

**STANDBY BANK ACCOUNT AGREEMENT**

**NBC COVERED BOND (LEGISLATIVE) GUARANTOR  
LIMITED PARTNERSHIP**

as Guarantor

and

**NATIONAL BANK OF CANADA**

as Cash Manager and Issuer

and

**ROYAL BANK OF CANADA**

as Standby Account Bank and Standby GIC Provider

and

**COMPUTERSHARE TRUST COMPANY OF CANADA**

as Bond Trustee

October 31, 2013

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### **Schedule**

Schedule 1 – Form of Mandate

## STANDBY BANK ACCOUNT AGREEMENT

**THIS STANDBY BANK ACCOUNT AGREEMENT** (this “**Agreement**”) is made as of this 31<sup>st</sup> 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** (the “**Bank**”), 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, in its capacity as Cash Manager (including any successor in such capacity, the “**Cash Manager**”) and as Issuer (the “**Issuer**”);
- (3) **Royal Bank of Canada**, a bank named in Schedule I to the *Bank Act* (Canada), acting through its branch located at 200 Bay Street, Toronto, Ontario, Canada M5J 2J5, in its capacity as Standby Account Bank (the “**Standby Account Bank**”) and as Standby GIC Provider (the “**Standby GIC Provider**”); and
- (4) **Computershare Trust Company of Canada**, a trust company existing 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) As part of the transactions contemplated in the Bank’s global covered bond programme (the “**Programme**”), the Cash Manager has agreed, pursuant to the cash management agreement dated October 31, 2013 (the “**Cash Management Agreement**”) by and among the Cash Manager, the Guarantor and the Bond Trustee to provide cash management services in connection with the business of the Guarantor.
- (B) The Standby Account Bank has agreed following service of a Standby Account Bank Notice by the Guarantor (or the Cash Manager on its behalf) that the Standby Account Bank will open and maintain the Standby Transaction Account and the Standby GIC Account as interest bearing accounts in the name of the Guarantor in accordance with the terms of this Agreement.
- (C) Following service of a Standby Account Bank Notice by the Guarantor (or the Cash Manager on its behalf) the Standby GIC Provider has agreed pursuant to the terms of the Standby Guaranteed Investment Contract to pay interest on the funds standing to the credit of the Guarantor in the Standby GIC Account at specified rates determined in accordance with and pursuant to the terms of the Standby Guaranteed Investment Contract.

**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 following terms when used in this Agreement shall have the following meanings and terms used in this Agreement and defined in the recitals hereto shall have the meanings given to such terms in such recitals:

“**Bank Act**” means the *Bank Act* (Canada);

“**Bond Trustee**” means Computershare Trust Company of Canada, in its capacity as bond trustee under the Trust Deed together with any successor or additional bond trustee appointed from time to time thereunder;

“**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 and Montréal;

“**CMHC**” means Canada Mortgage and Housing Corporation, a Canadian federal Crown corporation and its successors responsible for administering the Covered Bond Legislative Framework;

“**CMHC Guide**” means the Canadian Registered Covered Bond Programs Guide published by CMHC, as the same may be amended, supplemented, restated or replaced from time to time;

“**Covered Bond**” means 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;

“**Covered Bond Legislative Framework**” means the legislative framework established by Part I.1 of the *National Housing Act* (Canada);

“**Dealership Agreement**” means the dealership agreement dated as of the Programme Date, 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;

“**Financial Instruments**” means cheques, bills of exchange or other similar instruments, whether negotiable or non-negotiable;

“**Guarantor Acceleration Notice**” means a notice in writing from the Bond Trustee to the Issuer and the Guarantor, that each Covered Bond of each series is immediately due and repayable and that all amounts payable by the Guarantor in respect of its guarantee shall thereupon immediately become due and payable;

“**Guarantor Accounts**” means the Standby GIC Account and the Standby Transaction Account and such other accounts as may be maintained by the Standby Account Bank for the

Guarantor pursuant to agreements between, *inter alia*, the Guarantor and the Standby Account Bank and the Standby GIC Provider;

“**Guarantor Agreement**” means the limited partnership agreement in respect of the Guarantor entered into on the Programme Date by and among NBC Covered Bond (Legislative) GP Inc., as the managing general partner, 8603413 Canada Inc., as the liquidation general partner, the Bank, as limited partner, the Bond Trustee and any other parties who accede thereto in accordance with its terms;

“**Guarantor Payment Date**” means the 17<sup>th</sup> day of each month or if not a Canadian Business Day the next following Canadian Business Day;

“**Issuer**” means National Bank of Canada;

“**Mandate**” or “**Mandates**” means the Standby Transaction Account Mandate and/or the Standby GIC Account Mandate and/or the mandates relating to any other Guarantor Accounts with the Standby Account Bank, as the case may be;

“**Material Adverse Effect**” means an effect that is materially adverse to the ability of the Standby GIC Provider or the Standby Account Bank to perform its obligations under this Agreement or the Standby Guaranteed Investment Contract;

“**Person**” or “**person**” means a reference to any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, limited liability company, unlimited liability company, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, government or governmental authority or entity, however designated or constituted;

“**Priorities of Payments**” means the orders of priority for the allocation and distribution of amounts standing to the credit of the Guarantor in different circumstances;

“**Programme Date**” means October 31, 2013;

“**Rating Agency**” means any of DBRS Limited, Moody’s Investors Service, Inc. and Fitch Ratings, Inc., to the extent that at the relevant time it provides ratings in respect of the then outstanding Covered Bonds, or their successors and “**Rating Agencies**” means more than one Rating Agency;

“**Rating Agency Condition**” means a confirmation by the Rating Agencies that the then current ratings of all series of Covered Bonds then outstanding will not be downgraded or withdrawn as a result of the relevant event or matter;

“**Secured Creditors**” means, *inter alia*, the Bond Trustee (in its own capacity and on behalf of the holders of the Covered Bonds), the holders of the Covered Bonds, the Standby Account Bank, the Standby GIC Provider, the Cash Manager and any other person that becomes a secured creditor from time to time pursuant to the terms of the Security Agreement;

**“Security Agreement”** means the general security agreement entered into on the Programme Date by and among, *inter alia*, the Guarantor and the Bond Trustee for itself and the benefit of secured creditors of the Guarantor;

**“Standby Account Bank Notice”** means a written notice from the Guarantor (or the Cash Manager on its behalf) to the Standby Account Bank stating that the appointment of the Standby Account Bank, under the Standby Bank Account Agreement is to become operative and that the Standby GIC Account and the Standby Transaction Account (if indicated in such notice) are to be opened and held with the Standby Account Bank in the name of the Guarantor;

**“Standby Account Bank Ratings”** means the threshold ratings P-1 (in respect of Moody’s Investors Service, Inc.), F1 or A (in respect of Fitch Ratings, Inc.; provided that both such ratings from Fitch Ratings, Inc. are required to be at or above such ratings), and A(high) and R-1(middle) (in respect of DBRS Limited; provided that, for greater certainty, the ratings from DBRS Limited are only required to be at or above one of such ratings) of the unsecured, unsubordinated and unguaranteed debt obligations, or issuer default ratings, as applicable, of the Standby Account Bank by the Rating Agencies;

**“Standby GIC Account”** means the account in the name of the Guarantor to be opened and held with the Standby Account Bank following delivery of a Standby Account Bank Notice and maintained subject to the terms of this Agreement, the Standby Guaranteed Investment Contract and subject to the security interest granted by the Guarantor in the Security Agreement and includes such additional or replacement Guarantor Account(s) as may be put in place for the Guarantor with the prior written consent of the Bond Trustee and designated as such;

**“Standby GIC Account Mandate”** means the bank account mandate between the Guarantor and the Standby Account Bank relating to the opening and operation of the Standby GIC Account;

**“Standby Guaranteed Investment Contract”** means the standby guaranteed investment contract entered into on the Programme Date by and among the Standby GIC Provider, the Standby Account Bank, the Guarantor, the Cash Manager and the Bond Trustee;

**“Standby Transaction Account”** means the account in the name of the Guarantor to be opened and held with the Standby Account Bank following delivery of a Standby Account Bank Notice and maintained subject to the terms of this Agreement, the Standby Guaranteed Investment Contract and subject to the security interest granted by the Guarantor in the Security Agreement and includes such additional or replacement Guarantor Account(s) as may be put in place for the Guarantor with the prior written consent of the Bond Trustee and designated as such;

**“Standby Transaction Account Mandate”** means the bank account mandate between the Guarantor and the Standby Account Bank relating to the opening and operation of the Standby Transaction Account; and

“**Trust Deed**” means the trust deed entered into on the Programme Date by and among, *inter alia*, the Bond Trustee, the Issuer and the Guarantor in respect of the Programme.

