

ASSET MONITOR AGREEMENT

by and among

NBC COVERED BOND (LEGISLATIVE) GUARANTOR LIMITED PARTNERSHIP
as Guarantor

and

NATIONAL BANK OF CANADA
as Issuer and as Cash Manager

and

DELOITTE s.e.n.c.r.l.
as Asset Monitor

and

COMPUTERSHARE TRUST COMPANY OF CANADA
as Bond Trustee

October 31, 2013

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ASSET MONITOR AGREEMENT

THIS ASSET MONITOR AGREEMENT (this “**Agreement**”) is made as of the 31st day of October, 2013.

BY AND AMONG:

- (1) **NBC COVERED BOND (LEGISLATIVE) GUARANTOR LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Ontario, whose registered office is at 66 Wellington Street West, Suite 5300, TD Bank Tower, Toronto, Ontario, Canada, M5K 1E6, by its managing general partner **NBC COVERED BOND (LEGISLATIVE) GP INC.** (hereinafter the “**Guarantor**”);
- (2) **NATIONAL BANK OF CANADA**, a bank named in Schedule I to the *Bank Act* (Canada), whose executive office is at 600 De La Gauchetière Street West, Montréal, Québec, Canada H3B 4L2, acting in its capacities as the Cash Manager and the Issuer (hereinafter the “**Cash Manager**” and “**Issuer**”, respectively);
- (3) **DELOITTE s.e.n.c.r.l.**, a société en nom collectif à responsabilité limitée formed under the laws of the Province of Québec, acting through its office located at 1 Place Ville Marie, Suite 3000, Montréal, Québec, Canada H3B 4L2, acting in its capacity as Asset Monitor (hereinafter the “**Asset Monitor**”); and
- (4) **COMPUTERSHARE TRUST COMPANY OF CANADA**, a trust company formed under the laws of Canada, whose registered office is at 1500 University Street, Suite 700, Montréal, Québec, Canada H3A 3S8 acting in its capacity as Bond Trustee (hereinafter the “**Bond Trustee**”).

WHEREAS:

- (A) Under the terms of the Programme, the Issuer will issue Covered Bonds on each Issue Date.
- (B) In connection with the Programme, the Guarantor has agreed to guarantee payments of interest and principal under the Covered Bonds pursuant to the terms of the Covered Bond Guarantee.
- (C) In connection therewith, the Guarantor has entered into the Cash Management Agreement with the Cash Manager pursuant to which the Cash Manager has agreed to, *inter alia*, perform certain calculations in relation to the Asset Coverage Test, the Amortization Test and the Valuation Calculation.
- (D) The Asset Monitor agrees to be appointed by the Issuer, the Guarantor and the Bond Trustee to carry out various specified procedures, arithmetic testing and notification procedures in relation to the Covered Bond Portfolio and the calculations performed by the Cash Manager in relation to the Asset Coverage Test, the Amortization Test and the Valuation Calculation subject to and in accordance with the terms of this Agreement.

NOW THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein set forth, the parties hereto agree as follows:

1. DEFINITIONS AND INTERPRETATION

- 1.1 The master definitions and construction agreement made between the parties to the Transaction Documents on October 31, 2013 (as the same may be amended, restated, varied or supplemented from time to time with the consent of the parties thereto) (the “**Master Definitions and Construction Agreement**”) is expressly and specifically incorporated into this Agreement and, accordingly, the expressions defined in the Master Definitions and Construction Agreement (as so amended, restated, varied or supplemented) shall, except where the context otherwise requires and save where otherwise defined herein, have the same meanings in this Agreement, including the recitals hereto and this Agreement shall be construed in accordance with the interpretation provisions set out in Section 2 of the Master Definitions and Construction Agreement.
- 1.2 The parties hereto acknowledge that the Cash Manager is performing services for and on behalf of the Guarantor pursuant to the terms of the Cash Management Agreement and that to the extent that anything herein is referred to as being done by the Cash Manager, such reference is deemed to include a reference to such thing being done by the Guarantor (or the Cash Manager on its behalf).
- 1.3 For the purposes hereof, “this Agreement” has the same meaning as Asset Monitor Agreement in the Master Definitions and Construction Agreement.

2. APPOINTMENT AND SERVICES OF THE ASSET MONITOR

- 2.1 The Issuer, the Guarantor and the Bond Trustee (according to their respective estates and interests) each hereby appoints the Asset Monitor to provide the services set out in this Agreement and the Asset Monitor hereby accepts such appointment on the terms and subject to the conditions of this Agreement. The Bond Trustee hereby consents to the appointment of the Asset Monitor on the terms and conditions set out herein.
- 2.2 Subject to the Asset Monitor having been provided in a timely manner with the information, documents and other materials it reasonably requires to do so, (i) no later than the fifth Business Day prior to the First Issue Date, and (ii) in each subsequent year, on or prior to the 90th day following the currency date specified therein, which currency date shall not be later than the anniversary of the First Issue Date, the Asset Monitor shall prepare and, on a confidential basis, deliver to the Issuer, the Guarantor, the Bond Trustee and CMHC a report (the “**Annual Asset Monitor Report**”) prepared in accordance, with Canadian generally-accepted standards for applying specified procedures to financial information other than financial statements:

- (a) detailing the scope of work undertaken and the specified procedures as described in Part I, Part III, Part IV and Part V of Schedule A hereto (the “**Specified Procedures**”);
 - (b) confirming the matters set out in Part II of Schedule A hereto; and
 - (c) detailing the results of the Specified Procedures,
- 2.3 If the arithmetic testing conducted by the Asset Monitor in accordance with Section 2.2 as it relates to Part III or Part IV of Schedule A hereto (the “**Recalculation Procedures**”), reveals arithmetic errors in the relevant calculations performed by the Cash Manager, the Asset Monitor shall perform the Recalculation Procedures in relation to the Investor Reports for (a) the last Calculation Period of each calendar quarter of the preceding year, (b) each Calculation Period of the current year until such Recalculation Procedures demonstrate no arithmetical inaccuracy for three consecutive Calculation Periods, and (c) thereafter, the last Calculation Period of each remaining calendar quarter of the current year.
- 2.4 For every Calculation Period in respect of which the Asset Monitor performs the Recalculation Procedures in accordance with Section 2.3, the Asset Monitor shall promptly prepare and, on a confidential basis, deliver to the Issuer, the Guarantor, the Bond Trustee and CMHC a report (the “**Recalculation Report**”) detailing the results of such Recalculation Procedures, including the factual results of the Recalculation Procedures applied and any errors found in performing the Recalculation Procedures.
- 2.5 The assumptions, qualifications and conditions with respect to the Specified Procedures (including the Recalculation Procedures) to be conducted by the Asset Monitor are set out in Schedule B hereto.
- 2.6 The Asset Monitor shall advise the Issuer, the Guarantor, the Bond Trustee and CMHC in writing (a “**Non-Compliance Notice**”) as soon as practicable in the event that it becomes aware, but only as a consequence of or in the course of performing its obligations under this Agreement and without any obligation on the part of the Asset Monitor to so verify or determine, that:
- (a) the Issuer, the Guarantor, or the Programme is in non-compliance with the obligation to update the Registry with any changes of information;
 - (b) the Issuer or the Guarantor, as applicable, is in non-compliance with (i) Section 3.8, (ii) Sections 3.1(b), 4.1, 4.2, 4.3 or 4.4 of the Custodial Agreement, or (iii) any other obligation set forth in Chapter 7 of the CMHC Guide; or
 - (c) there exists a discrepancy or inconsistency in the books, records, accounts, information and/or explanations provided by the Issuer to the Asset Monitor.
- 2.7 Upon receiving a Non-Compliance Notice from the Asset Monitor, CMHC may request such additional information and explanation concerning the matters reported

in the Non-Compliance Notice in order to verify compliance with items identified in Section 2.6 above. If so requested by CMHC at any time and from time to time, the Asset Monitor shall provide to the Issuer, the Guarantor, the Bond Trustee and CMHC such additional information as is in the possession of the Asset Monitor as CMHC may reasonably request in order to verify compliance with items identified in Section 2.6 above.

