

2nd SUPPLEMENTARY PROSPECTUS DATED 28 FEBRUARY 2022



HSBC BANK CANADA

(a Canadian chartered bank)

CAD 10,000,000,000

Legislative Global Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments by

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

(a limited partnership formed under the laws of Ontario)

This Supplement (the “**Supplement**”) has been prepared in connection with the base prospectus dated 6 October 2021, as supplemented by the first supplementary prospectus dated 1 November 2021 (together, the “**Base Prospectus**”) in relation to the CAD 10,000,000,000 Legislative Global Covered Bond Programme (the “**Programme**”) of HSBC Bank Canada (the “**Bank**” or the “**Issuer**”), unconditionally and irrevocably guaranteed as to payments by HSBC Canadian Covered Bond (Legislative) Guarantor Limited Partnership (the “**Guarantor**”). The Base Prospectus comprises a base prospectus under Article 8 of Regulation (EU) 2017/1129 (as amended), as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended) (the “**UK Prospectus Regulation**”). This Supplement constitutes a supplementary prospectus in respect of the Base Prospectus for the purposes of Article 23 of the UK Prospectus Regulation.

Terms defined in the Base Prospectus have the same meaning when used in this Supplement. The Supplement is supplemental to, and shall be read in conjunction with the Base Prospectus. This Supplement has been approved by the United Kingdom Financial Conduct Authority (the “**FCA**”), as competent authority under the UK Prospectus Regulation, as a supplement to the Base Prospectus.

The Bank and the Guarantor accept responsibility for the information in this Supplement. To the best of the knowledge of the Bank and the Guarantor, the information contained in this Supplement is in accordance with the facts and the Supplement contains no omission likely to affect its import.

THE COVERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY CANADA MORTGAGE AND HOUSING CORPORATION (“**CMHC**”) NOR HAS CMHC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS SUPPLEMENT. THE COVERED BONDS ARE NOT INSURED OR GUARANTEED BY CMHC OR THE GOVERNMENT OF CANADA OR ANY OTHER AGENCY THEREOF.

The purpose of this Supplement is to:

- (I) incorporate by reference in the Base Prospectus (i) the Bank’s latest audited consolidated annual financial results (including management’s discussion and analysis thereof) and (ii) the Bank’s monthly investor report for the months of October 2021, November 2021, December 2021 and January 2022, in each case, containing information on the Covered Bond Portfolio;
- (II) update the no significant change statement and the no material adverse change statement in the section of the Base Prospectus entitled “*General Information*”; and

(III) amend the section of the Base Prospectus entitled “*Risk Factors*”.

Save as disclosed in this Supplement, no significant new factor, material mistake or material inaccuracy relating to the information included in the Base Prospectus which may affect the assessment of Covered Bonds issued under the Programme has arisen or been noted, as the case may be, since the publication of the first supplementary prospectus dated 1 November 2021.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

By virtue of this Supplement the Base Prospectus shall be supplemented as follows:

I. DOCUMENTS INCORPORATED BY REFERENCE

- (a) the following sections of the Bank’s Annual Report and Accounts for the year ended [31 December 2021](#) (the “**2021 Annual Report**”):
- i. Management’s Discussion and Analysis of the Bank for the fiscal year ended 31 December 2021 on pages 13 through 69 of the 2021 Annual Report;
 - ii. A discussion of the economic review and outlook for 2021 on pages 31 through 32 of the 2021 Annual Report;
 - iii. An overview on business segments on pages 25 through 29 of the 2021 Annual Report;
 - iv. A discussion of off-balance sheet arrangements on page 34 through 35 of the 2021 Annual Report;
 - v. A discussion of critical accounting estimates and judgments on page 33 through 34 of the 2021 Annual Report;
 - vi. Information concerning risk management on pages 36 through 68 of the 2021 Annual Report;
 - vii. A description of the Bank’s capital management on pages 59 through 60 of the 2021 Annual Report;
 - viii. Information concerning principal subsidiaries on page 102 of the 2021 Annual Report;
 - ix. The Bank’s audited consolidated financial statements for the years ended 31 December 2021 and 2020, together with the notes thereto and the independent auditor’s report thereon dated 18 February 2022 on pages 70 through 112 of the 2021 Annual Report;
- the remainder of the 2021 Annual Report is not relevant for prospective investors or is covered elsewhere in the Base Prospectus and is not incorporated by reference;
- (b) the Bank’s monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on [29 October 2021](#) (the “**October 2021 Investor Report**”), which is incorporated by reference in its entirety; and
- (c) the Bank’s monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on [30 November 2021](#) (the “**November 2021 Investor Report**”), which is incorporated by reference in its entirety; and
- (d) the Bank’s monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on [31 December 2021](#) (the “**December 2021 Investor Report**”), which is incorporated by reference in its entirety; and
- (e) the Bank’s monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling [31 January 2022](#) (the “**January 2022 Investor Report**” and together with the October 2021 Investor Report, November 2021 Investor Report and December 2021 Investor Report, the “**Investor Reports**”), which is incorporated by reference in its entirety.

II. GENERAL INFORMATION

- (a) Paragraph 4 of the section entitled “*General Information*” of the Base Prospectus is deleted and replaced with the following:

“There has been no significant change in the financial performance or financial position of the Issuer and its consolidated subsidiaries, including the Guarantor, taken as a whole since 31 December 2021, the last day of the financial period in respect of which the most recent annual audited consolidated financial statements of the Issuer have been prepared.”

- (b) Paragraph 5 of the section entitled “*General Information*” of the Base Prospectus is deleted and replaced with the following:

“There has been no material adverse change in the prospects of the Issuer and its consolidated subsidiaries, including the Guarantor, taken as a whole since 31 December 2021, the last day of the financial period in respect of which the most recent annual audited consolidated financial statements of the Issuer have been prepared.”