1.2 In this Agreement:

- (a) words denoting the singular number only shall include the plural and *vice versa*;
- (b) words denoting one gender only shall include the other genders;
- (c) words “including” and “includes” mean “including (or includes) without limitation”;
- (d) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding” and if the last day of any such period is not a Canadian Business Day, such period will end on the next Canadian Business Day;
- (e) when calculating the period of time “within” which or “following” which any act or event is required or permitted to be done, notice given or steps taken, the date which is the reference date in calculating such period is excluded from the calculation and if the last day of any period is not a Canadian Business Day, such period will end on the next Canadian Business Day unless otherwise expressly stated;
- (f) references to any statutory provision shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such re-enactment;
- (g) references to any agreement or other document shall be deemed also to refer to such agreement or document as amended, restated, varied, supplemented or novated from time to time;
- (h) the inclusion of a table of contents, the division into Articles, Sections, clauses, paragraphs and schedules and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation;
- (i) reference to a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted to the extent such amendment or re-enactment is substantially to the same effect as such statute on the date hereof;
- (j) reference to a time of day shall be construed as a reference to Toronto time unless the context requires otherwise and a “**month**” is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month save that, where any such period would otherwise end on a day which is not a Canadian Business Day, it shall end on the next Canadian Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the preceding Canadian Business

Day provided that, if a period starts on the last Canadian Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Canadian Business Day in that later month (and references to “months” shall be construed accordingly); and

- (k) references to any person shall include references to such person’s heirs, executors, personal administrators, successors, permitted assigns and transferees, as applicable, and any person deriving title under or through such person.

## **2. STANDBY TRANSACTION ACCOUNT AND STANDBY GIC ACCOUNT**

### **2.1 Instructions from the Cash Manager**

Following delivery of a Standby Account Bank Notice and opening of the Standby Transaction Account and Standby GIC Account in accordance with Section 3.1, the Standby Account Bank shall, subject to Sections 2.4 and 5.3, comply with any direction of the Guarantor (or the Cash Manager on its behalf) given on a Canadian Business Day to effect a payment by debiting any one of the Standby Transaction Account or the Standby GIC Account, as applicable, and any additional or replacement Guarantor Accounts opened from time to time with the prior written consent of the Bond Trustee, if such direction (i) is in writing, is given by telephone and confirmed in writing not later than close of business on the day on which such direction is given, or is given by the internet banking service provided by the Standby Account Bank, and (ii) complies with the Standby Transaction Account Mandate or the Standby GIC Account Mandate as appropriate (such direction shall constitute an irrevocable payment instruction).

### **2.2 Timing of Payment**

The Standby Account Bank agrees that if directed pursuant to Section 2.1 to make any payment then, subject to Sections 2.4 and 5.3 below and applicable law, it will effect the payment specified in such direction not later than the day specified for payment therein and for value on the day specified therein provided that, if any direction specifying that payment be made on the same day as the direction is given is received later than 12:00 p.m. on any Canadian Business Day, the Standby Account Bank shall make such payment at the commencement of business on the following Canadian Business Day for value on such following Canadian Business Day.

### **2.3 Standby Account Bank Charges and Standby GIC Provider Charges**

The charges of the Standby Account Bank and the Standby GIC Provider for the operation of each of the Guarantor Accounts maintained with the Standby Account Bank and the Standby GIC Provider shall be debited to the Standby Transaction Account only on each Guarantor Payment Date, and the Guarantor by its execution hereof irrevocably agrees that this shall be done. The charges shall be payable in accordance with the relevant Priorities of Payments at rates that are generally applicable to the business customers of the Standby Account Bank and the Standby GIC Provider provided that if there are insufficient funds standing to the



credit of the Standby Transaction Account to pay such charges after payment by or on behalf of the Guarantor of any higher ranking obligations in the Priorities of Payments the Standby Account Bank and the Standby GIC Provider shall not be relieved of their obligations in respect of any of the Guarantor Accounts. For greater certainty (i) charges that may be made by the Standby Account Bank and the Standby GIC Provider hereunder may include any and all fees and service charges relating to the Guarantor Accounts and chargebacks for any cheques, drafts and other payments items dishonoured or otherwise returned to the Standby Account Bank or the Standby GIC Provider in respect of the Guarantor Accounts, and (ii) payments to the Standby Account Bank and the Standby GIC Provider rank *pro rata* and *pari passu* with payments to the asset monitor, among others in the Priorities of Payments.

#### 2.4 No Negative Balance

Notwithstanding the provisions of Section 2.1, amounts shall only be paid or withdrawn, as the case may be, from any Guarantor Account to the extent that such payment or withdrawal does not cause the relevant Guarantor Account to have a negative balance.

### 3. OPENING OF ACCOUNTS AND MANDATES

#### 3.1 Opening of Standby Transaction Account and Standby GIC Account, Signing and Delivery of Mandates

- (a) Concurrently with the delivery by the Guarantor (or the Cash Manager on its behalf) to the Standby Account Bank of a Standby Account Bank Notice, the Guarantor (or the Cash Manager on its behalf) shall deliver with such Standby Account Bank Notice a completed Standby GIC Account Mandate and Standby Transaction Account Mandate in the form attached hereto as Schedule 1 or such other form as the Standby Account Bank or Standby GIC Provider may from time to time deliver to the Guarantor (or the Cash Manager on its behalf) prior to or within one Canadian Business Day of receipt by the Standby Account Bank and Standby GIC Provider of a Standby Account Bank Notice, provided such additional form is acceptable to the Guarantor (or the Cash Manager on its behalf), acting reasonably.
- (b) Promptly upon receipt by the Standby Account Bank of a Standby Bank Account Notice from the Guarantor (or the Cash Manager on its behalf) together with the completed Standby GIC Account Mandate and Standby Transaction Account Mandate, the Standby Account Bank shall confirm receipt of same to the Bond Trustee and that such Mandates are operative and shall open and hold the Standby Transaction Account and the Standby GIC Account in the name of the Guarantor in accordance with the terms of this Agreement.
- (c) For greater certainty, the Standby Account Bank acknowledges that the Mandates delivered from time to time pursuant to the terms hereof shall be subject to the terms of the Security Agreement, this Agreement and the Standby Guaranteed Investment Contract and to the extent of any inconsistency between the terms of such agreements and such mandates, the terms of such agreements shall govern.

- (d) For greater certainty, the Standby Account Bank shall have no responsibility for confirming that any action hereunder complies with the terms of the Cash Management Agreement or Security Agreement.

### 3.2 Amendment or Revocation

Each of the Standby Account Bank and Standby GIC Provider agrees that it shall notify the Bond Trustee as soon as is reasonably practicable and in accordance with Section 12 if it receives any amendment to or revocation of the Standby GIC Mandate or the Standby Transaction Account Mandate relating to the Guarantor Accounts (other than a change of authorized signatory, which may be made from time to time by the Guarantor (or the Cash Manager on its behalf)) and shall require the prior written consent of the Bond Trustee to any such amendment or revocation (other than a change of authorized signatory, which may be made from time to time by the Guarantor (or the Cash Manager on its behalf)) but, unless such Mandate is revoked, the Standby Account Bank and Standby GIC Provider may continue to comply with the relevant Mandate (as it may from time to time be amended in accordance with the provisions of this Section 3.2) unless it receives notice in writing from the Bond Trustee to the effect that a Guarantor Acceleration Notice has been served on the Guarantor and shall, thereafter, act solely on the instructions of the Bond Trustee or such person as the Bond Trustee may designate and in accordance with the terms of those instructions as provided in Section 5.3 of this Agreement.

