



**HSBC SFH (France)**  
*(duly licensed French credit institution)*  
**€ 8,000,000,000 COVERED BOND PROGRAMME**  
*for the issue of Obligations de Financement de l'Habitat*

Under the Covered Bond Programme described in this Base Prospectus (the "**Programme**"), HSBC SFH (France) (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue covered bonds (*obligations de financement de l'habitat*) to be governed either by French law or German law, as specified in the relevant Final Terms (as defined below) (respectively, the "**French law Covered Bonds**" and the "**German law Covered Bonds**" and together, the "**Covered Bonds**"). The Issuer is licensed as a *société de financement de l'habitat* ("**SFH**") by the *Autorité de contrôle prudentiel* (the "**ACP**"). All Covered Bonds will benefit from the statutory *privilège* over all the assets and revenues of the Issuer created by Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Privilège**"), as more fully described herein.

The aggregate nominal amount of the Covered Bonds outstanding will not at any time exceed € 8,000,000,000 (or its equivalent in other currencies) at the date of issue.

This Base Prospectus supersedes and replaces the Base Prospectus dated 16 June 2011 and any supplement thereto.

Application will be made in certain circumstances for Covered Bonds (except the German law Covered Bonds) to be issued under the Programme to be listed and admitted to trading on Euronext Paris and/or any other regulated market situated in a Member State of the European Economic Area ("**EEA**") as defined in the Directive 2004/39/EC on financial instruments markets (each such market being a "**Regulated Market**"). The Covered Bonds (except the German law Covered Bonds) issued under the Programme may also be unlisted or listed and admitted to trading on any other stock exchange, including any other Regulated Market in any Member State of the EEA. The relevant final terms (a form of which is contained herein) in respect of the issue of any French law Covered Bonds (the "**Final Terms**") will specify whether or not such Covered Bonds will be listed and admitted to trading on any stock exchange and, if so, the relevant market. The German law Covered Bonds will not be admitted to trading nor listed on any stock exchange. This Base Prospectus has been submitted to the *Autorité des marchés financiers* ("**AMF**") which has granted visa no. 12-192 to it on 4 May 2012.

Covered Bonds will be issued on a continuous basis in series (each a "**Series**") having one or more issue dates and (except in respect of the first payment of interest) on terms otherwise identical, the Covered Bonds of each Series being intended to be interchangeable with all other Covered Bonds of that Series. Each Series may be issued in tranches (each a "**Tranche**") on different issue dates. The specific terms of each Series (which will be supplemented where necessary with supplemental terms and conditions) will be set forth in the Final Terms. French law Covered Bonds may be issued either in dematerialised form ("**Dematerialised Covered Bonds**") or in materialised form ("**Materialised Covered Bonds**") as more fully described herein.

Dematerialised Covered Bonds will at all times be in book entry form in compliance with Articles L.211-3 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). No physical documents of title will be issued in respect of the Dematerialised Covered Bonds.

Dematerialised Covered Bonds may, at the option of the Issuer, be (i) in bearer form (*au porteur*) inscribed as from the issue date in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the French law Covered Bonds - Form, Denomination, Title and Redenomination") including Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), or (ii) in registered form (*au nominatif*) and, in such a latter case, at the option of the relevant Bondholder (as defined in "Terms and Conditions of the French law Covered Bonds - Form, Denomination, Title and Redenomination"), in either fully registered form (*au nominatif pur*), in which case they will be inscribed in an account maintained by the Issuer or by a registration agent (appointed in the relevant Final Terms) for the Issuer, or in administered registered form (*au nominatif administré*) in which case they will be inscribed in the accounts of the Account Holders designated by the relevant Bondholder.

Materialised Covered Bonds will be in bearer materialised form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached, (a "**Temporary Global Certificate**") will initially be issued in relation to Materialised Covered Bonds. Such Temporary Global Certificate will subsequently be exchanged for definitive Materialised Covered Bonds with, where applicable, coupons for interest or talons attached (the "**Definitive Materialised Covered Bonds**"), on or after the fortieth (40<sup>th</sup>) day after the issue date of the Covered Bonds (subject to postponement as described in "**Temporary Global Certificate in respect of Materialised Covered Bonds**") upon certification as to non-U.S. beneficial ownership as more fully described herein. Temporary Global Certificates will (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depository for Euroclear and Clearstream, Luxembourg, and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg or delivered outside a clearing system, be deposited as agreed between the Issuer and the Relevant Dealer(s) (as defined below).

Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody's Investors Service Ltd ("**Moody's**") and AAA by Standard & Poor's Credit Market Services France S.A.S. ("**S&P**", and together with Moody's, the "**Rating Agencies**"). Each of the Rating Agencies is established in the European Union, registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**") and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website ([www.esma.europa.eu](http://www.esma.europa.eu)) in accordance with CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

See "**Risk Factors**" below for certain information relevant to an investment in the Covered Bonds to be issued under the Programme.

ARRANGER  
HSBC

PERMANENT DEALER  
HSBC

This Base Prospectus (together with all supplements thereto from time to time), constitutes a base prospectus for the purposes of Article 5.4 of the Directive 2003/71/EC of the European Parliament and of the Council dated 4 November 2003 as amended (in particular by Directive 2010/73/EU dated 24 November 2010 to the extent implemented in any relevant Member State) (the "Prospectus Directive") and contains or incorporates by reference all relevant information concerning the Issuer which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, as well as the base terms and conditions of the Covered Bonds (except the German law Covered Bonds) to be issued under the Programme. The terms and conditions applicable to each Tranche not contained or incorporated by reference herein (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the relevant Final Terms.

This Base Prospectus is to be read and construed in conjunction with any supplement that may be published from time to time and with all documents and/or information incorporated herein by reference (see "Documents incorporated by Reference" below) as well as, in relation to any Tranche of Covered Bonds, with the relevant Final Terms.

This Base Prospectus (together with all supplements thereto from time to time) may only be used for the purposes for which it has been published.

To the best of the Issuer's knowledge (having taken all reasonable care to ensure that such is the case), the information relating to the Issuer contained or incorporated by reference in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

To the best of HSBC France's knowledge (having taken all reasonable care to ensure that such is the case), the information relating to HSBC France, the HSBC entities and the Home Loans contained or incorporated by reference in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Arranger and the Dealers have not separately verified the information contained or incorporated by reference in this Base Prospectus. Neither the Arranger nor the Dealers make any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other information supplied in connection with the Programme (including any information incorporated by reference) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme should purchase the Covered Bonds. Each prospective investor in the Covered Bonds should determine for itself the relevance of the information contained or incorporated by reference in this Base Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. Neither the Arranger nor the Dealers undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or prospective investor in the Covered Bonds of any information that may come to the attention of the Dealers or the Arranger.

No person is or has been authorised to give any information or to make any representation other than those contained or incorporated by reference in this Base Prospectus in connection with the issue or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or the Dealers (as defined in "General Description of the Programme"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of Covered Bonds in certain jurisdictions may be restricted by law. The Issuer, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers which is intended to permit a public offering of any Covered Bonds or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bond may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any

applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States of America, Japan and the European Economic Area (including France, Germany, Italy, the Netherlands and the United Kingdom).

The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act ("Regulation S"). The Covered Bonds may include Materialised Covered Bonds in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Covered Bonds may not be offered or sold or, in the case of Materialised Covered Bonds in bearer form, delivered within the United States or, in the case of certain Materialised Covered Bonds in bearer form, to, or for the account or benefit of, United States persons as defined in the U.S. Internal Revenue Code of 1986, as amended. The Covered Bonds are being offered and sold outside the United States of America to non-U.S. persons in reliance on Regulation S.

For a description of these and certain further restrictions on offers, sales and transfers of Covered Bonds and on distribution of this Base Prospectus, see "Subscription and Sale".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Covered Bonds.

In connection with the issue of any Tranche, the Dealer(s) (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the relevant Tranche and sixty (60) days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

Prospective purchasers of Covered Bonds should ensure that they understand the nature of the relevant Covered Bonds and the extent of their exposure to risks and that they consider the suitability of the relevant Covered Bonds as an investment in the light of their own circumstances and financial condition. Covered Bonds involve a high degree of risk and potential investors should be prepared to sustain a total loss of the purchase price of their Covered Bonds. For more information, see "Risk Factors".

None of the Arranger, the Dealers or the Issuer makes any representation to any prospective investor on the Covered Bonds regarding the legality of its investment under any applicable laws. Any prospective investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "Euro", "euro" or "EUR" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam, references to "£", "pounds sterling" and "Sterling" are to the lawful currency of the United Kingdom, references to "\$", "USD" and "US Dollar" are to the lawful currency of the United States of America, references to "¥", "JPY" and "Yen" are to the lawful currency of Japan and references to "CHF" and "Swiss Francs" are to the lawful currency of Switzerland. In this Base Prospectus, any references to "euro equivalent" means the euro equivalent amount of the relevant amount denominated in the Specified Currency (as defined in Section "Terms and Conditions of the French law Covered Bonds"), provided that, if the Issuer and the Borrower have entered into any Hedging Side Agreement (as defined in section "Hedging Strategy") which specifies a foreign exchange rate, the "euro equivalent" shall be calculated using such foreign exchange rate.

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**PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE BASE PROSPECTUS****In the name of the Issuer**

To the best of my knowledge (having taken all reasonable care to ensure that such is the case), I represent that the information contained or incorporated by reference in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The financial statements incorporated by reference in the Base Prospectus have been subject to reports from statutory auditors. The statutory auditors' report with respect to the financial statements for the year ended 31 December 2010 contains an observation.

Paris, 4 May 2012

**HSBC SFH (France)**

15, rue Vernet  
75008 Paris  
France

Represented by: Hervé Akoun  
*Directeur Général*



In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the *Règlement général* of the *Autorité des marchés financiers* (AMF), in particular Articles 212-31 to 212-33, the AMF has granted to this Base Prospectus its visa n°12-192 on 4 May 2012. This document may be used for the purposes of a financial transaction only if it is supplemented by final terms. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and understandable, and whether the information it contains is consistent". It does not imply that the AMF has verified the accounting and financial data set out herein. This visa has been granted subject to the publication of final terms in accordance with Article 212-32 of the AMF's *Règlement général*, setting out the terms and conditions of the securities to be issued.

## GENERAL DESCRIPTION OF THE PROGRAMME

*This section highlights information contained elsewhere in this Base Prospectus. Words and expressions defined in the section entitled "Terms and Conditions of the French law Covered Bonds" below shall have the same meanings in this general description. The expression "Covered Bonds" includes the German law Covered Bonds to the extent permitted by the terms and conditions applicable thereto.*

### 1. THE COVERED BONDS PROGRAMME

**Issuer:** HSBC SFH (France) (formerly known as HSBC Covered Bonds (France)), a limited liability company (*société anonyme*) incorporated under French law and a duly licensed as a French credit institution (*établissement de crédit*) with the status of *société de financement de l'habitat* (SFH) delivered by the *Autorité de contrôle prudentiel* (ACP), on 28 March 2011.

**Arranger:** HSBC France

**Dealers:** HSBC France

The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one (1) or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealer**" are to the person listed above as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to the Permanent Dealer and all persons appointed as a dealer in respect of one (1) or more Tranches.

At the date of this Base Prospectus, only credit institutions and investment firms incorporated in a Member State of the European Union ("EU") and which are authorised by the relevant authority of such member home state to lead-manage bond issues in such Member State may act (a) as Dealers with respect to non-syndicated issues of Covered Bonds denominated in Euro and (b) as lead manager of issues of Covered Bonds denominated in Euro issued on a syndicated basis.

**The Programme:** Under the Programme, the Issuer may, from time to time, issue Covered Bonds (*obligations de financement de l'habitat*), the principal and interest of which benefit from the *Privilège* created by Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*). See "The Issuer - The SFH Legal Framework".

**Programme Limit:** Up to € 8,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Covered Bonds outstanding at any one (1) time.

**Fiscal Agent, Principal Paying Agent and Calculation Agent in respect of the French law Covered Bonds:**

BNP Paribas Securities Services (affiliated with Euroclear France under number 29106)

**Method of Issue:** The Covered Bonds will be issued outside France and may be distributed on a syndicated or non-syndicated basis. The Covered Bonds will be issued in series (each a "**Series**") having one (1) or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Covered Bonds of each Series being intended to

be interchangeable with all other Covered Bonds of that Series.

## 2. THE COVERED BONDS

<b>Issuable in Series - Tranches:</b>	<p>The Covered Bonds will be issued in Series. Each Series may be issued in Tranches on the same or different issue dates.</p> <p>The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder and supplemented, where necessary, with supplemental terms and conditions which, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the Final Terms of such Tranche.</p>
<b>Maturities:</b>	<p>Subject to compliance with all relevant laws, regulations and directives, the Covered Bonds may have any maturity as specified in the relevant Final Terms (the "<b>Final Maturity Date</b>"), subject to such minimum maturity as may be required by the applicable legal and/or regulatory requirements.</p> <p>Covered Bonds may have extended maturities (allowing the Final Maturity Date of the relevant Series to be extended if the Issuer fails to pay the amount due on the Final Maturity Date), as specified in the Final Terms of the relevant Series.</p> <p>With respect to a Series of Covered Bonds having an extended maturity, an extended final maturity date (the "<b>Extended Final Maturity Date</b>") may be specified as applying in relation to such Series in the applicable Final Terms. In this event, if the Issuer fails to pay the Final Redemption Amount of such Series on the Final Maturity Date, then payment of the unpaid amount will be automatically deferred and shall become due and payable one (1) year later on the Extended Final Maturity Date. However, any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter, up to (and including) the relevant Extended Final Maturity Date. Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Interest Payment Date and on the Extended Final Maturity Date in accordance with the applicable Conditions.</p> <p>The issue or amortisation of a Series of Extendable Maturity Covered Bonds will not affect the issue or amortisation of any other Series.</p>
<b>Currencies:</b>	<p>Subject to the Hedging Strategy (as defined below) and to compliance with all relevant laws, regulations and directives, Covered Bonds may be issued in Euros, U.S. dollars, Canadian dollars, pounds sterling, Japanese Yen, Swiss Francs and, subject to prior Rating Affirmation (as defined below), in any other currency agreed between the Issuer and the relevant Dealer(s).</p>
<b>Denomination(s):</b>	<p>The Covered Bonds will be issued in the Specified Denomination(s) (as defined below) set out in the relevant Final Terms, provided that all Covered Bonds admitted to trading on a Regulated Market of the European Union in circumstances which require the publication of a prospectus under the Prospectus Directive, shall have a minimum denomination of €100,000 (or its equivalent in any other currency at the time of issue) or such higher amount as may be allowed or required from time to time in relation to the relevant Specified Currency. Dematerialised Covered Bonds will be issued in one (1) denomination only.</p>

<b>Status:</b>	<p>Subject to the Priority Payment Orders, the Covered Bonds, and, where appropriate, any related Coupons and Receipts will constitute direct, unconditional, unsubordinated and privileged obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves. The Covered Bonds (<i>obligations de financement de l'habitat</i>) are issued under Articles L. 515-34 to L. 515-38 of the French Monetary and Financial Code (<i>Code monétaire et financier</i>). Bondholders benefit from the <i>Privilège</i> over all the assets and revenues of the Issuer.</p> <p>See "Terms and Conditions of the French law Covered Bonds - <i>The SFH Legal Framework - The Privilège</i>".</p>
<b>Negative Pledge:</b>	There will be a negative pledge as set out in Condition 5(a) under "Terms and Conditions of the French law Covered Bonds".
<b>Issuer Events of Default:</b>	Under certain circumstances, subject to the legal framework applicable to an SFH, upon the occurrence of an Issuer Event of Default (as set out in Condition 10 under "Terms and Conditions of the French law Covered Bonds"), the Representative of the holders of any series of Covered Bonds, or, in the case of German Law Covered Bonds, the German Law Covered Bondholder, may be able to cause the principal amount of all Covered Bonds of such Series, or, in the case of German Law Covered Bonds, of the relevant German Law Covered Bond, to become due and payable (but subject to the relevant Priority Payment Order), together with any accrued interest thereon, as of the date on which the notice for payment is received by the Fiscal Agent.
<b>Redemption Amount:</b>	Subject to any laws and regulations applicable from time to time, the relevant Final Terms will specify the basis for calculating the redemption amounts payable.
<b>Optional Redemption:</b>	The Final Terms issued in respect of each Tranche will state whether such Covered Bonds may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Bondholders and, if so, the terms applicable to such redemption.
<b>Redemption by Instalments:</b>	The Final Terms issued in respect of each Tranche that is redeemable in two (2) or more instalments will set out the dates on which, and the amounts in which, such Covered Bonds may be redeemed.
<b>Early Redemption:</b>	Except as provided in "Optional Redemption" above, Covered Bonds will be redeemable at the option of the Issuer prior to their stated maturity only for tax reasons (as provided in Condition 7(f)) or illegality (as provided in Condition 7 (g) under "Terms and Conditions of the French law Covered Bonds").
<b>Withholding Tax :</b>	<ol style="list-style-type: none"> <li>1. All payments of principal and interest by or on behalf of the Issuer in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.</li> <li>2. Covered Bonds issued (except Covered Bonds which are to be assimilated (<i>assimilables</i> for the purpose of French law) and form a single series with Covered Bonds issued before 1 March 2010 having the benefit of Article 131 <i>quater</i> of the French General Tax Code) fall under the new French withholding tax regime pursuant to the French "<i>loi de finances rectificative pour 2009 n° 3</i>" (no. 2009-1674 dated 30 December 2009) applicable as from 1 March 2010 (the "<b>Law</b>"). Payments of interest and other revenues made by the Issuer on such</li> </ol>



Covered Bonds will not be subject to the withholding tax set out under Article 125 A III of the French General Tax Code unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French General Tax Code (a "**Non-Cooperative State**"). If such payments under the Covered Bonds are made in a Non-Cooperative State, a 50% withholding tax will be applicable (subject to certain exceptions described below and the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French General Tax Code.

Furthermore, interest and other revenues on such Covered Bonds are not deductible from the Issuer's taxable income, if they are paid or accrued to persons established in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be re-characterised as constructive dividends pursuant to Article 109 of the French General Tax Code, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* of the French General Tax Code, at a rate of 25% or 50%.

Notwithstanding the foregoing, the Law provides that neither the 50% withholding tax nor the non-deductibility will apply in respect of a particular issue of Covered Bonds if the Issuer can prove that the principal purpose and effect of such issue of Covered Bonds was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to the ruling (*rescrit*) no. 2010/11 (FP and FE) of the *Direction générale des impôts* dated 22 February 2010, an issue of Covered Bonds will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of Covered Bonds, if such Covered Bonds are:

- (i) offered by means of a public offer within the meaning of Article L.411-1 of the French Monetary and Financial Code or pursuant to an equivalent offer in a State or territory other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
  - (ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
  - (iii) admitted, at the time of their issue, to the operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French Monetary and Financial Code, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.
3. Interest and other revenues on Covered Bonds which are to be assimilated (*assimilables* for the purpose of French law) and form a single series with Covered Bonds issued (or deemed issued) outside France as provided under Article 131 *quater* of the French General Tax Code (*Code général des impôts*), prior to 1 March 2010 will

continue to be exempt from the withholding tax set out under Article 125 A III of the French General Tax Code.

In addition, interest and other revenues paid by the Issuer on Covered Bonds which are to be assimilated (*assimilables* for the purpose of French law) and form a single series with Covered Bonds issued before 1 March 2010 will not be subject to the withholding tax set out in Article 119 *bis* of the French General Tax Code solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

**Interest Periods and  
Interest Rates:**

The length of the interest periods for the Covered Bonds and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. The Covered Bonds may have a maximum interest rate, a minimum interest rate or both. The use of interest accrual periods permits the Covered Bonds to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Fixed Rate Covered  
Bonds:**

Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Covered  
Bonds:**

Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, INC., and as amended and updated as at the issue date of the first Tranche of the Covered Bonds of the relevant Series;
- (b) on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service (including, without limitation, EURIBOR, EONIA, LIBOR, CMS or TEC); or
- (c) on such other basis or benchmark as may be specified in the applicable Final Terms,

in each case plus or minus any applicable margin, if any, and calculated and payable as indicated in the applicable Final Terms. Floating Rate Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both.

**Zero Coupon Covered  
Bonds:**

Zero Coupon Covered Bonds may be issued at their nominal amount or at a discount to it and will not pay periodic interest.

**Dual Currency  
Covered Bonds:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Covered Bonds will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.

<b>Index Linked Covered Bonds:</b>	Payments of principal or of interest in respect of Index Linked Covered Bonds will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms. Index Linked Covered Bonds may be issued by the Issuer subject to prior Rating Affirmation.
<b>Other Covered Bonds:</b>	Terms applicable to high interest Covered Bonds, low interest Covered Bonds, step-up Covered Bonds, step-down Covered Bonds, reverse dual currency Covered Bonds, optional dual currency Covered Bonds, partly paid Covered Bonds and any other type of Covered Bonds that the Issuer and any Dealer(s) may agree to issue under the Programme will be set out in the relevant Final Terms.
<b>Redenomination:</b>	French law Covered Bonds issued in the currency of any Member State of the EU which participates in the third stage (or any further stage) of the European Monetary Union may be redenominated into Euro, all as more fully provided in Condition 2(d) under "Terms and Conditions of the French law Covered Bonds".
<b>Consolidation:</b>	French law Covered Bonds of one (1) Series may be assimilated ( <i>assimilables</i> for the purposes of French law) with French law Covered Bonds of another Series as more fully provided in Condition 16 under "Terms and Conditions of the French law Covered Bonds".
<b>Form of Covered Bonds:</b>	<p><b>French law Covered Bonds</b></p> <p>French law Covered Bonds (<i>obligations de financement de l'habitat</i>) may be issued either in dematerialised form ("<b>Dematerialised Covered Bonds</b>") or in materialised form ("<b>Materialised Covered Bonds</b>").</p> <p>Dematerialised Covered Bonds may, at the option of the Issuer, be issued in bearer form (<i>au porteur</i>) or in registered form (<i>au nominatif</i>) and, in such latter case, at the option of the relevant holder, in either fully registered form (<i>au nominatif pur</i>) or administered form (<i>au nominatif administré</i>). No physical documents of title will be issued in respect of Dematerialised Covered Bonds.</p> <p>Materialised Covered Bonds will be in bearer form only. A Temporary Global Certificate will initially be issued in respect of each Tranche of Materialised Covered Bonds. Materialised Covered Bonds may only be issued outside France.</p> <p><b>German law Covered Bonds</b></p> <p>German law Covered Bonds will be issued in materialised registered form. They will not be admitted to trading nor listed on any market or stock exchange.</p>
<b>Representation of French law Bondholders:</b>	<p>French law Bondholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a <i>masse</i> (in each case, the "<b>Masse</b>").</p> <p>The Masse will be a separate legal entity and will act in part through a representative (the "<b>Representative</b>") and in part through a general meeting of the French law Bondholders (the "<b>General Meeting</b>").</p>
<b>Governing Law:</b>	<p>Covered Bonds will be governed by, and construed in accordance with, French law, as specified in the relevant Final Terms. The Issuer may also from time to time issue Covered Bonds governed by, and construed in accordance with German law (except for the <i>Privilège</i>, which will be governed by French law).</p> <p>All the Covered Bonds will benefit from the same security and rights. The terms and conditions of the German law Covered Bonds are contained in</p>

	the Agency Agreement.
<b>Central Depository:</b>	Euroclear France in respect of Dematerialised Covered Bonds.
<b>Clearing Systems:</b>	Euroclear France as central depository in relation to Dematerialised Covered Bonds and, in relation to Materialised Covered Bonds, Clearstream, Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer(s).
<b>Initial Delivery of Dematerialised Covered Bonds:</b>	At least two (2) Paris business days before the issue date of each Tranche of Dematerialised Covered Bonds, the <i>Lettre comptable</i> relating to such Tranche shall be deposited with Euroclear France as Central Depository.
<b>Initial Delivery of Materialised Covered Bonds:</b>	On or before the issue date for each Tranche of Materialised Covered Bonds, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depository for Euroclear and Clearstream, Luxembourg or with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer(s).
<b>Issue Price:</b>	Covered Bonds may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Covered Bonds may be issued, the issue price of which will be payable in two (2) or more instalments.
<b>Listing and Admission to Trading:</b>	Application will be made for French law Covered Bonds to be issued under the Programme to be listed and admitted to trading on Euronext Paris and/or on any other Regulated Market in the EEA in accordance with the Prospectus Directive and/or any other stock exchange as specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Covered Bonds may be unlisted. The German law Covered Bonds will not be admitted to trading nor listed on any market or stock exchange.
<b>Rating:</b>	<p>Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody's and AAA by S&amp;P.</p> <p>The rating of the Covered Bonds will be specified in the relevant Final Terms.</p> <p>As of the date of this Base Prospectus, each of the Rating Agencies is established in the European Union, registered under Regulation (EU) No. 1060/2009, as amended (the "<b>CRA Regulation</b>") and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (<a href="http://www.esma.europa.eu">www.esma.europa.eu</a>) in accordance with CRA Regulation.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer and sale of Covered Bonds and the distribution of offering materials in various jurisdictions. In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed in the relevant Final Terms (see section "<b>Subscription and Sale</b>").</p> <p>The Issuer is Category 1 for the purposes of Regulation S under the</p>

United States Securities Act of 1933, as amended.

