canadian banks.

The Bank Act requires that residential mortgage loans that have an LTV ratio greater than 80 percent at origination be insured against default by a Canadian mortgage insurer, such as CMHC, Sagen MI Canada (formerly Genworth MI Canada Inc.) ("**Sagen**") or Canada Guaranty Mortgage Insurance Company ("**Canada Guaranty**"). Mortgage loans with an LTV ratio that exceeds 80 percent or that are otherwise insured by a Prohibited Insurer are prohibited by the Covered Bond Legislative Framework from forming part of the Covered Bond Portfolio. No such loans with LTV ratio greater than 80 percent or insured mortgage loans form part of the Covered Bond Portfolio.

Mortgage Origination and Renewal

Residential mortgage loans are originated by external mortgage brokers, referrals from conventional bank lenders or applications submitted directly to an Originator. The Residential Mortgage Underwriting Guidelines and Procedures of the applicable Originator require each prospective borrower to submit a mortgage loan application that discloses their credit history, liabilities, income and current employment, and includes a consent for the applicable Originator to obtain a credit report in respect of such applicant. All mortgage purchase and refinance applications require a new credit application and risk assessment, including full adjudication and property valuation. All mortgage loan applications undergo a due diligence process by qualified personnel covering the applicant's background, credit history (using updated credit reports from Equifax Canada Inc.) and capacity to service the debt obligation. This credit risk analysis helps inform the underwriting decision as to the applicant's ability and propensity to repay a mortgage loan in accordance with its terms. The Residential Mortgage Underwriting Guidelines and Procedures also define the applicable LTV ratio limits. Each Originator requires an LTV ratio of no more than 80% for uninsured conforming deals, and no more than 65% for uninsured non-conforming deals (see "*Credit Exception Loans*" below for further detail).

Requisite financial information (including liabilities, recurring payment obligations and level of income) about the applicant is obtained as part of the application process.

Broker Channel. The Originators generate the majority of their originations through a network of independent mortgage brokers. These brokers assist with items such as pre-screening borrowers, submission of documents in accordance with know your customer and anti-money laundering requirements,

calculating debt servicing and other affordability ratios and ensuring that applicants adhere to timing requirements.

The Originators have policies and processes in place to manage its interactions with independent mortgage brokers, including onboarding procedures, relationship management and compensation. The Originators also conduct ongoing monitoring of broker activities, including a quarterly assessment process.

Referrals from Conventional Bank Lenders. The Originators also receive applications through referral programs with conventional bank lenders. Pursuant to the terms of such programs, the referring bank lender will provide a complete application with supporting documentation and follow the same process that the broker channel does when referring a file to an Originator. The Originators are under no obligation to accept referrals from conventional bank lenders, and any referred applications are subject to the same underwriting processes as applications originating from other channels.

Direct Channel. Applicants may contact an Originator directly, by phone, through the Originator's contact centre or by submitting an application on the Originator's website. The applicant will provide a complete application with supporting documentation and the Originator manages all communications with the applicant directly. Direct to consumer mortgage applications are subject to the same underwriting processes as applications originating from other channels.

Renewals. Each Originator's uninsured conventional mortgage portfolio is comprised largely of loans with terms to maturity between 1 to 3 years. As such, renewals comprise a significant portion of the Seller's mortgage portfolio due to the short-term nature of these mortgage loans. Based on the Originators' experience, mortgage loans renewing into a 1-year term represent a significant portion of the total renewal book. At the time of renewal, mortgagors may change their payment frequency or payment amount; however, mortgagors cannot extend the amortization term past the remaining amortization term and the principal amount of the loan cannot be increased. Where the amortization term is extended or the principal amount of the loan is increased, the relevant Originator considers the transaction to be a refinance transaction, rather than a renewal.

General Underwriting Matters

All of the Loans were originated and underwritten by the Originators. Each Originator, as a federally regulated financial institution (or trust company), is subject to the Bank Act or the Trust and Loan Companies Act, as applicable, and to Guideline B-20—Residential Mortgage Underwriting Practices and Procedures (the "**B-20 Guideline**") (published by OSFI in June 2012, updated in November 2014 and further updated in October 2017), which sets out OSFI's expectations for prudent residential mortgage underwriting by federally regulated financial institutions.

The B-20 Guideline calls for the establishment of a residential mortgage underwriting policy by each Originator and sets out expectations with respect to borrower due diligence, assessment of borrowers' capacity to service their debt obligations, collateral management and appraisal processes, and credit and counterparty risk management practices and procedures of each Originator. This includes adherence to the stress test that was implemented on 1 January 2018.

Each Originator adheres to a residential mortgage underwriting policy. The Originators' Residential Mortgage Underwriting Policies are reviewed annually to confirm adherence to their risk management frameworks and updated as appropriate to reflect market best practices. In addition, to the extent required, the Originators' Residential Mortgage Underwriting Policies are revised, from time to time, to address new matters, regulations or risks. Furthermore, although the Originators' Residential Mortgage Underwriting Policies apply nation-wide, in circumstances where there may be heightened regional risk, certain additional underwriting criteria may be imposed by the relevant Originator's underwriting department on a regional basis, to address those risks.

The Originators' Residential Mortgage Underwriting Policy is supported by guidelines and procedures (together with the Residential Mortgage Underwriting Policy, the "**Residential Mortgage Underwriting Guidelines and Procedures**"), which provide further detail on the practices and processes applicable to residential underwriting of the Originators.

All Loans, including the Credit Exception Loans, were underwritten in compliance with the Residential Mortgage Underwriting Guidelines and Procedures of the applicable Originator in effect at the time of origination.

Underwriting

Each Originator's lending guidelines are based on the principles underlying the 5 Cs of Credit: Credit History, Capacity, Capital, Collateral and Conditions. The 5 Cs are generally used to provide information and direction for underwriters to make sound credit decisions; they serve as a lens through which to view and evaluate each credit application. Underwriters will also consider outside circumstances that may affect the borrower's financial situation and ability to repay as key factors in the underwriting process.

Each Originator's underwriting decision process leverages expert internal analysis and is supported by technology for document collection and initial analysis. Each Originator uses various risk scores to assess an applicant's credit risk profile as follows:

(i) *Mortgage Origination Score* – a score that is proprietary to the applicable Originator, the Mortgage Origination Score estimates the borrower's probability of default based on that Originator's own experience. The Mortgage Origination Score considers factors including age of the credit bureau file, delinquency history, inquiries and revolving utilization.

(ii) *Credit Score* – FICO score provided by Equifax Canada Inc. using information maintained across all financial institutions.

(iii) *Property Scorecard* – a score that is calculated based on a quantitative methodology intended to score the risk of the pledged collateral resulting in a capital loss in the event of a default. The score is calculated using the quantitative methodology on the basis of various factors including region, LTV, property type and property usage.

As a first step in each Originator's adjudication process, all residential mortgage loan applications are uploaded into that Originator's origination system which is used to capture and calculate key information including the applicant's personal information such as residence, assets, liabilities, employment and income, credit score and transaction values including total debt service ratio, gross debt service ratio, property value and loan to value ratio. The Originator's system also provides prompts, designed to ensure that tasks associated with all mortgage applications are completed. That system contains an access and security system allowing management to manage the activities of personnel using the system, including underwriting personnel. The system also automates the process by which escalating authority levels are required for credit approval to ensure compliance by the underwriting team.

The underwriting process includes the following steps: (i) an initial pre-screen of the application for data integrity; (ii) identification of any application data where further investigation is required before manual adjudication; (iii) qualification checks to ensure that the application is accurate prior to discussion with the broker surrounding approved structuring and pricing details; and (iv) an assessment of the loan application, based on the 5 Cs.

The manual adjudication process generates three possible outcomes for a mortgage application:

(i) Application approval for the creation of a mortgage commitment. The mortgage commitment includes a list of conditions that the broker/applicant will need to satisfy prior to a full approval being offered by the applicable Originator.

(ii) Application restructuring to make a revised offer to the broker/applicant. Depending on the applicant's willingness to proceed with the revised offer, the restructured application may lead to a mortgage commitment.

(iii) Application is turned down because the loan is not within the applicable Originator's risk parameters.

Upon sign back of a mortgage commitment from the applicant, the applicable Originator will work with the broker/applicant to obtain the required due diligence documentation based on the commitment presented to the client.

Income Verification. As part of the due diligence process, each Originator takes steps in accordance with its Residential Mortgage Underwriting Guidelines and Procedures to verify all income used to calculate gross debt service and total debt service ratios for each applicant. These ratios are calculated based on the underwriter's assessment of the applicant's income determined by reviewing the documentation requested from the applicant, including pay stubs, bank statements, Notices of Assessment from the Canada Revenue Agency, employment income slips and employment letters. As part of this process, "Business for Self" applicants provide a self-declared income letter, which includes the applicant's net income, financial history and declaration that no personal obligations to the Canada Revenue Agency are outstanding. The income verification process for "Business for Self" applicants further requires various documentation to allow the underwriter to perform rigorous validation and reasonability checks on the applicant's declared income. Examples of acceptable income documents for "Business for Self" applicants typically include bank statements, invoices, sales ledgers, and prepared financial statements. Underwriters use this information to understand the revenue of the business and assess the major expense categories in relation to the type and size of the business. Underwriters provide their rationale on the business income ultimately used to qualify the mortgage and how their assessment is related to the self-declared income provided by the applicant.

In addition to a review of documentation, each Originator takes further steps to verify the applicant's income, including by calling the applicant's employer to verify employment details. For applicants who are "Business for Self" applicants, the applicable Originator's practice is to contact the applicant directly to verify the applicant's business' financial details.

Property Appraisals. Also, as part of the due diligence process, the mortgaged property is subject to a full appraisal by an independent appraiser or a Modelled Valuation Service to assess and confirm property value. Each Originator uses a network of approved appraisers in accordance with its appraiser management guidelines. Each Originator has a rigorous onboarding process for new appraisers, including minimum experience requirements and a review of recent appraisals by the appraiser as well as a probationary period once they have been on-boarded. Since Q2-2020, the appraisal process has included a quarterly review of appraisal quality using a sample of funded loans.

Each Originator also leverages a standardized appraiser review and authorization form to ensure a consistent checklist approach is used for all appraisals. To this end, all appraisals must be based on an 'as-is' value and must be representative of an up to ninety-day sale price, using the comparison approach for the property valuation.

Regardless of the LTV ratio of a loan, all newly originated mortgages require a Modelled Valuation Service to assess and confirm property value or an appraisal to be completed by an approved independent appraiser that has been screened and approved in accordance with the applicable Originator's internal processes. The Originator reviews the appraisal report and, if required, has an in-house certified appraiser assist with a more detailed assessment of higher risk appraisal reports. The Originator's underwriting team will use the appraisal report to assist in determining the marketability of the property and the maximum LTV ratio that the Originator will lend against.

Source of Funds for Down Payment. In the case of a residential property purchase, each Originator will also verify the source of funds for the applicant's down payment, as well as the property listing and purchase

and sale agreement for the subject property. The Residential Mortgage Underwriting Guidelines and Procedures of each Originator provide that verification of source of funds for down payment can be completed by verification of accumulated savings in a Canadian or foreign bank account, verification of accumulated investments, proceeds from the sale of another property, inherited funds or a non-refundable gift from a family member.

Upon completion of due diligence, the underwriting team will do a final review of the application and ensure that all conditions of the mortgage commitment have been satisfied. At this stage, the mortgage application is considered approved, and it is forwarded to the applicable Originator's funding department. That funding department coordinates with title insurer and closing service provider to ensure that all legal conditions to closing and issuance of the loan are satisfied. The solicitor is required to ensure that the mortgage is properly registered as security for the loan, in accordance with provincial standards.

Title and Property Insurance. Prior to advancing any mortgage loan, among other things, the Residential Mortgage Underwriting Policy of each Originator requires that the borrower and its representative solicitor or notary obtain a lender title insurance policy with respect to the related mortgaged property which provides evidence in a form satisfactory to the Originator that either all real estate taxes relating to the applicable mortgaged property were paid or that the title insurance policy covers any loss suffered from non-payment of realty taxes. The Residential Mortgage Underwriting Policy also requires that the solicitor or notary provide a copy of the property insurance policy to demonstrate the mortgaged property is insured, in an amount equal to the full insurable value of the property on a replacement cost basis, against loss or damage by fire or other risks and hazards required by the Originator.

Underwriting at Renewal. The Originators do not conduct a re-underwriting of the mortgage loans at the time of renewal. Provided that the mortgage loan is current, the relevant Originator will offer the mortgagor a renewal into a new term. The mortgage rate of the renewal offers will vary on a case-by-case basis and are determined on the basis of the Originator's current pricing grid, existing information about the subject property, and the borrower, including account history, activity and current Credit Score. As part of this process, the renewal department will consider factors that contribute to Credit Score including late payments, serious delinquency, and increases in requests for credit. In addition, renewal applications with high-risk indicators are subject to increased scrutiny by the Originator's renewal team and/or the Originator's compliance department. The Originators do not typically obtain a new appraisal at the time of renewal.

Credit Exception Loans

Exception Mortgages and Non-Conforming Loans ("**Credit Exception Loans**") are defined in the Originators' Residential Mortgage Underwriting Guidelines and Procedures which provide that exceptions may be granted when an application exhibits attributes that may represent higher risk while still within the applicable Originator's risk parameters. Such exceptions may be made on a case-by-case basis and fall into one of two categories: (i) Exception Mortgages and (ii) Non-Conforming Loans. To the extent that such loans are to be sold by the Seller to the Guarantor, it will be on the basis that such loans satisfy the Eligibility Criteria which is applicable to all Loans sold by the Seller to the Guarantor.

Exception Mortgages refer to conforming mortgages whose qualifying ratios, Credit Scores, and/or collateral risk fall outside the applicable Originator's standard lending criteria, as defined in the Residential Mortgage Underwriting Guidelines and Procedures. All Exception Mortgages require the approval of the credit adjudication team, which is a second line of defense control and part of the Originator's enterprise risk management function, before a commitment may be issued. Certain of the Loans are Exception Mortgages.

Each Originator also has a subset of loans which are classified as Non-Conforming Loans. Non-Conforming Loans are loans where the estimated probability of default is higher than it is for conforming loans or where income verification has not been fully satisfied. All Non-Conforming Loans are subject to a maximum LTV ratio of 65%, and no additional financing is permitted on a Non-Conforming Loan which would cause the LTV ratio to increase above 65%. All Non-Conforming Loans require the prior approval of the credit

adjudication team before a commitment may be issued. Volume limits apply to both Exception Mortgages and Non-Conforming Loans.

The Residential Mortgage Underwriting Policy of each Originator restricts it from approving a mortgage loan application if the loan would fall outside its standard risk parameters. Each Originator's adjudication process allows it to determine whether any factors exist that would compensate for extenuating circumstances identified during the underwriting process in order to determine whether or not a loan falls within its standard risk parameters.

Such factors may include isolated life events, such as divorce, illness and one-time job loss, among others. A not insignificant number of Loans were determined to be within the Originators' standard risk parameters because of compensating factors.

As such, all of the Loans, including those constituting Credit Exception Loans, fall within the Originators' standard risk parameters and were originated and adjudicated in compliance with the Residential Mortgage Underwriting Guidelines and Procedures of the applicable Originator.

Mortgage Loan Review Process

Adjudicated mortgage loan applications are subject to an independent review process by the Originators' enterprise risk management function. This process includes a full review of a random sample of funded loans including the supporting documentation used to assess the quality of the credit on a monthly basis. This loan review process requires the re-adjudication of the mortgage loan to ensure that the credit quality of the mortgage loan fits within the applicable Originator's risk parameters and was originated in accordance with the Residential Mortgage Underwriting Guidelines and Procedures. The loan review process also assesses the quality of the overall rationale used to support the final decision which includes an evaluation of any risk mitigation documented. The enterprise risk management team responsible for this loan review process also conducts periodic targeted reviews on a regular basis.

Mortgage Loan Monitoring

Monitoring for suspected or potentially fraudulent activity takes place throughout the mortgage lifecycle, from onboarding through to discharge. Fraud detection processes are designed to look for inconsistencies and misrepresentation in applications and suspect information. Suspect applications are referred to the applicable Originator's fraud investigation group. The Originators have also received third party fraud detection training to assist their underwriting process in detecting irregular due diligence documentation.

Collections and Default Recovery Process

As of the date of this Base Prospectus, over 97% of the borrowers under outstanding mortgage loans originated by HTC and HB in the aggregate make payment by pre-authorized debit. Each Originator engages operating teams to manage the various stages of the default recovery process with a focus on customer interaction throughout the process. For loans in arrears between one and thirty days, a collection specialist focuses on contacting the borrower to rectify immediately. Thereafter, a team of legal action specialists focuses on continued communication with the borrower, while negotiating the remediation of arrears in part or full while also educating the borrower on the power of sale/foreclosure process including expenses and consequences for non-payment of the mortgage. Once foreclosure is required, a team of real estate specialists focuses on management and disposal of the mortgaged property. In addition, an administration team supports the collection specialists, legal action specialists and real estate specialists with all administrative tasks to enable the specialists to focus their collection efforts on the borrower or the property, as applicable.

Each Originator has a robust collection process in place to reduce delinquency rates and mitigate losses. Collection efforts begin on the first day following a missed payment, and legal action is commenced against the borrower if payment is not made within 16-45 days of the first missed payment. Given the appreciation

of Canadian real estate values and each Originator's underwriting practices, borrowers had the ability to resolve delinquency without requiring enforcement action by that Originator. Each Originator maintains communication with the borrower throughout the period of default and encourages the borrower to rectify the default with various strategies including re-financing, modification options and voluntary sale of the property. Where collection efforts are unsuccessful, the Originator will take possession of the mortgaged property.

Each Originator also uses behavioral scoring in the early stages of collections. An automated filtering process to determine the level of risk, and likelihood of collections and rolling into the next arrears bucket, enables the collector to determine the priority and course of collection action to more effectively manage time to maximize the likelihood of success.

Prior to taking possession of a mortgaged property, each Originator focuses its collection efforts with the objective of reducing delinquency and avoiding foreclosure, wherever possible. Accordingly, each Originator accepts partial payment throughout the stages of the foreclosure process. Through the Originators' active management of the borrower and property throughout the lifecycle of delinquent loans, they have a proven track record of mitigating losses and minimizing the number of properties that must be subject to foreclosure.

THE SERVICER

General

The Bank is the servicer (the "**Servicer**") of the Loans and Related Security pursuant to a servicing agreement (the "**Servicing Agreement**") between Fairstone Bank of Canada, in its capacity as the Servicer, Seller and Cash Manager, the Guarantor, as owner of the Loans and Related Security, and Computershare Trust Company of Canada, as the Bond Trustee. The Servicer will have no obligation or liability with respect to the Loans or Related Security in accordance with the terms and conditions of the Servicing Agreement save in respect of the negligence or willful default of the Servicer in carrying out its functions.

As at the date of this Base Prospectus, the Servicer subcontracts or delegates the performance of all its duties under the Servicing Agreement, including the exercise of reasonable care and prudence 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, to HTC as the Subservicer, provided that the Servicer is not released or discharged from any liability under the Servicing Agreement and remains liable for the performance or non-performance or breach by any sub-contractor or delegate of the duties so subcontracted or delegated under the Servicing Agreement.

Servicing Activities

The Servicer and HTC (as subservicer) collectively service over 99.5% (by loan count) of the combined mortgage portfolios of the Seller and the Originators, while the remainder is serviced by third parties. As at 30 June 2026, the Servicer (acting directly or through HTC) acted as primary servicer on more than 38,000 residential mortgage loans across the combined portfolios of the Seller and the Originators, having an aggregate unpaid balance of more than $19 billion. All of the Loans forming part of the Covered Bond Portfolio will be serviced by the Servicer and subserviced by HTC as subservicer (the "**Subservicer**"). Unless the context requires otherwise, references in this Base Prospectus to the servicing by the Servicer shall be read to include the servicing by HTC as Subservicer.

Servicing Procedures with respect to Loans and Related Security

Following the sale of a mortgage loan to the Guarantor, the Servicer (or the Subservicer) keeps and maintains records in relation to the Loans and Related Security sold to the Guarantor on a loan by loan basis, for the purposes of identifying amounts paid by each borrower, any amount due from a borrower and the principal balance (and, if different, the total balance) from time to time outstanding on a borrower's account and such other records as would be customarily kept by a reasonable and prudent mortgage lender. The Servicer (or the Subservicer) also identifies the Loan and Related Security as belonging to the Guarantor and maintains a computer record of the location and identification of the Loans and Related Security by reference to an account number so as to be able to distinguish them from other mortgage loans and security serviced by the Servicer or the Subservicer for retrieval purposes.

The Servicer (or the Subservicer) provides customary servicing functions with respect to the Loans and Related Security. The Servicer (or the Subservicer) makes reasonable efforts to collect all payments called for under the loan documents and follows such collection procedures as are customary with respect to loans. The Servicer (or the Subservicer) collects and remits mortgage loan payments, responds to borrower inquiries, accounts for principal and interest, monitors property insurance and in the case of lapses notifies borrowers and obtains lender-placed insurance at the borrower's expense as necessary, counsels or otherwise works with delinquent borrowers, supervises power of sale, judicial sales or foreclosures, and property dispositions and generally administers the Loans and is required to take all reasonable steps to recover all sums due to the Guarantor in respect of the Loans and Related Security, in accordance with the Lending Criteria and the applicable policies and procedures of the Servicer (or the Subservicer). The servicing policies of the Servicer (or the Subservicer) do not require the monitoring of expired property insurance policies. The Servicer (or the Subservicer) does however monitor cancelled policies on its retail loan portfolio, and immediately contacts borrowers for evidence of a reinstated/active and adequate policy,

upon receipt of a notice of cancellation from the insurer. In the event a cancellation notice is not received by the Servicer (or the Subservicer), the Loan Files for such Loans may not contain evidence of active or adequate property insurance. The Bank and the Originators each self-insures against the risk represented by a borrower's failure to obtain such insurance. The Servicer (or the Subservicer on its behalf) administers the Loans and the Related Security in the same way it administers mortgage loans for its own account. The Servicing Agreement requires that the Loans and the Related Security are to be serviced by the Servicer (and the Subservicer on its behalf) as if the Loans had not been sold to the Guarantor but remained with the Bank (or HTC as subservicer).

The Servicer, the Subservicer or such other Person approved in writing by the Guarantor, may act as collection agent for the Guarantor by way of automated debiting of bank accounts (the "**Pre-Authorized Debiting System**") provided such Pre-Authorized Debiting System is operated in accordance with policies and procedures which would be acceptable to a reasonable and prudent mortgage lender and applicable rules/regulations. As of the date of this Base Prospectus, the Subservicer, acts as the Servicer's collection agent under the Pre-Authorized Debiting System. Borrowers typically provide authorization for regular payments (made monthly or on a greater frequency) to be deducted automatically from bank accounts on the date each scheduled payment is due.

The Servicer (or the Subservicer on its behalf) has 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 and to do anything which it reasonably considers necessary or convenient or incidental to the administration of the Loans and their Related Security. This includes the authority to accept applications for product switches or advances in respect of the Loans in its sole discretion. The Bank, as seller of the Loans and Related Security to the Guarantor, is required to provide the funding for any product switches or advances approved by the Servicer. The Servicer (or the Subservicer) is not restricted from, in its discretion, (i) waiving any assumption fee, late payment or other charge in connection with a Loan; or (ii) waiving, varying or modifying any term of any Loan or consenting to the postponement of strict compliance with any such term or in any matter grant indulgence to any borrower, including, for greater certainty, consenting to postponement or deferral of scheduled payments.

The Servicer (or the Subservicer on its behalf) may institute proceedings and enforce any relevant Loan which is in default in accordance with the Bank's enforcement procedures and the usual procedures undertaken by a reasonable and prudent institutional mortgage lender.

The Servicer's or the Subservicer's collections policy is designed to identify payment problems sufficiently early to permit the Servicer (or the Subservicer) to address such delinquency problems and, when necessary, to act to preserve the lender's equity in the property. A Loan is considered delinquent if a scheduled payment remains unpaid at least 1 day after the due date. If timely payment is not received, the Servicer's (or the Subservicer's) loan servicing system automatically places the Loan in the assigned collection queue. The account remains in the collection queue unless and until a payment is received, at which point the Servicer's (or the Subservicer's) loan servicing system automatically removes the Loan from that collection queue.

When a Loan appears in a collection queue, various collection techniques are employed to urge the borrower to bring the account current as quickly as possible. Such techniques include immediate attempts by the Servicer's or the Subservicer's in-house collectors to contact the borrower by telephone, email as well as by letter. Follow-up telephone contacts with the borrower are attempted until the account is current or other payment arrangements have been made. Standard form letters, notices as well as occupancy checks through a third party are utilized when attempts to reach the borrower by telephone fail and/or in some circumstances, to supplement the phone contacts. Collectors have computer access to telephone numbers, payment histories, loan information and all past collection notes. Additionally, collectors may attempt to mitigate losses through the use of workout options in the early stages of delinquency. For those Loans in which collection efforts have been exhausted without success, the Servicer (or the Subservicer on its behalf) determines whether mortgage enforcement proceedings are appropriate. The course of action elected with respect to a delinquent Loan generally will be guided by a number of factors, including the related borrower's payment history, ability and willingness to pay, the condition and occupancy of the

Related Security, the amount of borrower equity in the Related Security, and whether there are any tax arrears, condominium or strata arrears, or construction liens.

Prior to a foreclosure or sale by power of sale, once the Servicer (or the Subservicer on its behalf) is in possession of the Related Security, it obtains an appraisal from an HTC-approved appraiser. The Servicer then hires a property manager to secure the property and a real-estate agent to sell the property. The property manager ensures security, general maintenance and appropriate repairs. The real-estate agent performs a current market analysis prior to the property listing. The Servicer representative monitors the recovery milestones, which include: (i) a current valuation of the Related Security to be listed and sold; (ii) an evaluation of the amount owed, if any, for real estate taxes; and (iii) estimated carrying costs, fees, repair costs, and other related costs associated with real estate owned properties. The Servicer representative bases the sale price at the foreclosure process or power of sale on the current market and/or appraisal value.

The foreclosure process and power of sale process vary by jurisdiction across Canada and are two different ways that the Servicer (or the Subservicer) can acquire the right to sell the Related Security. The Servicer (or the Subservicer) acquires title to a property in a foreclosure process or a possession of the property in the Power of Sale process. At either of these stages, the Servicer (or the Subservicer on its behalf) obtains an estimate of value of the property and then hires a real estate agent to begin marketing the property. Repairs may be performed only if it is determined that they will mitigate losses significantly by increasing the net liquidation proceeds, taking into consideration the cost of repairs, the carrying costs during the repair period and the marketability of the property both before and after the repairs.

A loss, if any, on a Loan is determined based on a number of factors, which include, but are not limited to, the aggregate amount due on the Loan less the aggregate proceeds of sale of the mortgaged property minus related expenses, such as property management fees, real estate sale commissions, tax arrears, etc.

THE COVERED BOND PORTFOLIO

The Covered Bond Portfolio consists of Loans and their Related Security, and in some cases Substitute Assets up to the threshold amount specified by the Covered Bond Legislative Framework. For details on the eligibility criteria and representations and warranties provided with respect to the Loans in the Covered Bond Portfolio, see "*Summary of the Principal Documents – Mortgage Sale Agreement – Eligibility Criteria*" and "*Summary of the Principal Documents – Mortgage Sale Agreement – Loan Representations and Warranties*". The Asset Coverage Test and the Amortization Test performed by the Cash Manager are intended to ensure that the assets and cashflows of the Guarantor, including the Loans and their Related Security in the Covered Bond Portfolio and cashflows in respect thereof, will be adequate to enable the Guarantor to meet its obligations under the Covered Bond Guarantee following the occurrence of a Covered Bond Guarantee Activation Event and the Valuation Calculation performed by the Cash Manager is intended to monitor exposure to interest rate and currency exchange rate risks.

Because the Covered Bond Portfolio is not a static pool of assets, the Cash Manager will prepare and provide monthly Investor Reports to the Bank, the Guarantor, the Bond Trustee and the Rating Agencies that will set out certain information in relation to the Covered Bond Portfolio, the calculation of the Asset Coverage Test, the Valuation Calculation, if applicable the Amortization Test, statistical information about the Loans in the Covered Bond Portfolio, performance information about the Loans, information on proceeds received on assets in the Covered Bond Portfolio and the application of such proceeds and other information prescribed by the requirements of the Guide. Investor Reports will be made available to covered bondholders at the Bank's website at https://www.fairstonebank.ca/covered-bonds.

Characteristics of the Loans

Mortgage loans originated by the Originators and included in the Covered Bond Portfolio are secured by a first mortgage on the residential property to which they relate and are full recourse against the borrower (subject to exceptions in Alberta and Saskatchewan, as described below) and, where applicable, against the co-borrower(s), against the guarantor, and against the property securing the mortgage loan.

The Covered Bond Portfolio will initially only consist of Fixed Rate Loans. Fixed rate mortgage loans provide for interest based on a fixed annual rate agreed to at the time the mortgage loan is advanced or renewed with interest compounded semi-annually, not in advance.

Mortgage loans can either be open or closed. An open mortgage loan may be pre-paid at any time without pre-payment charges and a closed mortgage loan may be pre-paid at any time with payment of a pre-payment charge except where the amount pre-paid is within the allowable penalty-free pre-payment privileges disclosed at the time of the advance or renewal. Mortgage loans can be for terms of up to 5 years (with a typical term of 1-3 years) with original amortization periods that do not exceed 30 years (or 25 years, where required by regulations). They provide for regular payments (e.g., weekly, bi-weekly, semi-monthly or monthly) and early and/or increased payment options without pre-payment charges in certain circumstances. Regular payments are applied first to interest, then to principal. Late payments can be applied first to late interest, then to installment interest and then to principal and, at the Bank's discretion, to any fees or other charges payable pursuant to the Related Security. Interest which is not paid when due is subject to interest.

In certain situations, an Originator may make more than one mortgage loan and provide home equity lines of credit to a Borrower under separate loan agreements and secured by the same mortgage or property. In such circumstances, each mortgage loan and/or home equity line of credit is subject to cross-default in the event payments on any loan are not made in accordance with their terms.

Where a mortgage loan is in default, all amounts owing in respect of the mortgage loan will become due and payable and the Originator or a servicer or subservicer on its behalf is allowed to require immediate payment of all amounts owing under all related mortgage loans. The Covered Bond Portfolio is not permitted to include mortgage loans that are insured mortgage loans or mortgage loans secured by the same mortgage as an insured mortgage loan (See "*Description of the Canadian Regulated Covered Bond Regime*

- *Eligible Covered Bond Collateral and Coverage Tests*"). In Alberta and Saskatchewan, the law restricts a lender's recourse against a borrower where the proceeds from enforcement of the mortgage by way of a foreclosure action are insufficient to repay the amounts owing on a mortgage loan.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Trust Deed

The Trust Deed 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 (as described below).

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 Canadian 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. In that event, the Guarantor will not pay any additional amounts to the Bond Trustee or any holder of Covered Bonds 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 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 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 (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, 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 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.

Retirement, Removal and Replacement of the Bond Trustee

The Bond Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer, the Guarantor and the Rating Agencies. The Bond Trustee may be removed (i) by the Covered Bondholders in accordance with the terms of an Extraordinary Resolution, or (ii) by the Guarantor in the event that there is a breach by the Bond Trustee of certain representations and warranties or a failure by the Bond Trustee to perform certain covenants made by it under the Trust Deed. No retirement or removal of the Bond Trustee shall be effective until a replacement bond trustee that meets the requirements provided for in the Trust Deed and in the CMHC Guide has been appointed. In the event that a replacement bond trustee has not been appointed within 60 days of notice of retirement from the Bond Trustee or the Extraordinary Resolution of the Covered Bondholders, as applicable, the Bond Trustee shall be entitled to appoint a replacement bond trustee that meets the requirements provided for in the Trust Deed and in the CMHC Guide, which appointment must be approved by an Extraordinary Resolution of the Covered Bondholders prior to taking effect.

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 Intercompany Loan Agreement, the Guarantor represents and warrants to the Issuer that it is, and covenants that it will at all times remain, a "Canadian partnership" as defined in subsection 102(1) of the *Income Tax Act* (Canada).

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 a combined aggregate amount equal to the Total Credit Commitment, subject to increases and decreases as described below. The initial advance on the loan was in an amount sufficient to acquire the Covered Bond Portfolio. The Intercompany Loan is denominated in Canadian dollars. The interest rate on the Intercompany Loan will be a Canadian dollar floating rate determined by the Bank from time to time, which rate shall not exceed the sum of (x) the amount received by the Guarantor pursuant to the Interest Rate Swap Agreement and (y) the interest income from the Covered Bond Portfolio after payment of amounts owed by the Guarantor pursuant to the Interest Rate Swap Agreement, if any, less the sum of: (i)

a minimum spread to be notified in writing by the Issuer to the Guarantor from time to time; and (ii) an amount for certain expenses of the Guarantor.

The Guarantee Loan will be in an amount equal to the balance of outstanding Covered Bonds at any relevant time plus that portion of the 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. Upon the occurrence of (x) a Contingent Collateral Trigger Event, (y) an event of default (other than an insolvency event of default) or an additional termination event in respect of which the relevant Swap Provider is the defaulting party or the affected party, as applicable, or (z) a Downgrade Trigger Event, in each case, in respect of the Interest Rate Swap Agreement or the Covered Bond Swap Agreement, the relevant Swap Provider, in its capacity as (and provided it is) the lender under the Intercompany Loan Agreement, may deliver a Contingent Collateral Notice to the Guarantor under which it elects to decrease the amount of the Demand Loan with a corresponding increase in the amount of the Guarantee Loan, in each case, in an amount equal to the related Contingent Collateral Amount(s).

