

ISDA[®]

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

Interest Rate 2002 Master Agreement

dated as of April 21, 2021

between

Royal Bank of Canada
("Party A")

and

LBC Covered Bond (Legislative)
Guarantor Limited Partnership
("Party B")

This Annex supplements, forms part of, and is subject to, the ISDA Master Agreement referred to above and is part of its Schedule. For the purposes of this Agreement, including, without limitation, Sections 1(c), 2(a), 5 and 6, the credit support arrangements set out in this Annex constitute a Transaction (for which this Annex constitutes the Confirmation).

Paragraph 1. Interpretation

Capitalised terms not otherwise defined in this Annex or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 10, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 11 and the other

provisions of this Annex, Paragraph 11 will prevail. For the avoidance of doubt, references to "transfer" in this Annex mean, in relation to cash, payment and, in relation to other assets, delivery.

Paragraph 2. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 3 and 4, upon a demand made by the Transferee on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Transferor's Minimum Transfer Amount, then the Transferor will transfer to the Transferee Eligible Credit Support having a Value as of the date of transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 11(b)(iii)(D)). Unless otherwise specified in Paragraph 11(b), the "Delivery Amount" applicable to the Transferor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date).

(b) **Return Amount.** Subject to Paragraphs 3 and 4, upon a demand made by the Transferor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Transferee's Minimum Transfer Amount, then the Transferee will transfer to the Transferor Equivalent Credit Support specified by the Transferor in that demand having a Value as of the date of transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 11(b)(iii)(D)) and the Credit Support Balance will, upon such transfer, be reduced accordingly. Unless otherwise specified in Paragraph 11(b), the "Return Amount" applicable to the Transferee for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date)

exceeds

(ii) the Credit Support Amount.

Paragraph 3. Transfers, Calculations and Exchanges

(a) **Transfers.** All transfers under this Annex of any Eligible Credit Support, Equivalent Credit Support, Interest Amount or Equivalent Distributions shall be made in accordance with the instructions of the Transferee or Transferor, as applicable, and shall be made:

(i) in the case of cash, by transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities which cannot or which the parties have agreed will not be delivered by book-entry, by delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, transfer tax stamps and any other documents necessary to constitute a legally valid transfer of the transferring party's legal and beneficial title to the recipient; and

(iii) in the case of securities which the parties have agreed will be delivered by book-entry, by the giving of written instructions (including, for the avoidance of doubt, instructions given by telex, facsimile transmission or electronic messaging system) to the relevant depository institution or other entity specified by the recipient, together with a written copy of the instructions to the recipient, sufficient, if complied with, to result in a legally effective transfer of the transferring party's legal and beneficial title to the recipient.

Subject to Paragraph 4 and unless otherwise specified, if a demand for the transfer of Eligible Credit Support or Equivalent Credit Support is received by the Notification Time, then the relevant transfer will be made not later than the close of business on the Settlement Day relating to the date such demand is received; if a demand is received after the Notification Time, then the relevant transfer will be made not later than the close of business on the Settlement Day relating to the day after the date such demand is received.

(b) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 2 and 4(a) will be made by the relevant Valuation Agent as of the relevant Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or, in the case of Paragraph 4(a), following the date of calculation).

(c) **Exchanges.**

(i) Unless otherwise specified in Paragraph 11, the Transferor may on any Local Business Day by notice inform the Transferee that it wishes to transfer to the Transferee Eligible Credit Support specified in that notice (the "New Credit Support") in exchange for certain Eligible Credit Support (the "Original Credit Support") specified in that notice comprised in the Transferor's Credit Support Balance.

(ii) If the Transferee notifies the Transferor that it has consented to the proposed exchange, (A) the Transferor will be obliged to transfer the New Credit Support to the Transferee on the first Settlement Day following the date on which it receives notice (which may be oral telephonic notice) from the Transferee of its consent and (B) the Transferee will be obliged to transfer to the Transferor Equivalent Credit Support in respect of the Original Credit Support not later than the Settlement Day following the date on which the Transferee receives the New Credit Support, unless otherwise specified in Paragraph 11(d) (the "Exchange Date"); *provided* that the Transferee will only be obliged to transfer Equivalent Credit Support with a Value as of the date of transfer as close as practicable to, but in any event not more than, the Value of the New Credit Support as of that date.