- 2.8 The Issuer, the Guarantor and the Bond Trustee hereby acknowledge, consent and agree to the Asset Monitor providing any Non-Compliance Notices required in accordance with Section 2.6 above and the information and explanation related thereto in accordance with Section 2.7 above, notwithstanding the terms of any other agreement or any confidentiality obligations owed by the Asset Monitor. The Issuer, the Guarantor and the Bond Trustee hereby acknowledge and agree that the Asset Monitor shall bear no liability or responsibility whatsoever, and the Guarantor agrees (subject to the Priorities of Payments) to indemnify and hold harmless the Asset Monitor from any claims, liabilities, losses, damages, costs and expenses, related to, arising from or in connection with the Asset Monitor providing any such Non-Compliance Notice and the information and explanation related thereto in accordance with Section 2.6 and Section 2.7 above, respectively.
- 2.9 In connection with each Issue Date, the Asset Monitor shall enquire of the Guarantor whether, as of the Issue Date, the Guarantor entered into one or more Swap Agreements, whether such Swap Agreements were documented using ISDA documentation, and report the findings of such enquiries to the Issuer, the Guarantor, the Bond Trustee and CMHC in writing without testing, confirming or verifying the information provided by the Guarantor.
- 2.10 The reports and other findings provided by the Asset Monitor pursuant to this Agreement, including the results of the Specified Procedures, the results of the Recalculation Procedures, the Recalculation Reports and the Non-Compliance Notices, should not be distributed to third parties other than CMHC or as otherwise required in accordance with the CMHC Guide without the Asset Monitor's prior written consent, and such reports and findings are not intended for any other purpose than as described in this Agreement. Any use that such third party makes of the reports and findings of the Asset Monitor, and any reliance or decisions made based on such reports and findings, are the responsibility of such third party. The Asset Monitor accepts no responsibility for any loss or damages suffered by any such third party as a result of decisions made or actions taken based on such reports or findings.

3. PROVISION OF INFORMATION TO THE ASSET MONITOR

- 3.1 In accordance with Section 3.4 (Compliance with the Asset Coverage Test, the Amortization Test, the Pre-Maturity Test and the Valuation Calculation) of the Cash Management Agreement, the Cash Manager shall provide the Asset Monitor with:
 - (a) the figures used by the Cash Manager for items A, B, C, D, E, Y and Z described in Schedule 2 (Asset Coverage Test) of the Guarantor Agreement

in its calculation of the Adjusted Aggregate Asset Amount on the relevant Calculation Date;

- (b) the constituent figures used in the calculations of items A, Y and Z described in Schedule 2 (Asset Coverage Test) of the Guarantor Agreement in order to test the arithmetical accuracy of the figures used by the Cash Manager for items A, Y and Z provided in accordance with paragraph 3.1(a) above; and
- (c) the Principal Amount Outstanding of the Covered Bonds as calculated by the Cash Manager on the relevant Calculation Date.

3.2 In accordance with Section 3.4 (Compliance with the Asset Coverage Test, the Amortization Test, the Pre-Maturity Test and the Valuation Calculation) of the Cash Management Agreement, the Cash Manager shall provide the Asset Monitor with:

- (a) the figures used by the Cash Manager for items A, B, C, Y and Z described in Schedule 3 (Amortization Test) of the Guarantor Agreement in its calculation of the Amortization Test Aggregate Asset Amount on the relevant Calculation Date;
- (b) the constituent figures used in the calculation of items A, Y and Z described in Schedule 3 (Amortization Test) of the Guarantor Agreement in order to test the arithmetical accuracy of the figures used by the Cash Manager for items A, Y and Z provided in accordance with paragraph 3.2(a) above; and
- (c) the Principal Amount Outstanding of the Covered Bonds as calculated by the Cash Manager on the relevant Calculation Date.

3.3 In accordance with Section 3.4 (Compliance with the Asset Coverage Test, the Amortization Test, the Pre-Maturity Test and the Valuation Calculation) of the Cash Management Agreement, the Cash Manager shall provide the Asset Monitor with:

- (a) the figures used by the Cash Manager for items A, B, C, D, E and F described in Schedule 10 (Valuation Calculation) of the Guarantor Agreement in its calculation of the Asset Value on the relevant Calculation Date;
- (b) the constituent figures used in the calculation of item A described in Schedule 10 (Valuation Calculation) of the Guarantor Agreement in order to test the arithmetical accuracy of the figure used by the Cash Manager for item A provided in accordance with paragraph 3.3(a) above; and
- (c) the Trading Value of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated by the Cash Manager on the relevant Calculation Date.

3.4 In accordance with Section 3.4 (Compliance with the Asset Coverage Test, the Amortization Test, the Pre-Maturity Test and the Valuation Calculation) of the Cash Management Agreement, the Cash Manager shall provide the Asset Monitor with the

ratings assigned to the unsecured, unsubordinated and unguaranteed debt obligations, and the issuer default rating, of the Issuer by each of the Rating Agencies.

- 3.5 The Asset Monitor may rely on any instructions, requests or representations made, notices given or information supplied, whether orally or in writing, by any person known or reasonably believed by the Asset Monitor to be authorized from time to time by the Guarantor and/or the Cash Manager in connection with the provision by the Guarantor and/or the Cash Manager of information pursuant to the terms of this Agreement.
- 3.6 For greater certainty, any notice to be given to the Asset Monitor, shall be sent to those persons nominated by the Asset Monitor from time to time (the “**Nominated Persons**” and each a “**Nominated Person**”) and the Asset Monitor shall not be deemed to have any knowledge of any notice sent to a person other than a Nominated Person, provided that a person shall continue to be a Nominated Person until such time as the Asset Monitor has sent notice to the Guarantor (or the Cash Manager on its behalf) and the Bond Trustee that any such Nominated Person has ceased to be a Nominated Person for the purpose of this Agreement. Furthermore, a Nominated Person shall not be required, expected or deemed to have knowledge of any information known to any person not being a Nominated Person and is not required to obtain such information from any such other person.
- 3.7 For greater certainty;
- (a) Schedule 2 (Asset Coverage Test) to the Guarantor Agreement is set out as Schedule C to this Agreement;
 - (b) Schedule 3 (Amortization Test) to the Guarantor Agreement is set out as Schedule D to this Agreement; and
 - (c) Schedule 10 (Valuation Calculation) to the Guarantor Agreement is set out as Schedule E to this Agreement.

and each is incorporated by reference herein.

- 3.8 To the extent not already provided, upon reasonable request of the Asset Monitor for the purpose of performing its responsibilities hereunder and pursuant to the other Transaction Documents to which it is a party, the Issuer shall:
- (a) make available to the Asset Monitor any books, records or accounts of the Issuer related to the Programme;
 - (b) require any officer or employee of the Issuer or any of its Affiliates to provide to the Asset Monitor such information, explanations and representations as the Asset Monitor may reasonably consider necessary in the performance of its responsibilities hereunder and under the other Transaction Documents to which it is a party; and

- (c) cause the Guarantor, the Servicer, each Swap Provider, the Account Bank, the Standby Account Bank, the GIC Provider, the Standby GIC Provider, the Cash Manager, the Custodian and the Corporate Services Provider to provide to the Asset Monitor such information as may be in their possession that the Asset Monitor may reasonably consider necessary in the performance of its responsibilities hereunder and under the other Transaction Documents to which it is a party.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ASSET MONITOR

4.1 The Asset Monitor represents and warrants to, and covenants with, each of the Issuer, the Guarantor and the Bond Trustee as of the date hereof, and so long as it remains the Asset Monitor, that:

- (a) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under this 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 hereunder;
- (b) it will comply with the provisions of, and perform its obligations under, this Agreement, the other Transaction Documents to which it is a party and the CMHC Guide;
- (c) it is and will continue to be in good standing with each of its applicable regulators;
- (d) 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 this Agreement and the other Transaction Documents to which it is a party;
- (e) it is and will continue to be a firm that is qualified to be an auditor of the Issuer under both the Bank Act and Canadian generally accepted auditing standards;
- (f) it will perform its obligations hereunder in accordance with Canadian generally-accepted standards for applying specified procedures to financial information other than financial statements; and
- (g) it will comply with all material legal and regulatory requirements applicable to the conduct of its business so that it can lawfully attend to the performance of its obligations under this Agreement.

