

PROSPECTUS SUPPLEMENT
(To Short Form Base Shelf Prospectus dated February 13, 2004)

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement together with the short form base shelf prospectus dated February 13, 2004 to which it relates, as amended or supplemented, and each document incorporated by reference into the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The medium-term notes to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of a U.S. person (as defined in Regulation S under the U.S. Securities Act).

New Issue

February 13, 2004

\$3,000,000,000



Medium-Term Notes
(Subordinated Indebtedness)

Bank of Montreal (the "Bank") may offer from time to time up to \$3,000,000,000 aggregate initial offering price, or the equivalent thereof in one or more non-Canadian currencies or currency units, of its Medium-Term Notes Due More Than One Year From Date of Issue (the "Notes"). Each Note will mature on any day more than one year from the date of issue (the "Stated Maturity Date"), as specified in the applicable pricing supplement (each, a "Pricing Supplement") hereto. Each Note may be subject to redemption at the option of the Bank, in whole or in part, prior to its Stated Maturity Date, as set forth therein and specified in the applicable Pricing Supplement.

The Notes will be unsecured general obligations of the Bank constituting subordinated indebtedness for the purposes of the Bank Act (Canada) and will rank pari passu with all other unsecured and subordinated indebtedness of the Bank from time to time outstanding.

The Notes will not be deposits insured under the Canada Deposit Insurance Corporation Act.

The offering of the Notes hereunder (the "Offering") will be made pursuant to the medium-term note ("MTN") program of the Bank (the "MTN Program"), as contemplated by a National Instrument of the Canadian Securities Administrators. Such instrument permits the omission from this prospectus supplement ("Prospectus Supplement") of certain terms of the Notes, which will be established at the time of the offering and sale of the Notes and will be included in Pricing Supplements incorporated by reference herein, as more particularly described under the heading "Documents Incorporated by Reference". Accordingly, the specific terms of the Notes to be offered and sold hereunder pursuant to the MTN Program, including the terms of the Notes which are within the options and parameters referred to above, will be set out in Pricing Supplements delivered to purchasers in conjunction with the sale of the Notes. Specific variable terms that are not within the options and parameters set forth herein may be set out in a Pricing Supplement. Where Notes are offered and sold in currencies other than Canadian dollars, the Canadian dollar equivalent of the offering price and the rate of exchange at the last feasible date will be included in the applicable Pricing Supplement.

RATES ON APPLICATION

The Notes will be offered severally by one or more of BMO Nesbitt Burns Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., Desjardins Securities Inc. and HSBC Securities (Canada) Inc. (collectively, the "Agents" or, individually, an "Agent") utilizing their reasonable best efforts on an ongoing basis on behalf of the Bank to solicit offers to purchase Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Pricing Supplement. If agreed to by the Bank and the Agents, the Agents may purchase the Notes, as principal, from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time for resale as determined by the Agents or, if so specified in the applicable Pricing Supplement, for resale at a fixed offering price. The rate of commission payable in connection with the sales by Agents of Notes shall be as determined by agreement between the Bank and the Agents. See "Plan of Distribution". The Offering is subject to approval of all legal matters on behalf of the Bank by Osler, Hoskin & Harcourt LLP, Toronto, Ontario and on behalf of the Agents by Fraser Milner Casgrain LLP, Toronto, Ontario.

The Notes are being offered on a continuous basis by the Bank through the Agents. Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be listed on any securities exchange and there can be no assurance that the Notes offered hereby will be sold or that there will be a secondary market for the Notes. The Bank reserves the right to cancel or modify the offer made hereby without notice. The Bank or any Agent, if it solicits the offer on an agency basis, may reject any offer to purchase Notes in whole or in part. See "Plan of Distribution".

Securities other than the Notes may be offered and sold in the United States by the Bank acting through its Chicago Branch (the “Branch”). Such securities (the “Exempt Branch Notes”) will be offered and sold in the United States pursuant to an offering circular (the “Offering Circular”), and may not be offered, sold, or delivered within Canada, or to or for the account of, Canadian residents. Specific terms of Exempt Branch Notes to be offered and sold in the United States will be set out in a pricing supplement to the Offering Circular (a “U.S. Pricing Supplement”).

Unless otherwise specified in the applicable Pricing Supplement, the Notes will bear interest at fixed rates (“Fixed Rate Notes”) or at floating rates (“Floating Rate Notes”). The applicable Pricing Supplement will specify whether a Floating Rate Note is a Regular Floating Rate Note, a Floating Rate/Fixed Rate Note, a Fixed Rate/Floating Rate Note, or an Inverse Floating Rate Note and whether the rate of interest thereon is determined by reference to one or more of the BA Rate, the CD Rate, the CMT Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, the J.J. Kenny Rate, LIBOR, the Cdn. Prime Rate, the U.S. Prime Rate, the Cdn. Treasury Rate or the U.S. Treasury Rate (each an “Interest Rate Basis”), or any other interest rate basis or formula, as adjusted by any Spread and/or Spread Multiplier. Notes will be issued in minimum denominations of \$1,000 unless otherwise specified in the applicable Pricing Supplement. Notes may also be denominated in currencies or currency units other than Canadian dollars in minimum denominations specified in the applicable Pricing Supplement (“Foreign Currency Notes”). Interest on each Floating Rate Note will accrue from its date of issue and will be payable in arrears monthly, quarterly, semiannually or annually, as specified in the applicable Pricing Supplement, and on the Maturity Date. Unless otherwise specified in the applicable Pricing Supplement, the rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually, as set forth therein and specified in the applicable Pricing Supplement. Interest on each Fixed Rate Note will accrue from its date of issue and will be payable as specified in the applicable Pricing Supplement. See “Description of Notes”.

The interest rate, if any, or the formula for the determination of any such interest rate, applicable to each Note and the other variable terms thereof as described herein will be established by the Bank on the date of issue of such Note and will be set forth therein and specified in the applicable Pricing Supplement. The Bank reserves the right to set forth in a Pricing Supplement specific variable terms of the Notes that are not within the options and parameters set forth in the Prospectus Supplement. Interest rates, interest rate formulae and such other variable terms are subject to change by the Bank, but no change will affect any Note already issued or as to which an offer to purchase has been accepted by the Bank.

Notes may be issued by the Bank and sold in Canada pursuant to this Prospectus Supplement and applicable Pricing Supplements.

The Notes to be issued pursuant to this Prospectus Supplement and applicable Pricing Supplement have not been and will not be registered under the *U.S. Securities Act* and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the *U.S. Securities Act*).

Each Note or Exempt Branch Note will be issued in fully registered book-entry form (a “Book-Entry Note”) or in certificated form (a “Certificated Note”), as set forth in the applicable Pricing Supplement or U.S. Pricing Supplement. Each Book-Entry Note that is a Note will be represented by one or more fully registered global securities (the “Global Notes”) deposited with, or on behalf of The Canadian Depository for Securities Limited (the “CDS”) (or such other depository as is identified in the applicable Pricing Supplement) and registered in the name of the CDS or its nominee. Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by the CDS (with respect to its participants) and the CDS’s participants (the “CDS Participants”) (with respect to beneficial owners). Each Book-Entry Note that is an Exempt Branch Note will be represented by one or more fully registered global securities (the “Exempt Branch Global Notes”) deposited with or on behalf of The Depository Trust Company (the “DTC”) (or such other depository as is identified in the applicable U.S. Pricing Supplement) and registered in the name of the DTC or the DTC’s nominee. Interests in the Exempt Branch Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by the DTC (with respect to its participants) and the DTC’s participants (the “DTC Participants”) (with respect to beneficial owners).

In the opinion of Canadian counsel, the Notes offered hereby, if issued on the date of the Prospectus Supplement, would be eligible for investment under certain Canadian statutes referred to under the caption “Eligibility for Investment”.

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IN CONNECTION WITH THE OFFERING OF NOTES, THE AGENTS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT A LEVEL, ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

All references herein to "Canada" mean Canada, its provinces, its territories, its possessions and all areas subject to its jurisdiction, and all references to "Cdn.\$" or "Canadian dollars" mean the lawful currency of Canada. In this Prospectus Supplement, all references to "U.S." or "United States" mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction, and all references to "U.S.\$", "U.S. dollars" or "United States dollars" mean the lawful currency of the United States.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference into the accompanying Short Form Base Shelf Prospectus of the Bank dated February 13, 2004 (the "Prospectus") solely for the purpose of the Notes issued hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars.

A Pricing Supplement containing the specific variable terms for an issue of Notes will be delivered to purchasers of such Notes together with this Prospectus Supplement and the Prospectus and will be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus as of the date of the Pricing Supplement solely for the purpose of the Notes issued thereunder.

Updated asset and interest coverage ratios will be filed quarterly with the applicable securities regulatory authorities, either as Prospectus Supplements or as exhibits to the Bank's unaudited interim and audited annual financial statements, and will be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus for the purposes of the issuance of Notes thereafter.

Any statement contained in this Prospectus Supplement or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus Supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement.

CURRENCY EXCHANGE INFORMATION

Purchasers are required to pay for the Notes in Canadian dollars. Payments of principal, premium, if any, and interest on the Notes will be made in Canadian dollars unless the applicable Pricing Supplement provides that purchasers are instead required to pay for the Notes in a Specified Currency (as defined below under "Description of Notes General"), and/or that payments of principal, premium, if any, and interest on such Notes will be made in a Specified Currency.

Currently, there are limited facilities in Canada for conversion of Canadian dollars into foreign currencies and vice versa. In addition, most banks in Canada do not currently offer chequing or savings account facilities in other than Canadian or U.S. dollars. Accordingly, unless otherwise specified in a Pricing Supplement or unless alternative arrangements are made, payment of principal, premium, if any, and interest on Notes in a Specified Currency other than Cdn. dollars will be made to an account at a bank outside Canada; provided that no payments shall be made to accounts located in the United States. See "Description of Notes" and "Special Provisions and Risk Relating to Foreign Currency Notes".

CREDIT RATINGS

The Notes have been rated "A (high)" by Dominion Bond Rating Service Limited ("DBRS") and "A+" by Standard & Poor's Corporation ("S&P"). Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities and are indicators of the likelihood of the payment capacity and willingness of a company to meet its financial commitment on an obligation in accordance with the terms of the obligation.

The A (high) rating assigned to the Notes by DBRS is the third highest rating of DBRS's nine rating categories, which range from AAA to C. According to information made publicly available to DBRS, under the DBRS rating system debt securities rated A (high) are of superior credit quality. Protection of interest and principal is considered substantial. However, entities whose debt securities are rated A (high) are considered to be more susceptible and have greater cyclical tendencies than higher rated debt securities.

S&P has ten rating categories, ranging from AAA to D, and uses + or – designations to indicate the relative standing of the securities being rated within a particular rating category. The A+ rating assigned to the Notes by S&P indicates that the Notes rank at the high end of S&P's third highest rating category. According to information

made publicly available to S&P, under the S&P rating system debt securities rated A+ indicate a strong capacity to meet financial commitments.

The credit ratings assigned to the Notes are not recommendations to purchase, hold or sell the Notes. The credit ratings do not address market price or suitability for a particular investor. The credit ratings assigned to the Notes may not reflect the potential impact of all risks on the value of the Notes. In addition, real or anticipated changes in the credit assigned to the Notes will generally affect the market value of the Notes. There can be no assurance that these ratings will remain in effect for any given period of time or that the ratings will not be revised or withdrawn entirely in the future by DBRS or S&P if in their judgment circumstances so warrant.

USE OF PROCEEDS

The Notes will be issued from time to time at the discretion of the Bank with an aggregate initial offering price not to exceed \$3,000,000,000 (or the equivalent thereof in one or more non-Canadian currencies or currency units). The net proceeds derived from the issue of Notes under this Prospectus Supplement will be the initial offering price thereof less any commission paid in connection therewith. The net proceeds cannot be estimated as the amount thereof will depend on the extent to which Notes are issued under this Prospectus Supplement. The net proceeds will be added to the general funds of the Bank and will be utilized for general banking purposes.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel for the Bank, and in the opinion of Fraser Milner Casgrain LLP, counsel to the Agents, unless otherwise specified in the applicable Pricing Supplement, the Notes offered hereby, if issued on the date of this Prospectus Supplement, would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans for which any of the employers is the Bank, or an employer with which the Bank does not deal at arm's length within the meaning of the *Income Tax Act* (Canada)).