Paragraph 4. Dispute Resolution

(a) ***Disputed Calculations or Valuations.*** If a party (a "Disputing Party") reasonably disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any transfer of Eligible Credit Support or Equivalent Credit Support, then:

(1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following, in the case of (I) above, the date that the demand is received under Paragraph 2 or, in the case of (II) above, the date of transfer;

(2) in the case of (I) above, the appropriate party will transfer the undisputed amount to the other party not later than the close of business on the Settlement Day following the date that the demand is received under Paragraph 2;

(3) the parties will consult with each other in an attempt to resolve the dispute; and

(4) if they fail to resolve the dispute by the Resolution Time, then:

(i) in the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 11(e), the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilising any calculations of that part of the Exposure attributable to the Transactions that the parties have agreed are not in dispute;

(B) calculating that part of the Exposure attributable to the Transactions in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction, then fewer than four quotations may be used for that Transaction, and if no quotations are available for a particular Transaction, then the Valuation Agent's original calculations will be used for the Transaction; and

(C) utilising the procedures specified in Paragraph 11(e)(ii) for calculating the Value, if disputed, of the outstanding Credit Support Balance;

(ii) in the case of a dispute involving the Value of any transfer of Eligible Credit Support or Equivalent Credit Support, the Valuation Agent will recalculate the Value as of the date of transfer pursuant to Paragraph 11(e)(ii).

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) as soon as possible but in any event not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following such notice given by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraph 3(a), make the appropriate transfer.

(b) **No Event of Default.** The failure by a party to make a transfer of any amount which is the subject of a dispute to which Paragraph 4(a) applies will not constitute an Event of Default for as long as the procedures set out in this Paragraph 4 are being carried out. For the avoidance of doubt, upon completion of those procedures, Section 5(a)(i) of this Agreement will apply to any failure by a party to make a transfer required under the final sentence of Paragraph 4(a) on the relevant due date.

Paragraph 5. Transfer of Title, No Security Interest, Distributions and Interest Amount

(a) **Transfer of Title.** Each party agrees that all right, title and interest in and to any Eligible Credit Support, Equivalent Credit Support, Equivalent Distributions or Interest Amount which it transfers to the other party under the terms of this Annex shall vest in the recipient free and clear of any liens, claims, charges or encumbrances or any other interest of the transferring party or of any third person (other than a lien routinely imposed on all securities in a relevant clearance system).

(b) **No Security Interest.** Nothing in this Annex is intended to create or does create in favour of either party any mortgage, charge, lien, pledge, encumbrance or other security interest in any cash or other property transferred by one party to the other party under the terms of this Annex.

(c) **Distributions and Interest Amount.**

(i) **Distributions.** The Transferee will transfer to the Transferor not later than the Settlement Day following each Distributions Date cash, securities or other property of the same type, nominal value, description and amount as the relevant Distributions ("Equivalent Distributions") to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed a Valuation Date for this purpose).

(ii) **Interest Amount.** Unless otherwise specified in Paragraph 11(f)(iii), the Transferee will transfer to the Transferor at the times specified in Paragraph 11(f)(ii) the relevant Interest Amount to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed a Valuation Date for this purpose).

Paragraph 6. Default

If an Early Termination Date is designated or deemed to occur as a result of an Event of Default in relation to a party, an amount equal to the Value of the Credit Support Balance, determined as though the Early Termination Date were a Valuation Date, will be deemed to be an Unpaid Amount due to the Transferor (which may or may not be the Defaulting Party) for purposes of Section 6(e). For the avoidance of doubt, if Market Quotation is the applicable payment measure for purposes of Section 6(e), then the Market Quotation determined under Section 6(e) in relation to the Transaction constituted by this Annex will be deemed to be zero, and, if Loss is the applicable payment measure for purposes of Section 6(e), then the Loss determined under Section 6(e) in relation to the Transaction will be limited to the Unpaid Amount representing the Value of the Credit Support Balance.

Paragraph 7. Representation

Each party represents to the other party (which representation will be deemed to be repeated as of each date on which it transfers Eligible Credit Support, Equivalent Credit Support or Equivalent Distributions) that it is the sole owner of or otherwise has the right to transfer all Eligible Credit Support, Equivalent Credit Support or Equivalent Distributions it transfers to the other party under this Annex, free and clear of any security interest, lien, encumbrance or other restriction (other than a lien routinely imposed on all securities in a relevant clearance system).

Paragraph 8. Expenses

Each party will pay its own costs and expenses (including any stamp, transfer or similar transaction tax or duty payable on any transfer it is required to make under this Annex) in connection with performing its obligations under this Annex, and neither party will be liable for any such costs and expenses incurred by the other party.

Paragraph 9. Miscellaneous

(a) ***Default Interest.*** Other than in the case of an amount which is the subject of a dispute under Paragraph 4(a), if a Transferee fails to make, when due, any transfer of Equivalent Credit Support, Equivalent Distributions or the Interest Amount, it will be obliged to pay the Transferor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value on the relevant Valuation Date of the items of property that were required to be transferred, from (and including) the date that the Equivalent Credit Support, Equivalent Distributions or Interest Amount were required to be transferred to (but excluding) the date of transfer of the Equivalent Credit Support, Equivalent Distributions or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) ***Good Faith and Commercially Reasonable Manner.*** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(c) ***Demands and Notices.*** All demands and notices given by a party under this Annex will be given as specified in Section 12 of this Agreement.

