

3rd SUPPLEMENTARY PROSPECTUS DATED 3 MAY 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, and as further supplemented by the second supplementary prospectus dated 28 February 2022 (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 2021 annual information form (ii) the Bank’s latest unaudited interim financial results (including management’s discussion and analysis thereof) and (iii) the Bank’s monthly investor report for the months of February 2022 and March 2022 containing information on the Covered Bond Portfolio;
- (II) update the no significant 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 second supplementary prospectus dated 28 February 2022.

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

The following documents are, by virtue of this Supplement, incorporated in, and form part of, the Base Prospectus:

- (a) the Bank’s Annual Information Form dated 25 April 2022 (the “**2021 Annual Information Form**”);
- (b) the following sections of the Bank’s First Quarter 2022 Interim Report for the quarter ended 31 March 2022 (the “**First Quarter 2022 Report**”):
 - (i) Management’s Discussion and Analysis of the Bank for the three months ended 31 March 2022 on pages 3 through 35 of the First Quarter 2022 Report; and
 - (ii) the Bank’s unaudited interim condensed consolidated financial statements for the three months ended 31 March 2022 with comparative financial information for the three months ended 31 March 2021, together with the notes thereto;

the remainder of the First Quarter 2022 Report is either not relevant for prospective investors or is covered elsewhere in the Base Prospectus and is not incorporated by reference;

- (c) the Bank’s monthly (unaudited) Investor Report containing information on the Covered Bond Portfolio as at the Calculation Date falling on 28 February 2022 (the “**February 2022 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 March 2022 (the “**March 2022 Investor Report**” and together with the February 2022 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 March 2022, the last day of the financial period in respect of which the most recent interim unaudited published consolidated financial statements of the Issuer have been prepared.”

III. RISK FACTORS

The risk factor entitled “*Impact of Regulatory Guidelines on Residential Mortgage Underwriting Practices and Procedures*” on pages 68 to 69 of the Base Prospectus is deleted in its entirety and replaced with the following:

“Impact of Regulatory Guidelines on Residential Mortgage Underwriting Practices and Procedures

Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures (“**Guideline B-20**”), published by OSFI in June 2012 as amended in November 2014, July 2017 and revised in October 2017, sets out OSFI’s expectations for prudent residential mortgage underwriting by federally-regulated financial institutions, which includes the Issuer. Guideline B-20 provides that where a federally-regulated financial institution acquires a residential mortgage loan that has been originated by a third party, such federally-regulated financial institution should ensure that the underwriting standards of that third party are consistent with those set out in the residential mortgage underwriting policy of the federally-regulated financial institution and compliant with Guideline B-20. OSFI indicates in Guideline B-20 that it expects federally-regulated financial institutions, such as the Issuer in its role as the Seller, to limit the non-amortizing home equity line of credit (“**HELOC**”) component of a residential mortgage to a maximum authorized loan-to-value ratio of less than or equal to 65 percent. See the section entitled “*Loan Origination and Lending Criteria*” on pages 139 to 141 of this Base Prospectus for further details regarding the loan-to-value ratio requirements as related to the Covered Bond Portfolio. Guideline B-20 does not apply to any Loans that are HELOCs which were existing and in force prior to the implementation of Guideline B-20.

Loans that may be sold to the Guarantor in the future may have characteristics differing from current Loans generated under prior Guideline B-20 requirements, including in respect of loss experience, delinquencies, revenue experience and monthly payment rates. Compliance with Guideline B-20 requirements from time to time may impact the Seller’s ability to generate new Loans, including HELOCs for sale to the Guarantor under the Programme at the same rate as the Seller originated previously.

To the extent that the Guarantor proposes to sell mortgage loans to a third party or the Bond Trustee enforces security it has on the assets of the Guarantor, including the Covered Bond Portfolio, the Guarantor or the Bond Trustee, as applicable, may be limited in its ability to sell such assets to a federally-regulated financial institution if such purchaser determines that the sale would not be in compliance with Guideline B-20. OSFI published the final version of the Guideline B-20 on 17 October 2017, which went into effect on 1 January 2018.

On 1 January 2018, OSFI implemented changes to clarify or strengthen expectations in a number of specific areas, including:

- Requiring a qualifying stress test for all uninsured mortgages;
- Requiring the LTV measurements remain dynamic and adjust for local market conditions where they are used as a risk control, such as for qualifying borrowers; and
- Expressly prohibiting co-lending measurements that are designed, or appear to be designed to circumvent regulatory requirements.

Additionally, as of 1 June 2021, OFSI has increased the minimum qualifying rate for uninsured mortgages.”

A copy of each of the 2021 Annual Information Form, First Quarter 2022 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.