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 satisfaction of the Rating Agency Condition, no further advances will be made to the Guarantor under the Intercompany Loan following the occurrence of a Demand Loan Repayment Event.

To the extent the 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 from the Seller.

The Demand Loan or any portion thereof will be repayable no later than the first Canadian 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 that 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.

The Demand Loan shall not have a positive balance at any time following the occurrence of a Demand Loan Repayment Event and the repayment in full of the then outstanding Demand Loan by the Guarantor.

If (i) the Bank is the Interest Rate Swap Provider and it 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; or (iii) the Intercompany Loan Agreement is terminated or the revolving commitment thereunder is not renewed; (each of (i), (ii) and (iii) 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. As stated below, in calculating the Asset Coverage Test following an Issuer Event of Default, no credit shall be given to the Guarantor for the amount of any Excess Proceeds received by the Guarantor from the Bond Trustee. 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 percent 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 Payments and the terms of the Intercompany Loan Agreement (a) 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, if applicable); and/or, (ii) proceeds from the sale of Substitute Assets; 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; and/or (b) by selling, transferring and assigning to the Seller all of the Guarantor's right, title and interest in and to Portfolio Assets (a "**Payment in Kind**").

The Guarantor is restricted from paying the Demand Loan in the manner described in clause (a)(iii) if the proceeds of such sale are less than the True Balance of the Portfolio Assets sold. Upon a Payment in Kind, the outstanding amount of the Demand Loan will be reduced by the fair market value of the Portfolio Assets sold, transferred and assigned to the Seller for such purpose. In addition, if a Payment in Kind occurs on or after a Covered Bond Guarantee Activation Event and the Seller is the Limited Partner, the Limited Partner shall be deemed to have made a Capital Contribution in an amount equal to the excess, if any, of the True Balance of the Portfolio Assets applied towards the Payment in Kind over the aggregate Fair Market Value of such Portfolio Assets, and such Capital Contribution shall be deemed to have been applied by the Guarantor against the Demand Loan, such that the outstanding amount of the Demand Loan will be reduced by the greater of (i) the True Balance of such Portfolio Assets, and (ii) the Fair Market Value of such Portfolio Assets. See "*Cashflows*".

The Guarantor is 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 has used the advances of proceeds from the Intercompany Loan to pay the purchase price for the Loans and their Related Security in the Covered Bond Portfolio from the Seller in accordance with the terms of the Mortgage Sale Agreement and may use additional advances (i) to purchase New Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement; and/or (ii) to invest in Substitute Assets in an amount not exceeding the prescribed limit under the CMHC Guide; and/or (iii) subject to complying with the Asset Coverage Test, to make Capital Distributions to the Limited Partner; and/or (iv) to make deposits of the proceeds in the Guarantor Accounts (including, without limitation, to fund the Reserve Fund and the Pre-Maturity Liquidity Ledger, if applicable, (in each case to an amount not exceeding the prescribed limit) and to fund the Yield Supplement Fund).

Mortgage Sale Agreement

The Seller

Loans and their Related Security will be 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 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 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 New Portfolio Asset Types, 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 Guarantor may from time to time acquire Loans and their Related Security 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 from the Seller. As consideration for the sale of the Loans and their Related Security to the Guarantor, the Seller will receive a cash payment or deemed cash payment equal to the fair market value of those Loans sold by it as at the relevant Transfer Date; and

(b) 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 to the Guarantor, the Seller will receive an additional interest in the capital of the Guarantor equal to the fair market value of those Loans sold by it as at the relevant Transfer Date minus any cash consideration received by the Seller described in paragraph (a) above.

If Loans and their Related Security are sold by or on behalf of the Guarantor as described below, or upon a breach of the Pre-Maturity Test, if applicable, under "*Guarantor Agreement—Sale of Randomly Selected Loans 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 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*".

Portfolio Assets

The Initial Covered Bond Portfolio will consist solely of Loans originated by the Originators and sold by the Originators to the Seller and then by the Seller to the Guarantor, that are secured by Canadian first lien residential mortgages ("**Mortgages**"). In respect of the Loans in the Covered Bond Portfolio, the Custodian will hold registered title to the Mortgages and any applicable related security on behalf of the Guarantor. Covered Bond Portfolio static data and statistics relating to the Loans comprising the Covered Bond Portfolio from time to time will be disclosed in the Investor Reports.

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 the Rating Agency Condition is satisfied), being satisfied on the relevant Transfer Date, including:

(a) no Loan has the benefit of, or is secured by a Mortgage that also secures one or more other loans that has the benefit of, insurance from any Prohibited Insurer;

(b) no Loan has a Current Balance of more than C$3,000,000 as at the relevant Cut-off Date;

(c) each Loan relates to a Property which is a residential Property that is located in Canada and consists of not more than four residential units;

(d) each Loan is payable in Canada only and is denominated in Canadian dollars;

(e) no payment of principal or interest under any Loan is in arrears;

(f) one or more blended payments of principal and interest in respect of each Loan have been made in accordance with the terms of the Loan and, at the time of transfer to the Guarantor, such Loan is amortizing with regular blended payments of principal and interest in accordance with its terms;

(g) each Loan was originated or otherwise complies with the applicable Originator's underwriting policy as in effect or otherwise applicable at the time the Loan was originated. For greater certainty, a loan is deemed to otherwise comply with an underwriting policy to the extent that an independent third-party prudent lender conducting a credit assessment of the Loan would be able to apply all aspects of the applicable underwriting policy, based on available documentation, and arrive at the same credit decision;

(h) the Related Security for each Loan constitutes a valid and enforceable first charge or mortgage in favour of the lender against the related property, subject only to customary permitted security interests;

(i) as at the Transfer Date, the Guarantor will acquire each Loan and the Related Security from the Seller free and clear of any security interests, subject only to (i) customary permitted security interests, and (ii) interests or encumbrances that are reflected in the Security Sharing Agreement and the subject of a release in favour of the Guarantor, substantially in the form attached to the Security Sharing Agreement;

(j) each Loan and the Related Security is capable of being registered (including, where applicable, by way of caveat or other notice) or recorded and has been duly registered or recorded in the appropriate land titles office, land registry office or similar office of public registration in which the Property subject thereto is located reflecting the Custodian as the sole mortgagee or hypothecary creditor thereunder;

(k) as at the Transfer Date, immediately prior to the transfer by the Seller to the Guarantor of any Loan and the Related Security, each such Loan and the Related Security and each other loan secured by the same Mortgage, if any, are owned by the Seller (subject to registered legal title being in the name of Computershare Trust Company of Canada on behalf of the Seller);

(l) the Mortgage Conditions for each Loan and those of any other loan secured by the same Mortgage (each a "related loan"), including another Loan, include cross-default provisions such that a default under either the Loan or any other such related loan shall constitute a

default under all such Loans and other related loans, or if no such cross-default provisions exist but the Loan or related loan is repayable on demand, the owner of such Loan or related loan has covenanted in writing to demand repayment (in a manner and in circumstances customary for a prudent lender) of such Loan or related loan upon a default under such Loan or related loan, as the case may be;

(m) each Loan is accompanied by (i) an opinion on title of legal counsel (or of a notary public in British Columbia or in Quebec for the initial advance of a Loan in respect of a property located in British Columbia or in Quebec, as applicable) qualified to practice law in the province or territory in which the property subject thereto is located to the effect that, at the time of origination of such Loan, the Borrower had good title to, and such Mortgage constituted a valid and enforceable first charge or mortgage against, such property, subject only to adverse claims which do not in the aggregate materially impair the use, value or marketability of the property or the value of the security constituted by the Mortgage; (ii) there is a policy of title insurance to the same effect or (iii) pursuant to the applicable Originator's instructions to, and related undertaking of, legal counsel qualified to practice law in the province or territory in which the property subject thereto is located, such legal counsel agreed not to advance funds unless at the time of origination of such Loan, such legal counsel had ensured that the Borrower had good title to, and such Mortgage constituted a valid and enforceable first charge or mortgage against, such property, subject only to adverse claims which do not in the aggregate materially impair the use, value or marketability of the property or the value of the security constituted by the Mortgage, and a title search was completed following the funding of such Loan which confirmed that such Mortgage constituted a first charge or mortgage against such property, all in accordance with the applicable Originator's policy (which procedures under the applicable Originator's policy were developed and approved by internal counsel to such Originator);

(n) as at the Transfer Date, no Loan is subject to any dispute proceeding, set-off, counterclaim or defence;

(o) neither the Mortgage Conditions for any Loan nor the provisions of any other documentation applicable to any such Loan and enforceable by the Borrower expressly afford the Borrower a right of set-off;

(p) to the extent any Loan or Additional Loan Advance under a Loan is extended, advanced or renewed on or after 1 July 2014, the Mortgage Conditions for the Loan or the provisions of any other documentation applicable to the Loan and enforceable against the Borrower, together with those of any other loan secured by the same Mortgage, contain an express waiver of set-off rights on the part of the Borrower;

(q) each Loan satisfies the requirements of Section 21.6 of the Covered Bond Legislative Framework, as in effect on such Transfer Date;

(r) each Loan satisfies the eligibility criteria as may be prescribed by the CMHC Guide, as in effect on such Transfer Date; and

(s) a loan shall not qualify as an Eligible Loan if it is revolving or otherwise entitles the borrower to make further drawings or obtain further advances on that loan, including any standalone HELOC or HELOC secured by a Collateral Mortgage that also secures an Eligible Loan. For greater clarity, an amortizing loan that is secured by a Collateral Mortgage that also secures other loans may qualify as an Eligible Loan, provided that such amortizing loan otherwise meets all other eligibility requirements to be an Eligible Loan.

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*") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Guarantor.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Product Switch or Additional Loan Advance, then if Eligibility Criteria, including the Eligibility Criteria referred to in paragraphs (b) and (c) 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 the holding of registered title to the Mortgages for the benefit of the Guarantor

At the time of origination, the legal title to the Mortgages related to the Loans will be registered in the name of Computershare Trust Company of Canada on behalf of the applicable Originator and such registration will then be held by Computershare Trust Company of Canada on behalf of the Seller immediately prior to the transfer of the Loans to the Guarantor. The Mortgages related to Loans will then be sold, transferred and assigned by the Seller to the Guarantor pursuant to the terms of the Mortgage Sale Agreement, and registered title to the related Mortgages will remain registered in the name of Computershare Trust Company of Canada, but, pursuant to the Custodial Agreement, will then be held for the benefit of the Guarantor. 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 will be deferred and will only take place in the circumstances described below.

The Custodian pursuant to the Custodial Agreement will agree to (a) hold registered title to the Loans and their Related Security as agent and nominee for the Guarantor (and also, in the case of any Multiproduct Mortgage Loan, for the related Multiproduct Purchaser having an interest therein as described below under "*Multiproduct Accounts*") and (b) deliver such agreements and take all actions with respect to the Loans and Related Security as the Guarantor (or its Managing GP) may direct in accordance with the Mortgage Sale Agreement and the Custodial Agreement (or an applicable nominee agreement).

Upon the earlier to occur of (a) a Registered Title Event (as defined below), and (b) the date on which the Bank incurs a downgrade in the ratings of its unsecured, unsubordinated and unguaranteed debt obligations below BBB(low) by DBRS, Baa3 by Moody's, the Bank will be required to deliver to the Custodian (i) for safekeeping, updated details (as prescribed by the CMHC Guide) in respect of all Portfolio Assets and Substitute Assets held by the Guarantor, and (ii) documentary evidence of chain of title to the Portfolio Assets and Substitute Assets held by the Guarantor and any other documents to support the perfection of the sale, assignment and transfer of the Portfolio Assets from the Seller to the Guarantor.

Subject to the following paragraph, 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 Account Bank for the account of the Guarantor will be sent by the Seller or, as necessary, by the Guarantor (or the Servicer on behalf of the Guarantor) on behalf of the Seller (under applicable powers of attorney granted to the Guarantor in the Mortgage Sale Agreement), as soon as practicable and in any event on or before the 60th day following the earliest to occur of:

(a) a Servicer Event of Default that has not been remedied within 30 days or such shorter period permitted by the Servicing Agreement;

(b) an Issuer Event of Default (other than an Insolvency Event with respect to the Issuer) that has not been remedied within 30 days or such shorter period permitted by Condition 7.01;

(c) an Insolvency Event (without regard to the parenthetical language in clause (a) of such definition) with respect to the Seller;

(d) the acceptance by an applicable Purchaser of any offer by the Guarantor to sell Loans and their Related Security (only in respect of the Loans being sold and their Related Security) to any such Purchaser who is not the Seller or the applicable Originator, unless otherwise

agreed by such Purchaser and the Guarantor, with the consent of the Bond Trustee, which consent will not be unreasonably withheld;

(e) the Seller, any Originator, and/or the Guarantor being required: (i) by law; (ii) by an order of a court of competent jurisdiction; or (iii) by a regulatory authority which has jurisdiction over the Seller, such Originator or the Guarantor, to effect such notice and registration; and

(f) the date on which the Seller incurs a downgrade in the ratings of its unsecured, unsubordinated and unguaranteed debt obligations below BBB(low) by DBRS or the ratings of its unsecured, unsubordinated and unguaranteed debt obligations below P-3 and Baa3 by Moody's.

(g) default is made by the applicable Originator to comply with its obligations under the HTC Mortgage Sale Agreement or the HB Mortgage Sale Agreement, as applicable, that has not been remedied within 30 days or such shorter period prescribed by the HTC Mortgage Sale Agreement or by the HB Mortgage Sale Agreement, as applicable; and

(h) an actual or impending Insolvency Event (without regard to the parenthetical language in clause (a) of such definition) in relation to an Originator.

Notwithstanding the occurrence of any event or circumstance described in the paragraph immediately above (each such event or circumstance, a "**Registered Title Event**"), none of the steps described in the preceding paragraph are required to be taken if (x) satisfactory assurances are provided by OSFI or such other supervisory authority having jurisdiction over the Seller and the Originators, and (y) if applicable, confirmation of the satisfaction of the Rating Agency Condition has been obtained permitting for the Seller and the Subservicer to continue in its roles related to the Loans without notice to the Borrowers until such time as (i) the Loans and their Related Security are to be sold or otherwise disposed of by the Guarantor or the Bond Trustee in the performance of their respective obligations under the Transaction Documents, or (ii) the Guarantor or the Bond Trustee is required to take actions to enforce or otherwise deal with the Loans and their Related Security.

Subject, with respect to the Guarantor Purchased Loans secured by Shared Security, to the provisions of the Security Sharing Agreement, after the transfer of the Loans from the Seller to the Guarantor, the Custodian will hold registered title to the related Mortgages for the benefit of the Guarantor and the Loans, the Related Security and the Loan Files relating to the Loans in the Covered Bond Portfolio will be held by, or on behalf of or to the order of the Guarantor or as the Guarantor may direct or the Servicer of the Subservicer on its behalf in connection with the servicing of the Portfolio Assets. The Seller, the Originators, or the Servicer, as the case may be, will undertake that from the date of sale of the Loans from the Seller to the Guarantor to hold 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 its order, to the order of the Guarantor or as the Guarantor may direct.

Seller and Guarantor Representations and Warranties

Under the Mortgage Sale Agreement, the Seller makes the following representations and warranties (in addition to the Loan Representations and Warranties described below) in favour of the Guarantor on the Programme Date and on each Transfer Date: (i) it is a bank listed in Schedule I to the Bank Act and duly qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, (ii) it is not a non-resident of Canada for purposes of the *Income Tax Act* (Canada), (iii) the execution, delivery and performance by it of the Mortgage Sale Agreement and related documents to which it is a party (x) are within its corporate powers, (y) have been duly authorized by all necessary corporate action, and (z) do not contravene or result in a material default under or material conflict with (A) its charter or by-laws, (B) any law, rule or regulation applicable to it, or (C) any order, writ, judgment, award, injunction, decree or contractual obligation binding on or affecting it or its property, (iv) no authorization, approval, licenses, consent or other action by, and no notice to or filing with, any governmental authority or other person is required for the due execution, delivery and performance by it of the Mortgage Sale Agreement and each

related document to which it is a party or to make such document legal, valid, binding and admissible into evidence in a court of competent jurisdiction, other than those that have been obtained or made, (v) each of the Mortgage Sale Agreement and the related documents to which it is a party has been duly executed and delivered and constitutes the legal, valid and binding obligation of, and is enforceable in accordance with its terms against, the Seller, 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, and (vi) there are no actions, suits or proceedings pending or, to its knowledge, threatened against or affecting it at law, in equity or before any arbitrator or governmental authority having jurisdiction which, if adversely determined, would have a material adverse effect on its ability to perform its obligations under the Transaction Documents.

Under the Mortgage Sale Agreement, the Guarantor makes the following representations and warranties in favour of the Seller on the Programme Date and on each Transfer Date: (i) it is a limited partnership formed under the laws of the Province of Ontario and is duly qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, (ii) the execution, delivery and performance by it of the Mortgage Sale Agreement and related documents to which it is a party (x) are within its corporate or other powers, (y) have been duly authorized by all necessary corporate or other action, and (z) do not contravene or result in a default under or conflict with (A) the Guarantor Agreement, (B) any law, rule or regulation applicable to it, or (C) any order, writ, judgment, award, injunction, decree or contractual obligation binding on or affecting it or its property, (iii) there are no actions, suits or proceedings pending or, to its knowledge, threatened against or affecting it at law, in equity or before any arbitrator or governmental authority having jurisdiction which, if adversely determined, would reasonably be expected to materially adversely affect its financial condition or operations or its property or its ability to perform its obligations under the Mortgage Sale Agreement, or which purports to affect the legality, validity or enforceability of the Mortgage Sale Agreement, (iv) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or other person is required for the due execution, delivery and performance by it of the Mortgage Sale Agreement and each related document to which it is a party, other than those that have been obtained or made, and (v) each of the Mortgage Sale Agreement and the related documents to which it is a party has been duly executed and delivered and constitutes the legal, valid and binding obligation of, and is enforceable in accordance with its terms against, the Guarantor, 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.

Furthermore, under the Mortgage Sale Agreement, in the event that the registered title holder of the Mortgages relating to the Loans that are part of the Purchased Portfolio Assets is not the Custodian and not rectified in accordance with the terms of the Mortgage Sale Agreement, the Seller shall provide to the Managing GP and the Liquidation GP, each in their capacities as general partners of the Purchaser, and the Bond Trustee registrable powers of attorney of the Seller or the applicable Originator as required by and in accordance with the CMHC Guide and shall comply with the Custodial Agreement regarding the delivery of the related opinion of counsel for the Seller and the Originators, as applicable, to the Custodian and CMHC.

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 the Rating Agency Condition has been satisfied) 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, Additional Loan Advance or Product Switch has been made, on the Calculation Date following the making of such Further Advance, Additional Loan Advance or Product Switch:

- each Loan being sold on a Transfer Date satisfies the Eligibility Criteria as at such Transfer Date;

- (i) The Seller is (and has been since the sale thereto by the applicable Originator) the legal and beneficial owner of the Loans to be sold to the Guarantor, excluding registered or recorded title to the Loan which is in the name of Computershare Trust Company of Canada (and each such Originator has been the legal and beneficial owner of such Loans originated by it (excluding registered or recorded title to the Loan which has been held by Computershare since it was originated) from the origination thereof up to the moment at which such Loans were sold by such Originator to the Seller) on each Purchase Date with the registered and legal title to the Loans being held on the Seller's behalf by Computershare Trust Company of Canada as custodian, free and clear of any encumbrances other than certain permitted encumbrances; upon each purchase, the Guarantor shall acquire a valid and enforceable first priority perfected legal and beneficial ownership interest in the applicable Loans (which, for greater certainty, shall be Purchased Loans and shall include Related Security related thereto, with registered or recorded title to the Purchased Loans to be held on the Guarantor's behalf by Computershare Trust Company of Canada, as custodian) and Collections and other proceeds with respect thereto, free and clear of any encumbrances other than certain permitted encumbrances; and (ii) the registered and legal title to the Loans and Related Security being sold has been held on the Seller's behalf and registered in the name of Computershare Trust Company of Canada as custodian (and prior to the Seller registered and legal title to the Loans was held on the Originator's behalf by Computershare Trust Company of Canada as custodian), in each case pursuant to the terms of a written custodial agreement between Computershare Trust Company of Canada, the Seller and the Originators, pursuant to which Computershare Trust Company of Canada has agreed without any further conditions or payments as a precondition on direction by the Seller and the Originators to hold registered title under a different custodial agreement for which it is the designated holder of registered title to the Loans for such person as such Person whom Computershare Trust Company of Canada has recorded as the owner may direct and upon such purchase the Seller shall direct Computershare Trust Company of Canada to record that such Purchased Loans have been transferred to the Guarantor and shall be held by the Custodian for the Guarantor and cease to be subject to such custodial agreement and registered legal title to the Loans and Related Security being sold shall be held by the Custodian for the Guarantor solely pursuant to the Custodian Agreement.

- each Loan was originated by 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;

- 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 Originator's 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 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 in Canada consisting of not more than four units;

- 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 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 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, in each case, in accordance with the terms of the Transaction Documents;

- 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 applicable Originator's market) prior to the granting of each Loan, 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 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 applicable Originator's market or obtained such other form of valuation of the relevant Property which has satisfied the Rating Agency Condition;

- prior to the taking of Related Security (other than a re-mortgage) in respect of each Loan, 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 applicable Originator as would be acceptable to reasonable and prudent institutional mortgage lenders in 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 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 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;

- 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;

- if the Loan is a Multiproduct Mortgage Loan and if there has been a disposition of the related Line of Credit Loan or a related Multiproduct Mortgage Loan to a Multiproduct Purchaser, the related

Multiproduct Purchaser has agreed to become bound by the Security Sharing Agreement and has provided a release in favour of the Guarantor, substantially in the form attached to the Security Sharing Agreement;

- each Loan being sold on a Transfer Date satisfies the Eligibility Criteria as in effect on such Transfer Date;

- the Loan satisfies the requirements of Section 21.6 of the Covered Bond Legislative Framework as in effect on the related Transfer Date; and

- the Loan satisfies any other eligibility criteria as may be prescribed by the CMHC Guide as in effect on the related Transfer Date.

If New Portfolio Asset 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 Portfolio Asset Types. 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 Loan purchased on such Transfer Date during the period from the Cut-off Date to the Transfer Date.

Multiproduct Accounts

The Covered Bond Portfolio may include Multiproduct Mortgage Loans. A Borrower may obtain one or more Multiproduct Mortgage Loans, all of which are secured by the same Multiproduct Mortgage on the related Property. The Bank will provide 10 Canadian Business Days' notice to CMHC and the Rating Agencies prior to any Multiproduct Mortgage Loans being sold to the Guarantor to be included in the Covered Bond Portfolio and such inclusion shall be subject to satisfaction of the Rating Agency Condition.

Pursuant to the CMHC Guide, lines of credit loans are not eligible for sale to the Guarantor as a Loan pursuant to the Mortgage Sale Agreement.

A Borrower may obtain one or more Multiproduct Mortgage Loans and Line of Credit Loans, including the ability to convert any outstanding Line of Credit Loan or any portion thereof into a Multiproduct Mortgage Loan, with the remaining credit balance being available in the form of a Line of Credit Loan (subject to credit adjudication), all of which are secured by the same Multiproduct Mortgage on the related Property.

Prior to a default by a Borrower under any Multiproduct Account, the Transaction Documents will require the Seller (or the applicable Originator) and the Servicer to apply payments to a Multiproduct Account in accordance with the related Multiproduct Mortgage. Following a default by a Borrower under any Multiproduct Account, the Security Sharing Agreement provides for the priority of payment of all monies received from such Borrower and all amounts realized from the enforcement of security held for such Borrower's Multiproduct Account (as described under "*Security Sharing Agreement—Priority of Payment in respect of Enforcement Proceeds*", below).

The Seller and each Originator may from time to time sell interests in Multiproduct Mortgage Loans and Line of Credit Loans to a third-party purchaser, together with the benefit of its corresponding interest in the related Multiproduct Mortgage. The Seller as Servicer (or through the Subservicer) or the applicable Originator, as the case may be, will act as the servicer of each related Multiproduct Mortgage Loan and Line of Credit Loan (as described under "Security Sharing Agreement—Single Servicer for Purchased Loans and Related Loans secured by the same Mortgage", below). Each third party purchaser must agree to be bound by the obligations of the Seller or the applicable Originator under the Security Sharing Agreement with respect to such Multiproduct Mortgage Loans and Line of Credit Loans and deliver a release of security to the Custodian in respect of the Mortgage for such Loans.

Concurrently with the sale of the First Multiproduct Mortgage Loan relating to a particular Borrower to the Guarantor, the Seller will transfer and convey all of its right, title and interest in the Related Security

(including its interest in the related Multiproduct Mortgage (or, in the case of a Multiproduct Mortgage Loan located in the Province of Québec, an interest in the related Multiproduct Mortgage to the extent of the First Multiproduct Mortgage Loan that is sold to the Guarantor)) to the Guarantor. The Guarantor will hold the Related Security in respect of each Multiproduct Mortgage Loan sold to the Guarantor as follows: (i) an interest in such Related Security for its own sole and absolute account and benefit, to the extent of all outstanding indebtedness owing under all Multiproduct Mortgage Loans owned by it in respect of the same Borrower from time to time, which interest will have full priority over all other rights, claims and interests; and (ii) subject to the Guarantor's priority described in item (i) above, an interest in such Related Security, as agent, nominee and bare trustee for the Seller (or the applicable Originator) and any Multiproduct Purchaser from time to time, as their interests may appear, to the extent of all outstanding indebtedness owing under any Multiproduct Mortgage Loans and Line of Credit Loans owned by the Seller (or the applicable Originator) or Multiproduct Purchaser from time to time. As well, for Multiproduct Mortgage Loans in the Province of Québec, the Seller and each of the Multiproduct Purchasers will be entitled to an interest in the Multiproduct Mortgage to the extent of any outstanding indebtedness owing under any related Multiproduct Accounts.

In respect of a Multiproduct Account, the Transaction Documents will provide that the Servicer will (i) have the sole right to take all enforcement actions and make all servicing decisions with respect to the Related Security (including under the related Multiproduct Mortgage) and (ii) allocate any monies received by it and otherwise realized from the enforcement of the security for the related Multiproduct Account with the same Borrower in accordance with the priority arrangement described above, including the allocation of such monies to all indebtedness owing under each related Multiproduct Mortgage Loan owned by the Guarantor in priority to all related Line of Credit Loans and Multiproduct Mortgage Loans owned by the Seller or the applicable Originator, as the case may be (as described under "*Security Sharing Agreement—Priority of Payment in respect of Enforcement Proceeds*", below).

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 Loan Representations and Warranties set out in the Mortgage Sale Agreement and such breach materially and adversely affects the interest of the Guarantor in such Portfolio Asset or the value of such Portfolio Asset (provided that if such Portfolio Asset does not comply with the Eligibility Criteria at the relevant Transfer Date, the interest of the Guarantor in such Portfolio Asset or the value of such Portfolio Asset shall be deemed to have been materially and adversely affected); (ii) is subject to an adverse claim other than certain permitted security interests or security interests arising through the Guarantor and such adverse claim materially and adversely affects the interest of the Guarantor in such Portfolio Asset or the value of such Portfolio Asset; or (iii) any power of attorney granted to the Guarantor by the Seller or an Originator in respect of such Portfolio Asset is determined to be invalid, then the Seller will, subject to the applicable breach, adverse claim or invalid power of attorney being cured during a 30 calendar 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 30 calendar day period: (i) any such Portfolio Asset; and (ii) any other Loan secured or intended to be secured by that Related Security or any part of it, which would include one or more Multiproduct Mortgage Loans made to the same Borrower which are owned by the Guarantor. The Guarantor's and the Bond Trustee's sole remedy in respect of any matter referred to in the previous sentence, including for greater certainty, any Loan not being an Eligible Loan on the related Transfer Date, shall be the requirement of the Seller to repurchase such Loan and its Related Security as set out in this paragraph. 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 not be given credit in the Asset Coverage Test or the Amortization Test.

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 from the Guarantor for a purchase price of not less than the fair market value of the relevant Loan. Any such offer to purchase a Multiproduct Mortgage Loan must include any other Multiproduct Mortgage Loans made to the same Borrower which are owned by the Guarantor. 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 (a) the fair market value of such Portfolio Assets and (b) (i) if the sale is following a breach of the Pre-Maturity Test, if applicable, or the service of a Notice to Pay, the Adjusted Required Redemption Amount of the relevant Series of Covered Bonds, otherwise (ii) the True Balance of such Portfolio Assets, subject to the offer being accepted by the Seller within 10 Canadian Business Days.

At any time that 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 and/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 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 Canadian 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 any other Loan secured or intended to be secured by Related Security securing such Portfolio Asset) 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 Canadian 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 (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 in respect of the relevant Series of Covered Bonds, determined on a *pro rata* basis amongst all Series of Covered Bonds according to the respective Principal Amount Outstanding thereof, minus amounts standing to the credit of the Pre-Maturity Liquidity Ledger, if applicable, 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.

"**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)]

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 sale to the Guarantor of each Further Advance shall occur upon the advance of further money to the relevant Borrower. To the extent that a Further Advance is sold 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 to the Guarantor will accede to, *inter alia*, the Mortgage Sale Agreement. The sale of New Loans and their Related Security by New Sellers to the Guarantor will be subject to certain conditions, including the following:

- each New Seller accedes to the terms of the Guarantor Agreement as a Limited Partner (with such subsequent amendments as may be agreed by the parties thereto) 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 to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security previously sold into the Covered Bond Portfolio under the Mortgage Sale 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 to be sold by the relevant New Seller, substantially the same rights and obligations as the Seller had in relation to those Loans and their Related Security previously sold into the 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 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) or (ii) the New Seller 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);

- 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 satisfied the Rating Agency Condition.

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.

HTC Mortgage Sale Agreement

From time to time, Loans originated by HTC, as an Originator, may be sold by HTC to the Seller pursuant to the HTC Mortgage Sale Agreement. The terms and conditions of the HTC Mortgage Sale Agreement are substantially the same as the Mortgage Sale Agreement, including the representation and warranties, covenants and indemnities provided by the relevant party thereto and the eligibility criteria of each purchased Loan, except that the purchase price of each such Loan purchased from HTC is paid in same day funds by depositing the amount of the purchase price into the Originator's bank account.

The HTC Mortgage Sale Agreement also has similar provisions as the Mortgage Sale Agreement between the Seller and the Guarantor, including (i) events leading to the ability of the Guarantor and the Bond Trustee to attend to perfection of the loans sold by HTC to the Seller which are sold to the Guarantor and (ii) the granting of powers of attorney by the Originator to the Guarantor and Bond Trustee in support of the sale of the loans by the Originator to the Seller, which the Guarantor acquires.

No amendment or waiver of any provision of the HTC Mortgage Sale Agreement shall be effective unless in writing, signed by the parties thereto, and in the case of any material amendment or waiver unless Rating Agency Condition has been satisfied, and in any case such amendment or waiver shall be effective only in the specific instance and for the specific purpose for which given.

HB Mortgage Sale Agreement

From time to time, Loans originated by HB, as an Originator, may be sold by HB to the Seller pursuant to the HB Mortgage Sale Agreement. The terms and conditions of the HB Mortgage Sale Agreement are

substantially the same as the Mortgage Sale Agreement, including the representation and warranties, covenants and indemnities provided by the relevant party thereto and the eligibility criteria of each purchased Loan, except that the purchase price of each such Loan purchased from HB is paid in same day funds by depositing the amount of the purchase price into the Originator's bank account.

The HB Mortgage Sale Agreement also has similar provisions as the Mortgage Sale Agreement between the Seller and the Guarantor, including (i) events leading to the ability of the Guarantor and the Bond Trustee to attend to perfection of the loans sold by HB to the Seller which are sold to the Guarantor and (ii) the granting of powers of attorney by the Originator to the Guarantor and Bond Trustee in support of the sale of the loans by the Originator to the Seller, which the Guarantor acquires.

No amendment or waiver of any provision of the HB Mortgage Sale Agreement shall be effective unless in writing, signed by the parties thereto, and in the case of any material amendment or waiver unless Rating Agency Condition has been satisfied, and in any case such amendment or waiver shall be effective only in the specific instance and for the specific purpose for which given.

Security Sharing Agreement

The Seller, the Originators, the Guarantor, the Bond Trustee and the Custodian entered into a Security Sharing Agreement in connection with Loans and their Related Security that have been and will be sold by the Seller to the Guarantor where the Collateral Mortgage also secures or may from time to time secure loans, indebtedness or liabilities ("**Retained Loans**" and together with the Loans secured by the same Collateral Mortgage, "**Related Loans**") that do not form part of the Covered Bond Portfolio, and which are retained by the Seller or the related Originator.

The Security Sharing Agreement:

- confirms that the Seller or the related Originator, as applicable, retains an interest in the Mortgage securing the Related Loans;

- provides for the priority of payments in respect of collections received in respect of any Related Loans following a default under or breach of such Related Loans that is not remedied or waived in accordance with the terms of the agreements with the Borrower in respect of such Related Loans ("**Post-Default Collections**") including from the enforcement of the Mortgages securing Related Loans ("**Enforcement Proceeds**");

- requires Post-Default Collections to be promptly transferred, to the person entitled to such amounts;

- provides for each Loan sold to the Guarantor and Related Loans to be serviced by the same servicer or sub-servicer;

- provides the Seller with certain rights to purchase Related Loans from the Guarantor; and

- provides for the delivery by the Seller and the Originators of a release in respect of its interest in the Mortgage securing the Related Loans to the Custodian and the circumstances under which such release can be used or relied upon.

The Security Sharing Agreement will cease to apply in respect of any Related Loans upon all such Related Loans being held by a single person and provides that upon payment in full of the Loans forming part of the Related Loans, the Mortgage will be transferred to the beneficial owner (or owner) of the Retained Loans.