(d) ***Specifications of Certain Matters.*** Anything referred to in this Annex as being specified in Paragraph 11 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

Paragraph 10. Definitions

As used in this Annex:

"Base Currency" means the currency specified as such in Paragraph 11(a)(i).

"Base Currency Equivalent" means, with respect to an amount on a Valuation Date, in the case of an amount denominated in the Base Currency, such Base Currency amount and, in the case of an amount denominated in a currency other than the Base Currency (the "Other Currency"), the amount of Base Currency required to purchase such amount of the Other Currency at the spot exchange rate determined by the Valuation Agent for value on such Valuation Date.

"Credit Support Amount" means, with respect to a Transferor on a Valuation Date, (i) the Transferee's Exposure plus (ii) all Independent Amounts applicable to the Transferor, if any, minus (iii) all Independent Amounts applicable to the Transferee, if any, minus (iv) the Transferor's Threshold; *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

"Credit Support Balance" means, with respect to a Transferor on a Valuation Date, the aggregate of all Eligible Credit Support that has been transferred to or received by the Transferee under this Annex, together with any Distributions and all proceeds of any such Eligible Credit Support or Distributions, as reduced pursuant to Paragraph 2(b), 3(c)(ii) or 6. Any Equivalent Distributions or Interest Amount (or portion of either) not transferred pursuant to Paragraph 5(c)(i) or (ii) will form part of the Credit Support Balance.

"Delivery Amount" has the meaning specified in Paragraph 2(a).

"Disputing Party" has the meaning specified in Paragraph 4.

"Distributions" means, with respect to any Eligible Credit Support comprised in the Credit Support Balance consisting of securities, all principal, interest and other payments and distributions of cash or other property to which a holder of securities of the same type, nominal value, description and amount as such Eligible Credit Support would be entitled from time to time.

"Distributions Date" means, with respect to any Eligible Credit Support comprised in the Credit Support Balance other than cash, each date on which a holder of such Eligible Credit Support is entitled to receive Distributions or, if that date is not a Local Business Day, the next following Local Business Day.

"Eligible Credit Support" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 11(b)(ii) including, in relation to any securities, if applicable, the proceeds of any redemption in whole or in part of such securities by the relevant issuer.

"Eligible Currency" means each currency specified as such in Paragraph 11(a)(ii), if such currency is freely available.

"Equivalent Credit Support" means, in relation to any Eligible Credit Support comprised in the Credit Support Balance, Eligible Credit Support of the same type, nominal value, description and amount as that Eligible Credit Support.

"Equivalent Distributions" has the meaning specified in Paragraph 5(c)(i).

"Exchange Date" has the meaning specified in Paragraph 11(d).

"Exposure" means, with respect to a party on a Valuation Date and subject to Paragraph 4 in the case of a dispute, the amount, if any, that would be payable to that party by the other party (expressed as a positive number) or by that party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(1) of this Agreement if all Transactions (other than the Transaction constituted by this Annex) were being terminated as of the relevant Valuation Time, on the basis that (i) that party is not the Affected Party and (ii) the Base Currency is the Termination Currency; *provided* that Market Quotations will be determined by the Valuation Agent on behalf of that party using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"Independent Amount" means, with respect to a party, the Base Currency Equivalent of the amount specified as such for that party in Paragraph 11 (b)(iii)(A); if no amount is specified, zero.

"Interest Amount" means, with respect to an Interest Period, the aggregate sum of the Base Currency Equivalents of the amounts of interest determined for each relevant currency and calculated for each day in that Interest Period on the principal amount of the portion of the Credit Support Balance comprised of cash in such currency, determined by the Valuation Agent for each such day as follows:

- (x) the amount of cash in such currency on that day; multiplied by
- (y) the relevant Interest Rate in effect for that day; divided by
- (z) 360 (or, in the case of pounds sterling, 365).

"Interest Period" means the period from (and including) the last Local Business Day on which an Interest Amount was transferred (or, if no Interest Amount has yet been transferred, the Local Business Day on which Eligible Credit Support or Equivalent Credit Support in the form of cash was transferred to or received by the Transferee) to (but excluding) the Local Business Day on which the current Interest Amount is transferred.

"Interest Rate" means, with respect to an Eligible Currency, the rate specified in Paragraph 11(f)(i) for that currency.

"Local Business Day", unless otherwise specified in Paragraph 11(h), means:

- (i) in relation to a transfer of cash or other property (other than securities) under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment;
- (ii) in relation to a transfer of securities under this Annex, a day on which the clearance system agreed between the parties for delivery of the securities is open for the acceptance and execution of settlement instructions or, if delivery of the securities is contemplated by other means, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place(s) agreed between the parties for this purpose;

(iii) in relation to a valuation under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of location of the Valuation Agent and in the place(s) agreed between the parties for this purpose; and

(iv) in relation to any notice or other communication under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place specified in the address for notice most recently provided by the recipient.