Materialised Covered Bonds will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) and any successor regulation issued under the Hiring Incentives to Restore Employment Act of 2010 (the "**HIRE Act**") (the "**D Rules**") unless (i) the relevant Final Terms states that such Materialised Covered Bonds are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) and any successor regulation issued under the HIRE Act (the "**C Rules**") or (ii) such Materialised Covered Bonds are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Covered Bonds will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Dematerialised Covered Bonds which are not in bearer form for U.S. tax purposes do not require compliance with the TEFRA rules.

### **3. THE BORROWER FACILITY AGREEMENT AND THE BORROWER COLLATERAL SECURITY**

#### **The Borrower Facility Agreement:**

The proceeds from the issuance of the Covered Bonds under the Programme will be used by HSBC SFH (France), as lender (in such capacity, the "**Lender**") to fund advances (each a "**Borrower Advance**") to be made available to HSBC France, as borrower (in such capacity, the "**Borrower**") under a credit facility agreement (the "**Borrower Facility Agreement**").

The Borrower Facility shall be made available to the Borrower in an aggregate maximum amount equal to € 8,000,000,000 for the purpose of financing the general financial needs of the Borrower. All or part of any Borrower Advance may be on-lent to any subsidiary of the Borrower which is located in France and party to the Programme (HSBC France and such subsidiaries being, together, the "**Affiliates**") in accordance with the terms and conditions of the credit facility agreement entered into between the Borrower and the Collateral Providers.

The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the corresponding Final Terms of Covered Bonds, it being provided that, as a principle, the interest to be paid by the Borrower under a Borrower Advance shall reflect the financing costs of the Lender under the Covered Bonds funding such Borrower Advance. Any amounts repaid or prepaid under any Borrower Advance may not be re-borrowed.

#### **Borrower Event of Default**

Upon the occurrence of a Borrower Event of Default, the Issuer (represented by the Administrator or the Issuer Independent Representative) shall, by written notice (such notice to constitute a *mise en demeure*) to the Borrower (with copy to (i) the Issuer Independent Representative (if the Borrower Enforcement Notice is delivered by the Administrator), (ii) the Administrator (if the Borrower Enforcement Notice is delivered by the Issuer Independent Representative) and (iii) (in each instance) the Rating Agencies), (x) declare that (i) no further Borrower Advances shall be available under the Borrower Facility Agreement, and (ii) the then outstanding Borrower Advances are immediately due and payable and (y) enforce the rights of the Lender under the Borrower Collateral Security Agreement and the Cash Collateral Agreement for the repayment of any sum due by the Borrower under the Borrower Facility Agreement and not paid by the Borrower (whether at its contractual due date or upon acceleration) (a "**Borrower**

**Enforcement Notice").**

(See section "**The Borrower and the Borrower Facility Agreement**" – "**The Borrower Facility Agreement**").

**The Borrower  
Collateral Security  
Agreement:**

The Borrower Collateral Security Agreement sets forth the terms and conditions upon which the Borrower shall grant financial assets (the "**Eligible Assets**") as collateral security (*remise en garantie financière à titre de sûreté*) pursuant to Articles L. 211-36 to L. 211-40 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Borrower Collateral Security**") in favour of the Lender (acting as Lender under the Borrower Facility Agreement) in order to secure, as they become due and payable, the payments of all and any amounts owed by the Borrower under the Borrower Facility Agreement, whether present or future (the "**Borrower Secured Liabilities**").

The title to the Eligible Assets granted as Borrower Collateral Security shall not be transferred in favour of the Issuer until perfection of the Borrower Collateral Security. The Issuer shall be vested in the title to such Eligible Assets only upon enforcement of the Borrower Collateral Security, if any such enforcement occurs in accordance with the terms of the Borrower Collateral Security Agreement.

For the purposes of the Borrower Collateral Security Agreement, an "**Eligible Asset**" means any Home Loan Receivable that complies with the Home Loan Eligibility Criteria (as further described in "**The Borrower Collateral Security Agreement**").

The Borrower shall perform the servicing of the Borrower Collateral Security Assets (as defined in "**The Borrower Collateral Security Agreement**") in accordance with applicable laws and its customary servicing procedures (the "**Servicing Procedures**"), using the degree of skill, care and attention as it would use for the servicing of its assets for its own account, without interfering with the Issuer's material rights under the Borrower Collateral Security Agreement.

(See section "**The Borrower Collateral Security**" – "**The Borrower Collateral Security Agreement**")

**The Cash Collateral  
Agreement:**

The Cash Collateral Agreement sets forth the terms and conditions upon which HSBC France, as Cash Collateral Provider, shall fund certain amounts as cash collateral (*gage espèces*) (each, a "**Cash Collateral**") into the Cash Collateral Account and the Collection Loss Reserve Account.

*Pre-Maturity Test and Legal Liquidity Test*

The contractual liquidity test of the Issuer (the "**Pre-Maturity Test**") shall be deemed complied with for so long as, in relation to any and each Series of Covered Bonds, (i) no Pre-Maturity Rating Downgrade Event (as defined below in paragraph "*Pre-Maturity Test and Legal Liquidity Test*") has occurred during any Pre-Maturity Test Period, or (ii) if, to the contrary, a Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, the Cash Collateral Provider has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount within thirty (30) calendar days from the receipt of the relevant Cash Collateral Funding Notice.

The legal liquidity test of the Issuer (the "**Legal Liquidity Test**") shall be deemed complied with for so long as, in relation to all the Liabilities of the Issuer, (i) no Legal Liquidity Rating Downgrade Event (as defined below in paragraph "*Pre-Maturity Test and Legal Liquidity Test*") has occurred, or (ii) if, to the contrary, a Legal Liquidity Rating Downgrade

Event has occurred, the Cash Collateral Provider (x) has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount following the receipt of the relevant Cash Collateral Funding Notice, and (y) on each day following the initial funding of the Cash Collateral as mentioned above (each, a "**CCRFA Funding Date**"), the Cash Collateral Provider has maintained in the Cash Collateral Account an amount sufficient to ensure that the balance of the Cash Collateral Account shall be at least equal to the required amount, as determined pursuant to the Cash Collateral Agreement, computed as of such CCRFA Funding Date.

The following credit ratings with respect to the Borrower are defined as the "**Pre-Maturity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1 (short-term) (S&P) and P-1 (short-term) (Moody's).

The following credit ratings with respect to the Borrower are defined as the "**Liquidity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1 (short-term) (S&P) and P-1 (short-term) (Moody's).

A "**Pre-Maturity Test Period**" is, with respect to any Series of Covered Bonds (which is not a Series of Covered Bonds with an extendable maturity which allows the Final Maturity Date of the relevant Series to be extended if the Issuer is about to fail to pay the amount due on the Final Maturity Date, in accordance with, and as described in, the relevant Final Terms of Covered Bonds (the "**Extendable Maturity Covered Bonds**"), the period starting from, and excluding, the two hundred and seventieth (270<sup>th</sup>) calendar day preceding the Final Maturity Date of that Series and ending on, and including, such Final Maturity Date.

"**Legal Liquidity Cover Period**" means a period of one hundred and eighty (180) calendar days as from each CCRFA Funding Date, the first applicable Legal Liquidity Cover Period beginning upon the occurrence of a Legal Liquidity Rating Downgrade Event.

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant amount within thirty (30) calendar days from the receipt of a Cash Collateral Funding Notice shall constitute a "**Breach of Pre-Maturity Test**". A Breach of Pre-Maturity Test constitutes the occurrence of a Borrower Event of Default.

The failure by the Cash Collateral Provider to fund any required Cash Collateral following the receipt of a Cash Collateral Funding Notice or maintain the relevant amount in the Cash Collateral Account at any time during any Legal Liquidity Cover Period in accordance with the relevant terms of the Cash Collateral Agreement constitutes a "**Breach of Legal Liquidity Test**". A Breach of Legal Liquidity Test does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default. However, it may trigger the withdrawal of the license of the Issuer as a *société de financement de l'habitat*.

#### *Collection Loss Trigger Event*

Upon downgrading of the credit rating of the Borrower below at least one (1) of the following ratings: A-2 (short-term) (S&P) or P-1 (short-term) (Moody's) or any other credit ratings determined by the Issuer Calculation Agent after the date hereof in accordance with the methodologies published by the Rating Agencies (each, a "**Collection Loss Trigger Event**") and within ten (10) Business Days from the occurrence of any Collection Loss Trigger Event, the Cash Collateral Provider shall be required (i) to pay into the credit of a bank account to be opened by the Administrator in accordance with the Administrative Agreement within such period in the Issuer's name and in the books of

the Issuer Accounts Bank (the "**Collection Loss Reserve Account**"), an amount equal to the aggregate amount of collections received by the Borrower under the Home Loan Receivables granted as Borrower Collateral Security during the three (3) calendar months preceding the occurrence date of the Collection Loss Trigger Event, as the same shall be reported by the Borrower to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies) within the above mentioned ten (10) Business Day-period and (ii) further, to adjust, within ten (10) Business Days following each Asset Cover Test Date, the amount standing to the credit of this Collection Loss Reserve Account so that it is an amount equal to the sum of collections received by the Borrower under the Home Loans granted as Borrower Collateral Security during the three (3) calendar months preceding the most recent Asset Cover Test Calculation Date, and any such adjustment shall be reported to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies).

Failure by the Cash Collateral Provider to fund the Collection Loss Reserve Account up to the required amount within the required period following the occurrence date of the Collection Loss Trigger Event shall constitute a "**Breach of Collection Loss Reserve Funding Requirement**". A Breach of Collection Loss Reserve Funding Requirement constitutes the occurrence of a Borrower Event of Default.

(See sections "**The Borrower Collateral Security**" – "**The Cash Collateral Agreement**")

#### 4. ASSET MONITORING

##### **Asset Cover Test:**

Under the Borrower Collateral Security Agreement, for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower will be required to monitor the Borrower Collateral Security Assets so as to ensure compliance with an asset cover test (the "**Asset Cover Test**").

For so long as Covered Bonds remain outstanding, non-compliance with the Asset Cover Test would result from the Asset Cover Test Ratio (as specified in section "**Asset Monitoring**" – "**The Asset Cover Test**"), being strictly less than one (1). Non compliance with the Asset Cover Test does not constitute the occurrence of an Issuer Event of Default or a Borrower Event of Default but will prevent the Issuer from issuing any further Covered Bonds as long as it remains unremedied, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19 as set forth in "**Terms and Conditions of the French law Covered Bonds**".

Failure by the Borrower to cure a non compliance with the Asset Cover Test occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date (as defined in "**Asset Monitoring**" – "**The Asset Cover Test**") will constitute a "**Breach of Asset Cover Test**" within the meaning of the Borrower Collateral Security Agreement.

A Breach of Asset Cover Test constitutes the occurrence of a Borrower Event of Default. A Breach of Asset Cover Test will prevent the Issuer from issuing any further Covered Bonds, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19 as set forth in "**Terms and Conditions of the French law Covered Bonds**".



(See section "**Asset Monitoring**" – "**The Asset Cover Test**".)

**Minimum Legal Cover Ratio:**

The Issuer, as a *société de financement de l'habitat*, must at all times maintain a cover ratio between its Eligible Assets (including its Legal Substitution Assets (as defined herein)) and its liabilities benefiting from the *Privilège* (the "**Legal Cover Ratio**"). In accordance with the French SFH Legal Framework on the date hereof, and in particular pursuant to Articles L. 515-20 and R. 515-7.2 of the French Monetary and Financial Code (*Code monétaire et financier*), the *sociétés de financement de l'habitat* (SFH) such as the Issuer must at all times maintain a Legal Cover Ratio equal to at least one hundred and two per cent. (102%) (the "**Minimum Legal Cover Ratio**"). For the calculation of the Minimum Legal Cover Ratio, the Issuer shall take into account, the Home Loan Receivables granted as Borrower Collateral Security in accordance with Article R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), .

The Specific Controller ensures that the Minimum Legal Cover Ratio is complied with.

Non-compliance by the Issuer with the Minimum Legal Cover Ratio shall constitute a "**Breach of Minimum Legal Cover Ratio**". A Breach of Minimum Legal Cover Ratio does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default. However, it may trigger the withdrawal of the license of the Issuer as a *société de financement de l'habitat*.

(see section "**Asset Monitoring**" – "**Minimum Legal Cover Ratio**").

**Maximum Legal Substitution Assets Percentage:**

Pursuant to Article L.515-17 and R. 515-7 of the French Monetary and Financial Code (*Code monétaire et financier*), the so-called substitution assets (*valeurs de remplacement*) (the "**Legal Substitution Assets**") of the Issuer shall not exceed, at any time, a percentage equal to fifteen per cent. (15%) of the total amount of its liabilities which benefit from the *Privilège* (the "**Maximum Legal Substitution Assets Percentage**").

With respect to the Issuer and for the purpose of the calculation of the Maximum Legal Substitution Assets Percentage, the Legal Substitution Assets are comprised of such debt, securities, deposits and other investment products that are deemed eligible as the so-called substitution assets (*valeurs de remplacement*) within the meaning of Articles L. 515-17, R. 515-7 and R. 515-16 of the French Monetary and Financial Code (*Code monétaire et financier*) (including any Permitted Investment and any Cash Collateral made available to the Issuer by the Cash Collateral Provider in accordance with the Cash Collateral Agreement) and which are held by the Issuer from time to time.

The Specific Controller ensures that the Maximum Legal Substitution Assets Percentage is not exceeded by the Issuer.

Upon the Legal Substitution Assets of the Issuer exceeding the Maximum Legal Substitution Assets Percentage, this shall constitute a "**Breach of Maximum Legal Substitution Assets Limit**" by the Issuer. The Specific Controller ensures that the Issuer and the *Autorité de contrôle prudentiel (ACP)* are promptly notified of the occurrence of a Breach of Maximum Legal Substitution Assets Limit. Upon receipt of such notice, the Issuer will then notify the Borrower, the Rating Agencies, the Asset Monitor and the Issuer Calculation Agent of the same.

A Breach of Maximum Legal Substitution Assets Limit does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default. However, it may trigger the withdrawal of the license

of the Issuer as a *société de financement de l'habitat*.

(see section "Asset Monitoring" – "Maximum Legal Substitution Assets Percentage").

**Pre-Maturity Test and  
Legal Liquidity Test:**

The contractual liquidity test of the Issuer (the "**Pre-Maturity Test**") shall be deemed complied with for so long as, in relation to any and each Series of Covered Bonds, (i) no Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, or (ii) if, to the contrary, a Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, the Cash Collateral Provider has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount within thirty (30) calendar days from the receipt of the relevant Cash Collateral Funding Notice.

The legal liquidity test of the Issuer (the "**Legal Liquidity Test**") shall be deemed complied with for so long as, in relation to all the Liabilities of the Issuer, (i) no Legal Liquidity Rating Downgrade Event has occurred, or (ii) if, to the contrary, a Legal Liquidity Rating Downgrade Event has occurred, the Cash Collateral Provider (x) has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount following the receipt of the relevant Cash Collateral Funding Notice, and (y) on each day following the initial funding of the Cash Collateral as mentioned above (each, a "**CCRFA Funding Date**"), the Cash Collateral Provider has maintained in the Cash Collateral Account an amount sufficient to ensure that the balance of the Cash Collateral Account shall be at least equal to the required amount, as determined pursuant to the Cash Collateral Agreement, computed as of such CCRFA Funding Date.

The Cash Collateral Provider shall fund the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount, upon the occurrence of (i) the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or both of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade Event**"), and/or (ii) the downgrading at any time of the then applicable ratings of the Borrower below (cumulatively) the two (2) Liquidity Rating Required Levels (as defined below) (each, a "**Legal Liquidity Rating Downgrade Event**"). The occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

The following credit ratings with respect to the Borrower are defined as the "**Pre-Maturity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1 (short-term) (S&P) and P-1 (short-term) (Moody's).

The following credit ratings with respect to the Borrower are defined as the "**Liquidity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1 (short-term) (S&P) and P-1 (short-term) (Moody's).

A "**Pre-Maturity Test Period**" is, with respect to any Series of Covered Bonds (which is not a Series of Extendable Maturity Covered Bonds), the period starting from, and excluding, the two hundred and seventieth (270<sup>th</sup>) calendar day preceding the Final Maturity Date of that Series and ending on, and including, such Final Maturity Date.

"**Legal Liquidity Cover Period**" means a period of one hundred and eighty (180) calendar days as from each CCRFA Funding Date, the first applicable Legal Liquidity Cover Period beginning upon the occurrence

of a Legal Liquidity Rating Downgrade Event.

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant amount within thirty (30) calendar days from the receipt of a Cash Collateral Funding Notice shall constitute a "**Breach of Pre-Maturity Test**". A Breach of Pre-Maturity Test constitutes the occurrence of a Borrower Event of Default.

The failure by the Cash Collateral Provider to fund any required Cash Collateral following the receipt of a Cash Collateral Funding Notice or maintain the relevant amount in the Cash Collateral Account at any time during any Legal Liquidity Cover Period in accordance with the relevant terms of the Cash Collateral Agreement constitutes a "**Breach of Legal Liquidity Test**". A Breach of Legal Liquidity Test does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default. However, it may trigger the withdrawal of the license of the Issuer as a *société de financement de l'habitat*.

(See section "**Asset Monitoring**" – "**The Pre-Maturity Test and the Legal Liquidity Test**").

**Amortisation Test:**

For so long as Covered Bonds remain outstanding and following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer must ensure compliance with an amortisation test (the "**Amortisation Test**").

For so long as Covered Bonds remain outstanding, non compliance with the Amortisation Test would result from the Amortisation Ratio (as specified under "**Asset Monitoring**" – "**The Amortisation Test**") being less than one (1).

A non-compliance with the Amortisation Test constitutes the occurrence of an Issuer Event of Default.

(See section "**Asset Monitoring**" – "**The Amortisation Test**").

## **5. GENERAL INFORMATION**

**General Information:**

Copies of this Base Prospectus and various other documents are available free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the registered office of the Issuer and at the specified office of the Paying Agent(s).

## **RISK FACTORS**

*This section only applies to French law Covered Bonds. The German law Covered Bonds will not be admitted to trading or listed on any market or stock exchange.*

*The risk factors set out in this Base Prospectus may also apply to German law Covered Bonds. However, this Base Prospectus does not describe all of the risks of an investment in German law Covered Bonds and investors or potential investors should take their own advice, and consult their own financial, legal, tax and other advisers in relation to the risks attached to, or associated with, the German law Covered Bonds or an investment in any of them including in light of such investors particular circumstances.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations related to the Covered Bonds issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material as to the market risk associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme. However, the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Investors must be aware that the list of factors set out below is not intended to be exhaustive and that other risks and uncertainties which, on the date of this Base Prospectus, are not known of by the Issuer, or are considered irrelevant, may have a significant impact on the Issuer, its activities, its financial condition and the Covered Bonds. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein) and make their own opinion about risk factors prior to making any investment decision. Investors should in particular conduct their own analysis and evaluation of risks relating to the Issuer, its financial condition and the issued Covered Bonds and consult their own financial or legal advisers about the risks associated with the investment in a particular Series of Covered Bonds and the suitability of investing in the Covered Bonds in light of their particular circumstances.*

*The Issuer considers that the Covered Bonds should only be purchased by investors that are (or are advised by) financial institutions or other professional investors who have sufficient knowledge and experience necessary to appropriately evaluate the risks associated with the Covered Bonds.*

*Words and expressions defined elsewhere in this Base Prospectus have the same meaning when used below.*

### **Risks related to the Issuer**

*The Issuer has sole liability under the Covered Bonds*

The Issuer is the only entity with the obligation to pay principal and interest with respect to the Covered Bonds. The Covered Bonds are not and will not be the obligation or responsibility of any other entity, including (but not limited to) HSBC France (in any capacity but in particular in its capacity as Borrower, Administrator, Issuer Calculation Agent or Cash Collateral Provider), the Dealers, the Representative, the Paying Agents, the Asset Monitor, any participant to the Hedging Strategy (as applicable) or any company in the same group of companies as any of the foregoing entities, or the shareholders, directors or agents of any company in the same group of companies as the foregoing entities.

In making an investment decision, investors must rely upon their own examination of the Issuer, the Borrower Collateral Security Assets, the terms of the Covered Bonds issued under the Programme and the financial information incorporated in this Base Prospectus. In the case of a Borrower Event of Default, there can be no assurance that the Borrower Collateral Security Assets will be sufficient to pay in full the amounts payable under the Covered Bonds.

*The Issuer relies on HSBC France or its successors for its operations and to administer the Programme Documents*

The Issuer has entered into a number of agreements with HSBC France, who has agreed to perform services for the Issuer. In particular, but without limitation:

- HSBC France has been appointed as Administrator to provide the Issuer with necessary advice and assistance and know-how, whether technical or otherwise in connection with the day to day management and corporate administration of the Issuer and to ensure that the Issuer, exercises each of its rights and perform each of its obligations under the Programme Documents; and
- HSBC France has been appointed as Issuer Calculation Agent as defined below, to make calculations as provided under the Programme Documents and, in particular, to make calculations relating to the Asset Cover Test, the Pre-Maturity Test, the Legal Liquidity Test and the Amortisation Test.