5. TERMINATION

5.1 The Asset Monitor may, at any time, resign from its appointment under this Agreement upon providing the Issuer, the Guarantor (or the Cash Manager on its

behalf) and the Bond Trustee with 60 days' prior written notice, provided that the Asset Monitor shall use its reasonable efforts to assist with the appointment of a replacement 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 replacement shall meet the requirements for a cover pool monitor in the CMHC Guide and shall agree to perform the duties (or substantially similar duties) of the Asset Monitor set out in this Agreement. For greater certainty, the Asset Monitor's resignation is not dependent on finding a replacement. The Asset Monitor may terminate this Agreement immediately upon written notice to the Issuer, the Guarantor and the Bond Trustee if it determines that (a) a governmental, regulatory or professional entity (including, without limitation, the Canadian Institute of Chartered Accountants, provincial accounting institutes, securities commissions, the Public Company Accounting Oversight Board or the Canadian Public Accountability Board) or an entity having the force of law has introduced a new, or modified an existing, law, rule, regulation, interpretation or decision the result of which would render the Asset Monitor's performance of any part of this Agreement illegal or otherwise unlawful or in conflict with independence or professional rules, or (b) circumstances change (including, changes in ownership of the Issuer, the Guarantor, the Bond Trustee, the Cash Manager or any of their respective Affiliates) such that the Asset Monitor's performance of any part of this Agreement would be illegal or otherwise unlawful or in conflict with independence or professional rules.

- 5.2 Any costs, charges, fees or expenses incurred by the Asset Monitor as a result of its resignation under Section 5.1 above shall be payable in full by the Asset Monitor and will not be liable for reimbursement by the Guarantor save that the Asset Monitor shall remain entitled to payment for any costs, charges, fees or expenses payable to the Asset Monitor in accordance with this Agreement incurred or accruing prior to such resignation.
- 5.3 The Guarantor may, at any time but subject to the prior written consent of the Bond Trustee, terminate the appointment of the Asset Monitor hereunder upon providing the Asset Monitor with 60 days' prior written notice, provided that neither the consent of the Bond Trustee or such notice period shall be required for the Guarantor to terminate the appointment of the Asset Monitor in the event that the Asset Monitor defaults in the performance or observance of its covenants or breaches its representations and warranties made, respectively, under Section 4.1(a), (b), (c), (d), (e) or (g), and provided further that, subject to Section 5.5, such termination may not be effected unless and until a replacement approved by the Bond Trustee has been found by the Guarantor (such replacement to be approved by the Bond Trustee if the replacement is an accounting firm of national standing) which meets the requirements for a cover pool monitor in the CMHC Guide and agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in this Agreement,
- 5.4 Any costs, charges, fees or expenses incurred by the Asset Monitor as a result of its appointment being terminated under Section 5.3 above (together with the Asset Monitor's rights under Section 6 in relation to moneys owing to the Asset Monitor

for the period up to and including the date of the termination of the Asset Monitor's appointment becoming effective) shall be payable in full by the Guarantor.

- 5.5 If a replacement Asset Monitor has not been appointed in accordance with the provisions of Section 5.1 or 5.3 above of this Agreement within 60 days of the giving of notice of resignation or termination in accordance with Section 5.1 or 5.3 above, as applicable, or in any event by the date which is 30 days prior to the date on which any procedures are to be conducted by the Asset Monitor in accordance with this Agreement, the Guarantor shall use all reasonable efforts to appoint an accounting firm of national standing that meets the requirements for a cover pool monitor in the CMHC Guide to carry out the relevant procedures in accordance with this Agreement, on a one-off basis, provided that notice of such appointment is given to the Issuer, the Guarantor and the Bond Trustee and the Guarantor continues to use reasonable efforts to find a replacement approved by the Bond Trustee which replacement meets the requirements for a cover pool monitor in the CMHC Guide and agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in this Agreement. Subject to the requirements of this Section 5.5 being met in relation to any such replacement, the Guarantor shall not be obliged to appoint that replacement. For greater certainty, the Bond Trustee shall not be obliged to act as Asset Monitor in any circumstances.
- 5.6 The Asset Monitor agrees that, if a replacement is found in accordance with the provisions of Section 5.1 or Section 5.3 above of this Agreement, or a temporary arrangement is instituted pursuant to Section 5.5, the Asset Monitor shall provide all reasonable co-operation to the replacement and shall forthwith deliver to such replacement (and in the meantime hold on trust for the Guarantor and the Bond Trustee) all records, papers, files and computer data which it has received pursuant to this Agreement since the most recent Calculation Period in respect of which the Asset Monitor was obliged, in accordance with the terms of this Agreement, to perform Specified Procedures. The Asset Monitor shall retain all of its intellectual property rights in relation to all reports delivered by it in accordance with this Agreement and in relation to any of its records, working papers, files or computer data which it produces in its capacity as Asset Monitor.
- 5.7 Subject to the foregoing, the Asset Monitor's appointment under this Agreement will terminate upon the earlier of the occurrence of (i) a Guarantor Event of Default and service of a Guarantor Acceleration Notice, or (ii) the repayment in full of all amounts outstanding in relation to all Covered Bonds.
- 5.8 The Guarantor shall provide notice to CMHC of the termination or resignation of the Asset Monitor and of the Asset Monitor's replacement contemporaneously with the earlier of (i) notice of such termination or resignation and replacement to a Rating Agency, (ii) notice of such termination or resignation and replacement being provided to or otherwise made available to Covered Bondholders and (iii) five Business Days following such termination or resignation and replacement (unless the replacement has yet to be identified at that time, in which case notice of the replacement may be provided no later than 10 Business Days thereafter). Any such

notice shall include (if known) the reasons for the termination or resignation of the Asset Monitor, all information relating to the replacement required by the CMHC Guide and a revised and amended copy of this Agreement with such replacement.

- 5.9 The Guarantor shall, to the extent that DBRS is a Rating Agency, provide prompt notice to DBRS of the termination or resignation of the Asset Monitor and of the Asset Monitor's replacement.

6. FEES

- 6.1 Subject to the Priorities of Payments, the Guarantor shall (subject to Section 6.2 and 6.3 below) pay to the Asset Monitor for its services hereunder a fee for each report that it provides (the "**Asset Monitor Fee**") (exclusive of GST) in an amount equal to the fee charged by the Asset Monitor in respect of each calculation, as set out in Schedule F hereto on the first Guarantor Payment Date (each such date, an "**Asset Monitor Payment Date**") following delivery by the Asset Monitor of the relevant report.

- 6.2 The parties agree that the Asset Monitor Fee shall be payable by the Guarantor (or the Cash Manager on its behalf) on the Guarantor Payment Date immediately following the Calculation Period in which such invoice is delivered to the Guarantor (or the Cash Manager on its behalf).

- 6.3 For greater certainty, other than as specified herein, the Bond Trustee will not be responsible for payment of fees, costs and expenses due to or incurred by the Asset Monitor pursuant to its appointment and performance of its duties hereunder.

- 6.4 The Asset Monitor agrees (subject to the Security granted pursuant to the Security Agreement) that it shall have recourse only to sums paid to or received by (or on behalf of) the Guarantor pursuant to the Bank Account Agreement, the Mortgage Sale Agreement, the Guarantor Agreement, the Intercompany Loan Agreement, the Swap Agreements, or any other document entered into by the Guarantor in relation to the Intercompany Loan Agreement or the Loans.

7. SUBORDINATION OF RIGHTS

- 7.1 The Asset Monitor hereby agrees that it shall not take any steps for the purpose of recovering any amounts payable to it under or pursuant to this Agreement (including by exercising any rights of set-off) or, subject to Section 17, procuring the winding up, administration or liquidation of the Guarantor, the Managing GP or the Liquidation GP in respect of any of its liabilities under or pursuant to this Agreement, the Trust Deed or the Security Agreement unless a Guarantor Acceleration Notice shall have been served.

