

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which, subject to completion in accordance with the provisions of Part A of the applicable Final Terms or, in the case of PSM Notes, Part A of the applicable Pricing Supplement, will apply to Notes issued under the Programme and will be attached to, endorsed upon or incorporated by reference into each global Note and each definitive Note. Part A of the applicable Final Terms (or the relevant provisions thereof) or, in the case of PSM Notes, Part A of the applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed on, or attached to, each global Note and each definitive Note. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the applicable Final Terms or, in the case of PSM Notes, the applicable Pricing Supplement.*

*The Terms and Conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus or, in the case of PSM Notes, Drawdown Listing Particulars, will be the Terms and Conditions as supplemented, amended and/or replaced to the extent described in such Drawdown Prospectus or Drawdown Listing Particulars, as the case may be.*

This Note is one of a Series of Notes (the “**Notes**”), which expression shall mean (i) in relation to any Notes represented by a Note in global form (a “**Global Note**”), units of the lowest Specified Denomination or Calculation Amount comprising or forming part of the Specified Denomination, if any, in the Specified Currency of the Notes, (ii) Definitive Notes (defined below) issued in exchange for a permanent Global Note, and (iii) any Global Note issued subject to, and with the benefit of, an Agency Agreement amended and restated as of January 20, 2017 (and as may be further amended or supplemented from time to time in accordance with the terms thereof) (the “**Agency Agreement**”) and made between the Bank, HSBC Bank plc as issuing and principal paying agent (the “**Agent**”, which expression shall include any successor as agent) and the other paying agent named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents).

As used herein, “**Series**” means all Notes which are denominated in the same currency and which have the same Maturity Date, Interest Basis, Redemption Basis and Interest Payment Dates (if any) (all as indicated in the applicable Final Terms) and the terms of which (save for the Issue Date, the Interest Commencement Date and/or the Issue Price (as indicated as aforesaid)) are otherwise identical and the expressions “**Notes of the relevant Series**” and “**holders of Notes of the relevant Series**” and related expressions shall be construed accordingly. As used herein, “**Tranche**” means all Notes of the same Series with the same Issue Date. The Bank may create and issue additional Tranches in accordance with Condition 16 herein. The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note or, if the Note is admitted to trading on the Professional Securities Market (a “**PSM Note**”) Part A of the Pricing Supplement attached to or endorsed on this Note, which completes the Terms and Conditions (the “**Conditions**”). References to the “**applicable Final Terms**” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note and any references in the Conditions to “applicable Final Terms” shall be deemed to include a reference to the applicable Pricing Supplement where relevant.

A copy of the Agency Agreement (which contains the forms of Final Terms) is available for inspection during normal business hours and upon reasonable notice at the specified office of the Agent in London, England and for collection without charge from the Corporate Secretary’s Department of the Bank, 100 King Street West, 1 First Canadian Place, 21<sup>st</sup> Floor, Toronto, Ontario, Canada, M5X 1A1. Copies of Final Terms for Notes which are either admitted to trading on the London Stock Exchange’s Main Market or Professional Securities Market or offered in the United Kingdom in circumstances where a prospectus is required to be published in accordance with Directive 2003/71/EC, as amended (the “**Prospectus Directive**”), can be viewed on the website of the National Storage Mechanism at <http://www.morningstar.co.uk/uk/NSM> under “Bank of Montreal”. Copies of each Final Terms relating to Notes which are admitted to trading on any other regulated market (“**Regulated Market**”) for the purposes

of the Markets in Financial Instruments Directive 2004/39/EC in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will be made available for viewing in accordance with Article 14.2 of the Prospectus Directive and the rules and regulations of the relevant Regulated Market. Final Terms for Notes that are not offered to the public or admitted to trading on a Regulated Market in the European Economic Area in circumstances requiring a prospectus in accordance with the Prospectus Directive will only be obtainable by a Noteholder.

The holders of the Notes (the “**Noteholders**”, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided in Condition 1 herein), the holders of the coupons (the “**Couponholders**”) are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms, which are binding on them.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

References herein to “**RMB Notes**” are to Notes denominated in Renminbi. References herein to “**Renminbi**”, “**RMB**” and “**CNY**” are to the lawful currency of the People’s Republic of China (the “**PRC**”) which, for the purposes of these Terms and Conditions, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

## 1. Form, Title and Transfer

The Notes are issued in bearer form.

Bearer Notes of this Series are deposited on or prior to the relevant Issue Date (i) if the Notes are issued in new global note (“**NGN**”) form as specified in the applicable Final Terms, with a common safekeeper (the “**Common Safekeeper**”) and (ii) if the Notes are issued in classic global note (“**CGN**”) form as specified in the applicable Final Terms, with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). Unless specified otherwise in the applicable Final Terms, the Notes will be issued in CGN form. Any reference herein to Euroclear and/or Clearstream, Luxembourg (or the “**clearing systems**”) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Bank and the Agent (including SIX SIS AG (“**SIX SIS**”).

This Note is a Fixed Rate Note, a Fixed Rate Note with a Step-Up, a Floating Rate Note, a Zero Coupon Note or a Range Accrual Note or any appropriate combination thereof, depending upon the Interest Basis specified in the applicable Final Terms.

Notes in definitive form (“**Definitive Notes**”) will be serially numbered in the Specified Currency and the Specified Denomination(s) and, if applicable, integral multiples of the Calculation Amount(s) in excess of the lowest Specified Denomination up to but excluding an integral multiple of the highest Specified Denomination. Interest bearing Definitive Notes will have interest coupons (“**Coupons**”) and, if applicable, talons for further coupons (“**Talons**”) attached. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons.

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in nominal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) specified in the applicable Final Terms and higher integral multiples of at least 1,000 in the relevant currency as specified in the applicable Final Terms (the “**Integral Amount**”), notwithstanding that no definitive Notes will be issued with a denomination above the Definitive Amount in such currency. For the purposes of these Conditions, the “**Definitive Amount**” shall be equal to two times the lowest Specified Denomination minus the Integral Amount.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The holder of each Coupon, whether or not such Coupon is attached to a Note, in his capacity as such, shall be subject to and bound by all the provisions contained in the relevant Note. The Bank, the Agent and any other Paying Agents may deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out below.

For so long as any of the Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg, as the case may be, as the beneficial owner of a particular nominal amount of such Global Notes (in which regard any certificate or other document issued by any such clearing system as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Bank, the Agent or any other Paying Agent, as the case may be, as the holder of such nominal amount of such Notes for all purposes other than for the payment of principal and interest on such Notes, the right to which shall be vested, as against the Bank, the Agent or any other Paying Agent, as the case may be, solely in Euroclear and/or Clearstream, Luxembourg, as the case may be, in accordance with and subject to its terms (and the expressions "**Noteholder**", "**holder of Notes**" and related expressions shall be construed accordingly).