DESCRIPTION OF NOTES

The Notes will be issued as a series of debt securities under an indenture, dated as of December 14, 1995 as supplemented from time to time (the "Indenture"), between the Bank and BNY Trust Company of Canada, as trustee (the "Trustee"). The Exempt Branch Notes will be issued under an Amended and Restated Fiscal and Paying Agency Agreement dated as of August 27, 1998 as supplemented from time to time (the "Fiscal and Paying Agency Agreement") between the Bank acting through the Branch and Bank of New York (formerly Bank of Montreal Trust Company), as fiscal and paying agent (the "Fiscal and Paying Agent"). The following summary of certain provisions of the Notes, the Indenture, the Exempt Branch Notes and the Fiscal and Paying Agency Agreement does not purport to be complete and is qualified in its entirety by reference to the Indenture and the Fiscal and Paying Agency Agreement. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture, the Notes, the Fiscal and Paying Agency Agreement or the Exempt Branch Notes, as the case may be. The following description of Notes will apply to each Note offered hereby unless otherwise specified in the applicable Pricing Supplement.

General

All debt securities, including the Notes, issued and to be issued under either the Indenture or the Fiscal and Paying Agency Agreement will be unsecured general obligations of the Bank constituting subordinated indebtedness for the purposes of the *Bank Act* (Canada) and will rank *pari passu* with all other unsecured and subordinated indebtedness of the Bank from time to time outstanding. The Indenture does not limit the aggregate principal amount of debt securities which may be issued thereunder and debt securities may be issued thereunder from time to time in one or more series up to the aggregate principal amount from time to time authorized by the Bank for each series. The Bank may, from time to time, without the consent of the holders of the Notes, provide for the issuance of Notes or other debt securities under the Indenture or the Fiscal and Paying Agency Agreement in addition to the

\$3,000,000,000 aggregate initial offering price of Notes offered hereby and any other debt securities previously issued.

The Notes are currently limited to \$3,000,000,000 aggregate initial offering price, or the equivalent thereof in one or more non-Canadian currencies or currency units. The Notes will be offered on a continuous basis and will mature on any day more than one year from their dates of issue, as specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, interest-bearing Notes will either be Fixed Rate Notes or Floating Rate Notes as specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, Notes will be denominated in Canadian dollars and payments of principal of, and premium, if any, and interest on, the Notes will be made in Canadian dollars. Unless otherwise specified in the applicable U.S. Pricing Supplement, Exempt Branch Notes will be denominated in United States dollars and payments of principal of, and premium, if any, and interest on, the Exempt Branch Notes will be made in United States dollars. The Notes may also be denominated in currencies or currency units other than Canadian dollars (“Foreign Currency Notes”) (the currency or currency unit in which a Note is denominated, whether United States dollars, Canadian dollars or otherwise, is herein referred to as the “Specified Currency”). See “Special Provisions and Risks Relating to Foreign Currency Notes, Payments of Principal and Premium, if any, and Interest”. Where Notes are offered and sold in a currency other than Canadian dollars, the applicable Pricing Supplement will set out the Canadian equivalent of the offering price and the rate of exchange based on the Bank of Canada noon rate for such currency at the last feasible date.

Unless otherwise specified in the applicable Pricing Supplement, purchasers are required to pay for Foreign Currency Notes in the Specified Currency in which such Notes are denominated. There are limited facilities in Canada for the conversion of Canadian dollars into non-Canadian currencies or currency units other than United States dollars and vice versa, and commercial banks do not generally offer chequing or savings account facilities in Canada in other than Canadian or United States dollars. If requested on or prior to the third Business Day (as defined below) preceding the date of delivery of the Foreign Currency Notes, or by such other day as determined by an Agent, such Agent is prepared to arrange for the conversion of Canadian dollars into the Specified Currency to enable the purchasers to pay for such Notes. Each such conversion will be made by such Agent on such terms and subject to such conditions, limitations and charges as the Agent may from time to time establish in accordance with its regular foreign exchange practices. All costs of exchange will be borne by the purchasers of the Foreign Currency Notes. See “Special Provisions and Risk Relating to Foreign Currency Notes”.

Interest rates offered by the Bank with respect to the Notes may differ depending upon the aggregate principal amount of Notes purchased in any transaction, and the Bank expects generally to distinguish, with respect to such offered rates, between purchases which are for less than, and purchases which are equal to or greater than an agreed upon amount. Specific variable terms which are not within the options and parameters set forth herein may be set out in a Pricing Supplement. Interest rates, interest rate formulae and other variable terms of the Notes are subject to change by the Bank from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Bank.

Each Note will be issued in fully registered form as a Book-Entry Note or a Certificated Note. Unless otherwise specified in the applicable Pricing Supplement, Notes will be issued as Book-Entry Notes.

The authorized denominations of each Note and Exempt Branch Note will be Cdn.\$1,000 and integral multiples thereof, and U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof, respectively, unless otherwise specified in the applicable Pricing Supplement or U.S. Pricing Supplement, while the authorized denominations of each Foreign Currency Note will be specified in the applicable Pricing Supplement.

Book-Entry Notes that are Notes may be transferred or exchanged only through the CDS. Book-Entry Notes that are Exempt Branch Notes may be transferred or exchanged only through the DTC. See “Description of Notes – Book-Entry Notes”. Registration of transfer or exchange of Certificated Notes will be made at the office or agency of the Bank maintained by the Bank for such purpose in the Borough of Manhattan, The City of New York in the case of Certificated Notes that are Exempt Branch Notes and at an office or agency of the Bank maintained by the Bank in Toronto, Ontario in the case of Certificated Notes that are Notes. No service charge will be made by the Bank or the Trustee for any such registration of transfer or exchange of Notes, but the Bank may require payment of

a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith (other than exchanges pursuant to the Indenture not involving any transfer).

Payments of principal of, and premium, if any, and interest, if any, on, Book-Entry Notes that are Notes will be made by the Bank through the Trustee to the CDS. See “Description of Notes – Book-Entry Notes”. In the case of Certificated Notes that are Notes, payment of principal and premium, if any, due on the Stated Maturity Date or any prior date on which the principal, or an instalment of principal, of such Note becomes due and payable, whether by the declaration of acceleration, call for redemption at the option of the Bank or otherwise (the Stated Maturity Date or such prior date, as the case may be, is herein referred to as the “Maturity Date”) will be made in immediately available funds upon presentation thereof at the office or agency of the Bank maintained by the Bank for such purpose in Toronto, Ontario. Payment of interest due on the Maturity Date of each Certificated Note that is a Note will be made to the person to whom payment of the principal and premium, if any, shall be made. Payment of interest due on each Certificated Note that is a Note on any Interest Payment Date (as defined below) (other than the Maturity Date) will be made at the office or agency of the Bank referred to above maintained for such purpose or, at the option of the Bank, may be made by cheque mailed to the address of the Holder entitled thereto as such address shall appear in the Security Register of the Bank.

Payments of principal of, and premium, if any, and interest, if any, on, Book-Entry Notes that are Exempt Branch Notes will be made by the Branch through the Fiscal and Paying Agent to the DTC. See “Description of Notes – Book-Entry Notes”. In the case of Certificated Notes that are Exempt Branch Notes, payment of principal and premium, if any, due on the Stated Maturity Date or any prior date on which the principal, or an instalment of principal, of such Exempt Branch Note becomes due and payable, whether by the declaration of acceleration, call for redemption at the option of the Branch, repayment at the option of the Holder or otherwise will be made in immediately available funds upon presentation thereof at the office or agency of the Bank maintained by the Branch for such purpose in the Borough of Manhattan, The City of New York. Payment of interest due on the Maturity Date of each Certificated Note that is an Exempt Branch Note will be made to the person to whom payment of the principal and premium, if any, shall be made. Payment of interest due on each Certificated Note that is an Exempt Branch Note on any Interest Payment Date (other than the Maturity Date) will be made at the office or agency of the Branch referred to above maintained for such purpose or, at the option of the Branch, may be made by cheque mailed to the address of the Holder entitled thereto as such address shall appear in the Security Register of the Branch.

As used herein, “Business Day” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or executive order to close in the Cities of Toronto or New York; *provided, however*, that, with respect to Foreign Currency Notes the payment of which is to be made in a Specified Currency other than Canadian dollars or United States dollars, such day is not also a day on which banking institutions are authorized or required by law or executive order to close in the principal financial center of the country of such Specified Currency (or, in the case of the euro, is not a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (“TARGET”) is closed or otherwise generally regarded in the euro interbank market as a day on which payments in euros shall not be made); and provided, further, that, with respect to Notes as to which LIBOR is an applicable Interest Rate Basis, such day is also a London Business Day. “London Business Day” means any day (i) if the Index Currency (as defined below) is other than euro, on which dealings in such Index Currency are transacted in the London interbank market or (ii) if the Index Currency is euro, that is not a day on which TARGET is closed or otherwise generally regarded in the euro interbank market as a day on which payments in euro shall not be made.

Redemption at the Option of the Bank

Unless otherwise specified in the applicable Pricing Supplement, the Notes will not be subject to any sinking fund. The Notes will be redeemable at the option of the Bank, subject where applicable to the approval of the Superintendent of Financial Institutions (Canada) (the “Superintendent”), prior to the Stated Maturity Date only if an initial redemption date is specified in the applicable Pricing Supplement (the “Initial Redemption Date”). If an Initial Redemption Date is specified in the applicable Pricing Supplement relating to Notes, the Notes will be subject to redemption at the option of the Bank on any date on and after the applicable Initial Redemption Date in whole or from time to time in part in increments of \$1,000 or the minimum denomination specified in such Pricing Supplement (provided that any remaining principal amount thereof shall be at least \$1,000 or such minimum

denomination), at the applicable Redemption Price, as defined below, on notice given not more than 60 nor less than 30 days prior to the date of redemption and in accordance with the provisions of the Indenture.

“Redemption Price”, with respect to a Note, means an amount equal to the sum of (i) the “Initial Redemption Percentage” specified in such Pricing Supplement (as adjusted by the Annual Redemption Percentage Reduction (as specified in the applicable Pricing Supplement), if applicable) multiplied by the unpaid principal amount or the portion to be redeemed plus (ii) accrued interest to the date of redemption. The Initial Redemption Percentage, if any, applicable to a Note shall decline at each anniversary of the Initial Redemption Date (as specified in the applicable Pricing Supplement) by an amount equal to the applicable Annual Redemption Percentage Reduction, if any, until the Redemption Price is equal to 100% of the unpaid principal amount thereof or the portion thereof to be redeemed. If less than all of the Notes with like tenor and terms are to be redeemed, the Notes to be redeemed shall be selected by the Trustee on a *pro rata* basis or by such other method as the Trustee shall deem fair and appropriate.

Purchase for Cancellation

The Bank may at any time purchase Notes at any price or prices in the open market or otherwise. Notes so purchased by the Bank may be held or resold or, at the discretion of the Bank, may be surrendered to the Trustee for cancellation.

Conversion Option

If so specified in the applicable Pricing Supplement, the registered holder of a series of Notes may, but only upon notice from the Bank, subject where applicable to the prior approval of the Superintendent, convert all but not less than all of such holder’s Notes into an equal aggregate principal amount of a new series of Notes issued by the Bank. If given, such notice from the Bank shall be given not less than 30 days nor more than 60 days prior to the date of conversion and in accordance with the provisions of the Indenture.

Interest

General

Unless otherwise specified in the applicable Pricing Supplement, each Note will bear interest from its date of issue at the rate per annum, in the case of a Fixed Rate Note, or pursuant to the interest rate formula, in the case of a Floating Rate Note, in each case as specified in the applicable Pricing Supplement, until the principal thereof is paid or duly made available for payment. Interest payments in respect of the Notes will equal the amount of interest accrued from and including the immediately preceding Interest Payment Date (as defined below) in respect of which interest has been paid or duly made available for payment (or from and including the date of issue, if no interest has been paid with respect to the applicable Note) to but excluding the related Interest Payment Date or the Maturity Date (as specified in the applicable Pricing Supplement), as the case may be.

Interest will be payable in arrears on each date specified in the applicable Pricing Supplement on which an installment of interest is due and payable and on the Maturity Date. Unless otherwise specified in the applicable Pricing Supplement, the first payment of interest on any Note originally issued between a Record Date (as defined below) and the related Interest Payment Date or on an Interest Payment Date will be made on the Interest Payment Date immediately following the next succeeding Record Date to the holder on such next succeeding Record Date. Unless otherwise specified in the applicable Pricing Supplement, a “Record Date” shall be the fifteenth calendar day (whether or not a Business Day) immediately preceding the related Interest Payment Date.