Priority of Payments in respect of Enforcement Proceeds

The parties to the Security Sharing Agreement have agreed that notwithstanding the terms of the Related Loans, which provide for the application of Enforcement Proceeds amongst such Related Loans, Post-Default Collections, including Enforcement Proceeds, will be applied as follows:

- first, in or towards payment of all taxes, reasonable costs and expenses incurred or to be incurred in relation to the enforcement of the Mortgage;

- second, in or towards payment of all amounts owing by the Borrower in respect of the Loans owned by the Guarantor and secured by such Mortgage until such amounts have been paid in full;

- third, in or towards payment of all amounts owing by the Borrower in respect of the Retained Loans secured by such Mortgage until such amounts have been paid in full; and

- lastly, in paying the surplus (if any) to the persons entitled thereto.

In connection with the above, to the extent a beneficial owner (or owner) of Related Loans receives Post-Default Collections while amounts are payable in priority to the amounts to which such person is entitled under the above priority of payments, such amounts are to be promptly transferred, to the person entitled to such amounts. Such payments will not be subject to the Priorities of Payments or any set-off or counterclaim.

Single Servicer for Purchased Loans and Related Loans secured by the same Mortgage

For so long as the Seller is the Servicer, it will service the Related Loans, or will sub-contract its servicing obligations to HTC, as subservicer, provided that, in all cases, each Loan owned by the Guarantor and each Related Loan secured by the same Mortgage, will be serviced by the same servicer or sub-servicer. In the event that the Servicer ceases to be the Seller, the Guarantor is required to enter into a servicing agreement with a replacement servicer (a "**Replacement Servicer**") to arrange for the servicing of the Related Loans in a manner that ensures continuity of servicing and the Seller and each Originator have granted a respective power of attorney in favour of the Guarantor for this purpose. The Replacement Servicer must satisfy certain requirements with respect to its capacity to carry out the servicing obligations and will be required to make representations consistent with the requirements represented and warranted to by the current Servicer (see "*Servicing Agreement – Representations and Warranties of the Servicer*"). A servicing agreement will be required to be entered into for the servicing with the Replacement Servicer and must, among other things:

- be commercially reasonable having regard to the interest of each of the Guarantor, the Seller and the related Originators in the Related Loans and Mortgages being serviced, including with respect to the allocation of costs;

- provide for the servicing of the Retained Loans in accordance with the Seller's or related Originator's policy and otherwise in accordance with the standards of a reasonable and prudent institutional mortgage lender and in compliance with applicable laws;

- restrict the ability of the Replacement Servicer to authorize, approve, accept or make Product Switches or Additional Loan Advances in respect of Retained Loans without the consent of the Seller or related Originators;

- require the Replacement Servicer to hold funds received in respect of the Retained Loans in trust for the Seller and related Originators in a separate account and transfer such funds to the Seller or related Originators, as applicable, on a daily basis; and

- require the prior written consent of the Guarantor and the Seller and the Bank on the behalf of the related Originators, as applicable, to any amendment or waiver.

A Replacement Servicer will be entitled to take such enforcement procedures in respect of the Mortgages it is servicing as it would be reasonable to expect a reasonable and prudent institutional mortgage lender to take in administering its own loans and their security and each of the holders of the Related Loans will refrain from taking any enforcement procedures except at the direction of the Servicer.

A third-party purchaser or the Guarantor can terminate the Servicing Agreement in respect of Related Loans and their Related Security sold to the third-party purchaser provided that the purchaser services or appoints a servicer for the Related Loans that include the purchased Loans owned by the Guarantor and enters into a servicing agreement that meets the requirements applicable to a Replacement Servicer.

Purchase and Sale

Under the Security Sharing Agreement, in addition to the pre-emptive rights the Guarantor has under the Mortgage Sale Agreement (see "*Mortgage Sale Agreement*" above), if the Guarantor intends to sell any Related Loan, the Seller may, upon notice to the Guarantor, purchase such Related Loan and its Related Security. In addition, in the event the Seller desires to acquire any Loans and their Related Security forming part of the Related Loans, for any reason, including to institute enforcement procedures or upon becoming aware that enforcement procedures have been or are to be instituted in respect of any Mortgage securing Related Loans, the Seller may, upon notice to the Guarantor and the Custodian, purchase such Related Loans and their Related Security from the Guarantor provided that the Asset Coverage Test, and/or at such time as the Amortization Test is being conducted, the Amortization Test, as applicable, is met following such sale and such sale would not (or would not reasonably be expected to) adversely affect the interests of Covered Bondholders. In each case, the purchase price for such Related Loans and their Related Security will be a price determined in accordance with the Guarantor Agreement (see "*Guarantor Agreement – Method of Sale of Portfolio Assets*") and will be payable in a form of consideration permitted under the CMHC Guide, which includes the substitution of assets. The Seller's right to purchase Related Loans will cease upon a sale of such Related Loans and their Related Security by the Guarantor to a third party.

Release of Security

In connection with entering into the Security Sharing Agreement, the Seller and the Originators delivered a release of security to the Custodian in respect of its interest in the Mortgage securing the Related Loans and agreed to deliver a release of security upon each sale or contribution of Related Loans to the Guarantor. The Custodian will hold any such releases of security, including any delivered by a purchaser of Retained Loans, and will only deliver a release of security in order for it to be used or relied upon in respect of any affected Related Loans if the following conditions are met:

- (i) the servicer of the affected Related Loans has provided notice to the parties to (A) the Security Sharing Agreement under the Servicing Agreement or (B) any corresponding agreement with a Replacement Servicer, or (ii) the Custodian has otherwise received evidence satisfactory to it (acting reasonably), in each case, that any of the following has occurred:

    (a) the Servicer, the related Originator or any beneficial owner (or owner) of any Retained Loan breached or caused a breach of or provided written advice to the Servicer to breach (i) the priority of payments for the application of Post-Default Collections; (ii) its obligation to hold the Post-Default Collections in trust and transfer them to the person entitled to such amounts; or (iii) the requirement that each Loan owned by the Guarantor and any Related Loan secured by the same Mortgage be serviced by the same servicer or sub-servicer, where any such breach or advice, as applicable, is not remedied or withdrawn, as the case may be, within 60 days (or after an Issuer Event of Default, 10 Business Days) of receiving notice thereof;

(b) any Retained Loan has been sold, transferred or assigned to a third party that has not (i) agreed to be bound by the obligations of the Seller and the Originators under the Security Sharing Agreement with respect to such Retained Loans and (ii) delivered a release of security to the Custodian in respect of the Mortgage for such Retained Loans (unless such sale, transfer or assignment results in a single person beneficially owning (or owning) all of the Related Loans); or

(c) the Seller, an Originator or a third-party purchaser of any Retained Loan commences a challenge to the validity, legality or enforceability of (i) the priority of payments for the application of Post-Default Collections; (ii) the obligation to hold Post-Default Collections in trust and transfer them to the person entitled to such amounts; or (iii) the requirement to maintain a single servicer for Related Loans; and

- the beneficial owner (or owner) of the Related Loans that formed part of the Covered Bond Portfolio delivers a request to the Custodian to deliver to it the release of security in respect of the affected Related Loans; and

- following receipt of the request to deliver the release of security in respect of the affected Related Loans, the Custodian receives an opinion of independent legal counsel (as such term is used in the CMHC Guide), acceptable to the Custodian, confirming notice from the servicer was properly delivered or that the Custodian otherwise received evidence satisfactory to it (acting reasonably) that one of the circumstances in (a) to (c) above occurred (which opinion may make assumptions and rely on statements of fact from the servicer and appropriate officers or directors of a person reasonably expected to have knowledge of such matters) and the notice from the servicer (or other evidence) and request to deliver the release of security was properly given to the Custodian.

Upon the above conditions being satisfied, the Custodian will deliver the release of security in respect of the affected Related Loans to the Guarantor or third-party purchaser, as the case may be, of the Related Loans that formed part of the Covered Bond Portfolio.

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 is required to administer the Loans and their Related Security comprised in the Covered Bond Portfolio in accordance with applicable law, 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 is 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, the Seller and the Secured Creditors.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement, the Servicer has undertaken 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 and their Related Security;

- 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 or other Related Security using the discretion of reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market in applying the enforcement procedures forming part of the Seller's or the applicable Originator's policy;

- enforce any Loan which is in default in accordance with the Seller's or the 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 applicable Originator's market on behalf of the Guarantor;

- comply and, as applicable, cause any person to which it sub-contracts or delegates (including any Subservicer) the performance of all or any of its powers and obligations to comply with, the provisions of the Security Sharing Agreement applicable to a servicer and not take any action in contravention of the Security Sharing Agreement, except pursuant to a written notice or direction in which case it will provide notice to the parties to the Security Sharing Agreement; and

- to provide notice to each party to the Security Sharing Agreement in the event that it receives advice or is provided or comes into possession or written evidence, as applicable, of any of the circumstances which could give rise to an obligation on the part of the Custodian to deliver a release of security in respect of any affected Related Loans following receipt of such notice, a request by a beneficial owner (or owner) of such affected Related Loans and delivery of an independent legal counsel opinion (see "*Security Sharing Agreement*", above).

At any time that the ratings of the Servicer by one or more Rating Agencies are below the Servicer Deposit Threshold Ratings and a Covered Bond Guarantee Activation Event has not occurred, the Servicer shall hold any funds it receives on behalf of the Guarantor for the benefit of the Guarantor and shall transfer such funds within two Business Days of the collection or receipt thereof (i) to the Cash Manager at any time that the ratings of the Cash Manager by a Rating Agency are at or above the Cash Management Deposit Ratings, and (ii) at any time that the ratings of the Cash Manager by a Rating Agency are below the Cash Management Deposit Ratings, directly into the GIC Account; provided that, for greater certainty, that in respect of any Third Party Amounts that are due to the Seller or an Originator as applicable, such amounts

may be retained by the Servicer (including the Subservicer) on behalf of the Seller or one or more of the Originators, as applicable and not transferred to the Cash Manager or to the GIC Account.

At any time that the ratings of the Servicer by the Rating Agencies are at or above the Servicer Deposit Threshold Ratings and a Covered Bond Guarantee Activation Event has not occurred, the Servicer shall hold any funds it receives on behalf of the Guarantor for the benefit of the Guarantor and shall transfer such funds on or before the next Guarantor Payment Date (i) to the Cash Manager at any time that the ratings of the Cash Manager by a Rating Agency are at or above the Cash Management Deposit Ratings, and (ii) at any time that the ratings of the Cash Manager by a Rating Agency are below the Cash Management Deposit Ratings, directly into the GIC Account.

The ratings of the Servicer as of the date of this Base Prospectus are equal to or above the Servicer Deposit Threshold Ratings.

Following the occurrence of a Covered Bond Guarantee Activation Event, the Servicer will transfer funds it receives on behalf of the Guarantor into the GIC Account within two Business Days of the collection or receipt thereof.

On the Servicer being assigned applicable ratings by one or more Rating Agencies below the Servicer Replacement Threshold Ratings (as defined below), the Servicer undertakes to, upon the request of the Guarantor or the Bond Trustee, use commercially reasonable efforts to enter into a new or a master servicing agreement with the Bond Trustee and a third party substantially in the form of the Servicing Agreement (or otherwise subject to satisfaction of the Rating Agency Condition), with such modifications as the Guarantor and the Bond Trustee may reasonably require (including with respect to the payment of servicing fees), 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, 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. The ratings of such replacement Servicer are required to be at or above the Servicer Replacement Threshold Ratings. "**Servicer Replacement Threshold Ratings**" means the threshold ratings BB(low) or R-2(middle) (in respect of DBRS; provided that, for greater certainty, only one of such ratings from DBRS is required to be at or above such ratings) and Ba3 (in respect of Moody's), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations (in the case of DBRS) or the issuer default rating (in the case of Moody's), in each case, of the Servicer**.**

Payments, Administration and Enforcement

The Servicer is authorized to act as the collection agent of the Guarantor under a system for the manual or automated debiting of bank accounts, pursuant to which system a Borrower's periodic Loan payments are debited directly from a specified account. In accordance with the Servicing Agreement, such debiting system must be operated in accordance with policies and procedures that would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market. A significant majority of the Loans serviced by the Servicer are subject to such debiting system.

The Servicer has 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. Among such powers of the Servicer is the right to accept any application for a Product Switch or Additional Loan Advance, provided that at all times the Servicer must act in accordance with policies and procedures that would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or the applicable Originator's market. Any Additional Loan Advance is the obligation of the Seller and will be funded in accordance with the terms of the Intercompany Loan Agreement and the other Transaction Documents. The Guarantor will not be obligated to make any Additional Loan Advance.

The Servicer is required to collect payments under the Loans and enforce the Loans and their Related Security in accordance with its policies and procedures as described in "*Loan Origination and Lending Criteria*".

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 relevant Originator has 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 or the applicable Originator for loans owned by the Seller or such Originator 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 Payments 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 Canadian 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 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 or the applicable Originator'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 changed, the Servicer or replacement Servicer, as the case may be, will take all steps which are necessary to change 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.

Representations and Warranties of the Servicer

Under the Servicing Agreement, the Servicer represents and warrants to the Guarantor and the Bond Trustee that (i) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under the Servicing Agreement and the other Transaction Documents to which it is a party and it will devote all due skill, care and diligence to the performance of its obligations and the exercise of its discretions thereunder, (ii) it is rated at or above the Servicer Replacement Threshold Ratings by each of the Rating Agencies, (iii) it is and will continue to be in good standing with OSFI, (iv) it is and will continue to be in material compliance with its internal policies and procedures relevant to the services to be provided by it pursuant to the Servicing Agreement and the other Transaction Documents to which it is party, and (v) it is and will continue to be in material compliance with all laws, regulations and rules applicable to it in relation to the services provided by it pursuant to the Servicing Agreement and the other Transaction Documents to which it is a party.

Removal or resignation of the Servicer

The Guarantor and the Bond Trustee may (unless otherwise specified below), upon written notice to the Servicer, terminate the Servicer's rights and obligations if any of the following events (each a "**Servicer Termination Event**" and, each of the first four events set out below, a "**Servicer Event of Default**") occurs:

- the Servicer's applicable ratings from one or more Rating Agencies are below the Servicer Replacement Threshold Ratings;

- the Servicer defaults in the payment of any amount due to the Guarantor under the Servicing Agreement and fails to remedy that default for a period of three Canadian 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 (or any delegate thereof) defaults in remitting any funds as required pursuant to the Servicing Agreement at any time that there has been a downgrade in the ratings of the Servicer by one or more Rating Agencies below the Servicer Deposit Threshold Ratings and such default continues unremedied for a period of one Canadian Business Day after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Bond Trustee or the Guarantor requiring the same to be remedied;

- the 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 from time to time and does not remedy such failure within the earlier of 20 Canadian 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;

- 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 the Rating Agency Condition has been satisfied;

- there is a breach by the Servicer of certain representations and warranties or a failure by the Servicer to perform certain covenants made by it under the Servicing Agreement; or

- an Issuer Event of Default occurs and is continuing, or has previously occurred and is continuing, at any time that the Guarantor is Independently Controlled and Governed.

In the case of the occurrence of the first Servicer Termination Event described above at any time that the Guarantor is not Independently Controlled and Governed, the Guarantor shall by notice in writing to the Servicer terminate its appointment as Servicer with effect from a date (not earlier than the date of the notice) specified in the notice.

Termination of the Servicer 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.

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 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. The resignation of the Servicer is conditional on satisfaction of the Rating Agency Condition 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. 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. As at the date of this Base Prospectus, the Servicer subcontracts or delegates the performance of all its duties under the Servicing Agreement, including the exercise of 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, to each Originator in respect of the Loans originated by it that form part of the Covered Bond Portfolio, provided that the Servicer is not released or discharged from any liability under the Servicing Agreement and remains liable for the performance or non-performance or breach by any sub-contractor or delegate of the duties so subcontracted or delegated under the Servicing Agreement.

The Bond Trustee will not be obliged to act as Servicer in any circumstances.

Subservicing Agreement

Under the terms of the Subservicing Agreement between HTC in respect of the Loans originated by each Originator that will form part of the Covered Bond Portfolio (the "**Relevant Loans**"), as subservicer of the Servicer, and the Bank as the Servicer, the Seller, and the Cash Manager, the Servicer has subcontracted to HTC the performance of all its duties under (A) the Servicing Agreement (other than (i) the performance of the Guarantor Obligation Shortfall Test (as such term is defined in the Servicing Agreement) or the Post Issuer Event of Default Yield Shortfall Test, and (ii) dealing with the collections except to remit collections received by the Subservicer to the Servicer or the Cash Manager as required pursuant to the Subservicing Agreement) and (B) the Custodial Agreement. In addition, HTC, in its capacity as subservicer will, with respect to Relevant Loans and their Related Security, advise the Servicer of all material collection and service issues and provide the Servicer with reports and other information in its possession as the Servicer may reasonably require. HTC's servicing policies are substantively the same as the servicing policies of the Bank.

So long as (i) the Subservicer is in compliance with its obligations under the Subservicing Agreement and no termination event has occurred with respect to the Subservicer, and (ii) the Servicer is in compliance with its obligations under the Servicing Agreement with respect to funds received by it on behalf of the Guarantor and no Servicer Termination Event has occurred, the Guarantor (or the Cash Manager on its behalf) may direct by written direction that all or any funds collected by the Subservicer on behalf of the Guarantor ("**Directed Collections**") be paid to the Issuer (or as the Issuer may direct by written direction) on the next Guarantor Payment Date as a repayment by the Guarantor of the Intercompany Loan pursuant to the applicable Priorities of Payment (which direction by the Issuer may instruct that such funds be paid to the applicable Originator in respect of amounts owed by the Issuer to such Originator pursuant to the Mortgage Sale Agreement) provided that only that proportion of funds received by the Subservicer on behalf of the Guarantor may be so directed for payment which, when aggregated with the Directed Collections of all subservicers (if any), are less than or equal to the sum the Guarantor would otherwise have available to distribute to the Issuer on the next Guarantor Payment Date upon the application of Available Revenue Receipts and Available Principal Receipts in accordance with the applicable Priorities of Payment.

Undertakings of the Subservicer.

Pursuant to the terms of the Subservicing Agreement, the Subservicer will undertake in relation to the Relevant Loans and their Related Security, among other things, to:

- administer the Relevant Loans and their Related Security as if the same were on the books of the Subservicer;

- provide the services in such manner and with the same level of skill, care and diligence as would a reasonable and prudent hypothecary lender and using that degree of skill and attention that it exercises in managing, servicing, administering, collecting and performing similar functions relating to comparable loans that it services for itself;

- comply with any proper directions, orders and instructions which the Servicer may from time to time give to it;

- comply with the Security Sharing Agreement;

- forthwith notify the Servicer in the case of the occurrence of an Insolvency Event in relation to the Subservicer;

- keep in force all licences, approvals, authorizations and consents which may be necessary in connection with the performance of the services and prepare and submit on a timely basis all necessary applications and requests for any further approval, authorization, consent or licence required in connection with the performance of the services;

- save as otherwise agreed with the Servicer, provide free of charge to the Servicer or its nominees, office space, facilities, equipment and staff sufficient to enable the Servicer or its nominees to fulfil its obligations under the Servicing Agreement;

- not knowingly fail to comply with any legal requirements in the performance of the services;

- make all payments required to be made by it pursuant to the Subservicing Agreement on the due date for payment thereof in Canadian dollars in immediately available funds for value on such day without compensation or set-off (including, without limitation, in respect of any fees owed to it) or counterclaim; and

- forthwith and in any event prior to the next Guarantor Payment Date after becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Relevant Loan sold to the Guarantor in the Covered Bond Portfolio pursuant to the Mortgage Sale Agreement, notify the Servicer in writing of such event.

Removal or Resignation of the Subservicer.

The Servicer may terminate the Subservicer's rights and obligations as subservicer under the Subservicing Agreement upon written notice to the Subservicer if any of the following events occurs:

- default is made by the subservicer in the payment on the due date of any amount due to the Guarantor or the Servicer and payable by it under the Subservicing Agreement and such default continues unremedied for a period of three (3) Canadian Business Days after the earlier of the subservicer becoming aware of such default and receipt by the subservicer of written notice from the Servicer requiring the same to be remedied;

- default is made by the subservicer in the performance or observance of any of its other covenants and obligations under the Subservicing Agreement or any other Transaction Document, which in the reasonable opinion of the Servicer could reasonably be expected to have a material adverse effect on the Relevant Loans and Related Security in the aggregate or be materially prejudicial to the interests

of the holders of the Covered Bonds and such default continues unremedied within the earlier of 10 Canadian Business Days after becoming aware of such default and receipt by the subservicer of written notice from the Servicer requiring the same to be remedied;

- default is made by the subservicer in the performance or observance of its covenants and obligations to remit collections to the Servicer or the Cash Manager at any time that the ratings of the Servicer, as applicable, from one or more Rating Agencies fall below the Servicer Deposit Threshold Ratings;

- an Insolvency Event occurs in relation to the subservicer or any credit support provider in respect of the subservicer or the merger of the subservicer without an assumption of the obligations under the Subservicing Agreement; or

- the Servicer resolves, after due consideration and acting reasonably, that the appointment of the subservicer should be terminated.

Provided that the Servicer consents in writing, the Subservicer may voluntarily resign by giving not less than 12 months' notice of termination to the Servicer.

In the event that the Servicer is terminated and a replacement Servicer has not yet been appointed, each of the Guarantor and the Bond Trustee is authorized to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the continued subservicing of the Loans and their Related Security pursuant to the Subservicing Agreement. The Servicer shall provide notice to CMHC of the termination or resignation of the Subservicer and of the Subservicer's replacement.

No amendment or waiver of any provision of the Subservicing Agreement shall be effective unless in writing and signed by the parties thereto.

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 once each year pursuant to an Asset Monitor Report and more frequently in certain circumstances as required by the terms of the Asset Monitor Agreement with a view to confirming that the Asset Coverage Test, the Amortization Test, the Valuation Calculation and/or the OC Valuation, as applicable, is met on each applicable Calculation Date.

If the arithmetic testing conducted by the Asset Monitor reveals any errors in the calculations performed by the Cash Manager, the Asset Monitor will be required to conduct such arithmetic tests and report on such arithmetic accuracy for (a) the last Calculation Period of each calendar quarter of the preceding year, (b) each Calculation Period of the current year until such arithmetic testing demonstrates no arithmetical inaccuracy for three consecutive Calculation Periods, and (c) thereafter, the last Calculation Period of each remaining calendar quarter of the current year.

In addition to the arithmetic testing described above, the Asset Monitor will also perform certain specified procedures in relation to the Covered Bond Portfolio and verify compliance by the Issuer, the Guarantor and the Programme with certain aspects of the Covered Bond Legislative Framework and the CMHC Guide.

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 performing its duties under the Asset Monitor Agreement is true and correct and not misleading and is not required to take any steps to independently verify the accuracy of any such information. Each report of the Asset Monitor delivered in accordance with the terms of the

Asset Monitor Agreement will be delivered to the Cash Manager, the Guarantor, the Issuer, the Bond Trustee and CMHC.

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 (unless the Asset Monitor defaults in the performance or observance of certain of its covenants or breaches certain of its representations and warranties made, respectively, under the Asset Monitor Agreement, in which case such consent will not be required), 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 (as the same may be amended, restated and/or supplemented from time to time, 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 confirmation of the satisfaction of the Rating Agency Condition.

Under the Guarantor Agreement, the Limited Partner represents and warrants to the other Partners that (i) it is a validly created chartered bank under the laws of Canada and is validly subsisting under such laws, (ii) it has taken all necessary action to authorize the execution, delivery and performance of the Guarantor Agreement, (iii) it has the capacity and corporate authority to enter into and perform its obligations under the Guarantor Agreement and such obligations do not conflict with nor do they result in a breach of any of its constating documents or by-laws or any agreement by which it is bound, (iv) no authorization, consent or approval of, or filing with or notice to, any person is required in connection with the execution, delivery or performance of the Guarantor Agreement by the Limited Partner, other than whose which have been

obtained, and (v) it is not a non-resident of Canada for purposes of the *Income Tax Act* (Canada) and will retain such status during the term of the partnership governed by the Guarantor Agreement.

No person shall be admitted to, or be permitted to remain in, the partnership as a Partner if such person is a non-resident of Canada for purposes of the *Income Tax Act* (Canada) or (if a partnership) is not a "Canadian partnership" within the meaning of the *Income Tax Act* (Canada).

Capital Contribution

Each of the Managing GP and the Liquidation GP contributed an initial nominal cash amount to the Guarantor and respectively held at that time 99 percent and 1 percent of the initial general partner interest in the Guarantor. The Limited Partner holds the substantial economic interest in the Guarantor having made an initial Cash Capital Contribution to the Guarantor. The Limited Partner has made and may make from time to time 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 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 and/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.

OC Valuation

The CMHC Guide requires that the Guarantor confirm that the cover pool's Level of Overcollateralization (as defined below) exceeds 105% (the "**Guide OC Minimum**"). Accordingly, for so long as Covered Bonds remain outstanding, the Guarantor (or the Cash Manager on behalf of the Guarantor) will calculate the Level of Overcollateralization (defined below) at the same time that the Asset Coverage Test is performed, and the Guarantor will compare such Level of Overcollateralization with the Guide OC Minimum (such test, the "**OC Valuation**").

For purposes of the OC Valuation, the "**Level of Overcollateralization**" means the amount, expressed as a percentage, calculated as at each Calculation Date as follows:

$$A \div B$$

where,

A = the lesser of (i) the total amount of the Cover Pool Collateral; and (ii) the amount of Cover Pool Collateral required to collateralize the Covered Bonds outstanding and ensure that the Asset Coverage Test is met,

B = the Canadian Dollar Equivalent of the Outstanding Principal Amount of the Covered Bonds as calculated on the relevant Calculation Date.

The term "**Cover Pool Collateral**" shall, for the purposes of the foregoing calculation, include, as calculated on the relevant Calculation Date,

(a) the Loans owned by the Guarantor that meet the Eligibility Criteria and are less than three months in arrears and such Loans will be valued using their Outstanding Principal Balance;

(b) Substitute Assets owned by the Guarantor and such assets will be valued using their outstanding principal amount;

provided that, the "Cover Pool Collateral" shall not include Contingent Collateral Amounts**,** Swap Collateral Excluded Amounts or Voluntary Overcollateralization, or any amounts on deposit in the Yield Supplement Fund.

The Issuer must provide immediate notice to CMHC if the Level of Overcollateralization falls below the Guide OC Minimum. The OC Valuation will be calculated by the Cash Manager as at each Calculation Date and monitored from time to time by the Asset Monitor. Such calculation will be completed within the time period specified in the Cash Management Agreement. The Level of Overcollateralization, with a comparison to the Guide OC Minimum, must be disclosed for the month the calculation is performed in each Investor Report and each public offering document prepared, filed or otherwise made available to investors during the currency of the calculation.

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, the Bond Trustee and CMHC 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 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 Canadian Dollar Equivalent of 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, CMHC 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 as at 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 (as described further under "*Guarantor Agreement—Sale of Randomly Selected Loans 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-Y-Z

where,

A = the lower of (i) and (ii) where:

(i) = the sum of the **"LTV Adjusted Loan Balance"** of each Loan in the Covered Bond Portfolio, which shall be the lower of (1) the Outstanding Principal Balance of the relevant Loan in the Covered Bond Portfolio on such Calculation Date, and (2) 80% multiplied by the Latest Valuation relating to that Loan, in each case multiplied by M.

"M" means:

(a) 100% for all Loans that are not Non-Performing Loans; or

(b) 0% for all Loans that are Non-Performing Loans;

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Loan 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 Loan 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 Loan 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 Loan 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 sum of the "**Asset Percentage Adjusted Loan Balance**" of the Loans in the Covered Bond Portfolio which in relation to each Loan shall be the lower of (1) the Outstanding Principal Balance of the relevant Loan as calculated on such Calculation Date, and (2) the Latest Valuation relating to that Loan, in each case multiplied by N.

"N" means

(a) 100% for all Loans that are not Non-Performing Loans; or

(b) 0% for all Loans that are Non-Performing Loans;

minus

the aggregate sum of the following deemed reductions to the aggregate Asset Percentage Adjusted Loan 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 Loan 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 Loan 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 the immediately preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Asset Percentage Adjusted Loan 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 amount of any Principal Receipts (excluding proceeds of the sale of Loans and their Related Security) 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;

C = the aggregate amount of (i) any Cash Capital Contributions made by the Partners (as recorded in the Capital Account Ledger for each Partner of the Guarantor), (ii) proceeds from advances under the Intercompany Loan Agreement or (iii) proceeds from any sale of Loans which, in each case, 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 (and, for greater certainty, the aggregate amount determined pursuant to this item C shall not include deposits to the Yield Supplement Fund);

D = the aggregate outstanding principal balance of any Substitute Assets outside of Reserve Fund;

E = the outstanding principal amount of the Reserve Fund, if applicable;

Y = the sum of (i) the Contingent Collateral Amount relating to any Contingent Collateral Notice in effect as at such Calculation Date and delivered with respect to the Interest Rate Swap Agreement, plus (ii) the Contingent Collateral Amount relating to any Contingent Collateral Notice in effect as at such Calculation Date delivered with respect to the Covered Bond Swap Agreement, in each case, determined as at such Calculation Date; and

Z = product of: (1) weighted average remaining maturity of all outstanding Covered Bonds (in years and, where less than a year, deemed to be a year); (2) Principal Amount Outstanding of all Covered Bonds; and (3) Negative Carry Factor where the "**Negative Carry Factor**" is, (i) if the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Covered Bond Portfolio is less than or equal to 0.1% per annum, then 0.5%; and (ii) if the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Covered Bond Portfolio is greater than 0.1% per annum, then the sum of (x) 0.5% and (y) the weighted average margin of the interest rate payable on the outstanding Covered Bonds less 0.1%, unless the interest rate risk represented by the weighted average margin of the interest rate payable on the outstanding Covered Bonds relative to the interest rate receivable on the Covered Bond Portfolio is addressed or mitigated by the Interest Rate Swap Agreement and a Novated Transaction with an effective date that has occurred prior to the related calculation date, whereupon the Negative Carry Factor shall be nil.

"**Asset Percentage**" means 95 percent 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 80 percent 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). Any increase in the maximum Asset Percentage will be deemed to be a material amendment to the Trust Deed and will require satisfaction of the Rating Agency Condition. See "*Modification of Transaction Documents*".

On or prior to the Guarantor Payment Date immediately following the Calculation Date falling in January, April, July and October of each year and on such other date as the Limited Partner may request following the date on which the Bank, if it is the Interest Rate Swap Provider, 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 March, June, September or December, as applicable) as a whole or on the basis of a sample of Randomly Selected Loans in the Covered Bond Portfolio, such calculations to be made on the same basis throughout unless the Rating Agency Condition has been satisfied in respect thereof.

Amortization Test

Following the occurrence and during the continuance of an Issuer Event of Default (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 the occurrence and during the continuance of an Issuer Event of Default, the Guarantor is in compliance with the Amortization Test.

Following the occurrence and during the continuance of an Issuer Event of Default, 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, the Bond Trustee (while Covered Bonds are outstanding), and CMHC 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-Y-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 and (2) 80% multiplied by the Latest Valuation, in each case multiplied by N.

"N" means

(a) 100% for all Loans that are not Non-Performing Loans; or

(b) 0% for all Loans that are Non-Performing Loans;

B = 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 and any amounts on deposit in the Yield Supplement Fund);

C = the aggregate outstanding principal balance of any Substitute Assets;

Y = the sum of (i) the Contingent Collateral Amount relating to any Contingent Collateral Notice in effect as at such Calculation Date and delivered with respect to the Interest Rate Swap Agreement, plus (ii) the Contingent Collateral Amount relating to any Contingent Collateral Notice in effect as at such Calculation Date delivered with respect to the Covered Bond Swap Agreement, in each case determined as at such Calculation Date; and

Z = product of: (1) weighted average remaining maturity of all outstanding Covered Bonds (in years and, where less than a year, deemed to be a year); (2) Principal Amount Outstanding of all Covered Bonds; and (3) Negative Carry Factor.

Valuation Calculation

For so long as the Covered Bonds remain outstanding, the Guarantor must ensure that the Valuation Calculation is performed on each Calculation Date. The results of the Valuation Calculation for a Calculation Date will be disclosed in the related Investor Report.

The Valuation Calculation is equal to the Asset Value (as defined below) minus the Trading Value of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

"**Asset Value**" means the amount calculated as at each Calculation Date as follows:

A+B+C+D+E+F

where,

A = the sum of the "**LTV Adjusted Loan Present Value**" of each Loan in the Covered Bond Portfolio, which shall be the lower of (1) the Present Value of the relevant Loan in the Covered Bond Portfolio on such Calculation Date, and (2) 80% multiplied by the Latest Valuation relating to that Loan, in each case multiplied by M.

"M" means:

(a) 100% for all Loans that are not Non-Performing Loans; or

(b) 0% for all Loans that are Non-Performing Loans;

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Loan Present Value 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 Loan Present Value 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 Loan Present Value of the relevant Loan or Loans on such Calculation Date of the relevant Borrower; and/or

(2) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted Loan Present Value of the Loans in the 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);

B = the aggregate amount of any Principal Receipts (excluding proceeds of the sale of Loans and their Related Security) 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;

C = the aggregate amount of (i) any Cash Capital Contributions made by the Partners (as recorded in the Capital Account Ledger for each Partner of the Guarantor), (ii) proceeds from advances under the Intercompany Loan Agreement or (iii) proceeds from any sale of Loans which, in each case, 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 (and for greater certainty, the aggregate amount determined pursuant to this item C shall not include deposits to the Yield Supplement Fund);

D = the Trading Value of any Substitute Assets outside of Reserve Fund;

E = the balance, if any, of the Reserve Fund, provided that Substitute Assets in the Reserve Fund will be valued as specified in the definition of "Reserve Fund" set out in the "*Glossary*"; and

F = the Trading Value of the Swap Collateral.