## 4. ACKNOWLEDGEMENT BY THE STANDBY ACCOUNT BANK

### 4.1 Restriction on Standby Account Bank's Rights

Notwithstanding anything to the contrary in the Mandates, the Standby Account Bank hereby:

- (a) agrees that, in its capacity as Standby Account Bank, it will not exercise any lien or, to the extent permitted by law, any set-off or transfer any sum standing to the credit of or to be credited to any of the Guarantor Accounts (except pursuant to Section 2.3 of this Agreement) in or towards satisfaction of any liabilities owing to it by any person (including any liabilities owing to it by the Guarantor or the Bond Trustee);
- (b) without prejudice to its rights as a Secured Creditor under the Security Agreement, agrees that it will not, solely in its capacity as Standby Account Bank and Standby GIC Provider provide, procure, or take any steps whatsoever to recover any amount due or owing to it pursuant to this Agreement which could result in, the winding-up or liquidation of the Guarantor or any of its general partners or the making of an administration order in relation to the Guarantor or any of its general partners in respect of any of the liabilities of the Guarantor or of any of its general partners whatsoever for one year plus one day after all Covered Bonds are paid in full;
- (c) agrees that it will promptly notify the Guarantor, the Bond Trustee and the Cash Manager if compliance with any instruction would cause the relevant Guarantor

Account(s) to which such instruction relates to have a negative balance, provided for greater certainty that Section 2.4 of this Agreement shall in any event apply to any such instruction; and

- (d) acknowledges that the Guarantor has, pursuant to the Security Agreement, *inter alia*, assigned by way of security all its rights, title, interest and benefit, present and future, in and to, all sums from time to time standing to the credit of the Guarantor Accounts and all of its rights under this Agreement to the Bond Trustee (for the benefit of the Secured Creditors).

#### 4.2 Monthly Statement

Unless and until directed otherwise by the Bond Trustee, the Standby Account Bank shall and is hereby authorized to provide each of the Cash Manager, the Guarantor and the Bond Trustee with a written statement in respect of each Guarantor Account delivered in accordance with Section 12 on a monthly basis and also as soon as reasonably practicable after receipt of a written request for a statement.

#### 4.3 Conflict with Mandate

The parties hereto agree that this Agreement is a “service agreement” as used in Section 18 of the Mandate of the Standby Account Bank and Standby GIC Provider and that notwithstanding any other provision in a Mandate to the contrary, in the event of a conflict between the terms of this Agreement and the terms of such Mandate, the terms of this Agreement shall prevail to the extent of such conflict.

### 5. INDEMNITY AND GUARANTOR ACCELERATION NOTICE

#### 5.1 Standby Account Bank to Comply with Cash Manager’s Instructions

Unless otherwise directed in writing by the Bond Trustee pursuant to Section 5.3, in making any transfer or payment from any Guarantor Account in accordance with this Agreement, the Standby Account Bank shall be entitled to act, without further inquiry, as directed by the Cash Manager pursuant to Section 2.1 and to rely as to the amount of any such transfer or payment on the Cash Manager’s instructions in accordance with the relevant Mandate, and the Standby Account Bank shall have no liability hereunder to the Cash Manager, the Guarantor or the Bond Trustee for having acted on such instructions.

#### 5.2 Indemnity

The Issuer, and subject to the prior ranking obligations set out in the relevant Priorities of Payments and to the extent of funds then standing to the credit of the Guarantor Accounts, the Guarantor, shall jointly and severally indemnify the Standby Account Bank and the Standby GIC Provider against any loss, cost, damage, charge or expense incurred by the Standby Account Bank or the Standby GIC Provider in complying with any instruction delivered pursuant to and in accordance with this Agreement or the Standby Guaranteed Investment Contract, respectively, save that this indemnity shall not extend to (i) the charges

of the Standby Account Bank or the Standby GIC Provider for the operation of such accounts other than as provided in Section 2.3 of this Agreement; and (ii) any loss, cost, damage, charge or expense arising from any material breach by the Standby Account Bank of its obligations under this Agreement or any material breach by the Standby GIC Provider of its obligations under the Standby Guaranteed Investment Contract, and if necessary, as determined by a court of competent jurisdiction in a final non-appealable decision. For greater certainty payments to the Standby Account Bank and the Standby GIC Provider rank *pro rata* and *pari passu* with each other and with payments to the asset monitor, among others in the relevant Priorities of Payments. The Issuer and the Guarantor shall not amend the Priorities of Payments if such amendment negatively affects any payments (including the priority thereof) to the Standby Account Bank or the Standby GIC Provider without the consent of the Standby Account Bank or the Standby GIC Provider, as the case may be.

### 5.3 Consequences of a Guarantor Acceleration Notice

The Standby Account Bank acknowledges that, if it receives notice in writing from the Bond Trustee to the effect that the Bond Trustee has served a Guarantor Acceleration Notice on the Guarantor, all right, authority and power of the Cash Manager in respect of each of the Guarantor Accounts shall be terminated and be of no further effect and the Standby Account Bank agrees that it shall, upon receipt of such notice from the Bond Trustee, comply with the directions of the Bond Trustee or its designee in accordance with Section 3.2 in relation to the operation of each of the Guarantor Accounts. Following receipt of such notice, the Standby Account Bank shall be entitled to act, without further inquiry, on any direction received by the Bond Trustee or such designee pursuant to this Section 5.3 and to rely as to the amount of any such transfer or payment on the Bond Trustee's instructions in accordance with the relevant Mandate, and the Standby Account Bank shall have no liability hereunder to the Cash Manager, the Guarantor or the Bond Trustee for having acted on such instructions.

## 6. CHANGE OF BOND TRUSTEE OR STANDBY ACCOUNT BANK

### 6.1 Change of Bond Trustee

- (a) If there is any change in the identity of the Bond Trustee in accordance with the Security Agreement, the Standby Account Bank, the Cash Manager and the Guarantor 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 and under the Security Agreement and releasing the outgoing Bond Trustee from any future obligations under this Agreement. Notice thereof will be given by the Guarantor, or the Cash Manager on its behalf, to the Rating Agencies for so long as any of the Covered Bonds remain outstanding.
- (b) It is hereby acknowledged and agreed that by its execution of this Agreement the Bond Trustee shall not assume or have any of the obligations or liabilities of the Standby Account Bank, the Cash Manager or the Guarantor under this Agreement

and that the Bond Trustee has agreed to become a party to this Agreement for the purpose only of taking the benefit of this Agreement and agreeing to amendments to this Agreement pursuant to Section 17. 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 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 pursuant to Section 7.03 of the Security Agreement.

## 6.2 Change of Standby Account Bank

If the identity of the Standby Account Bank changes, the Cash Manager, the Guarantor and the Bond Trustee shall execute such documents and take such actions as the new Standby Account Bank and the outgoing Standby Account Bank and the Bond Trustee may require for the purpose of vesting in the new Standby Account Bank the rights and obligations of the outgoing Standby Account Bank and releasing the outgoing Standby Account Bank from its future obligations under this Agreement.