Upon certain events occurring, a new entity would have to be appointed to act as Administrator and Issuer Calculation Agent.

Under the relevant Programme Documents, the Issuer may in certain circumstances terminate the appointment of HSBC France (such termination not being effective until a substitute servicer with the required rating shall have replaced HSBC France), in which case the transfer of the servicing function to a new servicer outside the HSBC Group may result in delays, increased costs and/or losses in collection of sums due to the Issuer under its assets, could create operational and administrative difficulties for the Issuer, and could adversely affect its ability to perform its obligations under the Covered Bonds.

*The Issuer relies on HSBC France or its successors for the monitoring of the Borrower Collateral Security Assets*

The Issuer has entered into the Borrower Collateral Security Agreement with HSBC France, who has agreed to administer and monitor the Borrower Collateral Security Assets and/or the Borrower Collateral Security.

Under the relevant Programme Documents, the Issuer may terminate the appointment of HSBC France (such termination not being effective until a substitute servicer with the required rating shall have replaced HSBC France), in which case the transfer of the monitoring function to any entity outside the HSBC Group may result in delays, increased costs and/or losses for the Issuer, could create operational and administrative difficulties for the Issuer and could adversely affect its ability to perform its obligations under the Covered Bonds. In addition, if the Borrower fails to adequately administer the Borrower Collateral Security Assets and/or the Borrower Collateral Security, this may lead to diminished value of the Borrower Collateral Security or any part thereof, and in turn, the ability of the Issuer to make payments under the Covered Bonds.

*The Issuer relies on third parties including HSBC France or its successors for the hedging of its obligations under the Covered Bonds*

Under the Hedging Strategy, the Issuer is reliant on HSBC France (only until a Borrower Event of Default has occurred and is enforced, subject to, and in accordance with the relevant terms of the Borrower Facility Agreement) and/or any relevant Eligible Hedging Provider(s), as defined below, to provide it with the funds matching its obligations under the Covered Bonds (see "**The Hedging Strategy**").

Failure of HSBC France and/or any relevant Eligible Hedging Provider(s) to enter into any hedging agreement contemplated by the Hedging Strategy may adversely affect the Issuers' ability to perform its obligations under the Covered Bonds may adversely affect the Issuers' ability to perform its obligations under the Covered Bonds.

*The Issuer relies on HSBC France and its successors for the provision of liquidity*

The Issuer has entered into the Cash Collateral Agreement with HSBC France (as Cash Collateral Provider), who has agreed to provide liquidity to the Issuer upon certain rating trigger events occurring.

Failure of HSBC France to provide liquidity where required under the Cash Collateral Agreement may adversely affect the Issuers' ability to perform its obligations under the Covered Bonds.

*Modification, alteration or amendment of Programme Documents without Bondholder prior consent*

Subject to the qualifications described in the relevant Programme Document(s) to which it is a party, the Issuer may, with prior Rating Affirmation, as defined below, and without the prior consent or sanction of any of the Bondholders, concur with any person in making or sanctioning any modifications, alterations or supplements to any Programme Document to which it is a party. Such modifications, alterations or supplements may materially and adversely affect the interest of the Issuer but shall be made with prior Rating Affirmation.

Subject to the qualifications described in the relevant Programme Document(s) to which it is a party, the Issuer may, without prior Rating Affirmation and without the prior consent or sanction of any of the Bondholders, concur with any person in making or sanctioning any modifications, alterations or supplements to any Programme Document to which it is a party if the same is:

- to cure any ambiguity, omission, defect or inconsistency;
- to evidence or effect the transition of any party to any Programme Document to which it is a party to any successor;
- to add to the undertakings and other obligations of any party (except the Issuer) under a Programme Document to which it is a party; or
- to comply with any mandatory requirements of applicable laws and regulations.

*Substitution risk*

In the event of a downgrading of the short-term and/or long-term debt of or certain other parties to the Programme Documents which triggers the need for a substitution, or if under certain other circumstances the substitution of HSBC France is appropriate pursuant to the terms of the Programme Documents, no assurance can be given that a substitute entity will be found.

If there is a downgrading of the long-term debt of HSBC France or its successors, as the Administrator, or another Administrator Termination Event, as defined below, occurs pursuant to the terms of the Administrative Agreement, as defined below, the Issuer will be entitled to terminate the appointment of the Administrator and appoint a new administrator in its place. There can be no assurance that a substitute administrator with sufficient experience would be found and would be willing and able to serve on the same or similar terms found in the Administrative Agreement. In particular, upon the occurrence of any Borrower Event of Default and the subsequent enforcement of the Borrower Collateral Security and the transfer to the Issuer of the Borrower Collateral Security Assets, there can be no assurance that a substitute administrator with sufficient experience of servicing such transferred Borrower Collateral Security Assets would be found who would be willing and able to serve on the same or similar terms found in the Administrative Agreement. The ability of a substitute administrator to perform the required services fully would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute administrator may affect the realisable value of the Borrower Collateral Security Assets or any part thereof, and/or the ability of the Issuer to make payments under the Covered Bonds. No Administrator has (nor will have, as applicable) any obligation itself to advance payments that the Borrower fails to make in a timely manner. The Representative is not obliged under any circumstance to act as an Administrator or to monitor the proper performance of obligations by any Administrator.

*Certain conflicts of interest*

Conflicts of interest may arise during the life of the Programme as a result of various factors involving certain parties to the Programme Documents. For example, such potential conflicts may arise because HSBC France acts in several capacities under the Programme Documents, although its rights and obligations under the Programme Documents are not contractually conflicting and are independent from one another.

Also during the course of their business activities, the parties to the Programme Documents and/or any respective affiliates may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Home Loans. In such cases, the interest of any of those parties or their affiliates or the interest of other parties for whom they perform servicing functions may differ from, and compete with, the interest of the Issuer or of the holders of the Covered Bonds.

*Insolvency and examinership laws in France could limit the ability of the Bondholders to enforce their rights under the Covered Bonds*

The Issuer, as a *société anonyme*, is subject to French laws and proceedings affecting creditors, including conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*) and judicial reorganisation or liquidation proceedings (*procédure de redressement ou de liquidation judiciaires*).

The Issuer, as a regulated financial institution, is also subject to the provisions of Articles L. 613-25 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). These provisions include in particular specific rules on the opening of an insolvency proceeding against the Issuer, the involvement of the *Autorité de contrôle prudentiel (ACP)* in the event of bankruptcy of the Issuer, specific concepts of suspension of payment (*cessation des paiements*) for the Issuer and some specific rules of liquidation for the Issuer.

As a general principle, the above mentioned insolvency and reorganisation rules favour the continuation of a business and protection of employment over the payment of creditors.

However, the Issuer, as a *société de financement de l'habitat*, benefits from a regime which derogates in many ways from the French legal provisions relating to insolvency proceedings, in particular:

- in accordance with Article L. 515-37 of the French Monetary and Financial Code, the provisions of Article L. 632-2 of the French Commercial Code (*nullités facultatives de la période suspecte*) shall not apply to payments made by the Issuer in application of the Programme Documents;

- the bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of a shareholder of the Issuer cannot be extended to the Issuer;

- any service/loan agreement pursuant to which the Issuer has delegated to another credit institution the management or the recovery of loans, exposures, assimilated receivables, securities, instruments, bonds or other sources of financing may be immediately terminated upon the opening of bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) affecting that credit institution;

- in case of bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) or conciliation proceedings (*procédure de conciliation*) of the Issuer, all cash flows generated by the assets of the Issuer are allocated as a matter of absolute priority to servicing liabilities of the Issuer which benefit from the *Privilège* as they fall due, in preference to all other claims, whether or not secured or statutorily preferred and, until payment in full of the liabilities of the Issuer which benefit from the *Privilège*, no other creditors may take any action against the assets of the Issuer.

As a result of the operation of the SFH Legal Framework in the case of a bankruptcy or insolvency proceedings in respect of the Issuer, the ability of Bondholders to exercise their rights under the Covered Bonds may be limited.

*Holders of the Covered Bonds may not declare the Covered Bonds immediately due and payable upon the Issuer filing for bankruptcy*

The bankruptcy of the Issuer, which is an event that is customarily considered an event of default under debt instruments giving rise to an absolute or qualified right on the part of the registered holder to declare such debt instrument immediately due and payable, constitutes the occurrence of an Issuer Event of Default under the Terms and Conditions of the French law Covered Bonds. However, under the SFH Legal Framework, the opening of bankruptcy proceedings or of conciliation proceedings with respect to the Issuer will not give rise to the right on the part of the holders of the Covered Bonds to declare the Covered Bonds immediately due and payable since, pursuant to the terms of the French Monetary and Financial Code (*Code monétaire et financier*) mentioned above, all cash flows generated by the assets of the Issuer are

allocated as a matter of absolute priority to servicing liabilities of the Issuer which benefit from the *Privilège* as they fall due, in preference to all other claims, whether or not secured or statutorily preferred and, until payment in full of the liabilities of the Issuer which benefit from the *Privilège*, no other creditors may take any action against the assets of the Issuer.

*Limited resources are available to the Issuer*

In the absence of any Borrower Event of Default, the Issuer's ability to meet its obligations under the Covered Bonds will depend on the amount of scheduled principal and interest paid by the Borrower under the Borrower Facility Agreement and the timing thereof and/or, as applicable, the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy and/or the revenue proceeds generated by Permitted Investments, as defined below and/or payments proceeds under Legal Substitution Assets, and/or the available amount under the Share Capital Proceeds Account.

Pursuant to the Cash Collateral Agreement, the Issuer will benefit from any Cash Collateral to be provided by the Cash Collateral Provider under the circumstances described under the Cash Collateral Agreement.

Upon the occurrence of a Borrower Event of Default and enforcement of the Borrower Collateral Security, and without prejudice to any other unsecured recourse the Issuer may have under the Borrower Debt, as defined below, the Issuer's ability to meet its obligations under all the Covered Bonds will depend on the revenue proceeds from the Borrower Collateral Security Assets which would have been enforced in favour of the Issuer (meaning the amount of principal and interest paid directly to the Issuer by the relevant debtors under the Home Loan Receivables which would have been transferred to the Issuer upon enforcement of such Borrower Collateral Security or the price or value of such Home Loan Receivables and related Home Loan Security upon the sale or refinancing thereof by the Issuer) and/or, as applicable the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy and/or the revenue proceeds generated by Permitted Investments, and/or the amount of any Cash Collateral provided by the Cash Collateral Provider under the Cash Collateral Agreement, and/or the available amount under the Share Capital Proceeds Account, as defined below and/or payments proceeds under Legal Substitution Assets.

If such amounts are not sufficient for the Issuer to meet its obligations under the Covered Bonds, the Issuer will not have any further source of funds available other than the recourse the Issuer has under the Borrower Debt until such Borrower Debt is repaid in full.

The occurrence for whatever reason of an Issuer Event of Default will not automatically trigger the cross occurrence of a Borrower Event of Default, and the Issuer will in the absence of a Borrower Event of Default be unable to enforce the Borrower Collateral Security securing the repayment of the Covered Bonds in order to cure such Issuer Event of Default. Therefore, notwithstanding the occurrence of such an Issuer Event of Default while no Borrower Event of Default shall have occurred, the Issuer's ability to meet its obligations under the Covered Bonds will continue to depend only on the amount of scheduled principal and interest paid by the Borrower under the Borrower Facility Agreement and the timing thereof and/or, as applicable, the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy and/or the revenue proceeds generated by Permitted Investments and/or any Cash Collateral and/or the available amount under the Share Capital Proceeds Account.

*Recourse and enforcement with respect to the Issuer is subject to significant limitations*

Payments due under the Covered Bonds are subject to significant limitations as described in Condition 14 "Limited recourse" under "Terms and Conditions of the French law Covered Bonds". Furthermore, payment with respect to the Covered Bonds will be subordinated to the full payment of certain sums pursuant to the then applicable Priority Payment Order and recoverable only from and to the extent of the amount of the Available Funds as described in Condition 15 under "Terms and Conditions of the French law Covered Bonds". No enforcement action under the Covered Bonds may be taken prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond as described in Condition 14 "Non-petition" under "Terms and Conditions of the French law Covered Bonds".



*Permitted Investments*

Any available funds standing to the credit of the Issuer Accounts (prior to their allocation and distribution) may be invested by the Administrator in Permitted Investments. The value of the Permitted Investments may fluctuate depending on the financial markets and the Issuer may be exposed to a credit risk in relation to such Permitted Investments. None of the Arranger, the Dealers, the Issuer, the Administrator or any other party to the Programme Documents guarantees the market value of the Permitted Investments. None of them shall be liable if the market value of any of the Permitted Investments fluctuates and decreases.

**Risks related to the Borrower***Borrower's ability to pay under the Borrower Debt*

Neither the Issuer nor any other party to the Programme Documents (other than, upon certain circumstances, the Borrower as grantor of the Borrower Collateral Security and as Cash Collateral Provider) guarantees or warrants the full and timely payment by the Borrower of any sums of principal or interest payable under the Borrower Debt, being part of the Issuer Assets.

Should the Borrower be subject to any applicable insolvency proceedings (including the procedures of safeguard, moratorium, suspension of payments, controlled management, liquidation or similar insolvency proceedings), this would impair the ability of the Issuer to claim against the Borrower to obtain timely payment of amounts of principal and interest due and payable under the Borrower Debt.

However in such event, the Issuer would be entitled to accelerate the payment of such amounts and then immediately enforce the Borrower Collateral Security or the Cash Collateral (including upon and following the commencement of insolvency proceedings against the Cash Collateral Provider and/or the Borrower).

*Credit rating of the Covered Bonds may be affected by various factors*

In the rating agencies' methodologies, the credit rating of a covered bond programme is linked to the credit rating attributed to the issuer's parent. The rating criteria for the Issuer include the financial health of its parent, HSBC France, as well as the strength of the Borrower Collateral Security and various other structural features such as any Cash Collateral that aim to achieve a de-linkage between the rating of HSBC France and the rating of the Covered Bonds. Nevertheless, if the Borrower Collateral Security and the other support granted to the Issuer prove insufficient or fail to be granted to the Issuer in accordance with the Programme Documents, decreases in the credit rating of HSBC France may cause a decrease in the credit rating of the Covered Bonds. Furthermore, failure to meet any legal overcollateralisation requirement may result not only in the occurrence of a Borrower Event of Default but also in a downgrade of the ratings assigned to the Covered Bonds. If the credit rating of the Covered Bonds were reduced due to these factors, such downgrade may adversely affect the value of the outstanding Covered Bonds, increase the Issuer's cost of borrowing and adversely affect the Issuer's ability to issue new Covered Bonds.

**Risks related to the Affiliates**

Subject to Rating Affirmation and certain other conditions precedent set out in the Programme Documents, new Affiliates may accede to the Programme and hence generally change or increase the risks of the Bondholders under the Programme.

The consent of the Bondholders will not be a condition precedent to the accession of any Affiliate.

**Risks related to the Borrower Collateral Security***No interpretation by French courts of rules applicable to Borrower Collateral Security*

The Home Loan Receivables which will be granted as Borrower Collateral Security in favour of the Issuer for the repayment of the Borrower Debt extended by the Issuer will be granted in accordance with Articles L. 211-36 to L. 211-40 of the French Monetary and Financial Code (*Code monétaire et financier*) implementing Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on

financial collateral arrangements, which has been amended by Directive 2009/44/EC of the European Parliament and of the Council of 6 May 2009 (the "EU Collateral Directive").

However, Article L. 211-38 of the Financial Code further states that the establishment and enforceability of a collateral security "derive from the transfer of the relevant property and rights, the dispossession of the grantor or their control by the beneficiary or a person acting on his behalf" but there are no guidelines in the EU Collateral Directive, in Article L. 211-38 of the French Monetary and Financial Code, in legal commentaries or in French case law on how to satisfy the "control" requirement in practice and in the context of security over loan receivables such as the security purported to be created over the Home Loan Receivables under the Borrower Collateral Security Agreement.

Although these French laws are in full force and effect as of the date of this Base Prospectus, holders of the Covered Bonds should note that French courts have not yet had the opportunity to interpret such rules and therefore the manner in which the Borrower Collateral Security would be enforced by a French court is uncertain.

*No prior notification to debtors under the Home Loan Receivables granted as Borrower Collateral Security*

The Borrower Collateral Security Agreement will provide that the Home Loan Receivables will be granted as Borrower Collateral Security without notification or information of the underlying debtors of the Home Loans.

Such debtors will only be notified if and when the relevant Borrower Collateral Security is enforced following the occurrence of a Borrower Event of Default and then title to the Home Loan Receivables and related Home Loan Security has been transferred to the Issuer. Notification of such debtors will only be effected once following such Borrower Event of Default, the relevant Borrower Collateral Security has been enforced. As long as no such notification has taken place, any payments made by any debtor under the relevant Home Loan Receivables will continue to be validly made by such debtors to the Borrower, even though title to such Home Loan Receivables would have been validly transferred to the Issuer upon enforcement of the relevant Borrower Collateral Security.

There is no guarantee that notification to the debtors under the relevant Home Loans will be made at the times mandated and there can be no guarantee or assurance as to the ability of the Issuer to obtain effective direct payment from the debtors under the relevant Home Loans in a sufficiently timely manner, all of which may affect payments under the Covered Bonds. In such circumstances, a shortfall in distributions of interest or repayment of principal to Bondholders may result. However, also in such circumstances, the Hedging Agreements concluded in accordance with the Hedging Strategy are designed to cover limited amounts of interest on the related Series of Covered Bonds for a limited period of time.

Until notification to the debtors has been given informing them that insolvency proceedings have been opened against the Borrower, a statutory stay of execution under mandatory rules of French insolvency law will prevent the Issuer from taking recourse against the Borrower for repayment of collections received by the Borrower under the relevant Home Loans which are commingled with other funds of the Borrower.

*Set-off by debtors under the Home Loans*

Set-off under French law can operate by statute (*compensation légale*) or be agreed by contract (*compensation contractuelle*) or be ordered by court (*compensation judiciaire*). A set-off may also be invoked if claims are deemed mutual or inter-related (*dettes connexes*).

Statutory set-off operates as of right between two reciprocal debts (*dettes réciproques*) provided that such debts are, at the same time, fungible (*fongibles*), certain (*certaines*), liquid (*liquides*) as well as due and payable (*exigibles*). A contract or a court may expand statutory set-off possibilities where, with respect to two reciprocal and fungible debts, such debts are not at the same time certain, liquid and due and payable. Set-off between debts which are deemed mutual by contract or on an economic standpoint is available as of right.

Since no provision under the Home Loan agreements expressly allows a debtor to expand statutory set-off possibilities nor expressly provides for a mutuality (*connexité*) between claims owed by a debtor to the Borrower under a Home Loan and claims that such debtor may, as the case may be, have against the Borrower under other contracts, such as a bank account or a deposit contract, etc. but, at the same time, no

provision under the Home Loan agreements expressly provides for a waiver of set-off (see "**The Borrower Collateral Security – The Borrower Collateral Security Agreement – Eligible Assets - Home Loan Eligibility Criteria**"), a debtor under a Home Loan is entitled to invoke either (i) a statutory or a judicial set-off, or (ii) a set-off based on a mutuality of claims (*connexité*) should such mutuality be provided for by another contract than the Home Loan agreement or the global economic relationship which would exist between a debtor under a Home Loan and the Borrower.

However, a set off such as referred to in (i) or (ii) above may become a risk for the Issuer under the sole circumstances where the Home Loan Receivables would have been transferred to the Issuer following the enforcement of a Borrower Event of Default.

Following such transfer and as long as the debtors under the Home Loans would have not been notified of such transfer, the debtors would be entitled to invoke statutory and judicial set-off as if no transfer had taken place. After notification of the transfer, a debtor under a Home Loan would still be entitled to invoke statutory set-off against the Issuer if prior to the notification of the transfer, the above mentioned conditions for statutory set-off were satisfied.

A set-off between inter-related debts (*dettes connexes*) is available as a right. Inter-related debts (*dettes connexes*) mainly result from an economic association. In this latter case, mutuality of claims will be determined on a case by case basis, depending on the factual circumstances then existing. The most likely circumstance where set-off would be considered is when counterclaims resulting from a current account relationship will allow a debtor to set-off such counterclaims against sums due under a Home Loan. In this situation, however, French case law states that there is no mutuality of claims, notwithstanding the fact that instalment under the Home Loan was to be paid by way of direct debit from the funds standing to the credit of the relevant current account since the parties did not intend to interrelate their current account relationship and the lending transaction from an economical standpoint.

*Risks related to maintenance of Borrower Collateral Security prior to or following enforcement thereof*

If the collateral value of the Home Loan Receivables granted as Borrower Collateral Security in favour of the Issuer pursuant to the Borrower Collateral Security Agreement has not been maintained in accordance with the terms of the Asset Cover Test or the Amortisation Test or the other provisions of the Programme Documents, the value of the relevant Borrower Collateral Security Assets or any part thereof (both before and after the occurrence of a Borrower Event of Default) or the price or value of such Home Loan Receivables and related Home Loan Security upon the sale or refinancing thereof by the Issuer may be affected.

The value of the properties securing the Home Loans may decrease as a result of any number of factors, including the national or international economic climate, regional economic or housing conditions, changes in tax laws, mortgage interest rates, inflation, the availability of financing, yields on alternative investments, increasing utility costs and other day-to-day expenses, political developments and government policies. In addition, as the properties securing the Home Loans are predominantly located in France, the value of such properties may therefore decline in the event of a general downturn in the value of property in France.

The materialization of any of the foregoing factors could adversely affect the Issuer's business, financial condition, cash flows and results of operations, and may result in the Issuer having insufficient funds to meet its obligations under the Covered Bonds.

*Sale or refinancing of Home Loan Receivables and related Home Loan Security by the Issuer following enforcement of the Borrower Collateral Security*

After title to the Home Loan Receivables granted as Borrower Collateral Security and the related Home Loan Security has been transferred to the Issuer upon enforcement of the Borrower Collateral Security (the "**Transferred Assets**"), the Administrator will organise the sale or refinancing by the Issuer of such Home Loan Receivables and related Home Loan Security in order for the Issuer to receive sufficient Available Funds to make payments when due under the relevant Series of Covered Bonds (after taking into account all payments to be made in priority thereto according to the relevant Priority Payment Order and the relevant payment dates and Final Maturity Date under each relevant Series of Covered Bonds).

The Administrator will organise the sale or refinancing by the Issuer of the Home Loan Receivables granted as Borrower Collateral Security and the related Home Loan Security in accordance with the Administrative Agreement (see "**The Issuer – The Administrative Agreement**").