- 7.2 The Asset Monitor agrees to be bound by the terms of the Priorities of Payment set out in Article 6 (Priorities of Payments) of the Guarantor Agreement and in the Security Agreement. Without prejudice to Section 7.1 above, the Asset Monitor further agrees that, notwithstanding any other provision contained herein, it will not

demand or receive payment of, or any distribution in respect of or on account of, any amounts payable by the Guarantor (or the Cash Manager on its behalf) or the Bond Trustee, as applicable, to the Asset Monitor under the Asset Monitor Agreement, in cash or in kind, and will not apply any money or assets in discharge of any such amounts payable to it (whether by set-off or by any other method), 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.

- 7.3 Without prejudice to Section 7.2 above, whether in the liquidation of the Guarantor or any other party to the Transaction Documents or otherwise, if any payment or distribution (or the proceeds of any enforcement of any security) is received by the Asset Monitor in respect of any amount payable by the Guarantor (or the Cash Manager on its behalf) or the Bond Trustee, as applicable, to the Asset Monitor under this Agreement at a time when, by virtue of the provisions of this Agreement, the Guarantor Agreement and the Security Agreement, no payment or distribution should have been made, the amount so received shall be held by the Asset Monitor upon trust for the entity from which such payment was received and shall be paid over to such entity forthwith upon receipt (whereupon the relevant payment or distribution shall be deemed not to have been made or received).
- 7.4 Without prejudice to Section 7.1 above, the Asset Monitor shall not, in relation to any amounts owing pursuant to this Agreement, the Trust Deed or the Security Agreement, claim, rank, prove or vote as a creditor of the Guarantor, the Managing GP or the Liquidation GP or their respective estates in competition with any prior ranking creditors in the relevant Priorities of Payments, or claim a right of set-off until all amounts then due and payable to creditors who rank higher in the relevant Priorities of Payments have been paid in full.
- 7.5 Neither the Guarantor nor the Bond Trustee shall pay or repay, or make any distribution in respect of, any amount owing to the Asset Monitor under this Agreement (in cash or in kind) unless and until all amounts then due and payable by the Guarantor or the Bond Trustee to all other creditors ranking higher in the relevant Priorities of Payments have been paid in full.
- 7.6 The perpetuity period for the trusts in this Section 7 shall be 80 years.

8. ASSIGNMENTS AND TRANSFERS

- 8.1 Subject to Section 8.2 no party to this Agreement may assign, novate, transfer or sub-contract any of its rights or obligations under this Agreement other than with the prior consent of the other parties to this Agreement, which consent may not be unreasonably withheld or delayed, and unless the Rating Agency Condition has been satisfied in respect of such assignment, novation or transfer or sub-contracting.
- 8.2 The parties hereto acknowledge and agree that the Guarantor is permitted to assign its rights hereunder to the Bond Trustee pursuant to the Security Agreement.

9. CONFIDENTIALITY

9.1 The Asset Monitor agrees to keep confidential all information of any kind whatsoever provided to it in its capacity as Asset Monitor hereunder save for:

- (a) information which it is expressly authorized to provide to the Guarantor, the Rating Agencies, the Cash Manager, the Bond Trustee, CMHC or any other party under the terms of this Agreement or any of the other Transaction Documents;
- (b) information which is public knowledge otherwise than as a result of the wrongful conduct of the Asset Monitor;
- (c) information that the Asset Monitor is required to disclose pursuant to applicable laws, including the laws of the Province of Ontario or the federal laws of Canada applicable therein, or the order of any court of competent jurisdiction or pursuant to any direction, request or requirement (whether or not having the force of law) of any governmental, professional or other regulatory or taxation authority in Canada or the United Kingdom (including, without limitation, any official bank examiners or regulators), or any stock exchange on which securities issued by the Issuer are listed or pursuant to any request or requirement of any applicable auditor oversight authority such as the U.S. Public Company Accounting Oversight Board or the Canadian Public Accountability Board;
- (d) information which the Asset Monitor wishes to disclose to its professional indemnity insurers or advisers where such insurers or advisers receive the same under a duty of confidentiality;
- (e) information which the Asset Monitor is required to disclose to the relevant authorities on a public interest disclosure basis or in order to comply with its statutory obligations relating to money laundering and the proceeds of crime;
- (f) information disclosed to professional advisers of the Asset Monitor who receive the same under a duty of confidentiality in substantially the same terms as this Section 9;
- (g) information disclosed with the prior written consent of the Guarantor, the Cash Manager and the Bond Trustee; and
- (h) information which may be reasonably requested by the Rating Agencies from time to time.

9.2 The parties agree that the Asset Monitor and each Nominated Person shall not be required to disclose to any other party any information which is confidential to any other client of the Asset Monitor and any information received by the Asset Monitor or any Nominated Person other than by reason of, or in their capacity as, Asset

Monitor or Nominated Person (as applicable) pursuant to the terms of this Agreement.

- 9.3 The Asset Monitor agrees (subject to the Security granted pursuant to the Security Agreement) that it shall have recourse only to sums paid to or received by (or on behalf of) the Guarantor pursuant to the Bank Account Agreement, the Mortgage Sale Agreement, the Guarantor Agreement, the Intercompany Loan Agreement, the Swap Agreements, or any other document entered into by the Guarantor in relation to the Intercompany Loan Agreement or the Loans.

10. PROVISION OF INFORMATION TO THE BOND TRUSTEE

The Cash Manager, solely in its capacity as cash manager, the Guarantor and, subject to Section 9.2, the Asset Monitor, solely in its capacity as asset monitor, shall each provide to the Bond Trustee, or procure the provision to the Bond Trustee of, such information and evidence available to that party in respect of any dealing between that relevant party or its officers, employees, attorneys or agents and the Cash Manager, solely in its capacity as cash manager, the Guarantor and the Asset Monitor, solely in its capacity as asset monitor, (as applicable) under or in relation to this Agreement as the Bond Trustee may reasonably request and the Cash Manager, solely in its capacity as cash manager, the Guarantor and the Asset Monitor, solely in its capacity as asset monitor, hereby waive any right of confidentiality which they may have or duty which may be owed to them in respect of the disclosure of such information and evidence pursuant to this Section 10.

11. LIABILITY

- 11.1 To the fullest extent permitted by law, the Asset Monitor shall not have liability hereunder to the extent that liability would (but for this Section 11.1) be imposed upon the Asset Monitor by reason of it having relied upon any statement or information made or provided by any person (including information provided in accordance with Section 3 above) which was untrue, inaccurate, incomplete or misleading without the Asset Monitor having been aware of this other than in respect of the accuracy of the calculations performed by the Cash Manager in respect of the Asset Coverage Test and the Amortization Test which the Asset Monitor has been appointed to test in accordance with the provisions of this Agreement.
- 11.2 To the fullest extent permitted by law, the Asset Monitor shall not be liable or responsible to any other party hereto for any loss, cost, damage or expense which results from a breach by any of the other parties hereto of any provision of the Transaction Documents and the Guarantor agrees (subject to the Priorities of Payments) to indemnify the Asset Monitor for any liability (including all liabilities in respect of all proceedings, claims, demands, losses, damages, costs and expenses relating to the same) which becomes payable or which is incurred by the Asset Monitor in respect of a breach by any of the other parties hereto of any provision of the Transaction Documents.

- 11.3 To the fullest extent permitted by law, the Asset Monitor shall not be liable to any other party hereto for any loss or damage suffered by them or any one of them arising from fraud, misrepresentation, withholding of information material to services performed under this Agreement or other default relating to such material information on the part of any such party.
- 11.4 The Asset Monitor shall not be liable to any other party hereto, in contract or tort or under statute or otherwise for any indirect or consequential economic loss or damage (including loss of profits) suffered by such party, arising from or in connection with the performance by the Asset Monitor of its obligations under this Agreement, however such loss or damage is caused, except as a result of gross negligence, fraud or other deliberate breach of the covenants or obligations of the Asset Monitor hereunder. For the purposes of this Agreement, “gross” negligence shall mean the failure to exercise even slight diligence or the intentional failure to perform a manifest duty in reckless disregard of a known risk.
- 11.5 Any Sections in this Agreement which operate or which may operate to exclude or limit the liability of the Asset Monitor or any other person in any respect shall not operate to exclude or limit any liability which cannot lawfully be excluded or limited, including for these purposes, any liability which cannot be excluded or limited pursuant to the applicable rules and interpretations of the U.S. Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial institute/order of chartered accountants having jurisdiction.
- 11.6 The Guarantor is a limited partnership formed under the *Limited Partnerships Act* (Ontario), a limited partner of which is, except as expressly required by law, only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to its capital.