## 7. TERMINATION

### 7.1 Termination Events

The Guarantor (or the Cash Manager on its behalf):

- (a) may (with the prior written consent of the Bond Trustee, which consent shall not be withheld unless the Bond Trustee determines that the termination of this Agreement would be materially prejudicial to the interests of the holders of the Covered Bonds) terminate this Agreement in the event that the matters specified in paragraph (i), (vi) or (vii) below occur;
- (b) shall (with the prior written consent of the Bond Trustee, which consent shall not be withheld unless the Bond Trustee determines that the termination of this Agreement would be materially prejudicial to the interests of the holders of the Covered Bonds), and the Bond Trustee may in such circumstances, terminate this Agreement in the event that any of the matters specified in paragraphs (iii) to (v) (inclusive) below occur; and
- (c) shall terminate this Agreement in the event that any of the matters specified in paragraph (ii) below occur,

in each case by serving a written notice of termination on the Standby Account Bank in accordance with Section 12 (such termination to be effective three Canadian Business Days following service of such notice and, in the case of Section 7.1(c), no later than five Business Days following the occurrence of any of the matters specified therein) which shall direct the Standby Account Bank to transfer all funds held in the Guarantor Accounts to replacement

accounts under the terms of a new bank account agreement and a new guaranteed investment contract to be entered into by the parties hereto (excluding the Standby Account Bank and the Standby GIC Provider) substantially on the same terms as this Agreement and the Standby Guaranteed Investment Contract, respectively, with a financial institution which satisfies the Standby Account Bank Ratings in any of the following circumstances:

- (i) if a deduction or withholding for or on account of any taxes is imposed, or it appears likely that such a deduction or withholding will be imposed, in respect of the interest payable on any Guarantor Account;
- (ii) if the ratings of the unsecured, unsubordinated and unguaranteed debt obligations, or the issuer default rating, of the Standby Account Bank by one or more Rating Agencies fall below the Standby Account Bank Ratings;
- (iii) if the Standby Account Bank, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (iv) below, ceases or, through an authorized action of the board of directors of the Standby Account Bank, threatens to cease to carry on all or substantially all of its business;
- (iv) if an order is made or an effective resolution is passed for the winding-up of the Standby Account Bank except a winding-up for the purposes of or pursuant to a solvent amalgamation or reconstruction the terms of which have previously been approved in writing by the Guarantor and the Bond Trustee (such approval not to be unreasonably withheld or delayed);
- (v) if proceedings are initiated against the Standby Account Bank under any applicable liquidation, insolvency, bankruptcy, sequestration, composition, reorganisation (other than a reorganisation where the Standby Account Bank is solvent) or other similar laws (including, but not limited to, presentation of a petition for an administration order) and (except in the case of presentation of petition for an administration order) such proceedings are not, in the reasonable opinion of the Guarantor, being disputed in good faith with a reasonable prospect of success or an administration order is granted or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official is appointed in relation to the Standby Account Bank or in relation to the whole or any substantial part of the undertaking or assets of the Standby Account Bank, or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Standby Account Bank, or a distress, execution or diligence or other process is levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Standby Account Bank and such possession or process (as the case may be) is not discharged or otherwise ceases to apply within 30 days of its commencement, or the Standby Account Bank initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other

similar laws or makes a conveyance or assignment for the benefit of its creditors generally;

- (vi) default is made by the Standby Account Bank in the performance or observance of any of its covenants and obligations, or a breach by the Standby Account Bank is made of any of its representations and warranties, respectively, under Sections 8.1(d), 8.1(e), 8.1(f), 8.1(g), 8.1(h) and 8.1(i); or
- (vii) if the Standby Account Bank materially breaches its obligations under this Agreement or the Standby Guaranteed Investment Contract, provided that notification to the Rating Agencies of such termination is provided 3 Canadian Business Days prior to the date that such termination is to become effective,

provided that the Standby Account Bank shall be entitled to rely on any such notice delivered by the Guarantor or the Bond Trustee purporting to be delivered pursuant to this Section 7.1 and shall not be responsible for inquiring as to whether any required prior written consent has been obtained or confirming whether the terms of any such replacement arrangements apply.

## 7.2 Notification of Termination Event

Each of the Guarantor, the Cash Manager and the Standby Account Bank and the Standby GIC Provider undertakes and agrees to notify the Bond Trustee in accordance with Section 12 promptly upon becoming aware thereof of any event which would or could entitle the Bond Trustee to serve a notice of termination pursuant to Section 7.1; provided that the failure on the part of the Standby Account Bank or the Standby GIC Provider to so notify the Bond Trustee in the event of a breach of a representation, warranty or covenant in Section 8.1(d) or Section 8.1(f) to 8.1(i) shall not constitute a breach of this Agreement.

## 7.3 Automatic Termination

- (a) This Agreement shall automatically terminate (if not terminated earlier pursuant to this Article 7) on the date falling 90 days after the termination of the Guarantor Agreement and notice thereof from the Guarantor or the Cash Manager on its behalf to the other parties to this Agreement, provided that all amounts payable under Section 2.3 and Section 5.2 have been paid in accordance with the terms of this Agreement.
- (b) This Agreement shall automatically terminate (if not terminated earlier pursuant to this Article 7) upon the termination of the Standby Guaranteed Investment Contract pursuant to Article 5 therein.

## 7.4 Termination by Standby Account Bank

The Standby Account Bank may terminate this Agreement and cease to operate the Guarantor Accounts at any time on giving not less than three months' prior written notice

thereof ending on any Canadian Business Day which does not fall on a Guarantor Payment Date or less than 10 Canadian Business Days before a Guarantor Payment Date to each of the other parties hereto provided that such termination shall not take effect (i) until a replacement Standby Account Bank with unsecured, unsubordinated and unguaranteed debt obligations, and issuer default ratings, rated by the Rating Agencies equal to or greater than the Standby Account Bank Ratings has entered into an agreement in form and substance similar to this Agreement; and (ii) the Rating Agency Condition has been satisfied in respect thereof. If the parties to this Agreement other than the Standby Account Bank and Standby GIC Provider have not agreed upon a replacement Standby Account Bank within 10 days of the end of the three-month notice period commencing after receipt by such parties of the Standby Account Bank's termination notice, the Standby Account Bank may petition any court of competent jurisdiction for the appointment of a successor Standby Account Bank and any such resulting appointment shall be binding upon all of the parties hereto. For greater certainty, the Standby Account Bank shall not be responsible for any costs or expenses occasioned by such termination and cessation. In the event of such termination and cessation the Standby Account Bank shall use commercially reasonable efforts to assist the other parties hereto to effect an orderly transition of the banking arrangements documented hereby and, for greater certainty, at no cost to the Standby Account Bank.

#### 7.5 Notice of Termination to CMHC

The Guarantor or the Cash Manager shall provide notice to CMHC of the termination or resignation of the Standby Account Bank and of the Standby Account Bank'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 holders of the Covered Bonds and (iii) five Canadian 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 Canadian Business Days thereafter). Any such notice shall include (if known) the reasons for the termination or resignation of the Standby Account Bank, all information relating to the replacement required by the CMHC Guide and a revised and amended copy of this Agreement with such replacement. Notice of termination of the Standby Guaranteed Investment Contract pursuant to Article 5 therein shall be given contemporaneously and in the same form as notice provided herein regarding the Standby Account Bank.

### **8. REPRESENTATIONS, WARRANTIES AND COVENANTS**

#### 8.1 Standby Account Bank Representations, Warranties and Covenants

The Standby Account Bank hereby represents and warrants to, and covenants with, each of the Guarantor and the Bond Trustee at the date hereof, on each date on which an amount is credited to any Guarantor Account held with the Standby Account Bank and on each Guarantor Payment Date, that:



- (a) it is a Schedule I Bank existing under the laws of Canada and duly qualified to do business in every jurisdiction where the nature of its business requires it to be so qualified, except where the failure to qualify would not have a Material Adverse Effect;
- (b) the execution, delivery and performance by the Standby Account Bank of this Agreement (i) are within the Standby Account Bank's corporate powers, (ii) have been duly authorized by all necessary corporate action, and (iii) do not contravene or result in a default under or conflict with (1) the charter or by-laws of the Standby Account Bank, (2) any law, rule or regulation applicable to the Standby Account Bank, or (3) any order, writ, judgment, award, injunction, decree or contractual obligation binding on or affecting the Standby Account Bank or its property;
- (c) it is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada);
- (d) it possesses the necessary experience, qualifications, facilities and other resources to perform its responsibilities under this Agreement and the other documents in connection with the Programme 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;
- (e) it will comply with the provisions of, and perform its obligations under, this Agreement, the other documents in connection with the Programme to which it is a party and the CMHC Guide;
- (f) it is and will continue to be in good standing with OSFI;
- (g) 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 documents in connection with the Programme to which it is a party;
- (h) 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 this Agreement and the other documents in connection with the Programme to which it is a party; and
- (i) the unsecured, unsubordinated and unguaranteed debt obligations, and issuer default ratings, of the Standby Account Bank are rated by each of the Rating Agencies at ratings that are at or above the Standby Account Bank Ratings.