The Administrative Agreement provides that the Administrator shall ensure that the Transferred Assets which are proposed for sale or refinancing by the Issuer (the "**Selected Assets**") at any relevant date (the "**SARA Relevant Date**") will be selected on a random basis, provided that (i) no more Selected Assets will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount, and (ii) the aggregate outstanding principal amount or value (and interest accrued thereon) of such Selected Assets shall not exceed the "**Selected Assets Required Amount (SARA)**", which is calculated as follows:

$$\text{SARA} = \text{Adjusted Required Redemption Amount} * \text{A/B}$$

where:

"**Adjusted Required Redemption Amount**" means an amount equal to the euro equivalent of the outstanding principal amount of the first Series of Covered Bonds maturing after the SARA Relevant Date (together with Interest Amount accrued thereon), less amounts standing to the credit of the Issuer Accounts (excluding all amounts to be applied on the first Payment Date following the SARA Relevant Date to repay higher ranking amounts in the relevant Priority Payment Order and those amounts that are required to repay any Series which mature prior to or on the same date as the relevant Series);

"**A**" means the euro equivalent of the aggregate of the outstanding principal amount or value (together with interest accrued thereon) of all Transferred Assets; and

"**B**" means the euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) in respect of all Series of Covered Bonds then outstanding.

The Administrator (or the Substitute Administrator) acting on behalf of the Issuer will offer the Selected Assets for sale to potential buyers for the best price reasonably available, but in any event for an amount not less than the Adjusted Required Redemption Amount.

If the Selected Assets have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six (6) months prior to the Final Maturity Date of the Series of Covered Bonds maturing after the SARA Relevant Date (after taking into account all payments, provisions and credits to be made in priority thereto), then the Administrator will (i) organise the offer for sale of the Selected Assets by the Issuer for the best price reasonably available, or (ii) seek a refinancing of the Selected Assets by the Issuer on the best terms reasonably available, even if the price obtained in this case for the Selected Assets is less than the Adjusted Required Redemption Amount.

For the purpose hereof, the Administrator may through a tender process select a portfolio manager of recognised standing which shall be appointed by the Issuer to advise it in relation to the sale or refinancing of the Transferred Assets. This portfolio manager can be appointed by the Issuer on terms intended to incite the portfolio manager to achieve the best price for the sale or refinancing of the Transferred Assets (if such terms are commercially available in the market).

In respect of any sale or refinancing of the Selected Assets, the Administrator shall use all reasonable endeavours to procure that the Selected Assets are sold as quickly as reasonably practicable (in accordance, as the case may be, with the recommendations of the portfolio manager) taking into account the market conditions at that time.

There is no guarantee that a buyer will be found to acquire the Home Loan Receivables granted as Borrower Collateral Security and the related Home Loan Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect the ability of the Issuer to make payments when due under the Covered Bonds.

In addition, with respect to any sale or refinancing of the Home Loan Receivables granted as Borrower Collateral Security and the related Home Loan Security to third parties, the Issuer will not be permitted to give warranties or indemnities as to those assets. There is no assurance that representations or warranties previously given by the Borrower with respect to such assets pursuant to the terms of the Borrower Collateral Security Agreement may benefit a third party purchaser of such assets upon sale or refinancing thereof by the Issuer. Accordingly, there is a risk that the price or value of such assets upon the sale or refinancing thereof by the Issuer be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Issuer to make payments when due under the relevant Series of Covered Bonds.

### **Risk related to the Home Loans and related Home Loan Security**

#### *Debtors' ability to pay under the Home Loans*

The debtors under the Home Loans are individuals having borrowed under the Home Loans in order to finance the acquisition of real estate property.

If, following enforcement of the Borrower Collateral Security, the Issuer does not receive the full amount due from the debtors on such Home Loans, this may affect the ability of the Issuer to make payments under the Covered Bonds. The Issuer may therefore be exposed to the occurrence of credit risk in relation to the debtors under the Home Loans.

None of the Issuer, the Borrower or any other party to the Programme Documents guarantees or warrants full and timely payment by the debtors under the Home Loans of any sums payable under such Home Loans.

The ability of a debtor under the Home Loans to make timely payment of amounts due under such Home Loans will mainly depend on his assets and his liabilities as well as his ability to generate sufficient income to make payments under the relevant Home Loans. His ability to generate income may be adversely affected by a large number of factors, some of which (i) relate specifically to the debtor himself (including but not limited to his age and health, employment situation, family situation, creditworthiness or expropriation) or (ii) are more general in nature (such as changes in governmental regulations, fiscal policy, etc.).

Furthermore, the debtors under the Home Loans may benefit from the favourable legal and statutory provisions of the French Consumer Code (*Code de la consommation*) pursuant to which any individual may, under certain circumstances and subject to certain conditions, request and obtain from the competent court a grace period, a reduction of the amount of all and any of its indebtedness and any interest relating thereto and, as the case may be, (pursuant to (i) law no. 98-657 dated 29 July 1998, as amended, and (ii) law no. 2003-710 dated 1st August 2003) a full or partial extinguishment of its indebtedness against a credit institution.

#### *No independent investigation – representations and warranties*

None of the Issuer, the Arranger, the Administrator or any other party to any Programme Document has undertaken or will undertake any investigations, searches or other due diligence regarding the Home Loans, the related Home Loan Security or the status and/or the creditworthiness of the debtors under the Home

Loans. Each of them has relied solely on the representations and warranties given by the Borrower under the Borrower Collateral Security Agreement.

If any breach of eligibility criteria relating to any Home Loan Receivable is material and (if capable of remedy) is not remedied, the Borrower shall be required under the Borrower Collateral Security Agreement to provide sufficient eligible Home Loan Receivables in order to maintain compliance with the Asset Cover Test. Upon becoming ineligible on any given Asset Cover Test Date, any Home Loan Receivable shall be accounted for zero for the purposes of determining compliance with the Asset Cover Test. The foregoing is without prejudice to the obligations of the relevant parties under the Programme Documents, including the obligation to comply with the Asset Cover Test and to the Home Loan Eligibility Criteria.

Failure to maintain compliance with the Asset Cover Test and/ or Minimum Legal Cover Ratio may result in the Issuer having insufficient funds to meet its obligations under the Covered Bonds.

*Limited description of the Home Loans*

The Bondholders will not receive detailed statistics or information in relation to the Home Loans or the Borrower Collateral Security Assets, because it is expected that the portfolio of Borrower Collateral Security Assets may constantly change due to, among other things, the Borrower providing additional or substituting new Borrower Collateral Security Assets or Affiliates acceding to the Programme. However, each eligible Home Loan Receivable will be required to meet the applicable eligibility criteria.

*Prepayment*

The rate of prepayment of Home Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including but not limited to amendments to mortgage interest tax deductibility), local and regional economic conditions, as well as changes in the debtor's behaviour (including but not limited to home-owner mobility). No guarantee can be given as to the level of prepayment that the Home Loans may experience, and variation in the rate of prepayments of principal on the Home Loans may affect the ability of the Issuer to have sufficient funds to make payments under the Covered Bonds upon the service of a Borrower Enforcement Notice and effect subsequent transfer of title to the Home Loan Receivables and Home Loan Security in favour of the Issuer.

*Changes to the lending criteria of the Borrower*

Each of the Home Loans will have been originated in accordance with the Borrower's lending criteria at the time of origination. It is expected that the Borrower's lending criteria will generally consider the type of financed property, term of loan, age of applicant, the loan-to-value ratio, the status of applicants and their credit history. One (1) of the Home Loans Eligibility Criteria requires that, prior to the date upon which the Home Loan has been made available to the borrower thereof, and all lending criteria and preconditions as applied by the Borrower pursuant to its customary lending procedures be satisfied. The Borrower retains the right to revise its lending criteria from time to time. If the lending criteria changes in a manner that affects the creditworthiness of the Home Loans, this may lead to increased defaults by debtors thereof and may affect the realisable value of the Borrower Collateral Security Assets or a part thereof, and may affect the ability of the Issuer to make payments under the Covered Bonds upon the service of a Borrower Enforcement Notice and ultimately effect transfer of title to the Home Loan Receivables and Home Loan Security in favour of the Issuer.

*Foreclosing on real property granted as security under French law governed Mortgages*

French legal procedures to be followed in relation to the enforcement of French law governed Mortgages and related expenses may affect the Issuer's ability to liquidate the properties secured under such Mortgages efficiently and in a timely manner. An outline of these procedures is set out below. Specific rules are provided for lender's privileges and mortgages registered in the departments of *Haut-Rhin*, *Bas-Rhin* and *Moselle*. However, these specific rules do not substantially change the outline of these procedures set out below.

Foreclosure on property located in France by secured creditors (*saisie immobilière*) may require the sale of the property at a public auction (*vente aux enchères*) if the sale cannot be made voluntarily by the debtor (*conversion en vente volontaire* or *à l'amiable*). The foreclosure procedure may take up to one (1) and a half years in normal circumstances. The beneficiary of a lender's privilege or a mortgage will rank in, with

respect to sale proceeds, in the order of priority of registration of privileges and mortgages (*droits de préférence*) encumbering such property (Article 2458 of the French Civil Code (*Code civil*)). The first step in the foreclosure procedure consists of delivering a foreclosure notice to the debtor by a bailiff or *huissier* (a process server or *commandement de saisie immobilière*). This notice is filed at the French Land and Charges Registry having jurisdiction in the district where the relevant real property is located. The next step is to instruct a local lawyer (*avocat*) to prepare the terms of the sale of the property at auction, including the reserve price of the relevant real property (such instruction is not mandatory in the departments of *Haut-Rhin*, *Bas-Rhin* and *Moselle*). Finally, a number of legal notices are required to be given prior to the sale. The debtor may file objections against such foreclosure (including the reserve price), the validity of which will be decided by a competent court. If no bid is made at the public auction, and provided there is only one (1) foreclosing creditor, such foreclosing creditor is declared the highest bidder and is thus obliged to purchase the property at a reserve price specified in the terms of the sale. Rules applicable to the *saisie immobilière* procedure have been recently modified by an act (*ordonnance n° 2006-461 réformant la saisie immobilière*) dated 21 April 2006. This new legislation (Articles 2190 *et seq.* of the French Civil Code (*Code civil*)) came into force on 1 January 2007. The purpose of the legislation is to simplify the foreclosure process by encouraging voluntary sales (*ventes à l'amiable*) and to reduce the duration and complexity of the foreclosure process.

In accordance with Article 2461 of the French Civil Code (*Code civil*), secured creditors will continue to benefit from the lender's privilege or mortgage, even if the property is transferred by the debtor to a third party without the lender's consent. This right is known as *droit de suite*. If the secured creditor wishes to exercise this right, an order to pay is required to be served on the debtor by a bailiff and notice is required to be served on the third party to whom the relevant secured property was transferred (*tiers détenteur de l'immeuble hypothéqué*) with a view either to pay the debt secured over the property or to surrender the property at an auction.

The exercise of the *droit de suite* is often frozen due to an "advanced clearing" of the privileges and mortgages granted over the relevant property (*purge des privilèges et hypothèques*). If the debtor and all secured creditors agree, in accordance with Article 2475 of the French Civil Code (*Code civil*), for sale proceeds to be allocated (*affecté*) to them, the secured creditors exercise their preferential rights (*droits de préférence*) over the sale proceeds, the payment of which will discharge all privileges and mortgages granted over the property (*purge amiable*). If no agreement is reached (for instance if the sale price of the property is substantially below the amount of the secured debt), the third party will still be entitled to offer to pay the sale price to the secured creditors in order to clear all privileges and mortgages granted over the relevant property (*purge judiciaire*, Articles 2478 *et seq.* of the French Civil Code (*Code civil*)). Secured creditors may refuse this offer if they believe that the sale price has been underestimated by the debtor and the third party. In this case, an auction will be ordered with a minimum bid which is the price offered by the relevant third party being made to the secured creditor, plus ten per cent (10%).

The Issuer's ability to liquidate the properties secured under the Home Loans efficiently and in a timely manner, and in turn to make payments when due on the Covered Bonds, may be adversely affected by the legal procedures described above.

#### *Enforcement of Home Loan Guarantees*

Following enforcement of the Borrower Collateral Security title to the Home Loan Receivables and related Home Loan Security is transferred in favour of the Issuer, notification of the debtors under such Home Loans is then given, and the Issuer enforces its rights under the relevant Home Loan Guarantees against the guarantor. If thereafter, such guarantor does not pay in whole or in part any amounts due under the relevant Home Loan Guarantees for whatever reason or does not pay such amounts in a timely manner, this may affect the ability of the Issuer to make payments under the Covered Bonds.

### **Risks relating to swaps and options derivatives**

#### *Interest and currency risks*

Each Borrower Advance granted by the Issuer for the benefit of the Borrower under the Borrower Facility Agreement shall be made available in the same Specified Currency and according to the same interest conditions to those applicable to the Covered Bonds funding such Borrower Advance. As a consequence, as

long as a Borrower Event of Default has not occurred, the Issuer shall not be exposed to any currency and interest risk regarding the Borrower Debt and the Covered Bonds.

There is no assurance that the Home Loan Receivables that are part of the Borrower Collateral Security bear interest by way of the same conditions as those of the Covered Bonds and are denominated in the same currency as the Covered Bonds. Upon the occurrence of a Borrower Event of Default and the enforcement of the Borrower Collateral Security, Home Loan Receivables and related Home Loans Security shall be transferred to the Issuer. In this case, in order to hedge the potential mismatch of the interest rates applicable to the Covered Bonds and to the Home Loan Receivables and the potential mismatch of currencies, the Issuer will apply the Hedging Strategy as from the occurrence of the Hedging Rating Trigger Event, as defined below. However, there can be no assurance that the Hedging Strategy will adequately address such hedging risks.

#### *Hedging strategy*

Upon the occurrence of a Hedging Rating Trigger Event, no assurance can be given that the hedging documentation agreed under the Hedging Strategy will be concluded, and in particular, that all the relevant Eligible Hedging Provider(s) will be found and will accept to conclude the hedging documentation as agreed under the Hedging Strategy. Upon the occurrence of a Hedging Rating Trigger Event, (i) any failure by the Issuer (or the Administrator on its behalf) to enter into (a) appropriate Issuer Hedging Agreements, as defined below, and related Issuer Hedging Transactions with Eligible Hedging Provider(s) or (b) appropriate Borrower Hedging Agreement(s), as defined below, and related Borrower Hedging Transaction(s), as defined below, with HSBC France within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy, constitutes the occurrence of an Issuer Event of Default and a Borrower Event of Default and (ii) any failure by the Borrower (a) to enter into appropriate Borrower Hedging Agreement(s) and related Borrower Hedging Transaction(s) with the Issuer, within thirty (30) calendar days from the date of occurrence of such Hedging Rating Trigger Event or, (b) to pay any costs and expenses necessary to allow the Issuer to enter into the agreements referred to above constitutes the occurrence of a Borrower Event of Default.

Moreover, in certain circumstances, the hedging documentation contemplated under the Hedging Strategy may be terminated and, as a result, the Issuer may be unhedged if replacement interest rates and/or currency derivative transactions are not entered into.

#### **Risks related to Covered Bonds generally**

##### *The Covered Bonds may not be a suitable investment for all investors*

Each prospective investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, and weight the merits and risks of investing in the relevant Covered Bonds. The prospective investor should have sufficient knowledge in experience for the purpose of properly evaluating the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus and the relevant Final Terms;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact the relevant Covered Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one (1) or more currencies, or where the currency for principal or interest payments is different from the prospective investor's currency;
- (d) understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets;



- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (f) be aware, in terms of any legislation or regulatory regime applicable to such investor, of the applicable restrictions (if any) on its ability to invest in Covered Bonds generally and in any particular type of Covered Bonds.

Some Covered Bonds are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to overall portfolios. A prospective investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds and the impact this investment will have on the prospective investor's overall investment portfolio. Some Covered Bonds which are complex financial instruments may be redeemable at an amount below par in which case investors may lose the value of part or their entire investment.

#### *Modification of the Conditions of French law Covered Bonds*

The holders of French law Covered Bonds will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interest in a *Masse* (as defined in Condition 12 (b) under "Terms and Conditions of the French law Covered Bonds") and a General Meeting can be held thereto. The Terms and Conditions applicable to French law Covered Bonds permit, in certain cases, defined majorities to bind all holders of any series of French law Covered Bonds, including Bondholders of such series who did not attend and vote at the relevant General Meeting and holders of French law Covered Bonds who voted in a manner contrary to the majority. The General Meeting may deliberate on any proposal relating to the modification of the Conditions, including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions (as more fully described in Condition 12 (b) under "Terms and Conditions of the French law Covered Bonds").

#### *Change of law*

The Terms and Conditions of the French law Covered Bonds are based on French law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to French law or administrative practice after the date of this Base Prospectus.

#### *Impact of regulatory changes*

The Issuer is subject to financial services laws, regulations, administrative actions and policies in each jurisdiction in which it carries on business. Changes in supervision and regulation, in particular in France, could materially affect the Issuer's business, the products and services offered or the value of its assets. Although the Issuer works closely with its regulators and continually monitors its environment, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer.

#### *Taxation*

Potential purchasers and sellers of the Covered Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Covered Bonds are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Covered Bonds. Potential investors are advised not to rely upon the tax summary contained in this Base Prospectus and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Covered Bonds. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Base Prospectus and the additional tax sections, if any, contained in the relevant Final Terms.

#### *EU Savings Directive*

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Savings**

**Directive**"). The Savings Directive requires Member States, subject to a number of conditions being met, to provide to the tax authorities of other Member States details of payments of interest and other similar income made by a paying agent located within their jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Luxembourg and Austria will instead withhold an amount on interest payments unless the relevant beneficial owner of such payment elects otherwise and authorises the paying agent to disclose the above information. The rate of this withholding tax is currently 35%. (see "**Taxation – EU Savings Directive**").

If a payment were to be made or collected through a Member State which has opted for a withholding system and tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### **Risks related to the structure of a particular issue of Covered Bonds**

Covered Bonds issued under the Programme will either be fungible with an existing Series or have different terms to an existing Series (in which case they will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects.

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for prospective investors. Set out below is a description of the most common such features:

#### *Covered Bonds subject to optional redemption by the Issuer*

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of such Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

In such case, an investor generally may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider reinvestment risk in light of other investments available at that time.

#### *Fixed Rate Covered Bonds*

Investment in Covered Bonds which bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the relevant Tranche of Covered Bonds.

#### *Floating Rate Covered Bonds*

Investment in Covered Bonds which bear interest at a floating rate comprises (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Covered Bonds but there will be a periodic adjustment (as specified in the relevant Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Covered Bonds may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Covered Bonds upon the next periodic adjustment of the relevant reference rate.

#### *Index Linked Covered Bonds and Dual Currency Covered Bonds*

Subject to prior Rating Affirmation, the Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Covered Bonds with principal or interest

payable in one (1) or more currencies which may be different from the currency in which the Covered Bonds are denominated. Prospective investors should be aware that:

- (a) the market price of such Covered Bonds may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) the amount of principal payable at redemption may be less than the nominal amount of such Covered Bonds or even zero (0);
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one (1) or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to the investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Zero Coupon Covered Bonds*

Changes in market interest rates have a substantially stronger impact on the prices of Zero Coupon Covered Bonds than on the prices of ordinary Covered Bonds because the discounted issue prices are substantially below par. If market interest rates increase, Zero Coupon Covered Bonds can suffer higher price losses than other Covered Bonds having the same maturity and credit rating. Due to their leverage effect, Zero Coupon Covered Bonds are a type of investment associated with a particularly high price risk.

#### *Partly-paid Covered Bonds*

The Issuer may issue Covered Bonds where the principal amount or redemption price is payable in more than one (1) instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of his investment.

#### *Variable Rate Covered Bonds with a multiplier or other leverage factor*

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Covered Bonds*

Inverse Floating Rate Covered Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Covered Bonds typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Covered Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Covered Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Covered Bonds.

#### *Fixed/Floating Rate Covered Bonds*

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be

less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds issued by the Issuer. If the Issuer converts Covered Bonds from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

*Covered Bonds issued at a substantial discount or premium*

The market values of Covered Bonds issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such Covered Bonds, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

*Certain decisions of majority holders of French law Covered Bonds may bind all holders of the relevant Series*

Any resolution to direct the Representative to serve an Issuer Enforcement Notice, and any direction to the Representative to take any action as provided under this Base Prospectus, may be passed at the direction of the Bondholders of a single Series of French law Covered Bonds then outstanding and will not require the decision of the Bondholders of the other Series of French law Covered Bonds. Any resolution by Bondholders of a Series of Covered Bonds to direct the Representative to serve an Issuer Enforcement Notice will be effective for all the Bondholders of such Series of French law Covered Bonds, including the Bondholders of such Series of French law Covered Bonds who did not attend and vote at the relevant General Meeting and the Bondholders of such Series of French law Covered Bonds who voted in a contrary manner at such General Meeting. The service of an Issuer Enforcement Notice as mentioned above shall trigger the acceleration of sums due to Bondholders of the Series of French law Covered Bonds who have passed a resolution to this effect and a Covered Bonds Cross Acceleration Trigger Event shall be deemed to have occurred (i.e. a cross acceleration of sums due to Bondholders of all other Series of Covered Bonds).

*Ratings of the Covered Bonds and Rating Affirmation*

The ratings assigned to the Covered Bonds by the Rating Agencies are based on the SFH Legal Framework (including the *Privilège*), the Borrower Collateral Security, the Home Loans and Home Loan Security, any Cash Collateral and the other relevant structural and credit enhancement features provided for under the Programme Documents, including, among other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the parties to the Programme Documents, and reflect only the views of the Rating Agencies. The ratings of S&P address the likelihood of full and timely receipt by any of the relevant Bondholders of interest on the Covered Bonds and the likelihood of receipt by the Bondholders of the principal amount of the Covered Bonds by the relevant Final Maturity Date. The Moody's ratings address the expected loss posed to investors (Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors).

There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact both the value of the Covered Bonds or their marketability in secondary market transactions.

The Rating Agencies will be notified of the exercise of certain discretions exercised by or on behalf of the Issuer under the Programme Documents. However, the Rating Agencies are under no obligation to revert to the Issuer (or any of its agents) regarding the impact of the exercise of such discretion on the ratings of the Covered Bonds and any decision as to whether or not to confirm, downgrade, withdraw or qualify the ratings of all classes or any class of Covered Bonds based on such notification may be made at the sole discretion of the Rating Agencies at any time, including after the relevant action has been taken.

Where, after the Programme Date, as defined below, a particular matter such as that referred to in the preceding paragraph or any other matter involves the Rating Agencies being requested a prior Rating Affirmation, the Rating Agencies, at their sole discretion, may or may not give such affirmation. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agencies cannot provide the relevant affirmation in the time available or at all and they will not be held responsible for the consequences thereof.

Any affirmation received from the Rating Agencies, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the Covered Bonds form part since the Programme Date. Furthermore, in the event that the Rating Agencies gives a Rating Affirmation, this will be on the basis of full and timely receipt by the relevant Bondholders of interest on the Covered Bonds and the likelihood of receipt of principal of the Covered Bonds by the relevant Final Maturity Date. There is no assurance that after any such affirmation, the then current ratings of the Covered Bonds will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by one (1) or more of the Rating Agencies for any of the reasons specified above in relation to the original ratings of the Covered Bonds. As such an affirmation of the ratings of the Covered Bonds by the Rating Agencies is not a representation or warranty that, as a result of a particular matter, the interest and principal due under the Covered Bonds will be paid or repaid in full and when due.