Fixed Rate Notes

The “Interest Payment Dates” for the Fixed Rate Notes will be specified in the applicable Pricing Supplement. Unless otherwise specified in the applicable Pricing Supplement, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months. For the purposes of disclosure under the *Interest Act* (Canada), the yearly rate of interest which is equivalent to the rate payable with respect to any Fixed Rate Notes

is the rate payable with respect to such Fixed Rate Notes multiplied by the actual number of days in the year for which such calculation is made and divided by 360.

If any Interest Payment Date or the Maturity Date of a Fixed Rate Note falls on a day that is not a Business Day, the required payment of principal, premium, if any, and/or interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such Interest Payment Date or the Maturity Date, as the case may be, to the date of such payment on the next succeeding Business Day.

Floating Rate Notes

Unless otherwise specified in the applicable Pricing Supplement, Floating Rate Notes will be issued as described below. The applicable Pricing Supplement will specify certain terms with respect to which each Floating Rate Note that is being delivered, including: whether such Floating Rate Note is a “Regular Floating Rate Note” (as defined below), a “Fixed Rate/Floating Rate Note” (as defined below), a “Floating Rate/Fixed Rate Note” (as defined below), or an “Inverse Floating Rate Note” (as defined below), Fixed Rate Commencement Date and Fixed Interest Rate, as applicable, Interest Rate Basis or Interest Rate Bases, Initial Interest Rate, Interest Reset Period and Interest Reset Dates, Record Dates, Interest Payment Period and Dates, Index Maturity, maximum interest rate and minimum interest rate, if any, and, if one or more of the applicable Interest Rate Bases is LIBOR, the Index Currency and the Designated LIBOR Page, each as described below.

The interest rate borne by the Floating Rate Notes will be determined as follows:

- (a) Unless such Floating Rate Note is designated as a “Fixed Rate/Floating Rate Note”, a “Floating Rate/ Fixed Rate Note”, an “Inverse Floating Rate Note” or as having an addendum attached, such Floating Rate Note will be designated as a “Regular Floating Rate Note” and, except as described below or in the applicable Pricing Supplement, bear interest at the rate determined by reference to the applicable Interest Rate Basis or Interest Rate Bases (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date, the rate at which interest on such Regular Floating Rate Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that the interest rate in effect for the period from the date of issue to but excluding the first Interest Reset Date will be the Initial Interest Rate.
- (b) If such Floating Rate Note is designated as a “Fixed Rate/Floating Rate Note”, then, except as described below or in the applicable Pricing Supplement, such Floating Rate Note will bear interest at the rate determined by reference to the Fixed Interest Rate. Commencing on the Floating Rate Commencement Date and on each subsequent Interest Reset Date, the rate at which interest on such Fixed Rate/Floating Rate Note shall be payable shall be reset as of such Floating Rate Commencement Date and as of each Interest Reset Date and shall be determined by reference to the applicable Interest Rate Basis (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any.
- (c) If such Floating Rate Note is designated as a “Floating Rate/Fixed Rate Note”, then, except as described below or in the applicable Pricing Supplement, such Floating Rate Note will bear interest at the rate determined by reference to the applicable Interest Rate Basis or Interest Rate Bases (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date, the rate at which interest on such Floating Rate/Fixed Rate Note shall be payable shall be reset as of each Interest Reset Date; *provided, however*, that (y) the interest rate in effect for the period from the date of issue to but excluding the first Interest Reset Date will be the Initial Interest Rate and (z) the interest rate in effect commencing on the Fixed Rate Commencement Date to but excluding the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Pricing Supplement or, if no such Fixed Interest Rate is so specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date.

- (d) If such Floating Rate Note is designated as an “Inverse Floating Rate Note,” then, except as described below or in the applicable Pricing Supplement, such Floating Rate Note will bear interest equal to the Fixed Interest Rate specified in the applicable Pricing Supplement minus the rate determined by reference to the applicable Interest Rate Basis or Bases (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any; *provided, however*, that, unless otherwise specified in the applicable Pricing Supplement, the interest rate thereon will not be less than zero. Commencing on the first Interest Reset Date, the rate at which interest on such Inverse Floating Rate Note is payable shall be reset as of each Interest Reset Date; *provided, however*, that the interest rate in effect for the period from the date of issue to but excluding the first Interest Reset Date will be the Initial Interest Rate.

The “Spread” means the number of basis points to be added to or subtracted from the related Interest Rate Basis or Interest Rate Bases applicable to such Floating Rate Note. The “Spread Multiplier” means the percentage of the related Interest Rate Basis or Interest Rate Bases applicable to such Floating Rate Note by which such Interest Rate Basis or Interest Rate Bases will be multiplied to determine the applicable interest rate on such Floating Rate Note. The “Index Maturity” means the period to maturity of the instrument or obligation with respect to which the related Interest Rate Basis or Interest Rate Bases will be calculated.

Notwithstanding the foregoing, if such Floating Rate Note is designated as having an addendum attached as specified on the face thereof, such Floating Rate Note shall bear interest in accordance with the terms described in such addendum and the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the interest rate with respect to each Interest Rate Basis will be determined in accordance with the applicable provisions below. Except as set forth above or in the applicable Pricing Supplement, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date.

Interest on Floating Rate Notes will be determined by reference to the applicable Interest Rate Basis or Interest Rate Bases, which may, as described below, include (i) the BA Rate, (ii) the CD Rate, (iii) the CMT Rate, (iv) the Commercial Paper Rate, (v) the Eleventh District Cost of Funds Rate, (vi) the Federal Funds Rate, (vii) the J.J. Kenny Rate, (viii) LIBOR, (ix) the Cdn. Prime Rate, (x) the U.S. Prime Rate, (xi) the Cdn. Treasury Rate, (xii) the U.S. Treasury Rate, or (xiii) such other Interest Rate Basis or interest rate formula as may be set forth in the applicable Pricing Supplement; *provided, however*, that with respect to a Floating Rate/Fixed Rate Note, the interest rate commencing on the Fixed Rate Commencement Date to but excluding the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Pricing Supplement or, if no such Fixed Interest Rate is so specified, the interest rate in effect thereon on the day immediately preceding the Fixed Rate Commencement Date.

The applicable Pricing Supplement will specify whether the rate of interest on the related Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually, annually or such other specified period (each, an Interest Reset Period”) and the dates on which such rate of interest will be reset (each, an “Interest Reset Date”). Unless otherwise specified in the applicable Pricing Supplement, the Interest Reset Date will be, in the case of Floating Rate Notes which reset: (i) daily, each Business Day; (ii) weekly, the Wednesday of each week (with the exception of weekly reset Floating Rate Notes as to which the U.S. Treasury Rate is an applicable Interest Rate Basis, which will reset the Tuesday of each week, except as described below); (iii) monthly, the third Wednesday of each month (with the exception of monthly reset Floating Rate Notes as to which the Eleventh District Cost of Funds Rate is an applicable Interest Rate Basis, which will reset on the first calendar day of the month); (iv) quarterly, the third Wednesday of March, June, September and December of each year; (v) semiannually, the third Wednesday of the two months specified in the applicable Pricing Supplement; and (vi) annually, the third Wednesday of the month specified in the applicable Pricing Supplement; *provided, however*, that, with respect to Floating Rate/Fixed Rate Notes, the fixed rate of interest in effect for the period from the Fixed Rate Commencement Date to but excluding the Maturity Date shall be the Fixed Interest Rate or, if no such Fixed Interest Rate is specified, the interest rate in effect on the day immediately preceding the Fixed Rate Commencement Date, as specified in the applicable Pricing Supplement. If any Interest Reset Date for any Floating Rate Note would otherwise be a day that is not a Business Day, such Interest Reset Date will be postponed to the next succeeding day that is a Business Day, except that in the case of a Floating Rate Note as to which LIBOR is an applicable Interest

Rate Basis, if such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

The interest rate applicable to each Interest Reset Period commencing on the Interest Reset Date with respect to such Interest Reset Period will be the rate determined as of the applicable Interest Determination Date on or prior to the Calculation Date (as defined below). The “Interest Determination Date” with respect to the BA Rate, the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate, the J.J. Kenny Rate, the Cdn. Prime Rate and the U.S. Prime Rate will be the second Business Day immediately preceding the applicable Interest Reset Date; the “Interest Determination Date” with respect to the Eleventh District Cost of Funds Rate will be the last working day of the month immediately preceding the applicable Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the “FHLB of San Francisco”) publishes the Eleventh District Index (as defined below); and the “Interest Determination Date” with respect to LIBOR will be the second London Business Day immediately preceding the applicable Interest Reset Date.

With respect to the Cdn. Treasury Rate, the “Interest Determination Date” will be the day in the week in which the applicable Interest Reset Date falls on which day direct obligations of Canada (“Cdn. Treasury Bills”) are normally auctioned (Cdn. Treasury Bills are normally sold at an auction held on Tuesday of every second week unless that day is a legal holiday, in which case the auction is normally held on the preceding Monday or the following Wednesday); *provided, however*, that if an auction falls on the applicable Interest Reset Date, then the Interest Reset Date will instead be the first Business Day following such auction.

With respect to the U.S. Treasury Rate, the “Interest Determination Date” will be the day in the week in which the applicable Interest Reset Date falls on which day direct obligations of the United States (“U.S. Treasury Bills”) are normally auctioned (U.S. Treasury Bills are normally sold at an auction held on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); *provided, however*, that if an auction is held on the Friday of the week preceding the applicable Interest Reset Date, the Interest Determination Date will be such preceding Friday; *provided, further however* that if an auction falls on the applicable Interest Reset Date, then the Interest Reset Date will instead be the first Business Day following such auction.

The “Interest Determination Date” pertaining to a Floating Rate Note the interest rate of which is determined by reference to two or more Interest Rate Bases will be the most recent Business Day which is at least two Business Days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Interest Rate Basis is determinable. Each Interest Rate Basis will be determined on such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

A Floating Rate Note may also have either or both of the following: (i) a maximum numerical limitation, or ceiling, on the rate at which interest may accrue during any interest period and (ii) a minimum numerical limitation, or floor, on the rate at which interest may accrue during any interest period. In addition to any maximum interest rate that may be applicable to any Floating Rate Note pursuant to the above provisions, the maximum interest rate that may be applicable to any Floating Rate Note pursuant to the above provisions will in no event be higher than the maximum rate permitted by the laws of Canada.

Except as provided below or in the applicable Pricing Supplement, interest will be payable, in the case of Floating Rate Notes which reset: (i) daily, weekly or monthly, on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified in the applicable Pricing Supplement; (ii) quarterly, on the third Wednesday of March, June, September and December of each year; (iii) semiannually, on the third Wednesday of the months of each year specified in the applicable Pricing Supplement; and (iv) annually, on the third Wednesday of the month specified in the applicable Pricing Supplement and, in each case, on the Maturity Date (each, an “Interest Payment Date”). If any Interest Payment Date for any Floating Rate Note (other than the Maturity Date) would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding day that is a Business Day, except that in the case of a Floating Rate Note as to which LIBOR is an applicable Interest Rate Basis, if such Business Day falls in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding Business Day. If the Maturity Date of a Floating Rate Note falls on a day that is not a Business Day, the required payment of principal, premium, if any, and/or interest will be made on the next succeeding Business Day as if made on the date such payment was due, and

no interest shall accrue on such payment for the period from and after the Maturity Date to the date of such payment on the next succeeding Business Day.

All percentages resulting from any calculation on Floating Rate Notes will be rounded to the nearest one-hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or 0.09876545) would be rounded to 9.87655% or (0.0987655)), and all amounts used in or resulting from such calculation on Floating Rate Notes will be rounded, in the case of United States dollars or Canadian dollars, to the nearest cent or, in the case of a Specified Currency other than United States dollars or Canadian dollars, to the nearest unit of the Specified Currency (such unit being the smallest unit of the Specified Currency in general use) (with one-half cent or one-half of the applicable unit of the Specified Currency being rounded upward).

Unless otherwise specified in the applicable Pricing Supplement, interest payments on Floating Rate Notes will equal the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the date of issue, if no interest has been paid with respect to such Floating Rate Notes), to but excluding the applicable Interest Payment Date or the Maturity Date, as the case may be.