## 8.2 Notification and Survival

The Standby Account Bank undertakes to notify the Guarantor and the Bond Trustee immediately if, at any time during the term of this Agreement, any of the statements contained in Section 8.1 ceases to be true; provided that a failure on the part of the Standby Account Bank to so notify the Guarantor or Bond Trustee in the event of a breach of a

representation, warranty or covenant in Section 8.1(d) or Section 8.1(f) to 8.1(i) shall not constitute a breach of this Agreement. The representations, warranties and covenants set out in Section 8.1 shall survive the signing and delivery of this Agreement.

## **9. NON-PETITION**

Each of the parties hereto agrees that it 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 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.

## **10. FURTHER ASSURANCE**

The parties hereto agree that they will co-operate fully to do all such further acts and things and execute any further documents as may be necessary or reasonably desirable to give full effect to the arrangements contemplated by this Agreement.

## **11. CONFIDENTIALITY**

None of the parties hereto shall during the term of this Agreement or after its termination disclose to any Person whatsoever (except as provided herein, in accordance with the CMHC Guide, the Covered Bond Legislative Framework or in any other document in connection with the Programme to which it is a party or with the authority of the other parties hereto or so far as may be necessary for the proper performance of its obligations hereunder or unless required by law or any applicable stock exchange requirement or any governmental, regulatory or other taxation authority or ordered to do so by a court of competent jurisdiction or by the Canada Revenue Agency) any information relating to the business, finances or other matters of a confidential nature of any other party hereto of which it may in the course of its duties hereunder have become possessed and each of the parties hereto shall use all reasonable endeavours to prevent any such disclosure.

## **12. NOTICES**

Any notice, direction or other communication to be given pursuant to this Agreement to any of the parties hereto shall be in writing and given by delivering it or sending it by prepaid first class mail to the registered office of such party 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 the facsimile number set forth below, as applicable:

(a) in the case of the Bank as Cash Manager 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

(b) 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

(c) in the case of the Standby GIC Provider or the Standby Account Bank, to:

Royal Bank of Canada  
Main Branch  
200 Bay Street  
Toronto, Ontario  
Canada M5J 2J5

Attention: Hiren Laloo  
Facsimile number: (416) 842-3888

(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

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 5:00 p.m. (Toronto time) and otherwise on the next Canadian Business Day, (ii) in the case of prepaid first class mail, when it would be received in the ordinary course of the mail, or (iii) if transmitted by facsimile, on the date of such transmission if such a date is a Canadian Business Day and such transmission was made prior to 5:00 p.m. (Toronto time) and provided the transmitter receives a confirmation of

successful transmission and otherwise on the next Canadian Business Day that the transmitter receives a confirmation of successful transmission. 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. INTEREST**

- 13.1 In respect of each period from (and including) the first day of each month (or, in respect of the first such period, the first applicable day) to (but excluding) the last day of each month, the Standby Account Bank shall pay, on the 10<sup>th</sup> Canadian Business Day after month end, interest in arrears on any cleared credit balances on the Standby Transaction Account and any other accounts opened by the Guarantor with the Standby Account Bank other than the Standby GIC Account at the same rates that are generally applicable to the business customers of the Standby Account Bank.
- 13.2 Notwithstanding Section 13.1 above, interest shall be paid on the Standby GIC Account in accordance with the terms of the Standby Guaranteed Investment Contract.

### **14. PAYMENTS AND WITHHOLDING**

The parties hereto agree that payments required to be made hereunder shall be made in accordance with Section 2 and that all payments by the Standby Account Bank under this Agreement shall be made in full without any deduction or withholding (whether in respect of set-off, counterclaim, duties, taxes, charges or otherwise whatsoever) unless the deduction or withholding is required by law, in which event the Standby Account Bank shall:

- (a) ensure that the deduction or withholding does not exceed the minimum amount legally required, based on the advice of counsel to the Standby Account Bank;
- (b) pay to the relevant taxation or other authorities within the period for payment permitted by applicable law the full amount of the deduction or withholding;
- (c) furnish to the Guarantor and the Bond Trustee within the period for payment permitted by the relevant law, either:
  - (i) an official receipt of the relevant taxation or other authorities involved in respect of all amounts so deducted or withheld; or
  - (ii) if such receipts are not issued by the taxation or other authorities concerned on payment to them of amounts so deducted or withheld, a certificate of deduction or equivalent evidence of the relevant deduction or withholding; and
- (d) account to the Guarantor in full by credit to the Standby GIC Account for an amount equal to the amount of any rebate, repayment or reimbursement of any deduction or withholding which the Standby Account Bank has made pursuant to this Section 14

and which is subsequently received by the Standby Account Bank and, for greater certainty, the Standby Account Bank will have no obligations to obtain any rebate, repayment or reimbursement of any such deduction or withholding.

## **15. ENTIRE AGREEMENT**

This Agreement and the Standby Guaranteed Investment Contract contain the entire agreement and understanding between the parties hereto in relation to the services to be performed hereunder and supersede any prior agreements, understandings, arrangements, statements or representations relating to such services. Nothing in this Section or Agreement will operate to limit or exclude any liability for fraud.

## **16. ASSIGNMENT**

- (a) Save as provided in or contemplated in this Agreement, no party hereto (other than the Bond Trustee) may assign or transfer any of its rights or obligations hereunder, and the Standby Account Bank may not act through any other branch outside of the Province of Ontario, without the prior written consent of the other parties hereto and the Rating Agency Condition having been satisfied in respect of any such assignment or transfer.
- (b) Notwithstanding the provisions of paragraph (a) above, the parties hereto acknowledge that the Guarantor may assign all its rights, title and interest in this Agreement to the Bond Trustee, for the benefit of the Secured Creditors, in accordance with and pursuant to the terms of the Security Agreement and confirm that satisfaction of the Rating Agency Condition shall not be required in respect thereof.

## **17. AMENDMENTS, VARIATION OR WAIVER**

- (a) Any amendment, modification or variation to this Agreement or waiver of rights under this Agreement requires prior written consent of the Standby Account Bank and, subject to Section 8.02 of the Security Agreement, amendment, modification or variation to this Agreement or waiver of rights under this Agreement will also require the prior written consent of each other party to this Agreement.
- (b) Each proposed amendment, modification, variation or waiver of rights under this Agreement that is considered by the Guarantor to be a material amendment, modification, variation or waiver of rights under this Agreement, shall be subject to satisfaction of the Rating Agency Condition. For certainty, any amendment to (i) the definition of “Standby Account Bank Ratings” that lowers the ratings specified therein, or (ii) the consequences of breaching a Standby Account Bank Rating 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 confirmation of the satisfaction of the Rating Agency Condition from each affected Rating Agency. The Guarantor (or the Cash Manager on its behalf) shall deliver

notice to the Rating Agencies from time to time of any amendment, modification, variation or waiver of rights under this Agreement for which satisfaction of the Rating Agency Condition is not required, provided that failure to deliver such notice shall not constitute a breach of the obligations of the Guarantor under this Agreement.

