

GUARANTEED INVESTMENT CONTRACT

by and among

NBC COVERED BOND (LEGISLATIVE) GUARANTOR LIMITED PARTNERSHIP

as Guarantor

and

NATIONAL BANK OF CANADA

as Cash Manager and GIC Provider

and

COMPUTERSHARE TRUST COMPANY OF CANADA

as Bond Trustee

October 31, 2013

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GUARANTEED INVESTMENT CONTRACT

THIS GUARANTEED INVESTMENT CONTRACT 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** (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, H3B 4L2 acting in its capacity as Cash Manager (hereinafter or “**Cash Manager**”) and as GIC Provider (hereinafter the “**GIC Provider**”); and
- (3) **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) As part of the transactions contemplated in the Programme, the Cash Manager has agreed, pursuant to the Cash Management Agreement, to provide Cash Management Services in connection with the business of the Guarantor.
- (D) The Cash Management Agreement provides that the Guarantor (or the Cash Manager on its behalf) may invest funds from time to time in interest bearing accounts with the Bank, as Account Bank pursuant to and on the terms of the Bank Account Agreement and the GIC Provider has agreed to pay interest on the funds standing to the credit of the Guarantor at specified rates determined in accordance with and pursuant to the terms of this Agreement.

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

1. DEFINITIONS AND INTERPRETATION

- 1.1 The master definitions and construction agreement made between, *inter alia*, the parties to this Agreement on October 31, 2013 (as the same may be amended, 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 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.

2. THE GIC ACCOUNT

The GIC Provider confirms that (on the instructions of the Guarantor (or the Cash Manager on its behalf)) the GIC Account has been opened in its books in the name of the Guarantor, and it agrees to accept on deposit in the GIC Account all monies transferred, from time to time, to the GIC Account, subject to and upon the terms of this Agreement, the Bank Account Agreement, the Cash Management Agreement and the Security Agreement.

3. INTEREST

- 3.1 Interest shall accrue and be calculated daily on the GIC Balance and shall be paid monthly in arrears on each Calculation Date at the GIC Rate by payment for value on the same day to the GIC Account or the Transaction Account.
- 3.2 On any day on which interest is payable by the GIC Provider under this Agreement, the GIC Provider shall pay the amount of interest then due in immediately available, freely transferable, cleared funds by no later than the close of business (Toronto time) on that day (or if such day is not a Canadian Business Day, the next succeeding Canadian Business Day).
- 3.3 In the event that a Guarantor Acceleration Notice is served on the Guarantor, then, on the date of such Guarantor Acceleration Notice, the GIC Provider shall pay to the Bond Trustee the aggregate of all interest accrued on the GIC Account on each day during the month in which such Guarantor Acceleration Notice is served up to (but excluding) the date of such Guarantor Acceleration Notice. As and from the date of such Guarantor Acceleration Notice, the GIC Provider shall comply with the directions of the Bond Trustee in relation to the GIC Account.

4. WITHDRAWALS AND DEPOSITS

- 4.1 Subject always to the provisions of the Cash Management Agreement, the Bank Account Agreement and the Security Agreement, the Guarantor (or the Cash Manager on its behalf) may on any Canadian Business Day give notice to the GIC Provider that it wishes to withdraw on such date all or part of the GIC Balance from the GIC Account and the GIC Provider shall comply with such notice and pay the amount specified in such notice to the account specified therein, provided that if any such notice is received after 12 noon (Toronto time) on any day it shall be deemed to have been received at the opening of business on the next following Canadian Business Day.

4.2 The Guarantor (or the Cash Manager on its behalf) may deposit, or procure the deposit of, sums in the GIC Account, to the extent permitted by the terms of the Cash Management Agreement, the Bank Account Agreement and the Security Agreement, and the GIC Provider agrees to accept and credit to the GIC Account such sums in accordance with the other terms hereof.

5. TERMINATION

5.1 Following termination of the Bank Account Agreement and/or closing of the GIC Account in accordance with the Bank Account Agreement, this Agreement will be automatically terminated.