III. RISK FACTORS

The risk factor entitled “*COVID-19 may impact the Issuer’s results and earnings and could result in losses on the Covered Bonds*” on pages 29 to 32 of the Base Prospectus is deleted in its entirety and replaced with the following:

“COVID-19 may impact the Issuer’s results and earnings and could result in losses on the Covered Bonds

In Canada, there have been varying levels of government imposed restrictions on mobility, business activities and social interactions since the onset of the pandemic in March 2020. At times these have had a significant impact on economic activity. In December 2021, with the emergence of the highly contagious variant, Omicron, restrictions were re-introduced as cases began to increase significantly in Canada. The situation remains fluid.

Should the COVID-19 outbreak continue to cause disruption to economic activities globally through 2022, there could be adverse impacts on the Issuer’s assets in Canada. There could be further impacts on the Issuer’s income due to lower lending and transaction volumes. The COVID-19 pandemic may result in higher than expected credit losses driven by a change in the economic scenarios used to calculate such expected losses, realisation periods and other estimates such as the value of collateral. Both expected and actual realised credit losses may be impacted by a number of factors such as changes in rate of unemployment, the value of collateral, and the liquidity of markets. The outbreak has led to a weakening in gross domestic product, and, as the economy continues to recover, the uncertainty brought on by the pandemic continues to disrupt global economic activities.

Moreover, the Issuer has financial instruments which are carried at fair value, and such fair values may be impacted by the market volatility resulting from the COVID-19 outbreak. This could result in greater volatility in the fair values of such instruments, including higher potential for negative changes in fair value. Financial instrument assets recorded at fair value may also be directly or indirectly impacted by changes in credit worthiness of the counterparties.

Other potential risks include credit rating migration which could negatively impact the Issuer’s risk-weighted assets and capital position, and potential liquidity stress due, among other factors, to increased customer drawdowns, notwithstanding the significant initiatives that governments and central banks have put in place to support funding and liquidity. Implementation of additional measures taken in response to the COVID-19 outbreak may create restrictions in relation to capital. These may limit the Issuer’s flexibility in managing the business and taking action in relation to capital distribution and capital allocation. Further, a substantial amount of the Issuer’s business involves making loans to borrowers and the COVID-19 pandemic’s impact on such borrowers has had and could continue to have a material adverse effect on the Issuer’s financial results, businesses, financial condition or liquidity and the ability of borrowers of underlying mortgage loans in the Portfolio Assets to pay their loans. Moreover, stress levels ultimately experienced by the Issuer’s borrowers

may be different from and more intense than assumptions made in earlier estimates or models used by the Issuer during or prior to the emergence of the pandemic and, to the extent that the Issuer is unable to meet its obligations on the Covered Bonds, any such increased stress on the borrowers of underlying mortgage loans in the Portfolio Assets may have an adverse effect on the Covered Bond Portfolio. To the extent the COVID-19 pandemic adversely affects the Issuer's business, results of operations and financial condition, it may also have the effect of increasing the significance of many of the other risks described in this "Risk Factors" section.

At the start of the pandemic, the Issuer initiated measures to support its personal and business customers through this disruption, including payment holidays, the waiving of certain fees and charges, mortgage payment deferral, and additional lending (some of which were fully or partially backed by the Government of Canada and the Bank of Canada) for individuals and businesses facing market uncertainty and supply chain disruption. The impacts of these schemes on the Issuer's customers and, therefore, the impact on the Issuer have been minimal. It is, however, unclear as to when and if such measures will need to be re-introduced if global infection rates rise and corresponding measures change, and how implementation of any new measure will affect the Issuer or its customers. In current economic conditions due to COVID-19, it is possible that the Issuer, at its discretion, independently or as part of a government initiative or program, may take additional or further actions to assist borrowers affected by these challenging times. Covered Bondholders could be impacted by such potential actions.

There remain significant uncertainties in assessing the duration of the COVID-19 outbreak and its impact. Any and all such events mentioned above (including, without limitation, a prolonged period of significantly reduced economic activity as a result of the impact of the outbreak) could have a material adverse effect on the Issuer's business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings, as well as on the Issuer's customers, employees and suppliers.

Further discussions on the impact of COVID-19 on the Issuer, its customers and suppliers can be found in the section entitled "Impact of COVID-19 and our response" on page 16 of the Issuer's 2021 Annual Report incorporated herein by reference."

A copy of each of the 2021 Annual Report and the Investor Reports has been submitted to the National Storage Mechanism (operated by United Kingdom Financial Conduct Authority) and they are available for viewing at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

To the extent that any document or information incorporated by reference in this Supplement, itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Supplement for the purposes of the UK Prospectus Regulation, except where such information or documents are stated within this Supplement as specifically being incorporated by reference or where this Supplement is specifically defined as including such information.

Copies of this Supplement, the Base Prospectus and all documents incorporated by reference in either can be (i) viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> under the name "HSBC Bank Canada" and the headline "Publication of a Supplementary Prospectus" (ii) viewed on the Bank's website at <https://www.about.hsbc.ca/hsbc-in-canada/legislative-covered-bond-programme> and (iii) inspected during usual business hours on any week day (Saturdays, Sundays and holidays excepted) at the head office of the Bank and at the office of the Issuing and Paying Agent located at the address specified at the end of the Base Prospectus. No website referred to herein nor any information contained thereon, forms part of this Supplement, nor have the contents of any such website been approved by or submitted to the FCA, unless, in each case, such website or information is expressly incorporated by reference in this Supplement.