"Minimum Transfer Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 11(b)(iii)(C); if no amount is specified, zero.

"New Credit Support" has the meaning specified in Paragraph 3(c)(i).

"Notification Time" has the meaning specified in Paragraph 11(c)(iv).

"Recalculation Date" means the Valuation Date that gives rise to the dispute under Paragraph 4; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 2 prior to the resolution of the dispute, then the **"Recalculation Date"** means the most recent Valuation Date under Paragraph 2.

"Resolution Time" has the meaning specified in Paragraph 11(e)(i).

"Return Amount" has the meaning specified in Paragraph 2(b).

"Settlement Day" means, in relation to a date, (i) with respect to a transfer of cash or other property (other than securities), the next Local Business Day and (ii) with respect to a transfer of securities, the first Local Business Day after such date on which settlement of a trade in the relevant securities, if effected on such date, would have been settled in accordance with customary practice when settling through the clearance system agreed between the parties for delivery of such securities or, otherwise, on the market in which such securities are principally traded (or, in either case, if there is no such customary practice, on the first Local Business Day after such date on which it is reasonably practicable to deliver such securities).

"Threshold" means, with respect to a party, the Base Currency Equivalent of the amount specified as such for that party in Paragraph 11(b)(iii)(B); if no amount is specified, zero.

"Transferee" means, in relation to each Valuation Date, the party in respect of which Exposure is a positive number and, in relation to a Credit Support Balance, the party which, subject to this Annex, owes such Credit Support Balance or, as the case may be, the Value of such Credit Support Balance to the other party.

"Transferor" means, in relation to a Transferee, the other party.

"Valuation Agent" has the meaning specified in Paragraph 11(c)(i).

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 11(c)(ii).

"Valuation Percentage" means, for any item of Eligible Credit Support, the percentage specified in Paragraph 11(b)(ii).

"Valuation Time" has the meaning specified in Paragraph 11(c)(iii).

"Value" means, for any Valuation Date or other date for which Value is calculated, and subject to Paragraph 4 in the case of a dispute, with respect to:

- (i) Eligible Credit Support comprised in a Credit Support Balance that is:
 - (A) an amount of cash, the Base Currency Equivalent of such amount multiplied by the applicable Valuation Percentage, if any; and
 - (B) a security, the Base Currency Equivalent of the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any; and
- (ii) items that are comprised in a Credit Support Balance and are not Eligible Credit Support, zero.

Paragraph 11. Elections and Variables

- (a) Base Currency and Eligible Currency.
 - (i) “Base Currency” means CAD.
 - (ii) “Eligible Currency” means the Base Currency and each other currency specified here: US Dollars.
- (b) Credit Support Obligations.
 - (i) **Delivery Amount, Return Amount and Credit Support Amount.**
 - (A) “**Delivery Amount**”: Paragraph 2(a) shall apply, except that the words, “upon a demand made by the Transferee” shall be deleted and the word “that” on the second line of Paragraph 2(a) shall be replaced with the word “a”.
 - (B) “**Return Amount**” has the meaning as specified in Paragraph **Error! Reference source not found.**
 - (C) “**Credit Support Amount**” has the meaning specified under the relevant definition of Rating Agency Requirements in paragraph 11(h)(vi) below. In circumstances where more than one of the Rating Agency Requirements apply to Party A, the Credit Support Amount shall be calculated by reference to the Rating Agency Requirement which would result in Party A transferring the greatest amount of Eligible Credit Support. Under no circumstances will Party A be required to transfer more Eligible Credit Support than the greatest amount calculated in accordance with the Rating Agency Requirement set out below.
 - (ii) **Eligible Credit Support.** The following items will qualify as “Eligible Credit Support” for Party A:

	Credit Support Type	Valuation Percentages in respect of Fitch	Valuation Percentages in respect of DBRS
(A)	Cash in the Base Currency	100%	100%
(B)	Negotiable debt obligations denominated in an Eligible Currency issued by the U.S. Treasury Department, the Government of Canada; or any Province of Canada (in each case, with local and foreign currency issuer ratings equal to or greater than AA- or F1+ by Fitch and AA(low) by DBRS) having a remaining time to maturity of:	In relation to residual maturity as set out in the corresponding order under Credit Support Type:	In relation to residual maturity as set out in the corresponding order under Credit Support Type:

	Credit Support Type	Valuation Percentages in respect of Fitch		Valuation Percentages in respect of DBRS	
		Highest Covered Bond Rated AA- or higher	Highest Covered Bond Rated A+ or below	Initial Rating Event	Subsequent Rating Event (assuming Covered Bonds are rated AA(low)(sf) or higher by DBRS)
(i)	not more than one year;	97.5% if credit support is in the Base Currency otherwise 83.9%	98% if credit support is in the Base Currency, otherwise, 88.7%	99.7% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS	99.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS
(ii)	more than one year but not more than 2 years;	96% if credit support is in the Base Currency otherwise 82.6%	97% if credit support is in the Base Currency, otherwise, 87.8%	99.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS	98.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS
(iii)	more than 2 years but not more than 3 years	96% if credit support is in the Base Currency otherwise 82.6%	97% if credit support is in the Base Currency, otherwise, 87.8%	99.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS	98.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS
(iv)	more than 3 years but not more than 5 years;	93.5% if credit support is in the Base Currency otherwise 80.4%	94.5% if credit support is in the Base Currency, otherwise, 85.5%	98.5% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS	96.5% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS
(v)	more than 5 years but not more than 7 years;	93% if credit support is in the Base Currency, otherwise 80%	94% if credit support is in the Base Currency, otherwise, 85.1%	98.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS	95.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS

	Credit Support Type	Valuation Percentages in respect of Fitch		Valuation Percentages in respect of DBRS	
(vi)	more than 7 years but not more than 10 years;	91.0% if credit support is in the Base Currency otherwise 78.3%	92.5% if credit support is in the Base Currency, otherwise, 83.7%	97.5% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS	93.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS
(vii)	more than 10 years but less than 20 years	80% if credit support is in the Base Currency otherwise 68.8%	87% if credit support is in the Base Currency, otherwise, 78.7%	97.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS	90.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS
(viii)	more than 20 years but less than 30 years	80% if credit support is in the Base Currency otherwise 68.8%	87% if credit support is in the Base Currency, otherwise, 78.7%	96.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS	86.0% if credit support is in the Base Currency, otherwise as agreed between Party A and DBRS
(C)	Subject to satisfaction of the Rating Agency Condition, such other items as agreed between Party A and Party B, from time to time, which Party B can lawfully receive from, and transfer back to, Party A as required, that will qualify as Eligible Credit Support	To be agreed between Party A and Fitch		To be agreed between Party A and DBRS	

In order to ensure that the amount of cash held by Party B on any day, including the amount of cash transferred to Party B hereunder, does not in the aggregate exceed Party B's Prescribed Cash Limitation, upon providing notice to Party A, Party B shall exchange all or a portion of cash originally transferred as Eligible Credit Support hereunder (such amount of cash to be exchanged, the "**Original Cash Amount**") for non-cash Eligible Credit Support having a Value at least equal to the Original Cash Amount.

For the avoidance of doubt, where negotiable debt obligations are rated by only one of the above relevant rating agencies, the rating applied will be based on the rating of that agency.

Where the ratings and/or the Valuation Percentages of the relevant rating agencies differ with respect to the same negotiable debt obligation, the lower of the ratings and/or the Valuation Percentages, as the case maybe, shall apply.

For the purpose of this Annex, references to the “relevant rating agency” shall mean the rating agency whose Ratings Agency Requirement will be used to determine the amount of Eligible Credit Support that Party A is required to transfer to Party B following a credit ratings downgrade of Party A by that Rating Agency.

(iii) **Thresholds.**

(A) “**Independent Amount**” means, for Party A and Party B, with respect to each Transaction, zero.

(B) “**Threshold**” means, for Party A:

Infinity, unless (A) (i) an Initial Rating Event AND (ii) Party A has not otherwise complied with Part 5(j)(i) of the Agreement, OR (B) (i) a Subsequent Rating Event has occurred AND (ii) Party A has not otherwise complied with Part 5(j)(ii) of the Agreement, then its Threshold shall be zero.

“**Threshold**” means, for Party B: Infinity.

(C) “**Minimum Transfer Amount**” means, with respect to Party A and Party B, CAD 50,000; provided, that if (1) an Event of Default has occurred and is continuing with respect to Party A, or (2) an Additional Termination Event has occurred in respect of which Party A is an Affected Party, the Minimum Transfer Amount with respect to such party shall be zero.

(D) “**Rounding**” The Delivery Amount and the Return Amount will be rounded up and down to the nearest integral multiple of CAD 10,000 respectively, subject to the maximum Return Amount being equal to the Credit Support Balance.

(c) Valuation and Timing.

(i) “**Valuation Agent**” means the Transferee.

(ii) “**Valuation Date**” means each Local Business Day in Toronto.

(iii) “**Valuation Time**” means 5:00 p.m. Toronto time on the Local Business Day immediately preceding the Valuation Date or date of calculation, as applicable; provided that the calculations of Value and Exposure will be made at approximately the same time on the same date.

(iv) “**Notification Time**” means by 1:00 p.m., Toronto time, on a Local Business Day.

(d) Exchange Date. “Exchange Date” has the meaning specified in paragraph 3(c)(ii).

(e) Dispute Resolution.

(i) “**Resolution Time**” means 1:00 p.m., Toronto time, on the Local Business Day following the date on which notice is given that gives rise to a dispute under Paragraph 4.