"**Trading Value of Substitute Assets**" = For eligible securities for Substitute Assets, value may be determined using:

1. The close of day bid price on the calculation date, or

2. The close of day ask price on the calculation date.

Such value shall be plus any accrued interest or return, if applicable.

Sales of Randomly Selected Loans following a breach of the Pre-Maturity Test

The Pre-Maturity Test, if applicable, will be breached if the Issuer's applicable ratings from one or more Rating Agencies fall below the Pre-Maturity Minimum Ratings and there is an issued and outstanding Hard Bullet Covered Bond 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 shall, subject to any right of pre-emption of the Seller pursuant to the terms of the Mortgage Sale Agreement and the Security Sharing Agreement, as applicable, offer to sell Randomly Selected Loans pursuant to the terms of the Guarantor Agreement (see "*Method of Sale of Portfolio Assets*" below), unless the Pre-Maturity Liquidity Ledger is otherwise funded from other sources as follows:

(i) 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 in accordance with the Guarantor Agreement with an aggregate principal amount up to the Pre-Maturity Liquidity Required Amount (which shall be a credit to the Pre-Maturity Liquidity Ledger); or

(ii) 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, deposited to the Yield Supplement Fund

or otherwise applied in accordance with the Guarantor Agreement and/or the other Transaction Documents with an aggregate principal amount up to the Pre-Maturity Liquidity Required Amount (which 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 Loans and their Related Security 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 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 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, if applicable, 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

(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 were sold at their True Balance, the Demand Loan as calculated on the date of the demand could be repaid, subject to satisfaction of the Asset Coverage Test; or

(ii) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay on the Guarantor), such amount that would ensure that, if the

Portfolio Assets were sold at their True Balance, 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, if applicable, 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 being sold following a breach of the Pre-Maturity Test, if applicable, the Pre-Maturity Liquidity Required Amount less amounts standing to the credit of the Pre-Maturity Liquidity Ledger; or

(y) in respect of Randomly Selected Loans being sold following service of a Notice to Pay, the Canadian Dollar Equivalent of the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the Guarantor Accounts and the principal amount of any Substitute Assets (excluding all amounts to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

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; and

(b) following a breach of the Pre-Maturity Test, if applicable, 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, if applicable, 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, if applicable, 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 Loan 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.

The funds and assets of the Guarantor shall not (except in accordance with the terms of the Guarantor Agreement, the other Transaction Documents and the CMHC Guide) be commingled with the funds or assets of the Managing GP or the Liquidation GP or of any other person. For greater certainty, subject to such permitted commingling in accordance with the terms of the Guarantor Agreement, the other Transaction Documents and the CMHC Guide, all cash and Substitute Assets of the Guarantor shall be held in one or more Guarantor Accounts and all Substitute Assets shall be segregated from the assets of the Account Bank.

Limit on investing in Substitute Assets; Prescribed Cash Limitation

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 percent of the aggregate value of (x) the Loans and Related Security, (y) any Substitute Assets, and (z) all cash held by the Guarantor (subject to the Prescribed Cash Limitation) and provided that investments in Substitute Assets are made in accordance with the terms of the Cash Management Agreement and subject to the applicable Priority of Payments.

At any time that 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.

The Guarantor may not at any time hold cash in excess of (such limitation, the "**Prescribed Cash Limitation**") (i) the amount necessary to meet its payment or Reserve Fund obligations for the immediately succeeding six months pursuant to the terms of the Transaction Documents, or (ii) such greater amount as CMHC may at its discretion permit in accordance with the Covered Bond Legislative Framework and the CMHC Guide, in each case excluding amounts received between Guarantor Payment Dates; provided that to the extent that cash receipts of the Guarantor cause it to hold cash in excess of the amount permitted in (i) or (ii), as applicable, the Guarantor will not be in breach of this covenant if it uses such excess amount to fund the Yield Supplement Fund; (w) purchase New Loans and their Related Security for the Covered Bond Portfolio pursuant to the terms of the Mortgage Sale Agreement; and/or (x) to invest in Substitute Assets in an amount not exceeding the prescribed limit under the CMHC Guide; and/or (y) subject to complying with the Asset Coverage Test, to make Capital Distributions to the Limited Partner; and/or (z) repay all or a portion of the Demand Loan, in each case, within 31 days of receipt. For greater certainty, amounts on deposit in the Yield Supplement Fund will not be subject to the Prescribed Cash Limitation.

For greater certainty, amounts standing to the credit of the Pre-Maturity Liquidity Ledger, if applicable, and the Reserve Fund (other than, in each case, those amounts that constitute Substitute Assets) constitute cash and are subject to the Prescribed Cash Limitation. In the event that the Guarantor is required to fund

the Pre-Maturity Liquidity Ledger, if applicable, and/or the Reserve Fund in accordance with the Transaction Documents and such funding would cause the Guarantor to hold cash in excess of the Prescribed Cash Limitation, any cash held by the Guarantor in excess of such cash standing to the credit of the Pre-Maturity Liquidity Ledger, if applicable, and the Reserve Fund shall be used by the Guarantor in accordance with clauses (w), (x), (y) and (z) in the immediately preceding paragraph above within 31 days of receipt to ensure that the Guarantor is not in breach of the Prescribed Cash Limitation. In the event that the Guarantor is in breach of the Prescribed Cash Limitation and it does not hold any cash other than the amounts it is required to hold in order to fund the Pre-Maturity Liquidity Ledger, if applicable, and the Reserve Fund in accordance with the Transaction Documents, the Guarantor will request that CMHC, in accordance with the discretion granted to it under the Covered Bond Legislative Framework and the CMHC Guide, permit the Guarantor to hold such amount of cash in excess of the Prescribed Cash Limitation as may be required to allow it to comply with the Transaction Documents in the circumstances.

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 (as the same may be amended, restated and/or supplemented from time to time, the "**Cash Management Agreement**").

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 Payments 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*" below;

(d) determining whether the Amortization Test is satisfied on each Calculation Date following the occurrence and during the continuance of an Issuer Event of Default in accordance

with the Guarantor Agreement, as more fully described under "*Credit Structure—Amortization Test*" below;

(e) performing the Valuation Calculation, as more fully described under "*Description of the Canadian Registered Covered Bond Programs Framework*" below;

(f) performing the OC Valuation, as more fully described under "*Summary of the Principal Documents – Guarantor Agreement – OC Valuation*" above;

(g) preparation of Investor Reports in respect of the Covered Bonds for the Bond Trustee and the Rating Agencies; and

(h) on each Canadian Business Day, determining whether the Pre-Maturity Test, if applicable, for any issued and outstanding Series of Hard Bullet Covered Bonds, if any, is satisfied as more fully described under "*Credit Structure—Pre-Maturity Liquidity*" below.

Under the Cash Management Agreement, the Cash Manager represents and warrants to the Guarantor and the Bond Trustee that (i) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under the Cash Management Agreement and the other Transaction Documents to which it is a party and it will devote all due skill, care and diligence to the performance of its obligations and the exercise of its discretions thereunder, (ii) it is rated at or above the Cash Manager Required Ratings by each of the Rating Agencies, (iii) it is and will continue to be in good standing with OSFI, (iv) it is and will continue to be in material compliance with its internal policies and procedures relevant to the services to be provided by it pursuant to the Cash Management Agreement and the other Transaction Documents to which it is party, and (v) it is and will continue to be in material compliance with all laws, regulations and rules applicable to it in relation to the services provided by it pursuant to the Cash Management Agreement and the other Transaction Documents to which it is a party.

At any time the ratings of the Cash Manager by one or more Rating Agencies are below the Cash Management Deposit Ratings, the Cash Manager will be required to direct the Servicer to deposit all Revenue Receipts and Principal Receipts received by the Servicer directly into the GIC Account.

The ratings of the Cash Manager as of the date of this Base Prospectus are below the Cash Management Deposit Ratings.

At any time the ratings of the Cash Manager by one or more Rating Agencies are below the Cash Manager Required Ratings, the Cash Manager will, in certain circumstances, be required to assign the Cash Management Agreement to a third-party service provider acceptable to the Bond Trustee and for which the Rating Agency Condition has been satisfied. The Guarantor will also have the discretion to terminate the Cash Manager if an Issuer Event of Default occurs and is continuing, or has previously occurred and is continuing, at any time that the Guarantor is Independently Controlled and Governed. 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 (i) the rates of interest payable on the Portfolio Assets and related amounts, and (ii) amounts payable under the Intercompany Loan Agreement and, following the 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 will agree to swap the amount of interest received by the Guarantor from Borrowers and related amounts under certain fixed rate Portfolio Assets in exchange for an amount

sufficient to pay, amongst other things, the amount payable by the Guarantor under the Intercompany Loan Agreement and, following the Covered Bond Guarantee Activation Event, the amount payable under the Covered Bond Swap Agreement plus an amount for certain expenses of the Guarantor.

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, or, if applicable, the Extended Due for Payment 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);

(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 of any final Tranche or Series of Covered Bonds then outstanding;

(c) the date on which the notional amount under the Interest Rate Swap Agreement reduces to zero (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); and

(d) the date of redemption pursuant to Conditions 6.02 or 6.12 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 either 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 after the expiry of the applicable grace period provided, however, that no such failure to pay by the Guarantor will entitle the Interest Rate Swap Provider to terminate the Interest Rate Swap Agreement, if such failure is due to the assets available at such time to the Guarantor being insufficient to make the required payment in full;

- at the option of the Guarantor, if the Interest Rate Swap Provider is the Issuer or an Affiliate of the Issuer and an Issuer Event of Default has occurred which has resulted in the Covered Bonds becoming due and payable under their respective terms;

- at the option of the Guarantor, in the event that (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations and the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Interest Rate Swap Provider or any credit support provider, as applicable, cease to be rated at least R-1(low) or A, respectively, by DBRS, or (ii) the short-term counterparty risk assessment and the long-term counterparty risk assessment of the Interest Rate Swap Provider or any credit support provider of such Interest Rate Swap Provider, as applicable, ceases to be at least P-2(cr) or A3(cr), respectively, by Moody's (each such event, an "**Initial IRS Downgrade Trigger Event**"), provided that, for greater certainty, if the Interest Rate Swap Provider or any credit support provider, as applicable, (i) has one of such ratings from DBRS, an Initial IRS Downgrade Trigger Event will not occur with respect to DBRS, and (ii) has only one of such ratings from Moody's an Initial IRS Downgrade Trigger Event will occur with respect to Moody's) and the Interest Rate Swap Provider does not provide credit support to the Guarantor pursuant to the terms of the applicable credit support annex within (i) 30 calendar days (in the case of an Initial IRS Downgrade Trigger Event in respect of DBRS) and (ii) 30 Canadian Business Days (in the case of an Initial IRS Downgrade Trigger Event in respect of

Moody's), in each case, of the occurrence of such Initial IRS Downgrade Trigger Event, or arrange for its obligations under the Interest Rate Swap Agreement to be guaranteed by, or transferred to, an entity with rating(s) required by the relevant Rating Agencies, provided that, in each case, the Interest Rate Swap Provider provides credit support to the Guarantor within 30 calendar days of the occurrence of such Initial IRS Downgrade Trigger Event;

- at the option of the Guarantor, in the event that (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations and the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Interest Rate Swap Provider or any credit support provider, as applicable, cease to be rated at least R-2(middle) or BBB respectively, by DBRS, or (ii) the short-term counterparty risk assessment and the long-term counterparty risk assessment of the Interest Rate Swap Provider or any credit support provider of such Interest Rate Swap Provider, as applicable, ceases to be at least P-3(cr) or Baa3(cr), respectively, by Moody's (each such event, a "**Subsequent IRS Downgrade Trigger Event**", and together with the Initial IRS Downgrade Trigger Events, the "**Downgrade IRS Trigger Events**"), provided that, for greater certainty, if the Interest Rate Swap Provider or any credit support provider, as applicable, (i) has one of such ratings from DBRS, a Subsequent IRS Downgrade Trigger Event will not occur with respect to DBRS and (ii) has only one of such ratings from Moody's, a Subsequent IRS Downgrade Trigger Event will occur with respect to Moody's), and the Interest Rate Swap Provider does not provide additional credit support to the Guarantor pursuant to the terms of the applicable credit support annex or does not arrange for its obligations under the Interest Rate Swap Agreement to be transferred to, or in the case of Moody's, guaranteed by an entity with rating(s) required by the relevant Rating Agencies within (i) 30 calendar days (in the case of a Subsequent IRS Downgrade Trigger Event in respect of DBRS) and (ii) 30 Canadian Business Days (in the case of a Subsequent IRS Downgrade Trigger Event in respect of Moody's), in each case, of the occurrence of such Subsequent IRS Downgrade Trigger Event and, in each case, does not provide additional credit support to the Guarantor within 30 calendar days of the occurrence of such Subsequent IRS Downgrade Trigger Event pursuant to the terms of the applicable credit support annex;

- at the option of the Interest Rate Swap Provider, if a material term of the Guarantor Agreement has been amended without the consent of the Interest Rate Swap Provider and such amendment materially and negatively affects the rights of the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

- at the option of the Interest Rate Swap Provider, if the Guarantor fails to satisfy its obligations under the Guarantor Agreement in respect of the Yield Supplement Fund and such failure is not remedied on or before the fifth Canadian Business Day after notice of such failure is given to the Guarantor by the Interest Rate Swap Provider; 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.

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.

Any termination payment made by the Interest Rate Swap Provider to the Guarantor in respect of the Interest Rate Swap Agreement will first be used to the extent necessary (prior to the occurrence of a Guarantor Event of Default and service of a Guarantor Acceleration Notice) to pay a replacement Interest

Rate Swap Provider to enter into a replacement Interest Rate Swap Agreement with the Guarantor, unless a replacement Interest Rate Swap Agreement has already been entered into on behalf of the Guarantor. Any premium received by the Guarantor from a replacement Interest Rate Swap Provider entering into an Interest Rate Swap Agreement will first be used to make any termination payment due and payable by the Guarantor with respect to the Interest Rate Swap Agreement, unless such termination payment has already been made on behalf of the Guarantor.

Swap Collateral Excluded Amounts, if applicable, will be paid to the Interest Rate Swap Provider directly and not via the Priorities of Payments. 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.

All of the interest and obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement may be transferred by it to a replacement swap counterparty upon the Interest Rate Swap Provider providing five Canadian Business Days' prior written notice to the Guarantor and, subject to the following sentence, the Bond Trustee, provided that (i) such replacement swap counterparty has the rating(s) required by the relevant Rating Agencies (or the obligations of such replacement swap counterparty under the Interest Rate Swap Agreement are guaranteed by an entity having the rating(s) required by the relevant Rating Agencies), (ii) as of the date of such transfer, such replacement swap counterparty will not be required to withhold or deduct any taxes under the Interest Rate Swap Agreement as a result of such transfer, (iii) no termination event or event of default will occur under the Interest Rate Swap Agreement as a result of such transfer, (iv) no additional amount will be payable by the Guarantor under the Interest Rate Swap Agreement as a result of such transfer, (v) the Rating Agency Condition shall have been satisfied or deemed to have been satisfied and (vi) such replacement swap counterparty enters into documentation substantially identical to the Interest Rate Swap Agreement. The Bond Trustee's written consent to such transfer is required if such transfer occurs as a result of the occurrence of a Downgrade IRS Trigger Event unless the replacement swap counterparty under the Interest Rate Swap Agreement has the minimum ratings required by the relevant Rating Agency and if the Rating Agency Condition has been satisfied, in which case the Bond Trustee's consent shall be given.

The Interest Rate Swap Agreement will be in the form of an ISDA Master Agreement, including a schedule, a credit support annex and confirmation. Under the Interest Rate Swap Agreement, the Guarantor makes the following representations with respect to itself and/or the Interest Rate Swap Agreement, as applicable: (i) that is it duly organized and validly existing, (ii) that it has the power and authority to enter into the Interest Rate Swap Agreement, (iii) that it is not in violation or conflict with any applicable law, its constitutional documents, any court order or judgment or any contractual restriction, (iv) it has obtained all necessary consents, (v) its obligations under the Interest Rate Swap Agreement are valid and binding, (vi) no event of default, potential event of default or termination event has occurred and is continuing under the Interest Rate Swap Agreement, (vii) there is no pending or, to its knowledge, any threatened litigation which is likely to affect its ability to perform under the Interest Rate Swap Agreement, (viii) all information furnished in writing is true, accurate and complete in every material respect, (ix) all payments will be made without any withholding and deduction, (x) that it is a "Canadian partnership" under the *Income Tax Act* (Canada) and a limited partnership organized under the laws of the Province of Ontario, (xi) that it is entering into the agreement as principal and not as agent, and (xii) that it is not relying on the other party for any investment advice, that is capable of assessing the merits of and understanding the risks of entering into the relevant transaction and that the Interest Rate Swap Provider is not acting as fiduciary to it. Subject to the terms of the Transaction Documents and the CMHC Guide, the structure of the swap agreements may be amended, supplemented or revised from time to time and the swap counterparties may be changed from time to time.

As of the date of this Base Prospectus, the Royal Bank of Canada as the initial Interest Rate Swap Provider has been assigned the following ratings from the Rating Agencies:

Rating Agency	Short-term debt	Senior debt[1]	Long-Term Issuer Default Rating	Counterparty Rating[2]
DBRS	R-1 (high)	AA	N/A	AA (high)
Moody's	P-1	A1	N/A	Aa1

1. Includes senior long-term debt which is subject to conversion under the Bail-in regime.
2. Represents Moody's Counterparty Risk Rating and Deposit Rating and DBRS' Long Term Deposit Rating.

Under the Interest Rate Swap Agreement, the Guarantor's obligations will be limited in recourse to the Charged Property.

The Interest Rate Swap Agreement will be governed by, and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Yield Supplement Fund

The Guarantor established the Yield Supplement Fund in the GIC Account to be exclusively utilized by the Guarantor to pay amounts due under the Interest Rate Swap Agreement to the extent Available Revenue Receipts are not otherwise available to make such payments in accordance with the Pre-Acceleration Revenue Priority of Payments or the Guarantee Priority of Payments or amounts are not otherwise available under the Post-Enforcement Priority of Payments.

The Yield Supplement 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 Yield Supplement Ledger in the Pre-Acceleration Priority of Payments. In addition, (i) the proceeds of advances made under the Intercompany Loan for such purpose, (ii) cash (in an amount up to the Voluntary Overcollateralization), and (iii) Cash Capital Contributions that the Limited Partner may make from time to time and specifically designate as being only to be utilized for funding of the Yield Supplement Fund will be used, in each case, to fund the Yield Supplement Fund. For greater certainty, amounts on deposit in the Yield Supplement Fund will not be subject to the Prescribed Cash Limitation.

A Yield Supplement Ledger will be maintained by the Cash Manager to record the balance from time to time of the Yield Supplement Fund and, for greater certainty, the satisfaction of the requirement to fund the Yield Supplement Fund will be funded on each applicable Guarantor Payment Date shall be determined based on taking into account the balance in the Yield Supplement Ledger on such Guarantor Payment Date after taking into account the deposits to the Yield Supplement Fund on or prior to such Guarantor Payment Date and any deductions from the Yield Supplement Fund on such Guarantor Payment Date. Amounts standing to the credit of the Yield Supplement Fund in excess of the Yield Supplement Required Amount will be added to the Available Revenue Receipts.

Covered Bond Swap Agreement

The Issuer and the Guarantor have entered into the Covered Bond Swap Agreement in respect of a Tranche or Series of Covered Bonds (and may from time to time 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) to provide a hedge against currency and/or other risks: (i) prior to the occurrence of a Covered Bond Guarantee Activation Event, in respect of amounts payable by the Issuer under the Covered Bonds and (ii) on and after the occurrence of a Covered Bond Guarantee Activation Event, in respect of amounts payable by the Guarantor in respect of its obligations under the Covered Bond Guarantee.

The Covered Bond Swap Agreement is in the form of:

(i) prior to the occurrence of a Covered Bond Guarantee Activation Event, (a) the Issuer Swap Transaction entered into between the Issuer and the Covered Bond Swap Provider under which the Issuer has agreed to swap (x) Canadian dollar floating rate amounts with the Covered Bond Swap Provider in exchange for amounts payable by the Issuer on an Interest Payment Date, (y) net amount received by the Issuer upon the issuance of Covered Bonds, in the currency of such Covered Bonds, in exchange for the Canadian dollar equivalent of such amount converted using the applicable Covered Bond FX Rate on the issuance date of such Covered Bonds, and (z) Canadian dollar equivalent of the principal amount of Covered Bonds due on the applicable Final Maturity Date, converted using the applicable Covered Bond FX Rate in exchange for such principal amount denominated in the relevant currency of such Covered Bonds, in each case, in respect of a Tranche or Series of Covered Bonds, and (b) the Novation Agreement under which the Issuer, as transferor, has agreed to novate its obligations under the Issuer Swap Transaction to the Guarantor, as transferee, (with the Covered Bond Swap Provider as the remaining party) automatically upon the occurrence of a Covered Bond Guarantee Activation Event, and

(ii) on and after the occurrence of a Covered Bond Guarantee Activation Event, in respect of a Tranche or Series of Covered Bonds, an ISDA Master Agreement (including schedule and credit support annex thereto, the "**Guarantor Covered Bond ISDA Master Agreement**") and a confirmation of the transaction (such transaction, as governed by the Guarantor Covered Bond ISDA Master Agreement, the "**Novated Transaction**") automatically novated by the Issuer to the Guarantor upon the occurrence of the Covered Bond Guarantee Activation Event pursuant to the applicable Novation Agreement, in each case, entered into between the Guarantor and the Covered Bond Swap Provider, under which the Guarantor will swap Canadian dollar floating rate amounts in exchange for amounts owing by the Guarantor under the Covered Bond Guarantee in the rates, and in the currency, relating to the relevant Tranche or Series of Covered Bonds.

Each of the Issuer Swap Transaction and the Novation Agreement in respect of a Tranche or Series of Covered Bonds is entered into at the time of issuance of such Tranche or Series of Covered Bonds, and cashflows will be exchanged under the Issuer Swap Transaction after such issuance. The Guarantor Covered Bond ISDA Master Agreement in respect of a Tranche or Series of Covered Bonds is entered into at the time of the initial issuance of a Series of Covered Bonds and no cashflows will be exchanged, nor will any credit support be required to be delivered by the Covered Bond Swap Provider to the Guarantor, in each case, under the Guarantor Covered Bond ISDA Master Agreement unless and until a Covered Bond Guarantee Activation Event and automatic novation of the Issuer Swap Transaction has occurred.

The Covered Bond Swap Agreement will (unless terminated earlier by an Issuer Swap Early Termination Event or 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 or cancellation in whole of, the final Tranche of such Series of Covered Bonds or, if applicable, the final date on which an amount representing the Final Redemption Amount for such final Tranche of Series of Covered Bonds is paid, but in any event, not later than the Extended Due for Payment Date for such final Tranche for such 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 as may be modified by the Final Terms for such Series of Covered Bonds.

Issuer Swap Transaction:

The Issuer Swap Transaction may be terminated in certain other circumstances (each referred to as an "**Issuer Swap Early Termination Event**"), including:

- a failure by a party to make, when due, any payment owing under the Issuer Swap Master Agreement, or any delivery required to be made by it, in each case after the expiry of the applicable grace period;

- a failure by a party to comply with or perform any obligation under the Issuer Swap Master Agreement, including any obligation under the applicable credit support annex, in each case after the expiry of the applicable grace period;

- the expiration or termination of the credit support annex to the Issuer Swap Master Agreement or a party disaffirms, disclaims, repudiates or rejects any part of such credit support annex or challenges the validity thereof;

- any representation made by a party under the Issuer Swap Master Agreement is incorrect or misleading in any material respect;

- a default, event of default or other similar condition or event occurs in respect of a party under any agreement relating to certain borrowed money obligations beyond a threshold amount and such default results in an acceleration of such borrowed money obligations, except for defaults caused by an error or omission of an administrative or operational nature provided funds were available to such party;

- the bankruptcy or insolvency of a party after the expiry of any applicable grace period; and

- other standard events of default and termination events under ISDA master agreements, such as default under specified transaction, merger without assumption, illegality, tax event, tax event upon merger and credit event upon merger.

The notional amount under the Issuer Swap Transaction will be reduced due to the payment or redemption of a Final Redemption Amount under the Covered Bonds and a swap termination payment may be due and payable by the Issuer or by the Covered Bond Swap Provider in accordance with the terms of the Issuer Swap Transaction as a consequence thereof. Upon the occurrence of a Covered Bond Guarantee Activation Event, pursuant to the applicable Novation Agreement, the Issuer Swap Transaction is automatically novated from the Issuer to the Guarantor (with the Covered Bond Swap Provider as the remaining party) and a swap termination payment may be due and payable by the Issuer or by the Covered Bond Swap Provider in accordance with the terms of the Issuer Swap Transaction as a consequence thereof. No breakage fee, mark-to-market payment or early termination payment is payable by the Guarantor in respect of the novation of the Issuer Swap Transaction from the Issuer to the Guarantor.

Novated Transaction:

The Novated Transaction may be terminated in certain other circumstances (each referred to as a "**Covered Bond Swap Early Termination Event**"), including:

- at the option of either party to the Novated Transaction, if there is a failure by the other party to pay any amounts due under the Novated Transaction after the expiry of the applicable grace period provided, however, that no such failure to pay by the Guarantor will entitle the Covered Bond Swap Provider to terminate the Novated Transaction, if such failure is due to the assets available at such time to the Guarantor being insufficient to make the required payment in full;

- at the option of the Guarantor, if the Covered Bond Swap Provider is the Issuer or an Affiliate of the Issuer and an Issuer Event of Default has occurred which has resulted in the Covered Bonds becoming due and payable under their respective terms;

- at the option of the Guarantor, in the event that (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations and the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Covered Bond Swap Provider or any credit support provider, as applicable, cease to be rated at least R-1(low) or A, respectively, by DBRS or (ii) the short-term counterparty risk assessment and the long-term counterparty risk assessment of the Covered Bond Swap Provider or any credit support provider of such Covered Bond Swap Provider, as applicable, ceases to be at least P-2(cr) or A3(cr), respectively, by Moody's (each such event, an "**Initial CBS Downgrade Trigger Event**"), provided that, for greater certainty, if the Covered Bond Swap Provider or any credit support provider, as applicable, (i) has one of such ratings from DBRS, an Initial CBS Downgrade Trigger Event will not occur with respect to DBRS, and (ii) has only one of such ratings from Moody's, an Initial CBS Downgrade Trigger Event will occur with respect to Moody's) and the Covered Bond Swap Provider does not provide credit support to the Guarantor pursuant to the terms of the applicable credit support annex within (i) 30 calendar days (in the case of an Initial CBS Downgrade Trigger Event in respect of DBRS) and (ii) 30 Canadian Business Days (in the case of an Initial CBS Downgrade Trigger Event in respect of Moody's), in each case, of the occurrence of such Initial CBS Downgrade Trigger Event, or arrange for its obligations under the Novated Transaction to be guaranteed by, or transferred to, an entity with rating(s) required by the relevant Rating Agencies, and, in each case, the Covered Bond Swap Provider does not provide credit support to the Guarantor within 30 calendar days of the occurrence of such Initial CBS Downgrade Trigger Event;

- at the option of the Guarantor, in the event that (i) the short-term unsecured, unsubordinated and unguaranteed debt obligations and the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Covered Bond Swap Provider or any credit support provider, as applicable, cease to be rated at least R-2(middle) or BBB respectively, by DBRS or (ii) the short-term counterparty risk assessment and the long term counterparty risk assessment of the Covered Bond Swap Provider or any credit support provider of such Covered Bond Swap Provider, as applicable, ceases to be at least P-3(cr) or Baa3(cr), respectively, by Moody's (each such event, a "**Subsequent CBS Downgrade Trigger Event**", and together with the Initial CBS Downgrade Trigger Events, the "**Downgrade CBS Trigger Events**", and together with the Downgrade IRS Trigger Events, the "**Downgrade Trigger Events**"), provided that, for greater certainty, if the Covered Bond Swap Provider or any credit support provider, as applicable, (i) has one of such ratings from DBRS, a Subsequent CBS Downgrade Trigger Event will not occur with respect to DBRS, and (ii) has only one of such ratings from Moody's, a Subsequent CBS Downgrade Trigger Event will occur with respect to Moody's), and the Covered Bond Swap Provider does not provide additional credit support to the Guarantor pursuant to the terms of the applicable credit support annex or does not arrange for its obligations under the Novated Transaction to be transferred to, or in the case of Moody's, guaranteed by an entity with rating(s) required by the relevant Rating Agencies within (x) 30 calendar days (in the case of a Subsequent CBS Downgrade Trigger Event in respect of DBRS) and (y) 30 Canadian Business Days (in the case of a Subsequent CBS Downgrade Trigger Event in respect of Moody's), in each case, of the occurrence of such Subsequent CBS Downgrade Trigger Event and, in each case, does not provide additional credit support to the Guarantor within 30 calendar days of the occurrence of such Subsequent CBS Downgrade Trigger Event pursuant to the terms of the applicable credit support annex;

- at the option of the Covered Bond Swap Provider, if a material term of the Guarantor Agreement has been amended without the consent of the Covered Bond Swap Provider and such amendment materially and negatively affects the Covered Bond Swap Provider under the Novated Transaction; 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 Novated Transaction.

Upon the termination of the Novated Transaction 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 Novated Transaction.

Any termination payment made by the Covered Bond Swap Provider to the Guarantor in respect of the Novated Transaction 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 Novated Transaction 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 Novated Transaction will first be used to make any termination payment due and payable by the Guarantor with respect to the Novated Transaction, unless such termination payment has already been made on behalf of the Guarantor.

Swap Collateral Excluded Amounts, if applicable, will be paid to the Covered Bond Swap Provider directly and not via the Priorities of Payments.

All of the interest and obligations of the Covered Bond Swap Provider under the Novated Transaction may be transferred by it to a replacement swap counterparty upon the Covered Bond Swap Provider providing five Business Days' prior written notice to Guarantor and, subject to the following sentence, the Bond Trustee, provided that (i) such replacement swap counterparty has the rating(s) required by the relevant Rating Agencies (or the obligations of such replacement swap counterparty under the Novated Transaction are guaranteed by an entity having the rating(s) required by the relevant Rating Agencies), (ii) as of the date of such transfer, such replacement swap counterparty will not be required to withhold or deduct any taxes under the Novated Transaction as a result of such transfer, (iii) no termination event or event of default will occur under the Novated Transaction as a result of such transfer, (iv) no additional amount will be payable by the Guarantor under the Novated Transaction as a result of such transfer, (v) the Rating Agency Condition shall have been satisfied or deemed to have been satisfied and (vi) such replacement swap counterparty enters into documentation substantially identical to the Novated Transaction. The Bond Trustee's written consent to such transfer is required if such transfer occurs as a result of the occurrence of a Downgrade CBS Trigger Event unless the replacement swap counterparty under the Novated Transaction has the minimum ratings required by the relevant Rating Agencies and if the Rating Agency Condition has been satisfied, in which case, the Bond Trustee's consent shall be given.

If withholding taxes are imposed on payments made by the Covered Bond Swap Provider to the Guarantor under the Novated Transaction, 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 Novated Transaction, the Guarantor will not be obliged to gross up those payments.

Under the Novated Transaction, the Guarantor makes the following representations with respect to itself and/or the Novated Transaction, as applicable: (i) that it is duly organized and validly existing, (ii) that it has the power and authority to enter into the Novated Transaction, (iii) that it is not in violation or conflict with any applicable law, its constitutional documents, any court order or judgment or any contractual restriction, (iv) it has obtained all necessary consents, (v) its obligations under the Novated Transaction are valid and binding, (vi) no event of default, potential event of default or termination event has occurred and is continuing under the Novated Transaction, (vii) there is no pending or, to its knowledge, any threatened litigation which is likely to affect its ability to perform under the Novated Transaction, (viii) all information furnished in writing is true, accurate and complete in every material respect, (ix) all payments will be made without any withholding and deduction, (x) that it is a "Canadian partnership" under the *Income Tax Act* (Canada) and a limited partnership organized under the laws of the Province of Ontario, (xi) that it is entering into the agreement as principal and not as agent, and (xii) that it is not relying on the other party for any investment advice, that is capable of assessing the merits of and understanding the risks of entering into the relevant transaction and that the Covered Bond Swap Provider is not acting as fiduciary to it.

Under the Novated Transaction, the Guarantor's obligations will be limited in recourse to the Charged Property.

The Novated Transaction is governed by, and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Subject to the terms of the Transaction Documents and the CMHC Guide, the structure of the swap agreements may be amended, supplemented or revised from time to time and the swap counterparties may be changed from time to time.

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 is required to maintain with the Account Bank the accounts described below, which is required to 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). 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*".

Under the Bank Account Agreement, the Account Bank represents and warrants to the Cash Manager, the Guarantor and the Bond Trustee on the Programme Date and on each date on which an amount is credited to the Guarantor Accounts and on each Guarantor Payment Date that: (i) it is a bank listed in Schedule I to the Bank Act and duly qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, (ii) the execution, delivery and performance by it of the Bank Account Agreement (x) are within its corporate powers, (y) have been duly authorized by all necessary corporate action, and (z) do not contravene or result in a default under or conflict with (A) its charter or by-laws, (B) any law, rule or regulation applicable to it, or (C) any order, writ, judgment, award, injunction, decree or contractual obligation binding on or affecting it or its property, (iii) it is not a non-resident of Canada for purposes of the *Income Tax Act* (Canada), (iv) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under the Bank Account Agreement, (v) it is rated at or above the Account Bank Threshold Ratings by each of the Rating Agencies, (vi) it is and will continue to be in good standing with OSFI, (vii) it is and will continue to be in material compliance with its internal policies and procedures relevant to the services to be provided by it pursuant to the Bank Account Agreement, and (viii) it is and will continue to be in material compliance with all laws, regulations and rules applicable to it in relation to the services provided by it pursuant to the Bank Account Agreement.