Agencies other than the Rating Agencies could seek to rate the Covered Bonds and if such unsolicited ratings are lower than the comparable ratings assigned to the Covered Bonds by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value and the marketability of the Covered Bonds. For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this Base Prospectus are to ratings assigned by the specified Rating Agencies only.

#### *Implementation of Basel II and Basel III Risk-Weighted Asset Framework*

In June 1999, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued proposals for the reform of the 1988 Basel Capital Accord and proposed a new capital adequacy framework which would place enhanced emphasis on risk sensitivity and market discipline. On 26 June 2004, the Basel Committee published a new Capital Accord under the title "Basel II International Convergence of Capital Measurement and Capital Standards: a Revised Framework" ("**Basel II**"), an updated version of which was published in November 2005. Basel II was implemented under EU legislation by virtue of directives no. 2006/48 and no. 2006/49 (the "**Capital Requirements Directives**" as amended from time to time) both dated 14 June 2006. In France, the provisions of the Capital Requirements Directives providing for a new solvency ratio were implemented under the *arrêtés* dated 20 February 2007 and the *ordonnance* no. 2007-571 dated 19 April 2007. Please note also that the *arrêté* dated 25 August 2010 transposing the Capital Requirements Directives, which came into effect on 31 December 2010, amended the French prudential control requirements applicable to credit institutions and investment firms.

It also should be noted that on December 17, 2009, the Basel Committee has published for consultation a package of proposals for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. On December 16, 2010 and January 13, 2011, the Basel Committee has approved significant changes to Basel II (the "**Basel III**"), including new capital and liquidity standards for credit institutions. Those measures are expected to be implemented by relevant authorities starting from January 1, 2013 with full implementation on January 1, 2019, although certain supervisory authorities have already announced their intention to require an earlier application.

In particular, the changes introduced by Basel III refer to, amongst other things:

- a complete review of the capital standards;
- the introduction of a leverage ratio; and
- the introduction of short-term and longer-term standards for funding liquidity (referred to as the "*Liquidity Coverage Ratio*" and the "*Net Stable Funding Ratio*").

The European authorities have indicated that they support the work of the Basel Committee on the approved changes in general. The European Commission implemented those changes in the proposed amendment to the Capital Requirements Directive published on July 21, 2011 (directive *CRD IV*) and in the regulations (the *Capital Requirement Regulation*). Once adopted, the new Capital Requirements Directive and regulation will be implemented under French law.

The implementation of Basel II and Basel III has and will continue to bring about a number of substantial changes to the current capital requirements, prudential oversight and risk-management systems, including those of the Issuer. The direction and the magnitude of the impact of Basel II and Basel III will depend on the particular asset structure of each bank and its precise impact on the Issuer cannot be quantified with certainty at this time. The Issuer may operate its business in ways that are less profitable than its present

operation in complying with the new guidelines resulting from the transposition of the Capital Requirements Directives.

In addition, the implementation of Basel II and Basel III could affect the risk weighting of the Covered Bonds in respect of certain investors to the extent that those investors are subject to the new guidelines resulting from the implementation of the Capital Requirements Directives. Accordingly, recipients of this Base Prospectus should consult their own advisers as to the consequences and effects the implementation of the Capital Requirements Directives could have on them.

#### *Forecasts and estimates*

Estimates of the weighted average lives of the Covered Bonds contained in this Base Prospectus (if any), together with any other projections, forecasts and estimates in this Base Prospectus are forward-looking statements. Such projections are speculative in nature and it can be expected that some or all of the assumptions underlying the projections will not prove to be wholly correct or will vary from actual results. Consequently, the actual results might differ from the projections and such differences might be significant.

#### **Risks related to the market generally**

##### *An active trading market for the Covered Bonds may not develop*

Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Covered Bonds.

In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Base Prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Covered Bonds. Such lack of liquidity may result in investors suffering losses on the Covered Bonds in secondary resales even if there is no decline in the credit strength of the Issuer or the performance of the Borrower Collateral Security Assets. The Issuer cannot predict when these circumstances will change and if and when they do whether there will be a more liquid market for the Covered Bonds and instruments similar to the Covered Bonds at that time.

##### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds, and (3) the Investor's Currency equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

##### *Interest rate risks*

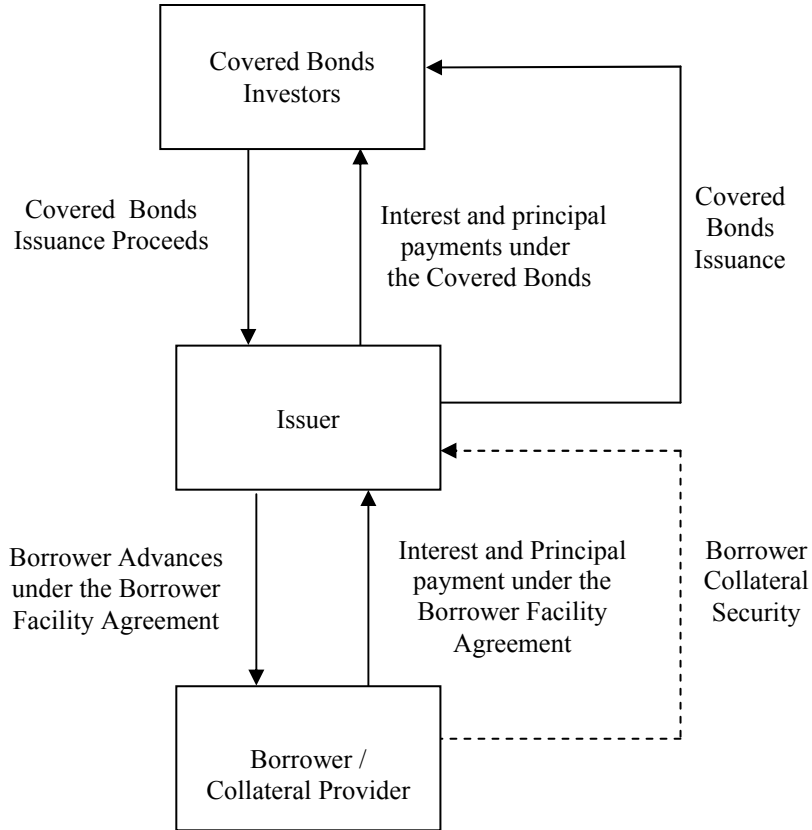
Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (i) Covered Bonds are legal investments for it, (ii) Covered Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk based capital or similar rules.

**STRUCTURE DIAGRAM – PRINCIPAL PROGRAMME PARTIES**

**Structure Diagram**





### Principal Programme Parties

The following list does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus.

<b>Issuer:</b>	HSBC SFH (France)
<b>Administrator:</b>	HSBC France
<b>Borrower:</b>	HSBC France
<b>Affiliates:</b>	HSBC France and any of its French subsidiaries
<b>Cash Collateral Provider:</b>	HSBC France
<b>Arranger:</b>	HSBC France
<b>Permanent Dealer:</b>	HSBC France
<b>Bondholders Representative in respect of the French law Covered Bonds:</b>	BNP Paribas Securities Services
<b>Fiscal Agent, Principal Paying Agent and Calculation Agent in respect of the French law Covered Bonds:</b>	BNP Paribas Securities Services
<b>Rating Agencies:</b>	Moody's and S&P
<b>Issuer Calculation Agent:</b>	HSBC France
<b>Issuer Accounts Bank:</b>	HSBC France
<b>Asset Monitor:</b>	KPMG Audit Plc
<b>Specific Controller:</b>	Cailliau Dedouit et associés
<b>Substitute Specific Controller:</b>	Rémi Savournin

### DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus shall be read and construed in conjunction with the following documents which have been previously or simultaneously published and filed with the AMF and which are incorporated in, and shall be deemed to form part of, this Base Prospectus (note that the Issuer was previously named "HSBC Covered Bonds (France)" until 21 April 2011):

- the statutory auditors' report of HSBC SFH (France) for the year ended 31 December 2011 (both in the French and English language - the "HSBC SFH (France) S.A.- *Rapport sur les comptes annuels des commissaires aux comptes - Exercice clos le 31 décembre 2011*") which contains the audited financial statements of the Issuer for the financial year ended 31 December 2011 and the auditors' report thereon (the "**2011 Statutory Auditors' Report**"), and
- the statutory auditors' report of HSBC Covered Bonds (France) for the year ended 31 December 2010 (both in the French and English language - the "HSBC Covered Bonds (France) S.A.- *Rapport sur les comptes annuels des commissaires aux comptes - Exercice clos le 31 décembre 2010*") which contains the audited financial statements of the Issuer for the financial year ended 31 December 2010 and the auditors' report thereon (the "**2010 Statutory Auditors' Report**").

All documents incorporated by reference in this Base Prospectus may be obtained, without charge on request, at the principal office of Issuer and the Paying Agents set out at the end of this Base Prospectus during normal business hours so long as any of the Covered Bonds are outstanding. Such documents will be published on the websites of (i) the AMF ([www.amf-france.org](http://www.amf-france.org)), (ii) the HSBC France ([www.hsbc.fr](http://www.hsbc.fr)) and (iii) [www.info-financière.fr](http://www.info-financière.fr).

The information incorporated by reference in this Base Prospectus shall be read in connection with the cross reference list below. Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

## Cross-reference list

(Annex VII of the European Regulation 809/2004/EC)

<b>FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES</b>		
<b><u>Historical financial information</u></b>	<b>2011 Statutory Auditors' Report (French language)</b>	<b>2011 Statutory Auditors' Report (English language)</b>
- <b>Balance sheet (<i>Bilan</i>)</b>	Pages 5 to 6	Pages 6 to 7
- <b>Profit and loss account (<i>Compte de résultat</i>)</b>	Page 7	Page 8
- <b>Notes (<i>Annexe comptable</i>)</b>	Pages 8 to 28	Pages 9 to 30
- <b>Statutory Auditors' Report (<i>Rapport des Commissaires aux comptes - Exercice clos le 31 décembre 2011</i>)</b>	Pages 2 to 3	Pages 2 to 4
<b><u>Historical financial information</u></b>	<b>2010 Statutory Auditors' Report (French language)</b>	<b>2010 Statutory Auditors' Report (English language)</b>
- <b>Balance sheet (<i>Bilan</i>)</b>	Pages 6 to 7	Pages 6 to 7
- <b>Profit and loss account (<i>Compte de résultat</i>)</b>	Page 8	Page 8
- <b>Notes (<i>Annexe comptable</i>)</b>	Pages 9 to 30	Pages 9 to 30
- <b>Statutory Auditors' Report (<i>Rapport des Commissaires aux comptes - Exercice clos le 31 décembre 2010</i>)</b>	Pages 2 to 4	Pages 2 to 4

## SUPPLEMENT TO THE BASE PROSPECTUS

In connection with Covered Bonds admitted to trading on a Regulated Market, if at any time during the duration of the Programme there is a significant change affecting any matter contained or incorporated by reference in this base prospectus (the "**Base Prospectus**"), including any modification of the terms and conditions or generally any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, which inclusion would reasonably be required by investors, and would reasonably be expected by them to be found in this Base Prospectus for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Covered Bonds, the Issuer shall prepare a supplement to the Base Prospectus in accordance with Article 16 of the Prospectus Directive and Article 212-25 of the AMF's *Règlement général* for use in connection with any subsequent offering of the Covered Bonds, submit such supplement to the Base Prospectus to the AMF for approval and supply each Dealer, Euronext Paris and the AMF with such number of copies of such supplement to the Base Prospectus as may reasonably be requested.

**USE OF PROCEEDS**

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include German law and French law Covered Bonds, in the following section.*

The net proceeds of the issue of Covered Bonds will be used to fund the Borrower Advances that the Issuer (as Lender) will make available to HSBC France (as Borrower) under the Borrower Facility Agreement. Such net proceeds may also fund the purchase by the Issuer in the future of Eligible Assets other than the Borrower Advances and the Home Loan Receivables. In particular, the Issuer may purchase any such assets in the future with a view to grant such assets as collateral with the *Banque de France* in accordance with the rules of the Eurosystem.

## TERMS AND CONDITIONS OF THE FRENCH LAW COVERED BONDS

*The following is the text of the terms and conditions (the "**Conditions**") that, as completed, supplemented, amended or varied in accordance with the provisions of the relevant Final Terms, shall be applicable to the French law Covered Bonds. The terms and conditions applicable to the German law Covered Bonds are contained in the Agency Agreement (as defined below).*

*In this section, "Covered Bonds" refers only to French law Covered Bonds (obligations de financement de l'habitat) except as otherwise provided. In the case of French law Covered Bonds which are Dematerialised Covered Bonds, the text of the terms and conditions will not be attached to any physical documents of title but will be constituted by the following text as completed, supplemented, amended or varied by the relevant Final Terms. In the case of French law Covered Bonds which are Materialised Covered Bonds, either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms (and subject to simplification by the deletion of non-applicable provisions) or (ii) these terms and conditions as so completed, amended, supplemented or varied shall, in each case, be attached to the relevant Definitive Materialised Covered Bond, Temporary Global Certificate, and Permanent Global Certificate, as the case may be.*

*Words and expressions defined in the Agency Agreement, or defined or used in the applicable Final Terms shall have the same meanings when used in these Conditions unless the context otherwise requires or unless otherwise stated provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail. References in the Conditions to "Covered Bonds" are to the Covered Bonds of one (1) Series only and not to all Covered Bonds that may be issued under the Programme.*

The Covered Bonds are issued outside France by HSBC SFH (France) (the "**Issuer**" or "**HSBC SFH (France)**"), on a syndicated or non-syndicated basis. The Covered Bonds will be issued in series (each a "**Series**") having one (1) or more issue dates and on terms otherwise identical (or identical save as to the first payment of interest), the Covered Bonds of each Series being intended to be interchangeable with all other Covered Bonds of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder and supplemented, where necessary, with supplemental terms and conditions which, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the final terms of such Tranche (the "**Final Terms**").

The Covered Bonds are issued with the benefit of an amended and restated agency agreement dated on or before the date of this Base Prospectus (the "**Agency Agreement**") governed by French law and entered into between the Issuer, BNP Paribas Securities Services as fiscal agent, principal paying agent and calculation agent. The fiscal agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent) and the "**Calculation Agent(s)**".

The Bondholders (as defined below) and, where applicable, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Covered Bonds and, where applicable in the case of such Covered Bonds, talons (the "**Talons**") for further Coupons and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Covered Bonds of which the principal is redeemable in instalments are respectively referred to below as the "**Couponholders**" and the "**Receiptholders**" and are deemed to have notice of all the provisions of the Agency Agreement and the applicable Final Terms which are applicable to them.

Copies of the Final Terms applicable to a series of Covered Bonds may be obtained, upon request, free of charge, from the registered office of the Issuer and the specified offices of the Paying Agent provided that, if such Series of Covered Bonds is neither admitted to trading on a regulated market in the European Economic Area (the "**EEA**") nor offered in the EEA in circumstances where a Base Prospectus is required to be published under Directive 2003/71/EC dated 4 November 2003, as amended (in particular by Directive 2010/73/EU dated 24 November 2010 to the extent implemented in any relevant Member State)

(the "**Prospectus Directive**"), the applicable Final Terms will only be obtainable by a Bondholder holding one or more Covered Bonds and such Bondholder must produce evidence satisfactory to the Issuer and/or the Paying Agent as to its holding of such Covered Bonds and identity.

References below to "Conditions" are, unless the context requires otherwise, to the numbered paragraphs below.

## 1. Definitions

"**Base Prospectus**" means the Base Prospectus dated 4 May 2012 of the Issuer, in the form in which it is on file with the *Autorité des marchés financiers* in France and granted visa no. 12-192 on 4 May 2012, together with any document incorporated by reference and any supplement to this Base Prospectus, as the case may be.

"**Bondholder**" or, as the case may be, "holder of any Covered Bond" means:

- (a) in the case of French law Covered Bonds (i) if Dematerialised Covered Bonds, the individual or entity whose name appears in the account of the relevant Account Holder, the Issuer or the Registration Agent (as the case may be) as being entitled to such Covered Bonds, (ii) if Definitive Materialised Covered Bonds, the bearer of any Definitive Materialised Covered Bond and the Coupons, Receipts or Talons relating to it and (iii) if Materialised Covered Bonds in respect of which a Temporary Global Certificate has been issued and is outstanding, each person (other than a clearing institution) who appears as the holder of such Covered Bonds or of a particular nominal amount of interests in such Covered Bonds, in accordance with the applicable laws and regulations and with the applicable rules and procedures of any relevant clearing institution, including, without limitation, Euroclear France, Euroclear or Clearstream, Luxembourg, as appropriate;
- (b) in the case of German law Covered Bonds, the registered holder of a German law Covered Bond.

"**Borrower Debt**" means the Borrower's indebtedness outstanding from time to time under the Borrower Facility Agreement.

"**Closing Date**" means the date of the issuance of the first Series of Covered Bonds by the Issuer.

"**Covered Bonds Cross Acceleration Event**" has the meaning ascribed to such term in paragraph (d) of the definition of Issuer Event of Default below.

"**Issuer Event of Default**" means the occurrence of any of the following events:

- (a) at any relevant time following the service of a Borrower Enforcement Notice (as defined in the section "**The Borrower and the Borrower Facility Agreement**" – "**The Borrower Facility Agreement**" of the Base Prospectus), a Breach of Amortisation Test (as defined in the section "**Asset Monitoring**" of the Base Prospectus) occurs; or
- (b) the Issuer is in default in the payment of principal of, or interest on, any Covered Bond (including the payment of any additional amounts mentioned in Condition 9) when due and payable, unless such default has arisen by reason of technical default or error and payment is made within five (5) Business Days of the due date thereof; or
- (c) the Issuer is in default in the performance or observance of any of its other material obligations under any Covered Bond and such default has not been cured within thirty (30) days after the receipt by the Fiscal Agent (with copy to the Issuer and, when applicable, the Specific Controller) of the written notice of such default by the Representative requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied; or
- (d) any other present or future indebtedness of the Issuer (including any Covered Bonds of any other Series (including German law Covered Bonds)) becomes or becomes capable of being declared due and payable prior to its stated maturity as a result of a default thereunder, or any

such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period (a "**Covered Bonds Cross Acceleration Event**"); or

- (e) an order is made or an effective resolution passed for the liquidation or winding up of the Issuer (except in the case of a liquidation or winding up for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved by the Majority Bondholders of all Series for which Covered Bonds (including German law Covered Bonds) or, if applicable, any Receipts or Coupons relating to them, are Outstanding, and such liquidation or winding up being subject to prior Rating Affirmation); or
- (f) the Issuer makes any proposal for a general moratorium in relation to its debt or applies for, or is subject to, the appointment of a *mandataire ad hoc* or has applied to enter into a conciliation procedure (*procédure de conciliation*) or into a safeguard procedure (*procédure de sauvegarde*) or a judgment is issued for the judicial liquidation (*liquidation judiciaire*) or the transfer of the whole of the business (*cession totale de l'entreprise*) of the Issuer or, to the extent permitted by applicable law, if the Issuer is subject to any other insolvency or bankruptcy proceedings or makes any conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors; or
- (g) the Issuer ceases to carry on all or a material part of its business (except in the case of a cessation for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, in each case the terms of which have previously been approved by the Majority Bondholders of all Series for which Covered Bonds (including German Law Covered Bonds) or, if applicable, any Receipts or Coupons relating to them, are Outstanding and such liquidation or winding up being subject to prior Rating Affirmation); or
- (h) upon the occurrence of a Hedging Rating Trigger Event (as defined in the section "**The Hedging Strategy**" of the Base Prospectus), (i) the Issuer (or the Administrator on its behalf) fails to enter into appropriate Issuer Hedging Agreements and related Issuer Hedging Transactions (as defined in the section "**The Hedging Strategy**" of the Base Prospectus) with Eligible Hedging Provider(s) (as defined in the section "**The Hedging Strategy**" of the Base Prospectus), within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in the section "**The Hedging Strategy**" of the Base Prospectus) or (ii) the Issuer (or the Administrator on its behalf) fails to enter into appropriate Borrower Hedging Agreement(s) and related Borrower Hedging Transaction(s) (as defined in the section "**The Hedging Strategy**" of the Base Prospectus) with the Borrower within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "**The Hedging Strategy**" of the Base Prospectus).

"**Majority Bondholders**" means, (i) in relation to any Series of French law Covered Bonds, a decision of the General Meeting (as defined in Condition 12 of the Terms and Conditions) of such Series taken in accordance with Condition 12(e) of the Terms and Conditions and (ii) in relation to any German law Covered Bond, an approval of the German law Bondholder(s) holding the then outstanding principal amount of such German law Covered Bond.

"**Nominal Amount**", in respect of any partly paid Covered Bond at any time, shall mean the paid-up nominal amount of the Covered Bond at that time.

"**Outstanding**" means, in relation to Covered Bonds of any Series, (including German law Covered Bonds) all the Covered Bonds issued other than (a) those that have been redeemed in accordance with these Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Covered Bonds to the date for such redemption and any interest payable after such date) have been duly paid as provided in Condition 8 of the Terms and Conditions, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled or held by the Issuer, for so long as such Covered Bonds are held by the Issuer, as provided in these Conditions, (e) in the case of Definitive Materialised Covered Bonds (i) those mutilated or defaced Definitive Materialised Covered Bonds that have been surrendered in exchange for replacement Definitive Materialised



Covered Bonds, (ii) (for the purpose only of determining how many such Definitive Materialised Covered Bonds are outstanding and without prejudice to their status for any other purpose) those Definitive Materialised Covered Bonds alleged to have been lost, stolen or destroyed and in respect of which replacement Definitive Materialised Covered Bonds have been issued and (iii) any Temporary Global Certificate or Permanent Global Certificate to the extent that it shall have been exchanged for one (1) or more Definitive Materialised Covered Bonds, pursuant to its provisions.

**"Payment Date"** means, with respect to a Series or Tranche of Covered Bonds, the payment date of any principal or interest amount applicable to the Issuer and specified as such in the relevant Final Terms for such Covered Bonds.