None of the Bank, the Agent or any other Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in any Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **2. Definitive Notes**

Beneficial interests in a permanent Global Note will be exchangeable in whole for security-printed Definitive Notes only (i) if Definitive Notes are required to be provided by applicable law; (ii) in the case of a permanent Global Note deposited with a common depository for Euroclear and/or Clearstream, Luxembourg, if Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or (iii) upon the occurrence of an Event of Default (as defined in Condition 10) and the relevant clearing system acting on instructions of any owner of a beneficial interest in the permanent Global Note having requested in writing Definitive Notes from the Agent. In the circumstances described above, the Bank will cause sufficient Definitive Notes to be executed and delivered as soon as practicable (and in any event within 45 days of the occurrence of any of the circumstances described in (ii) above or the making of the written request described in (iii) above) (the "**Permanent Exchange Date**") to the Agent and/or other Paying Agents, as the case may be, for completion, authentication and delivery, free of charge, to the relevant Noteholders.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a nominal amount of Notes such that its holding amounts to a Specified Denomination.

### 3. Status of Notes

The Notes will evidence deposit liabilities of the Bank for purposes of the Bank Act. The Notes will constitute legal, valid and binding unsubordinated and unsecured obligations of the Bank enforceable in accordance with their terms and will rank *pari passu* with all deposit and other unsubordinated liabilities of the Bank (except as otherwise prescribed by law) without any preference amongst themselves. Unless otherwise specified in the applicable Final Terms, the main branch of the Bank in Toronto will take the deposits evidenced by the Notes, but without prejudice to the provisions of Condition 6. The Notes will not be deposits insured under the *Canada Deposit Insurance Corporation Act* (Canada).

### 4. Interest

#### (a) Interest on Fixed Rate Notes

*This Condition 4(a) applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4(a) for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, any applicable Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction, any applicable Determination Date and any applicable Range Accrual Factor.*

#### (i) Fixed Interest Periods and Interest Payment Dates

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest, subject to the application of the Range Accrual Factor, if applicable. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date so specified if that does not fall on an Interest Payment Date.

If the Notes are in definitive form, except as otherwise provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

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

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated by the Calculation Agent in respect of any period by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and in each case, multiplying such sum by (i) the applicable Day Count Fraction, (ii) if the applicable Final Terms specify “Range Accrual” to be applicable to such Interest Payment Date, the applicable Range Accrual Factor (which shall be determined in accordance with Condition 4(j) (Calculation of Range Accrual Factor) below), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with

applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without further rounding.

In the case of Range Accrual Notes (as defined in Condition 4(j) below), Condition 4(c) shall also apply.

In the case of RMB Notes or Hong Kong dollar-denominated Notes, where the Notes are represented by a Global Note or where the Specified Denomination of a definitive Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the outstanding principal amount of the Global Note or the Specified Denomination of a definitive Note, without any further rounding:

- (A) where (x) there is not a numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) any Interest Payment Date would otherwise fall on a day which is not a Business Day, then such Interest Payment Date shall be adjusted, as specified in the applicable Final Terms, either for payment purposes only or, if Fixed Coupon Amount is not specified as applying in the applicable Final Terms, for payment and interest accrual purposes, in accordance with the Modified Following Business Day Convention (as defined in Condition 4(b)(i)) where “**Business Day**” shall be as defined in Condition 4(b)(i); and
- (B) if Fixed Coupon Amount is not specified as applying in the applicable Final Terms, the Calculation Agent will cause each Interest Amount for each Fixed Interest Period and the relevant Interest Payment Date to be notified to the Issuer and to any stock exchange on which the relevant Fixed Rate Notes are for the time being listed or admitted to trading, and for so long as the Notes are represented by a global Note, Euroclear and/or Clearstream, Luxembourg, and to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Fixed Interest Period. For the purposes of this Condition 4(a)(C), the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

In these Conditions:

“**Calculation Agent**” means such entity as may be specified in the applicable Final Terms as the Calculation Agent.

“**Day Count Fraction**” means in respect of a calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if “**Actual / Actual (ICMA)**” is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such

Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

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

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

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

(ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the Accrual Period (such number of days being calculated on the basis of a 360-day year consisting of 12 months of 30 days) divided by 360;

(iii) if “**30E/360**” is specified in the applicable Final Terms, the number of days in the Accrual Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

(iv) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the relevant period divided by 365.

“**Determination Date**” means the date specified in the applicable Final Terms or, if none is specified, it means the Interest Payment Date.

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

“**euro**” means the currency of the Member States of the European Union (the “**EU**”) that have adopted the single currency in accordance with the Treaty on the Functioning of the European Union, as amended.

“**Interest Amount**” means the amount of interest per Calculation Amount payable for a period for which a Fixed Coupon Amount has not been specified.

“**RMB Settlement Centre**” means the financial centre(s) specified as such in the applicable Final Terms in accordance with applicable laws and regulations. If no RMB Settlement Centre is specified in the applicable Final Terms, the RMB Settlement Centre shall be deemed to be Hong Kong.

“**sub-unit**” means with respect to any currency other than the euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to the euro, means one cent.

(ii) Fixed Rate Notes with a Step-Up

“**Fixed Interest Period End Date**” means each date specified in the applicable Final Terms.

In respect of a Fixed Rate Note with a step-up in the rate of interest, the Rate of Interest in respect of each Fixed Interest Period means the “Rate of Interest (Step-Up)” specified to be applicable in respect of each Fixed Interest Period End Date on which the Fixed Interest Period ends, as set forth in the applicable Final Terms.

(b) *Interest on Floating Rate Notes*

*This Condition 4(b) applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4(b) for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify, as applicable, any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination, Screen Rate Determination or CMS Reference Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest if not the Agent, the Margin, any maximum or minimum interest rates, the Day Count Fraction and any applicable Range Accrual Factor. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s), Relevant Screen Page and any applicable Range Accrual Factor.*

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date and such interest will be payable in arrear on either:

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

Such interest shall be payable in respect of each Interest Period subject to the application of the Range Accrual Factor, if applicable. In these Conditions, “**Interest Period**” means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day;
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (E) “No Adjustment”, the relevant date shall not be adjusted in accordance with any Business Day Convention.

In these Conditions, “**Business Day**” means a day which is both:

- (A) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre (other than TARGET2) specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, in the case of Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) and, if TARGET2 is specified as an Additional Business Centre in the applicable Final Terms, a day which is a TARGET2 Business Day (as defined below), (2) in relation to any sum payable in euro, a day which is a TARGET2 Business Day (as defined below); or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle



payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the RMB Settlement Centre(s).