- (c) Notwithstanding the foregoing, if at any time the Issuer determines that any one rating agency shall no longer be a Rating Agency, then, so long as (i) the Programme is in compliance with the terms of the CMHC Guide, and (ii) each outstanding series of Covered Bonds is rated by at least two Rating Agencies, the ratings triggers for such rating agency will no longer be applicable to the Programme without any action or formality, including for greater certainty confirmation of the satisfaction of the Rating Agency Condition from any Rating Agency or consent or approval of the Bond Trustee or the holders of the Covered Bonds. Any amendments to this Agreement to reflect the foregoing shall be deemed not to be a material amendment and may be made without the requirement for satisfaction of the Rating Agency Condition from any Rating Agency or consent or approval of the Bond Trustee or the holders of the Covered Bonds.
- (d) For greater certainty, this Agreement may only be amended, modified, varied or the rights hereunder waived by written agreement between the parties hereto and any failure or delay by a party hereto in enforcing, or insisting upon strict performance of, any provision of this Agreement will not be considered to be an amendment, modification, variation or waiver of such provision or in any way affect the validity or enforceability of this Agreement.

## **18. EXCLUSION OF THIRD PARTY RIGHTS**

Except as otherwise expressly provided in this Agreement, the parties hereto intend that this Agreement will not benefit, or create any right or cause of action on behalf of, any Person other than a party hereto and that no Person, other than a party hereto, will be entitled to rely on the provisions of this Agreement in any proceeding.

## **19. SCOPE OF DUTY**

The Standby Account Bank undertakes to perform only such duties as are expressly set forth in this Agreement and to deal with the Guarantor Accounts with the degree of skill and care that the Standby Account Bank accords to all accounts and funds maintained and held by it on behalf of its customers. Notwithstanding any other provision of this Agreement, the parties hereto agree that the Standby Account Bank shall not be liable for any action taken by it or any of its directors, officers or employees in accordance with this Agreement except, subject to Section 5.1, for its or their own gross negligence or willful misconduct, and if necessary, as determined by a court of competent jurisdiction in a final non-appealable decision. In no event shall the Standby Account Bank be liable for (i) losses or delays resulting from force majeure, computer malfunctions, interruption of communication facilities or other causes beyond the Standby Account Bank's control or for indirect or

consequential damages, or (ii) any loss due to any altered, forged, fraudulent or unauthorized Financial Instruments.

**20. WAIVER OF FORMALITIES**

The Guarantor hereby waives in favour of the Standby Account Bank certain statutory or other customary formalities of the *Bills of Exchange Act* (Canada) which include, for greater certainty, formalities relating specifically to presentment, protest, noting and notice, with respect to all Financial Instruments prepared, signed or endorsed and delivered to the Standby Account Bank hereunder; and the Standby Account Bank shall not, in any circumstances, be liable for the failure or omission to carry out any such formalities in connection with any Financial Instrument.

**21. COUNTERPARTS**

This Agreement may be executed in any number of counterparts (manually, electronically or by facsimile) and by the parties hereto 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.

**22. 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.

**23. SUBMISSION TO JURISDICTION**

Each of the parties hereto irrevocably attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Ontario 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 courts of the Province of Ontario are an inconvenient forum for the maintenance or hearing of such action or proceeding.

**24. LIABILITY OF LIMITED PARTNERS**

NBC Covered Bond (Legislative) Guarantor Limited Partnership 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.

*[The remainder of this page is intentionally left blank]*

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

**NATIONAL BANK OF CANADA**

Per: "Eric Girard"

Name: Eric Girard

Title: Authorized Signatory

**COMPUTERSHARE TRUST COMPANY OF CANADA**

Per: "Carole Bedard"

Name: Carole Bedard

Title: Authorized Signatory

Per: "Nathalie Gagnon"

Name: Nathalie Gagnon

Title: Authorized Signatory

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

Per: "Eric Girard"

Name: Eric Girard

Title: Authorized Signatory

**ROYAL BANK OF CANADA**

Per: "Michael Pavkovic"

Name: Michael Pavkovic

Title: Managing Director

Per: "Stan Proszek"

Name: Stan Proszek

Title: Director



**SCHEDULE 1**  
**FORM OF MANDATE**

*In the form attached*



SRF# \_\_\_\_\_

## **FINANCIAL SERVICES AGREEMENT**

This Agreement between Royal Bank of Canada ("RBC") and the undersigned Customer of RBC (the "Customer") sets out the terms under which RBC may keep Accounts and process Instruments for the Customer and provide other services to the Customer.

### **PART A-ACCOUNTS**

#### **1. Meaning of "Account"**

As used in this Agreement, the term "Account" means any demand deposit account, maintained at any time by RBC at any of its branches in Canada for or in the name of the Customer, whether in Canadian or other currency.

#### **2. Overdrafts**

(a) Unless otherwise agreed to by RBC in writing and notwithstanding any prior course of conduct, RBC will have no obligation to honour, and RBC may at any time in its sole and absolute discretion refuse to honour, any Instrument which, if honoured, might overdraw an Account or increase an overdraft in an Account.

(b) The Customer will pay to RBC, on demand, the amount of any overdraft in an Account, together with interest.

(c) The rate of interest payable on any overdraft in an Account will be at the applicable rate set forth in the terms and conditions for fees and charges provided to the Customer (or the rate otherwise agreed to in writing by RBC and the Customer). The interest will accrue on a daily basis and will be calculated and payable monthly.

#### **3. Account Verification**

RBC will provide periodic statements for an Account in the manner the Customer has agreed to, including by mail, electronically or otherwise on the following terms:

(a) The Customer will verify the completeness and correctness of each statement.

(b) If the Customer does not receive a statement by the 10th day after the end of the cycle agreed on for its preparation, the Customer will notify RBC of this in writing (at the branch where the Account is maintained) by the 15th day following the end of the cycle.

(c) The Customer will notify RBC in writing (at the branch where the Account is maintained) of any errors in or omissions from the statement by the 45th day following the end of the cycle.

(d) At the end of the 45th day following the end of the cycle, the statement prepared by RBC will be conclusive evidence that the Account contains all credits that should be contained in it and does not contain any debits that should not be contained in it, and that all the entries and balances in the Account are correct, provided that this will not apply with respect to any credits to the Account made in error, any errors or omissions of which RBC has been notified under paragraph (c) or any payments made on forged or unauthorized endorsements.

The Customer acknowledges and agrees that if they choose to receive electronic statements it is their responsibility to ensure that each of their Accounts is enrolled in RBC Express. RBC shall not be responsible for any loss, damage or expense resulting from the Customer's failure to enrol such Accounts in order to receive electronic statements.

## **PART B - INSTRUMENTS**

### **4. Meaning of "Instrument"**

As used in this Agreement, the term "Instrument" means a bill of exchange (including a cheque), promissory note, security, chattel paper, other order (written or electronic) for the payment of money, clearing item or other value item, (including any image or reproduction of the foregoing) that RBC negotiates, pays or processes for or on behalf of the Customer or that RBC takes from the Customer for deposit, or for discount, collection or acceptance, or as collateral security or otherwise. Any such item will be considered an Instrument whether or not the Customer is a party to it and whether it is in Canadian or another currency.

### **5. Waiver of Presentation, etc.**

The Customer waives presentment for payment, notice of dishonour, protest, and notice of protest of any Instrument. The Customer will be liable to RBC on any Instrument as if it had been duly presented for payment and protested and notice of dishonour and protest given to all parties to it as provided by law.

### **6. Clearing and Settlement**

RBC may present and deliver Instruments for payment, clearing, collection, acceptance or otherwise through any bank or other party and in any manner as it deems appropriate. RBC may also accept and deliver any form of settlement or payment for any Instrument as it deems appropriate.

### **7. Chargeback**

RBC may debit an Account with the amount of each Instrument that RBC has credited to the Account (or otherwise paid to the Customer) and on which RBC may for any reason be unable to receive irrevocable settlement or payment, together with all associated costs, charges and expenses incurred by RBC. This will include, without limitation, an Instrument to which any party is bankrupt or insolvent. The Customer agrees to immediately repay any overdraft caused by the return of a Deposited Item.

### **8. Assignment of Claims**

RBC may take any steps or proceedings with respect to any Instrument deposited or discounted with RBC as it deems appropriate, either in its own name or in the name of the Customer. For this purpose, the Customer assigns to RBC all its claims against each party to any such Instrument.