If the ratings of the Account Bank cease to be rated by one or more Rating Agencies at or above the Account Bank Threshold Ratings (as defined below), then 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.

"**Account Bank Threshold Ratings**" means the threshold ratings A or R-1(low) (in respect of DBRS; provided that, for greater certainty, only one of such ratings from DBRS is required to be at or above such ratings), and A2 and P-1 (in respect of Moody's), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations rating (in the case of DBRS) or the deposit rating (in the case of Moody's), in each case, of the Account Bank or the GIC Provider, as applicable, by the applicable Rating Agencies.

In addition to the requirement that the Guarantor Accounts be moved to the Standby Account Bank if the Account Bank breaches the Account Bank Threshold Ratings as described above, the Guarantor may (in

the case of (i) through (iii) below) or shall (in the case of (iv) through (vii) below) terminate the Bank Account Agreement and move the Guarantor Accounts to the Standby Account Bank if: (i) a deduction or withholding for or on account of any taxes is imposed or is likely to be imposed in respect of the interest payable on any Guarantor Account, (ii) there is a breach by the Account Bank of certain representations and warranties or a failure by the Account Bank to perform certain covenants made by it under the Bank Account Agreement, (iii) the Account Bank fails to comply with any of its other covenants and obligations under the Bank Account Agreement, which failure in the reasonable opinion of the Bond Trustee is materially prejudicial to the interests of the Covered Bondholders and such failure is not remedied within 30 days of the earlier of the Account Bank becoming aware of the failure and receipt by the Account Bank of notice from the Bond Trustee requiring the same to be remedied, (iv) the Account Bank ceases or threatens to cease carrying on the business of the Account Bank, (v) an order is made for the winding up of the Account Bank, (vi) an Insolvency Event occurs with respect to the Account Bank, or (vii) if the Account Bank is the Issuer or an affiliate thereof, an Issuer Event of Default has occurred and is continuing.

As of the date of this Base Prospectus, the Account Bank has been assigned the following ratings from the Rating Agencies:

Rating Agency	**Short-term debt**	**Senior debt[1]**
DBRS	R-1 (high)	AA (low)
Moody's	P-1	A2

[1.] Subject to conversion under the Bank Recapitalization (Bail-in) Regime.

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 Payments set out in the Guarantor Agreement and the Security Agreement.

Under the Standby Bank Account Agreement, the Standby Account Bank represents and warrants to the Guarantor and the Bond Trustee on the Programme Date and on each date on which an amount is credited to any Guarantor Account that is held with the Standby Account Bank and on each Guarantor Payment Date that: (i) it is a bank listed in Schedule I or Schedule II to the Bank Act and duly qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, (ii) the execution, delivery and performance by it of the Standby Bank Account Agreement (x) are within its corporate powers, (y) have been duly authorized by all necessary corporate action, and (z) do not contravene or result in a default under or conflict with (A) its charter or by-laws, (B) any law, rule or regulation applicable to it, or (C) any order, writ, judgment, award, injunction, decree or contractual obligation binding on or affecting it or its property, (iii) it is not a non-resident of Canada for purposes of the *Income Tax Act* (Canada), (iv) it

possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under the Standby Bank Account Agreement and the other Transaction Documents to which it is a party and it will devote all due skill, care and diligence to the performance of its obligations and the exercise of its discretions thereunder, (v) it is rated at or above the Standby Account Bank Threshold Ratings by each of the Rating Agencies, (vi) it is and will continue to be in good standing with OSFI, (vii) it is and will continue to be in material compliance with its internal policies and procedures relevant to the services to be provided by it pursuant to the Standby Bank Account Agreement and the other Transaction Documents to which it is party, and (viii) it is and will continue to be in material compliance with all laws, regulations and rules applicable to it in relation to the services provided by it pursuant to the Standby Bank Account Agreement and the other Transaction Documents to which it is a party.

The Standby Bank Account Agreement further provides that if the ratings of the Standby Account Bank by one or more Rating Agencies fall below the Standby Account Bank Threshold Ratings, then 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.

"**Standby Account Bank Threshold Ratings**" means the threshold ratings A or R-1(low) (in respect of DBRS, provided that, for greater certainty, only one of such ratings from DBRS is required to be at or above such ratings) and A2 and P-1 (in respect of Moody's), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations rating (in the case of DBRS) or the deposit rating (in the case of Moody's), in each case, of the Standby Account Bank by the applicable Rating Agencies.

As of the date of this Base Prospectus, the Standby Account Bank has been assigned the following ratings from the Rating Agencies:

Rating Agency	**Short-term debt**	**Senior debt[1]**	**Long-Term Issuer Default Rating**	**Counterparty Rating[2]**
DBRS	R-1 (high)	AA	N/A	AA (high)
Moody's	P-1	A1	N/A	Aa1

1. Includes senior long-term debt which is subject to conversion under the Bail-in regime.
2. Represents Moody's Counterparty Risk Rating and Deposit Rating and DBRS' Long Term Deposit Rating.

In addition to the requirement that the Guarantor Accounts be moved from the Standby Account Bank to a satisfactorily rated bank if the Standby Account Bank breaches the Standby Account Bank Threshold Ratings as described above, the Guarantor may (in the case of (i) through (iii) below) or shall (in the case of (iv) through (vi) below) terminate the Standby Bank Account Agreement and move the Guarantor Accounts from the Standby Account Bank to a satisfactorily rated bank if: (i) a deduction or withholding for or on account of any taxes is imposed or is likely to be imposed in respect of the interest payable on any Guarantor Account, (ii) there is a breach by the Standby Account Bank of certain representations and warranties or a failure by the Standby Account Bank to perform certain covenants made by it under the Standby Bank Account Agreement, (iii) the Standby Account Bank materially breaches any of its other covenants and obligations under the Standby Bank Account Agreement or the Standby Guaranteed Investment Contract, (iv) the Standby Account Bank ceases or threatens to cease carrying on the business of the Standby Account Bank, (v) an order is made for the winding up of the Standby Account Bank, or (vi) an Insolvency Event occurs with respect to the Standby Account Bank.

References in this Base 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 Guaranteed Investment Contract will be automatically terminated following the closing of the GIC Account or termination of the Bank Account Agreement in accordance with the Bank Account Agreement. In addition, the Guarantor may terminate the GIC Agreement upon the rating of the GIC Provider falling below the Account Bank Threshold Ratings. Under the Guaranteed Investment Contract, the GIC Provider makes the same representations and warranties to the Cash Manager, the Guarantor and the Bond Trustee on the Programme Date and on each date on which an amount is credited to the GIC Account and on each Guarantor Payment Date as are made by the Account Bank and which are described under "*Bank Account Agreement*" above.

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 Bank 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. Under the Standby Guaranteed Investment Contract, the Standby GIC Provider makes the same representations and warranties to the Guarantor and the Bond Trustee on the Programme Date and on each date on which an amount is credited to the Standby GIC Account and on each Guarantor Payment Date as are made by the Standby Account Bank and which are described under "*Standby Bank Account Agreement*" above.

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 or Substitute Assets 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 and/or the Amortization Test, as applicable, is met) to sell such Charged Property.

Under the Security Agreement, the Secured Creditors expressly acknowledge that in exercising any of its powers, trusts, authorities and discretions, the Bond Trustee shall, subject to applicable law, 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.

Under the Security Agreement, the Guarantor represents and warrants to the Secured Creditors that: (i) the Security Agreement creates a valid first priority security interest in the present and future personal property and undertaking of the Guarantor and all proceeds thereof (the "**Collateral**"), (ii) it is the legal and beneficial owner of all Collateral, (iii) the Collateral is free and clear of all liens other than those created in favour of the Bond Trustee and customary permitted liens, (iv) the security interest of the Bond Trustee in the Collateral has been perfected, (v) the Bond Trustee has obtained control pursuant to applicable personal property security legislation of the Collateral that consists of investment property, the Bond Trustee is a "protected purchaser" within the meaning of such legislation, and no other person has control or the

right to obtain control of such investment property, (vi) no authorization, consent or approval from, or notices to, any governmental authority or other person is required for the due execution and delivery by it of the Security Agreement or the performance or enforcement of its obligations thereunder, other than those that have been obtained or made, (vii) it is validly formed and existing as a limited partnership under the laws of the Province of Ontario, (viii) since its date of formation there has been no material adverse change in its financial position or prospects, (ix) it is not the subject of any governmental or other official investigation, nor to its knowledge is such an investigation pending, which may have a material adverse effect, (x) no litigation, arbitration or administrative proceedings have been commenced, nor to its knowledge are pending or threatened, against any of its assets or revenues which may have a material adverse effect, (xi) the Managing GP has (x) at all times carried on and conducted the affairs and business of the Guarantor in the name of the Guarantor as a separate entity and in accordance with the Guarantor Agreement and all laws and regulations applicable to it, (y) at all times kept or procured the keeping of proper books and records for the Guarantor separate from any other person or entity, and (z) duly executed the Transaction Documents for and on behalf of the Guarantor, (xii) its entry into the Transaction Documents and the performance of its obligations thereunder do not and will not constitute a breach of (x) its constitutional documents, (y) any law applicable to it, or (z) any agreement, indenture, contract, mortgage, deed or other instrument to which it is a party or which is binding on it or any of its assets, (xiii) its obligations under the Transaction Documents to which it is a party are legal, valid, binding and enforceable obligations, (xiv) the Transaction Documents to which it is a party have been entered into in good faith for its own benefit and on arm's length commercial terms, (xv) it is not in breach of or default under any agreement, indenture, contract, mortgage, deed or other instrument to which it is a party or which is binding on it or any of its assets which would be reasonably likely to result in a material adverse effect, and (xvi) each of the Transaction Documents to which it is a party has been properly authorized by all necessary action of its Partners and constitutes the legal, valid and binding obligation of, and is enforceable in accordance with its terms against, the Guarantor, 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.

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.

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 among, *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.

Custodial Agreement

Pursuant to the terms of a custodial agreement entered into on the Programme Date (such custodial agreement as amended, restated and/or supplemented from time to time, the "**Custodial Agreement**"), among the Custodian, the Bank, the Guarantor and the Bond Trustee, the Custodian has agreed to, among other things, hold applicable powers of attorney granted by the Bank to the Guarantor, or registered title to the Mortgages for the benefit of the Guarantor, and details of the Portfolio Assets and Substitute Assets, in each case on behalf of the Guarantor, all in accordance with the CMHC Guide. Specifically, In respect of the Loans in the Covered Bond Portfolio, the Custodian will hold registered title to the Mortgages and any applicable related security on behalf of the Guarantor. In order to act as Custodian under the Custodial Agreement, the Custodian must meet the Custodian Qualifications, as described under "*Description of the Canadian Registered Covered Bond Programmes Regime – Custodian*".

In addition, under the terms of the Custodial Agreement, within two Canadian Business Days following any transfer of Loans to or from the Guarantor or any investment in or divestiture of other assets forming part of the Portfolio Assets, the Custodian is to be provided with details in respect of such Loans and Substitute Assets. The Seller is also required to provide updated details of the Portfolio Assets and the Substitute Assets to the Custodian on a quarterly basis and forthwith upon the occurrence of a Registered Title Event.

The Custodian agrees to securely and confidentially hold and remain responsible for the data and documents delivered to it pursuant to the Custodial Agreement until the earlier of (a) the release of such data and documents to a replacement custodian in accordance with the terms of the Custodial Agreement, (b) the termination of the Programme, and (c) in relation to a particular Portfolio Asset or Substitute Asset, its disposition or maturity, as the case may be. In the case of (b) or (c), the Custodian shall either (i) release such data and documents to the Seller (or to such other owner of the Portfolio Assets and Substitute Assets to which such data and documents relate) or as it may direct, or (ii) destroy such data and documents at the instructions of, and in accordance with such procedures as may be satisfactory to, the Seller (or such other owner of the Portfolio Assets and Substitute Assets to which such data and documents relate).

In the event that there is a breach by the Custodian of certain representations and warranties or a failure by the Custodian to perform certain covenants made by it under the Custodial Agreement, the Guarantor will have the right to terminate the Custodial Agreement and appoint a replacement Custodian. The Issuer and the Guarantor may also terminate the Custodial Agreement and appoint a replacement Custodian if the Custodian commits a breach which is either not capable of remedy, or capable of remedy but which is not remedied within 30 days of receipt by the Custodian of notice specifying such breach and requiring the same to be remedied.

Agency Agreement

Under the terms of the Agency Agreement between the Agents, the Issuer, the Guarantor and the Bond Trustee, the Agents have been appointed by the Issuer and the Guarantor to carry out various issuing and paying agency, exchange agency, transfer agency, calculation agency and registrar duties in respect of the Covered Bonds. Such duties include, but are not limited to, dealing with any applicable stock exchanges

and Clearing Systems on behalf of the Issuer and the Guarantor in connection with an issuance of Covered Bonds and making payments of interest and principal in respect of the Covered Bonds upon receipt of such amounts from the Issuer or the Guarantor, as applicable.

Upon the occurrence of an Issuer Event of Default, Potential Issuer Event of Default, a Guarantor Event of Default or Potential Guarantor Event of Default, as applicable, the Bond Trustee may, by notice in writing to the Issuer, the Guarantor and the Agents, require the Agents to thereafter act as agents of the Bond Trustee.

Any Agent or Calculation Agent may resign its appointment under the Agency Agreement and/or in relation to any Series of Covered Bonds upon 30 days' notice to the Issuer, the Guarantor and the Bond Trustee, provided that such resignation will not be effective (i) if the notice period would otherwise expire within 30 days before or after the final maturity date or any interest or other payment date for any Series (or if the resignation is only with respect to a particular Series, such Series), until the 30th day following such final maturity date or any interest or other payment date, and (ii) in certain circumstances, unless a successor has been appointed.

The Issuer or the Guarantor may revoke its appointment of any Agent or Calculation Agent under the Agency Agreement and/or in relation to any Series of Covered Bonds upon 30 days' notice to such Agent or Calculation Agent, provided that in certain circumstances, such revocation will not be effective unless a successor has been appointed. Notwithstanding the foregoing, the Guarantor may revoke the appointment of any Agent or Calculation Agent in the event that there is a breach by such Agent or Calculation Agent of certain representations and warranties or a failure by such Agent or Calculation Agent to perform certain covenants made by it under the Agency Agreement.

The appointment of any Agent or Calculation Agent under the Agency Agreement and in relation to each relevant Series of Covered Bonds shall terminate forthwith if any of the following events or circumstances shall occur or arise, namely: such Agent or Calculation Agent becomes incapable of acting; such Agent or Calculation Agent is adjudged bankrupt or insolvent; such Agent or Calculation Agent files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of a receiver, administrator or other similar official of all or any substantial part of its property or admits in writing its inability to pay or meet its debts as they mature or suspends payment thereof; a resolution is passed or an order is made for the winding-up or dissolution of such Agent or Calculation Agent; a receiver, administrator or other similar official of such Agent or Calculation Agent or of all or any substantial part of its property is appointed; an order of any court is entered approving any petition filed by or against such Agent or Calculation Agent under the provisions of any applicable bankruptcy or insolvency law; or any public officer takes charge or control of such Agent or Calculation Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation.

Modification of Transaction Documents

The provisions of the Transaction Documents generally require that all amendments thereto be in writing and executed by the parties thereto and, in the case of the Swap Agreements, the Bond Trustee, unless the amendment relates to the transfer of the Swap Provider's interests in the Swap Agreements other than as a result of the occurrence of a Downgrade Trigger Event, in which case five Canadian Business Days' prior notice is required to be provided to the Bond Trustee. In addition, any material amendment to a Transaction Document will be subject to satisfaction of the Rating Agency Condition. Pursuant to the terms of the Security Agreement and the Trust Deed, the Bond Trustee is permitted to consent to and/or execute amendments without consulting the other Secured Creditors if the amendment is of a minor or technical nature or the Bond Trustee is otherwise satisfied that the amendment is not reasonably expected to be materially prejudicial to the interests of the Covered Bondholders.

In addition to the general amendment provisions, the Managing GP has the authority to make amendments to the Guarantor Agreement without the consent of any other party in order to cure any ambiguity or correct or supplement any provision thereof, provided that such amendments do not adversely affect the interests of the other Partners, or, while Covered Bonds are outstanding, the Bond Trustee (on behalf of the Secured

Creditors). If the interests of any such party would be adversely affected by a proposed amendment to the Guarantor Agreement, such amendment may only be made by the Managing GP with the consent of such adversely affected Partner and/or the Bond Trustee, as applicable.

For greater certainty, all amendments to the Transaction Documents must comply with the CMHC Guide.

Modification of Ratings Triggers and Consequences

Any amendment to (a) a ratings trigger that (i) lowers the ratings specified therein, or (ii) changes the applicable rating type, in each case as provided for in any Transaction Document, or (b) the consequences of breaching any such ratings trigger, or changing the applicable rating type, provided for in any Transaction Document that makes such consequences less onerous, shall, with respect to each affected Rating Agency only, be deemed to be a material amendment and shall be subject to satisfaction of the Rating Agency Condition from each affected Rating Agency.

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, if applicable, 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;
- Since the applicable ratings of the Issuer by one or more Rating Agencies are below the Reserve Fund Required Amount Ratings, a Reserve Fund will be established by the Guarantor prior to the first issuance of Covered Bonds to hold up to a specified amount in the GIC Account based on the trapping of Available Revenue Receipts and Available Principal Receipts, which Reserve Fund may be in cash and Substitute Assets; and
- under the terms of the GIC, the GIC Provider has agreed to pay a variable rate of interest determined as the percentage discount to the GIC Provider's Prime Rate on all amounts held by the Guarantor in the GIC Account as the Guarantor (or the Cash Manager on its behalf) and the GIC Provider may agree from time to time, provided, however, that in no event shall such rate be less than 0.00 percent. The GIC Provider's Prime Rate means the rate of interest per annum publicly announced from time to time by the GIC Provider as its prime rate in effect at its main branch in Toronto for commercial loans made by it in Canada in Canadian Dollars with each change in such rate being effective from and including the date such change is publicly announced as being effective.

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*" with regards to the terms of the Covered Bond Guarantee. See further "*Cashflows – Guarantee Priority of Payments*" with regards to 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 applicable ratings of the Issuer from one or more Rating Agencies fall below the Pre-Maturity Minimum Ratings. On each Canadian 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**" in respect of a Series of Hard Bullet Covered Bonds on a Pre-Maturity Test Date if:

(a) the rating from DBRS of the Issuer's unsecured, unsubordinated and unguaranteed debt obligations falls below A(low) or R-1(low) if 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 A2 and the Final Maturity Date of the Series of Hard Bullet Covered Bonds falls within 12 months from the relevant Pre-Maturity Test Date,

(each of the aforementioned ratings, 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 shall, subject to any right of pre-emption of the Seller pursuant to the terms of the Mortgage Sale Agreement and the Security Sharing Agreement, as applicable, offer to sell Randomly Selected Loans to Purchasers, unless the Pre-Maturity Liquidity Ledger is otherwise funded from other sources as follows:

(i) 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 in accordance with the Guarantor Agreement with an aggregate principal amount up to the Pre-Maturity Liquidity Required Amount (which shall be a credit to the Pre-Maturity Liquidity Ledger); or

(ii) 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 the Pre-Maturity Liquidity Required Amount (which shall be a credit to the Pre-Maturity Liquidity Ledger);

provided that if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached less than six months prior to the Final Maturity Date of that Series of Hard Bullet Covered Bonds, an Issuer Event of Default will occur if the Guarantor has not taken the required action described above within the earlier to occur of (i) 10 Canadian 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 Pre-Maturity Liquidity Required Amount standing to the credit of the Pre-Maturity Liquidity Ledger. The method for selling Randomly Selected Loans is described in "*Summary of the Principal Documents – Guarantor Agreement – Method of Sale of Portfolio Assets*" above. The proceeds of sale of Randomly Selected Loans 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 Outstanding Principal Balance of each Loan in the Covered Bond Portfolio and has further adjustments to take account of a 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 Loan 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 (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 the occurrence and during the continuance of an Issuer Event of Default, for so long as there are Covered Bonds outstanding, the Guarantor must ensure that, on each Calculation Date following an Issuer Event of Default, 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 establish the Reserve Fund on the GIC Account prior to the first issuance of Covered Bonds, which Reserve Fund will be credited with Available Revenue Receipts and Available Principal Receipts, which amount may be maintained in cash and Substitute Assets, up to an amount equal to the Reserve Fund Required Amount (which amount will be nil at any time following the date of this Base Prospectus that the Issuer's ratings by each of the Rating Agencies are at or above the Reserve Fund Required Amount Ratings) within five (5) Business Days of (i) each date that the ratings by one or more Rating Agencies of the Issuer fall below the Reserve Fund Required Amount Ratings and (ii) each succeeding Calculation Date when Reserve Fund Required Amount Ratings are not met. If the ratings of the Issuer fall below the Reserve Fund Required Amount Ratings at any time when the Reserve Fund is not active, no later than five Canadian Business Days following the occurrence of such event, the Guarantor will be required to establish the Reserve Fund. 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 (i) 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, and (ii) Available Principal Receipts after the Guarantor has paid all of its obligations in respect of items ranking higher than the Reserve Ledger in the Pre-Acceleration Principal Priority of Payments on each Guarantor Payment Date, and may in certain circumstances be funded through an advance under the Intercompany Loan or a Capital Contribution made in cash and held in cash and Substitute Assets.

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.

For purposes of assessing the Reserve Fund, Substitute Assets included in the Reserve Fund must be valued using either:

(a) the close of day bid price on the calculation date, or

(b) the close of day ask price on the calculation date, plus any accrued interest or other accrued amounts, if applicable.

The Guarantor (or the Cash Manager on its behalf) will not be required to maintain the Reserve Fund following the occurrence of an Issuer Event of Default.

Voluntary Overcollateralization

From time to time, the Guarantor may hold Loans and Related Security, Substitute Assets and cash with a value in excess of the value required to satisfy the coverage tests prescribed by the Transaction Documents and the CMHC Guide, including the Asset Coverage Test and the Amortization Test, as applicable. Such excess collateral, excluding, for certainty, any Contingent Collateral, is the "**Voluntary Overcollateralization**". For greater certainty, the calculation of Voluntary Overcollateralization (including in respect of the Asset Coverage Test and the Amortization Test, as applicable) shall not include any credit for any Excess Proceeds received by the Guarantor following an Issuer Event of Default. Pursuant to the terms of the Transaction Documents and provided that the Guarantor must at all times be in compliance with such coverage tests, the terms of the Transaction Documents and the CMHC Guide, the Guarantor is from time to time permitted to:

- apply cash (in an amount up to the Voluntary Overcollateralization) to the repayment of any loan advanced by the Issuer, including the Intercompany Loan;

- distribute cash (in an amount up to the Voluntary Overcollateralization) to the Partners;

- use cash (in an amount up to the Voluntary Overcollateralization) to fund the Yield Supplement Fund;

- subject to the rights of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement and the Security Sharing Agreement, as applicable, transfer, or agree with the Seller to withdraw or remove Loans and Related Security and Substitute Assets (with an aggregate value, in the case of Loans and Related Security, equal to the LTV Adjusted Loan Balance thereof, and in the case of Substitute Assets, equal to the face value thereof, up to the Voluntary Overcollateralization); or

- agree with the Seller to substitute assets owned by the Guarantor with other Loans and Related Security and/or Substitute Assets that in each case comply with the terms of the Transaction Documents, the CMHC Guide and the Covered Bond Legislative Framework.

Any Loans and Related Security and/or Substitute Assets transferred, withdrawn, removed or substituted in accordance with the above will be selected in a manner that would not reasonably be expected to adversely affect the interests of the Covered Bondholders and the consideration received by the Guarantor therefor (whether in cash or in kind) will, unless otherwise prescribed by the terms of the Transaction Documents, not be less than the fair market value thereof. See "*Summary of the Principal Documents – Intercompany Loan Agreement*".

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 when no Asset Coverage Test Breach Notice is outstanding and no Covered Bond Guarantee Activation Event has occurred, Available Revenue Receipts will be allocated and distributed as described below.

The Guarantor or the Cash Manager on its behalf will, as of each Calculation Date, calculate:

(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, if applicable, 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 standing to the credit of the Pre-Maturity Liquidity Ledger at such date is less than the Pre-Maturity Liquidity Required Amount.

On each Guarantor Payment Date, the Guarantor (or the Cash Manager on its behalf) will transfer Available Revenue Receipts from the Revenue Ledger to the Payment Ledger, and use Available Revenue Receipts held by the Cash Manager for and on behalf of the Guarantor and, as necessary, transfer Available Revenue Receipts from the 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;

(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; and

(v) amounts due and payable to the Custodian pursuant to the terms of the Custodial Agreement, together with applicable GST (or other similar taxes) thereon to the extent provided therein;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) payment due to the Interest Rate Swap Provider (including any termination payment due and payable by the Guarantor under the Interest Rate Swap

Agreement (but excluding any Excluded Swap Termination Amount)) pursuant to the terms of the Interest Rate Swap Agreement; and

(ii) payment due to the Covered Bond Swap Provider (including any termination payment due and payable by the Guarantor under the Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) pursuant to the terms of the Covered Bond Swap Agreement;

(e) *fifth*, in or towards payment on the Guarantor Payment Date of, or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine (in the case of any such payment or provision, after taking into account any provisions previously made and any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreement) 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, if applicable, due to a breach of the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds, 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 Pre-Maturity Liquidity Required Amount as calculated on the immediately preceding Calculation Date; and

(ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date;

(i) *ninth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) payment of any Excluded Swap Termination Amounts due and payable by the Guarantor under the Interest Rate Swap Agreement; and

(ii) payment of any Excluded Swap Termination Amounts due and payable by the Guarantor under the Covered Bond Swap Agreement;

(j) *tenth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any indemnity amount due to the 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;

(l) *twelfth*, in or towards a credit to the GIC Account (with a corresponding credit to the Yield Supplement Ledger) of an amount up to but not exceeding the amount by which the Yield Supplement Required Amount for such Guarantor Payment Date exceeds the then existing balance on the Yield Supplement Ledger after taking into account (x) all credits to the Yield Supplement Ledger (other than pursuant to this paragraph (l)) and (y) any withdrawals from the Yield Supplement Fund for such Guarantor Payment Date, in each case, after the immediately prior Guarantor Payment Date and on or prior to such current Guarantor Payment Date; and

(m) *thirteenth*, 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 and the Covered Bond Swap Agreement (other than, in each case, amounts in respect of Swap Collateral Excluded Amounts) on or after the Guarantor Payment Date but prior to the next following Guarantor Payment Date will be applied, together with any provision for such payments made on any preceding Guarantor Payment Date, to make payments (other than in respect of principal) due and payable in respect of the Intercompany Loan Agreement and then the expenses of the Guarantor unless an Asset Coverage Test Breach Notice is outstanding or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Cash Manager may reasonably determine.

Any amounts received under the Interest Rate Swap Agreement and the Covered Bond Swap Agreement on the Guarantor Payment Date or on any date prior to the next succeeding Guarantor Payment Date which are not applied towards a payment or provision in accordance with paragraph (d) above or the preceding paragraph will be credited to the Revenue Ledger and applied as Available Revenue Receipts on the next succeeding Guarantor Payment Date.

Amounts (if any) held by the Cash Manager for and on behalf of the Guarantor or standing to the credit of the Transaction Account which are not required to be applied in accordance with paragraphs (a) to (m) of the Pre-Acceleration Revenue Priority of Payments or paragraphs (a) to (g) of the Pre-Acceleration Principal Priority of Payments below will, if applicable, be deposited by the Cash Manager and, in each case be credited to the appropriate ledger in the 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 one or more Paying Agents 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, if applicable, 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 respect of each such Series in an amount up to but not exceeding the difference between:

(i) the Pre-Maturity Liquidity Required Amount calculated on the immediately preceding Calculation Date; and

(ii) any amounts standing to the credit of the Pre-Maturity Liquidity Ledger on the immediately preceding Calculation Date;

(b) *second*, to pay amounts in respect of principal outstanding on the Demand Loan pursuant to the terms of the Intercompany Loan Agreement;

(c) *third*, to acquire New Loans and their Related Security offered to the Guarantor, if necessary or prudent to ensure that, taking into account the other resources available to the Guarantor, the Asset Coverage Test is met and thereafter to acquire (in the discretion of the Guarantor or the Cash Manager on its behalf) Substitute Assets up to the prescribed limit under the CMHC Guide;

(d) *fourth*, to deposit the remaining Available 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;

(f) *sixth*, 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; and

(g) *seventh*, subject to complying with the Asset Coverage Test, to make Capital Distributions in accordance with the terms of the Guarantor Agreement.

Allocation and distribution of Available Revenue Receipts and Available Principal Receipts when an Asset Coverage Test Breach Notice is outstanding but no Covered Bond Guarantee Activation Event has occurred

At any time an Asset Coverage Test Breach Notice is outstanding but no Covered Bond Guarantee Activation Event has occurred, all Available Revenue Receipts and Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments save that, while any Covered Bonds remain outstanding, no moneys will be applied under paragraphs (b), (e), (j) (to the extent only that such indemnity amounts are payable to a Partner), (k) or (m) of the Pre-Acceleration Revenue Priority of Payments or paragraphs (b), (c), (e) or (g) 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 (g) 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, the Guarantor will, on the Final Maturity Date for any Series of Hard Bullet Covered Bonds, apply all funds standing to the credit of the Pre-Maturity Liquidity Ledger, if applicable (and transferred to the Transaction Account on the relevant Guarantor Payment Date) to repay such 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 and any costs, charges, liabilities and expenses then due or to become due and payable to the Agents in the immediately succeeding Guarantor Payment Period under the provisions of the Agency Agreement together with applicable GST (or other similar taxes) thereon as provided therein, other than any indemnity amounts payable to the Agents in excess of $150,000; and

(ii) any amounts then due and payable by the Guarantor to third parties and incurred without breach by the Guarantor of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any such amounts expected to become due and payable by the Guarantor in the immediately succeeding Guarantor Payment Period and to pay or discharge any liability of the Guarantor for taxes;

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Guarantor Payment Period under the provisions of the Servicing Agreement together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any indemnity amounts payable to the Servicer in excess of $150,000;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Guarantor Payment Period under the provisions of the Cash Management Agreement, together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any indemnity amounts payable to the Cash Manager in excess of $150,000;

(iii) amounts (if any) due and payable to the Account Bank (or, as applicable, the Standby Account Bank) (including costs) pursuant to the terms of the Bank Account Agreement (or, as applicable, the Standby Bank Account Agreement), together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any indemnity amounts payable to the Account Bank (or, as applicable, the Standby Account Bank) in excess of $150,000;

(iv) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (l) below) pursuant to the terms of the Asset Monitor Agreement, together with applicable GST (or other similar taxes) thereon as provided therein; and

(v) amounts due and payable to the Custodian pursuant to the terms of the Custodial Agreement, together with applicable GST (or other similar taxes) thereon as provided therein, other than any indemnity amounts payable to the Custodian in excess of $150,000;

(e) *fifth*, if the Guarantor is Independently Controlled and Governed and has agreed to afford the Interest Rate Swap Provider priority over the holders of Covered Bonds in respect of amounts payable under the Covered Bonds, amounts due and payable to the Interest Rate Swap Provider (excluding any termination payment) in accordance with the terms of the Interest Rate Swap Agreement;

(f) *sixth*, to pay *pro rata* and *pari passu* according to the respective amounts thereof:

(i) (x) if (e) above does not apply, the amounts due and payable to the Interest Rate Swap Provider *pro rata* and *pari passu* according to the respective amounts thereof (including any termination payment due and payable by the Guarantor under the Interest Rate Swap Agreement but excluding any Excluded Swap Termination Amount) or (y) if (e) above applies, any termination payment due and payable by the Guarantor to the Interest Rate Swap Provider (but excluding any Excluded Swap Termination Amount), in each case in accordance with the terms of the Interest Rate Swap Agreement;

(ii) the amounts due and payable to the Covered Bond Swap Provider (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds (including any termination payment (other than in respect of principal) due and payable by the Guarantor to the Covered Bond Swap Provider but excluding any Excluded Swap Termination Amount) in accordance with the terms of the Covered Bond Swap Agreement; and

(iii) to the Bond Trustee or (if so directed by the Bond Trustee) the 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)(iii) 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)(ii) above will be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(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 Payments 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*, to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, any indemnity amounts payable to the Agents, the Servicer, the Cash Manager, the Account Bank (or, as applicable, the Standby Account Bank) and the Custodian, to the extent not paid pursuant to paragraph (c) or (d) above;

(k) *eleventh*, 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;

(l) *twelfth*, 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

(m) *thirteenth*, thereafter any remaining moneys will be applied in accordance with the Guarantor Agreement.