12. FURTHER PROVISIONS

- 12.1 The respective rights of the parties under this Agreement are cumulative, and may be exercised as often as they consider appropriate and are in addition to their respective rights under the general law. The respective rights of each of the parties hereto in relation to this Agreement (whether arising under this Agreement or under the general law) shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing. In particular, any failure to exercise or any delay in exercising of any such rights shall not operate as a waiver or variation of that or any other such right; any defective or partial exercise of any of such rights shall not preclude any other or further exercise of that or any other such right. No act or course of conduct or negotiation on their part or on their behalf shall in any way preclude them from exercising any such right or constitute a suspension or any variation of any such right.

- 12.2 If any of the provisions of this Agreement become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.
- 12.3 Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, each party hereto hereby waives any provision of law (where permitted by law) which renders any provision of this Agreement prohibited or unenforceable in any respect.

13. NOTICES

- 13.1 Any notice, direction or other communication given under this Agreement shall be in writing and given by delivering it or sending it by prepaid first class mail to the registered office of such person set forth above unless an alternative address is provided below, in which case delivery shall be to the address provided below, or by facsimile transmission to facsimile number set forth below, as applicable:

(a) in the case of the Guarantor, to:

NBC Covered Bond (Legislative) Guarantor Limited Partnership
66 Wellington Street West, Suite 5300
TD Bank Tower
Toronto, Ontario
Canada M5K 1E6

Attention: Corporate Treasury
c/o Éric Girard, Senior Vice-President
Facsimile number: (514) 394-8974

(b) in the case of the Asset Monitor, to:

Deloitte s.e.n.c.r.l.
1 Place Ville Marie, Suite 3000
Montréal, Québec
Canada H3B 4T9

Attention: Carl Magnan / Jean-Philippe Faucher
Facsimile number: (514) 390-4111

(c) in the case of the Cash Manager or the Issuer, to:

National Bank of Canada
600 De La Gauchetière Street West
Montréal, Québec
Canada H3B 4L2

Attention: Corporate Treasury
c/o Éric Girard, Senior Vice-President
Facsimile number: (514) 394-8974

(d) in the case of the Bond Trustee, to:

Computershare Trust Company of Canada
1500 University Street
Suite 700
Montréal, Québec
Canada H3A 3S8

Attention: General Manager, Corporate Trust Services
Facsimile number: (514) 982-7677

- 13.2 Any such communication will be deemed to have been validly and effectively given (i) if personally delivered, on the date of such delivery if such date is a Canadian Business Day and such delivery was made prior to 4:00 p.m. (Toronto time) and otherwise on the next Canadian Business Day, (ii) in the case of first class post, when it would be received in the ordinary course of the post, or (iii) if transmitted by facsimile transmission on the Canadian Business Day following the date of transmission provided the transmitter receives a confirmation of successful transmission.
- 13.3 Any party may change its address for notice, or facsimile contact information for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such party at its changed address, or facsimile contact information, as applicable.
- 13.4 Notwithstanding anything else in this Section 13 and provided that each give their prior consent to such delivery, the Asset Monitor may send notice to or otherwise communicate with any of the Guarantor, the Issuer, the Cash Manager, the Bond Trustee or the Rating Agencies by electronic mail. Each of the Guarantor, the Cash Manager, the Bond Trustee, the Issuer and the Rating Agencies shall be deemed: (i) to have received any electronic mail sent by the Asset Monitor pursuant to the terms of this Section 13.4 subject to the risks (including the security risks of interception, unauthorized access, corruption or viruses) of communications via electronic mail and (ii) to have performed reasonable virus checks required in connection with the receipt of electronic mail.

14. COUNTERPARTS

This Agreement may be executed in any number of counterparts (manually or by facsimile), and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

15. THE BOND TRUSTEE

15.1 If there is any change in the identity of the Bond Trustee, the parties to this Agreement shall execute such documents and take such action as the successor Bond Trustee and the outgoing Bond Trustee may reasonably require for the purpose of vesting in the successor Bond Trustee the rights and obligations of the outgoing Bond Trustee under this Agreement. The Guarantor shall reimburse the Asset Monitor for all reasonable costs incurred by the Asset Monitor in relation to such change.

15.2 The Bond Trustee has agreed to become a party to this Agreement for the better preservation and enforcement of its rights under this Agreement but shall have no responsibility for any of the obligations of, nor assume any liabilities to, the Asset Monitor, the Cash Manager or the Guarantor hereunder. For the avoidance of doubt, the parties to this Agreement acknowledge that the rights and obligations of the Bond Trustee are governed by the Trust Deed and the Security Agreement. Any liberty or right which may be exercised or any determination which may be made under this Agreement by the Bond Trustee may be exercised or made in the Bond Trustee's absolute discretion without any obligation to give reasons therefor and the Bond Trustee shall not be responsible for any liability occasioned by so acting, if acting in accordance with the terms of the Trust Deed and the Security Agreement, but without prejudice to the obligation of the Bond Trustee to act reasonably.

16. AMENDMENTS, VARIATIONS AND WAIVER

No amendment, modification or variation of this Agreement shall be effective unless it is in writing and signed by (or by some person duly authorized by) each of the parties hereto provided that each proposed amendment or waiver of this Agreement that is considered by the Guarantor to be a material amendment or waiver shall be subject to satisfaction of the Rating Agency Condition. The Guarantor (or the Cash Manager on its behalf) shall deliver or shall cause notice to be delivered from time to time to the Rating Agencies of any amendment to this Agreement which does not require satisfaction of the Rating Agency Condition, provided that failure to deliver such notice shall not constitute a breach of the obligations of the Guarantor under this Agreement.

17. NON-PETITION

The Cash Manager and Asset Monitor agree that they shall not institute or join any other Person or entity in instituting against, or with respect to, the Guarantor, or any of the general partners of the Guarantor, any bankruptcy or insolvency event so long as any Covered Bonds

issued by the Issuer under the Programme shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such Covered Bonds shall have been outstanding. The foregoing provision shall survive the termination of this Agreement by any of the parties hereto.

18. CONTINUING PROVISIONS

Sections 5.2, 5.4, 5.6, 6, 7, 9, 11, 17 and this Section 18 of this Agreement shall survive the expiry or termination of this Agreement.

19. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties hereto in relation to the services to be performed hereunder and supersedes any prior agreements, understandings, arrangements, statements or representations relating to such services. Nothing in this Section or Agreement shall operate to limit or exclude any liability for fraud.

20. GOVERNING LAW

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to conflict of law principles.

21. SUBMISSION TO JURISDICTION

Each party to this Agreement hereby irrevocably submits to the exclusive jurisdiction of the Ontario courts in any action or proceeding arising out of or relating to this Agreement, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined by such courts. Each party to this Agreement hereby irrevocably waives, to the fullest extent it may possibly do so, any defence or claim that the Ontario courts are an inconvenient forum for the maintenance or hearing of such action or proceeding.

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IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first before written.

**NBC COVERED BOND (LEGISLATIVE)
GUARANTOR LIMITED PARTNERSHIP
by its general partner NBC COVERED
BOND (LEGISLATIVE) GP INC.**

Per: “Eric Girard”
Name: Eric Girard
Title: Authorized Signatory

Per: _____
Name:
Title:

NATIONAL BANK OF CANADA

Per: “Eric Girard”
Name: Eric Girard
Title: Authorized Signatory

DELOITTE s.e.n.c.r.l.