(ii) “**Value**”. For the purpose of Paragraph 4(a)(4)(i)(C) and 4(a)(4)(ii), the Value of the outstanding Credit Support Balance or of any transfer of Eligible Credit Support or Equivalent Credit Support, as the case may be, will be calculated as follows:

(A) with respect to any Eligible Credit Support or Equivalent Credit Support comprising securities (“**Securities**”) the Base Currency Equivalent of the sum of (a)(x) the last bid price on such date for such Securities on the principal national securities exchange on

which such Securities are listed, multiplied by the applicable Valuation Percentage; or (y) where any Securities are not listed on a national securities exchange, the bid price for such Securities quoted as at the close of business on such date by any principal market maker (which shall not be and shall be independent from the Valuation Agent) for such Securities chosen by the Valuation Agent, multiplied by the applicable Valuation Percentage; or (z) if no such bid price is listed or quoted for such date, the last bid price listed or quoted (as the case may be), as of the day next preceding such date on which such prices were available, multiplied by the applicable Valuation Percentage; plus (b) the accrued interest where applicable on such Securities (except to the extent that such interest shall have been paid to the Transferor pursuant to Paragraph 5(c)(ii) or included in the applicable price referred to in subparagraph (a) above) as of such date;

- (B) with respect to any Cash, the Base Currency Equivalent of the amount thereof; and
- (C) with respect to any Eligible Credit Support or Equivalent Credit Support other than Securities and Cash, the Base Currency Equivalent of the fair market value thereof on such date, as determined in any reasonable manner chosen by the Valuation Agent, multiplied by the applicable Valuation Percentage.

(iii) **“Alternative”**. The provisions of Paragraph 4 will apply.

(f) Distribution and Interest Amount.

(i) **“Interest Rate”**. The “Interest Rate” means, in relation to each Eligible Currency and in respect of an Interest Period, the rate of interest earned (if such rate of interest is positive) or paid (if such rate of interest is negative) by the Transferee for such Interest Period on the principal amount of the portion of the Credit Support Balance comprised of cash in such currency.

(ii) **“Transfer of Interest Amount”**. The transfer of the Interest Amount will be made on the Guarantor Payment Date following the end of each calendar month to the extent that Party B has earned and received such amount of interest (or paid such amount of interest, as applicable) and that a Delivery Amount would not be created or increased by that transfer, and on any other Local Business Day on which Equivalent Credit Support is transferred to the Transferor pursuant to Paragraph **Error! Reference source not found.**, provided that Party B shall only be obliged to transfer any Interest Amount to Party A to the extent that it has received such amount.

(iii) **“Alternative to Interest Amount”**. The provisions of Paragraph 5(c)(ii) shall be deleted and replaced with the following:

“Unless otherwise specified in Paragraph 11(f)(iii),

(x) if the Interest Rate for an Interest Period is a positive number, the Transferee will transfer to the Transferor at the times specified in Paragraph 11(f)(ii) such positive Interest Amount to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed a Valuation Date for this purpose); and

(y) if the Interest Rate for an Interest Period is a negative number, the Transferor will transfer to the Transferee at the times specified in Paragraph 11(f)(ii) the absolute value of such negative Interest Amount, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). If the absolute value of such negative Interest Amount, or a portion thereof, is not transferred pursuant to this subsection (y) of this Paragraph will constitute a reduction of the Transferor's Credit Support Balance in the form of such cash.”

- (iv) **“Interest Amount”**. The definition of **“Interest Amount”** shall be deleted and replaced with the following:

“Interest Amount” means, with respect to an Interest Period and each portion of the Credit Support Balance comprised of cash in an Eligible Currency, (x) if the Interest Rate for such Interest Period is positive, any amount of interest received (net of any deduction or withholding for or on account of any tax) by the Transferee during such Interest Period, and (y) if the Interest Rate for such Interest Period is negative, any amount of interest paid by the Transferee during such Interest Period, in each case, on the principal amount of such portion of the Credit Support Balance comprised of cash.

- (g) Addresses for Transfers.

Party A:

USD Cash



CAD Cash

To be advised.

Party B:

To be advised.

- (h) Other Provisions.

(i) ***Transfer Timing.***

- (A) The final paragraph of Paragraph 3(a) shall be deleted and replaced with the following:

“Subject to Paragraph 4, and unless otherwise specified, any transfer of Eligible Credit Support or Equivalent Credit Support (whether by the Transferor pursuant to Paragraph 2(a) or by the Transferee pursuant to Paragraph 2(b)) shall be made not later than the close of business on the Settlement Day.”

- (B) The definition of Settlement Day shall be deleted and replaced with the following:

“Settlement Day” means the next Local Business Day after the Demand Date”.