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 from a Swap Provider in respect of a Swap Agreement and 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 and any costs, charges, liabilities and expenses then due or to become 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, other than any indemnity amounts payable to the Servicer in excess of $150,000;

(ii) any remuneration then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any indemnity amounts payable to the Cash Manager in excess of $150,000;

(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, other than any indemnity amounts payable to the Account Bank (or, as applicable, the Standby Account Bank) in excess of $150,000; and

(iv) amounts due to the Custodian pursuant to the terms of the Custodial Agreement, together with applicable GST (or other similar taxes) thereon to the extent provided therein, other than any indemnity amounts payable to the Custodian in excess of $150,000;

(d) *fourth*, if the Guarantor is Independently Controlled and Governed and has agreed to afford the Interest Rate Swap Provider priority over the holders of Covered Bonds in respect of amounts payable under the Covered Bonds, amounts due and payable to the Interest Rate Swap Provider (excluding any termination payment due and payable by the Guarantor under the Interest Rate Swap Agreement) in accordance with 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) (x) if (d) above does not apply, any amounts due and payable to the Interest Rate Swap Provider *pro rata* and *pari passu* according to the respective amounts thereof (including any termination payment (but excluding any Excluded Swap Termination Amounts)), or (y) if (d) above applies, any termination payment due and payable by the Guarantor to the Interest Rate Swap Provider (but excluding any Excluded Swap Termination Amounts), in each case pursuant to the terms of the Interest Rate Swap Agreement;

(ii) the amounts due and payable to the Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds to the Covered Bond Swap Agreement (including any termination payment due and payable by the Guarantor under the Covered Bond Swap Agreement (but excluding any Excluded Swap Termination Amount)) in accordance with the terms of the Covered Bond Swap Agreement; and

(iii) the amounts due and payable under the Covered Bond Guarantee, to the Bond Trustee 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)(ii) above) would be insufficient to pay the Canadian Dollar Equivalent of the amounts due and payable under the Covered Bond Guarantee in respect of each Series of Covered Bonds under (e)(iii) 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)(ii) above to the Covered Bond Swap Provider will be reduced by the amount of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

(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*, to pay or provide for *pro rata* and *pari passu* according to the respective amounts thereof, any indemnity amounts payable to the Servicer, the Cash Manager, the Account Bank (or, as applicable, the Standby Account Bank) and the Custodian, to the extent not paid pursuant to paragraph (c) above;

(h) *eighth*, 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;

(i) *ninth*, towards payment of any indemnity amount due to the Partners pursuant to the Guarantor Agreement;

(j) *tenth*, in or towards payment of the fee due to the Corporate Services Provider; and

(k) *eleventh*, thereafter any remaining moneys will be applied in or towards payment to the Partners pursuant to the Guarantor Agreement.

DESCRIPTION OF THE CANADIAN REGISTERED COVERED BOND PROGRAMS REGIME

On 17 December 2012, CMHC published the first version of the CMHC Guide implementing the legislative framework established by Part I.1 of the *National Housing Act* (Canada) (the "**Covered Bond Legislative Framework**"). On 31 July 2025 CMHC published the new 2025 Canadian Registered Covered Bond Programs Guide (the "**2025 CMHC Guide**"). The 2025 CMHC Guide, which became effective 1 January 2026, has the following requirements, among other things:

(i) requires risk disclosures on market risk, interest rate risk, currency risk and liquidity risk in the monthly investor report (with option to cross-reference prospectuses or offering documents);

(ii) increases the Guide OC Minimum from 103% to 105%;

(iii) broadens the eligible assets for liquidity reserves to include government of Canada securities and repos of government of Canada securities;

(iv) formalizes the requirements for extendable maturities for soft-bullet covered bonds including specifying criteria for determining the extended maturity date, requiring continued payment of interest and, to the extent funds are available, payment of principal during extension periods and specifying notification requirements to CMHC with respect to any maturity extensions;

(v) clarifies mortgage eligibility requirements including amortization requirements and HELOC ineligibility; and

(vi) incorporates prior revised rating requirements that were part of Advice No.12 introduced on 13 November 2019.

Reference to the CMHC Guide in this Base Prospectus is to the 2025 CMHC Guide.

The CMHC Guide elaborates on the role and powers of CMHC as administrator of the Covered Bond Legislative Framework and sets out the conditions and restrictions applicable to registered covered bond issuers and registered covered bond programs.

The CMHC Guide may be further updated from time to time and may result in amendments to the Transaction Documents, which changes will be made in accordance with the respective terms and those documents.

Eligible Issuers

The Covered Bond Legislative Framework provides that in order to apply for registration as a registered issuer, a proposed issuer of covered bonds must be a "federal financial institution", as defined in Section 2 of the Bank Act, or a cooperative credit society that is incorporated and regulated by or under an act of the legislature of a province of Canada.

Eligible Covered Bond Collateral and Coverage Tests

Assets held by a guarantor as collateral for covered bonds issued under a registered program may not include mortgages or other secured residential loans that (i) are insured by CMHC or other Prohibited Insurers, or (ii) have an LTV ratio that exceeds 80 percent. A guarantor may hold substitute assets consisting of Government of Canada securities and repos of such securities, provided that the value of such substitute assets may not exceed 10 percent of the total value of the assets of the guarantor held as covered bond collateral. The Covered Bond Legislative Framework, as further described in the CMHC Guide, further restricts assets comprising covered bond collateral by limiting cash held by the guarantor at any time to the amount necessary to meet the guarantor's payment obligations or Reserve Fund obligations for the next six months, subject to certain exceptions. Asset backed securities cannot be included in

covered bond collateral or substitute assets in a registered covered bond programme under Part I.1 of the *National Housing Act* (Canada).

In addition to confirming a Level of Overcollateralization greater than the Guide OC Minimum, the CMHC Guide requires registered issuers to establish a minimum and maximum level of overcollateralization by adopting a minimum and maximum value for the Asset Percentage to be used to perform the Asset Coverage Test and disclose such Asset Percentages in the issuer's offering documents and in the Registry. Methodology to be employed for the asset coverage and amortization tests is specified in the CMHC Guide. In performing such tests registered issuers are required to adjust the market values of the residential properties securing the mortgages or other residential loans comprising covered bond collateral to account for subsequent price adjustments.

The CMHC Guide also requires that the guarantor engage in certain risk-monitoring and risk-mitigation practices, including (i) measurement of the present value of the assets comprising covered bond collateral as compared to the outstanding covered bonds (the "**Valuation Calculation**"), and (ii) hedging of its interest rate and currency exchange risks.

Bankruptcy and Insolvency

The Covered Bond Legislative Framework contains provisions that will limit the application of the laws of Canada and the provinces and territories relating to bankruptcy, insolvency and fraudulent conveyance to the assignments of loans and other assets to be held by a guarantor as covered bond collateral under a registered covered bond program. Such provisions will not be applicable to any covered bonds that are issued under a registered program at a time that the registered issuer has been suspended by CMHC in accordance with the powers afforded to it under the Covered Bond Legislative Framework and the CMHC Guide.

Qualifications of Counterparties

The CMHC Guide prescribes certain qualifications for each of the counterparties to a registered covered bond program, including that such counterparty (i) possess the necessary experience, qualifications and facilities to perform its obligations under the program, (ii) meet or exceed any minimum standards prescribed by an applicable rating agency, (iii) if regulated, be in regulatory good standing, (iv) be in material compliance with any internal policies and procedures relevant to its role as a counterparty, and (v) be in material compliance with all laws, regulations and rules applicable to that aspect of its business relevant to its role as a counterparty (collectively, the "**Counterparty Qualifications**"). In connection with the Programme, the counterparties are the Swap Providers, the Servicer, the Cash Manager, the Asset Monitor, the Custodian, the Bond Trustee, the Paying Agent, the Account Bank, the Standby Account Bank, the GIC Provider and the Standby GIC Provider (collectively, the "**Counterparties**"). Each of the Counterparties has represented and warranted in the Transaction Documents that it meets the Counterparty Qualifications.

Asset Monitor

The role of the asset monitor, as well as the specified procedures to be carried out by the asset monitor, are also detailed in the CMHC Guide. The asset monitor's responsibilities include confirmation of the arithmetical accuracy of the tests required by the CMHC Guide to be carried out under the registered covered bond program and the preparation and delivery of an annual report detailing the results of the specified procedures undertaken in respect of the covered bond collateral and the program. In addition to the Counterparty Qualifications, the asset monitor must be either (i) a firm engaged in the practice of accounting that is qualified to be an auditor of the registered issuer under the Bank Act and Canadian generally accepted auditing standards, or (ii) otherwise approved by CMHC (the "**Asset Monitor Qualifications**"). The Asset Monitor has represented and warranted in the Transaction Documents that it meets the Asset Monitor Qualifications.

Custodian

The CMHC Guide requires that a registered issuer appoint a custodian for each of its registered covered bond programs. The custodian's responsibilities include holding registered title to the Portfolio Assets on behalf of the Guarantor, applicable powers of attorney granted by the Bank to the Guarantor and details of the Portfolio Assets and Substitute Assets. In addition to the Counterparty Qualifications, the custodian must satisfy certain other qualifications, including that it (i) be a federally or provincially chartered institution authorized to act in a fiduciary capacity with respect to valuable documents, or a chartered bank as described in Schedule I to the Bank Act, (ii) be equipped with secure, fireproof storage facilities, with adequate controls on access to assure the safety, confidentiality and security of the documents in accordance with customary standards for such facilities, (iii) use employees who are knowledgeable in the handling of mortgage and security documents and in the duties of a mortgage and security custodian, (iv) have computer systems that can accept electronic versions of asset details and be able to transmit that data as required by the CMHC Guide, and (v) be at arm's length from (and otherwise independent and not an affiliate of) the registered issuer (collectively, the "**Custodian Qualifications**"). The Custodian has represented and warranted in the Transaction Documents that it meets the Custodian Qualifications.

Bond Trustee

A registered issuer is required to appoint a bond trustee to represent the views and interests, and to enforce the rights, of the covered bondholders. In addition to the Counterparty Qualifications, a bond trustee must be at arm's length from (and otherwise independent and not an affiliate of) the registered issuer (the "**Bond Trustee Qualifications**"). The Bond Trustee has represented and warranted in the Transaction Documents that it meets the Bond Trustee Qualifications.

Ratings

If there are covered bonds outstanding under a registered covered bond program, at least one rating agency must at all times have current ratings assigned to at least one series or tranche of covered bonds outstanding, and swap counterparties must maintain applicable credit ratings from no less than two rating agencies.

Disclosure and Reporting

The CMHC Guide sets out a number of disclosure and reporting obligations for registered covered bond issuers. Underlying these obligations is the principle that investors should have access to all material information with respect to the registered issuer and the relevant series of covered bonds in order to make an informed investment decision with respect to buying, selling or holding such covered bonds. Registered covered bond issuers will be required to maintain a website where investors can access, among other things, material transaction documents, monthly reports on the covered bond collateral and static covered bond collateral portfolio data that users may download and analyze. The provisions of the CMHC Guide permit registered issuers to restrict access to such website (for example, through the use of a password) in order to comply with securities laws or otherwise. The Issuer's website can be found at https://www.fairstonebank.ca/covered-bonds.

Status of the Issuer and the Programme

The Issuer and the Programme were registered in the Registry in accordance with the Covered Bond Legislative Framework and the CMHC Guide on 8 September 2026.

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

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.

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 Euroclear and/or Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system.

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 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 Dealers will be responsible for any performance by 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 "**ITA**") and Income Tax Regulations (the "**Regulations**") generally applicable as of the date hereof to a holder of Covered Bonds who acquires, as a beneficial owner, Covered Bonds, including entitlement to all payments thereunder, pursuant to this Base Prospectus, and who, for purposes of the ITA, at all relevant times, (a) is not resident and is not deemed to be resident in Canada, (b) deals at arm's length with the Issuer and the Guarantor, and with any Canadian resident (or deemed Canadian resident) to whom the holder assigns or otherwise transfers the Covered Bonds, (c) is not affiliated with the Issuer or the Guarantor; (d) is not a "specified non-resident shareholder" (within the meaning of subsection 18(5) of the ITA) of the Issuer or any direct or indirect partner of the Guarantor for purposes of the ITA or a non-resident person not dealing at arm's length with a "specified shareholder" (within the meaning of subsection 18(5) of the ITA) of the Issuer or any direct or indirect partner of the Guarantor, (e) 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 (f) is not an insurer carrying on an insurance business in Canada and elsewhere (a "**Non-resident Holder**").

This summary assumes that no amount paid or payable in respect of the Covered Bonds (including in respect of any disposition of the Covered Bonds) will be the deduction component of a "hybrid mismatch arrangement" under which the payment arises (within the meaning of paragraph 18.4(3)(b) of the ITA).

This summary does not address the possible application of the "hybrid mismatch arrangement" rules contained in the ITA to a Non-resident Holder (a) that disposes of a Covered Bond to a person or entity with which it does not deal at arm's length or to an entity that is a "specified entity" (as defined for purposes of such rules) in respect of the Non-resident Holder or in respect of which the Non-resident Holder is a "specified entity", (b) that acquires, holds or disposes of a Covered Bond under, or in connection with, a "structured arrangement" (as defined for purposes of such rules), or (c) in respect of which the Issuer or Guarantor is a "specified entity". Such Non-resident Holders should consult their own tax advisers.

This summary is based upon the provisions of the ITA and the Regulations in force on the date hereof. This summary takes into account proposed amendments to the ITA and the Regulations in the form publicly announced prior to the date hereof by or on behalf of the Minister of Finance (Canada) (the "**Tax Proposals**") and current administrative policies of the Canada Revenue Agency ("**CRA**") published in writing by it prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as currently proposed; however, no assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all Canadian federal income tax considerations relevant to an investment in Covered Bonds and does not otherwise take into account or anticipate any other changes in law or any changes in CRA's administrative policies, whether by legislative, governmental or judicial decision, action or interpretation, nor does it take into account any other federal or any provincial, territorial or foreign income tax legislation. Subsequent developments could have a material effect on the following description.

The following summary of certain Canadian federal withholding tax considerations which may affect a Non-resident Holder is of a general nature only. This summary is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular Non-resident Holder and no representation with respect to the tax consequences to any particular Non-resident Holder is made. Persons considering investing in Covered Bonds should consult their own tax advisors with respect to the tax consequences of acquiring, holding and disposing of Covered Bonds having regard to their own particular circumstances.

The Canadian federal income tax considerations applicable to Covered Bonds may be described more particularly, when such Covered Bonds are offered, in the applicable Final Terms related thereto. In the event the Canadian federal income tax considerations are described in such Final Terms, the following description will be superseded by the description in the Final Terms to the extent indicated therein.

In general, for the purpose of the ITA, all amounts not otherwise expressed in Canadian dollars must be converted into Canadian dollars based on the single day exchange rate as quoted by the Bank of Canada for the applicable day or such other rate of exchange that is acceptable to the Minister of National Revenue (Canada).

Interest (including amounts on account or in lieu of payment of, or in satisfaction of, interest) paid or credited or deemed for purposes of the ITA to be paid or credited by the Issuer on a Covered Bond to a Non-resident Holder will not be subject to Canadian non-resident withholding tax unless all or any portion of such interest (other than interest that is paid or payable 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 of any class or series of shares of the capital stock of a corporation ("**Participating Debt Interest**"). A "prescribed obligation" is an "indexed debt obligation" (defined below) no amount payable in respect of which is contingent or dependent upon the use of or production from property in Canada or is computed by reference to any of the criteria described in the Participating Debt Interest definition above, other than by reference to a change in the purchasing power of money. An "indexed debt obligation" is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding that is determined by reference to a change in the purchasing power of money.

In the event that a Covered Bond, the interest (or deemed interest) on which is not exempt from Canadian withholding tax upon its terms, is redeemed, cancelled 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, together with any interest that has accrued or is deemed to have accrued on the Covered Bond to that time, be subject to non-resident withholding tax. Such withholding tax will apply if all or any portion of such interest (or deemed interest) is Participating Debt Interest unless, in certain circumstances, the Covered Bond is considered to be an "excluded obligation" for purposes of the ITA. A Covered Bond that is not an "indexed debt obligation" 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 in the ITA), and if the yield from such Covered Bond, expressed in terms of an annual rate (determined in accordance with the ITA) on the amount for which the Covered Bond was issued, does not exceed 4/3 of the interest stipulated to be payable on the Covered Bond, expressed in terms of an annual rate on the outstanding principal amount from time to time.

If interest is subject to non-resident withholding tax, the applicable withholding tax rate is 25 percent, subject to reduction under the terms of an applicable income tax treaty or convention between Canada and the country in which the Non-resident Holder is resident, if any.

Amounts 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 such amounts, if paid or credited by the Issuer to such Non-resident Holder on such Covered Bond, would have been exempt.

Generally, there are no other Canadian federal taxes on income (including taxable capital gains) payable by a Non-resident Holder on interest, discount or premium in respect of a Covered Bond or on the proceeds received by a Non-resident Holder on the disposition of a Covered Bond (including on a redemption, payment on maturity, cancellation or purchase).

Under the Organisation for Economic Co-operation and Development's ("**OECD**") initiative for the automatic exchange of information, many countries have committed to automatic exchange of information relating to accounts held by tax residents of signatory countries, using a common reporting standard.

Canada has implemented the OECD's Multilateral Competent Authority Agreement and Common Reporting Standard ("**Common Reporting Standard**"), which provides for the automatic exchange of tax information. Canadian financial institutions (and their branches in other jurisdictions) are required to report certain

information concerning certain investors resident in participating countries to the CRA (or the relevant tax authority in the branch jurisdiction, as appropriate) and to follow certain due diligence procedures. The CRA (or other relevant tax authority) will provide such information on a bilateral, reciprocal basis to the tax authorities in the applicable investors' countries of residence, where such countries have enacted the Common Reporting Standard or otherwise as required under the Common Reporting Standard.

In addition, domestic tax reporting obligations may, subject to any relevant exceptions or concessions, require a Paying Agent to report certain information (which may include the name and address of the Covered Bondholder) to the relevant tax authority in the jurisdiction in which a Paying Agent operates. Any information obtained may, in certain circumstances, be exchanged by that tax authority with the tax authority of the jurisdiction in which the Covered Bondholder is resident for tax purposes.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Canada) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction may be required to remit prescribed information in respect of certain investors (including US residents or citizens) to applicable tax authorities (which may remit the information to the IRS), but would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds executed on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Covered Bonds (as described under "*Terms and Conditions of the Covered Bonds—Further Issues*") that are not distinguishable from previously issued Covered Bonds are executed after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds executed prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Covered Bonds.

SUBSCRIPTION AND SALE AND SELLING RESTRICTIONS

Covered Bonds may be sold from time to time by the Issuer to RBC Europe Limited 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, the Dealers are set out in a dealership agreement entered into on 21 September 2026, and made between the Bank and RBC Europe Limited as Dealer and Arranger that sets out the arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers (as the same may be amended, supplemented or replaced, the "**Dealership Agreement**"). The Dealership Agreement provides 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.

Other Relationships

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, the Guarantor and their affiliates, in the ordinary course of business, for which they received or will receive customary compensation and, as applicable, without regard to the Issuer, the Bond Trustee, the Holders of the Covered Bonds or the Guarantor.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers without regard to the Issuer, the Bond Trustee, the Holders of the Covered Bonds or the Guarantor. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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 and also without the consent of the Issuer.

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 and each further Dealer appointed under the Programme 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 Base 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 and also without the consent of the Issuer.

United States of America

The Issuer is a Regulation S, Category 2 issuer. The Covered Bonds issued pursuant to this Base Prospectus and the related Covered Bond Guarantee have not been and will not be registered under the Securities Act or the securities laws or "blue sky" laws of any state of the United States or any other jurisdiction and may not be offered or sold, directly or indirectly, 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) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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 Regulation 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, and except in either case in accordance with Regulation S. 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 (as defined in Regulation S) 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.

In addition, until 40 days after the completion of the distribution 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.

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 issued pursuant to this Base Prospectus (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 Registered 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, and each 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 Registered Global Covered Bond will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

(a) that it is outside the United States and is not a U.S. person and it is not purchasing (or holding) the Covered Bonds for the account or benefit of a U.S. person;

(b) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or any applicable U.S. State securities laws and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except as set forth in this section and in compliance with applicable U.S. securities laws;

(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 Registered Global Covered Bond and either is a person located outside the United States or 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 (1) 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 (i) to the Issuer or any affiliate thereof, (ii) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (iii) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (iv) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(e) that 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 if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of the Tranche of Covered Bonds of which such Covered Bonds are a part), it will do so only (a) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Covered Bonds represented by a Regulation S Covered Bond 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 UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE "AGENCY AGREEMENT") AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE SECURITIES OF THE TRANCHE OF WHICH THIS SECURITY FORMS PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO U.S. PERSONS UNLESS MADE PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT."; and

(g) that the Issuer, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the 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.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of the Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available, any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II;

(b) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(c) not a qualified investor as defined in the Prospectus Regulation.

If the Final Terms in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", then in relation to each Member State, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Member State except that it may make an offer of Covered Bonds to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors, as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplement to a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of these provisions, the expression an "offer" in relation to any Covered Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Final Terms in respect of any Covered Bonds specify "Prohibition of Sales to UK Retail Investors" as "Not Applicable", 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 otherwise made available and will not offer, sell, distribute or otherwise make available any Covered Bonds which are

the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is either one (or both) of the following:

(i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended; or

(ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024, and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to buy or subscribe for the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of this Base Prospectus as completed by the Final Terms in relation thereto to the public in the UK except that it may make an offer:

(A) at any time to any legal entity which is a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs;

(B) at any time to fewer than 150 persons (other than qualified investors as defined in paragraph 15 of Schedule 1 to the POATRs) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(C) at any time in any other circumstances falling within Part 1 of Schedule 1 to the POATRs.

For the purposes of this provision, the expression "**an offer of Covered Bonds to the public**" in relation to any Covered Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to buy or subscribe for the Covered Bonds and the expression "**POATRs**" means the Public Offers and Admissions to Trading Regulations 2024.

Other United Kingdom regulatory restrictions

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to Covered Bonds which have a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) 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 Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the UK.

Other Jurisdictions

Belgium

This Prospectus relates to a placement of the Covered Bonds to qualified investors only within the meaning of Article 2 e) of the Prospectus Regulation. The offering has not been and will not be notified to, and this Prospectus has not been, and will not be, approved by the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) pursuant to the Belgian laws and regulations applicable to the public offering of investment instruments. Accordingly, the offering, as well as any other materials relating to the offering may not be advertised, the Covered Bonds may not be offered or sold, and this Prospectus or any other information circular, brochure or similar document may not be distributed, directly or indirectly, (i) to any person located and/or resident in Belgium other than a "qualified investor" within the meaning of the Prospectus Regulation or (ii) to any person qualifying as a consumer within the meaning of Article I.1, 2° of the Belgian Code of economic law for the purposes of Book VI of the Belgian Code of economic law unless this is in compliance with the relevant provisions of such Code and the implementing regulation. This Prospectus has been issued to the intended recipient for personal use only and exclusively for the purpose of the offer. Therefore, it may not be used for any other purpose, nor passed on to any other person in Belgium.

Any resale of the Covered Bonds in Belgium may only be made in accordance with the Prospectus Regulation, the Belgian Prospectus Act of 11 July 2018 on the offering of investment instruments to the public and the admission of investment instruments to trading on a regulated market and other applicable laws.

Covered Bonds in bearer form (including, without limitation, definitive securities in bearer form and securities in bearer form underlying the Covered Bonds) shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purposes of their immobilisation in accordance with Article 4 of the Belgian Law of 14 December 2005.

Denmark

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 or sold and will not offer, sell or deliver any of the Covered Bonds directly or indirectly in Denmark by way of a public offering, unless in compliance with, as applicable, the Prospectus Regulation, the Danish Consolidated Act No. 198 of 26 February 2024 on Capital Markets, as amended, supplemented or replaced from time to time, and Executive Orders issued thereunder and in compliance with Executive Order No. 760 of 14 June 2024, as amended, supplemented or replaced from time to time, issued pursuant to the Danish Financial Business Act.

France

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it undertakes to comply with applicable French laws and regulations in force regarding the offer, the placement or the sale of the Covered Bonds

and the distribution in France of this Base Prospectus or any other offering material relating to the Covered Bonds.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that this Base Prospectus has not been approved by the Securities and Futures Commission in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**") and, accordingly:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Covered Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance")** and any rules made under the Securities and Futures Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies (Winding Up and Miscellaneous Provisions) Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Covered Bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Covered Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

Ireland

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that in respect of the underwriting of Covered Bonds in or involving Ireland:

(a) it will not underwrite the issue of, or place, any Covered Bonds otherwise than in conformity with the provisions of Regulation (EU) 2017/1129, European Union (Prospectus) Regulations 2019 and any applicable supporting law, rule or regulation and any rules issued under section 1363 of the Companies Act, 2014 (as amended) (the "**Companies Act**") by the Central Bank;

(b) it will not underwrite the issue of, or place, any Covered Bonds otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) (the "**MiFID II Regulations**") including, without limitation, Regulation 5 (Requirement for Authorisation (and certain provisions concerning MTFs and OTFs)) thereof, or any rules or codes of conduct made under the MiFID II Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);

(c) it will not underwrite the issue of, or place, any Covered Bonds otherwise than in conformity with the provisions of the Companies Act, the Central Bank Acts 1942 – 2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended); and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, any Covered Bonds otherwise than in conformity with the Market Abuse Regulation (EU

596/2014) (as amended), the European Union (Market Abuse) Regulations 2016 (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act.

Italy

As of the date of this Base Prospectus, the Issuer is not licensed to "collect deposits and other funds with the obligation to reimburse" in Italy in accordance with the provisions of Legislative Decree No. 385 of 1 September 1993, as amended, and therefore, 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 or delivered Covered Bonds, nor has it distributed copies of the Prospectus or any other document relating to the Covered Bonds in the Republic of Italy and nor will it offer, sell or deliver Covered Bonds, nor will it distribute copies of the Prospectus or any other documents relating to the Covered Bonds, in the Republic of Italy.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and each Dealer has represented and agreed, that it has not directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds, in Japan or to, or for the benefit of, any resident of Japan ((which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) 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 other relevant laws and regulations of Japan.

Singapore

Unless the Final Terms in respect of any Covered Bonds specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Covered Bonds or caused the Covered Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Covered Bonds or cause the Covered Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Covered Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the Final Terms in respect of any Covered Bonds specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Covered Bonds or caused the Covered Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Covered Bonds or cause the Covered Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Covered Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a

relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Sweden

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, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Covered Bonds or distribute any draft of definitive document in relation to any such offer, invitation or sale in Sweden except in compliance with the laws of Sweden. This is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in Regulation (EU) 2017/1129 ("**EU Prospectus Regulation**") and the Act (2019:414) with Supplementary Provisions to the EU Prospectus Regulation (Sw. *lag (2019:414) med kompletterande bestämmelser till EU:s prospektförordning*). Neither the Swedish Financial Supervisory Authority nor any other Swedish public body has examined, approved or registered this document.

Switzerland

This Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Covered Bonds. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that (i) the Covered Bonds may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the "**FinSA**") and no application has or will be made to admit the Covered Bonds to trading on any trading venue (exchange or multilateral trading facility) in Switzerland; and (ii) neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

The Netherlands

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, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell the Covered Bonds in the Netherlands other than to qualified investors (as defined in the Prospectus Regulation).

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.

Each Dealer has agreed (and each further Dealer appointed under the Programme will be required to agree) that it shall comply, to the best of its knowledge, with all relevant laws, regulations and directives in each jurisdiction in which it offers, sells or delivers Covered Bonds or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms, in all cases at its own expense. If any jurisdiction in which such offer or solicitation is authorized requires that such offering or sale of the Covered Bonds be made by a licensed broker or dealer and the Arranger or the Dealers or any parent company or affiliate of the Arranger or the Dealers is a licensed broker or dealer in that jurisdiction, such offer or solicitation shall be deemed to be made by such parent company or affiliate on behalf of the Issuer in such jurisdiction.

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 second paragraph above. None of the Issuer or the Dealers represents to an investor or prospective investor in Covered Bonds that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Other persons into whose hands this Base Prospectus, any other offering material 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.

Selling restrictions may be supplemented or modified with the agreement of the Issuer.

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 Regulated Market 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 Euronext Dublin in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

2. The establishment of the Programme, qualification of the Programme as registered covered bond programme under Part I.1 of the *National Housing Act* (Canada) and the Guide and the issue of Covered Bonds has been authorized by the Issuer by a resolution of its board of directors dated 12 August 2026. The giving of the Covered Bond Guarantee has been duly authorized by resolution of the Managing GP on behalf of the Guarantor dated the Programme Date. On 8 September 2026, the Issuer was registered as a registered issuer and the Programme as a registered programme in the Registry. 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.

3. Other than as noted in Note 19 on pages 33 to 34 of the 2025 Consolidated Financial Statements, which is incorporated by reference herein, 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.

4. There has been no significant change in the financial performance or financial position of FBOC and its consolidated subsidiaries, including the Issuer and Guarantor, taken as a whole since the last day of the financial period in respect of which either the most recent unaudited interim condensed consolidated financial statements or audited annual consolidated financial statements of FBOC, whichever is the most recent, have been prepared.

5. There has been no material adverse change in the prospects of FBOC and its consolidated subsidiaries, including the Issuer and the Guarantor, taken as a whole since the last day of the financial period in respect of which the most recent audited annual consolidated financial statements of FBOC have been prepared.

6. The independent auditor of FBOC is EY who are Chartered Professional Accountants and Licensed Public Accountants and are subject to oversight by the Canadian Public Accountability Board. EY is independent of the Bank within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation. The address for EY is set out on the last page hereof.

7. The Issuer does not publish non-consolidated financial statements on an annual or interim basis. The consolidated financial statements of FBOC for the years ended 31 December 2025 and 31 December 2024 prepared in accordance with IFRS, were audited by EY in accordance with Canadian generally accepted auditing standards, which were based on International Standards on Auditing. EY expressed an unmodified opinion thereon in its report dated 26 March 2026.

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 on any weekday (Saturdays, Sundays and public holidays excepted) at the specified offices of the Paying Agent, the Registrar and the Issuer, namely:

(i) the Transaction Documents (including, without limitation, the Trust Deed containing the Covered Bond Guarantee);

(ii) the comparative audited annual consolidated financial statements of FBOC for the two most recently completed fiscal years and the auditor's reports thereon; the Guarantor is not required to prepare any audited accounts on an annual basis pursuant to applicable Canadian law;

(iii) the most recent quarterly report of FBOC including the comparative unaudited interim condensed consolidated financial statements; the Guarantor is not required to prepare any unaudited interim accounts pursuant to applicable Canadian law;

(iv) each Final Terms for a Tranche of Covered Bonds that is admitted to trading on a regulated market in any member state of the EEA in circumstances requiring publication of a prospectus in accordance with the Prospectus Regulation and any directly applicable regulations; and

(v) a copy of this Base Prospectus together with any supplement to this Base Prospectus.

This Base Prospectus together with any supplement to this Base Prospectus or further Prospectus, all information incorporated by reference herein or therein, as applicable, and the Transaction Documents will also be available on the Issuer's website at https://www.fairstonebank.ca/covered-bonds. Copies of the constating documents of the Issuer and copies of the constating documents of the Guarantor are available for viewing at https://www.fairstonebank.ca/covered-bonds.

9. This Base Prospectus and the Final Terms for Covered Bonds that are listed on the Official List and admitted to trading on the Regulated Market of Euronext Dublin will be published on the website of Euronext Dublin available at *http://live.euronext.com*.

10. The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg which will keep 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. 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.

11. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the relevant Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Covered Bonds.

12. 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 https://www.fairstonebank.ca/covered-bonds. The Investor Reports will set out certain information in relation to, among other things, the Covered Bond Portfolio, the Asset Coverage Test, the Valuation Calculation, OC Valuation, Yield Supplement Required Amount, the Amortization Test and the Indexation Methodology, as applicable, and other information required pursuant to the CMHC Guide. 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.

13. The Issuer may, on or after the date of this Base Prospectus make applications for one or more certificates of approval under Article 25 of the Prospectus Regulation, to be issued by the Central Bank to the competent authority in any Member State.

14. 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.

15. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Covered Bonds and is not itself seeking admission of the Covered Bonds to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

16. Notices to Covered Bondholders will be valid, for so long as the Covered Bonds are admitted to trading on Euronext Dublin, when such notice is filed in the Companies Announcement Office of Euronext Dublin.

17. Any websites referred to herein do not form part of this Base Prospectus and have not been scrutinised or approved by the Central Bank.