5.2 The Guarantor (or the Cash Manager or the Bond Trustee on its behalf) 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 Covered Bondholders) terminate this Agreement in the event that default is made by the GIC Provider in the performance or observance of its covenants and obligations, or a breach by the GIC Provider is made of any of its representations and warranties, respectively, under Sections 6.1(d), 6.1(e), 6.1(f), 6.1(g), 6.1(h) and 6.1(i).

6. REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1 The GIC Provider hereby represents and warrants to, and covenants with, each of the Cash Manager, the Guarantor and the Bond Trustee at the date hereof, on each date on which an amount is credited to the GIC Account 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 constitute a Material Adverse Event;
- (b) the execution, delivery and performance by the GIC Provider of this Agreement (i) are within the GIC Provider'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 GIC Provider, (2) any law, rule or regulation applicable to the GIC Provider, or (3) any order, writ, judgment, award, injunction, decree or contractual obligation binding on or affecting the GIC Provider 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 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;

- (e) 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, in each case in any capacity;
- (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 Transaction Documents 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 Transaction Documents to which it is a party; and
- (i) the ratings of the unsecured, unsubordinated and unguaranteed debt obligations, and the issuer default ratings, of the GIC Provider by each of the Rating Agencies are at or above the Account Bank Threshold Ratings.

6.2 The GIC Provider 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 6.1 ceases to be true. The representations, warranties and covenants set out in Section 6.1 shall survive the signing and delivery of this Agreement.

7. ASSIGNMENT

7.1 Save as otherwise contemplated in this Agreement or the Cash Management Agreement, no party hereto (other than the Bond Trustee) may assign or transfer any of its rights or obligations hereunder without the prior written consent of the Bond Trustee, and the Rating Agency Condition having been satisfied by the Guarantor (or the Cash Manager on its behalf) in respect of any such assignment.

7.2 Notwithstanding the provisions of Section 7.1 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.

8. AGENCY

The GIC Provider agrees and confirms that, unless the GIC Provider is otherwise notified by the Guarantor or the Bond Trustee in accordance with the terms of this Agreement, the Cash Manager, as agent of the Guarantor, may act on behalf of the Guarantor under this Agreement.

9. INFORMATION

The GIC Provider shall provide to the Bond Trustee or the Guarantor (or the Cash Manager on its behalf), or procure the provision to the Bond Trustee or the Guarantor of, such information and evidence in respect of any dealing between the Guarantor and the GIC Provider or otherwise under or in relation to this Agreement as the Bond Trustee or the Guarantor may reasonably request and the Guarantor hereby waives any right or duty of confidentiality which it may have or which may be owed to it by the GIC Provider in respect of the disclosure of such information and evidence pursuant to this Section 9.

10. PAYMENTS

The parties agree that payments required to be made hereunder shall be made in accordance with Section 2 of the Bank Account Agreement.

11. NOTICES

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 the 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 GIC Provider or the 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

- (c) 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 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.

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.

12. 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.

13. THE BOND TRUSTEE

- 13.1 If there is any change in the identity of the Bond Trustee, the Guarantor, the Cash Manager and the GIC Provider 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.
- 13.2 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 Guarantor, the Cash Manager or the GIC Provider 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 14.

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 therefore 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.

14. AMENDMENTS, VARIATION AND WAIVER

- (a) Any amendment, modification or variation to this Agreement requires the prior written consent of the GIC Provider and subject to Section 8.02 of the Security Agreement, any 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) Subject to the following sentence, each proposed amendment, variation or waiver of rights under this Agreement that is considered by the Guarantor to be a material amendment, variation or waiver, shall be subject to satisfaction of the Rating Agency Condition. For certainty, any amendment to (i) a Ratings Trigger provided for in this Agreement that lowers the ratings specified therein, or (ii) the consequences of breaching a Ratings Trigger provided for in this Agreement 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, variations or waivers 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) For greater certainty, the rights under this Agreement may only be amended, varied or 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 a waiver, amendment or variation of such provision or in any way affect the validity or enforceability of this Agreement.

15. NON-PETITION

The Cash Manager and GIC Provider 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.

16. 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.

17. 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.

18. 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.

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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 managing general partner NBC
COVERED BOND (LEGISLATIVE) GP
INC.**

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

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