With respect to each Floating Rate Note, accrued interest is calculated by multiplying its principal amount by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. Unless otherwise specified in the applicable Pricing Supplement, the interest factor for each such day will be computed by dividing the interest rate applicable to such day by 360, in the case of Notes for which the Interest Rate Basis is the CD Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, the J.J. Kenny Rate, LIBOR, or the U.S. Prime Rate, or by the actual number of days in the year in the case of Notes for which the Interest Rate Basis is the BA Rate, the CMT Rate, the Cdn. Prime Rate, the Cdn. Treasury Rate or the U.S. Treasury Rate. Unless otherwise specified in the applicable Pricing Supplement, the interest factor for Notes for which the interest rate is calculated with reference to two or more Interest Rate Bases will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied as specified in the applicable Pricing Supplement. For the purpose only of disclosure required by the *Interest Act* (Canada) and without affecting the interest payable to a holder, the yearly rate of interest which is equivalent to the rate of interest payable on any Floating Rate Note, other than a Note for which the BA Rate, the Cdn. Prime Rate, the Cdn. Treasury Rate, the CMT Rate or the U.S. Treasury Rate is an applicable Interest Rate Basis, is the rate of interest calculated as provided herein multiplied by the number of days in the year and divided by 360.

Unless otherwise specified in the applicable Pricing Supplement, BNY Trust Company of Canada will be the "Calculation Agent" with respect to the Notes. Upon request of the holder of any Floating Rate Note, the Calculation Agent will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding Interest Reset Date with respect to such Floating Rate Note. Unless otherwise specified in the applicable Pricing Supplement, the "Calculation Date", if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date, or, if such day is not a Business Day, the next succeeding Business Day or (ii) the Business Day immediately preceding the applicable Interest Payment Date or the Maturity Date, as the case may be.

BA Rate. BA Rate Notes will bear interest at interest rates (calculated with reference to the BA Rate and the Spread, Spread Multiplier or other formula, if any) specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "BA Rate" means, with respect to any Interest Determination Date relating to a BA Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the BA Rate (a "BA Rate Interest Determination Date"), the rate (expressed as an annual percentage rate based on a year of 365 or 366 days) determined by the Bank to be the average (rounded to the nearest one hundred-thousandth of one per cent, with 0.000005 being rounded up) of the bid quotations for bankers' acceptances stamped by Schedule I Canadian chartered banks denominated in Canadian dollars with a maturity approximately coextensive with the Maturity applicable to such Floating Rate Note, as set forth on the Reuters CDOR Page (as defined below) at approximately 10:00 A.M. (Toronto time) on the BA Rate Interest Determination Date. If on the BA Rate Interest Determination Date only one or zero bid quotations are available on the Reuters CDOR Page or if the Reuters CDOR Page is unavailable for any reason, the BA Rate shall be the rate (expressed as an annual percentage rate based on a year of 365 or 366 days) determined by the Bank to be the average (rounded to

the nearest one hundred-thousandth of one per cent, with .000005 being rounded up) of rates bid by each of the three Schedule I Canadian chartered banks selected by the Bank (after consultation with the Trustee) at approximately 10:00 A.M. (Toronto time) on the BA Rate Interest Determination Date for bankers' acceptances stamped by Schedule I Canadian chartered banks denominated in Canadian dollars with a maturity approximately coextensive with the Maturity applicable to such Floating Rate Note. If on the BA Rate Interest Determination Date only one or two such Schedule I Canadian chartered banks provide bid quotations, then such bid, or the average of such bids, as the case may be, shall be used for purposes of determining the BA Rate.

"Reuters CDOR Page" means the display designated as page "CDOR" on the Reuters Monitor Money Rates Service (or such other page as may replace the CDOR page on that service for the purpose of displaying bankers' acceptance rates of banks and investment dealers).

CD Rate. CD Rate Notes will bear interest at the rates (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any) specified in such CD Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "CD Rate" means, with respect to any Interest Determination Date relating to a CD Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the CD Rate (a "CD Rate Interest Determination Date"), the rate on such date for negotiable certificates of deposit having the Index Maturity specified in the applicable Pricing Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication ("H.15(519)") under the heading "CDs (Secondary Market)" or, if not published by 9:00 A.M., New York City time, on the related Calculation Date, the rate set forth in H.15 Daily Update (as defined below) under the caption "CDs (secondary market)" on such CD Rate Interest Determination Date for negotiable certificates of deposit of the Index Maturity specified in the applicable Pricing Supplement. "H.15 Daily Update" means the daily update of H.15(519) available through the world wide web site of the Board of Governors of the Federal Reserve System at <http://www.bog.frb.fed.us/releases/h15/update>, or any successor site of publication. If such rate is not yet published in either H.15(519) or H.15 Daily Update by 3:00 P.M., New York City time, on the related Calculation Date, then the CD Rate on such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date, of three leading non-bank dealers in negotiable United States dollar certificates of deposit in The City of New York (which may include the Agents or their affiliates) selected by the Calculation Agent for negotiable certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity designated in the applicable Pricing Supplement in an amount that is representative for a single transaction in that market at that time; *provided, however,* that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the CD Rate determined as of such CD Rate Interest Determination Date will be the CD Rate in effect on such CD Rate Interest Determination Date.

CMT Rate. CMT Rate Notes will bear interest at the rates (calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any) specified in such CMT Rate Notes and any applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "CMT Rate" means, with respect to any Interest Determination Date relating to a CMT Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the CMT Rate (a "CMT Rate Interest Determination Date"), the rate displayed on the Designated CMT Telerate Page (as defined below) under the caption "...Treasury Constant Maturities... Federal Reserve Board Release H.15... Mondays Approximately 3:45 P.M.," under the column for the Designated CMT Maturity Index (as defined below) (i) if the Designated CMT Telerate Page is 7051, the rate on such CMT Rate Interest Determination Date and (ii) if the Designated CMT Telerate Page is 7052, the week, or the month, as applicable, ended immediately preceding the week in which the related CMT Rate Interest Determination Date occurs. If such rate is no longer displayed on the relevant page, or if not displayed by 3:00 P.M., New York City time, on the related Calculated Date, then the CMT Rate for such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in the relevant H.15(519). If such rate is no longer published, or if not published by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate for such CMT Rate Interest Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the CMT Rate Interest Determination Date with respect to such Interest Reset Date as may then be

published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Telerate Page and published in the relevant H.15(519). If such information is not provided by 3:00 P.M., New York City time, on the related Calculation Date, then the CMT Rate for the CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Rate Interest Determination Date reported, according to their written records, by three leading primary United States government securities dealers (each, a "Reference Dealer") in The City of New York (which may include the Agents or their affiliates) (from five such Reference Dealers selected by the Calculation Agent and 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)), for the most recently issued direct noncallable fixed rate obligations of the United States of America ("U.S. Treasury Notes") with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year. If the Calculation Agent cannot obtain three such U.S. Treasury Note quotations, the CMT Rate for such CMT Rate Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 P.M., New York City time, on the CMT Rate Interest Determination Date of three Reference Dealers in the City of New York (which may include the Agents or their affiliates) (from five such Reference Dealers selected by the Calculation Agent and 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)), for U.S. Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least U.S.\$100,000,000. If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated; *provided, however* that if fewer than three Reference Dealers selected by the Calculation Agent are quoting as described herein, the CMT Rate will be the CMT Rate in effect on such CMT Rate Interest Determination Date. If two U.S. Treasury Notes with an original maturity as described in the third preceding sentence have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the U.S. Treasury Note with the shorter remaining term to maturity will be used.

"Designated CMT Telerate Page" means the display on Bridge Telerate, Inc. on the page designated in the applicable Pricing Supplement (or any other page as may replace such page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no such page is specified in the applicable Pricing Supplement, the Designated CMT Telerate Page shall be 7052, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20, or 30 years) specified in the applicable Pricing Supplement with respect to which the CMT Rate will be calculated. If no such maturity is specified in the applicable Pricing Supplement, the Designated CMT Maturity Index shall be 2 years.

Commercial Paper Rate. Commercial Paper Rate Notes will bear interest at the rates (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in such Commercial Paper Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "Commercial Paper Rate" means, with respect to any Interest Determination Date relating to a Commercial Paper Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the Commercial Paper Rate (a "Commercial Paper Rate Interest Determination Date"), the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Supplement as published in H.15(519) under the heading "Commercial Paper - Nonfinancial". In the event that such rate is not published by 9:00 A.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate will be the Money Market Yield on such Commercial Paper Rate Interest Determination Date of the rate for commercial paper having the Index Maturity specified in the applicable Pricing Supplement as published in H.15 Daily Update under the heading "Commercial Paper - Nonfinancial" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on the related Calculation Date, such rate is not yet published in either H.15(519) or H.15 Daily Update, then the Commercial Paper Rate on

such Commercial Paper Rate Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York (which may include the Agents or their affiliates) selected by the Calculation Agent for commercial paper having the Index Maturity designated in the applicable Pricing Supplement placed for an industrial issuer whose bond rating is “AA”, or the equivalent, from a nationally recognized statistical rating organization; *provided however* that if the dealers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of such Commercial Paper Rate Interest Determination Date will be the Commercial Paper Rate in effect on such Commercial Paper Rate Interest Determination Date.

“Money Market Yield” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

Eleventh District Cost of Funds Rate. Eleventh District Cost of Funds Rate Notes will bear interest at the rates (calculated with reference to the Eleventh District Cost of Funds Rate and the Spread and/or Spread Multiplier, if any) specified in such Eleventh District Cost of Funds Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, “Eleventh District Cost of Funds Rate” means, with respect to any Interest Determination Date relating to an Eleventh District Cost of Funds Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the Eleventh District Cost of Funds Rate (an “Eleventh District Cost of Funds Rate Interest Determination Date”), the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate Interest Determination Date falls, as set forth under the caption “11th District” on Telerate Page 7058 as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate Determination Date. If such rate does not appear on Telerate Page 7058 (as defined below) on any related Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Court of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the “Eleventh District Index”) by the Federal Home Loan Bank of San Francisco as such cost of funds for the calendar month immediately preceding the date of such announcement. If the Federal Home Loan Bank of San Francisco fails to announce such rate for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate Interest Determination Date will be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

“Telerate Page 7058” means the display on Bridge Telerate, Inc. designated as 7058 (or any other page as may replace such page on that service for the purpose of displaying the Eleventh District Index).

Federal Funds Rate. Federal Funds Rate Notes will bear interest at the rates (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any) specified in such Federal Funds Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, “Federal Funds Rate” means, with respect to any Interest Determination Date relating to a Federal Funds Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the Federal Funds Rate (a “Federal Funds Rate Interest Determination Date”), the rate on such date for federal funds as published in H.15(519) under the heading “Federal Funds (Effective)” or, if not published by 9:00 A.M., New York City time, on the related Calculation Date, the rate on such Federal Funds Rate Interest Determination Date as published in H.15 Daily Update under the heading “Federal

Funds (Effective)". If by 3:00 P.M., New York City time, on the related Calculation Date such rate is not published in either H.15(519) or H.15 Daily Update, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of federal funds transactions in The City of New York (which may include the Agents or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; *provided, however,* that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

J.J. Kenny Rate. J.J. Kenny Rate Notes will bear interest at the rates (calculated with reference to the J.J. Kenny Rate and the Spread and/or Spread Multiplier, if any) specified in such J.J. Kenny Rate Notes and in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, the "J.J. Kenny Rate" for each Interest Reset Period will be determined by the Calculation Agent as of each related Interest Determination Date (each, a "J.J. Kenny Interest Determination Date") and shall be the high grade weekly index (the "Weekly Index") on such J.J. Kenny Interest Determination Date made available by J.J. Kenny Information Systems ("J.J. Kenny") to the Calculation Agent. The Weekly Index is, and shall be, based upon 30 day yield evaluations at par of bonds, the interest on which is exempt from Federal income taxation under the Internal Revenue Code of 1986, as amended (the "Code"), of not less than five high grade component issuers selected by J.J. Kenny which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by J.J. Kenny in its discretion. The bonds on which the Weekly Index is based shall not include any bonds on which the interest is subject to a minimum tax or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. In the event J.J. Kenny ceases to make available such Weekly Index, a successor indexing agent (the "Successor Indexing Agent") will be selected by the Calculation Agent. The index made available by the Successor Indexing Agent shall reflect the prevailing rate for bonds rated in the highest short-term rating category by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services in respect of issuers most closely resembling the high grade component issuers selected by J.J. Kenny for its Weekly Index, the interest on which is (i) variable on a weekly basis, (ii) exempt from federal income taxation under the Code and (iii) not subject to a minimum tax or similar tax under the Code unless all tax-exempt bonds are subject to such tax. If a Successor Indexing Agent is not available, then the J.J. Kenny Rate for such Interest Reset Period shall be 67 percent of the Treasury Rate for such Interest Rate Period.

LIBOR. LIBOR Notes will bear interest at the rates (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in such LIBOR Notes and in any applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, "LIBOR" means the rate determined by the Calculation Agent in accordance with the following provisions:

- (i) With respect to an Interest Determination Date relating to a LIBOR Note or any Floating Rate Note for which the interest rate is determined with reference to LIBOR (a "LIBOR Interest Determination Date"), LIBOR will be either: (a) if "LIBOR Reuters" is specified in the applicable Pricing Supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency having the Index Maturity designated in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date that appears on the Designated LIBOR Page specified in the applicable Pricing Supplement as of 11:00 A.M., London time, on such LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Telerate" is specified in the applicable Pricing Supplement or if neither "LIBOR Reuters" nor "LIBOR Telerate" is specified as the method for calculating LIBOR, the rate for deposits in the Index Currency having the Index Maturity designated in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date that appears on the Designated LIBOR Page specified in the applicable Pricing Supplement as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If fewer than two such

offered rates appear, or if no such rate appears, as applicable, LIBOR in respect of the related LIBOR Interest Determination Date will be determined in accordance with the provisions described in clause (ii) below.

- (ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the applicable Designated LIBOR page as specified in clause (i) above, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity designated in the applicable Pricing Supplement, commencing on the applicable Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center selected by the Calculation Agent for loans in the Index Currency to leading European banks, having the Index Maturity designated in the applicable Pricing Supplement and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time; *provided, however* that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

“Index Currency” means the currency (including currency units) specified in the applicable Pricing Supplement as the currency for which LIBOR shall be calculated. If no such currency is specified in the applicable Pricing Supplement, the Index Currency shall be Canadian dollars.

“Designated LIBOR Page” means either (a) if “LIBOR Reuters” is specified in the applicable Pricing Supplement, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if “LIBOR Telerate” is specified in the applicable Pricing Supplement or neither “LIBOR Reuters” nor “LIBOR Telerate” is specified as the method for calculating LIBOR, the display on Bridge Telerate, Inc. for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency.

“Principal Financial Center” will generally be the capital city of the country of the specified Index Currency, except that with respect to United States dollars, Deutsche Marks, Dutch Guilders, Italian Lire, Swiss Francs and euros, the Principal Financial Center shall be the cities of New York, Frankfurt, Amsterdam, Milan, Zurich and Brussels, respectively.

Cdn. Prime Rate. Cdn. Prime Rate Notes will bear interest at the rates (calculated with reference to the Cdn. Prime Rate and the Spread, Spread Multiplier or other formula, if any) specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, “Cdn. Prime Rate” means, with respect to any Interest Determination Date relating to a Cdn. Prime Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the Cdn. Prime Rate (a “Cdn. Prime Rate Interest Determination Date”), the rate (expressed as an annual percentage rate based on a year of 365 or 366 days) determined by the Bank to be the average (rounded to the nearest one-hundred-thousandth of one percent, with .000005 being rounded up) of the rates publicly quoted by the Schedule I Canadian chartered banks as base rates for determining interest rates on Canadian dollar prime rate loans in Canada prevailing at 10:00 A.M. (Toronto time) on the Cdn. Prime Rate Interest Determination Date.

U.S. Prime Rate. U.S. Prime Rate Notes will bear interest at the rates (calculated with reference to the U.S. Prime Rate and the Spread and/or Spread Multiplier, if any) specified in such U.S. Prime Rate Notes and the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, “U.S. Prime Rate” means, with respect to any Interest Determination Date relating to a U.S. Prime Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the U.S. Prime Rate (a “U.S. Prime Rate Interest Determination Date”), the rate on such date as such rate is published in H.15(519) under the heading “Prime Bank Loan”. If such rate is not published prior to 9:00 A.M., New York City time, on the related Calculation Date, then the U.S. Prime Rate shall be the rate on the U.S. Prime Rate Interest Determination Date as published in H.15 Daily Update under the caption “Bank Prime Loan”. If the rate is not so published prior to 3:00 P.M., New York City Time, on the U.S. Prime Rate Interest Determination Date, then the U.S. Prime Rate shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 Page (as defined below) as such bank’s prime rate or base lending rate as in effect for such U.S. Prime Rate Interest Determination Date. If fewer than four such rates but more than one such rate appear on the Reuters Screen USPRIME1 Page for such U.S. Prime Rate Interest Determination Date, the U.S. Prime Rate shall be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such U.S. Prime Rate Interest Determination Date by four major money center banks in The City of New York selected by the Calculation Agent. If fewer than two such rates appear on the Reuters Screen USPRIME1 Page, the U.S. Prime Rate will be determined by the Calculation Agent on the basis of the rates furnished in The City of New York by three substitute banks or trust companies organized and doing business under the laws of the United States of America, or any State thereof, having total equity capital of at least U.S.\$500,000,000 and being subject to supervision or examination by United States Federal or State authority, selected by the Calculation Agent to provide such rate or rates; *provided however*, that if the banks or trust companies selected as aforesaid are not quoting as mentioned in this sentence, the U.S. Prime Rate determined as of such U.S. Prime Rate Interest Determination Date will be the U.S. Prime Rate in effect on such U.S. Prime Rate Interest Determination Date.

“Reuters Screen US PRIME 1 Page” means the display designated as page “USPRIME 1” on the Reuters Monitor Money Rates Service (or such other page as may replace the USPRIME 1 page on that service for the purpose of displaying prime rates or base lending rates of major United States banks).

Cdn. Treasury Rate. Cdn. Treasury Rate Notes will bear interest rates (calculated with reference to the Cdn. Treasury Rate and the Spread, Spread Multiplier or other formula, if any) specified in the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, “Cdn. Treasury Rate” means, with respect to any Interest Determination Date relating to a Cdn. Treasury Rate Note or any Floating Rate Note for which the interest rate is determined with reference to the Cdn. Treasury Rate (a “Cdn. Treasury Rate Interest Determination Date”), the rate (expressed as an annual percentage rate based on a year of 365 or 366 days) determined by the Bank to be the average (rounded to the nearest one-hundred-thousandth of one per cent, with .000005 being rounded up) of the bid quotations for Government of Canada Treasury Bills with a maturity approximately coextensive with the Maturity of such Floating Rate Note, as set forth on the Reuters CDOS Page or if the Reuters CDOS Page is unavailable for any reason, the Cdn. Treasury Rate shall be the rate (expressed as an annual percentage rate based on a year of 365 or 366 days determined by the Bank to be the average (rounded to the nearest one-hundred-thousandth of one per cent, with .000005 being rounded up) of bid quotations by each of the Schedule I Canadian chartered banks selected by the Bank (after consultation with the Trustee) at approximately 10:00 A.M. (Toronto time) on the Cdn. Treasury Rate Interest Determination Date for Government of Canada Treasury Bills with a maturity approximately coextensive with the maturity of such Floating Rate Note. If on the Cdn. Treasury Rate Interest Determination Date only one such Schedule I Canadian chartered bank provides a bid quotation, then such bid shall be used for purposes of determining the Cdn. Treasury Rate.

“Reuters CDOS Page” means the display designated as page “CDOS” on the Reuters Monitor Money Rates Service (or such other page as may replace the CDOS page on that service) for the purpose of displaying rates for Government of Canada Treasury Bills.

US. Treasury Rate. U.S. Treasury Rate Notes will bear interest at the rates (calculated with reference to the U.S. Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in such U.S. Treasury Rate Notes and the applicable Pricing Supplement.

Unless otherwise specified in the applicable Pricing Supplement, “U.S. Treasury Rate” means, with respect to any Interest Determination Date relating to a U.S. Treasury Rate Note or any Floating Rate Note for which the interest rate is determined by reference to the U.S. Treasury Rate (a “U.S. Treasury Rate Interest Determination Date”):

- (a) the rate (expressed as a percentage per annum) for the auction held on the U.S. Treasury Rate Interest Determination Date for the Interest Reset Period of U.S. Treasury Bills having the Index Maturity specified in the applicable Pricing Supplement as such rate shall appear under the heading “Investment Rate” on the display on Bridge Telerate, Inc., or any successor service, on page 56 or page 57, or any other page that may replace either thereof on that service; or
- (b) if that rate is not published by 3:00 P.M., New York City time, on the Interest Determination Date, the Bond Equivalent Yield (as hereinafter defined) of the rate on U.S. Treasury Bills having the Index Maturity specified in the applicable Pricing Supplement as of such U.S. Treasury Rate Interest Determination Date, as such rate shall be published in H.15 Daily Update under the heading “U.S. Government Securities/ Treasury Bills/Auction High”; or
- (c) if that rate is not so published by 3:00 P.M., New York City time, on the U.S. Treasury Rate Interest Determination Date, the Bond Equivalent Yield of the auction rate of U.S. Treasury Bills having the Index Maturity specified above, as otherwise announced by the United States Department of the Treasury; or
- (d) if that rate is not so announced by the United States Department of the Treasury, or if that auction is not held, the Bond Equivalent Yield on the rate as of such U.S. Treasury Rate Interest Determination Date of U.S. Treasury Bills having the Index Maturity specified above, as such rate shall be published in H.15(519) under the heading “U.S. Government Securities/Treasury Bills/Secondary Market”; or
- (e) if that rate is not so published by 3:00 P.M., New York City time, on the U.S. Treasury Rate Interest Determination Date, the rate as of such U.S. Treasury Rate Interest Determination Date of U.S. Treasury Bills having the Index Maturity specified above, as that rate shall be published in H.15 Daily Update under the heading “U.S. Government Securities/Treasury Bills/Secondary Market”; or
- (f) if that rate is not so published by 3:00 P.M., New York City time, on the U.S. Treasury Rate Interest Determination Date, the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M. New York City time, on the U.S. Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of U.S. Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Pricing Supplement; *provided, however,* that if the dealers selected as aforesaid by the Calculation Agent are not quoting bid rates as described above, then the “U.S. Treasury Rate” for such Interest Reset Period will be deemed to be the same as the U.S. Treasury Rate for the immediately preceding Interest Reset Period (or, if there was no such previous Interest Reset Period in respect of such U.S. Treasury Rate Note, the rate of interest on the Note for such Interest Reset Period shall be the Initial Interest Rate).

The “U.S. Treasury Rate Interest Determination Date” for each Interest Reset Period is the day of the week in which the Interest Reset Date for the Interest Reset Period falls on which U.S. Treasury Bills would normally be auctioned. If, as the result of a legal holiday, an auction is held on the preceding Friday, such Friday is the Treasury Rate Interest Determination Date pertaining to the Interest Reset Period commencing in the next week. If an auction date falls on any day that would otherwise be an Interest Reset Date for a U.S. Treasury Rate Note, then the Interest Reset Date is instead the Business Day immediately following such auction date.

“Bond Equivalent Yield” shall be calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)}$$

where “D” refers to the applicable rate per annum for Treasury Bills quoted on a bank discount basis, “N” refers to 365 or 366, as the date may be, and “M” refers to the actual number of days in the interest period for which the interest rate is being calculated.

Other Provisions

Any provisions with respect to the Notes, including the determination of an Interest Rate Basis, the calculation of the interest rate applicable to a Floating Rate Note, and the specification of one or more Interest Rate Bases, the Interest Payment Dates, the Maturity Date or any other variable term relating thereto, may be modified as specified under “Other Provisions” on the face thereof or in an Addendum relating thereto, if so specified on the face thereof and in the applicable Pricing Supplement.

Amortizing Notes

The Bank may from time to time offer amortizing Notes (“Amortizing Notes”). Unless otherwise specified in the applicable Pricing Supplement, interest on each Amortizing Note will be computed on the basis of a 360-day year of twelve 30-day months. For the purpose only of disclosure required by the *Interest Act* (Canada) and without affecting the interest payable to a holder, the yearly rate of interest which is equivalent to the rate of interest payable on any Fixed Rate Note is the rate of interest stated on the face of such Note multiplied by the number of days in the year and divided by 360.

Payments with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof, as specified in the applicable Pricing Supplement. Further information concerning additional terms and provisions of Amortizing Notes will be specified in the applicable Pricing Supplement. A table setting forth repayment information in respect of each Amortizing Note will be included in the applicable Pricing Supplement and set forth in each such Note.

Extendible Notes

The Bank may, from time to time, offer extendible Notes (“Extendible Notes”) the maturity of which may be extended, either in whole or in part, at the option of the Bank for one or more periods (each an “Extension Period”) up to but not beyond the Note’s final Maturity Date. The specific terms for such extensions, including the date or dates on which the option can be exercised and whether the option can be exercised with respect to some but not all of the Note’s outstanding principal balance, will be as set forth in the applicable Global Note or Certificated Note. Further information concerning additional terms and provisions of Extendible Notes, including, among other things, the specific terms and conditions upon which the maturity of such Extendible Notes may be extended, will be specified in the applicable Pricing Supplement.

Indexed Notes

The Bank may from time to time offer indexed Notes (“Indexed Notes”). Payments in respect of Indexed Notes, whether in respect of principal or interest and whether at maturity or otherwise, will be calculated by reference to such index and/or formula as may be agreed between the Bank and the relevant Agent or Agents, as specified in the applicable Pricing Supplement.

Book-Entry Notes

The following provisions assume that the Bank has established a depository arrangement with the CDS with respect to the Book-Entry Notes that are Notes and with the DTC with respect to the Book-Entry Notes that are Exempt Branch Notes. Any additional or differing terms of the depository arrangements with respect to the Book-Entry Notes will be described in the applicable Pricing Supplement or U.S. Pricing Supplement.

Book-Entry Notes that are Notes

Upon issuance, all Book-Entry Notes that are Notes bearing interest (if any) at the same rate or pursuant to the same formula and having the same date of issue, redemption provisions (if any), repayment provisions (if any), Stated Maturity Date and other variable terms will be represented by a single global security (each a “Global Note”). Each Global Note representing Book-Entry Notes will be held by, or on behalf of, the CDS as custodian of the Book-Entry Notes (for CDS Participants) and will be registered in the name of the CDS or a nominee of the CDS. No Global Note may be transferred except as a whole by a nominee of the CDS to the CDS or to another nominee of the CDS, or by the CDS or any such nominee to a successor of the CDS or a nominee of such successor. Unless otherwise specified in the applicable Pricing Supplement, all Book-Entry Notes that are Notes will be denominated in Cdn. dollars.

So long as the CDS or its nominee is the registered owner of a Global Note, the CDS or its nominee, as the case may be, will be the sole holder of the Book-Entry Notes represented thereby for all purposes under the Indenture. Except as otherwise provided in this section, a purchaser of a Book-Entry Note that is a Note represented by a Global Note will not be entitled to a certificate or other instrument from the Bank or the CDS evidencing such purchaser’s ownership thereof, will not be considered the holder thereof for any purpose under the Indenture and will not be shown on the records maintained by the CDS except through book entry accounts of a Canadian Agent which is a CDS Participant acting on behalf of such beneficial owner. Accordingly, each person owning a beneficial interest in a Global Note must rely on the procedures of the CDS and, if such person is not a CDS Participant, on the procedures of the CDS Participant through which such person owns its interest in order to exercise any rights of a holder under the Indenture. Each purchaser of a Note represented by a Global Note will receive a customer confirmation of purchase from the Canadian Agent or Agents from which such Note is purchased in accordance with the practices and procedures of the Agent or Agents. The practices of Agents may vary, but generally customer confirmations are issued promptly after execution of a customer order.

The CDS will be responsible for establishing and maintaining book entry accounts for CDS Participants having interests in such Notes.

Transfer of Notes represented by Global Notes

Transfers of beneficial ownership in the Notes represented by the Global Notes will be effected through records maintained by the CDS for such Global Notes or its nominee (with respect to interests of CDS Participants) and on the records of CDS Participants (with respect to interests of persons other than CDS Participants). Beneficial owners who are not CDS Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Notes, may do so only through CDS Participants. A purchaser’s interest in a Note represented by a Global Note may only be exchanged for Certificated Notes in the limited circumstances set forth below and in accordance with the procedures established by the CDS or its nominee.

The ability of a beneficial owner of an interest in a Note represented by a Global Note to pledge such Note or otherwise take action with respect to his interest in a Note represented by a Global Note (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

No transfer of a Note represented by a Global Note will be registered during the ten Business Days immediately preceding any day fixed for payment of interest or principal.

Book-Entry Notes that are Exempt Branch Notes

Upon issuance, all Book-Entry Notes that are Exempt Branch Notes up to U.S.\$200,000,000 aggregate principal amount bearing interest (if any) at the same rate or pursuant to the same formula and having the same date

of issue, redemption provisions (if any), repayment provisions (if any), Stated Maturity Date and other variable terms will be represented by a single global security (an “Exempt Branch Global Note”). Each Exempt Branch Global Note representing Book-Entry Notes will be deposited with, or on behalf of, the DTC and will be registered in the name of the DTC or a nominee of the DTC. No Exempt Branch Global Note may be transferred except as a whole by a nominee of the DTC to the DTC or to another nominee of the DTC, or by the DTC or any such nominee to a successor of the DTC or a nominee of such successor. Unless otherwise specified in the applicable U.S. Pricing Supplement, all Book-Entry Notes that are Exempt Branch Notes will be denominated in U.S. dollars.

So long as the DTC or its nominee is the registered owner of an Exempt Branch Global Note, the DTC or its nominee, as the case may be, will be the sole holder of the Book-Entry Notes represented thereby for all purposes under the Fiscal and Paying Agency Agreement. Except as otherwise provided in this section, the beneficial owners of the Exempt Branch Global Note or Exempt Branch Global Notes representing Book-Entry Notes that are Exempt Branch Notes will not be entitled to receive physical delivery of Certificated Notes and will not be considered the holders thereof for any purpose under the Fiscal and Paying Agency Agreement, and no Exempt Branch Global Note representing Book-Entry Notes that are Exempt Branch Notes shall be exchangeable or transferable. Accordingly, each person owning a beneficial interest in an Exempt Branch Global Note must rely on the procedures of the DTC and, if such person is not a DTC Participant, on the procedures of the DTC Participant through which such person owns its interest in order to exercise any rights of a holder under the Fiscal and Paying Agency Agreement. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. Such limits and such laws may impair the ability to transfer beneficial interests in an Exempt Branch Global Note representing Book-Entry Notes that are Exempt Branch Notes.

Transfers of Exempt Branch Notes represented by Exempt Branch Global Notes

Transfers of beneficial ownership in the Exempt Branch Notes represented by the Exempt Branch Global Notes will be effected through records maintained by the DTC for such Exempt Branch Global Notes or its nominee (with respect to interests of DTC Participants) and on the records of DTC Participants (with respect to interests of persons other than DTC Participants). Beneficial owners who are not Participants in the DTC’s Book-Entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Exempt Branch Global Notes, may do so only through DTC Participants. A purchaser’s interest in an Exempt Branch Note represented by an Exempt Branch Global Note may only be exchanged for Certificated Notes in the limited circumstances set forth below and in accordance with the procedures established by the DTC or its nominee.

The ability of a beneficial owner of an interest in an Exempt Branch Note represented by an Exempt Branch Global Note to pledge such Note or otherwise take action with respect to its interest in such Note represented by an Exempt Branch Global Note (other than through a DTC Participant) may be limited due to the lack of a physical certificate.

Exchange for Certificated Notes

Unless otherwise specified in the applicable Pricing Supplement, each Global Note representing Book-Entry Notes that are Notes is exchangeable for Certificated Notes of like tenor and terms and of differing authorized denominations aggregating a like amount, only if (i) the CDS notifies the Bank that it is unwilling or unable to continue as depository in connection with the Global Notes, (ii) at any time the CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Bank and the Trustee are unable to locate a qualified successor, (iii) if the Bank in its sole discretion determines that the Global Notes shall be exchangeable for Certificated Notes, or (iv) there shall have occurred and be continuing an Event of Default under the Indenture with respect to the Notes. Upon any such exchange, the Certificated Notes shall be registered in the names of the beneficial owners of the Global Note or Global Notes representing Book-Entry Notes that are Notes as provided by the CDS’s relevant Participants (as identified by the CDS).

Unless otherwise specified in the applicable Pricing Supplement, each Exempt Branch Global Note representing Book-Entry Notes that are Exempt Branch Notes is exchangeable for Certificated Notes of like tenor and terms and of differing authorized denominations aggregating a like amount, only if (i) the DTC notifies the Bank that it is unwilling or unable to continue as depository for the Exempt Branch Global Notes, (ii) the DTC ceases to be a clearing agency registered under the *U.S. Securities Exchange Act of 1934*, as amended (the “Exchange Act”), (iii) the Bank in its sole discretion determines that the Exempt Branch Global Notes shall be

exchangeable for Certificated Notes, or (iv) there shall have occurred and be continuing an Event of Default under the Fiscal and Paying Agency Agreement with respect to the Exempt Branch Notes. Upon any such exchange, the Certificated Notes shall be registered in the names of the beneficial owners of the Exempt Branch Global Note or Exempt Branch Global Notes representing Book-Entry Notes that are Exempt Branch Notes as provided by the DTC's relevant Participants (as identified by the DTC).

The registered holder of a Certificated Note may transfer it upon payment of any taxes and transfer fees incidental thereto by executing a form of transfer and returning it along with the Exempt Branch Note or the Note, as applicable, to the Fiscal and Paying Agent at the principal office of Bank of New York in The City of New York in the case of Certificated Notes that are Exempt Branch Notes, and at the principal office of the Trustee in the City of Toronto, Ontario in the case of Certificated Notes that are Notes, for issuance of one or more new Certificated Notes in authorized denominations in the same aggregate principal amount registered in the name(s) of the transferee(s).

CDS

The following is based on information furnished by the CDS:

The CDS is Canada's national securities clearing and depository services organization. Functioning as a service utility for the Canadian financial community, the CDS provides a variety of computer automated services for financial institutions and investment dealers active in domestic and international capital markets. The CDS Participants include banks, investment dealers, trust companies and the Agents. Indirect access to the CDS is available to other organizations that clear through or maintain a custodial relationship with a CDS Participant. Transfers of ownership and other interests, including cash distributions, in Notes in the CDS may only be processed through the CDS Participants and will be completed in accordance with existing CDS rules and procedures. The CDS operates in Montreal, Toronto, Calgary and Vancouver to centralize securities clearing functions through a central securities depository.

The CDS is a private corporation, owned one-third by investment dealers, one-third by banks and one-third by trust companies through their respective industry associations. The CDS is the exclusive clearing house for equity trading on Canadian stock exchanges and also clears a substantial volume of "over the counter" trading in equities and bonds.

DTC

The DTC will act as securities depository for the Book-Entry Notes that are Exempt Branch Notes. The Book-Entry Notes that are Exempt Branch Notes will be issued as fully registered securities registered in the name of Cede & Co. (the "DTC's partnership nominee"). One fully registered Exempt Branch Global Note will be issued for each issue of Book-Entry Notes that are Exempt Branch Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds U.S.\$200,000,000 (or the equivalent thereof in the Specified Currency), one Exempt Branch Global Note will be issued with respect to each U.S.\$200,000,000 of principal amount (or the equivalent thereof in the Specified Currency) and an additional Exempt Branch Global Note will be issued with respect to any principal amount of such issue in excess thereof.

The following is based on information furnished by the DTC:

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The DTC holds securities that its Participants deposit with the DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC's system is also available to others such as securities brokers and

dealers, banks and trust companies that clear through DTC who maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participant”). The rules applicable to the DTC and its Participants are on file with the United States Securities and Exchange Commission.

Purchases of Book-Entry Notes that are Exempt Branch Notes under the DTC’s system must be made by or through Direct Participants, which will receive a credit for such Book-Entry Notes on the DTC’s records. The ownership interest of each actual purchaser of each Book-Entry Note that is an Exempt Branch Note represented by an Exempt Branch Global Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from the DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in an Exempt Branch Global Note representing Book-Entry Notes that are Exempt Branch Notes are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners of an Exempt Branch Global Note representing Book-Entry Notes will not receive Certificated Notes representing their ownership interests therein, except in the event that use of the book-entry system for such Book-Entry Notes is discontinued or upon the occurrence of certain other events described herein.