Per: “Martin Castonguay”
Name: Martin Castonguay
Title: Partner

**COMPUTERSHARE TRUST COMPANY
OF CANADA**

Per: “Carole Bedard”
Name: Carole Bedard
Title: Authorized Signatory

Per: “Nathalie Gagnon”
Name: Nathalie Gagnon
Title: Authorized Signatory

SCHEDULE A
SPECIFIED PROCEDURES AND RELATED MATTERS

Part I – Confirming accuracy of records in relation to Covered Bond Portfolio

Test Period

In connection with each Annual Asset Monitor Report, the Asset Monitor shall randomly select one Investor Report (the “**Subject Investor Report**”) for a Calculation Period ending prior to the date of such report, provided that for each Annual Asset Monitor Report, other than the initial Annual Asset Monitor Report delivered in connection with the First Issue Date, the Subject Investor Report shall be for a randomly selected Calculation Period during the period since the date of the last Annual Asset Monitor Report. For the Annual Asset Monitor Report delivered in connection with the First Issue Date, the Subject Investor Report shall be the Investor Report required to be prepared by or on behalf of the Issuer in advance of the First Issue Date in accordance with the terms of the CMHC Guide, which Investor Report may be prepared on a pro forma basis.

Loan Sample

From the Loan Files and other records of the Servicer in respect of the Covered Bond Portfolio (collectively, the “**Source Materials**”), the Asset Monitor shall select a sample of Loans (the “**Loan Sample**”), which Loan Sample must be of a size sufficient to provide a 95% confidence level with a tolerable deviation rate of 5% (an “**Industry Standard Sampling Size**”).

Portfolio Sample

From the Source Materials, the Asset Monitor shall select a sample of Loans, Substitute Assets and cash held by the Guarantor of an Industry Standard Sampling Size (the “**Portfolio Sample**”).

Procedures

1. Agree the Loan information disclosed in the Subject Investor Report with the Source Materials.
2. Agree the information unrelated to the Loans disclosed in the Subject Investor Report by inspection of the Issuer’s accounting records or other data made available to the Asset Monitor by the Issuer.
3. Perform the following procedures in relation to the Loan Sample with reference to the Source Materials:

	Category	Procedures
(a)	Name	<p>Agree the borrower(s)' first name (or initials) and surname with the following:</p> <ul style="list-style-type: none"> • Certificate of Title (COT) or Report on Title (ROT), and • Registered mortgage document (or, if not on file, either the mortgage loan agreement or the mortgage application form)
(b)	Address	<p>Inspect that the property address confirmed to be in Canada and agree on the following (allowing for common abbreviations, but with no exception for spelling):</p> <ul style="list-style-type: none"> • Certificate of Title (COT) or Report on Title (ROT), and • Valuation report, where commissioned
(c)	Loan/Account number	Agree the loan/account number with the primary system of record
(d)	Term	Agree the latest agreed term of the loan with the latest mortgage offer or account statement (or agree it is a home equity line of credit (a “ HELOC ”))
(e)	Interest rate	Agree the interest rate (or spread to index), interest rate type, interest rate index and interest rate with the most current loan document or account statement
(f)	Amortization	Agree the remaining amortization as reported with the remaining amortization on the mortgage administration system as of cut-off date (or agree it is a HELOC)
(g)	Amount advanced	Agree the total amount advanced to the latest offer/loan documents
(h)	Mortgage balance	Agree the mortgage balance (and the limit in the case of a HELOC) on the mortgage administration extraction file with the balance on the mortgage loan processing system at the cut-off date
(i)	Maturity date	Agree the maturity date of each mortgage on the primary system of record with the latest offer document or account statement, and that it is within a 30 day range (or agree it is a HELOC)
(j)	Valuation amount	Agree the valuation amount in the extraction file is less than or equal to the amount from the latest valuation, based on the underwriting policy of the registered issuer or its Affiliate (if it is the regulated lender) that was valid at the valuation date

	Category	Procedures
(k)	Valuation date	Agree the valuation date in the extraction file with the date on the latest valuation report and check whether it is within one year of the completion date
(l)	Currency of Loan	Inspect that the loan is not specified as denominated in a currency other than Canadian dollars in the mortgage loan documents
(m)	Loan characteristics	Agree the loan characteristics (e.g. fixed, variable) with the latest offer or supporting documentation (including the account statement)
(n)	Repayment type	Agree the repayment type (amortizing / interest only etc.) with supporting documents (which can include mortgage loan offer document or system record)
(o)	Property tenure and type	Agree the property tenure (freehold, condominium or other) with the valuation report, land registry records or report on title
(p)	Flag	Inspect that the mortgage loan in the primary system of record (or primary medium where loans are being flagged) has a flag to indicate it is used solely for the purpose of the Covered Bond Portfolio
(q)	Credit Bureau Score	Agree the credit score with the score information reflected on the Issuer's records for updated credit scores
(r)	Employment & Income Verification	<p>Agree the borrower's employment income in the application form to underlying evidence of income (such as paylips or tax returns) where income verification is carried out.</p> <p>Where evidence of income is unavailable, this will be considered a material negative finding unless, at the time of origination of the loan, the policies and guidelines of the Issuer or the applicable Originator did not require the retention of such records and disclosure has been made to investors of their absence in each public offering document or, in the case of a private placement, offering memorandum or similar disclosure document prepared in connection with the issuance of a series or tranche of Covered Bonds under the Programme</p>
(s)	Title	Inspect that there is evidence of title or title insurance

	Category	Procedures
(t)	Property Insurance	<p>Inspect that there is evidence of property insurance if required under the terms of the mortgage.</p> <p>Where evidence of property insurance is unavailable, this will be considered a material negative finding unless (a) at the time of origination of the loan, the policies and guidelines of the Issuer or the applicable Originator did not require the retention of such records and (b) disclosure has been made to investors in each public offering document or, in the case of a private placement, offering memorandum or similar disclosure document prepared in connection with the issuance of a series or tranche of Covered Bonds under the Programme of (i) the absence of evidence of property insurance and (ii) the Issuer's or the applicable Originator's acknowledgement of self-insurance against the risk represented by a Borrower's failure to obtain property insurance where incapable of verification</p>

4. With reference to the Source Materials,

- (a) agree that the assets in the Portfolio Sample consist only of the following:
 - (i) Eligible Loans meeting the criteria specified in the definition thereof (other than such criteria to be addressed by a legal opinion in accordance with the CMHC Guide);
 - (ii) sums derived from Eligible Loans; and
 - (iii) Substitute Assets meeting the criteria specified in the definition thereof;
- (b) verify that the cash amounts held by the Guarantor do not exceed the Prescribed Cash Limitation; and
- (c) perform the following procedures in relation to the Substitute Assets in the Portfolio Sample:

	Category	Procedures
(i)	CUSIP	Agree the CUSIP recorded with the primary system of record
(ii)	Maturity Date	Agree the maturity date recorded with the primary system of record
(iii)	Face Value	Agree the face value recorded with the primary system of record

	Category	Procedures
(iv)	Coupon	Agree the coupon recorded with the primary system of record

Deficiency Reporting

Using the Loan Sample, the Asset Monitor shall inspect the Source Materials and report any Loans where:

- (a) at the time of transfer to the Guarantor, one or more payments of principal or interest payable thereunder were in arrears;
- (b) at the time of transfer to the Guarantor, one or more payments of principal or interest (or blended payment(s) of principal and interest) had not been made in accordance with the terms of the Loan;
- (c) there is no evidence that the related Mortgage represents a first priority perfected security interest; or
- (d) there is evidence that any related Mortgage also secures one or more loans that have been insured by a Prohibited Insurer.

Materials delivered to Custodian

Using the Loan Sample, agree the Eligible Loan Details provided to the Custodian in accordance with the Custodial Agreement with the Source Materials.

Part II – Sampling methodology

Confirm the sampling methodology used in connection with the matters set out in Part I above, including a description of both the Loan Sample and the Portfolio Sample and populations used, in each case in accordance with the Industry Standard Sampling Size.