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus the Margin (if any) as indicated in the applicable Final Terms). For the purposes of this subparagraph (ii)(A), "**ISDA Rate**" for any Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA 2006 Definitions, as amended, supplemented or updated as at the Issue Date of the first Tranche of Notes, published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is specified in the applicable Final Terms.

The ISDA Definitions contain provisions for determining the applicable Floating Rate (as defined below) in the event that the specified Floating Rate is not available.

For the purpose of this subparagraph (ii)(A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Rate Option**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be:

- (1) where the Reference Rate is specified as being LIBOR, EURIBOR, CNH HIBOR or HIBOR, either:
  - (X) the offered quotation (if there is only one quotation on the Relevant Screen Page);  
or
  - (Y) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more such

offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, one only of such rates) and the lowest (or, if there is more than one such lowest rate, one only of such rates) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If on any Interest Determination Date the Relevant Screen Page is not available or the offered quotation or quotations are unavailable, the Agent shall request each of the Reference Banks (as defined below) to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period at approximately the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, as at the Relevant Time in the Relevant Financial Centre on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is CNH HIBOR or HIBOR), plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at the Relevant Time in the Relevant Financial Centre on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Bank suitable for such purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is CNH HIBOR or HIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

- (2) Where the Reference Rate is specified as being CDOR, the average bid rate for bankers' acceptances in Canadian dollars for the relevant Interest Period which appears on the Reuters Screen CDOR Page (being the Relevant Screen Page) as of 10:00 a.m. (Toronto time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

If CDOR does not appear on Reuters Screen CDOR Page or the Reuters Screen CDOR Page is not available, the Calculation Agent shall request the principal Toronto office of each of four Schedule I Canadian chartered banks to provide the Calculation Agent with its bid rate of interest (expressed as a percentage rate per annum) for bankers' acceptances in Canadian dollars, in an amount approximately equal to the aggregate nominal amount of the Notes, for the relevant Interest Period accepted by such Reference Banks as at approximately 10:00 a.m. (Toronto time)

on the Interest Determination Date. If two or more of such banks provide the Calculation Agent with such bid rates of interest, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such offered quotations, plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent. If fewer than two such banks provide the Calculation Agent with its respective bid rate of interest, the Reference Rate for such Interest Determination Date shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the bid rates quoted by major banks in Toronto, selected by the Calculation Agent, for bankers' acceptance in Canadian dollars, in an amount approximately equal to the aggregate nominal amount of the Notes, for the relevant Interest Period accepted by such banks as at approximately 10:00 a.m. (Toronto time) on the Interest Determination Date, for the relevant Interest Period for settlement on such Interest Determination Date, plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(C) CMS Reference Rate Determination

Where CMS Reference Rate Determination is specified in the applicable Final Terms as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the CMS Reference Rate Determination.

For the purposes of this subparagraph (ii), the “**CMS Reference Rate Determination**” for an Interest Period means the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the CMS Maturity commencing on the first day of the relevant Interest Period (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the relevant Interest Determination Date, all as determined by the Calculation Agent.

(1) Fallbacks for Reference Currency other than Canadian dollars

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent such quotations, the CMS Reference Rate Determination for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three only or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Reference Rate Determination shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

(2) Fallbacks where Reference Currency is Canadian dollars

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage per annum) at approximately the Relevant Time on the Interest Determination Date in question. If two or more of such banks provide the Calculation Agent with such quotations, the CMS Reference Rate Determination for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such quotations.

If on any Interest Determination Date fewer than two of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Reference Rate Determination shall be determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

In this Condition 4:

“**CDOR**” means Canadian Dollars Offered Rate.

“**CMS Reference Banks**” means (i) where the Reference Currency is euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is U.S. dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, (iv) where the Reference Currency is Canadian dollars, four major Canadian Schedule 1 chartered banks, or (v) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

“**CNH HIBOR**” means CNH Hong Kong inter-bank offered rate.

“**EURIBOR**” means the Euro-zone inter-bank offered rate.

“**Euro-zone**” means the region comprised of Member States of the EU that adopt the euro as the single currency in accordance with the Treaty on the Functioning of the European Union, as amended.

“**HIBOR**” means the Hong Kong inter-bank offered rate.

“**LIBOR**” means the London inter-bank offered rate.

“**Reference Banks**” means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page.

“**Reference Rate**” means (i) LIBOR, (ii) EURIBOR, (iii) CDOR, (iv) CNH HIBOR, (v) HIBOR or (iv) CMS Reference Rate Determination, in each case for the relevant period, as specified in the applicable Final Terms.

“**Relevant Financial Centre**” means, with respect to any Floating Rate or CMS Reference Rate Determination, the financial centre as may be specified as such in the applicable Final Terms or, if none is so specified, means London in the case of a determination of LIBOR, Brussels in the

case of a determination of EURIBOR or Hong Kong in the case of a determination in CNH HIBOR or HIBOR.

**“Relevant Screen Page”** means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters Monitor Money Rates Service (“**Reuters**”)) as may be specified in the applicable Final Terms for the purposes of providing a Reference Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of deploying rates or prices comparable to that Reference Rate.

**“Relevant Swap Rate”** means:

- (i) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the CMS Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating sterling interest rate swap transaction with a term equal to the CMS Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the CMS Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the CMS Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;
- (iii) where the Reference Currency is U.S. dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the CMS Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months;
- (iv) where the Reference Currency is Canadian dollars, the mid-market swap rate as determined by the Calculation Agent in its sole discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice; and
- (iv) where the Reference Currency is any other currency, the mid-market swap rate as determined by the Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

**“Relevant Time”** means (i) in the case of LIBOR, 11:00 a.m., (ii) in the case of EURIBOR, 11:00 a.m., (iii) in the case of CNH HIBOR, 11:15 a.m., or if, at or around that time it is notified that the

fixing will be published at 2:30 p.m., then as of 2:30 p.m. or (iii) in the case of HIBOR, 11:00 a.m. each as specified in the applicable Final Terms, or (iv) where CMS Reference Rate Determination is specified in the applicable Final Terms as the manner in which the Interest Rate is to be determined, has the meaning specified in the Final Terms.

**“Representative Amounts”** means with respect of any CMS Reference Rate Determination on an Interest Payment Date, the amount that is representative for a single transaction in the relevant market at the time;

**“TARGET2”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which launched on 19 November 2007 (or any successor thereto).