"**2025 Consolidated Financial Statements**".....	The meaning given to it in "*Information Incorporated by Reference*" on page 72;
"**2026 Annual Consolidated Financial Statements**"	The meaning given to it in "*Information Incorporated by Reference*" on page 72;
"**2026 Second Quarter Financial Statements**"	The meaning given to it in "*Information Incorporated by Reference*" on page 72
"**30/360**"	The meaning given in Condition 5.09 on page 88;
"**30E/360**".....	The meaning given in Condition 5.09 on page 87;
"**30E/360 (ISDA)**"	The meaning given in Condition 5.09 on page 88;
"**360/360**"	The meaning given in Condition 5.09 on page 88;
"**$**", "**C$**", "**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 UK;
"**Account Bank**".....	The Bank of Montreal, acting through its main branch in Toronto, located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, Canada M5X 1A3, together with any successor Account Bank appointed under the Bank Account Agreement;
"**Account Bank Threshold Ratings**".....	The meaning given in "*Summary of the Principal Documents*" on page 202;
"**Accrual Period**"	The meaning given in Condition 5.09 on page 87;
"**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 "*Taxation*" on page 230;
"**Actual/360**".....	The meaning given in Condition 5.09 on page 87;
"**Actual/365 (Fixed)**".....	The meaning given in Condition 5.09 on page 87;
"**Actual/Actual (ICMA)**" or **"Act/Act (ICMA)"**	The meaning given in Condition 5.09 on page 89;
"**Actual/Actual (ISDA**)".....	The meaning given in Condition 5.09 on page 87;

"**Additional Loan Advance**".....	A further drawing by a Borrower (including, but not limited to, Further Advances) in respect of Loans sold by the Seller to the Guarantor; provided that Additional Loan Advances in respect of a Loan shall not include any new advance created pursuant to a separate loan agreement on the same day as all previous advances under such Loan have been repurchased by the Seller pursuant to the Mortgage Sale Agreement;
"**Adjusted Aggregate Asset Amount**" ..	The meaning given in "*Summary of the Principal Documents*" on page 182;
"**Adjusted Required Redemption Amount**"	The meaning given to it in "*Summary of the Principal Documents*" on page 165;
"**Agency Agreement**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 77;
"**Agent**".....	Each of the Paying Agents, the Registrar, and the Transfer Agent;
"**Alternative Base Rate**".....	The meaning given in Condition 13.02(c) on page 106;
"**Amortization Test**"	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;
"**Amortization Test Aggregate Asset Amount**".....	The meaning given in "S*ummary of the Principal Documents*" on page 185;
"**Amortization Test True Balance**".....	The meaning given in "*Summary of the Principal Documents*" on page 185;
"**Amortization Yield**"	The rate defined by the relevant Final Terms;
"**Amortized Face Amount**"	The meaning given in Condition 6.10 on page 96;
"**April 2021 letter**".....	The meaning given in "*Risk Factors*" on page 67;
"**Arranger**".....	RBC Europe Limited;
"**Arrears of Interest**".....	As at any date in respect of any Portfolio Asset, interest (other than interest comprising Capitalized Arrears or Accrued Interest) on that Portfolio Asset which is currently due and payable and unpaid on that date;
"**Asset Coverage Test**"	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;
"**Asset Coverage Test Breach Notice**" .	The notice required to be served by the Guarantor if the Asset Coverage Test has not been met on two consecutive Calculation Dates;
"**Asset Monitor**"	EY, in its capacity as Asset Monitor under the Asset Monitor Agreement, together with any successor asset monitor appointed from time to time;
"**Asset Monitor Agreement**".....	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, restated and/or supplemented from time to time);
"**Asset Monitor Report**"……..	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;
"**Asset Percentage**".....	The meaning given in "S*ummary of the Principal Documents*" on page 184;
"**Asset Percentage Adjusted Loan Balance**"	The meaning given in "*Summary of the Principal Documents*" on page 183;
"**Authorized Underpayment**"	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;
"**Available Principal Receipts**"	On a relevant Calculation Date, an amount equal to the aggregate of (without double counting): (a) the amount of Principal Receipts received during the immediately preceding Calculation Period and credited to the Principal Ledger (but, for the avoidance of doubt, excluding any Principal Receipts received in the Calculation Period commencing on the relevant Calculation Date); (b) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any advances under the Intercompany Loan Agreement (where such proceeds have not been applied to acquire additional Covered Bond Portfolios of Portfolio Assets, refinance an advance under the Intercompany Loan, invest in Substitute Assets, or, in the Guarantor's discretion, fund the Reserve Fund), (ii) any Cash Capital Contributions (where such contributions have not been applied or designated to be applied directly to the Yield Supplement Fund or, in the Guarantor's discretion, been applied directly to the Reserve Fund) 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 amounts received under the Covered Bond Swap Agreement in respect of principal (but, for the avoidance of doubt, excluding in each case any such amounts received in the Calculation Period commencing on the relevant Calculation Date); and (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);
"**Available Revenue Receipts**".....	On a relevant Calculation Date, an amount equal to the aggregate of:

(a) the amount of Revenue Receipts received during the previous Calculation Period and credited to the Revenue Ledger;

(b) other net income of the Guarantor including all amounts of interest received on the Guarantor Accounts, the Substitute Assets 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 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) amounts standing to the credit of the Yield Supplement Fund in excess of the Yield Supplement Required Amount for such Guarantor Payment Date immediately following such Calculation Date;

(e) the amount of any termination payment or premium received from a Swap Provider which is not applied to pay a replacement Swap Provider or to satisfy a termination payment due;

(f) any other Revenue Receipts not referred to in paragraphs (a) to (e) (inclusive) above received during the previous Calculation Period and standing to the credit of the Revenue Ledger; and

(g) following the service of a Notice to Pay on the Guarantor, amounts standing to the credit of the Reserve Fund;

less

(h) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller or the applicable Originator;

"**Bank**"	Fairstone Bank of Canada;
"**Bank Account Agreement**".....	The bank account agreement entered into on the Programme Date by and among the Guarantor, the Account Bank, the Cash Manager and the Bond Trustee (as amended and/or restated and/or supplemented from time to time) and, if applicable, unless the context requires otherwise, the Standby Bank Account Agreement;
"**Bank Act**"	*Bank Act* (Canada);
"**Banking Day**"	The meaning given in Condition 5.09 on page 86;
"Base Prospectus"	The meaning given on the cover page;
"Base Rate Modification" ……	The meaning given in Condition 13.02(c) on page 106;
"Base Rate Modification Certificate"…	The meaning given in Condition 13.02(c) on page 107;
"**Basel III**"	The meaning given in "*Risk Factors*" on page 68;
"**Basel Committee**"	The Basel Committee on Banking Supervision;
"**Basel III Reform**".....	The meaning given in "*Risk Factors*" on page 68;

"**Belgian Consumer**" ……	The meaning given in "*Subscription and Sale and Selling Restrictions*" on page 238;
"**Benchmark**"	The meaning given on page 60;
"**Benchmarks Regulation**"……	EU Benchmark Regulation (Regulation (EU) 2016/1011);
"**BIA**".....	The meaning given in "*Risk Factors*" on page 67;
"**Board**"	The board of directors of the Issuer;
"**Bond Basis**"	The meaning given in Condition 5.09 on page 88;
"**Bond Trustee**".....	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;
"**Borrower**".....	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 and in relation to a Multiproduct Mortgage Loan or a Line of Credit Loan, the person or persons specified as such in the relevant Multiproduct Mortgage together with the person or persons (if any) from time to time assuming an obligation under such Multiproduct Mortgage Loan or a Line of Credit Loan to repay such Multiproduct Mortgage Loan or a Line of Credit Loan or any part of it;
"**Branch of Account**".....	The meaning given in Condition 18.01 on page 112;
"BRRD"	The meaning given in "*Risk Factors*" on page 38;
"**Business Centre**"	The business centre or centres specified in the applicable Final Terms;
"**Business Day**"	The meaning given in Condition 5.09 on page 86;
"**Business Day Convention**"	The meaning given in Condition 5.09 on page 86;
"**Calculation Agent**"	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;
"**Calculation Amount**".....	The meaning given in the applicable Final Terms;
"**Calculation Date**".....	The meaning given in Condition 7.01 on page 98;
"**Calculation Period**"	In respect of a Calculation Date for a month, the period from, but excluding, the Calculation Date of the previous month to, and including, the Calculation Date of the current month and, for greater certainty, references to the "**immediately preceding Calculation Period**" or the "**previous Calculation Period**" in respect of a Calculation Date are references to the Calculation Period ending on such Calculation Date, provided that the first Calculation Period begins on, but excludes, the Programme Date;
"**Call Option**".....	The meaning given in the applicable Final Terms;
"**Call Option Date(s)**"	The meaning given in Condition 6.04 on page 94;

"**Call Option Period**"	The meaning given in Condition 6.04 on page 94;
"**Canadian Business Day**"	The meaning given in Condition 5.09 on page 87;
"**Canadian Dollar Equivalent**"	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 (x) the relevant Covered Bond FX Rate relating to such Covered Bond, or (y) for the purposes of the Amortization Test only, if the Covered Bond Swap Agreement relating to such Covered Bond is no longer in force by reason of termination or otherwise, the end of day spot foreign exchange rate determined by the Bank of Canada on the related date of determination, and (ii) Canadian dollars, the applicable amount in Canadian dollars;
"**Capital Account Ledger**"	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;
"**Capital Balance**"	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;
"**Capital Contribution**"	In relation to each Partner, the aggregate of the capital contributed by or agreed to be contributed by that Partner to the Guarantor from time to time by way of Cash Capital Contributions and Capital Contributions in Kind as determined on each Calculation Date in accordance with the formula set out in the Guarantor Agreement;
"**Capital Contribution Balance**"	The balance of each Partner's Capital Contributions as recorded from time to time in the relevant Partner's Capital Account Ledger;
"**Capital Contributions in Kind**"	A contribution of Loans and their Related Security on a fully-serviced basis to the Guarantor in an amount equal to (a) the aggregate of the fair market value of those Loans as at the relevant Transfer Date, minus (b) any cash payment paid by the Guarantor for such Loans and their Related Security on that Transfer Date;
"**Capital Distribution**"	Any return on a Partner's Capital Contribution in accordance with the terms of the Guarantor Agreement;
"**Capitalized Arrears**"	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;
"**Capitalized Expenses**"	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;
"**Cash Capital Contributions**"	A Capital Contribution made in cash;
"**Cash Management Agreement**"	The meaning given in "*Summary of the Principal Documents*" on page 192;

"**Cash Management Deposit Ratings**" .	The threshold ratings of BBB(low) or R-2(middle) (in respect of DBRS; provided that, for greater certainty, only one of such ratings from DBRS is required to be at or above such ratings) and Baa2 and P-2 (in respect of Moody's), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations rating (in the case of DBRS) or the deposit rating (in the case of Moody's), in each case, of the Cash Manager by the applicable Rating Agencies;
"**Cash Manager**"	Fairstone Bank of Canada, 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;
"**Cash Manager Required Ratings**"	The threshold ratings BB(low) or R-2(middle) (in respect of DBRS; provided that, for greater certainty, only one of such ratings from DBRS is required to be at or above such ratings) and Ba3(cr) (in respect of Moody's), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations rating (in the case of DBRS) or the long-term counterparty risk assessment (in the case of Moody's), in each case, of the Cash Manager by the applicable Rating Agencies;
"**CCAA**".....	The meaning given in "*Risk Factors*" on page 67;
"**Central Bank**"	The Central Bank of Ireland;
"**Charged Property**"	The property charged by the Guarantor pursuant to the Security Agreement;
"**Clearing Systems**".....	Clearstream, Luxembourg and Euroclear;
"**Clearstream, Luxembourg**"	Clearstream Banking S.A.;
"**CMHC**"	Canada Mortgage and Housing Corporation, a Canadian federal crown corporation, and its successors responsible for administering the Covered Bond Legislative Framework;
"**CMHC Guide**" .....……	The Canadian Registered Covered Bond Programs Guide published by CMHC, as the same may be amended, restated or replaced from time to time;
"**Code**"	The meaning given in Condition 8.01 on page 101;
"**Collateral Mortgage**"	A mortgage or hypothecary instrument that secures more than one loan, indebtedness or liability, including those that secure "all indebtedness". Each Loan secured by a collateral mortgage shall be treated as a separate and distinct loan;
"**Common Reporting Standard**".....	The meaning given on page 231;
"**Common Safekeeper**"	A common safekeeper for Euroclear and/or Clearstream, Luxembourg;
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	The meaning given in "*Subscription and Sale and Selling Restrictions*" on page 238;
"**Conditions**"	Terms and conditions of the Covered Bonds as described under "*Terms and Conditions of the Covered Bonds*";

"**Contingent Collateral**"	On any Business Day, in respect of the Covered Bond Swap Agreement or the Interest Rate Swap Agreement and only if permitted under the applicable Swap Agreement, the Loans and Related Security and the Substitute Assets of the Guarantor in an aggregate amount equal to the Contingent Collateral Amount in respect of the related Swap Agreement, provided that (i) in determining the value of (x) the Loans and Related Security, the LTV Adjusted Loan Balance thereof is used and (y) the Substitute Assets, the Trading Value thereof is used, and (ii) such Loans, Related Security and Substitute Assets are excluded from the determination of the Asset Coverage Test and/or the Amortization Test, as applicable;
"**Contingent Collateral Amount**".....	On any Business Day, in respect of the Covered Bond Swap Agreement or the Interest Rate Swap Agreement, as applicable, an amount equal to the Guarantor's "Exposure" under and as defined in the related Swap Agreement, in each case, calculated as if the confirmation thereunder was in effect on such Business Day;
"**Contingent Collateral Notice**"	In respect of the Covered Bond Swap Agreement or the Interest Rate Swap Agreement, as applicable, a notice delivered by the relevant Swap Provider, in its capacity as, and only if it is the, lender under the Intercompany Loan Agreement, to the Guarantor, that, as of the effective date of such notice and in respect of: (i) a Contingent Collateral Trigger Event in relation to the Covered Bond Swap Agreement or the Interest Rate Swap Agreement, (ii) a Downgrade Trigger Event, or (iii) an event of default (other than an insolvency event of default) or an additional termination event, in each case, under the relevant Swap Agreement in respect of which Party A is the sole defaulting party or the sole affected party, as applicable, it elects to decrease the amount of the Demand Loan with a corresponding increase in the amount of the Guarantee Loan, in each case, in an amount equal to the related Contingent Collateral Amount(s), which notice shall continue in effect until (x) the event in (i), (ii) or (iii) above, as applicable, is cured, or (y) the relevant Swap Provider and the Guarantor mutually agree to terminate such notice;
"**Contingent Collateral Trigger Event**".	If applicable under the relevant Swap Agreement, the unsecured, unsubordinated and unguaranteed debt obligations of the Covered Bond Swap Provider or the Interest Rate Swap Provider, as applicable, or any credit support provider or guarantor from time to time in respect of the Covered Bond Swap Provider or the Interest Rate Swap Provider, as applicable, cease to be rated at least BBB(high) by DBRS or Baa1 by Moody's;
"**Contractual Currency**"	The meaning given in Condition 16 on page 111;

"**Corporate Services Agreement**"	The meaning given in "*Summary of the Principal Documents*" on page 207;
"**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;
"**Counterparty Qualifications**"	The meaning given in "*Description of the Canadian Registered Covered Bond Programs Regime*" on page 227;
"**Cover Pool Collateral**"	The meaning given in "*Summary of the Principal Documents*" on page 181;
"**Covered Bond**"	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 Registered Global Covered Bond or a Registered Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 12;
"**Covered Bond FX Rate**".....	In relation to a Covered Bond or Tranche or Series of Covered Bonds, the rate at which Covered Bonds denominated in a currency other than CAD shall be converted into CAD at the date of the agreement to issue such Covered Bonds being the spot rate of exchange for the purchase of such currency against payment of CAD being quoted by the Covered Bond Swap Provider 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 (which shall be specified as the "Exchange Rate" in the Investor Reports), and in all other cases, the date of the applicable Final Terms;
"**Covered Bond Guarantee**"	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;
"**Covered Bond Guarantee Activation Event**"	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;
"**Covered Bond Legislative Framework**"	The meaning given in "*Description of the Canadian Registered Covered Bond Programs Regime*" on page 226;
"**Covered Bond Portfolio**"	The Initial Covered Bond Portfolio and each additional portfolio of Portfolio Assets acquired by the Guarantor;
"**Covered Bond Swap Agreement**".....	Before the occurrence of a Covered Bond Guarantee Activation Event, the Issuer Swap Transaction and the Novation Agreement, and on and after the occurrence of a Covered Bond Guarantee Activation Event, 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 credit support annex, if applicable, and confirmation(s) evidencing transaction(s) in relation to each Tranche or Series of Covered Bonds novated by the Issuer to the Guarantor pursuant to the Novation Agreement (as amended and/or restated and/or supplemented from time to time);
"**Covered Bond Swap Early Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 199;
"**Covered Bond Swap Provider**"	The provider(s) of the Covered Bond Swap under the Covered Bond Swap Agreement applicable to the relevant series of Covered Bonds;
"**CPR**"…….....	Constant prepayment rate and is a measurement commonly used for prepayments on mortgage loans relative to a prepayment standard or model. The constant prepayment rate, or "CPR", model assumes that the outstanding principal balance of the applicable mortgage pool prepays at a constant annual rate. In generating monthly cash flows, this rate is converted to an equivalent constant monthly rate. To assume 10% CPR or any other CPR percentage is to assume that the equivalent constant monthly percentage (i.e. 0.87416% is the approximate equivalent monthly percentage of 10% CPR) of the then outstanding principal balance of the applicable mortgage pool (after giving effect to all scheduled payments of principal based on the original amortization periods of the mortgage loans as at the applicable cut-off date) is prepaid on the first of each month. Any prepayment model used does not purport to be a historical description of prepayment experience or a prediction of the anticipated rate of prepayment of any pool of mortgage loans;
"**CRA Regulations**"	The meaning given on page 3;
"**Current Balance**"	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;
"**Custodial Agreement**".....	The meaning given in "*Summary of the Principal Documents*" on page 207;
"**Custodian**"	Computershare Trust Company of Canada, as custodian for the Guarantor under the Custodial Agreement, together with any successor custodian appointed from time to time;
"**Cut-off Date**"	The second Canadian 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 87;

"**DBRS**"	DBRS Limited;
"**Dealers**"	RBC Europe Limited, 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 Base 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 "*Subscription and Sale and Selling Restrictions*" on page 233;
"**December 2014 letter**"……	The meaning given in "*Risk Factors*" on page 67;
"**Default Rate**"……	The meaning given to it in Condition 5.06 on page 85;
"**Demand Loan**"	The meaning given in "*Summary of the Principal Documents*" on page 151;
"**Demand Loan Contingent Amount**" ...	The meaning given in "*Summary of the Principal Documents*" on page 153;
"**Demand Loan Repayment Event**".....	The meaning given in "*Summary of the Principal Documents*" on page 152;
"**Designated Maturity**"	In relation to the ISDA Determination, the meaning given in the ISDA Definitions, or, in relation to Screen Rate Determination, the meaning given in Condition 5.09 on page 86;
"**Determination Date**".....	The meaning given in the applicable Final Terms;
"**Determination Period**"	The meaning given in Condition 5.09 on page 89;
"**DISC**"	The meaning given on page 4;
"**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);
"**distributor**".....	The meaning given on page 4;
"**Downgrade CBS Trigger Event**"	The meaning given in "*Summary of the Principal Documents*" on page 200;
"**Downgrade IRS Trigger Event**".....	The meaning given in "*Summary of the Principal Documents*" on page 195;
"**Downgrade Trigger Event**".....	The meaning given in "*Summary of the Principal Documents*" on page 200;
"**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 Canadian 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 Canadian 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;

"**Earliest Maturing Covered Bonds**"..... 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) 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);

"**Early Redemption Amount**"..... The meaning given in the relevant Final Terms;

"**ECB**" ..... European Central Bank;

"**EEA**" or "**European Economic Area**" .. The meaning given on page 2;

"**Effective Monthly Payment**"…… For each Yield Supplement Reference Loan and the related Calculation Period, the monthly payment of principal and interest which, as at the last Business Day of the Calculation

	Period, would be payable to amortize the then outstanding principal balance of such Yield Supplement Reference Loan to zero based on the mortgage rate and the Effective Remaining Amortization Term of such Yield Supplement Reference Loan;
"**Effective Remaining Amortization Term**"…….....	(a) for each Yield Supplement Reference Loan, the product of (i) the actual number of payment periods in the remaining amortization term of such Yield Supplement Reference Loan calculated as of the last Business Day of the applicable Calculation Period, (ii) 12, and (iii) either (x) 14/365.25 if the Yield Supplement Reference Loan makes Periodic Payments on a bi-weekly basis, or (y) 7/365.25 if the Yield Supplement Reference Loan makes Periodic Payments on a weekly basis or (z) 1/24 if the Yield Supplement Reference Loan makes Periodic Payments on a semi-monthly basis, and (b) for each monthly pay Yield Supplement Reference Loan, the remaining amortization term of such Yield Supplement Reference Loan calculated as of the last Business Day of the applicable Calculation Period expressed in months;
"**Eligibility Criteria**"	The meaning given in "*Summary of the Principal Documents*" on page 155;
"**Eligible Loan**".....	A Loan which at the time of determination satisfies each of the Eligibility Criteria;
"**EMMI**".....	European Money Markets Institute;
"**Enforcement Proceeds**"	The meaning given in "*Summary of the Principal Documents*" on page 167;
"**ESMA**"	European Securities and Markets Authority;
"**ESMA Register**"	The meaning given on page 60;
"**EU**"	European Union;
"**EU BMR**".....	The meaning given on page 60;
"**EU CRA Regulation**"	The meaning given on page 2;
"**EURIBOR**"	Euro-zone inter-bank offered rate;
"**Eurobond Basis**"	The meaning given in Condition 5.09 on page 87;
"**Euroclear**"	Euroclear Bank SA/NV;
"**Eurodollar Convention**"	The meaning given in Condition 5.09 on page 87;
"**Euronext Dublin**"	The meaning given on the cover page;
"**European Registrar**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 77;
"**Eurosystem**"	The meaning given on page 22;
"**EUWA**"	The meaning given in "*Subscription and Sale and Selling Restrictions*" on page 3;
"**Euro-zone**"	The meaning given in Condition 5.09 on page 90;
"**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 Date**"	The meaning specified in the relevant Final Terms;
"**Exchange Event**"	The meaning given in "*Form of the Covered Bonds*" on page 74;
"**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;
"**Extended Due for Payment Date**"	The meaning given in Condition 6.01 on page 93;
"**Extension Determination Date**".....	The meaning given in Condition 6.01 on page 93;
"**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 Bonds holding not less than 50 percent 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;
"**EY**".....	Ernst & Young LLP, a limited liability partnership governed by the laws of the Province of Ontario;
"**FATCA Withholding Tax Rules**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 101;
"**FBOC**"	Fairstone Bank of Canada;
"**FBOC Entities**"	the Issuer and its subsidiaries from time to time;
"**FCA**"	Financial Conduct Authority;
"**FGI**".....	Fairstone Group Inc.
"**FIEA**"	The meaning given in "*Subscription and Sale and Selling Restrictions*" on page 240;
"**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 of any Tranche of Covered Bonds as described under "Terms and Conditions of the Covered Bonds" on page 74;
"**Financial Centre**".....	The financial centre or centres specified in the applicable Final Terms;
"**FinSA**".....	The meaning given in "*Subscription and Sale and Selling Restrictions*" on page 241;
"**First Multiproduct Mortgage Loan**" ...	The first Multiproduct Mortgage Loan made by the Seller to a particular Borrower, which is owned by the Guarantor;
"**First Transfer Date**".....	The Transfer Date in respect of the Initial Covered Bond Portfolio, which occurred before the first Issue Date;
"**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 82;
"**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);
"**Fixed Rate Loans**"……...	Those Loans to the extent that and for such time that the interest rate payable by the Borrower on all or part of the Outstanding Principal Balance does not vary and is fixed for a certain period of time by the Seller;
"**Fixed Rate Swap Calculation Agent**"	The calculation agent under the fixed rate confirmation under the Interest Rate Swap Agreement;
"**Fixed Swap Rate**"……	In respect of a Guarantor Payment Date, the "Fixed Swap Rate" specified in the most recent Fixed Swap Rate Notice delivered by the Fixed Rate Swap Calculation Agent to the Guarantor, which rate shall be determined by the Fixed Rate Swap Calculation Agent and agreed to by the Guarantor (or the Cash Manager on its behalf), acting reasonably;
"**Fixed Swap Rate Notice**"……...	The most recently delivered fixed swap rate notice delivered by the Fixed Rate Swap Calculation Agent to the Guarantor;
"**Floating Rate**"……	The meaning given in the ISDA Definitions;
"**Floating Rate Covered Bonds**"	Covered Bonds which bear interest at a rate determined: (a) on the same basis as the floating rate under a notional schedule, credit support annex and confirmation(s) 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 (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service;
"**Floating Rate Option**"	The meaning given in the ISDA Definitions;

"**Following Business Day Convention**"	The meaning given in Condition 5.09 on page 87;
"**FRN Convention**".....	The meaning given in Condition 5.09 on page 87;
"**FSMA**".....	*Financial Services and Markets Act 2000*, as amended;
"**Further Advance**"	In relation to a Loan, any advance of further money to the relevant Borrower following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, excluding the amount of any retention in respect of the Initial Advance;
"**GIC Account**"	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;
"**GIC Provider**".....	The Bank of Montreal, acting through its main branch in Toronto, located at 100 King Street West, 1 First Canadian Place, Toronto, Ontario, Canada M5X 1A3, in its capacity as GIC provider under the Guaranteed Investment Contract together with any successor GIC provider appointed from time to time;
"**GST**".....	GST means the taxes payable under Part IX of the *Excise Tax Act* (Canada);
"**Guarantee Loan**"	The meaning given in "*Summary of the Principal Documents*" on page 151;
"**Guarantee Priority of Payments**".....	The meaning given in Condition 6.01 on page 93;
"**Guaranteed Amounts**"	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;
"**Guaranteed Investment Contract**" or "**GIC**".....	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);
"**Guarantor**".....	FBOC Covered Bond (Legislative) Guarantor Limited Partnership;
"**Guarantor Acceleration Notice**".....	The meaning given in Condition 7.02 on page 99;
"**Guarantor Accounts**"	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;
"**Guarantor Agreement**"	The meaning given in "*Summary of the Principal Documents*" on page 179;
"**Guarantor Covered Bond ISDA Master Agreement**"	The meaning given in "*Summary of the Principal Documents*" on page 198;
"**Guarantor Event of Default**".....	The meaning given in Condition 7.02 on page 98;
"**Guarantor Payment Date**".....	The 17th day of each month or if not a Canadian Business Day the next following Canadian Business Day;
"**Guarantor Payment Period**"	The period from and including a Guarantor Payment Date to but excluding the next following Guarantor Payment Date;
"**Guide OC Minimum**"	The meaning given in "*Summary of the Principal Documents*" on page 180;
"**Guideline B-20**".....	The meaning given in "*Risk Factors*" on page 68;
"**Hard Bullet Covered Bonds**".....	The meaning given in "*Credit Structure*" on page 211;
"**HB**".....	Home Bank;
"**HB Mortgage Sale Agreement**".....	The mortgage sale agreement entered into on the Programme Date, by and among HB as Originator, FBOC as Acquirer and Servicer, the Guarantor and the Bond Trustee (as amended and/or restated and/or supplemented from time to time);
"**HB Portfolio**".....	At any time, with respect to HB as an Originator, the portfolio of Loans and their Related Security which have been sold pursuant to the HB Mortgage Sale Agreement by such Originator and remain outstanding;
"**HELOC**"	Home equity line of credit;
"**Holder of the Covered Bonds**" or "**Holder**" or "**Covered Bondholders**"	The holders for the time being of the Covered Bonds;
"**Hong Kong**".....	The meaning given in "*Subscription and Sale and Selling Restrictions*" on page 238;
"**HTC**".....	Home Trust Company;
"**HTC Mortgage Sale Agreement**".....	The mortgage sale agreement entered into on the Programme Date, by and among HTC as Originator, FBOC as Acquirer and Servicer, the Guarantor and the Bond Trustee (as amended and/or restated and/or supplemented from time to time);
"**HTC Portfolio**".....	At any time, with respect to HTC as an Originator, the portfolio of Loans and their Related Security which have been sold pursuant to the HTC Mortgage Sale Agreement by such Originator and remain outstanding;
"**IFRS**".....	IFRS Accounting Standards as issued by the International Accounting Standards Board;
"**Independent Financial Adviser**".....	The meaning given in Condition 5.09 on page 90;

"**Independently Controlled and Governed**"	In respect of the Guarantor, (i) the general partner (having the power to carry on the business of the Guarantor) of the Guarantor is not (and cannot be) an affiliate of the Issuer and less than ten percent of its voting securities are (or can be) owned, directly or indirectly, by the Issuer or any of its affiliates, (ii) if an administrative agent or other analogous entity has been engaged by the general partner of the Guarantor to fulfil such general partner's responsibility or role to carry on, oversee, manage or otherwise administer the business, activities and assets of the Guarantor, the agent or entity is not (and cannot be) an affiliate of the Issuer and less than ten percent of its voting securities are (or can be) owned, directly or indirectly, by the Issuer or any of its affiliates, (iii) all members (but one) of the board of directors or other governing body of the general partner of the Guarantor, administrative agent or other entity are not (and cannot be) directors, officers, employees or other representatives of the Issuer or any of its affiliates, do not (and cannot) hold greater than ten percent of the voting or equity securities of the Issuer or any of its affiliates and are (and must be) otherwise free from any material relationship with the Issuer or any of its affiliates (hereinafter referred to as "**Independent Members**"), and (iv) the board of directors or other governing body of the general partner of the Guarantor, administrative agent or other entity is (and must be) composed of at least three members, and the non-Independent Member is not (and shall not be) entitled to vote on any resolution or question to be determined or resolved by the board (or other governing body) and shall attend meetings of the board (or other governing body) at the discretion of the remaining members thereof, provided that such board of directors or other governing body may be composed of only two Independent Members with "observer" status granted to one director, officer, employee or other representative of the Issuer or any of its affiliates;
"**Indexation Methodology**"	The meaning given in "*Risk Factors*" on page 46;
"**Initial Advance**"	In respect of any Loan, the original principal amount advanced by the applicable Originator to the relevant Borrower;
"**Initial Covered Bond Portfolio**".....	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 Security, including any rights of the Seller thereunder;

"**Initial CBS Downgrade Trigger Event**"	The meaning given in "*Summary of the Principal Documents*" on page 200;
"**Initial IRS Downgrade Trigger Event**"	The meaning given in "*Summary of the Principal Documents*" on page 194;
"**Insolvency Event**"	In respect of the Seller, the Servicer or the Cash Manager or any other person, any impending or actual insolvency on the part of such person, as evidenced by, but not limited to: (a) the commencement of a dissolution proceeding or a case in bankruptcy involving the relevant entity (and where such proceeding is the result of an involuntary filing, such proceeding is not dismissed within 60 days after the date of such filing); or (b) the appointment of a trustee or other similar court officer over, or the taking of control or possession by such officer, of the business of the relevant entity, in whole or in part, before the commencement of a dissolution proceeding or a case in bankruptcy; or (c) the relevant entity makes a general assignment for the benefit of any of its creditors; or (d) the general failure of, or the inability of, or the written admission of the inability of, the relevant entity to pay its debts as they become due;
"**Intercompany Loan**".....	The meaning given in "*Summary of the Principal Documents*" on page 151;
"**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 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 90;
"**Interest Determination Date**".....	The meaning given in Condition 5.09 on page 90;
"**Interest Payment Date**".....	The meaning given in Condition 5.09 on page 90;
"**Interest Period**".....	The meaning given in Condition 5.09 on page 90;
"**Interest Rate Swap Agreement**".....	The agreement(s) (including any replacement agreements) entered into between the Guarantor and the Interest Rate Swap Provider(s) in the form of an ISDA Master Agreement, including a schedule, a credit support annex and one or more confirmation(s), in relation to the Covered Bond Portfolio (as amended and/or restated and/or supplemented from time to time);

"**Interest Rate Swap Calculation Agent**"	The Fixed Rate Swap Calculation Agent;
"**Interest Rate Swap Early Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 194;
"**Interest Rate Swap Provider**"	The provider(s) of the interest rate swap under the Interest Rate Swap Agreement;
"**Investor Reports**"	The monthly reports made available on the Issuer's website at https://www.fairstonebank.ca/covered-bonds detailing information with respect to the Programme, each Series of Covered Bonds and the Covered Bond Portfolio, in each case as required pursuant to Annex H to the CMHC Guide;
"**Investor's Currency**"	The meaning given in "*Risk Factors*" on page 71;
"**ISDA**"	International Swaps and Derivatives Association, Inc.;
"**ISDA Definitions**".....	The meaning given in Condition 5.09 on page 90;
"**ISDA Determination**"	The meaning specified in the applicable Final Terms;
"**ISDA Master Agreement**".....	The 2002 Master Agreement, as published by ISDA;
"**ISDA Rate**".....	The meaning given in Condition 5.04 on page 84;
"**Issue Date**"	Each date on which the Issuer issues Covered Bonds to purchasers of such Covered Bonds;
"**Issue Price**"	The meaning specified in the applicable Final Terms;
"**Issuer**"	Fairstone Bank of Canada;
"**Issuer Acceleration Notice**".....	The meaning given in Condition 7.01 on page 97;
"**Issuer Event of Default**".....	The meaning given in Condition 7.01 on page 97;
"**Issuer Swap Master Agreement**"…….	The ISDA 2002 Master Agreement (including schedule and 2016 credit support annex for variation margin thereto) entered into between the Issuer and the Covered Bond Swap Provider, dated as of June 26, 2026 (as such agreement may be amended and/or restated and/or supplemented from time to time);
"**Issuer Swap Transaction**"…….	An interest rate swap transaction entered into between the Issuer and the Covered Bond Swap Provider in relation to a Tranche or Series of Covered Bonds in the form of a confirmation governed by the Issuer Swap Master Agreement (as such confirmation may be amended and/or restated and/or supplemented from time to time);
"**Issuing and Paying Agent**".....	The Bank of New York Mellon, London Branch, in its capacity as issuing and paying agent and any successor as such;
"**ITA**"	The meaning given in "*Overview of the Programme*" on page 230;
"**Latest Valuation**"	In relation to any Property, the value given to that Property by the most recent valuation addressed to the Seller or the applicable Originator, or obtained from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in the Seller's or applicable Originator's market or the purchase price of that Property or current property tax assessment, as applicable; provided that such value shall be adjusted at least quarterly

	to account for subsequent price adjustments using the Indexation Methodology;
"**Ledger**"	Each of the Revenue Ledger, the Principal Ledger, the Reserve Ledger, the Yield Supplement Ledger, the Payment Ledger, the Pre-Maturity Liquidity Ledger, the Intercompany Loan Ledger, if applicable, and the Capital Account Ledgers maintained by the Cash Manager in accordance with the terms of the Cash Management Agreement;
"**LEI**"	Legal entity identifier;
"**Lending Criteria**"	The lending criteria of the Seller and the Originators from time to time, or such other criteria as would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's and the applicable Originator's market, as applicable;
"Level of Overcollateralization"	The meaning given in "*Summary of the Principal Documents*" on page 180;
"LGP Trust"	The meaning given in "*Structure Overview—Ownership Structure of the Liquidation GP*" on page 18;
"**Limited Partner**"	Fairstone Bank of Canada, 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;
"**Line of Credit**".....	A type of loan product on the security of a Mortgage, including a home equity line of credit loan, that typically incorporates features that give the relevant Borrower options to, among other things, make further drawings on the loan account;
"**Line of Credit Loan**"	Each loan consisting of outstanding indebtedness arising under a Line of Credit;
"**Liquidation GP**"	FBOC Covered Bond (Legislative) LGP 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;
"**Loan**"	Any mortgage loan, including first lien residential mortgage loans and first ranking residential hypothecary loans, on the security of a Mortgage, and including, for greater certainty, a Multiproduct Mortgage Loan, in each case referenced by its 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 loan under the relevant Mortgage Conditions by a Borrower from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same;
"**Loan Files**"	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;
"**Loan Representations and Warranties**"	The loan representations and warranties of the Seller set out in the Mortgage Sale Agreement;
"**local banking day**".....	The meaning given in Condition 9.04 on page 104;
"**LTV**"	The meaning given in "*Risk Factors*" on page 69;
"**LTV Adjusted Loan Balance**"	The meaning given in "*Summary of the Principal Documents*" on page 182;
"**LTV Adjusted Loan Present Value**"	The meaning given in "*Summary of the Principal Documents*" on page 186;
"**Managing GP**"	FBOC Covered Bond (Legislative) GP Inc., in its capacity as managing general partner of the Guarantor together with any successor managing general partner;
"**March 2020 letter**"	The meaning given in "*Risk Factors*" on page 67;
"**Margin**"	In respect of a Floating Rate Covered Bond, the percentage rate per annum (if any) specified in the applicable Final Terms;
"**Master Definitions and Construction Agreement**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 78**;**
"**May 2019 letter**"	The meaning given in "*Risk Factors*" on page 67;
"**Maximum Redemption Amount**".....	The meaning specified in the applicable Final Terms;
"**Member States**"	The countries united under and party to the treaties of the European Union as at the date hereof (and each individually, a "**Member State**");
"**MiFID II**"	The meaning given on the cover page;
"**MiFID Product Governance Rules**".....	The meaning given on page 4;
"**Minimum and/or Maximum Interest Rate**"	The meaning specified in the applicable Final Terms;
"**Minimum Redemption Amount**".....	The meaning specified in the applicable Final Terms;