**"Programme Date"** means the date of the Base Prospectus applicable to the Programme.

**"Programme Documents"** means:

- (a) the Letter of Undertakings (as defined in the section **"The Issuer" – "Issuer Share capital, Subordinated Loan and Issuer Majority Shareholder's undertakings"** of the Base Prospectus);
- (b) the Issuer Subordinated Loan Agreement (as defined in the section **"The Issuer" – "Issuer Share capital, Subordinated Loan and Issuer Majority Shareholder's undertakings"** of the Base Prospectus) ;
- (c) the Administrative Agreement (as defined in the section **"The Issuer" – "The Administrative Agreement"** of the Base Prospectus);
- (d) the *Convention d'Externalisation et de Mise à Disposition de Moyens* (as defined in the section **"the Issuer" – "Issuer Risk Management"** of the Base Prospectus);
- (e) the Letter of Undertaking from the Issuer to enter into a Servicing Agreement;
- (f) the Issuer Accounts Agreement (as defined in the section **"The Issuer" – "The Issuer Accounts Agreement"** of the Base Prospectus);
- (g) the Terms and Conditions;
- (h) the Agency Agreement (including the Terms and Conditions of the German law Covered Bonds);
- (i) the Dealer Agreement (as defined in the section **"Subscription and Sale"** of the Base Prospectus);
- (j) the Borrower Facility Agreement (as defined in the section **"The Borrower and the Borrower Facility Agreement" – "The Borrower Facility Agreement"** of the Base Prospectus);
- (k) the Borrower Collateral Security Agreement (as defined in the section **"The Borrower Collateral Security" – "The Borrower Collateral Security Agreement"** of the Base Prospectus);
- (l) the Cash Collateral Agreement (as defined in the section **"The Borrower Collateral Security" – "The Cash Collateral Agreement"** of the Base Prospectus);
- (m) the Calculation Services Agreement (as defined in the section **"Asset Monitoring" – "The Calculation Services Agreement"** of the Base Prospectus);
- (n) the Asset Monitor Agreement (as defined in the section **"Asset Monitoring" – "The Asset Monitor Agreement"** of the Base Prospectus);
- (o) the Master Definitions and Construction Agreement, which provides for the definitions of defined terms and incorporated by reference into certain of the Programme Documents;

- (p) the Hedging Approved Form Letter (as defined in the section "**The Hedging Strategy**" of the Base Prospectus); and
- (q) the Hedging Agreement(s) (if any) (as defined in the section "**The Hedging Strategy**" of the Base Prospectus).

"**Rating Affirmation**" means, with respect to any specified action, determination or appointment, receipt by the Issuer (and sent to the relevant Representative) of written confirmation from each Rating Agency, for so long as any Covered Bonds are rated by such Rating Agency, that such specified action, determination or appointment will not result in the downgrading or withdrawal of the ratings then assigned to the Covered Bonds by that Rating Agency, provided that in the case of Moody's, Rating Affirmation shall be deemed to have been received if Moody's has been notified in writing of the relevant action, determination or appointment.

"**Rating Agency**" means each of Moody's Investors Service Ltd. ("**Moody's**") or Standard and Poor's Credit Market Services France S.A.S. ("**S&P**") and, together, the "**Rating Agencies**".

"**Regulated Market**" means a regulated market within the meaning of Directive 2004/39/EC of the European Parliament and of the Council dated 21 April 2004, as amended from time to time, within the EEA.

"**Representative Consent**" means, with respect to any specified action, determination or appointment, receipt by the Issuer of:

- (a) in relation to any Series of French law Covered Bonds, written confirmation of consent of the Representative (acting upon instructions of the Majority Bondholders of the relevant Series of Outstanding French law Covered Bonds or, if applicable, any Receipts or Coupons relating to them); and
- (b) in relation to any Series of German law Covered Bonds, written confirmation of consent of 2/3 of the holders of each Series of Outstanding German law Covered Bonds, as described in the Agency Agreement, in each case to such proposed action, determination or appointment.

## 2. Form, Denomination, Title and Redenomination

### (a) Form

Covered Bonds may be issued either in dematerialised form ("**Dematerialised Covered Bonds**") or in materialised form ("**Materialised Covered Bonds**"), as specified in the relevant Final Terms.

- (i) Title to Dematerialised Covered Bonds will be evidenced in accordance with Articles L.211-3 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) by book entries (*inscriptions en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French Monetary and Financial Code (*Code monétaire et financier*)) will be issued in respect of the Dematerialised Covered Bonds.

Dematerialised Covered Bonds are issued, at the option of the Issuer, in either bearer form (*au porteur*), which will be inscribed in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders, or in registered form (*au nominatif*) and, in such latter case, at the option of the relevant holder in either administered registered form (*nominatif administré*) inscribed in the books of an Account Holder designated by the relevant holder of Covered Bonds or in fully registered form (*au nominatif pur*) inscribed in an account maintained by the Issuer or a registration agent (designated in the relevant Final Terms) acting on behalf of the Issuer (the "**Registration Agent**").

For the purpose of these Conditions, "**Account Holder**" means any authorised financial intermediary institution entitled to hold accounts, directly or indirectly, with Euroclear France, and includes Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream, Luxembourg as the depository bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

- (ii) Materialised Covered Bonds will be issued in bearer form only. Materialised Covered Bonds in definitive form ("**Definitive Materialised Covered Bonds**") will be serially numbered and issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Covered Bonds in which case references to interest (other than in relation to interest due after the Final Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Covered Bonds are issued with one (1) or more Receipts attached. In accordance with Articles L.211-3 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*), securities (such as Covered Bonds constituting obligations under French law) in materialised form and governed by French law must be issued outside of the French territory.

The Covered Bonds may be "**Fixed Rate Covered Bonds**", "**Floating Rate Covered Bonds**", "**Zero Coupon Covered Bonds**", "**Dual Currency Covered Bonds**" or a combination of any of the foregoing, depending on the Interest Basis and the redemption method specified in the relevant Final Terms. Subject to prior Rating Affirmation, the Issuer may issue Covered Bonds which are "**Index Linked Covered Bonds**" or "**Inflation Linked Covered Bonds**".

**(b) Denomination**

The Covered Bonds will be issued in the specified denomination set out in the relevant Final Terms (the "**Specified Denomination(s)**"), provided that all Covered Bonds admitted to trading on a Regulated Market in circumstances which require the publication of a prospectus under the Prospectus Directive will have a minimum denomination of € 100,000 (or its equivalent in any other currency, at the time of issue) or such higher amount as may be allowed or required from time to time in relation to the relevant Specified Currency.

Dematerialised Covered Bonds will be issued in one (1) Specified Denomination only.

**(c) Title**

- (i) Title to Dematerialised Covered Bonds in bearer form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Covered Bonds may only be effected through, registration of the transfer in the accounts of the Account Holders. Title to Dematerialised Covered Bonds in fully registered form (*au nominatif pur*) shall pass upon, and transfer of such Covered Bonds may only be effected through, registration of the transfer in the accounts maintained by the Issuer or by the Registration Agent.
- (ii) Title to Definitive Materialised Covered Bonds, including, where appropriate, Receipt(s), Coupons and/or a Talon attached, shall pass by delivery.
- (iii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Covered Bond, Coupon, Receipt or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

**(d) Redenomination**

The Issuer may (if so specified in the relevant Final Terms), on any date, without the consent of the holder of any Covered Bond, Coupon, Receipt or Talon, by giving at least thirty (30) days' notice in accordance with Condition 17 and on or after the date on which the European Member State in whose national currency the Covered Bonds are denominated has become a participating Member State in the single currency of the European Economic and Monetary Union (as provided in the Treaty establishing the European Community, as amended from time to time (the "**Treaty**")) or events have occurred which have substantially the same effects (in either case, "**EMU**"), redenominate all, but not some only, of the Covered Bonds of any Series into Euro and adjust the aggregate principal amount and the Specified Denomination(s) set out in the relevant Final Terms accordingly, as more fully described in the relevant Final Terms.

### 3. Conversions and Exchanges of Covered Bonds

#### (a) Dematerialised Covered Bonds

- (i) Dematerialised Covered Bonds issued in bearer form (*au porteur*) may not be converted into Dematerialised Covered Bonds in registered form, whether in fully registered form (*au nominatif pur*) or in administered registered form (*au nominatif administré*).
- (ii) Dematerialised Covered Bonds issued in registered form (*au nominatif*) may not be converted into Dematerialised Covered Bonds in bearer form (*au porteur*).
- (iii) Dematerialised Covered Bonds issued in fully registered form (*au nominatif pur*) may, at the option of the holder of such Covered Bonds, be converted into Covered Bonds in administered registered form (*au nominatif administré*), and *vice versa*. The exercise of any such option by such holder shall be made in accordance with Article R.211-4 of the French Monetary and Financial Code (*Code monétaire et financier*). Any such conversion shall be effected at the cost of such holder.

#### (b) Materialised Covered Bonds

Materialised Covered Bonds of one (1) Specified Denomination may not be exchanged for Materialised Covered Bonds of another Specified Denomination.

### 4. Status

Subject to the Priority Payment Orders, the principal and interest of the Covered Bonds, and, where applicable, any related Coupons and Receipts are direct, unconditional, unsubordinated and, pursuant to the provisions of Condition 5(b), privileged obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and equally and rateably with all other present and future obligations (including the French and German law Covered Bonds of all other Series) and other resources raised by the Issuer benefiting from the *Privilège* described in Condition 5.

### 5. Covenants

So long as any of the Covered Bonds or, if applicable, any Receipts or Coupons relating to them, is Outstanding:

#### (a) Negative Pledge

Except in accordance with the Programme Documents, the Issuer will not create or permit to subsist any *privilège*, mortgage, charge, pledge or other form of security interest (*sûreté réelle*) upon any of its assets or revenues, present or future, to secure any Relevant Undertaking (as defined below) of, or guaranteed by, the Issuer, where "**Relevant Undertaking**" means any present or future (i) indebtedness for borrowed money or (ii) undertaking in relation to interest or currency swap transactions.

#### (b) *Privilège* (Statutory Priority in Right of Payment)

The principal and interest of the Covered Bonds will benefit from the *privilège* (statutory priority in right of payment) created by Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Privilège**").

Accordingly, notwithstanding any legal provisions to the contrary (including Livre VI of the French Commercial Code (*Code de Commerce*)), pursuant to Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*):

- (i) all amounts payable to the Issuer in respect of loans or assimilated receivables, exposures and securities referred to in Articles L.515-14 to L.515-17 of the French Monetary and

Financial Code (*Code monétaire et financier*) and forward financial instruments referred to in Article L.515-18 of the French Monetary and Financial Code (*Code monétaire et financier*) (in each case after any applicable set-off), together with the claims in respect of deposits made by the Issuer with credit institutions, shall be allocated in priority to the payment of any sums due in respect of *obligations de financement de l'habitat* (such as the Covered Bonds), and any other resources raised by the Issuer and benefiting from the *Privilège*;

- (ii) in case of conciliation (*conciliation*), safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) and judicial liquidation (*liquidation judiciaire*), the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) or any other resources or liabilities benefiting from the *Privilège*, shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer; and
- (iii) the judicial liquidation (*liquidation judiciaire*) of the Issuer will not result in the *obligations de financement de l'habitat* (such as the Covered Bonds) and the other debts benefiting from the *Privilège* becoming due and payable..

**(c) Limitation on Indebtedness**

The Issuer undertakes not to incur any indebtedness other than as contemplated by the Programme Documents unless:

- (i) such indebtedness is fully subordinated to the outstanding indebtedness incurred in relation to the Covered Bonds, as the case may be; or
- (ii) prior Rating Affirmation has been delivered in relation to such indebtedness.

**(d) Restrictions on mergers or reorganisations**

The Issuer undertakes not to enter into any merger, re-organisation or similar transaction without prior Representative Consent and Rating Affirmation of S&P and notification of Moody's.

**(e) Separateness covenants**

The Issuer undertakes (except as permitted under the Programme Documents or the Issuer's by-laws):

- (i) to maintain books and records separate from any other person or entity;
- (ii) to maintain its accounts separate from those of any other person or entity;
- (iii) not to commingle assets with those of any other entity;
- (iv) to conduct its own business in its own name;
- (v) to maintain separate financial statements;
- (vi) to pay its own liabilities out of its own funds;
- (vii) to observe all corporate, partnership, or other formalities required by its constituting documents;

- (viii) not to guarantee or to become obligated for the debts of any other entity or to hold out its credit as being available to satisfy the obligations of others;
- (ix) not to acquire capital shares of its partners or shareholders;
- (x) to use its own separate stationery, invoices and cheques;
- (xi) to hold itself out as a separate entity;
- (xii) not to have any employees;
- (xiii) not to voluntarily wind up; and
- (xiv) to correct any known misunderstanding regarding its separate identity.

**(f) Amortisation Test**

Following the enforcement of a Borrower Event of Default, the Issuer undertakes to comply with the Amortisation Test. For the purposes hereof, the terms of the section "**Asset Monitoring**" of the Base Prospectus are incorporated by reference in this Condition 5 (f).

**(g) Hedging Strategy**

Upon the occurrence of a Hedging Rating Trigger Event, and, as applicable, upon the occurrence of any Borrower Event of Default, the Issuer undertakes to take all reasonable steps to implement the Hedging Strategy described in the section "The Hedging Strategy" of the Base Prospectus.

**(h) Programme Documents**

Subject to the qualifications described in the relevant Programme Document(s) to which it is a party, the Issuer undertakes that no amendment, modification, alteration or supplement shall be made to any Programme Document to which it is a party without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Issuer may amend, modify, alter or supplement any Programme Document to which it is a party without prior Rating Affirmation:

- (i) to cure any ambiguity, omission, defect or inconsistency;
- (ii) to evidence or effect the transition of any party to any Programme Document to which it is a party to any successor;
- (iii) to add to the undertakings and other obligations of any party (except the Issuer) under any Programme Document to which it is a party; or
- (iv) to comply with any mandatory requirements of applicable laws and regulations.

In addition, the Issuer undertakes that:

- (i) each Programme Document to which the Issuer is or will become a party will include limited recourse language pursuant to which the creditors of the Issuer (including the holders of the Covered Bonds) will agree that their recourse will be limited to the funds that are available to the Issuer at any relevant date; and
- (ii) each Programme Document to which the Issuer is or will become a party will also include non-petition language, whereby the creditors of the Issuer (including the holders of the Covered Bonds) will agree not to commence or to join any proceedings for the insolvency of the Issuer prior to the end of an eighteen (18) month period after all Covered Bonds have been paid and discharged in full.

German law Covered Bonds (a) are subject to the particular limited recourse provisions specified in the terms and Conditions of the German law Covered Bonds included in the Agency Agreement and (b) are not subject to non-petition provisions.

**(i) Notification of Issuer Events of Default**

In respect of any Series, the Issuer undertakes to promptly inform the Rating Agencies, the Representative and the Administrator of the occurrence of any Issuer Event of Default. Upon receipt of a written request from the Rating Agencies, the Representative or the Administrator, the Issuer will confirm to each of them that, save as previously notified to the Rating Agencies, the Representative and the Administrator, or as notified in such confirmation, no Issuer Event of Default has occurred or is continuing.

**(j) No further Issuance**

The Issuer undertakes not to issue any further Covered Bonds (including German law Covered Bonds) under the Programme:

- (i) as from the date a Borrower Enforcement Notice (as defined in the section "**The Borrower and the Borrower Facility Agreement**" – "**The Borrower Facility Agreement**" of the Base Prospectus) has been served, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19;
- (ii) as from the date an Issuer Enforcement Notice has been served;
- (iii) for so long as a Non Compliance with Asset Cover Test (as defined in the section "**Asset Monitoring**" of the Base Prospectus) has occurred and is not remedied, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19;
- (iv) for so long as a Non Compliance with Amortisation Test (as defined in the section "**Asset Monitoring**" of the Base Prospectus) has occurred and is not remedied, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19; or
- (v) for so long as, regarding the Pre-Maturity Test and the Legal Liquidity Test (as defined in the section "**Asset Monitoring**" of the Base Prospectus), a Non Compliance Notice (as defined in the section "**Asset Monitoring**" of the Base Prospectus) has been delivered and is not withdrawn, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19.

**(k) Rating of further Issuance**

Subject to Condition (j) above, the Issuer undertakes that any new further issuance of Covered Bonds will be rated by the Rating Agencies.

**6. Interest and other Calculations**

**(a) Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Benchmark**" means the reference rate as set out in the relevant Final Terms.

"**Business Day**" means:

- (i) in the case of Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer payment system (TARGET 2) or any successor thereto (the "**TARGET 2 System**") is operating (a "**TARGET 2 Business Day**"), and/or

- (ii) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency, and/or
- (iii) in the case of a Specified Currency and/or one (1) or more additional business centre(s) specified in the relevant Final Terms (the "**Business Centre(s)**"), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest on any Covered Bond for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

- (i) if "**Actual/365**", "**Actual/Actual**" or "**Actual/Actual-ISDA**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty-five (365) (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by three hundred and sixty-six (366) and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by three hundred and sixty-five (365)).
- (ii) if "**Actual/Actual-ICMA**" is specified in the relevant Final Terms:
  - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (B) if the Calculation Period is longer than one (1) Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

in each case, where:

**"Determination Period"** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**"Determination Date"** means the date specified in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

- (iii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty-five (365).
- (iv) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty (360).
- (v) when "**2006 ISDA Definitions**" is specified in the relevant Final Terms, and if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by three hundred and sixty (360), calculated on a formula basis as follows:



$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first (1<sup>st</sup>) day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first (1<sup>st</sup>) day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be thirty-one (31), in which case D<sub>1</sub> will be thirty (30); and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be thirty-one (31) and D<sub>1</sub> is greater than twenty-nine (29), in which case D<sub>2</sub> will be thirty (30).

- (vi) when "**2006 ISDA Definitions**" is specified in the relevant Final Terms, and if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by three hundred and sixty (360), calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first (1<sup>st</sup>) day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first (1<sup>st</sup>) day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be thirty-one (31), in which case D<sub>1</sub> will be thirty (30); and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be thirty-one (31), in which case D<sub>2</sub> will be thirty (30).

"**Effective Date**" means, as the context requires:

- (i) with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Final Terms or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates; or
- (ii) with respect to the Borrower Collateral Security Agreement and the Cash Collateral Agreement, the date upon which a first Borrower Advance shall have been made available by

the Lender to the Borrower subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement.

**"Euro Zone"** means the region comprised of member states of the EU that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community as amended from time to time.

**"Interest Accrual Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

**"Interest Amount"** means the amount of interest payable, and in the case of Fixed Rate Covered Bonds, means the Fixed Coupon Amount or Broken Amount, as specified in the relevant Final Terms, as the case may be.

**"Interest Commencement Date"** means the issue date or such other date as may be specified in the relevant Final Terms.

**"Interest Determination Date"** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the day falling two (2) TARGET 2 Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro or (ii) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (iii) the day falling two (2) Business Days in the city specified in the Final Terms for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro.

**"Interest Payment Date"** means the date(s) specified in the relevant Final Terms.

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

**"Interest Period Date"** means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

**"ISDA Definitions"** means the 2006 ISDA Definitions as may be specified in the relevant Final Terms, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms.

**"Rate of Interest"** means the rate of interest payable from time to time in respect of the Covered Bonds and that is either specified or calculated in accordance with the provisions in the relevant Final Terms.

**"Reference Banks"** means the institutions specified as such in the relevant Final Terms or, if none, four (4) major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR or EONIA is the relevant Benchmark, shall be the Euro-Zone, and if LIBOR is the relevant Benchmark, shall be London).

**"Relevant Date"** means, in respect of any Covered Bond, Receipt or Coupon, the date on which payment in respect of it first became due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (in the case of Materialised Covered Bonds if earlier the date ~~seven~~ (7) days after that on which notice is duly given to the holders of such Materialised Covered Bonds that, upon further presentation of the Materialised Covered Bond, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation).

**"Relevant Financial Centre"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre

as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR or EONIA, shall be the Euro-Zone and in the case of LIBOR, shall be London) or, if none is so connected, Paris.

**"Relevant Rate"** means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

**"Relevant Time"** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre (and for this purpose **"local time"** means, with respect to Europe and the Euro-Zone as a Relevant Financial Centre, 11:00 a.m. (Brussels time)).

**"Representative Amount"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

**"Specified Currency"** means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Covered Bonds are denominated.

**"Specified Duration"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 6(c)(ii).

**(l) Interest on Fixed Rate Covered Bonds**

Each Fixed Rate Covered Bond bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date except as otherwise provided in the relevant Final Terms.

If a fixed amount of interest ("**Fixed Coupon Amount**") or a broken amount of interest ("**Broken Amount**") is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

**(m) Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds**

(iii) *Interest Payment Dates:* Each Floating Rate Covered Bond and Index Linked Interest Covered Bond bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(iv) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each

subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day. Notwithstanding the foregoing, where the applicable Final Terms specify that the relevant Business Day Convention is to be applied on an "unadjusted" basis, the Interest Amount payable on any date shall not be affected by the application of that Business Day Convention.

- (v) *Rate of Interest for Floating Rate Covered Bonds*: The Rate of Interest in respect of Floating Rate Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in (i) the relevant Final Terms and/or (ii) the provisions below relating to either ISDA Determination or Screen Rate Determination, depending upon which is specified in the relevant Final Terms.

(A) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the relevant Final Terms;
- (b) the Designated Maturity is a period specified in the relevant Final Terms; and
- (c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Covered Bonds:

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (1) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
  - (I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one (1) entity); or
  - (II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page, in each case appearing on such Page at the Relevant Time on the Interest Determination Date as disclosed in the relevant Final Terms, plus or minus (as indicated in the relevant Final Terms) the Margin (if any); and

- (2) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (1)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (1)(II) applies and fewer than two (2) Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent, plus or minus (as indicated in the relevant Final Terms) the Margin (if any); and
- (3) if paragraph (2) above applies and the Calculation Agent determines that fewer than two (2) Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two (2) out of five (5) leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-Zone as selected by the Calculation Agent (the "**Principal Financial Centre**") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two (2) of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two (2) of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).
- (vi) *Rate of Interest for Index Linked Interest Covered Bonds:* The Rate of Interest in respect of Index Linked Interest Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue by reference to an Index or Formula as specified in the relevant Final Terms.

**(n) Zero Coupon Covered Bonds**

Where a Covered Bond the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Final Maturity Date pursuant to an Issuer's Option or, if so specified in the relevant Final Terms, pursuant to Condition 7(e) or otherwise and is not paid when due, the amount due and payable prior to the Final Maturity Date shall, unless otherwise provided in the relevant Final Terms, be the Early Redemption Amount. As from the Final Maturity Date, the Rate of Interest for any overdue principal of such a Covered Bond shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(e)(i)).

**(o) Dual Currency Covered Bonds**

In the case of Dual Currency Covered Bonds, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

**(p) Partly Paid Covered Bonds**

In the case of Partly Paid Covered Bonds (other than Partly Paid Covered Bonds which are Zero Coupon Covered Bonds), interest will accrue as aforesaid on the paid-up nominal amount of such Covered Bonds and otherwise as specified in the relevant Final Terms.

**(q) Accrual of Interest**

Interest shall cease to accrue on each Covered Bond on the due date for redemption unless (i) in the case of Dematerialised Covered Bonds, on such due date or (ii) in the case of Materialised Covered Bonds, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date.

**(r) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one (1) or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest fifth decimal (with halves being rounded up), (y) all figures shall be rounded to seven (7) figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

**(s) Calculations**

The amount of interest payable in respect of any Covered Bond for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Covered Bond by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Covered Bond for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two (2) or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods.

**(t) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Covered Bonds for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Bondholders, any other Calculation Agent appointed in respect of the Covered Bonds that is to make a further calculation upon receipt of such information and, if the Covered Bonds are admitted to trading on a Regulated Market and the rules of such Regulated Market so require, such Regulated Market as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such Regulated Market of a Rate of Interest and Interest

Amount, or (ii) in all other cases, the fourth (4<sup>th</sup>) Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**(u) Calculation Agent and Reference Banks**

The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Covered Bond is Outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Covered Bonds, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal Paris office, or any other office actively involved in such market ) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**7. Redemption, Purchase and Options**

**(a) Final Redemption**

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Bondholders' option in accordance with Condition 7(c) or 7(d), each Covered Bond shall be finally redeemed on the Final Maturity Date specified in the relevant Final Terms at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Covered Bond falling within Condition 7(b) below, its final Instalment Amount.

If an Extended Final Maturity Date is specified in the Final Terms of any Series of Covered Bonds, and (i) a Borrower Event of Default has occurred and is continuing and (ii) the Issuer does not have sufficient Available Funds (excluding amounts standing to the credit of the Cash Collateral Account) to finally redeem such Series at the relevant Final Redemption Amount on the relevant Final Maturity Date, then such Final Redemption Amount shall be automatically deferred and shall not be due and payable until the Extended Final Maturity Date specified in the Final Terms. Notwithstanding the foregoing, the Issuer shall be permitted to pay the Final Redemption Amount in respect of such Series on any Interest Payment Date between the Final Maturity Date and the Extended Final Maturity Date therefore, provided that it has sufficient Available Funds to pay the same and the payment of the same would not cause an Issuer Event of Default.

**(b) Redemption by Instalments**

Unless previously redeemed, purchased and cancelled as provided in this Condition 7, or the relevant Instalment Date (being one (1) of the dates so specified in the relevant Final Terms) is extended pursuant to any Issuer's or Bondholders' option in accordance with Conditions 7(c) or 7(d), each Covered Bond that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Covered Bond shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Covered Bond, such proportion) for all purposes with effect from the related

Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused (i) in the case of Dematerialised Covered Bonds, on the due date for such payment or (ii) in the case of Materialised Covered Bonds, on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

**(c) Redemption at the Option of the Issuer, Exercise of Issuer's Options and Partial Redemption**

- (i) If a Call Option or any other Issuer's option (as may be described in the relevant Final Terms) is specified in the relevant Final Terms, the Issuer may, subject to compliance by the Issuer of all the relevant laws, regulations and directives and on giving not less than fifteen (15) nor more than thirty (30) days' irrevocable notice in accordance with Condition 17 to the Bondholders (or such other notice period as may be specified in the relevant Final Terms) redeem, or exercise any other option in relation to all or, if so provided, some, of the Covered Bonds on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Covered Bonds shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption, if any. Any such redemption must relate to Covered Bonds of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed as specified in the relevant Final Terms and no greater than the Maximum Redemption Amount (if any) specified in the relevant Final Terms.

All Covered Bonds in respect of which any such notice is given shall be redeemed, or the Issuer's Option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's Option in respect of Materialised Covered Bonds, the notice to holders of such Materialised Covered Bonds shall also contain the numbers of the Definitive Materialised Covered Bonds to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and Regulated Market requirements.

In the case of a partial redemption or a partial exercise of an Issuer's Option in respect of Dematerialised Covered Bonds, the redemption may be effected, at the option of the Issuer, either (i) by reducing the nominal amount of all such Dematerialised Covered Bonds in a Series in proportion to the aggregate nominal amount redeemed or (ii) by redeeming in full some only of such Dematerialised Covered Bonds and, in such latter case, the choice between those Dematerialised Covered Bonds that will be fully redeemed and those Dematerialised Covered Bonds of any Series that will not be redeemed shall be made in accordance with Article R.213-16 of the French Monetary and Financial Code (*Code monétaire et financier*) and the provisions of the relevant Final Terms, subject to compliance with any other applicable laws and Regulated Market requirements.

- (ii) So long as the Covered Bonds are listed and admitted to trading on Euronext Paris and the rules thereof so require, the Issuer shall, once in each year in which there has been a partial redemption of the Covered Bonds, cause to be published either on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)) or in a leading financial newspaper of general circulation in France, which is expected to be *La Tribune* or *Les Echos*, a notice specifying the aggregate nominal amount of Covered Bonds outstanding and, in the case of Materialised Covered Bonds, a list of any Materialised Covered Bonds drawn for redemption but not surrendered.

**(d) Redemption at the Option of Bondholders and Exercise of Bondholders' Options**

If a Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of the Bondholder, upon the Bondholder giving not less than fifteen (15) nor more than thirty (30) days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Covered Bond on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Bondholders' Option as may be set out in the relevant Final Terms (which must be exercised on an Option Exercise Date) the Bondholder must deposit with a



Paying Agent at its specified office a duly completed option exercise notice (the "**Exercise Notice**") in the form obtained during normal business hours from any Paying Agent, within the notice period. In the case of Materialised Covered Bonds, the Exercise Notice shall have attached to it the relevant Covered Bonds (together with all unmatured Receipts and Coupons and unexchanged Talons). In the case of Dematerialised Covered Bonds, the Bondholder shall transfer, or cause to be transferred, the Dematerialised Covered Bonds to be redeemed to the account of the Paying Agent with a specified office in Paris, as specified in the Exercise Notice. No option so exercised and, where applicable, no Covered Bond so deposited or transferred, may be withdrawn without the prior consent of the Issuer.

**(e) Early Redemption**

(i) *Zero Coupon Covered Bonds*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Covered Bond, the amount of which is not linked to an index and/or a formula, upon redemption of such Covered Bond pursuant to Condition 7(f) or (g) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Nominal Amount (calculated as provided below) of such Covered Bond unless otherwise specified in the relevant Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the amortised nominal amount of any such Covered Bond (the "**Amortised Nominal Amount**") shall be the scheduled Final Redemption Amount of such Covered Bond on the Final Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the amortisation yield (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an Amortised Nominal Amount equal to the issue price of the Covered Bonds if they were discounted back to their issue price on the Issue Date) (the "**Amortisation Yield**") compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Covered Bond upon its redemption pursuant to Condition 7(f) or 7(g) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Covered Bond shall be the Amortised Nominal Amount of such Covered Bond as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Covered Bond becomes due and payable was the Relevant Date. The calculation of the Amortised Nominal Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Final Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Covered Bond on the Final Maturity Date together with any interest that may accrue in accordance with Condition 6(d).

Where such calculation is to be made for a period of less than one (1) year, it shall be made on the basis of the Day Count Fraction as provided in the relevant Final Terms.

(ii) *Other Covered Bonds*

The Early Redemption Amount payable in respect of any Covered Bond (other than Covered Bonds described in (i) above), upon redemption of such Covered Bond pursuant to Condition 7(f) or 7(g) or upon it becoming due and payable as provided in Condition 10 shall be the Final Redemption Amount together with interest accrued to the date fixed for redemption unless otherwise specified in the relevant Final Terms.

**(f) Redemption for Taxation Reasons**

- (i) If, by reason of any change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Covered Bonds, not be able to make such payment without having to pay additional amounts as specified under Condition 9(b) below, the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms, at any time, subject to having given not more than forty-five (45) nor less than thirty (30) days' notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 17, redeem all, but not some only, of the Covered

Bonds at their Early Redemption Amount together with, unless otherwise specified in the Final Terms, any interest accrued to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes.

- (ii) If the Issuer would, on the next payment of principal or interest in respect of the Covered Bonds, be prevented by French law from making payment to the Bondholders or, if applicable, Couponholders of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 9(b) below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving notice not less than seven (7) days' prior notice to the Bondholders in accordance with Condition 17, redeem all, but not some only, of the Covered Bonds then outstanding at their Early Redemption Amount together with, unless otherwise specified in the Final Terms, any interest accrued to the date set for redemption on (A) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount then due and payable in respect of the Covered Bonds, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Bondholders shall be the later of (i) the latest practicable date on which the Issuer could make payment of the full amount then due and payable in respect of the Covered Bonds and (ii) fourteen (14) days after giving notice to the Fiscal Agent as aforesaid or (B) if so specified in the relevant Final Terms, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of the full amount payable in respect of the Covered Bonds, or, if applicable, Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

**(g) Redemption due to illegality**

The Covered Bonds of all Series shall be redeemed at the option of the Issuer, subject to compliance by the Issuer of all the relevant laws, regulations and directives, in whole, but not in part, at any time, on giving not less than thirty (30) nor more than sixty (60) days' irrevocable notice in accordance with Condition 17 to the Bondholders (or such other notice period as may be specified in the relevant Final Terms), if the Issuer satisfies the Fiscal Agent immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bonds of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Borrower Advance made by it to the Borrower or to comply with any other of its obligations under the Covered Bonds of that Series, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent a certificate signed by two (2) representatives of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Fiscal Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Bondholders, Receiptholders and Couponholders.

Covered Bonds redeemed pursuant to this Condition 7(g) will be redeemed at their Early Redemption Amount referred to in paragraph 7(e) above together (if appropriate) with interest accrued to the date fixed for redemption, if any.

**(h) Partly Paid Covered Bonds**

Partly Paid Covered Bonds will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7 and the provisions specified in the relevant Final Terms.

**(i) Purchases**

The Issuer shall have the right at all times to purchase Covered Bonds (provided that, in the case of Materialised Covered Bonds, all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise (including by tender offer) at any price.

Unless otherwise indicated in the Final Terms, Covered Bonds so purchased by the Issuer may be held and resold in accordance with applicable laws and regulations for the purpose of enhancing the liquidity of the Covered Bonds, or cancelled in accordance with Condition 7(j) below.

**(j) Cancellation**

Covered Bonds which have been purchased for cancellation, will be cancelled, in the case of Dematerialised Covered Bonds, by transfer to an account in accordance with the rules and procedures of Euroclear France, in the case of Materialised Covered Bonds, by surrendering the relevant Temporary Global Certificate, the Definitive Materialised Covered Bonds in question, together with all unmatured Receipts and Coupons and all unexchanged Talons, if applicable, to the Fiscal Agent and, in each case, if so transferred or surrendered, shall, together with all Covered Bonds redeemed by the Issuer, be cancelled or annotated forthwith, as the case may be, (together with, in the case of Dematerialised Covered Bonds, all rights relating to payment of interest and other amounts relating to such Dematerialised Covered Bonds and, in the case of Materialised Covered Bonds, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Covered Bonds so cancelled or, where applicable, transferred or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Covered Bonds shall be discharged.

**8. Payments and Talons****(a) Dematerialised Covered Bonds**

Payments of principal and interest in respect of Dematerialised Covered Bonds shall (i) in the case of Dematerialised Covered Bonds in bearer dematerialised form or administered registered form, be made by transfer to the account denominated in the relevant currency of the relevant Account Holders for the benefit of the Bondholders and, (ii) in the case of Dematerialised Covered Bonds in fully registered form, to an account denominated in the relevant currency with a Bank designated by the relevant holder of Covered Bonds. All payments validly made to such Account Holders or Bank will be an effective discharge of the Issuer in respect of such payments.

**(b) Definitive Materialised Covered Bonds****(i) *Method of payment***

Subject as provided below, payments in a Specified Currency will be made by credit or transfer to an account denominated in the relevant Specified Currency, or to which the Specified Currency may be credited or transferred (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a Bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Euro, shall be any country in the Euro-Zone, and, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively).

**(ii) *Presentation and surrender of Definitive Materialised Covered Bonds, Receipts and Coupons***

Payments of principal in respect of Definitive Materialised Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (i) above only against presentation and surrender (or, in the case of partial payment of any sum due, annotation) of such Covered Bonds, and payments of interest in respect of Definitive Materialised Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and

surrender (or, in the case of part payment of any sum due, annotation) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of Definitive Materialised Covered Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (i) above only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (i) above only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of the relevant Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Materialised Covered Bond to which it appertains. Receipts presented without the Definitive Materialised Covered Bond to which they appertain do not constitute valid obligations of the Issuer.

Upon the date upon which any Definitive Materialised Covered Bond becomes due and payable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment will be made in respect thereof.

Fixed Rate Covered Bonds in definitive form (other than Dual Currency Covered Bonds or Index Linked Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten (10) years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11) or, if later, five (5) years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Covered Bond in definitive form becoming due and repayable prior to its Final Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond, Dual Currency Covered Bond, Index Linked Covered Bond in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Materialised Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (if appropriate) of the relevant Definitive Materialised Covered Bond.

*(iii) Payments in the United States*

Notwithstanding the foregoing, if any Materialised Covered Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Covered Bonds in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted

by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

**(d) Payments subject to Fiscal Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives but without prejudice to Condition 9. No commission or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

**(e) Appointment of Agents**

The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are set forth in the Agency Agreement. The Fiscal Agent, the Paying Agents and the Registration Agent act solely as agents of the Issuer and the Calculation Agent(s) act(s) as independent experts(s) and, in each case, do not assume any obligation or relationship of agency for any Bondholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, Registration Agent or Calculation Agent and to appoint other Fiscal Agent, Paying Agent(s), Registration Agent(s) or Calculation Agent(s) or additional Paying Agent(s), Registration Agent(s) or Calculation Agent(s), provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one (1) or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least one (1) major European city (and ensuring the financial services of the Covered Bonds in France so long as the Covered Bonds are listed and traded on Euronext Paris and in such other city where the Covered Bonds are admitted to trading, so long as the Covered Bonds are admitted to trading on any other Regulated Market and it is required by such Regulated Market) (iv) in the case of Materialised Covered Bonds, a Paying Agent having its specified office in a Member State of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other EU Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to, such Directive (which may be any of the Paying Agents referred to in (iii) above), (v) in the case of Dematerialised Covered Bonds in fully registered form, a Registration Agent and (vi) such other agents as may be required by the rules of any other Regulated Market and/or other stock exchange on which the Covered Bonds may be admitted to trading.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Covered Bonds denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders in accordance with Condition 17.

**(f) Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Covered Bond, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

**(g) Business Days for Payment**

If any date for payment in respect of any Covered Bond, Receipt or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day unless otherwise specified in the relevant Final Terms, nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**Business Day**" means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Covered Bonds, on which Euroclear France is open for business or (ii) in the case of all other Covered Bonds, on which Banks and foreign exchange markets are open for business in the relevant place of presentation, (B) in such jurisdictions as shall be specified as "**Financial Centre(s)**" in the relevant Final Terms and (C) (i) in the case of a payment in a currency other than Euro, where payment is to be made by transfer to an account maintained with a Bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant

currency in the principal financial centre of the country of such currency or (ii) in the case of a payment in Euro, which is a TARGET 2 Business Day.

**(h) Bank**

For the purpose of this Condition 8, "**Bank**" means a bank in the principal financial centre of the relevant currency or, in the case of Euro, in a city in which banks have access to the TARGET 2 System.

**9. Taxation**

- (a)** Tax Exemption for Covered Bonds constituting obligations or debt instruments (*titres de créances*) assimilated thereto for French tax purposes

All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

**(b) Additional Amounts**

If French law should require that payments of principal or interest in respect of any Covered Bond, Receipt or Coupon be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as shall result in receipt by the Bondholders or, if applicable, the Receiptholders and the Couponholders, as the case may be, of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond, Receipt or Coupon, as the case may be:

- (i) *Other connection:* to, or to a third party on behalf of, a Bondholder, Receiptholder or Couponholder who is liable to such taxes or duties by reason of his having some connection with the Republic of France other than the mere holding of the Covered Bond, Receipt or Coupon; or
- (ii) *More than thirty (30) days after the Relevant Date:* in the case of Definitive Materialised Covered Bonds, more than thirty (30) days after the Relevant Date except to the extent that the Bondholder, Receiptholder or Couponholder would have been entitled to such additional amounts on presenting it (or the Certificate representing it, as applicable) for payment on the thirtieth (30<sup>th</sup>) day; or
- (iii) *Payment to individuals:* where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) *Payment by another Paying Agent:* in the case of Definitive Materialised Covered Bonds presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a Member State of the EU.

References in these Conditions to (A) "**principal**" shall be deemed to include any premium payable in respect of the Covered Bonds, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Nominal Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (B) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (C) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

## 10. Events of Default

Subject to the legal framework applicable to an SFH, if an Issuer Event of Default occurs in respect of any Series of French law Covered Bonds, the Representative (i) may, at its discretion, or (ii) shall, if so directed by the Majority Bondholders or if such Issuer Event of Default is a Covered Bonds Cross Acceleration Event, upon written notice (an "**Issuer Enforcement Notice**") to the Fiscal Agent and the Issuer (with copy to the Administrator and to the Rating Agencies) given before all defaults have been cured, cause the principal amount of all Covered Bonds of such Series to become due and payable (but subject to the relevant Payment Priority Order), together with any accrued interest thereon, as of the date on which such notice for payment is received by the Fiscal Agent.

## 11. Prescription

Claims against the Issuer for payment in respect of any amount due under the Covered Bonds, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within ten (10) years (in the case of principal) or five (5) years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 12. Representation of Bondholders

Holders of French law Covered Bonds will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a masse (in each case, the "**Masse**").

The Masse will be governed by the provisions of the French Commercial Code (*Code de commerce*) with the exception of Articles L.228-48, L.228-59, R. 228-63, R. 228-67, R. 228-69 and the second sentence of Article L.228-71, subject to the following provisions:

### (a) Legal Personality

The Masse will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through a general meeting of the holders of French law Covered Bonds (the "**General Meeting**"). The Masse alone, to the exclusion of all individual holders of French law Covered Bonds, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Covered Bonds.

### (b) Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

- (i) the Issuer, the members of its board of directors (*conseil d'administration*), its managing directors (*directeurs généraux*), its statutory auditors, its employees and their ascendants, descendants and spouses; or
- (ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), managing directors (*directeurs généraux*), members of their board of directors, executive board or supervisory board, their statutory auditors, their employees and their ascendants, descendants and spouses; or
- (iii) companies holding directly ten per cent. (10%) or more of the share capital of the Issuer or companies having ten per cent. (10%) or more of their share capital held by the Issuer; or
- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a company in whatever capacity.

The Representative appointed in respect of each Series of Covered Bonds will be BNP Paribas Securities Services:

BNP Paribas Securities Services  
 (affiliated with Euroclear France under number 29106)  
 Corporate Trust Services  
 Les Grands Moulins de Pantin  
 9, rue du Débarcadère  
 93500 Pantin, France

represented by Sylvain Thomazo, Head of Corporate Trust Services France of BNP Paribas Securities Services who, at the date hereof, is Sylvain Thomazo.

The alternative representative is, at the date hereof, Frédéric Krantz, 8 rue de Friscaty, 57100 Thionville, France.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by the alternative representative. In the event of the death, retirement or revocation of appointment of the alternative representative, an alternative representative will be elected by the General Meeting.

The Issuer shall pay to the Representative an amount of Euro 1,000 per year so long as any of the French law Covered Bonds is Outstanding. The alternative representative will only become entitled to the annual remuneration of Euro 1,000 if it exercises the duties of Representative on a permanent basis; such remuneration will accrue from the day on which it assumes such duties.

All interested parties will at all times have the right to obtain the names and addresses of the Representative and the alternative representative at the head office of the Issuer and the specified offices of any of the Paying Agents.

**(c) Powers of Representative**

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests of the holders of French law Covered Bonds.

All legal proceedings against the holders of French law Covered Bonds or initiated by them, must be brought by or against the Representative except that, should safeguard procedure (*procédure de sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings be commenced against the Issuer, the Specific Controller would file the proof of debt of all creditors (including the holders of the Covered Bonds) of the Issuer benefiting from the *Privilège* pursuant to paragraph 1 of Article L. 515-31 of the French Monetary and Financial Code (*Code monétaire et financier*).

The Representative may not be involved in the management of the affairs of the Issuer.

**(d) General Meeting**

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One (1) or more holders of French law Covered Bonds, holding together at least one-thirtieth (1/30) of the principal amount of the French law Covered Bonds outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two (2) months after such demand, the holders of French law Covered Bonds may commission one (1) of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 17.

Each holder of a French law Covered Bond has the right to participate in a General Meeting in person or by proxy. Each French law Covered Bond carries the right to one (1) vote or, in the case of



French law Covered Bonds issued with more than one (1) Specified Denomination, one (1) vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such Covered Bond.

**(e) Powers of the General Meetings**

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternative representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the French law Covered Bonds, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase amounts payable by holders of French law Covered Bonds, nor establish any unequal treatment between the holders of French law Covered Bonds.

General Meetings may deliberate validly on first convocation only if holders of French law Covered Bonds present or represented hold at least a fifth (1/5) of the principal amount of the French law Covered Bonds then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-third (2/3) majority of votes cast by holders of French law Covered Bonds attending such General Meetings or represented thereat.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 17.

**(f) Information to Bondholders**

Each holder of French law Covered Bonds or Representative thereof will have the right, during the fifteen (15) day period preceding the holding of each General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant holders of French law Covered Bonds at the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting.

**(g) Expenses**

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the French law Covered Bonds.

**(h) Single Masse**

The holders of French law Covered Bonds of the same Series, and the holders of French law Covered Bonds of any other Series which have been assimilated (*assimilées* for the purposes of French law) with the Covered Bonds of such first mentioned Series in accordance with Condition 16, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the first Tranche or Series of French law Covered Bonds will be the Representative of the single Masse of all such Series.

**13. Replacement of Definitive Materialised Covered Bonds, Receipts, Coupons and Talons**

If, in the case of any Materialised Covered Bonds, a Definitive Materialised Covered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and Regulated Market regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for this purpose and notice of whose designation is given to Bondholders, in accordance with Condition 17, in each case on payment by the claimant of the fees and costs incurred in connection therewith and

on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Definitive Materialised Covered Bond, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Materialised Covered Bonds, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Materialised Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### 14. Limited recourse, Non petition

##### *Limited recourse*

By subscribing to any Covered Bond, each Bondholder will be automatically deemed to have agreed:

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer under the Covered Bonds and these Conditions against any shareholder, member of the board of directors (*conseil d'administration*), chief executive director (*directeur général*) or agent of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation of the Issuer under the Covered Bonds and these Conditions is a corporate obligation of the Issuer, and that no personal liability shall be attached to, or be incurred by any shareholder, member of the board of directors (*conseil d'administration*), chief executive director (*directeur général*) or agent of the Issuer, as such, or any of them under or by reason of any of the obligations, covenants or agreements of the Issuer contained in these Conditions or implied therefrom and, as a condition of and in consideration for the issuing by the Issuer of any Covered Bond, to waive any and all personal liability of every such shareholder, member of the board of directors (*conseil d'administration*), chief executive director (*directeur général*) or agent of the Issuer for breaches by the Issuer of any of its obligations, covenants or agreements under the Covered Bonds and these Conditions;
- (b) to limit its recourse against the Issuer under the Covered Bonds and these Conditions to amounts payable or expressed to be payable to it by the Issuer on, under or in respect of its obligations and liabilities under the Covered Bonds and these Conditions (and, for the avoidance of doubt, to the exclusion of any damage for breach of contract or other penalties not expressed as being payable by the Issuer under the Covered Bonds and these Conditions) and in accordance with the then applicable Priority Payment Order;
- (c) that amounts payable or expressed to be payable by the Issuer on, under or in respect of its obligations and liabilities under the Covered Bonds and/or these Conditions shall be recoverable only from and to the extent of the amount of the Available Funds, as calculated on the relevant Interest Payment Date or (as applicable) on the relevant Final Maturity Date of each relevant Series of Covered Bonds (provided that, in the event that no Available Funds exist at the relevant date, the Issuer shall not be liable to make payment of the aforementioned amounts and, provided further that, in the event that the Available Funds at the relevant date are insufficient to pay in full all amounts whatsoever due to it and all other claims ranking *pari passu* to its claims, then its claims against the Issuer shall be satisfied only up to a certain percentage of such Available Funds (as determined in accordance with the then applicable Priority Payment Order) and, after payment of such percentage, the obligations of the Issuer to it shall be discharged in full);
- (d) that, in accordance with paragraph 2 of Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), in the event of a conciliation (*conciliation*), safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) of the Issuer, the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) and any other resources or liabilities benefiting from the *Privilège* shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer;

- (e) that, in accordance with paragraph 3 of Article L.515.19, of the French Monetary and Financial Code (*Code monétaire et financier*), the Covered Bonds and the other debt benefiting from the *Privilège* shall not become due and payable as a result of the judicial liquidation (*liquidation judiciaire*) of the Issuer; and
- (f) that, in accordance with Article L. 515-37 of the French Monetary and Financial Code (*Code monétaire et financier*), the provisions of Article L. 632-2 of the French Commercial Code (*Code de commerce*) (*nullités facultatives de la période suspecte*) shall not apply to payments made by the Issuer in application of the Programme Documents.