### **9. Bank's Authority to Pay Instruments**

In the same manner as in the case of an ordinary cheque, RBC may pay and debit an Account in the amount of every Instrument that is payable by the Customer at RBC and that is presented for payment to RBC.

## **PART C - OTHER SERVICES**

### **10. Service Agreements, etc.**

Any service which RBC provides to the Customer other than those described in Parts A and B will be provided in accordance with a separate service agreement and any rules and manuals of operation of RBC (as revised from time to time) related to that service, as well as in accordance with this Agreement.

### **11. Service Materials**

If for any service RBC provides the Customer with any software, equipment or written materials (collectively, the "Service Materials"), the following terms apply:

(a) RBC or a third party (if RBC obtained the Service Materials under a lease or license) will retain all ownership rights, including but not limited to any copyright, in the Service Materials.

(b) The Customer will have a non-exclusive license to use the Service Materials solely for the service for which they are provided. The Customer will not be entitled to assign the license, and the license will end immediately after the end of the provision of that service. Immediately after the license ends, the Customer

will return the Service Materials, together with any copies then in the Customer's possession or control, to RBC.

(c) The Customer will treat as confidential any software or written material forming part of the Service Materials and will not disclose them to any third party. This obligation will not apply to information that is in the public domain or that the Customer can get from a third party without a breach of any obligation by that third party to RBC.

(d) RBC will defend the Customer against a claim that any Service Materials, when used in accordance with RBC's instructions, infringes any patent, copyright, or other proprietary right, if the Customer notifies RBC promptly of the claim and gives RBC exclusive authority to defend it. RBC will have no other obligation to the Customer for the infringement of any patent, copyright, or other proprietary right by any Service Materials.

(e) RBC will be entitled at any time to replace any Service Materials with other Service Materials of the same type, on the condition that by replacing those Service Materials RBC does not materially change the nature of the service for which they were provided.

## **12. Cheque Imaging**

The Customer acknowledges and agrees that digital images or electronic representations of Instruments (including copies of same) may be made or captured and used by financial institutions involved in the exchange and clearing of payments in Canada and elsewhere, in which case the original paper item may be destroyed and not returned to the Customer. The Customer acknowledges that RBC is entitled to act upon such images and representations for all purposes as if it were a paper item. RBC and other financial institutions may reject any Instrument that does not comply with its' policies and standards and the Customer shall be responsible for any loss, damage or expense resulting thereof. The Customer acknowledges that copies of images of Instruments (including digital or electronic representations) may be provided to the Customer before RBC has determined whether the Instrument will be honoured or accepted. The Customer agrees that such copies or images of Instruments are made available by RBC as a service to the Customer and that the provision of copies of images of Instruments does not mean that a transaction has been processed or in any way obliges RBC to honour or accept the Instrument. RBC will

not be required to ensure that copies of images can be made available to the Customer or any other party upon request for longer than six years following the date of the statement of account on which the Instrument appears, subject to payment of any fees or charges established by RBC from time to time.

## **PART D - ELECTRONIC COMMUNICATION**

### **13. Electronic Communications**

Any electronic communication between RBC and the Customer and between RBC and any third party (whether using facilities of RBC or of the Customer or of any other party) will take place in accordance with this Agreement. The term "electronic communication" means any communications by Internet, telex, telephone, S.W.I.F.T (Society of Worldwide Interbank Financial Telecommunication), email, fax or other method of telecommunication or electronic transmission. Internet means a decentralized global communications medium and the world-wide network of computer networks, accessible to the public, that are connected to each other using specific protocols, which provides for file transfer, electronic mail, remote log in, news, database access, and other services.

### **14. Binding Effect of Electronic Communications**

Any electronic communication, including tested or authenticated electronic communication, that RBC receives from or in the name of the Customer, or which appears to be from or in the name of the Customer, regardless of whether or not the electronic communication was actually from or in the name of the Customer, will be considered to be duly authorized and binding upon the Customer and RBC will be authorized to rely and act upon any such communication. In this connection, RBC will be entitled to rely upon any signature appearing on an electronic communication that purports to be a signature of the Customer or of a representative of the Customer as being authorized, valid and binding on the Customer, even if the signature was not, in fact, signed by the Customer or its representative.

The Customer recognizes that possession of a security device (including a security card, a security code or a password) by any person may result in that person having access to and being able to use the relevant means of electronic communication and that use of a security device (including a security card, a security code or a password) in connection with any electronic communication will be deemed to be conclusive proof that the electronic communication was authorized by the Customer.

The Customer agrees that any electronic communication between RBC and the Customer shall be deemed to have been signed and/or delivered and to constitute a "writing" for the purpose of any statute or rule of law that requires the terms of such communication or contract to be in writing or to be signed and/or delivered and expressly waives any right to raise any defence or waiver of liability based on the absence of a writing or of a signature.

The Customer agrees that RBC may provide any information, disclosure or notice or other information by electronic communication so long as if the communication is by computer or Internet, the Customer can retain such information.

### **15. Security**

The Customer will comply with any security procedures prescribed by RBC for electronic communication with RBC and will take any other steps reasonably necessary to prevent unauthorized access to and use of electronic communication with RBC. The Customer acknowledges that the provision of certain services is predicated upon the Customer adhering to such security procedures including, without limitation, the maintenance of encryption standards, and agrees to notify RBC immediately of any failure or inability to do so.

The Customer acknowledges and agrees that if it chooses to use, or instructs RBC to use, any electronic communication that is not secure, including without limitation, any fax or unencrypted email communication, that (a) Security, privacy and confidentiality cannot be ensured, (b) Such communication is not reliable and may not be received by the intended recipient in a timely manner or at all, (c) Such communication could be subject to interception, loss or alteration, and (d) The Customer assumes full responsibility for the risks in connection with such communication and RBC will not be responsible or liable in any way in connection with such communication.

### **16. Evidence re Electronic Communication**

Electronic data or records maintained by RBC will be admissible in any legal, administrative or other proceedings as conclusive evidence of the contents of those communications in the same manner as an original paper document, and the Customer waives any right to object to the introduction of any such copy in evidence. The Customer will keep the originals of all documents and instructions transmitted to RBC by fax and will produce them to RBC upon request.

## **PART E - GENERAL**

### **17. Charges**

The Customer will pay the fees and charges agreed upon with RBC or, if there is no such agreement, RBC's standard fees and charges, for keeping any Account, for processing Instruments for the Customer and for any other services that RBC furnishes to the Customer. RBC may on at least one month's prior written notice to the Customer change any of those standard fees and charges. RBC may debit any Account with any fees or charges or other amounts due to RBC from the Customer. Unless otherwise agreed upon by RBC, any payment must be made in money which is legal tender at the time of payment.

### **18. Conflicts**

If there is any conflict between any of the terms of this Agreement and any of the terms of any service agreement, the terms of that service agreement govern for the purposes of the relevant service.

## **19. Collection, Use and Disclosure of Information**

### ***Collecting Customer Information***

RBC may collect financial and other information about the Customer, such as:

- (a) Information to establish and maintain the banking relationship with the Customer;
- (b) Information related to transactions arising from the Customer's relationship with and through RBC;
- (c) Information for the provision of products and services; and
- (d) Information about financial behaviour such as the Customer's payment history and credit worthiness.

RBC may collect this information during the course of its relationship with Customer. RBC may obtain this information from a variety of sources, including from the Customer, from service arrangements the Customer makes with or through

RBC, from credit reporting agencies and other financial institutions, from registries and from other sources, as is necessary for the provision of its products and services.

### ***Using Customer Information:***

The information RBC collects about the Customer may be used and shared for the following purposes:

- (a) To open and operate the Customer account(s);
- (b) To provide the Customer with products and services the Customer may request;
- (c) To determine the Customer's financial situation;
- (d) To determine the Customer's eligibility for products and services RBC offers;
- (e) To help RBC better manage its business and the Customer's relationship with RBC;
- (f) To maintain the accuracy and integrity of information held by a credit reporting agency; and
- (g) As required or permitted by law.