"**Modelled Valuation Service**"	Property valuation service that combines an Appraisal Institute of Canada (AIC) licensed appraiser's expertise with valuation technology to determine value;
"**Modified Following Business Day Convention" or "Modified Business Day Convention**"	The meaning specified in Condition 5.09 on page 87;
"**Monthly Aggregate Yield Shortfall**"……	In respect of a Guarantor Payment Date and the related Calculation Period, the amount by which the Yield Supplement Actual Interest in respect of such Calculation Period is less than the Yield Supplement Target Interest for such Guarantor Payment Date;
"**Monthly Investor Reports**"	The meaning given to it in "*Information Incorporated by Reference*" on page 72;
"**Monthly Payment**"	The amount which the relevant Mortgage Terms require a Borrower to pay on each Monthly Payment Date in respect of that Borrower's Loan;
"**Monthly Payment Date**"	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;
"**Moody's**"……	Moody's Ratings;
"Mortgage"	In respect of any Loan, each first fixed charge by way of legal mortgage or first-ranking 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 and in respect of any Multiproduct Mortgage Loan, the related Multiproduct Mortgage sold, transferred and assigned by the Seller to the Guarantor pursuant to the Mortgage Sale Agreement as part of the Related Security, which secures the repayment of the relevant Multiproduct Mortgage Loan including the Mortgage Conditions applicable to it and "Mortgages" means more than one Mortgage;
"**Mortgage Conditions**"	All the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's or the applicable Originator's relevant mortgage conditions booklet and the Seller's or the applicable 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 meaning given in "*Summary of the Principal Documents*" on page 154;
"**Mortgage Terms**".....	The terms of the applicable Mortgage;

"**Mortgage Property**".....	Residential property located in Canada that is subject to a Mortgage;
"Multiproduct Loan Agreement"	With respect to any Borrower, the credit contracts providing for the establishment of any one or more Multiproduct Mortgage Loans, together with any amendments, addendums and supplements thereto (each to be governed by a separate agreement);
"Multiproduct Mortgage"	A Collateral Mortgage, which is security for any Multiproduct Mortgage Loan or Line of Credit Loan;
"Multiproduct Mortgage Loan"	Each outstanding amortizing term loan due or owing under the relevant Mortgage Conditions by a Borrower on the security of a Multiproduct Mortgage from time to time outstanding, or, as the context may require, the Borrower's obligations in respect of the same;
"Multiproduct Purchaser"	Any owner of any Line of Credit Loan or Multiproduct Mortgage Loan outstanding from time to time or any interest therein, including any person holding and/or having the benefit of a Multiproduct Mortgage, other than the Seller, an applicable Originator, and the Guarantor;
"Negative Carry Factor".....	The meaning given in "*Summary of the Principal Documents*" on page 184;
"**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 Portfolio Asset Type**"	A new type of mortgage loan or multi-amortizing loan product (but not including a Multiproduct Mortgage Loan) originated by the Originators and 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 Portfolio Asset 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 an Originator;
"**New Seller**".....	Any affiliate of FBOC that accedes to the relevant Transaction Documents and sells New Loans and their Related Security to the Guarantor in the future;
"**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 "*Taxation*" on page 230

"**Notice to Pay**"	The meaning given in Condition 7.01 on page 98;
"**Novated Transaction**"…….	The meaning given in "Summary of the Principal Documents" on page 198;
"**Novation Agreement**"…….	The agreement entered into between the Guarantor, as transferee, the Issuer, as transferor, and a Covered Bond Swap Provider, as the remaining party, upon the issuance of a Tranche or Series of Covered Bonds under which the Issuer agrees to the automatic novation of its position under the Issuer Swap Transaction to the Guarantor upon the occurrence of a Covered Bond Guarantee Activation Event (as such agreement may be amended and/or restated and/or supplemented from time to time);
"**NSS**".....	The meaning given in Condition 7.01 on page 98;
"OCC"	The Office of the Comptroller of the Currency;
"**OC Valuation**"	The meaning given in "*Summary of the Principal Documents—Guarantor Agreement—OC Valuation*" on page 180;
"**OECD**"	The meaning given in "*Taxation*" on page 231;
"**Official List**"	The meaning given on the cover page;
"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 "*Due for Payment*";
"**Origination Purchase Documents**".....	As applicable, the HTC Mortgage Sale Agreement, the HB Mortgage Sale Agreement, each Originator Assignment, and all other certificates, instruments, Financing Statements, reports, notices, agreements and documents executed or delivered under or in connection with the HTC Mortgage Sale Agreement or the HB Mortgage Sale Agreement, as applicable, in respect of a sale of Loans and their Related Security by the relevant Originator to the Seller;
"**Originator**".....	Initially, HTC or HB, as applicable, and, in the future, any other entity forming part of the FBOC Entities that has originated Loans included in the Portfolio Assets and which has been approved by CMHC in writing, together, in each case, with any successors or assigns thereof (collectively, the "**Originators**");
"**Originator Assignment**".....	In respect of an Originator, for any Purchase Date and all Loans to be purchased on such date (regardless of where the related Mortgaged Properties are situated), an assignment of such Loans and Related Security with respect thereto executed and delivered by the applicable Originator to the Seller;
"**Originator's Policy**".....	In respect of an Originator, the originating, underwriting, administration (interest rate setting), arrears, and enforcement policy applied from time to time by such Originator in the ordinary course of such Originator's

	business to loans and their related security which are beneficially owned solely by such Originator for their repayment;
"**Originator Retained Loan**".....	Has the meaning given to it in the Security Sharing Agreement;
"**OSFI**".....	Office of the Superintendent of Financial Institutions;
"**Outstanding Principal Amount**".....	The meaning given in Condition 5.09 on page 90;
"**Outstanding Principal Balance**".....	In respect of any relevant Loan or Loans, the Current Balance of such Loan or the aggregate Current Balance of such Loans, as the case may be;
"**Participant**"	A Direct and/or Indirect Participant;
"**Participating Debt Interest**"	The meaning given in "*Taxation*" on page 230
"**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 "*Terms and Conditions of the Covered Bonds*" on page 77**;**
"**Payment Day**"	The meaning given in Condition 9.04 on page 104;
"**Payment in Kind**".....	The meaning given in "*Summary of the Principal Documents*" on page 153;
"**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;
"**POATRs**"	The meaning given in "*Subscription and Sale and Selling Restrictions*" on page 237;
"**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 (a) the fair market value of such Portfolio Assets and (b) (i) if the sale is following a breach of the Pre-Maturity Test, if applicable, or the service of a Notice to Pay on the Guarantor, the Adjusted Required Redemption Amount of the relevant Series of Covered Bonds, otherwise (ii) the True Balance of such Portfolio Assets;
"**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 Loan 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 in the Covered Bond Portfolio;

"Post-Default Collections"	The meaning given in "*Summary of the Principal Documents*" on page 167;
"**Post-Enforcement Priority of Payments**"	The meaning given in "*Cashflows*" on page 223;
"Post Issuer Event of Default Yield Shortfall Test".....	The meaning given in "*Summary of the Principal Documents*" on page 174;
"Potential Guarantor Event of Default" ...	The meaning given in Condition 13 on page 110;
"**Potential Issuer Event of Default**".....	The meaning given in Condition 13 on page 110;
"**Pre-Acceleration Principal Priority of Payments**"	The meaning given in "*Cashflows*" on page 219;
"**Pre-Acceleration Revenue Priority of Payments**".....	The meaning given in "*Cashflows*" on page 216;
"**Pre-Authorized Debiting System**".....	The meaning given on page 146;
"**Preceding Business Day Convention**"	The meaning given in Condition 5.09 on page 87;
"**Pre-Maturity Liquidity Ledger**".....	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;
"**Pre-Maturity Liquidity Required Amount**"	Nil, unless the Pre-Maturity Test has been breached in respect of one or more Series of Hard Bullet Covered Bonds, and then an amount equal to the aggregate for each affected Series (without double counting) of (i) the Required Redemption Amount for such affected Series, (ii) the Required Redemption Amount for all other Series of Hard Bullet Covered Bonds which will mature within 12 months of the date of the calculation, and (iii) the amount required to satisfy paragraphs (a) through (f) of the Guarantee Priority of Payments on the Final Maturity Date of the affected Series of Hard Bullet Covered Bonds and on the Final Maturity Date of all other Series of Hard Bullet Covered Bonds which will mature within 12 months of the date of the calculation;
"**Pre-Maturity Minimum Ratings**".....	The meaning given in "*Credit Structure*" on page 211;
"**Pre-Maturity Test**"	The meaning given in "*Credit Structure*" on page 211;
"**Pre-Maturity Test Date**".....	The meaning given in "*Credit Structure*" on page 211;
"**Prescribed Cash Limitation**"	The meaning given in "*Summary of the Principal Documents*" on page 191;
"**Present Value**"	For any Loan, the value of the outstanding loan balance of such Loan, calculated by discounting the expected future cashflow (on a loan level basis) using current market interest rates for mortgage loans with credit risks similar to those of the Loan (using the same discounting methodology as that used as part of the fair value disclosure in the Issuer's audited financial statements), or using publicly posted mortgage rates;
"**PRIIPs Regulation**".....	The meaning specified on page 4;

"**Principal Amount Outstanding**".....	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;
"**Principal Ledger**".....	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;
"**Principal Receipts**".....	Receipts in respect of Loans which are not Revenue Receipts including the following (to the extent that such amounts are not Revenue Receipts): (a) principal repayments under the Loans in the Covered Bond Portfolio (including payments of arrears, Capitalized Expenses and Capitalized Arrears); (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); (c) any repayments of principal (including payments of arrears, Capitalized Expenses and Capitalized Arrears) received pursuant to any insurance policy (that is not a mortgage insurance policy provided by a Prohibited Insurer) in connection with a Loan in the Covered Bond Portfolio or the related Property; and (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);
"**Priorities of Payments**".....	The orders of priority for the allocation and distribution of amounts standing to the credit of the Guarantor in different circumstances;
"**Product Switch**".....	A variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan other than: (a) any variation agreed with a Borrower to control or manage arrears on 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;
"**Programme**".....	CAD $1,500,000,000 Global Legislative Covered Bond Programme;

"**Programme Date**"	14 September, 2026;
"**Programme Resolution**"	The meaning given in Condition 13 on page 106;
"**Prohibited Insurer**"	CMHC, Canada Guaranty Mortgage Insurance Company, the Genworth Financial Mortgage Insurance Company of Canada, the PMI Mortgage Insurance Company Canada, any other private mortgage insurer recognized by CMHC for purposes of the Covered Bond Legislative Framework or otherwise identified in the *Protection of Residential Mortgage or Hypothecary Insurance Act* (Canada), or any successor to any of them;
"**Property**"	A freehold, leasehold or commonhold property (or owned immovable property in the Province of Québec) which is subject to a Mortgage;
"**Prospectus Regulation**".....	Regulation (EU) 2017/1129, as amended;
"**Purchaser**"	Any third party or the Seller to whom the Guarantor offers to sell Portfolio Assets;
"**Put Notice**"	The meaning given in Condition 6.06 on page 95;
"**Put Option**".....	The meaning given in the applicable Final Terms;
"**Quarterly Financial Statements**"	The meaning given to it in "*Information Incorporated by Reference*" on page 72;
"**Randomly Selected Loans**"	Loans selected in accordance with the terms of the Guarantor Agreement on a basis that (i) 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, and (ii) will not (and is not reasonably expected to) adversely affect the interests of the Covered Bondholders;
"**Rate of Interest**".....	The meaning given in Condition 5.09 on page 90;
"**Rating Agency**" or "**Rating Agencies**".	The meaning given in Condition 6.01 on page 93;
"**Rating Agency Condition**".....	The meaning given in Condition 20.01 on page 112;
"**Record Date**".....	The meaning given in Condition 9.01 on page 103;
"**Redemption Amount**"	The meaning given in Condition 6.09 on page 96;
"**Redemption/Payment Basis**"	The meaning given in the applicable Final Terms;
"**Reference Banks**".....	The meaning given in Condition 5.09 on page 90;
"**Reference Rate**".....	The meaning given in Condition 5.09 on page 90;
"**Register**".....	The register of holders of the Registered Covered Bonds maintained by the Registrar;
"**Registered Covered Bonds**".....	Covered Bonds in registered form;
"**Registered Definitive Covered Bonds**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 77;
"**Registered Global Covered Bonds**"	The meaning given in "*Overview of the Programme*" on page 22.

"**Registered Title Event**".....	The meaning given in "*Summary of the Principal Documents*" on page 158.
"**Registrar**" or "**Registrars**".....	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 77;
"**Registry**".....	The meaning given on the cover page;
"**Regulated Market**".....	The meaning given on the cover page;
"**Regulation S**".....	Regulation S under the Securities Act;
"**Regulation S Covered Bonds**".....	The meaning given in "*Subscription and Sale and Selling Restrictions*" on page 234;
"**Regulations**".....	The meaning given in "*Taxation*" on page 230;
"**Related Loans**".....	The meaning given in "*Summary of the Principal Documents*" on page 167;
"**Related Security**".....	In relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage, insurance (other than blanket insurance coverage maintained by a Seller or the applicable 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 (including proceeds of title insurance and indemnity insurance maintained by the Seller or the applicable Originator relating to such Loan); provided that in relation to any such Mortgage, insurance, guarantees and security securing one or more Line of Credit Loans or Multiproduct Mortgage Loans, the Guarantor's ownership interest in such Mortgage, insurance, guarantees, security and the related Property shall be to the extent of the amount of indebtedness owing under all Loans secured by such Mortgage and owned by the Guarantor, and will not extend to the Seller's, applicable Originator's and/or applicable Multiproduct Purchaser's ownership interest in such Mortgage, insurance, guarantees, security and the related Property to the extent of any amounts of indebtedness owing under any Loans which are owned by such Seller, applicable Originator or Multiproduct Purchaser and outstanding under the related Multiproduct Loan Agreement from time to time, and the respective interests of the Guarantor, the Seller, applicable Originator and any Multiproduct Purchaser in such Mortgage, insurance, guarantees, security and the related Property shall be subject, in all respects, to the terms of the Security Sharing Agreement;
"**Relevant Account Holder**".....	The meaning given in Condition 1.02 on page 79;
"**Relevant Date**".....	The meaning given in Condition 8.02 on page 102;
"**Relevant Nominating Body**".....	The meaning given in Condition 5.09 on page 90;
"**Relevant Screen Page**".....	The meaning given in the applicable Final Terms;
"**Relevant Time**".....	The meaning given in the applicable Final Terms;
"**Replacement Agent**".....	The meaning given in Condition 12 on page 105**;**

"**Replacement Servicer**"	The meaning given in "*Summary of the Principal Documents*" on page 168;
"**Requesting Party**"	The meaning given in Condition 20.04 on page 113;
"**Required Redemption Amount**".....	The meaning given in "*Summary of the Principal Documents*" on page 165;
"**Required True Balance Amount**".....	The meaning given in "*Summary of the Principal Documents*" on page 188;
"**Reserve Fund**"	The reserve fund that the Guarantor is required prior to the First Issue Date to establish in the GIC Account which may be credited with the proceeds of advances made under the Intercompany Loan and with Cash Capital Contributions (in each case in the Guarantor's discretion), the proceeds of Available Principal Receipts and the proceeds of Available Revenue Receipts up to an amount equal to the Reserve Fund Required Amount, which amount may be in cash and Substitute Assets. For purposes of assessing the Reserve Fund, Substitute Assets included in the Reserve Fund must be valued using either: (a) the close of day bid price on the calculation date; or (b) the close of day ask price on the calculation date, plus any accrued interest or other accrued amounts, if applicable;
"**Reserve Fund Required Amount**".....	Means (i) if the Issuer's ratings by each of the Rating Agencies are at or above the Reserve Fund Required Amount Ratings, nil, or (ii) if the Issuer's ratings by one or more of the Rating Agencies are below the Reserve Fund Required Amount Ratings, an amount in cash and Substitute Assets equal to the Canadian Dollar Equivalent of scheduled interest due on all outstanding Series of Covered Bonds over the next three months together with an amount equal to three-twelfths of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (d) of the Pre-Acceleration Revenue Priority of Payments;
"**Reserve Fund Required Amount Ratings**"	The threshold ratings A(low) or R-1(low) (in respect of DBRS; provided that, for greater certainty, only one of such ratings from DBRS is required to be at or above such ratings), and A3(cr) and P-2(cr) (in respect of Moody's), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations rating (in the case of DBRS) or the counterparty risk assessment (in the case of Moody's), in each case, of the Issuer by the applicable Rating Agencies;
"**Reserve Ledger**".....	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 Principal Receipts and Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the Guarantor Agreement with amounts in the Reserve Fund held in cash and Substitute Assets;
"**Reset Date**"	The meaning given in the ISDA Definitions;
"**Residential Mortgage Underwriting Policy**".....	The meaning given on page 69;

"**retail investor**"	The meaning given on page 4;
"Retained Loans"	The meaning given in "*Summary of the Principal Documents*" on page 167;
"Reuters Screen Page"	The meaning given in Condition 5.09 on page 91;
"**Revenue Ledger**"	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;
"**Revenue Receipts**"	Receipts of yield on the Loans including the following (to the extent that such amounts represent yield on the Loans): (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 policy (that is not a mortgage insurance policy provided by a Prohibited Insurer) in respect of interest amounts; (b) recoveries of interest from defaulting Borrowers under Loans in the Covered Bond Portfolio being enforced; and (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;
"**SABR**"	The meaning given on page 61;
"**Scheduled Interest**"	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 ("**Excluded Scheduled Interest Amounts**") 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;
"**Scheduled Payment Date**"	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;

"**Scheduled Principal**"	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 ("**Excluded Scheduled Principal Amounts**") 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;
"**Screen Rate Determination"**	The meaning specified in the applicable Final Terms;
"**Secured Creditors**".....	The Bond Trustee (in its own capacity and on behalf of the holders of the Covered Bonds), the holders of the Covered Bonds, 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;
"**Securities Act**".....	United States Securities Act of 1933, as amended;
"Securities and Futures Ordinance" ..	Securities and Futures Ordinance (Cap. 571) of Hong Kong;
"**Security**".....	The meaning given in "*Summary of the Principal Documents*" on page 205;
"**Security Agreement**".....	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 78;
"**Security Sharing Agreement**"	The Security Sharing Agreement dated the Programme Date and made between the Seller, HTC as Originator, HB as Originator, the Guarantor, the Bond Trustee and the Custodian (as amended and/or restated and/or supplemented from time to time);
"**Seller**"	Fairstone Bank of Canada, any New Seller, or other party for whom the Rating Agency Condition has been satisfied, who may from time to time accede to, and sell Loans and their Related Security and New Loans and their Related Security to the Guarantor;
"**Seller Arranged Policy**"	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;
"**Series**"	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;
"**Series Reserved Matter**"	The meaning given in Condition 13 on page 110;
"**Servicer**"	Fairstone Bank of Canada, in its capacity as servicer under the Servicing Agreement together with any successor servicer appointed from time to time;
"Servicer Deposit Threshold Ratings"	The threshold ratings BBB(low) or R-2(middle) (in respect of DBRS; provided that, for greater certainty, only one of such ratings from DBRS is required to be at or above such ratings) and Baa2(cr) and P-2(cr) (in respect of Moody's), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations rating (in the case of DBRS) or the counterparty risk assessment (in the case of Moody's), in each case, of the Servicer by the applicable Rating Agencies;
"**Servicer Event of Default**"	The meaning given in "*Summary of the Principal Documents*" on page 175;
"Servicer Replacement Threshold Ratings"	The meaning given in "*Summary of the Principal Documents*" on page 172;
"**Servicer Termination Event**"	The meaning given in "*Summary of the Principal Documents*" on page 175;
"**Servicing Agreement**"	The meaning given in "*The Servicer*" on page 145;
"SFA"	Securities and Futures Act (2001) of Singapore, as modified or amended from time to time;
"**Specified Currency**"	Subject to any applicable legal or regulatory restrictions, 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;
"**Specified Denomination**"	In respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the applicable Final Terms;
"**Specified Interest Payment Date**"	The meaning given in the applicable Final Terms;
"**Specified Period**"	The meaning given in the applicable Final Terms;
"**Standby Account Bank**"	Royal Bank of Canada, acting through its main branch in Toronto, located at Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, Canada M5J 2J5, in its capacity as Standby Account Bank under the Standby Bank Account Agreement, together with any successor Standby Account Bank;
"**Standby Account Bank Notice**"	The meaning given in "*Summary of the Principal Documents*" on page 203;
"**Standby Account Bank Threshold Ratings**"	The meaning given in "*Summary of the Principal Documents*" on page 203;
"**Standby Bank Account Agreement**" ..	The meaning given in "*Summary of the Principal Documents*" on page 203;

"**Standby GIC Account**".....	The meaning given in "*Summary of the Principal Documents*" on page 203;
"**Standby GIC Provider**".....	Royal Bank of Canada, acting through its main branch in Toronto, located at Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, Canada M5J 2J5, in its capacity as Standby GIC Provider under the Standby Guaranteed Investment Contract, together with any successor Standby GIC Provider;
"**Standby Guaranteed Investment Contract**"	The meaning given in "*Summary of the Principal Documents*" on page 205;
"**Standby Transaction Account**".....	The meaning given in "*Summary of the Principal Documents*" on page 203;
"**Subsequent CBS Downgrade Trigger Event**"	The meaning given in "*Summary of the Principal Documents*" on page 200;
"**Subsequent IRS Downgrade Trigger Event**"	The meaning given in "*Summary of the Principal Documents*" on page 195;
"**Subservicer**"	The meaning given in "*The Servicer*" on page 145;
"**Subservicing Agreement**"	The subservicing agreement entered into on the Programme Date by and among HTC as Subservicer, FBOC as Servicer and Cash Manager, Guarantor and Computershare Trust Company of Canada as Bond Trustee (as amended and/or restated and/or supplemented from time to time);
"**Subsidiary**".....	Any Person which is for the time being a subsidiary (within the meaning of the *Bank Act* or the *Canada Business Corporations Act*, as applicable);
"**Substitute Assets**"	The classes and types of assets from time to time eligible under the Covered Bond Legislative Framework and the CMHC Guide to collateralise covered bonds which, as of the date of this Base Prospectus, include the following: (a) securities issued by the Government of Canada, and (b) repos of Government of Canada securities having terms acceptable to CMHC; provided that the total exposure to Substitute Assets shall not exceed 10 percent of the aggregate value of (x) the Portfolio Assets; (y) any Substitute Assets; and (z) all cash held by the Guarantor (subject to the Prescribed Cash Limitation) (and, for greater certainty, amounts on deposit in the Yield Supplement Fund shall not constitute Substitute Assets); in each case, provided that: (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; and (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.
"**Superintendent**"	The meaning given in "*Risk Factors*" on page 65;

"**Swap Agreements**".....	Each Covered Bond Swap Agreement together with the Interest Rate Swap Agreement, and each a "**Swap Agreement**";
"**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 (and not transferred back to the Swap Provider) as credit support to support 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 Rate Swap Provider, and each a "**Swap Provider**";
"**T2**".....	The meaning given in Condition 5.09 on page 91;
"**T2 Business Day**"	The meaning given in Condition 5.09 on page 91;
"**Third Party Amounts**"	Each of: (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); (b) amounts under an unpaid direct debit which are repaid by the Seller to the financial institution making such payment if such financial institution is unable to recoup that amount itself from its customer's account; (c) payments by the Borrower of any fees (including early repayment fees) and other charges which are due to the Seller or an Originator, as applicable; and

(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, an applicable Originator, the Seller or the Guarantor;

which amounts may be paid daily from moneys on deposit in the Guarantor Accounts or the proceeds of the sale of Substitute Assets;

"**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 CAD $2 billion as of the date of this Base Prospectus;

"**Trading Value**" ..... Except as provided in "*Trading Value of Substitute Assets*" on page 187 with respect to Substitute Assets outside of the Reserve Fund, the value determined with reference to one of the methods set forth in (a) through (f) below which can reasonably be considered the most accurate indicator of institutional market value in the circumstances:

(a) the last selling price;

(b) the average of the high and low selling price on the calculation date;

(c) the average selling price over a given period of days (not exceeding 30) preceding the calculation date;

(d) the close of day bid price on the calculation date (in the case of an asset);

(e) the close of day ask price on the calculation date (in the case of a liability);

(f) such other value as may be indicated by at least two actionable quotes obtained from appropriate market participants instructed to have regard for the nature of the asset or liability, its liquidity and the current interest rate environment,

plus accrued return where applicable (with currency translations undertaken using or at the average close of day foreign exchange rates posted on the Bank of Canada website for the month in relation to which the calculation is made); provided that, in each case, the methodology selected, the reasons therefor and the determination of value pursuant to such selected methodology shall be duly documented;

"**Trading Value of Substitute Assets**" . The meaning given in "*Summary of the Principal Documents*" on page 187;

"**Tranche**" or "**Tranches**" ..... The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 77;

"**Transaction Account**" ..... 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;
"**Transaction Documents**".....	(a) Mortgage Sale Agreement; (b) HTC Mortgage Sale Agreement; (c) HB Mortgage Sale Agreement; (d) Custodial Agreement; (e) Servicing Agreement; (f) Subservicing Agreement; (g) Asset Monitor Agreement; (h) Intercompany Loan Agreement; (i) Guarantor Agreement; (j) Cash Management Agreement; (k) Interest Rate Swap Agreement; (l) Covered Bond Swap Agreement (including the Issuer Swap Transaction, the Novation Agreement and the Novated Transaction); (m) Guaranteed Investment Contract; (n) Standby Guaranteed Investment Contract; (o) Bank Account Agreement; (p) Standby Bank Account Agreement; (q) Corporate Services Agreement; (r) Security Agreement (and any documents entered into pursuant to the Security Agreement); (s) Trust Deed; (t) Agency Agreement; (u) Dealership Agreement; (v) each set of Final Terms (as applicable in the case of each Tranche of Covered Bonds subscribed pursuant to a subscription agreement); (w) each subscription agreement (as applicable in the case of each Tranche of Covered Bonds subscribed pursuant to a subscription agreement); (x) Security Sharing Agreement; and (y) Master Definitions and Construction Agreement;
"Transfer Agent"	The Bank of New York Mellon SA/NV, Dublin Branch together with any successor;
"**Transfer Date**".....	Each of the First Transfer Date and the date of transfer of any New Loans and their Related Security to the Guarantor in accordance with the Mortgage Sale Agreement;

"**True Balance**"	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 Canadian 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 Canadian 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 Canadian Business Day immediately preceding that given date;
"**Trust and Loan Companies Act**".....	*Trust and Loan Companies Act* (Canada);
"**Trust Deed**"	The meaning given in "*Terms and Conditions of the Covered Bonds*" on page 77;
"**UK**" or "**United Kingdom**"	The United Kingdom of Great Britain and Northern Ireland;
"**UK BMR**".....	The meaning given on page 61;
"**UK CRA Regulation**"	The meaning given on page 3;
"**UK distributor**".....	The meaning given on page 4;
"**UK MiFIR Product Governance Rules**"	The meaning given on page 4;
"**UK Prospectus Regulation**" ……	The meaning given on the cover page;
"**Valuation Calculation**"	The meaning given in "*Description of the Canadian Registered Covered Bond Programs Regime*" on page 227;
"Voluntary Overcollateralization"	The meaning given in "*Credit Structure"* on page 214;
"WURA".....	The meaning given in "*Risk Factors*" on page 66;
"Yield Supplement Actual Interest"……	In respect of a Guarantor Payment Date and the related Calculation Period, an amount calculated equal to the aggregate amount of interest payable under the Yield Supplement Reference Loans on the interest payment dates

falling within the Calculation Period prior to such Guarantor Payment Date on the assumption with respect to Loans included in the Yield Supplement Reference Loans for such calculation that: (a) all rates with a payment frequency other than monthly are converted to monthly rates as determined and pursuant to the definition of "**Effective Monthly Payment**"; and (b) monthly principal payments are reduced according to the prepayment assumption (CPR) prepared by the Guarantor (or the Servicer on its behalf) and delivered to the Interest Rate Swap Calculation Agent based on its historical experience with the Yield Supplement Reference Loans, which will be reviewed and updated annually by the Guarantor (or the Servicer on its behalf), or as otherwise agreed by the Guarantor and the Interest Rate Swap Calculation Agent;

"**Yield Supplement Fund**"…… The yield supplement fund that the Guarantor will be required to establish and maintain in the GIC Account, which may be credited with the proceeds of advances made under the Intercompany Loan and with Cash Capital Contributions (in each case in the Guarantor's discretion), the proceeds of Available Revenue Receipts (up to an amount equal to the Yield Supplement Required Amount) and cash (in an amount up to the Voluntary Overcollateralization);

"**Yield Supplement Ledger**"……. The ledger on the GIC Account of such name maintained by the Cash Manager pursuant to and in accordance with the Cash Management Agreement, to record the crediting of Revenue Receipts to the Yield Supplement Fund and the debiting of such Yield Supplement Fund in accordance with the terms of the Guarantor Agreement;

"**Yield Supplement Reference Loans**"… The Loans in the Portfolio Assets;

"**Yield Supplement Required Amount**"…. In respect of a Guarantor Payment Date, the product of:

(a) the amount, calculated in respect of such Guarantor Payment Date and disclosed on the Yield Supplement Schedule delivered in respect of such Guarantor Payment Date, equal to the sum of the Monthly Aggregate Yield Shortfalls for the Yield Supplement Specified Monthly Periods as determined for such Guarantor Payment Date; and

(b) a fraction, the numerator of which is the outstanding balance of the Guarantee Loan and the denominator is the outstanding balance of the Intercompany Loan, as determined for such Guarantor Payment Date;

"**Yield Supplement Schedule**"…… In respect of a Guarantor Payment Date, a schedule prepared by the Interest Rate Swap Calculation Agent and delivered to the Guarantor and listing the Monthly Aggregate Yield Shortfalls calculated for each of the Yield Supplement Specified Monthly Periods and aggregating such amounts as the Yield Supplement Required Amount, which schedule will be prepared based on the information on the Yield Supplement Reference Loans prepared by the Guarantor (or

	the Servicer on its behalf) and delivered to the Interest Rate Swap Calculation Agent, which form of schedule will be attached as a form to the confirmations under the Interest Rate Swap Agreement;
"**Yield Supplement Specified Monthly Periods**"……	In respect of a Guarantor Payment Date, the applicable number of relevant calculation periods from and including the relevant calculation period for such Guarantor Payment Date, based on the following: (a) if the unsecured, unsubordinated and unguaranteed debt obligations of the Issuer is at or above BB by DBRS or at or above Ba2 by Moody's, six (6); and (b) if the unsecured, unsubordinated and unguaranteed debt obligations of the Issuer is below BB by DBRS or below Ba2 by Moody's, the number that equals the number of full months remaining from the date of such Guarantor Payment Date to the maturity of the longest term of then outstanding Covered Bonds;
"**Yield Supplement Target Interest**"……..	In respect of a Guarantor Payment Date and the related relevant calculation period, an amount equal to the aggregate amount of interest payable under the Yield Supplement Reference Loans on the interest payment dates falling within the relevant calculation period prior to such Guarantor Payment Date on the assumptions that (a) the Yield Supplement Reference Loans bear interest at the Yield Supplement Target Rate and (b) the Outstanding Principal Balance of Yield Supplement Reference Loans are as determined for the purposes of the definition of "**Yield Supplement Actual Interest**" for such Guarantor Payment Date and the related relevant calculation period, and, including, for greater clarity, after giving effect to the prepayment speed (CPR) for the Yield Supplement Reference Loans as determined by the Guarantor (or the Servicer on its behalf) and notified to the Interest Rate Swap Calculation Agent;
"**Yield Supplement Target Rate**"……	In respect of a Guarantor Payment Date, a rate equal to, in respect of Fixed Rate Loans, the Fixed Swap Rate; and
"**Zero Coupon Covered Bonds**".....	Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.

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