**“TARGET2 Business Day”** means a day on which TARGET2 is open.

(iii) Determination of Rate of Interest and Calculation of Interest Amount

The Calculation Agent will, on or as soon as practicable after each date on which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the amount of interest (the **“Interest Amount”**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case multiplying such sum by (i) the applicable Day Count Fraction, (ii) if the applicable Final Terms specify “Range Accrual” to be applicable to such Interest Payment Date, the applicable Range Accrual Factor (which shall be determined in accordance with Condition 4(j) (Calculation of Range Accrual Factor) below), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Notes shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions, **“Day Count Fraction”** means, in respect of the calculation of an amount of interest in accordance with Condition 4(b) for any Interest Period:

- (A) if **“Actual/Actual”** or **“Actual/Actual (ISDA)”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if **“Actual/365 (Fixed)”** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case the last day of the Interest Period falls in a leap year, 366;

(D) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

(c) *Notification of Rate of Interest and Interest Amount*

The Bank will cause the Rate of Interest and each Interest Amount in respect of Floating Rate Notes or Range Accrual Notes for each Interest Period and the relevant Interest Payment Date to be notified by the Calculation Agent (in the case of Floating Rate Notes or Range Accrual Notes which are listed on the Official List of the UK Listing Authority (the “**Official List**”) and admitted to trading on the London Stock Exchange plc (the “**London Stock Exchange**”)) to the UK Listing Authority and the London Stock Exchange, and to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. For the purposes of this subparagraph (v), the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

(d) *Linear Interpolation*

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



**“Designated Maturity”** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(e) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, by the Agent or the Calculation Agent (if applicable), shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders or the Couponholders shall attach to the Agent or Calculation Agent (if applicable) in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

(f) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the following provisions is less than such Minimum Rate of Interest, the Rate of Interest for such period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period then, in the event that the Rate of Interest in respect of any such Interest Period determined in accordance with the following provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(g) *Interest on Zero Coupon Notes*

Where a Zero Coupon Note becomes due and payable prior to the Maturity Date and is not paid when due, the amount due and repayable shall be the amount determined in accordance with Condition 5(f) as its Amortised Face Amount. As from the Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum equal to the Accrual Yield specified in the applicable Final Terms.

(h) *Accrual of Interest*

Each Note (or in the case of the redemption of part of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the rate as provided herein.

(i) *Interest Act (Canada) Disclosure*

For the purpose of disclosure pursuant to the *Interest Act* (Canada), where interest is required to be calculated on the basis of a 360-day year or any other period of time that is less than a calendar year, the yearly rate of interest which is equivalent to the Rate of Interest for any period of less than one calendar year may be determined by multiplying such Rate of Interest by a fraction, the numerator of which is the actual number of days in the 12-month period constituting such calendar year and the denominator of which is 360 or such other period of time that is less than a calendar year, as the case may be.

(j) *Calculation of the Range Accrual Factor*

This Condition 4(j) is applicable to Fixed Rate Notes or Floating Rate Notes to which Range Accrual is specified to be applicable in the applicable Final Terms ("**Range Accrual Notes**").

The "**Range Accrual Factor**" means in respect of an Interest Period, an amount calculated by the Calculation Agent in accordance with the following formula:

$$\frac{N1}{N2}$$

For the purposes of this Condition 4(j):

"**Calculation Day**" means, in respect of each Interest Period, each calendar day falling within such Interest Period.

"**Cap**" means, in respect of a Relevant Rate for any relevant Interest Period, the per annum rate specified in the applicable Final Terms.

"**Common Valid Date**" means each day that is a Business Day in each Relevant Financial Centre.

"**Constant Maturity Swap**" means the swap transaction in the Specified Currency with a maturity of the Specified Maturity.

"**First Reference Rate**" means the Range Accrual Reference Rate specified in the applicable Final Terms and determined in accordance with these Conditions.

"**Floor**" means, in respect of a Relevant Rate for any relevant Interest Period, the per annum rate specified in the applicable Final Terms.

"**N1**" means, in respect of any relevant Interest Period, the number of Calculation Days during such Interest Period for which, in respect of a Single Range Accrual Note, the Relevant Rate, and, in respect of a Dual Range Accrual Note, each applicable Relevant Rate is (a) if specified in the applicable Final Terms that "greater than or equal to" shall apply, greater than or equal to the applicable Floor for that Interest Period (as determined by the Calculation Agent); or (b) if specified in the applicable Final Terms that "greater than" shall apply, greater than the applicable Floor (as determined by the Calculation Agent); and (x) if specified in the applicable Final Terms that "less than or equal to" shall apply, less than or equal to the applicable Cap for that Interest Period (as determined by the Calculation Agent); or (y) if specified in the applicable Final Terms that "less than" shall apply, less than the applicable Cap (as determined by the Calculation Agent);

"**N2**" means, in respect of each Interest Period, the number of Calculation Days during such Interest Period, as determined by the Calculation Agent.

"**Range Accrual Reference Rate**" means (i) LIBOR, (ii) EURIBOR, (iii) CDOR, (iv) CNH HIBOR, (v) HIBOR or (vi) Constant Maturity Swap, as specified in the applicable Final Terms.

"**Rate**" means, in respect of a Range Accrual Reference Rate specified in the applicable Final Terms, either:

- (1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations (if there are two or more quotations on the Relevant Screen Page),

(in each case expressed as a percentage rate per annum) for the Range Accrual Reference Rate for the Specified Maturity and Specified Currency which appears or appear, as the case may be, on the Relevant Screen Page on which such Range Accrual Reference Rate is for the time being displayed at the Relevant Time in the Relevant Financial Centre on such Calculation Day. If such rate does not appear on the Relevant Screen Page at the Relevant Time in the Relevant Financial Centre on such Calculation Day, the Calculation Agent will in its sole and absolute discretion, determine such rate (or a method for determining such rate) for such Calculation Day, taking into consideration all available information and acting in good faith and in a commercially reasonable manner;

provided that: (i) in respect of a Single Range Accrual Note (as specified in the applicable Final Terms), (A) subject to proviso (B) below, if any Calculation Day is not a Business Day in the Relevant Financial Centre, the rate for such Calculation Day shall be determined in respect of the immediately preceding Business Day in the Relevant Financial Centre; and (B) in respect of each Interest Period, the Relevant Rate in respect of each Calculation Day from, and including, the fifth Business Day in the Relevant Financial Centre or such other Business Day (such date being the "**Rate Cut-off Date**" for such Interest Period) prior to the Interest Payment Date falling immediately after the end of such Interest Period to, and including, the last Calculation Day of such Interest Period, shall be deemed to be the rate in respect of the Rate Cut-off Date; and (ii) in respect of a Single Range Accrual (as specified in the applicable Final Terms) where Constant Maturity Swap Spread is specified to be applicable in the Final Terms and in respect of Terms and Conditions of the Notes of a Dual Range Accrual Note (as specified in the applicable Final Terms), (A) subject to proviso (B) below, if any Calculation Day is not a Common Valid Date, the rate in respect of a Reference Rate for such Calculation Day shall be determined in respect of the immediately preceding Business Day in the Relevant Financial Centre for such Reference Rate; and (B) in respect of each Interest Period, the Relevant Rate in respect of each Calculation Day from, and including, the seventh Common Valid Date or such other Common Valid Date specified in the applicable Final Terms (such date being the "**Rate Cut-off Date**" for such Interest Period) prior to the Interest Payment Date falling immediately after the end of such Interest Period to, and including, the last Calculation Day of such Interest Period, shall be deemed to be the rate for such Reference Rate in respect of the Rate Cut-off Date.

"**Relevant Rate**" means either:

- (a) where Single Range Accrual Note is specified to be applicable in the Final Terms either:
- (i) the Rate as determined in accordance with these Conditions; or
  - (ii) where Constant Maturity Swap Spread is specified to be applicable in the Final Terms, the Rate in respect of the First Reference Rate minus the Rate in respect of the Second Reference Rate, as determined in accordance with these Conditions; or
- (b) where Dual Range Accrual Note is specified to be applicable in the Final Terms, each Rate determined in accordance with these Conditions provided that where Constant Maturity Swap Spread is specified to be applicable in the Final Terms, the Relevant Rate will be calculated as the Rate in respect of the First Reference Rate minus the Rate in respect of the Second Reference Rate, as determined in accordance with these Conditions.

"**Second Reference Rate**" means the Range Accrual Reference Rate specified in the applicable Final Terms and determined in accordance with the Conditions.

“**Specified Currency**” means the currency in which the Notes are denominated unless otherwise specified in the applicable Final Terms in relation to Range Accrual items thereof.

## **5. Redemption and Purchase**

### *(a) At Maturity*

Unless previously repaid, each Note will be repaid by the Bank at its Final Redemption Amount (which shall be par, save in the case of Zero Coupon Notes in respect of which the Final Redemption Amount shall be the amount per Calculation Amount specified in the applicable Final Terms, which amount is at least equal to 100 per cent. of such Calculation Amount) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### *(b) Early Redemption for Tax Reasons*

If, (i) as a result of any change in the laws of Canada or any province, territory or political division thereof or any authority or agency therein or thereof having power to tax or, in the case of Deposit Notes whose Branch of Account (as defined below) is located outside Canada, of the country in which such branch is located or any political division thereof or any authority or agency therein or thereof having power to tax, or any change in the interpretation or administration of any such laws, which change becomes effective on or after the latest Issue Date of the Notes of this Series, the Bank would, on the occasion of the next payment due in respect of the Notes of this Series, be required to pay additional amounts as provided in Condition 9, (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it (which, for greater certainty, does not include substitution of the obligor under the Notes) and (iii) such circumstances are evidenced by the delivery to the Agent of a certificate signed by two senior officers of the Bank stating that said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that said circumstances prevail, the Bank may at its option, having given not more than the maximum period nor less than the minimum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13, to the holders of the Notes of this Series, at any time or, if the Notes of this Series bear interest at a floating rate, on any Interest Payment Date redeem all, but not some only, of the Notes of this Series each at its Early Redemption Amount referred to in paragraph (e) below, together, if appropriate, with interest accrued to, but excluding, the date of redemption. Upon the expiry of such notice, the Bank shall be bound to redeem the Notes of this Series accordingly.

### *(c) Early Redemption for Illegality*

In the case of Range Accrual Notes (as defined in Condition 4(j) above), in the event that the Bank determines in good faith that the performance of the Bank’s obligations under the Notes or any arrangement made to hedge the Bank’s obligations under the Notes have or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Bank having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to Noteholders in accordance with Condition 13 (which notice shall be irrevocable), may, on expiry of such notice redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(d) *Early Redemption at the Option of the Bank (Bank Call Option)*

*This Condition 5(d) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Bank (other than for taxation reasons), such option being referred to as a “Bank Call”. The applicable Final Terms contains provisions applicable to any Bank Call and must be read in conjunction with this Condition 5(d) for full information on any Bank Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, whether Notes are redeemable in part and any minimum or maximum amount of Notes which can be redeemed.*

If, and to the extent a Bank Call Option is specified in the applicable Final Terms as being applicable, the Bank may, having given not more than the maximum period of notice nor less than the minimum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13, the holders of the Notes of this Series (which notice shall be irrevocable), redeem all or, if specified in the Final Terms, some only of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) indicated in the applicable Final Terms together, if appropriate, with interest accrued to but excluding such Optional Redemption Date(s). In the event of a partial redemption of such Notes, such redemption must be for an amount not less than the Minimum Redemption Amount nor greater than the Maximum Redemption Amount, as indicated in the applicable Final Terms. In the case of a partial redemption of Definitive Notes, the Notes to be redeemed will be selected individually by lot not more than 60 days prior to the date fixed for redemption and a list of the Notes called for redemption will be published in accordance with Condition 13 not less than 15 days prior to such date. In the case of a partial redemption of Global Notes, the relevant Notes will be redeemed in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, such partial redemption to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion.

(e) *Early Redemption at the Option of the Noteholders (Noteholder Put Option)*

*This Condition 5(e) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as a “Noteholder Put”. The applicable Final Terms contains provisions applicable to any Noteholder Put and must be read in conjunction with this Condition 5(e) for full information on any Noteholder Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s) and the Optional Redemption Amount.*

If, and to the extent a Noteholder Put Option is specified in the applicable Final Terms as being applicable, upon the holder of any Note giving to the Bank in accordance with Condition 13 not more than the maximum period nor less than the minimum period of notice specified in the applicable Final Terms (which notice shall be irrevocable) the Bank will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Final Terms in whole (but not in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount indicated in the applicable Final Terms together, if appropriate, with interest accrued to but excluding such Optional Redemption Date.

(f) *Early Redemption Amounts*

For the purposes of paragraph (b) above and Condition 10, Notes will be redeemed at an amount (the “**Early Redemption Amount**”) calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be greater than the Issue Price or which is payable in a Specified Currency other than that in

which the Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Final Terms or, if no such amount or manner is set out in the applicable Final Terms, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to:

(A) the sum of (x) the Reference Price specified in the applicable Final Terms and (y) (a) if Compounding Accrual is specified in the applicable Final Terms, the product of the Accrual Yield specified in the applicable Final Terms (compounded annually or semi-annually or as otherwise specified in the applicable Final Terms) being applied to the Reference Price or (b) if Linear Accrual is specified in the applicable Final Terms, the product of the Accrual Yield (without any compounding) being applied to the Reference Price

where:

“**Accrual Yield**” means the rate specified as such in the applicable Final Terms; and

“**Reference Price**” means the amount specified as such in the applicable Final Terms, which is the product of the Issue Price and the Calculation Amount,

from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where any such calculation is to be made for a period of less than a full year, it shall be made on the basis of the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30 / 360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (Fixed), Actual/365 or Actual/Actual (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365) or (iv) Actual/Actual (ICMA) (as defined in Condition 4(a) except that the Accrual Period will commence on (and include) the Issue Date of the first Tranche of the Notes and end on (but exclude) the date fixed for redemption or (as the case may be) the date upon which the Notes become due and repayable); or

(B) if the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (b) above or upon its becoming due and repayable as provided in Condition 10 is not paid or available for payment when due, the amount due and repayable in respect of such Zero Coupon Note shall be the Amortised Face Amount of such Zero Coupon Note calculated as provided above as though the references in clause (A) to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date (the “**Reference Date**”) which is the earlier of:

(1) the date on which all amounts due in respect of the Note have been paid; and

- (2) the date on which the full amount of the moneys repayable has been received by the Agent and notice to that effect has been given in accordance with Condition 13.