For these purposes, RBC may:

- (a) Make this information available to its employees, its agents and service providers who are required to maintain the confidentiality of this information; and
- (b) Disclose it in order to comply with valid requests for information about the Customer from regulators and other persons who have a right to issue such requests or a legal process including, without limitation, a subpoena, search warrant or other court order.

Upon Customer's request, RBC may give this information to other persons.

RBC may also use this information and share it with other companies under RBC Financial Group to manage its risks and operations and those of other companies under RBC Financial Group.

Except as otherwise contemplated in this section 19, RBC agrees not to share the information with other companies under RBC Financial Group.

RBC may use service providers to perform certain services on its behalf. In the event that a service provider is located outside of Canada, information about the Customer and information about clients of the Customer may be processed or accessible outside of Canada, in which case information about the Customer and its clients may be disclosed in accordance with the laws of the jurisdiction in which it is located.

### ***Customer's Client Information:***

To the extent that RBC receives from the Customer information about clients of the Customer, such client information will be treated as confidential information of the Customer and RBC shall use it solely for the purposes of the performance of the services provided to the Customer by RBC.

## **20. Bank's Responsibility**

RBC will not be responsible for any loss or damage suffered or incurred by the Customer except in a case where there has been negligence or wilful misconduct on the part of RBC, and in any such case RBC will not be liable for any indirect, consequential or exemplary damages (including but not limited to loss of profits), regardless of the cause of action.

In no event will RBC be liable for any loss or damage suffered by the Customer that is caused by: (a) The actions of, or any failure to act by, any third party (and no third party will be considered to be acting as an agent for RBC); except if said third party is acting under specific instructions from RBC; (b) Inaccuracies in or inadequacies of any information furnished by the Customer to RBC; (c) A forged or unauthorized signature or a material alteration on any Instrument, unless (A) it was made by a person who was at no time the Customer's employee, officer, director or agent and (B) its occurrence was beyond the Customer's control; (d) Failure by RBC to perform or fulfil any of its obligations to the Customer due to any cause beyond the Bank's control; (e) Any missing, incomplete or fraudulent endorsement of any Instrument; (f) The communication facilities that are not under RBC's control that may affect the timeliness, completeness or accuracy of any information or that may prevent the retrieval or presentment of any information or that may cause a delay in the retrieval or presentment of any information; (g) The Customer leaving RBC's Web site and linking to and from any third party's Web site; or (h) The transmission of viruses or other destructive or contaminating properties and any related damage to the Customer's computer system.

## **21. Internal Procedures re Instruments and Accounts**

The Customer will at all times have in place commercially reasonable procedures designed to prevent and detect losses due to forged or unauthorized signatures, fraud or theft in relation to Instruments, instructions or Accounts.

## **22. Proceeds of Crime Legislation**

The Customer acknowledges that the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and Regulations apply to the operation of the Account and that RBC will, from time to time, adopt policies and procedures to address the reporting and record keeping requirements of this legislation. The Customer agrees to abide by and comply with all such policies and procedures, and recognizes that such policies and procedures may be more rigorous than the statutory and regulatory requirements. The Customer acknowledges and agrees that it possesses signing authority on the Account and that the Account or any sub-accounts are not to be used by, or on behalf of, a third party or parties without prior written permission by RBC.

## **23. Other Claims on the Account**

If RBC has notice of a possible claim or interest under any court order, statutory demand, or other federal or provincial legislation, then the Customer acknowledges that RBC may refuse to: (a) Permit the Customer to have any dealings with the Account; or (b) Honour cheques or other items drawn on the Account. RBC will not be liable for any loss or damage resulting from such refusal.

## **24. Restraint or Closure of Account**

RBC may freeze or close the Account without notice if required by law or if, at any time, RBC has reasonable grounds to believe that the Customer did or may commit fraud, use the Account for any unlawful or improper purpose, cause a loss to RBC, operate the Account in a manner unsatisfactory to RBC or contrary to RBC's policies, or violate the terms of any agreement applicable to the Account or any Account-related service. RBC may also freeze or close the Account if the Customer is a victim of fraud or identity theft in order to prevent future losses. Those Accounts closed by the Customer within 3 months of being opened may be subject to an administration fee.

## **25. Indemnity**

Except with respect to claims, costs and liabilities arising principally by reason of RBC's negligence, or wilful misconduct, the Customer will indemnify RBC against any claim, cost or liability incurred by RBC in connection with any services provided by RBC to the Customer or any other dealings between RBC and the Customer, including without limitation, any claim or liability resulting from an endorsement of RBC or any of its branches or agencies on any Instrument.-

## **26. Modification of Instructions: Cut off Times**

If the Customer issues instructions in respect of any service modifying previously given instructions and those modifying instructions are not given within the time frames prescribed by any applicable rules and manuals of operation of RBC, RBC may use reasonable efforts to implement those modifying instructions but RBC will not be liable for any failure to do so and the Customer discharges and will indemnify RBC from and against any claims and liabilities incurred by RBC as a result of the implementation of or the failure to implement those modifying instructions.

## **27. Set Off**

RBC may at any time and without notice apply any credit balance (whether due or not) in any Account or in any other account in the name of the Customer, or to which the Customer is beneficially entitled, maintained at any branch or office of RBC inside or outside Canada, towards the payment of any obligation (including any contingent obligation) of the Customer to RBC whether in the same or other currency. RBC may use all or any part of any such credit balance to buy any currencies that may be necessary to effect that application.

## **28. Amendments and Waivers/Default**

No amendment, modification or waiver of any provision of this Agreement or any service agreement will be effective unless it is in writing signed by the Customer and RBC.

## **29. Restricted Business**

The Customer represents and warrants that it:

- (a) does not own, operate, control or receive revenue from an Internet or online gambling business or operation; and
- (b) is not owned or controlled directly or indirectly by an entity mentioned in (a) above, and is not engaged in or associated with an improper, illegal or unlawful activity, or any business otherwise determined to be a restricted business and will not use the Account for any such purpose.

## **30. Applicable Laws**

The Customer represents, warrants and covenants to the Bank that all transactions it originates do not and will not violate any Applicable Law(s) of Canada. Applicable Law(s) means any law, rule, regulation, judgment, decree, order, permit, license, certificate or authority, or approval of any government authority that is applicable to the Customer or its respective business and any policies and procedures required under any such laws, including, but not limited to anti-money laundering laws and regulations. Further, the Customer acknowledges that the Bank may adopt policies and procedures from time to time (which may be more rigorous than the Applicable Laws) to address certain aspects of the Applicable Laws, and in such instance will advise the Customer of same.

## **31. Third Parties**

The Customer represents and warrants that it possesses the necessary signing authority on the Account and that the Account will not be used by, or on behalf of, a third party or parties without the prior written permission of the Bank.

## **32. Change of Service and Use of Third Parties**

Notwithstanding anything else in this Agreement, RBC may at any time change any service provided to the Customer, including those described in Parts A and B, and may make use of any third party to provide any service. Notwithstanding anything else in this Agreement, upon 30 days written notice to the Customer, RBC may withdraw any service provided to the Customer, including those described in Parts A and B.



**33. Assigns**

This Agreement will constitute the continuing consent and agreement of the Customer and will bind the Customer, liquidators of successions, administrators and other legal representations, successors and assigns.

**34. Governing Law**

This Agreement and any service agreement shall be governed and constructed in accordance with the laws of the Province of Ontario and the laws if Canada applicable therein, and shall be binding on and ensure to the benefit of the parties hereto, their successors and assigns.

**35. Language**

The parties acknowledge that they have required that this document and all related documentation be drawn up in the English language. Les parties reconnaissent avoir demandé que la présente convention ainsi que tous les documents qui s'y rattachent soient rédigés en langue anglaise.

Dated: \_\_\_\_\_

Customer Name: \_\_\_\_\_

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name:

Title:

**ACCEPTED AND AGREED  
ROYAL BANK OF CANADA**

Per: \_\_\_\_\_

Name:

Title: