

## Covered Bond Swap Confirmation

November 28, 2018

To: HSBC Canadian Covered Bond (Legislative) Guarantor Limited Partnership,  
acting by its managing general partner, HSBC Canadian Covered Bond (Legislative) GP Inc.  
66 Wellington Street West, Suite 5300  
Toronto, Ontario  
Canada M5K 1E6

Attention: Paul Keirstead

Email: paul\_keirstead@hsbc.ca

From: HSBC Bank Canada

### Re: Trade Reference: Covered Bond Transaction - Series CBL1

The purpose of this letter is to confirm the terms and conditions of the transaction entered into between HSBC Bank Canada (“**Party A**”) and HSBC Canadian Covered Bond (Legislative) Guarantor Limited Partnership, acting by its managing general partner, HSBC Canadian Covered Bond (Legislative) GP Inc. (“**Party B**”) on the Trade Date specified below (the “**Transaction**”). This document constitutes a “**Confirmation**” as referred to in the Agreement as specified below. This Transaction constitutes a cross-currency rate swap transaction under the Definitions (as such term is defined below).

This Confirmation evidences a complete binding agreement between you and us as to the terms of the Transaction to which this Confirmation relates. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of November 28, 2018 (identified on page 1 thereof as the “Covered Bonds 2002 Master Agreement (Series CBL1)”), as amended and supplemented from time to time, between you and us (the “**Agreement**”). All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below. In the event of any inconsistency between the provisions of the Agreement and this Confirmation, this Confirmation will prevail for the purpose of this Transaction. The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) (the “**Definitions**”) are incorporated into this Confirmation. In the event of any inconsistency between any of the following, the first listed shall govern (i) this Confirmation; (ii) the Master Definitions and Construction Agreement dated August 10, 2018 as amended by an amending agreement dated as of September 20, 2018 between HSBC Bank Canada, HSBC Canadian Covered Bond (Legislative) Guarantor Limited Partnership, Computershare Trust Company of Canada, 10525910 Canada Inc., HSBC Canadian Covered Bond (Legislative) GP Inc., and PricewaterhouseCoopers LLP and each other Person who may from time to time become a party thereto, (as may be further amended and supplemented from time to time the “**Master Definitions and Construction Agreement**”); (iii) the Trust Deed dated August 10, 2018, as amended as of November 7, 2018 (such trust deed as further amended, restated, supplemented or replaced, the “**Trust Deed**”) made between HSBC Bank Canada, HSBC Canadian Covered Bond (Legislative) Guarantor Limited Partnership and Computershare Trust Company of Canada, and (iv) the Definitions. Capitalized terms used but not defined herein shall have the respective meanings given to them in the Master Definitions and Construction Agreement. For the purposes of the Definitions, references herein to a “Transaction” shall be deemed to be references to a “Swap Transaction”.

The terms of the particular Transaction to which this Confirmation relates are as follows:

- Trade Date: November 20, 2018
- Effective Date: The earlier of (i) the date on which a Contingent Collateral Trigger Event occurs and (ii) the date on which a Covered Bond Swap Activation Event occurs; provided that the Effective Date will be such date on which a Covered Bond Swap Activation Event occurs if (a) Party A is also the lender under the Intercompany Loan Agreement, (b)(i) a Contingent Collateral Trigger Event has occurred in respect of Party A, (ii) a Contingent Collateral Notice is in effect in respect of such Contingent Collateral Trigger Event and (iii) within 10 Business Days of the occurrence of such Contingent Collateral Trigger Event and for so long as a Contingent Collateral Trigger Event continues to exist, Party B has Contingent Collateral in respect of this Agreement, and (c) the Asset Coverage Test or the Amortization Test, as applicable continues to be satisfied.
- Covered Bond Swap Activation Event: The earlier to occur of (a) an Issuer Event of Default and (b) a Guarantor Event of Default, together with the service of a Guarantor Acceleration Notice on the Issuer and on the Guarantor.
- Termination Date: Unless terminated earlier by a Covered Bond Swap Early Termination Event, the earlier of:
- (a) the Final Maturity Date for (or, if earlier, the date of redemption in whole, but not in part, of) the final Tranche of Series CBL1 or, if Party B notifies Party A prior to such Final Maturity Date of its inability to pay in full Guaranteed Amounts corresponding to the Final Redemption Amount for such final Tranche of Series CBL1, the final date on which an amount representing the Final Redemption Amount for such final Tranche of Series CBL1 is paid (but in any event, not later than the Extended Due for Payment Date for such final Tranche of Series CBL1, if any) (the “**Scheduled Termination Date**”); and
  - (b) the date designated therefor by the Bond Trustee and notified to Party A and Party B for purposes of realizing the Security in accordance with the Security Agreement and distributing the proceeds therefrom in accordance with the Post-Enforcement Priority of Payments following the enforcement of the Security pursuant to Condition 7.03, as modified by the Final Terms for Series CBL1.

Currency Swap Transaction Exchange Rate: 1 USD = 1.326 CAD

Business Day: Toronto and New York.

Calculation Period: In respect of Floating Amounts, each Guarantor Calculation Period and in respect of Fixed Amounts, each Swap Provider Calculation Period.

Guarantor Calculation Period: Each period from and including the last Business Day of each month to, but excluding, the last Business Day of the next succeeding month, provided that (a) the first Guarantor Calculation Period begins on, and includes, the Effective Date and (b) the final Guarantor Calculation Period shall end on, but exclude, the Termination Date.

### **Floating Amounts**

Floating Rate Payer: Party B.

Party B Payment Date: Each Guarantor Payment Date, commencing the first such date following the first Calculation Date which occurs after the Effective Date.

Party B Payment Amount: On each Party B Payment Date, Party B will pay in Canadian Dollars to Party A the product of:

- (a) the Party B Notional Amount for the Guarantor Calculation Period ending immediately preceding such Guarantor Payment Date;
- (b) Party B Day Count Fraction; and
- (c) the Party B Floating Rate.

Party B Notional Amount: For each Guarantor Calculation Period, the product of (x) the Party A Currency Amount on the first day of such Guarantor Calculation Period and (y) the Currency Swap Transaction Exchange Rate.

Party B Day Count Fraction: Act/365 (Fixed)

Party B Business Day Convention: Following.

Party B Floating Rate: Party B Floating Rate Option *plus* Party B Base Spread.

Party B Floating Rate Option: CAD-BA-CDOR.

Party B Designated Maturity: 1 month.

Party B Reset Dates: The first day of each Guarantor Calculation Period

Party B Base Spread: ██████ % per annum.

### **Fixed Amounts**

Fixed Rate Payer: Party A.

Party A Currency Amount: In respect of each Swap Provider Calculation Period, an amount in USD equal to the Party A Initial Notional Amount *minus* the aggregate of each Party A Interim Exchange Amount, if applicable, paid on or prior to the first day of such Swap Provider Calculation Period.

Swap Provider Calculation Period: Each period from and including a Swap Provider Payment Date to, but excluding, the next following applicable Swap Provider Payment Date, except that (a) the initial Swap Provider Calculation Period will commence on, and include, the Effective Date and (b) the final Swap Provider Calculation Period will end on, but exclude, the Scheduled Termination Date.

Swap Provider Payment Dates: On or prior to the Final Maturity Date, May 28 and November 28 of each year commencing the first such date after the Effective Date up to and including the Final Maturity Date for Series CBL1, and thereafter, the 28th of each month up to and including the Scheduled Termination Date (which, for greater certainty may be a date other than the 28th of the month).

Party A Initial Notional Amount: USD 750,000,000

Party A Payment Amount: On each Swap Provider Payment Date on or prior to the Final Maturity Date for Series CBL1, Party A will pay to Party B the product of:

- (a) the Party A Currency Amount for the Swap Provider Calculation Period ending on, but excluding, such Swap Provider Payment Date;
- (b) the Party A Fixed Rate Day Count Fraction for the Swap Provider Calculation Period ending on such Swap Provider Payment Date; and
- (c) the Party A Fixed Rate.

On each Swap Provider Payment Date after the Final Maturity Date for Series CBL1, Party A will pay to Party B the product of:

- (a) the Party A Currency Amount for the Swap Provider Calculation Period ending on, but excluding, such Swap Provider Payment Date;
- (b) the Party A Floating Rate Day Count Fraction for the Swap Provider Calculation Period ending on such Swap Provider Payment Date; and
- (c) the Party A Floating Rate;

provided that, if the Independent Financial Adviser or Issuer has determined an Alternative Base Rate and Alternative Screen Page in respect of, and pursuant to the terms and conditions of, CBL1, that Alternative Base Rate and Alternative Screen Page shall apply instead of the Party A Floating Rate Option, and the Independent Financial Adviser or Issuer, as applicable, may also, following consultation with the Calculation Agent, make changes to the Party A Floating Rate Day Count Fraction, the Business Day Convention, the definition of Business Day, the remaining Swap Provider Payment Dates and any method for obtaining the substitute or successor base rate if the Alternative Base Rate or the Alternative Screen Page is unavailable on the relevant Swap Provider Payment Date or otherwise, in each case in order to follow market practice, as well as any other changes (including to the Party A Spread) that the Issuer, following consultation with the Independent Financial Adviser (if appointed), determines in good faith are reasonably necessary to ensure the proper operation of the Alternative Base Rate, as well as the comparability of the Party A Floating Rate determined by reference to the Alternative Base Rate to the Party A Floating Rate determined by reference to Party A Floating Rate Option (the “**Floating Rate Option Calculation Changes**”). Any Floating Rate Option Calculation Changes will apply to the Party A Payment Amount for all future Swap Provider Calculation Periods.

Party A Fixed Rate:	3.300% per annum.
Party A Fixed Rate Day Count Fraction:	30/360
Party A Floating Rate:	The greater of (a) Party A Floating Rate Option plus Party A Spread and (b) zero.
Party A Floating Rate Option:	USD-LIBOR-BBA
Designated Maturity:	1 month
Party A Spread:	0.4513% per annum

Party A Reset Dates: The first day of each applicable Swap Provider Calculation Period.

Party A Floating Rate Day Count Fraction: Actual/360

Party A Business Day Convention: On or prior to the Final Maturity Date, Following, provided that no adjustment will be made to the end date in respect of a Swap Provider Calculation Period even if such end date occurs on a day that is not a Business Day, and after the Final Maturity Date, Modified Following.

### **Interim Exchanges**

Interim Exchange Date: If (a) an Extended Due for Payment Date is specified as applicable in the Final Terms for Series CBL1, and (b) Party B has notified Party A that the payment of any or all of the Final Redemption Amount for such Series shall be deferred until the Extended Due for Payment Date pursuant to Condition 6.01, as modified by the Final Terms, for such Series, then each Interest Payment Date for such Series falling after the Final Maturity Date up to (and including) the relevant Extended Due for Payment Date for which Party B has provided at least three Business Days' prior notice of the related Party B Interim Exchange Amount.

Party A Interim Exchange Amount: With respect to an Interim Exchange Date, the amount in USD notified by Party B to Party A as being the portion of the Final Redemption Amount for Series CBL1 that Party B shall pay pursuant to Condition 6.01, as modified by the Final Terms, for such Series.

Party B Interim Exchange Amount: With respect to an Interim Exchange Date, the Party A Interim Exchange Amount for such Interim Exchange Date converted into Canadian Dollars at the Currency Swap Transaction Exchange Rate.

### **Final Exchanges**

Final Exchange Date: If Party B is required to pay an Early Redemption Amount for Series CBL1 on any day pursuant to Condition 7.02, as modified by the Final Terms, for Series CBL1 and provides at least three Business Days' prior notice thereof to Party A, then the day so specified in such notice.

Party A Final Exchange Amount: The amount in USD notified by Party B to Party A as being the Early Redemption Amount for Series CBL1 plus accrued but unpaid interest and any other amount due under such Series CBL1 (other than additional amounts payable under Condition 8, as modified by the Final Terms, for Series CBL1) that Party B shall pay pursuant to Condition 7.02, as

modified by the Final Terms, for Series CBL1.

Party B Final Exchange Amount: The Party A Final Exchange Amount converted into Canadian Dollars at the Currency Swap Transaction Exchange Rate.

**Other Provisions**

Calculation Agent: Party A.

**Account Details**

Account for payments to Party A in CAD:

Bank: HSBC Bank Canada  
885 West Georgia Street  
Vancouver, British Columbia  
Canada V6C 3E9  
As per standard settlement instruction, or as otherwise advised separately.

Account for payments to Party B in USD

To be advised by Party B.

**Contact Details for notices**

**Party A** As set out in Part 4 of the Agreement.

**Party B** As set out in Part 4 of the Agreement.

**Confirmation**

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us. We are delighted to have executed this Transaction with you and look forward to working with you again.

Time of trading is available upon request.

Yours sincerely,

**HSBC BANK CANADA**

By:                   “Gerhardt J. Samwell”  
Name: Gerhardt J. Samwell  
Title: Authorized Signatory

By:                   “Derek C. Lee”  
Name: Derek C. Lee  
Title: Authorized Signatory

Confirmed as of the date first written above:

**HSBC CANADIAN COVERED BOND (LEGISLATIVE) GUARANTOR LIMITED  
PARTNERSHIP,**

acting by its managing general partner, HSBC Canadian Covered Bond (Legislative) GP Inc.

By:                   “Paul Keirstead”  
Name: Paul Keirstead  
Title: Authorized Signatory

By:                   “Blake Hinton”  
Name: Blake Hinton  
Title: Authorized Signatory