- (C) For the purposes of this Paragraph 11(h)(i):

“Demand Date” means, with respect to a transfer by a party:

- (i) in the case of a transfer pursuant to Paragraph 2, Paragraph 3 or Paragraph 4(a)(2), the relevant Valuation Date. For the avoidance of doubt, for the purposes of Paragraph 2 and Paragraph 4(a)(2), the Transferor will be deemed to receive notice of the demand by the Transferee to make a transfer of Eligible Credit Support; and
- (ii) in the case of a transfer pursuant to Paragraph 3(c)(ii)(A), the date on which the Transferee has given its consent to the proposed exchange.

For the avoidance of doubt, on each Demand Date the Transferor shall deliver to the Transferee and the Trustee a statement showing the amount of Eligible Credit Support to be delivered.

(ii) **Early Termination.**

The heading for Paragraph 6 shall be deleted and replaced with “Early Termination” and the following shall be added after the word “Default” in the first line of Paragraph 6, “or a Termination Event in relation to all (but not less than all) Transactions”. The words “or an Affected Party” shall be added after the word “Party” in the fourth line of Paragraph 6.

(iii) **Costs of Transfer on Exchange.**

Notwithstanding Paragraph 8, the Transferor will be responsible for, and will reimburse the Transferee for, all transfer and other taxes and other costs involved in the transfer of Eligible Credit Support either from the Transferor to the Transferee or from the Transferee to the Transferor hereto.

(iv) **Cumulative Rights.**

The rights, powers and remedies of the Transferee under this Annex shall be in addition to all rights, powers and remedies given to the Transferee by the Agreement or by virtue of any statute or rule of law, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing the rights of the Transferee in the Credit Support Balance created pursuant to this Annex.

(v) **Single Transferor and Single Transferee.**

Party A and Party B agree that, notwithstanding anything to the contrary in this Annex, (including, without limitation, the recital hereto, Paragraph 2 or the definitions in Paragraph 10), (a) the term “Transferee” as used in this Annex means only Party B; (b) the term “Transferor” as used in this Annex means only Party A; (c) only Party A will be required to make transfers of Eligible Credit Support under Paragraph 2(a); and (d) in the calculation of any Credit Support Amount, where the Transferee’s Exposure would be expressed as a negative number, such Exposure shall be deemed to be zero.

(vi) **Rating Agency Requirements.**

“Rating Agency Requirements” means the Fitch Requirements and the DBRS Requirements, as defined below.

(i) **Fitch Requirements.**

“Credit Support Amount” shall mean, with respect to a Transferor on the Valuation Date:

- (i) if the Fitch LT Rating and the Fitch ST Rating of Party A or its Credit Support Provider are below the Minimum Fitch Rating (as defined in Part 5(h) of the Schedule to the Agreement) but the Fitch ST Rating of Party A or its Credit Support Provider is at least as high as “F2” (or its equivalent) or the Fitch LT Rating of Party A or its Credit Support Provider is at least as high as “BBB+” (or its equivalent) by Fitch, the result of the following formula:

max [0; MV plus (Liquidity Adjustment multiplied by VC multiplied by 60% multiplied by N)] minus the Threshold for Party A; and

- (ii) if the Fitch LT Rating of Party A or its Credit Support Provider ceases to be at least as high as “BBB+” (or its equivalent) and the Fitch ST Rating of Party A or its Credit Support Provider ceases to be at least as high as “F2” (or its equivalent), the result of the following formula:

max [0; MV plus (Liquidity Adjustment multiplied by VC multiplied by N)] minus the Threshold for Party A;

where:

“**BLA**” means basic liquidity adjustment which is 0% or 25% as determined by Fitch in accordance with the Fitch Criteria;

“**Liquidity Adjustment**” means (1 + BLA) multiplied by (1 plus max (0%; 5% multiplied by (WAL - 20)));

“**max**” means maximum;

“**MV**” means the Transferee’s Exposure;

“**VC**” means the applicable volatility cushion at that time as determined by reference to percentages set out in the relevant table under the section headed "Volatility Cushions" in the Fitch Criteria;

“**N**” means the sum of the Transaction Notional Amount(s) for each outstanding Transaction under this Agreement (other than the Transaction constituted by this Annex) at that time. Where the Transaction Notional Amounts differ for each of the legs of a Transaction, the higher of the Transaction Notional Amounts is expected to be used; and

“**WAL**” means the weighted average life of the Transaction determined in the manner described in "Volatility Cushions" appearing in the Fitch Criteria;

“**Fitch Criteria**” means the criteria used by Fitch as set out in the reports by Fitch Ratings dated January 29, 2020 and headed “Structured Finance and Covered Bonds Counterparty Rating Criteria” and “Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum”, each as amended and supplemented from time to time.

(ii) DBRS Requirements

“**Credit Support Amount**” shall mean, on any day after an Initial Rating Event with respect to DBRS has occurred but before a Subsequent Rating Event with respect to DBRS has occurred, (A) the greater of (x) the Transferee’s Exposure plus the product of the Notional Amount, determined on such Valuation Date, of the Transaction and the respective derivative volatility cushion below, and (y) 0 minus (B) the Threshold for Party A.