To facilitate subsequent transfers, all Exempt Branch Global Notes representing Book-Entry Notes that are Exempt Branch Notes which are deposited with the DTC are registered in the name of the DTC’s nominee, Cede & Co. The deposit of Exempt Branch Global Notes with the DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. The DTC has no knowledge of the Beneficial Owners of the Exempt Branch Global Notes representing the Book-Entry Notes that are Exempt Branch Notes; the DTC’s records reflect only the identity of the Direct Participants to whose accounts such Book-Entry Notes that are Exempt Branch Notes are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the DTC to Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Book-Entry Notes that are Exempt Branch Notes within an issue are being redeemed, the DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither the DTC nor Cede & Co. will consent or vote with respect to the Exempt Branch Global Notes representing the Book-Entry Notes that are Exempt Branch Notes. Under its usual procedures, the DTC mails an omnibus proxy (an “Omnibus Proxy”) to the Bank as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Book-Entry Notes that are Exempt Branch Notes are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Exempt Branch Global Notes representing the Book-Entry Notes will be made to the DTC. The DTC’s practice is to credit Direct Participants’ accounts on the applicable payment date in accordance with their respective holdings shown on the DTC’s records unless the DTC has reason to believe that it will not receive payment on such date. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such DTC Participant and not of the DTC, the Fiscal and Paying Agent or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to the DTC is the responsibility of the Bank or the Fiscal and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of the DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct or Indirect Participants. Neither the Bank nor the Fiscal and Paying Agent will have any responsibility or liability for the disbursement of payments in respect of ownership interests in the Book-Entry Notes that are Exempt Branch Notes by the DTC or the Direct or Indirect Participants or for maintaining or reviewing any records of the DTC or the Direct or Indirect Participants relating to ownership interests in the Book-Entry Notes or the disbursement of payments in respect thereof.

A Beneficial Owner shall give notice to elect to have its Book-Entry Notes that are Exempt Branch Notes repaid by the Bank, through its DTC Participant, to the Fiscal and Paying Agent, and shall effect delivery of such Book-Entry Notes that are Exempt Branch Notes by causing the Direct Participants to transfer the Participant's interest in the Exempt Branch Global Note or Exempt Branch Global Notes representing such Book-Entry Notes that are Exempt Branch Notes, on the DTC's records, to the Fiscal and Paying Agent. The requirement for physical delivery of Book-Entry Notes that are Exempt Branch Notes in connection with a demand for repayment will be deemed satisfied when the ownership rights in the Exempt Branch Global Note or Exempt Branch Global Notes representing such Book-Entry Notes that are Exempt Branch Notes are transferred by Direct Participants on the DTC's records.

The DTC may discontinue providing its services as securities depository with respect to the Book-Entry Notes that are Exempt Branch Notes at any time by giving reasonable notice to the Bank or the Fiscal and Paying Agent. Under such circumstances, and in the event that a successor securities depository is not obtained, Certificated Notes that are Exempt Branch Notes are required to be printed and delivered.

The Bank may decide to discontinue use of the system of book-entry transfers through the DTC (or a successor securities depository). In that event, Certificated Notes that are Exempt Branch Notes will be printed and delivered.

The information in this section concerning the DTC and the DTC's system has been obtained from sources that the Bank believes to be reliable, but is subject to any changes to the arrangements between the Bank and the DTC and any changes to such procedures that may be instituted unilaterally by the DTC.

Payment of Interest and Principal

Payments of interest and principal of each Global Note will be made to the CDS or its nominee, as the case may be, as registered holder of the Global Note. A record date will be established at least two Business Days (and not more than 30 Business Days) prior to the payment date. Interest payments on Global Notes denominated in Canadian dollars will be made by electronic funds transfer or by cheque dated the date interest is payable and delivered to the CDS or its nominee, as the case may be, at least two Business Days before the date interest is payable. Principal payments on Global Notes will be made in the Specified Currency by electronic funds transfer or by cheque dated the Maturity Date delivered to the CDS or its nominee, as the case may be, at Maturity against receipt of the Global Note. As long as the CDS or its nominee is the registered owner of a Global Note, the CDS or its nominee, as the case may be, will be considered the sole owner of the Global Note for the purposes of receiving payment on such Global Note and for all other purposes under the Indenture and the Note.

The Bank expects that the CDS or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit CDS Participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of the CDS or its nominee. The Bank also expects that payments of principal and interest by CDS Participants to the owners of beneficial interests in such Global Note held through such CDS Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such CDS Participants. The responsibility and liability of the Bank and the Trustee in respect of Notes represented by Global Notes is limited to making payment of any principal and interest due on such Global Note to the CDS or its nominee.

Payments of interest and principal on each Exempt Branch Global Note will be made to the DTC or its nominee, as the case may be, as registered holder of the Exempt Branch Global Note. Interest payments on Exempt Branch Global Notes denominated in United States dollars will be made by cheque dated the date interest is payable and delivered to the DTC or its nominee, as the case may be, two Business Days before the date interest is payable. Payments of interest may also be made by electronic funds transfer upon written notice to the Fiscal and Paying Agent at least ten Business Days prior to the next interest payment date. Principal payments on Exempt Branch Global Notes will be made in the Specified Currency by check dated the Maturity Date delivered to the DTC or its nominee, as the case may be, at Maturity against receipt of the Exempt Branch Global Note. As long as the DTC or its nominee is the registered owner of a Exempt Branch Global Note, the DTC or its nominee, as the case may be, will be considered the sole owner of the Exempt Branch Global Note for the purposes of receiving payment on such Security and for all other purposes under the Fiscal and Paying Agency Agreement and the Exempt Branch Note.

The Bank expects that the DTC or its nominee, upon receipt of any payment of principal or interest in respect of an Exempt Branch Global Note, will credit DTC Participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Exempt Branch Global Notes as shown on the records of the DTC or its nominee. The Bank also expects that payments of principal and interest by DTC Participants to the owners of beneficial interests in such Exempt Branch Global Note held through such DTC Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such DTC Participants. The responsibility and liability of the Bank and the Fiscal and Paying Agent in respect of Exempt Branch Notes represented by Exempt Branch Global Notes is limited to making payment of any principal and interest due on such Exempt Branch Global Note to the DTC or its nominee.

Interest payments on Notes denominated in a Specified Currency other than Canadian dollars, if any are issued, will be made in the manner set out in the applicable Pricing Supplement and the Note.

Payments of interest on each Certificated Note will be made in such manner as agreed between the Bank and the Trustee in the case of Notes, or the Fiscal and Paying Agent in the case of Exempt Branch Notes, and set out in the applicable Pricing Supplement and Note or U.S. Pricing Supplement and Exempt Branch Note. Payments of principal will be made at the principal office of the Fiscal and Paying Agent in The City of New York with respect to Exempt Branch Notes and at the principal office of the Trustee in Toronto, Ontario with respect to the Notes against surrender of the Exempt Branch Note or the Note, as applicable.

SPECIAL PROVISIONS AND RISK RELATING TO FOREIGN CURRENCY NOTES

General

Unless otherwise specified in the applicable Pricing Supplement, Notes denominated in other than Canadian dollars will not be sold in, or to residents of, the country issuing the Specified Currency in which the particular Notes are denominated. The information set forth in this Prospectus Supplement is directed to prospective purchasers who are Canadian residents and, with respect to Foreign Currency Notes, is by necessity incomplete. The Bank disclaims any responsibility to advise prospective purchasers who are residents of countries other than Canada with respect to any matters that may affect the purchase, holding or receipt of payments of principal of and premium, if any, and interest on the Notes. Such persons should consult their own financial and legal advisors with regard to such matters.

THIS PROSPECTUS SUPPLEMENT DOES NOT DESCRIBE ALL RISKS OF AN INVESTMENT IN FOREIGN CURRENCY NOTES THAT RESULT FROM SUCH NOTES BEING DENOMINATED OR PAYABLE IN SPECIFIED CURRENCY OTHER THAN CANADIAN DOLLARS, EITHER AS SUCH RISK EXISTS AT THE DATE HEREOF OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISK ENTAILED BY AN INVESTMENT IN FOREIGN CURRENCY NOTES. FOREIGN CURRENCY NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR INVESTORS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.

Exchange Rates and Exchange Controls

An investment in Notes denominated in a currency (a "Foreign Currency") other than the currency of the jurisdiction in which a holder resides (a "Domestic Currency") entails significant risks that are not associated with a similar investment by a holder in a debt security denominated in a Domestic Currency. Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the Domestic Currency and the Foreign Currency and the possibility of the imposition or modification of foreign exchange controls by either domestic or foreign governments. Such risks generally depend on events over which the Bank has no control, such as economic and political events and the supply and demand for the relevant currencies. In recent years, rates of exchange between certain world currencies have been highly volatile and such volatility may be expected in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any Note. Depreciation of a Foreign Currency applicable to a particular Note against the Domestic Currency would result in a decrease in the Domestic Currency-

equivalent yield of such Note, in the Domestic Currency-equivalent value of the principal and premium, if any, payable on the Maturity Date of such Note, and, generally, in the Domestic Currency-equivalent market value of such Note.

Governments have imposed from time to time exchange controls and may in the future impose or revise exchange controls at or prior to the date on which any payment of principal of or premium, if any, or interest on a Note denominated in a Foreign Currency is due, which could affect exchange rates as well as the availability of the Foreign Currency on such date. Even if there are no exchange controls, it is possible that the Foreign Currency for any such Note would not be available on the applicable payment date due to other circumstances beyond the control of the Bank. In that event, in the case of Foreign Currency Notes, the Bank will be entitled to make the required payment in respect of such Notes in Canadian or United States dollars, at the Bank's option, on the basis of the Market Exchange Rate (as defined below). In the case of Notes denominated in United States dollars, the Bank will be entitled to make the required payment in respect of such Notes in Canadian dollars on the basis of the Canadian Market Exchange Rate (as defined below). See "Special Provisions and Risk Relating to Foreign Currency Notes – Payment Currency."

Governing Law; Judgments

The Notes will be governed by and construed in accordance with the laws of the Province of Ontario. The Exempt Branch Notes will be governed by and construed in accordance with the laws of the state of New York.

If an action based on the Notes were commenced in a court in Canada, the court would render judgment only in Canadian dollars. It is not clear, however, whether in granting judgment the rate of conversion of a Specified Currency other than Canadian dollars to Canadian dollars would be determined by reference to the date of default, the date judgment is rendered or some other date. In addition, the *Courts of Justice Act* (Ontario) provides that the interest payable before and after judgment may be at a rate other than that agreed to between the parties.

Payment of Principal and Premium, if any, and Interest

The Bank is obligated to make payments of principal of and premium, if any, and interest on Foreign Currency Notes in the applicable Specified Currency (or, if such Specified Currency is not at the time of such payment legal tender for the payment of public and private debts, in such other coin or currency of the country which issued such Specified Currency as at the time of such payment is legal tender for the payment of such debts). Any such amounts paid by the Bank will, unless otherwise specified in the applicable Pricing Supplement, be converted by an exchange rate agent named in the applicable Pricing Supplement (the "Exchange Rate Agent") into Canadian dollars for payment to holders. However, unless otherwise specified in the applicable Pricing Supplement, the holder of a Foreign Currency Note may elect to receive such payments in the applicable Specified Currency as hereinafter described.

Any United States dollar amount to be received by a holder of a Foreign Currency Note will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 A.M., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent) selected by the Exchange Rate Agent and approved by the Bank for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all holders of Foreign Currency Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the holder of such Foreign Currency Note by deductions from such payments. If three such bid quotations are not available, payments will be made in the Specified Currency.

Unless otherwise specified in the applicable Pricing Supplement, a holder of a Foreign Currency Note may elect to receive payment of the principal of and premium, if any, and/or interest on such Note in the Specified Currency by submitting a written request for such payment to the Trustee in the City of Toronto on or prior to the applicable Record Date or at least fifteen calendar days prior to the Maturity Date, as the case may be. Such written request may be mailed or hand delivered or sent by cable, telex or other form of facsimile transmission. A holder of such Foreign Currency Note may elect to receive payment in the applicable Specified Currency for all such

principal, premium, if any, and interest payments and need not file a separate election for such payment. Such election will remain in effect until revoked by written notice to the Trustee but written notice of any such revocation must be received by the Trustee on or prior to the applicable Record Date or at least fifteen calendar days prior to the Maturity Date, as the case may be. Holders of Foreign Currency Notes whose Notes are to be held in the name of a broker or nominee should contact such broker or nominee to determine whether and how an election to receive payments in the applicable Specified Currency may be made.

Payments of interest on Foreign Currency Notes which are to be made in the applicable Specified Currency on an Interest Payment Date (other than the Maturity Date) will be made by cheque mailed to the addresses of the Persons entitled thereto as they appear in the Security Register. Payments of principal of and premium, if any, and interest on Foreign Currency Notes which are to be made in the applicable Specified Currency on the Maturity Date will be made by wire transfer in immediately available funds to an account with a bank designated at least fifteen calendar days prior to the Maturity Date by the applicable holder, provided that such bank has appropriate facilities therefor and that the applicable Note is presented at the principal office in the City of Toronto of the Trustee in time for the Trustee to make such payments in such funds in accordance with its normal procedures.