The calculation of the Amortised Face Amount in accordance with this clause (B) will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the nominal amount of such Note together with interest at a rate per annum equal to the Accrual Yield.

*(g) Purchases*

Subject to any applicable legal or regulatory restrictions, the Bank may at any time purchase Notes (provided that, in the case of Definitive Notes, all unmatured Coupons appertaining thereto are surrendered therewith) in the open market or by private treaty at any price. If purchases are made by tender, tenders must be available to all holders of Notes of the relevant Series alike.

*(h) Cancellation*

Subject to the next following sentence, all Notes redeemed or purchased by the Bank as aforesaid will be cancelled forthwith, together with all unmatured Coupons attached thereto or surrendered or purchased therewith, and may not be resold or reissued. Notwithstanding the foregoing, BMO Capital Markets shall be permitted to purchase Notes and hold the same without requirement for cancellation and to reissue and resell the same, provided such reissue or resale is (or are) done by BMO Capital Markets in its capacity as Lead Manager and/or Stabilisation Manager of the issue of the Deposit Notes and for any other appropriate purpose in connection with such roles, including, subject to regulatory requirements, market-making activities in respect of the Notes.

*(i) Further Provisions applicable to Redemption Amount*

References herein to “**Redemption Amount**” shall mean, as appropriate, the Final Redemption Amount and the Early Redemption Amount.

## **6. Payments**

*(a) Method of Payment*

Subject as provided below:

- (i) Payments in a Specified Currency other than euro, U.S. dollars or Renminbi will be made by credit or transfer to an account in the Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency.
- (ii) Payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) with a bank specified by the payee or, at the option of the payee, by a euro cheque.
- (iii) Payments in U.S. dollars will be made by transfer to a U.S. dollar account maintained by the payee outside of the United States or by a cheque drawn on a United States bank.

- (iv) Payments in in Renminbi will be made by transfer to a Renminbi account maintained by or on behalf of the payee with a bank in the RMB Settlement Centre in accordance with applicable laws, rules and regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement in Renminbi in the RMB Settlement Centre).

In no event will payment of amounts due in respect of Notes be made by a cheque mailed to an address, or by transfer or credit to an account at a bank located, in the United States (which expression, as used in this Condition 6, means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction).

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

*(b) Payments in respect of Global Notes*

Payment of principal and interest (if any) in respect of Global Notes will (subject as provided below) be made by transfer to an account in the Specified Currency maintained by the relevant clearing system. Payment of principal will be made against presentation or surrender of the Global Note and a record of each payment so made will be made on such Global Note by or on behalf of the Agent. Such record shall be *prima facie* evidence that the payment in question has been made.

Subject as provided below, (i) the relevant clearing system shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Bank will be discharged by payment to, or to the order of the relevant clearing system in respect of each amount so paid and (ii) each of the persons shown in the records of the relevant clearing system as the beneficial owner of a particular nominal amount of Notes must look solely to Euroclear and/or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Bank. In certain limited circumstances in which payments in respect of a Global Note are not made when due, owners of beneficial interests in such Note may become entitled to proceed directly against the Bank. See “Issue Procedures”.

*(c) Payments in respect of Definitive Notes*

Payments of principal in respect of Definitive Notes will (subject as provided below) be made in the Specified Currency in the manner provided in paragraph (a) above against surrender of Definitive Notes and payments of interest in respect of the Definitive Notes will (subject as provided below) be made in the Specified Currency in the manner provided in paragraph (a) above against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Notwithstanding the foregoing, if the Definitive Notes are denominated or payable in U.S. dollars, payments in respect of the Definitive Notes will only be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) if:

- (i) the Bank has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount owing in respect of the Notes in the manner provided above when due;



- (ii) payment of the full amount owing in respect of the Notes at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Bank, adverse tax consequences to the Bank.

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) must be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons to be issued on exchange of matured Talons) failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the aggregate amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time after the Relevant Date (as defined in Condition 9) in respect of such principal and before the expiration of the relevant period of prescription under Condition 12. Upon any such Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose Nominal Amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Nominal Amount of such Note.

*(d) Payment of Accrued Interest on Redemption*

If the due date for redemption of any Definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from and including the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Note.

*(e) Payment Business Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the holder thereof shall not be entitled to payment until the next following Payment Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, “**Payment Business Day**” means a day which is:

- (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation (in the case of Notes in definitive form only); and
  - (B) any Additional Financial Centre (other than TARGET2) specified in the applicable Final Terms;

- (ii) if TARGET2 is specified as an Additional Financial Centre in the applicable Final Terms, a day which is a TARGET2 Business Day; and
- (iii) either (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which, in the case of Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day which is a TARGET2 Business Day or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in the RMB Settlement Centre.

**“Additional Financial Centre(s)”** means the additional financial centre(s) that are relevant to determining whether a day is a Payment Business Day, as specified in the applicable Final Terms.

*(f) Payment in an Alternative Currency*

If Alternative Currency Payment is specified as applicable in the Final Terms and the Bank is due to make a payment in a currency (the **“original currency”**) other than Renminbi in respect of any Note or Coupon and the original currency is not available on the foreign exchange markets due to the imposition of exchange controls, the original currency’s replacement or disuse or other circumstances beyond the Bank’s control, the Bank will be entitled to satisfy its obligations in respect of such payment by making payment in the Alternative Currency specified in the applicable Final Terms on the basis of the spot exchange rate (the **“Alternative Currency FX Rate”**) at which the original currency is offered in exchange for the Alternative Currency in the London foreign exchange market (or, at the option of the Bank or its designated Calculation Agent, in the foreign exchange market of any other financial centre which is then open for business) at noon, London time, two Business Days prior to the date on which payment is due or, if the Alternative Currency FX Rate is not available on that date, on the basis of a substitute exchange rate determined by the Bank or by its designated Calculation Agent acting in its absolute discretion from such source(s) and at such time as it may select. For the avoidance of doubt, the Alternative Currency FX Rate or substitute exchange rate as aforesaid may be such that the resulting Alternative Currency amount is zero and in such event no amount of the Alternative Currency or the original currency will be payable. Any payment made in the Alternative Currency or non-payment in accordance with this paragraph will not constitute an Event of Default under Condition 10.