Part III – Confirming mathematical accuracy of Asset Coverage Test, Amortization Test and Valuation Calculation

Using the Subject Investor Report (provided that, for the purposes of any Recalculation Procedures, “Subject Investor Report” as used in this Part III shall include any Investor Report required to be tested in accordance with the schedule set forth in Section 2.3 of the Asset Monitor Agreement), the Asset Monitor shall do the following and report the findings thereof:

1. recalculate the results of the Asset Coverage and/or Amortization Test disclosed in the Subject Investor Report; and
2. in connection with the Valuation Calculation disclosed in the Subject Investor Report,

- (a) recalculate such Valuation Calculation;
- (b) enquire whether in calculating the Present Value for purposes of such Valuation Calculation expected future cash flows are discounted using (i) the publicly posted mortgage rates, or (ii) using the current market interest rates for mortgage loans with credit risks similar to those Loans that are not Non-Performing Loans;
- (c) where the response to (b) is (ii), enquire whether the same discounting methodology has been used as part of the fair value disclosure in the Issuer's audited financial statements;
- (d) agree that such Valuation Calculation conforms with the requirements set forth in Schedule 10 to the Guarantor Agreement;
- (e) enquire as to the determination of the Trading Values of:
 - (i) all Substitute Assets;
 - (ii) all Swap Collateral; and
 - (iii) aggregate Principal Amount Outstanding of the Covered Bonds,in each case as used in such Valuation Calculation.

Part IV – Confirming accuracy of Pre-Maturity Test, Reserve Fund Required Amount and related calculations

Using the Subject Investor Report (provided that, for the purposes of any Recalculation Procedures, "Subject Investor Report" as used in this Part IV shall include any Investor Report required to be tested in accordance with the schedule set forth in Section 2.3 of the Asset Monitor Agreement), and the ratings of the Issuer received from the Cash Manager in accordance with Section 3.4 of the Asset Monitor Agreement, the Asset Monitor shall do the following and report the findings thereof:

1. determine whether the Pre-Maturity Test has been breached;
2. following a breach of the Pre-Maturity Test, if one or more Series of Hard Bullet Covered Bonds is outstanding,
 - (a) obtain from the Issuer a schedule of the amounts required to fund the Pre-Maturity Liquidity Ledger in accordance with Section 7.2(3) of the Guarantor Agreement;
 - (b) perform recalculation procedures in respect of the schedule in (a) above; and
 - (c) enquire whether the assets standing to the credit of Pre-Maturity Liquidity Ledger are Pre-Maturity Liquidity Eligible Assets and whether such assets are in an amount greater than or equal to the Pre-Maturity Liquidity Required Amount;
3. determine whether, based on the Reserve Fund Required Amount Ratings, the Reserve Fund Required Amount is greater than nil, and, if greater than nil,

- (a) obtain from the Issuer a schedule of the Reserve Fund Required Amount;
- (b) perform recalculation procedures in respect of the schedule in (a) above; and
- (c) enquire whether the assets standing to the credit of Reserve Ledger comply with the terms of the Guarantor Agreement.

Part V – Confirming accuracy of Latest Valuation determinations

1. The Asset Monitor shall obtain a schedule of the Latest Valuation for each Eligible Loan in respect of (a) the last day of the Calculation Period to which the Subject Investor Report relates, or (b) in respect of the Annual Asset Monitor Report delivered in connection with the First Issue Date, the last day of a month ending not more than 45 days prior to the date of such report.
2. Using the Loan Sample (or another sample of Loans that is of an Industry Standard Sampling Size), inspect that, for each Loan in the relevant sample:
 - (a) on or before July 1, 2014, the Latest Valuation has been determined by either (i) adjusting the original value given to the related Property, at least quarterly, to account for subsequent price developments, or (ii) by reference to the original value given to the related Property; and
 - (b) after July 1, 2014, the Latest Valuation has been determined by adjusting the original value given to the related Property, at least quarterly, to account for subsequent price developments.

SCHEDULE B
ASSUMPTIONS, QUALIFICATIONS AND CONDITIONS

The parties to this Agreement specifically acknowledge and agree to the following:

- The performance of the agreed-upon arithmetic testing by the Asset Monitor will not constitute an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the elements, accounts, or items of a financial statement. Therefore, Asset Monitor will not be in a position to express, and will not express, an opinion or any other form of assurance with respect to any matters as a result of performing the agreed-upon testing;
- The agreed-upon testing that the Asset Monitor is to perform is limited in nature and does not comprehend all matters relating to the Programme that might be pertinent or necessary as part of the Programme;
- The Asset Monitor's report will not extend to any financial statements taken as a whole, or internal controls for any date or period, of any entity involved in the Programme;
- The nature, scope, and design of the Asset Coverage Test, the Amortization Test, the Pre-Maturity Test and the Valuation Calculation is the sole responsibility of the Cash Manager. Furthermore, Asset Monitor has no responsibility to advise any party to this Agreement of other procedures and tests that might be performed. The Asset Monitor makes no representations as to the sufficiency of the arithmetic tests for the purposes of any party to this Agreement;
- The Asset Monitor's responsibility is limited to performing the arithmetic tests specified in the Agreement, and to reporting as required in the Agreement. The Asset Monitor's services cannot be relied on to disclose significant deficiencies, material weaknesses, or fraud should they exist. In addition, Asset Monitor's services cannot be relied on to disclose errors, other than those errors that may be reported as findings in connection with the application of the agreed-upon arithmetic testing procedures that Asset Monitor is to perform hereunder. Asset Monitor has no responsibility for updating the arithmetic testing procedures performed or for performing any additional procedures other than as set out in this Agreement;
- The Cash Manager shall be solely responsible for providing accurate and complete information requested by Asset Monitor. Asset Monitor has no responsibility for the accuracy or completeness of the information provided by or on behalf of the Cash Manager or any other party;
- The Asset Monitor may request that management of the Guarantor, Issuer or Cash Manager provide Asset Monitor with a representation letter confirming that such management is not aware of any matters that are inconsistent with or contradict the findings of the agreed-upon arithmetic testing procedures to be performed by the Asset Monitor; and
- Should Asset Monitor determine that significant restrictions are being placed on the performance of the agreed-upon arithmetic testing procedures by the Guarantor, Issuer or

Cash Manager, including, without limitation, the failure of management of the Guarantor, Issuer or Cash Manager to provide the Asset Monitor with a management representation letter that Asset Monitor determines to be satisfactory, Asset Monitor shall be entitled to withdraw from this Agreement in accordance with Section 5.1.

Inclusion of Annual Asset Monitor reports or references to Asset Monitor in other documents or electronic sites. The parties agree that, unless otherwise required in accordance with the terms of the CMHC Guide, the Annual Asset Monitor Reports or any other documentation provided by the Asset Monitor pursuant to this Agreement shall not, without the prior written consent of the Asset Monitor, be included or referred to in any document related to the purchase or sale of bonds or securities of any kind including a private placement memorandum or a document filed or distributed pursuant to securities laws, continuous disclosure requirements or stock exchange listing requirements in any jurisdiction. The parties also agree that they will notify the Asset Monitor and obtain the Asset Monitor's prior written consent before including any report on an electronic site, unless such disclosure is required by the terms of the CMHC Guide. Any consents required pursuant to this provision will be at the sole discretion of the Asset Monitor.

**SCHEDULE C
ASSET COVERAGE TEST**

See Attached

Schedule 2

Asset Coverage Test

- (a) The “**Asset Coverage Test**” is met if the Adjusted Aggregate Asset Amount (as defined below) shall 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. For greater certainty, references in this Schedule to “**immediately preceding Calculation Date**” and “**previous Calculation Date**” are to the Calculation Period ending on the Calculation Date.
- (b) For the purposes of the Asset Coverage Test the “**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 True Balance**” of each Loan in the Covered Bond Portfolio, which shall be the lower of (1) the actual True Balance of the relevant Loan in the Covered Bond Portfolio on such Calculation Date, and (2) 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 True Balance of the Loans in the Covered Bond Portfolio if any of the following occurred during the previous Calculation Period:

- (1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Loan Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate LTV Adjusted True Balance of the Loans in the Covered Bond Portfolio on such Calculation Date will be deemed to be reduced by an amount equal to the LTV Adjusted True Balance

of the relevant Loan or Loans on such Calculation Date of the relevant Borrower; and/or

- (2) the Seller, in any preceding Calculation Period, was in breach of any other material warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted True Balance of the Loans in the Covered Bond Portfolio on such Calculation Date will be deemed to be reduced, by an amount equal to the resulting financial loss incurred by the Partnership 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 Partnership by the Seller to indemnify the Partnership for such financial loss);