Unless otherwise specified in the applicable Pricing Supplement, a beneficial owner of a Global Note or Global Notes representing Book-Entry Notes denominated in a Specified Currency other than Canadian dollars which elects to receive payments of principal, premium, if any, and interest in such Specified Currency must notify the CDS Participant through which its interest is held on or prior to the applicable Record Date or at least fifteen calendar days prior to the Maturity Date, as the case may be, of such beneficial owner's election to receive all or a portion of such payment in such Specified Currency. Such CDS Participant must notify the CDS of such election on or prior to the third Business Day after such Record Date or at least ten calendar days prior to the Maturity Date, as the case may be, and the CDS will notify the Trustee of such election on or prior to the fifth Business Day after such Record Date or at least ten calendar days prior to the Maturity Date, as the case may be. If complete instructions are received by the CDS Participant and forwarded by the CDS Participant to the CDS and by the CDS to the Trustee on or prior to such dates, then the beneficial owner will receive payments in such Specified Currency.

Payment Currency

If the applicable Specified Currency is not available for the payment of principal, premium, if any, or interest with respect to a Foreign Currency Note, an Exempt Branch Note denominated in Canadian dollars or a Note denominated in United States dollars due to the imposition of exchange controls or other circumstances beyond the control of the Bank, the Bank will be entitled to satisfy its obligations to the holder of such notes by making such payment in Canadian or United States dollars, at the Bank's option, in the case of a Foreign Currency Note or an Exempt Branch Note denominated in Canadian dollars, and in Canadian dollars, in the case of a Note denominated in United States dollars on the basis of the Market Exchange Rate or the Canadian Market Exchange Rate, as applicable, on the second Business Day prior to such payment or, if such Market Exchange Rate or Canadian Market Exchange is not then available, on the basis of the most recently available Market Exchange Rate or Canadian Market Exchange Rate or as otherwise specified in the applicable Pricing Supplement. With respect to payments made in United States dollars, the "Market Exchange Rate" for a Specified Currency other than United States dollars means the noon dollar buying rate in The City of New York for cable transfers in such Specified Currency as certified for customs purposes by (or if not so certified, as otherwise determined by) the Federal Reserve Bank of New York. With respect to payments made in Canadian dollars, the "Canadian Market Exchange Rate" for a Specified Currency other than Canadian dollars means the noon dollar buying rate announced by the Bank of Canada for such Specified Currency. Any payment made under such circumstances in Canadian dollars where the required payment is in United States dollars, or any payment made under such circumstances in Canadian or United States dollars where the required payment is in a Specified Currency other than Canadian or United States dollars, will not constitute an Event of Default under the Indenture with respect to the Notes.

If payment in respect of a Foreign Currency Note is required to be made in any currency unit and such currency unit is unavailable due to the imposition of exchange controls or other circumstances beyond the Bank's control, then the Bank will be entitled, but not required, to make any payments in respect of such Note in Canadian or United States dollars, at the Bank's option, until such currency unit is again available. The amount of each payment in Canadian or United States dollars shall be computed on the basis of the equivalent of the currency unit in Canadian or United States dollars, as applicable, which shall be determined by the Bank or its agent on the following basis. The component currencies of the currency unit for this purpose (collectively, the "Component Currencies" and

each a “Component Currency”) shall be the currency amounts that were components of the currency unit as of the last day on which the currency unit was used. The equivalent of the currency unit in Canadian or United States dollars shall be calculated by aggregating the Canadian or United States dollar equivalents of the Component Currencies, as applicable. The Canadian or United States dollar equivalent of each of the Component Currencies shall be determined by the Bank or such agent on the basis of the most recently available Market Exchange Rate or Canadian Market Exchange Rate for each such Component Currency, as applicable, or as otherwise specified in the applicable Pricing Supplement.

If the official unit of any Component Currency is altered by way of combination or subdivision, the number of units of the currency as a Component Currency shall be divided or multiplied in the same proportion. If two or more Component Currencies are consolidated into a single currency, the amounts of those currencies as Component Currencies shall be replaced by an amount in such single currency. If any Component Currency is divided into two or more currencies, the amount of the original Component Currency shall be replaced by the amounts of such two or more currencies, the sum of which shall be equal to the amount of the original Component Currency.

All determinations referred to above made by the Bank or its agent (including the Exchange Rate Agent) shall be at its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and binding on the holders of the Foreign Currency Notes.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Except as otherwise specified in the applicable Pricing Supplement, the following summary fairly describes the principal Canadian federal income tax considerations generally applicable to a purchaser of Notes pursuant to the applicable Pricing Supplement who, for purposes of the *Income Tax Act* (Canada) (the “Tax Act”) at all relevant times is a resident of Canada or deemed to be a resident of Canada, deals at arm’s length and is not affiliated with the Bank and holds Notes as capital property (a “holder”). Generally, the Notes will be capital property to a holder provided the holder does not acquire the Notes in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain holders whose Notes would not otherwise qualify as capital property may, in certain circumstances, be entitled to have the Notes and all other “Canadian securities”, as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a purchaser an interest in which is a “tax shelter investment”, as defined in the Tax Act, or to a purchaser who is a “financial institution” for purposes of certain rules applicable to securities held by financial institutions (referred to as the “mark-to-market” rules), as defined in the Tax Act. Such purchasers should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “Regulations”), and the Bank’s Canadian legal advisors’ understanding of the current published administrative and assessing policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and assumes that all Tax Proposals will be enacted in the form proposed. However, no assurances can be given that the Tax Proposals will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative or assessing practice, whether by legislative, regulatory, administrative or judicial action, nor does it take into account provincial, territorial or foreign tax considerations which may differ from those discussed herein. Additional or alternative Canadian federal income tax considerations may be described in the applicable Pricing Supplement. For greater certainty, in the event of any inconsistency, the Canadian federal income tax considerations contained in the applicable Pricing Supplement govern.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder. This summary is not exhaustive of all federal income tax considerations. Accordingly, prospective purchasers of Notes should consult their own tax advisors with respect to their particular circumstances.

Interest on Notes

A holder of a Note that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest or amount that is considered for the purposes of the Tax Act to be interest on the Note that accrued to it to the end of the year or became receivable or was received by it before the end of the year, to the extent that the interest (or amount considered to be interest) was not included in computing its income for a preceding taxation year.

A holder of a Note (other than a holder referred to in the previous paragraph) will be required to include in computing the holder's income for a taxation year any amount received or receivable (depending upon the method regularly followed by the holder in computing profit) by the holder as interest in the year on the Note, to the extent that such amount was not included in computing the holder's income for a preceding taxation year. If such a holder has not otherwise included interest on a Note in computing the holder's income at periodic intervals of not more than one year, such a holder will also be required to include in computing the holder's income, for any taxation year that includes an "anniversary day" (as defined in the Tax Act) of the Note, any interest or amount that is considered for the purposes of the Tax Act to be interest on the Note which accrues to the holder to the end of such day, to the extent that such interest was not otherwise included in computing the holder's income for the year or any preceding taxation year.

In the event the Notes are issued at a discount from their face value, a holder may be required to include an additional amount in computing income either in the taxation years in which such amount accrues or is deemed to accrue in accordance with the interest accrual rules contained in the Tax Act or in the taxation year in which the discount is received or receivable by the holder. Holders should consult their own tax advisors in these circumstances, as the treatment of the discount may vary with the facts and circumstances giving rise to the discount.

Dispositions

On a disposition or deemed disposition of the Note, including a purchase or redemption by the Bank, or a repayment by the Bank upon maturity, a holder will generally be required to include in computing its income for the taxation year in which the disposition occurred the amount of interest (including amounts considered to be interest) that has accrued on the Note to the date of disposition to the extent that such amount has not otherwise been included in computing the holder's income for the year in which the disposition occurred or a preceding taxation year. In addition, any premium paid by the Bank to a holder on the redemption of a Note will be deemed to be received by such holder as interest on the Note and will be required to be included in computing the holder's income, as described above, at the time of the redemption to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption of, the interest that, but for the redemption, would have been paid or payable by the Bank on the Note for a taxation year ending after the redemption and to the extent not otherwise included in computing the holder's income for that taxation year or a previous taxation year.

In general, on a disposition or deemed disposition of Notes, a holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any amount included in the holder's income as interest and any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Notes to the holder immediately before the disposition or deemed disposition. Generally, a holder is required to include in computing its income for a taxation year one-half of the amount of any such capital gain (a "taxable capital gain"). Subject to and in accordance with the provisions of the Tax Act, a holder is required to deduct one-half of the amount of any such capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the holder in the year and allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

Additional Refundable Tax

A holder that is throughout the year a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income including amounts in respect of interest and taxable capital gains.

Currency Conversion

If the Notes are denominated in a currency other than Canadian dollars, all amounts relating to the acquisition, holding or disposition of the Notes must be converted into Canadian dollars based on the prevailing exchange rates at the relevant time. The amount of interest required to be included in the income of, and capital gains or capital losses realized by, a holder may be affected by currency fluctuations.

PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis for sale by the Bank, through the Agents, who will utilize their reasonable best efforts on an agency basis to solicit offers to purchase the Notes at 100% of the principal amount thereof, unless otherwise specified in the applicable Pricing Supplement. If agreed to by the Bank and the Agents, the Agents may purchase the Notes, as principal, from the Bank from time to time, for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by the Agents, or if so specified in the applicable Pricing Supplement, for resale at a fixed public offering price. The rate of commission payable in connection with sales by the Agents of Notes will be as determined by mutual agreement of the Bank and the Agent or Agents, as the case may be.

The Notes have not been, and will not be, registered under the *U.S. Securities Act* and may not be offered, sold, or delivered, directly or indirectly, in the United States of America, its territories, its possessions and other areas subject to its jurisdiction or to, or for the benefit of, a U.S. person (as defined in Regulation S under the *U.S. Securities Act*).

The Bank reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject orders in whole or in part (whether placed directly with the Bank or through the Agents). Each Agent will have the right, in its discretion reasonably exercised, to reject in whole or in part any offer to purchase Notes received by it on an agency basis.

Unless otherwise specified in the applicable Pricing Supplement, payment of the purchase price of Notes will be required to be made in immediately available funds in the applicable Specified Currency in Toronto, Ontario on the date of settlement. See "Description of Notes - General".

Upon issuance, the Notes will not have an established trading market. The Notes will not be listed on any securities exchange. Each of the Agents may from time to time purchase and sell Notes in the secondary market, but no Agent is obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, each of the Agents may make a market in the Notes, but the Agents are not obligated to do so and may discontinue any market-making activity at any time.

Concurrently with the offering of Notes described herein, the Bank may issue other debt securities described in the accompanying Prospectus pursuant to the Indenture.

CERTIFICATE OF BANK OF MONTREAL

Dated: February 13, 2004

The short form prospectus dated February 13, 2004, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement(s) required by the *Bank Act* (Canada) and the regulations thereunder and the securities laws of all provinces and territories of Canada and will not contain any misrepresentation likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) F. ANTHONY COMPER
Chairman and
Chief Executive Officer

(Signed) KAREN E. MAIDMENT
Senior Executive Vice-President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) BRUCE H. MITCHELL
Director

(Signed) J. BLAIR MACAULAY
Director

CERTIFICATE OF THE AGENTS

Dated: February 13, 2004

To the best of our knowledge, information and belief, the short form prospectus dated February 13, 2004, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement(s) as required by the *Bank Act* (Canada) and the regulations thereunder and the securities laws of all provinces and territories of Canada and will not contain any misrepresentation likely to effect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

BMO NESBITT BURNS INC.

By: PETER K. MARCHANT

CIBC WORLD MARKETS INC.

By: DONALD A. FOX

MERRILL LYNCH CANADA INC.

By: ERIC MICHAUD

NATIONAL BANK FINANCIAL INC.

By: IAN D. MCPHERSON

RBC DOMINION SECURITIES INC.

By: BARRY W. NOWOSELSKI

SCOTIA CAPITAL INC.

By: MARY ROBERTSON

TD SECURITIES INC.

By: J. DAVID BEATTIE

DESJARDINS SECURITIES INC.

By: JEAN-PIERRE COLIN

HSBC SECURITIES (CANADA) INC.

By: PATRICK M. NOLAN