*(g) Interpretation of Principal and Interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under Condition 9 in respect of principal;
- (ii) the Optional Redemption Amount of the Notes;
- (iii) the Final Redemption Amount of the Notes;
- (iv) the Early Redemption Amount of the Notes;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vi) any premium and any other amounts which may be payable under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable under Condition 9 in respect of interest.

(h) *RMB Notes*

If the Bank is due to make a payment in Renminbi in respect of any Note or Coupon, and if by reason of Inconvertibility, Non-transferability or Illiquidity, the Bank is not able, or it would be impracticable for it, to satisfy payments of principal or interest (in whole or in part) in respect of the Notes when due in Renminbi in an RMB Settlement Centre, the Bank may, on giving not less than five or more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi denominated amount.

Any payment made in under such circumstances in U.S. dollars will not constitute an Event of Default under Condition 10 or trigger the Bank's indemnification obligation under Condition 17.

For the purpose of this Condition:

**"Calculation Agent"** means the Agent or such other entity specified in the applicable Final Terms;

**"CNY Dealer"** means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in the relevant RMB Settlement Centre(s);

**"Governmental Authority"** means, in respect of the relevant RMB Settlement Centre, any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the relevant RMB Settlement Centre;

**"Illiquidity"** means where the general Renminbi exchange market in the relevant RMB Settlement Centre becomes illiquid and, as a result of which, the Bank cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Bank in good faith and in a commercially reasonable manner following consultation with two CNY Dealers;

**"Inconvertibility"** means the occurrence of any event that makes it impossible for the Bank to convert any amount due in respect of the Notes into Renminbi in the general Renminbi exchange market in the relevant RMB Settlement Centre, other than where such impossibility is due solely to the failure of the Bank to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the Notes and it is impossible for the Bank, due to an event beyond its control, to comply with such law, rule or regulation);

**"Non-transferability"** means the occurrence of any event that makes it impossible for the Bank to deliver Renminbi between accounts inside the relevant RMB Settlement Centre or from an account inside the relevant RMB Settlement Centre to an account outside the relevant RMB Settlement Centre, other than where such impossibility is due solely to the failure of the Bank to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of Notes and it is impossible for the Bank, due to an event beyond its control, to comply with such law, rule or regulation);

**"Rate Calculation Business Day"** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business (including dealings in foreign exchange) in the relevant RMB Settlement Centre and in New York City;

**“Rate Calculation Date”** means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;

**“Relevant Valuation Time”** means the time specified as such in the applicable Final Terms;

**“Spot Rate”** means the spot/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in the relevant RMB Settlement Centre for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around the Relevant Valuation Time on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around the Relevant Valuation Time on the Rate Calculation Date as the most recently available Renminbi/U.S. dollar official fixing rate for settlement in two Rate Calculation Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate;

**“U.S. Dollar Equivalent”** means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Rate Calculation Date.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(h) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Agent, the other Paying Agents and all Noteholders and Couponholders.

## **7. Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below and on the Notes. If any additional or other Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms. In acting under the Agency Agreement, the Paying Agents will act solely as agents of the Bank and do not assume any obligations or relationships of agency or trust to or with the Noteholders or Couponholders, except that (without affecting the obligations of the Bank to the Noteholders and Couponholders to pay principal of and interest on the Notes) funds received for the payment of the principal of or interest on the Notes shall be held by it in trust for the Noteholders and/or Couponholders until the expiration for the relevant period of prescription under Condition 12. The Bank agrees to perform and observe the obligations imposed upon it under the Agency Agreement and to cause the Paying Agents to perform and observe the obligations imposed upon them under the Agency Agreement.

The Bank is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other paying agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as any Notes are outstanding, there will at all times be an Agent;
- (ii) so long as any Notes are outstanding, there will at all times be a Paying Agent (which may be the Agent) with a specified office in a leading financial centre approved by the Agent in continental Europe; and
- (iii) so long as any Notes are listed and/or admitted to trading on any stock exchange (or other relevant listing authority), there will at all times be a Paying Agent (which may be the Agent) with a

specified office in each location as may be required by the rules and regulations of the relevant stock exchange (or other relevant listing authority).

In addition, the Bank shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 6(c). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Agent and the Noteholders in accordance with Condition 13 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date. Notwithstanding the foregoing, the Bank may (after consultation with the Agent) appoint one or more additional paying agents for a specific Series of Notes, which shall be specified in Part B of the applicable Final Terms and whose appointment shall be of immediate effect without any further requirement to give notice to the Noteholders.

## **8. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 6(c) and Condition 12. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## **9. Taxation**

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Bank will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatever nature imposed or levied by or on behalf of the Government of Canada or any province, territory or political division thereof or any authority or agency therein or thereof having power to tax or, in the case of Notes whose Branch of Account is located outside Canada, of the country in which such branch is located (the "**Branch Country**") or any political division thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or charges is required by law or by the interpretation or administration thereof. In that event, the Bank will pay such additional amounts as may be necessary in order that the net amounts receivable by the Noteholders or the Couponholders, as the case may be, after such withholding or deduction shall equal the respective amounts of principal or interest which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amount shall be payable with respect to any Note or Coupon:

- (i) to, or to a third party on behalf of, a Noteholder or Couponholder who is liable to such taxes, duties, assessments or charges in respect of such Note or Coupon by reason of such Noteholder or Couponholder having some connection with Canada or, in the case of Deposit Notes whose Branch of Account is located outside Canada, the Branch Country, other than the mere holding or use outside Canada or the Branch Country, or ownership as a non-resident of Canada or the Branch Country, of such Note or Coupon;
- (ii) to, or to a third party on behalf of, a Noteholder or Couponholder, in respect of whom such tax, duty, assessment or governmental charge is required to be withheld or deducted by reason of such Noteholder or Couponholder's failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with Canada of such Noteholder or Couponholder if (a) compliance is required by law or by the interpretation of administration thereof as a precondition to, exemption from, or reduction

in the rate of, the tax, assessment or other charge and (b) the Bank has given the Noteholder, Couponholder or, if such Noteholder or Couponholder is not the beneficial owner of the Note or Coupon in question, the beneficial owner of such Note or Coupon, at least 30 days' notice that the Noteholder, Couponholder or beneficial owner will be required to provide such certification, identification, documentation or other requirement;

- (iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on or before such thirtieth day;
- (iv) to, or to a third party on behalf of, a Noteholder or Couponholder in respect of whom such tax, duty, assessment or governmental charge is required to be withheld or deducted by reason of such Noteholder or Couponholder or other person entitled to payments under the Notes or Coupons, as the case may be, being a person with whom the Bank is not dealing at arm's length (within the meaning of the *Income Tax Act* (Canada)); or
- (v) to, or to a third party on behalf of, a Noteholder or Couponholder who is, or who does not deal at arm's length with a person who is, a "specified shareholder" (as defined in subsection 18(5) of the *Income Tax Act* (Canada)) of the Bank.