For Single-Currency Interest Rate Swap Transactions:

Weighted Average Life of Transaction in Years	Derivative Volatility Cushion (Initial Rating Event Trigger)
1 or less	0.25%
3 or less but more than 1	0.50%
5 or less but more than 3	1.00%
7 or less but more than 5	1.50%
10 or less but more than 7	2.50%
20 or less but more than 10	3.50%
more than 20	4.00%

For Cross-Currency Swap Transactions:

Weighted Average Life of Transaction in Years	Derivative Volatility Cushion (Initial Rating Event Trigger)
1 or less	2.00%
3 or less but more than 1	2.50%
5 or less but more than 3	2.75%
7 or less but more than 5	3.00%
10 or less but more than 7	3.50%
20 or less but more than 10	4.25%
more than 20	5.00%

and on any day after a Subsequent Rating Event with respect to DBRS has occurred, (A) the greatest of (x) the Base Currency Equivalent of the payment due to be made by Party A under Section 2(a) (after taking account of any applicable netting under Section 2(c)) on the next scheduled Payment Date under the Transaction, (y) the Transferee's Exposure plus the product of the Notional Amount, determined on such Valuation Date, of the Transaction and the respective derivative volatility cushion below, and (z) 0, minus (B) the Threshold of Party A.

For Single-Currency Interest Rate Swap Transactions:

Weighted Average Life of Transaction in Years	Derivative Volatility Cushion (Subsequent Rating Event Trigger)
1 or less	0.75%
3 or less but more than 1	1.25%
5 or less but more than 3	2.00%
7 or less but more than 5	3.00%
10 or less but more than 7	5.00%
20 or less but more than 10	7.00%
more than 20	9.00%

For Cross-Currency Swap Transactions:

Weighted Average Life of Transaction in Years	Derivative Volatility Cushion (Subsequent Rating Event Trigger)
1 or less	7.00%
3 or less but more than 1	7.50%
5 or less but more than 3	8.00%
7 or less but more than 5	9.00%
10 or less but more than 7	10.00%
20 or less but more than 10	12.00%

Where more than one Transaction is outstanding under this Agreement, to the extent that termination payments are expected to be netted, the applicable formula set out above will be applied after summing the Transferee's Exposure and product of the Notional Amount and the applicable volatility cushion of each individual Transaction.

(vii) ***Calculations.***

Paragraph 3(b) of this Annex shall be amended by inserting the words "and shall provide each party (or the other party, if the Valuation Agent is a party) with a description in reasonable detail of how such calculations were made, upon request" after the word "calculations" in the third line thereof.

(viii) ***Demands and Notices.***

All demands, specifications and notices under this Annex will be made pursuant to Section 12 of this Agreement.

(ix) ***Exposure.***

For the purpose of calculating "Exposure" in Paragraph 10 of the Annex, the Valuation Agent shall, unless otherwise agreed in writing by the Rating Agencies, seek two quotations from Reference Market-makers; provided that if two Reference Market-makers are not available to provide a quotation, then fewer than two Reference Market-makers may be used for such purpose, and if no Reference Market-makers are available, then the Valuation Agent's estimates at mid-market will be used. Where more than one quotation is obtained, the quotation representing the greatest amount of Exposure shall be used by the Valuation Agent.

(x) ***Definitions.***

As used in this Annex, the following terms shall mean:

"**Cross Currency Swap**" means any cross currency swap rate transaction between Party A and Party B entered into pursuant to the Agreement as evidenced by a Confirmation;

"**DBRS**" means DBRS Limited and includes any successors;

"**Fitch**" means Fitch Ratings Inc. and includes any successors thereto;

"**Interest Rate Swap**" means any interest rate swap transaction entered into pursuant to the Agreement between Party A and Party B as evidenced by a Confirmation;

"**Local Business Day**" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in Toronto and Montreal.

"**Rating Agencies**" means Fitch and DBRS;

"**Transaction**" means a Transaction entered into pursuant to this Agreement; and

"**Transaction Notional Amount**" means in respect of a Valuation Date, the Currency Amount applicable to Party A in respect of a Cross-Currency Swap Transaction, or in respect of an Interest Rate Swap Transaction, the Notional Amount of such Interest Rate Swap Transaction, each as at such Valuation Date.

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Royal Bank of Canada

LBC Covered Bond (Legislative) Guarantor Limited
Partnership, acting by its managing general partner,
LBC Covered Bond (Legislative) GP Inc.

(Name of Party)

(Name of Party)

By: (signed) Steven T. Naftzger

Name: Steven T. Naftzger
Title: Authorized Signatory
Date: April 21, 2021

By: (signed) Sivan Fox

Name: Sivan Fox
Title: Director
Date: April 21, 2021

By: (signed) Emmanuela Fleurandin

Name: Emmanuela Fleurandin
Title: Secretary
Date: April 21, 2021