AND

- (ii) = the aggregate “**Asset Percentage Adjusted True Balance**” of the Loans in the Covered Bond Portfolio which in relation to each Loan shall be the lower of (1) the actual True Balance of the relevant Loan 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 True Balance of the Loans in the Covered Bond Portfolio if any of the following occurred during the previous Calculation Period:

- (1) a Loan or its Related Security was, in the immediately preceding Calculation Period, in breach of the Loan Representations and Warranties contained in the Mortgage Sale Agreement or subject to any other obligation of the Seller to repurchase the relevant Loan and its Related Security, and in each case the Seller has not repurchased the Loan or Loans of the relevant Borrower and its or their Related Security to the extent required by the terms of the Mortgage Sale Agreement. In this event, the aggregate Asset Percentage Adjusted True Balance of the Loans in the Covered Bond Portfolio on such Calculation Date will be deemed to be reduced by an amount equal to the Asset Percentage Adjusted True Balance of the relevant Loan or Loans 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 True Balance of the Loans in the Covered Bond Portfolio on such Calculation Date will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the Partnership 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 Partnership by the Seller to indemnify the Partnership 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 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 Article 6 (Priorities of Payments) of this Agreement and/or the other Transaction Documents;
- C = the aggregate amount of (i) any Cash Capital Contributions made by the Partners (as recorded in the Capital Account Ledger for each Partner of the Guarantor), (ii) proceeds advanced under the Intercompany Loan Agreement or (iii) proceeds from any sale of Randomly Selected 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 Article 6 (Priorities of Payments) of this Agreement and/or the other Transaction Documents;
- D = the aggregate outstanding principal balance of any Substitute Assets;
- E = the balance, if any, of the Reserve Fund;
- 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 = zero so long as the Interest Rate Swap Agreement (x) has an effective date that has occurred prior to the related Calculation Date, and (y) provides for the hedging of interest received in respect of (i) the Loans and their Related Security in the Covered Bond Portfolio; (ii) any Substitute Assets; and (iii) cash balances held in the GIC Account; otherwise the weighted average remaining maturity expressed in years of all Covered Bonds then outstanding multiplied by the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds

multiplied by the Negative Carry Factor where the “**Negative Carry Factor**” is, if the weighted average margin of the interest rate payable on the Principal Amount Outstanding of the Covered Bonds relative to the interest rate receivable on the Covered Bond Portfolio is (i) less than or equal to 0.1 per cent per annum, 0.5 per cent or (ii) greater than 0.1 per cent per annum, 0.5 per cent plus such margin minus 0.1 per cent, provided that if the weighted average remaining maturity is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one.

(c) The “**Asset Percentage**” shall be determined as follows:

(1) On or prior to the Guarantor Payment Date immediately following the Calculation Date falling in February, May, August and November of each year, and on such other date as the Limited Partner may request following the date on which the Limited Partner is required to assign the Interest Rate Swap Agreement to a third party (each such date, a “**Cash Flow Model Calculation Date**”), the Managing GP (or the Cash Manager on its behalf) will determine the percentage figure selected by it as the Asset Percentage based on such methodologies as the Rating Agencies may prescribe from time to time (to ensure sufficient credit enhancement for the Covered Bond Guarantee will be maintained) for the Covered Bond Portfolio based on the value of the Portfolio Assets in the Covered Bond Portfolio as at the Calculation Date immediately preceding the Cash Flow Model Calculation Date 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.

(2) The Asset Percentage (including as applied in respect of item A or item B of the Asset Coverage Test) will from time to time be adjusted in accordance with the various methodologies of the Rating Agencies to ensure that sufficient credit enhancement for the Covered Bond Guarantee will be maintained.

(3) The Managing GP (or the Cash Manager on its behalf) will, or will use all reasonable efforts to determine the Asset Percentage at least two days prior to the Guarantor Payment Date following a relevant Cash Flow Model Calculation Date and shall apply such Asset Percentage to any calculations in respect of the Calculation Period ending on such Cash Flow Model Calculation Date and each Calculation Period thereafter until the following Calculation Period ending on a Cash Flow Model Calculation Date in respect of which the Asset Percentage is to be determined in accordance with this Schedule 2.

(4) Notwithstanding anything to the contrary in this Schedule 2, the Asset Percentage shall at all times be less than or equal to 93%, as determined in accordance with this Schedule 2 and as provided by Clause 14 of the Trust Deed, provided that the Asset Percentage shall not be less than 80% unless otherwise agreed by the Bank (and following an Issuer Event of Default, the Partnership for

the purposes of making certain determinations in respect of the Intercompany Loan).

**SCHEDULE D
AMORTIZATION TEST**

See Attached

Schedule 3

Amortization Test

- (i) The “**Amortization Test**” is met if the Amortization Test Aggregate Asset Amount (as defined below) is 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. For greater certainty, references herein to “**immediately preceding Calculation Date**” and “**previous Calculation Date**” are to the Calculation Period ending on the Calculation Date.
- (ii) For the purposes of the Amortization Test, the “**Amortization Test Aggregate Asset Amount**” will mean the amount 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);

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 = zero so long as the Interest Rate Swap Agreement (x) has an effective date that has occurred prior to the related Calculation Date, and (y) provides for the hedging of interest received in respect of (i) the Loans and their Related Security in the Covered Bond Portfolio; (ii) any Substitute Assets; and (iii) cash balances held in the GIC Account; otherwise the weighted

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average remaining maturity expressed in years of all Covered Bonds then outstanding multiplied by the Canadian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds *multiplied* by the Negative Carry Factor (provided that if the weighted average remaining maturity is less than one, the weighted average shall be deemed, for the purposes of this calculation, to be one).

SCHEDULE E
VALUATION CALCULATION

See Attached

Schedule 10

Valuation Calculation

- (a) 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. For greater certainty, references in this Schedule to “**immediately preceding Calculation Date**” and “**previous Calculation Date**” are to the Calculation Period ending on the Calculation Date.
- (b) For the purposes of the Valuation Calculation, the “**Asset Value**” means the amount calculated as at each Calculation Date as follows:

$$A+B+C+D+E+F$$

where,

A = the aggregate “**LTV Adjusted Loan Present Value**” of each Loan, which shall be the lower of (1) the Present Value of the relevant Loan 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 Partnership 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 Partnership by the Seller to indemnify the Partnership for such financial loss);

B = the aggregate amount of any Principal Receipts on the Portfolio Assets up to such Calculation Date (as recorded in the Principal Ledger) which have not been applied as at such Calculation Date to acquire further Portfolio Assets or otherwise applied in accordance with Article 6 (Priorities of Payments) of this Agreement and/or the other Transaction Documents;

C = the aggregate amount of (i) any Cash Capital Contributions made by the Partners (as recorded in the Capital Account Ledger for each Partner of the Guarantor), (ii) proceeds advanced under the Intercompany Loan Agreement or (iii) proceeds from any sale of Randomly Selected 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 Article 6 (Priorities of Payments) of this Agreement and/or the other Transaction Documents;

D = the Trading Value of any Substitute Assets;

E = the balance, if any, of the Reserve Fund; and

F = the Trading Value of the Swap Collateral.

SCHEDULE F

FEES

The Asset Monitor Fee for performing the services set out in this Agreement is as follows:

	<u>Cost per report</u>	
	<u>Minimum</u>	<u>Maximum</u>
Annual Asset Monitor Report	\$ [REDACTED]	\$ [REDACTED]
Recalculation Report	\$ [REDACTED]	\$ [REDACTED]

On an annual basis, in addition to the delivery of the Annual Asset Monitor Report, the Asset Monitor may be required to deliver up to 12 Recalculation Reports. Accordingly, the range of fees for performing the services set out in this Agreement on an annual basis is a range of \$ [REDACTED] to \$ [REDACTED].

Upon the request of any party to this Agreement, these rates are subject to renegotiation not more than once annually to reflect changes in standard billing rates for professional services. Any change in the rate shall be subject to mutual agreement between the Guarantor and the Asset Monitor failing which the Asset Monitor may choose to exercise its rights under Section 5.1 of this Agreement.