As used herein, the "**Relevant Date**" means:

- (A) the date on which such payment first becomes due; or
- (B) if the full amount of the moneys payable has not been received by the Agent on or prior to such due date, the date on which, the full amount of such moneys having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 13.

If the Bank becomes subject generally at any time to any taxing jurisdiction other than or in addition to Canada or the Branch Country, references in Condition 5(b) and this Condition 9 to Canada or the Branch Country shall be read and construed as references to Canada or the Branch Country and/or to such other jurisdiction(s).

Any reference in these Terms and Conditions to "**principal**" and/or "**interest**" in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9. Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of a Note, or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 4 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.

## **10. Events of Default**

Each holder of Notes is entitled to declare his Note due and payable, and the relevant Note shall thereupon become immediately repayable at its nominal amount, together with accrued interest payable thereon, on the occurrence of any one of the following events (the "**Events of Default**"):

- (i) if the Bank shall make default in payment of any principal on the due date therefor and such default shall have continued for a period of five days;
- (ii) if the Bank shall make default in payment of any interest on the due date therefor and such default shall have continued for a period of 30 days; or

- (iii) if the Bank shall have become insolvent, or if the Superintendent of Financial Institutions (Canada) shall have taken control of the assets of the Bank or of the Bank itself, or if a liquidator of the Bank, or person with similar powers, shall have been appointed pursuant to a winding-up order or otherwise.

Upon the occurrence of any Event of Default, the Bank will waive any requirement that presentment, demand for payment, service of legal process or any similar procedure be made at the branch of the Bank which issued the Notes.

## **11. Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be mutilated, defaced or destroyed or be lost or stolen, it may be replaced at the specified office of any Paying Agent (or such other place as may be notified to the Noteholders), in accordance with all applicable laws and regulations, upon payment by the claimant of the expenses incurred by the Bank or the Paying Agent, in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Bank or the Paying Agent may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Prescription**

Subject to applicable law, the Notes and Coupons will become void unless presented for payment within a period of two years from the Relevant Date (as defined in Condition 9) relating thereto. Any moneys paid by the Bank to the Agent for the payment of principal or interest in respect of the Notes and remaining unclaimed when the Notes or Coupons become void shall forthwith be repaid to the Bank and all liability with respect thereto shall thereupon cease. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 12 or Condition 6(c) or any Talon which would be void pursuant to Condition 6(c).

## **13. Notices**

Notices in respect of the Notes shall be published in one leading English language newspaper with circulation in the United Kingdom (which is expected to be the *Financial Times*) or, if this is not practicable, one other such English language newspaper as the Bank, in consultation with the Agent, shall decide. The Bank shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or other relevant listing authority) on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of the first publication.

There may, so long as the Global Notes for this Series are held in their entirety on behalf of Euroclear, Clearstream, Luxembourg or any other agreed clearing system, be substituted for such publication in such newspaper the delivery of the relevant notice to the relevant clearing system for communication by it to the holders of the Notes of this Series. Any such notice shall be deemed to have been given to the holders of the Notes of this Series on the day on which the said notice was given to the relevant clearing system.

Any notice to the Agent shall be given to it in writing at its specified office or to such other address as shall have been notified to the holders of Notes and Coupons. Notwithstanding the foregoing, while any of the Notes of this Series are represented by a Global Note, such notice may be given by any holder of a Note of this Series to the Agent via Euroclear, Clearstream, Luxembourg or any other agreed clearing system, as the case may be, in such manner as the Agent and the relevant clearing system may approve for this purpose.

Notice to be given to the Bank by any Noteholder shall be in writing and given by lodging the same, together with the relevant Note or Notes, with the Agent. While any of the Notes are represented by a

Global Note, such notice may be given by any accountholder to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. Modification**

The rights of the outstanding Noteholders may in certain circumstances be modified. For that purpose, among others, the Agency Agreement contains provisions making extraordinary resolutions binding upon all Noteholders. “**Extraordinary resolution**” is defined, in effect, as (i) a resolution passed at a meeting of Noteholders of the same Series by the favourable votes of the holders of not less than 66 2/3 per cent. of the nominal amount of the Notes voted on the resolution at such meeting at which a quorum, as specified in the Agency Agreement, is present or (ii) one or more instruments in writing signed by the holders of not less than 66 2/3 per cent. in nominal amount of the outstanding Notes.

The Agency Agreement and the Conditions, Notes, Coupons and Talons may be amended by the Bank and Paying Agents, without the consent of the Noteholders or Couponholders, for the purpose of curing any ambiguity or curing, correcting or supplementing any defective provision contained therein or in any manner which may be necessary or desirable and which shall not adversely affect the interests of the outstanding Noteholders.

#### **15. Currency Indemnity**

Subject to Condition 6(f) or (h), if, under any applicable law and whether pursuant to a judgment being made or registered against the Bank or for any other reason, any payment under or in connection with the Notes is made or is to be satisfied in a currency (the “**other currency**”) other than that in which the relevant payment is expressed to be due (the “**required currency**”) under the Notes then, to the extent that the payment (when converted into the required currency at the rate of exchange on the date of payment) falls short of the amount due under the terms of the Notes, the Bank shall, as a separate and independent obligation, indemnify and hold harmless the relevant Noteholder against the amount of such shortfall. For the purpose of this Condition 15, “**rate of exchange**” means the noon spot rate on the London foreign exchange market on the relevant date to purchase the required currency with the other currency as determined by the Agent.

#### **16. Further Issues**

The Bank may from time to time in its sole discretion, without the consent of the holders of Notes or Coupons create and issue further Notes having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series, and references in these Conditions to “**Notes**” shall be construed accordingly.

#### **17. Branch of Account**

This Condition 17 applies to Deposit Notes only. For the purposes of the Bank Act the branch of account of the Bank shall be either Toronto or London as specified in the Final Terms (the “**Branch of Account**”) for the deposits evidenced by this Note. Deposit Notes, irrespective of the Branch of Account specified in the Final Terms, are obligations of the Bank.

This Note will be paid without the necessity of first being presented for payment at the Branch of Account.

If the Branch of Account is not in Canada, the Bank may change the Branch of Account for the deposits evidenced by this Note, upon not less than seven days’ prior notice to its holder given in accordance with Condition 13 and upon and subject to the following terms and conditions:



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

## 18. Governing Law

The Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.