German law Covered Bonds are subject to the particular limited recourse provisions specified in the Terms and Conditions of the German law Covered Bonds included in the Agency Agreement.

#### *Non-petition*

By subscribing to any Covered Bond, each Bondholder will also be automatically deemed to have agreed that prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond:

- (a) it will not take any corporate action or other steps or legal proceedings for the winding-up, dissolution or organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets; and
- (b) it will not have any right to take steps for the purpose of obtaining payment of any amounts payable to it under the Covered Bonds by the Issuer and shall not until such time take any step to recover any debts whatsoever owing to it by the Issuer otherwise than in accordance with, and subject to, the Conditions.

The above undertakings by each relevant Bondholder shall survive the payment of all sums owing under any Covered Bond and/or these Conditions.

German law Covered Bonds are not subject to non-petition provisions.

Despite the fact that the Issuer is almost entirely owned by HSBC France, pursuant to the provisions of Article L.515-27 of the French Monetary and Financial Code (*Code monétaire et financier*), the safeguard procedure, judicial reorganisation or liquidation (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of HSBC France, in its capacity as shareholder of the Issuer, shall not be extended to the Issuer.

## **15. Priority Payment Orders**

Any and all sums due by the Issuer under the Programme (including principal and interest under the Covered Bonds) will be paid within the limit of the Available Funds of the Issuer at the time of such payment and according to the relevant Priority Payment Order described under the section "Cash Flow" of the Base Prospectus. As a consequence, the payment of certain sums will be subordinated to the full payment of other sums. Bondholders are deemed to have notice of the provisions of the section "Cash Flow" of the Base Prospectus.

## **16. Further Issues and Consolidation**

### **(a) Further Issues**

Unless otherwise provided in the relevant Final Terms, the Issuer may from time to time without the consent of the Bondholders, Receiptholders or Couponholders create and issue further Series of Covered Bonds or further Tranches of the same Series, which shall be assimilated (*assimilables* for the purpose of French law) with such Series in accordance with Condition 2 (e) above.

**(b) Consolidation**

Unless otherwise provided in the relevant Final Terms, the Issuer, with the prior approval of the Fiscal Agent (which shall not be unreasonably withheld), may from time to time on any Interest Payment Date occurring on or after one or more Series of Covered Bonds has been redenominated in accordance with Condition 2(d) on giving not less than thirty (30) days prior notice to the Bondholders in accordance with Condition 17, without the consent of the Bondholders, Receipt holders or Coupon holders, consolidate the Covered Bonds of one (1) Series denominated in Euro with the Covered Bonds of such redenominated Series, provided such two Series of Covered Bonds have, in respect of all periods subsequent to such consolidation, identical terms and conditions.

**17. Notices**

- (a) Notices to the holders of Dematerialised Covered Bonds in registered form (*au nominatif*) shall be valid if either (i) they are mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth (4<sup>th</sup>) weekday (being a day other than a Saturday or a Sunday) after the mailing, or (ii) at the option of the Issuer, they are published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or, so long as such Covered Bonds are listed and admitted to trading on any Regulated Market(s) or any other stock exchange and the applicable rules of the relevant Regulated Market or stock exchange so require, notices shall be published in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) and/or the stock exchange(s) on which such Covered Bonds is/are admitted to trading, which in the case of Euronext Paris is expected to be *la Tribune* or *Les Echos*, and as otherwise required by the applicable rules of the relevant Regulated Market(s) or stock exchanges(s), as the case may be.
- (b) Notices to the holders of Materialised Covered Bonds and Dematerialised Covered Bonds in bearer form (*au porteur*) shall be valid if published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or, so long as such Covered Bonds are listed and admitted to trading on any Regulated Market(s) or any other stock exchange and the applicable rules of the relevant Regulated Market or stock exchange so require, notices shall be published in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) and/or the stock exchange(s) on which such Covered Bonds is/are admitted to trading, which in the case of Euronext Paris is expected to be *la Tribune* or *Les Echos*, and as otherwise required by the applicable rules of the relevant Regulated Market(s) or stock exchanges(s), as the case may be.
- (c) Notices required to be given to the holders of Dematerialised Covered Bonds (whether in registered or in bearer form) (*au nominatif* or *au porteur*) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Covered Bonds are for the time being cleared in substitution for the mailing and publication as required by Conditions 17(a) and (b), above; provided that (i) so long as such Covered Bonds are listed and admitted to trading on any Regulated Market(s) or any other stock exchange and the applicable rules of that Regulated Market or stock exchange so require, notices shall also be published in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) and/or the stock exchange(s) on which such Covered Bonds is/are admitted to trading, which in the case of Euronext Paris is expected to be *la Tribune* or *Les Echos*, and as otherwise required by the applicable rules of the relevant Regulated Market(s) or stock exchanges(s), as the case may be.
- (d) If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe, provided that so long as such Covered Bonds are admitted to trading on any Regulated Market, notices shall be published as otherwise required by the rules applicable to that Regulated Market, as the case may be. Any notice given by publication shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Coupon holders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Materialised Covered Bonds in accordance with this Condition.

- (e) Notices to be given by any Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bonds in definitive form) with the relative Covered Bonds or Covered Bonds, with the Paying Agent (in the case of Materialised Covered Bonds).

## **18. Governing Law and Jurisdiction**

### **(a) Governing Law**

The French law Covered Bonds, Receipts, Coupons and Talons are governed by, and shall be construed in accordance with, French law.

### **(b) Jurisdiction**

Any claim against the Issuer in connection with any Covered Bonds, Receipts, Coupons or Talons may be brought before any competent court in Paris.

## **19. Subscription by the Issuer of Covered Bonds as eligible collateral with the *Banque de France***

Pursuant to Article L.515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*), the Issuer as *société de financement de l'habitat* (SFH) may subscribe to its own Covered Bonds (the "**Auto-held Covered Bonds**") for the sole purpose of granting them as eligible collateral with the Banque de France in accordance with the rules of the Eurosystem provided that the Issuer's liquidity needs cannot be funded otherwise. Such recognition as eligible collateral will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. The Covered Bonds thus subscribed by the Issuer must meet the following conditions:

- (a) the outstanding principal amount of the Auto-held Covered Bonds does not exceed 10 per cent. of the outstanding principal amount of any liabilities of the Issuer benefiting from the *Privilège* on the subscription date of the Auto-held Covered Bonds by the Issuer;
- (b) the Auto-held Covered Bonds are deprived of the rights provided for under Articles L. 228-46 to L. 228-89 of the French Commercial Code (*Code de commerce*) for so long as they are held by the Issuer;
- (c) the Auto-held Covered Bonds are granted as collateral to the French central bank (*Banque de France*) or they are cancelled within the eight (8) days from their settlement date or from the date they are no more granted as collateral, as applicable; and
- (d) the Auto-held Covered Bonds cannot be subscribed by a third party.

The Specific Controller certifies these conditions are met in a report delivered to the *Autorité de contrôle prudentiel* (ACP).

## TEMPORARY GLOBAL CERTIFICATES IN RESPECT OF FRENCH LAW COVERED BONDS WHICH ARE MATERIALISED COVERED BONDS

*The following description is only applicable to French law Covered Bonds.*

### Temporary Global Certificates

A Temporary Global Certificate without interest coupons (a "**Temporary Global Certificate**") will initially be issued in connection with each Tranche of Materialised Covered Bonds, which will be delivered on or prior to the issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Upon the delivery of such Temporary Global Certificate with a Common Depositary, Euroclear and Clearstream, Luxembourg will credit each subscriber with a nominal amount of Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depositary may also credit with a nominal amount of Covered Bonds the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, a nominal amount of Covered Bonds that is initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg, or other clearing systems.

### Exchange

Each Temporary Global Certificate issued in respect of Materialised Covered Bonds will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

- (a) if the relevant Final Terms indicates that such Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable, in whole, but not in part, for Definitive Materialised Covered Bonds; and
- (b) otherwise, in whole but not in part, upon certification as required under U.S. Treasury Regulation section 1.163-5 (c)(2)(i)(D)(3) and any successor regulation issued under the HIRE Act as to non-U.S. beneficial ownership for Definitive Materialised Covered Bonds.

While any Materialised Covered Bond is represented by a Temporary Global Certificate, any payment payable in respect of such Materialised Covered Bonds prior to the Exchange Date (as defined below) will be made only to the extent that the certification described in (b) above has been received by Euroclear and/or Clearstream, Luxembourg, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certification received) to the relevant Paying Agent. The holder of a Temporary Global Certificate will not be entitled to collect any payment due thereon on or after the Exchange Date unless, upon due certification as described above, exchange of the Temporary Global Certificate for an interest in Definitive Materialised Covered Bonds is improperly refused or withheld.

### Delivery of Definitive Materialised Covered Bonds

On or after its Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to, or to the order of, the Fiscal Agent. In exchange for any Temporary Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Materialised Covered Bonds. In this Base Prospectus, "**Definitive Materialised Covered Bonds**" means, in relation to any Temporary Global Certificate, the Definitive Materialised Covered Bonds for which such Temporary Global Certificate may be exchanged in accordance with the terms hereunder (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Temporary Global Certificate and a Talon). Definitive Materialised Covered Bonds will be security printed in accordance with any applicable legal and stock exchange requirement.

**Exchange Date**

"**Exchange Date**" means, in relation to a Temporary Global Certificate in respect of any Materialised Covered Bonds, the day falling after the expiry of forty (40) days after its issue date, provided that in the event any further Materialised Covered Bonds which are to be assimilated (*assimilables* for the purposes of French law) with such first mentioned Materialised Covered Bonds are issued prior to such day pursuant to Condition 16, the Exchange Date may, at the option of the Issuer, be postponed to the day falling after the expiry of forty (40) days after the issue date of such further Materialised Covered Bonds.

In the case of Materialised Covered Bonds with an initial maturity of more than 365 days (and that are not relying on the TEFRA C Rules), the Temporary Global Certificate shall bear the following legend:

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES FEDERAL INCOME TAX LAWS INCLUDING THE LIMITATION PROVIDED IN SECTIONS 165(j) AND 1287 (a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

## THE ISSUER

### General

The Issuer is a limited liability company (*société anonyme*) organised under the laws of France and registered with the Trade and Companies Register of Paris, France under number 480 034 917.

The Issuer was incorporated on 22 December 2004 for 99 years under the corporate name "Hervet Participations". On 20 June 2008, the general meeting of the shareholders of the Issuer voted to change the corporate name to "HSBC Covered Bonds (France)", which was changed on 21 April 2011 with the adoption of the status of *société de financement de l'habitat*. Consequently, the current legal and commercial name of the Issuer is "HSBC SFH (France)". On July 2008, the Issuer established a programme for the issue of contractual covered bonds. As a result of the Issuer's adoption of the status of *société de financement de l'habitat* on or prior the date hereof, such contractual covered bonds shall automatically benefit from the *Privilège*.

The Issuer is governed by:

- (a) the French Commercial Code (*Code de commerce*); and
- (b) the French Monetary and Financial Code (*Code monétaire et financier*).

The Issuer is a special purpose entity, with separate legal capacity and existence, which was licensed by the French banking regulator (the *Comité des établissements de crédit et des entreprises d'investissement*, an institution now merged into the *Autorité de contrôle prudentiel* (ACP)) as a credit institution (*établissement de crédit*) with the status of a financial company (*société financière*) and with limited and exclusive purpose by the *Autorité de contrôle prudentiel* (ACP) on 28 March 2011.

Following the enactment of Law no. 2010-1249 dated 22 October 2010 on banking and financial regulation (the "**SFH Law**") and of Decree n°2011-205 dated 23 February 2011 establishing the new status of "*société de financement de l'habitat* (SFH)", and in accordance with the provisions of Article 74 of the SFH Law, the Issuer has opted for the regime of *société de financement de l'habitat* (SFH). On 28 March 2011, the Issuer was granted the status of *société de financement de l'habitat* (SFH) by the *Autorité de contrôle prudentiel* (ACP). As a consequence, the Issuer is now governed by the SFH Legal Framework as described below. See "The SFH Legal Framework".

The Issuer's exclusive corporate purpose set out in Article 2 of the Issuer's by-laws is to finance home loans (*prêts à l'habitat*) and hold financial assets which are eligible under the SFH Legal Framework.

Therefore, in compliance with its license as *société de financement de l'habitat* but subject to the limitations set forth in its by-laws (*statuts*), the Issuer may:

- (a) grant or finance home loans (*prêts à l'habitat*) and hold eligible securities and instruments;
- (b) grant to any credit institutions (including HSBC France) loans guaranteed by the remittance, the transfer or the pledge of the receivables arising from home loans;
- (c) acquire promissory notes issued by credit institutions which represent receivables arising from home loans;
- (d) issue *obligations de financement de l'habitat* (such as the Covered Bonds ) and raise other sources of financing which benefit from the *Privilège* in order to finance these assets;
- (e) issue ordinary bonds or raise other sources of financing which do not benefit from the *Privilège* (such as the subordinated shareholder's loan granted by HSBC France. See "Issuer Share Capital, Subordinated Loan and Issuer Majority Shareholder's undertakings"), including promissory notes (*billets à ordre*) which represent receivables arising from home loans;
- (f) carry out temporary transfers of securities, pledge a securities account and pledge or transfer all or part of the receivables held by it in accordance with the applicable provisions of the French



Monetary and Financial Code (*Code monétaire et financier*). The receivables or securities thus transferred or pledged are not included in the cover pool defined in Article L. 515-19 of the French Monetary and Financial Code (*assiette du Privilège*) and are not taken into account for the calculation of the Legal Cover Ratio;

- (g) in order to hedge its interest and currency risks on loans, exposures, *obligations de financement de l'habitat* and other sources of financing benefiting from the *Privilège*, or to manage or hedge the global risk on its assets, liabilities and off balance sheet, exposures, use derivative instruments as defined in Article L. 211-1 of the French Monetary and Financial Code (*Code monétaire et financier*). Any amounts due by the Issuer pursuant to these financial instruments, after applicable netting, benefit from the *Privilège*.

The Issuer may not hold equity participations or other forms of equity interest issued by other companies.

The Issuer's registered office and principal place of business is located at 15, rue Vernet, 75008 Paris, France. The telephone number of the Issuer's registered office is: +33 1 40 70 25 24.

On the date of this Base Prospectus, 99.99 per cent. of the Issuer's share capital is held by HSBC France and the Issuer's financial debt amounts to € 1.9 billion.

On the date of this Base Prospectus, the covered bonds issued by the Issuer amounted to € 1 924 970 271. Such covered bonds are scheduled to mature no later than 23 April 2019.

### **Issuer's Activities**

The sole activity of the Issuer is to issue Covered Bonds from time to time that benefit from the *Privilège*, as described in this Base Prospectus, and to use the proceeds thereof to fund advances (each, a "**Borrower Advance**"), as lender (in such capacity the "**Lender**"), to HSBC France as borrower (in such capacity, the "**Borrower**") under a credit facility agreement (the "**Borrower Facility Agreement**"). See "The Borrower and the Borrower Facility Agreement".

#### *Special purpose entity and restrictions on object and powers*

The Issuer's objects and powers are restricted to those activities necessary to carry out its obligations under the Programme Documents.

The Issuer does not have and will not have any employees, nor will it own or lease any premises. The management of its operations is, and will be, entrusted to another credit institution or credit institutions in accordance with the provisions of Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*). On the Programme Date, the management of the administrative operations of the Issuer is carried out by the HSBC France in its capacity as Administrator in accordance with the Administrative Agreement and the risk management of the Issuer is carried out by the relevant departments of HSBC France in accordance with the provisions of *the Convention d'Externalisation et de Mise à Disposition de Moyens* entered into between the Issuer and HSBC France. The Issuer will undertake pursuant to the Administrative Agreement and its by-laws not to engage in unrelated business activities or incur any material liabilities other than those contemplated in the Programme Documents.

#### *Limitations on indebtedness*

Pursuant to the Conditions, the Issuer is restricted from incurring additional indebtedness (other than as contemplated by the Programme Documents) unless:

- (a) such indebtedness is fully subordinated to any amounts (whether privileged or not privileged) incurred in relation to Covered Bonds; or
- (b) prior Rating Affirmation has been delivered in relation to such indebtedness.

#### *Limited recourse*

Each party to any Programme Document will agree:

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer under any Programme Document against any shareholder, member of the board of directors (*conseil d'administration*), chief executive director (*directeur général*) or agent of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation of the Issuer under any Programme Document is a corporate obligation of the Issuer, and that no personal liability shall be attached to, or be incurred by any shareholder, member of the board of directors (*conseil d'administration*), chief executive director (*directeur général*) or agent of the Issuer, as such, or any of them under or by reason of any of the obligations, covenants or agreements of the Issuer contained in any Programme Document or implied therein and to waive any and all personal liability of every such shareholder, member of the board of directors (*conseil d'administration*), chief executive director (*directeur général*) or agent of the Issuer for breaches by the Issuer of any of its obligations, covenants or agreements under any Programme Document;
- (b) to limit its recourse against the Issuer under any Programme Document to amounts payable or expressed to be payable to it by the Issuer on, under or in respect of its obligations and liabilities under any Programme Document (and, for the avoidance of doubt, to the exclusion of any damage for breach of contract or other penalties not expressed as being payable by the Issuer under any Programme Document) and in accordance with the then applicable Priority Payment Order; and
- (c) that amounts payable or expressed to be payable by the Issuer on, under or in respect of its obligations and liabilities under any Programme Document shall be recoverable only from and to the extent of the amount of the Available Funds, as calculated on the relevant Payment Date (provided that, in the event that no Available Funds exist at the relevant date, the Issuer shall not be liable to make payment of the aforementioned amounts and provided further that in the event that the Available Funds at the relevant date are insufficient to pay in full all amounts whatsoever due under any claim of any party under any Programme Document and all other claims ranking *pari passu* to any such claim, then the claim of such party against the Issuer shall be satisfied only up to a certain percentage of such Available Funds (as determined in accordance with the then applicable Priority Payment Order) and, after payment of such percentage, the obligations of the Issuer to such party shall be discharged in full;
- (d) that, in accordance with paragraph 2 of Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), in the event of a conciliation (*conciliation*), safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) of the Issuer, the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) and any other resources or liabilities benefiting from the *Privilège* shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer;
- (e) that, in accordance with paragraph 3 of Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), the Covered Bonds and the other debt benefiting from the *Privilège* shall not become due and payable as a result of the judicial liquidation (*liquidation judiciaire*) of the Issuer; and
- (f) that, in accordance with Article L. 515-37 of the French Monetary and Financial Code (*Code monétaire et financier*), the provisions of Article L.632-2 of the French Commercial Code (*Code de commerce*) (*nullités facultatives de la période suspecte*) shall not apply to payments made by the Issuer in application of the Programme Documents.

German law Covered Bonds are subject to the particular limited recourse provisions specified in the Terms and Conditions of the German law Covered Bonds included in the Agency Agreement.

*Non-petition*

Each party to any Programme Document will also agree that prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond:

- (a) it will not take any corporate action or other steps or legal proceedings for the winding-up, dissolution or organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer, of the Issuer or of any or all of the Issuer's revenues and assets; and
- (b) it will not have any right to take steps for the purpose of obtaining payment of any amounts payable to it under any Programme Document by the Issuer and shall not until such time take any step to recover any debts whatsoever owing to it by the Issuer otherwise than in accordance with, and subject to, the Conditions.

The above undertakings by each relevant party survive the termination of any Programme Document and the payment of all sums owing under any such Programme Document.

German law Covered Bonds are not subject to non-petition provisions.

*No risk of Issuer consolidation upon insolvency of any Affiliate*

The Issuer is a ring-fenced, bankruptcy remote entity. Pursuant to the provisions of Article L. 515-27 of the French Monetary and Financial Code (*Code monétaire et financier*), the safeguard procedure, judicial reorganisation or liquidation (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of HSBC France, in its capacity as shareholder of the Issuer, will not be extended to the Issuer.

*Restrictions on mergers or reorganisations*

The Issuer will undertake in the Conditions not to enter into any merger, re-organisation or similar transaction without prior Representative Consent and Rating Affirmation of S&P and notification of Moody's.

**The SFH Legal Framework**

The legal and regulatory regime applicable to the Issuer as *société de financement de l'habitat (SFH)* results from the following provisions (the "**SFH Legal Framework**"):

- Articles L. 515-14, L. 515-16, L. 515-17 to L. 515-32-1 and L. 515-34 to L. 515-39 of the French Monetary and Financial Code (*Code monétaire et financier*), such application resulting from enactment of Law no. 2010-1249 dated 22 October 2010 on banking and financial regulation;
- Articles R. 515-2, R. 515-4, R. 515-5, R. 515-7 to R. 515-11, R. 515-12 to R.515-14 and R. 515-15 to R. 515-17 of the French Monetary and Financial Code (*Code monétaire et financier*), such application resulting from enactment of Decree no. 2011-205 dated 23 February 2011; and
- Regulation (*réglement*) no. 99-10 dated 9 July 1999, as amended, issued by the *Comité de la Réglementation Bancaire et Financière* (Banking and Financial Regulation Committee);

The below description of the SFH Legal Framework is mainly based on the above provisions, it does not supersede them and, should the need for interpretation arises, such interpretation would be based only on the French legal and regulatory provisions.

*Legislation relating to sociétés de financement de l'habitat*

Pursuant to Articles L. 515-34 to L. 515-36 of the French Monetary and Financial Code (*Code monétaire et financier*), *sociétés de financement de l'habitat (SFH)* may (i) grant or finance home loans (*prêts à l'habitat*) and hold eligible securities and instruments, (ii) grant to any credit institution loans guaranteed by the remittance, the transfer or the pledge of the receivables arising from home loans, (iii) acquire promissory notes issued by credit

institutions which represent receivables arising from home loans and (iv) issue *obligations de financement de l'habitat* (or incur other forms of borrowings benefiting from the *Privilège*) in order to finance these assets.

*Sociétés de financement de l'habitat (SFH)* may also issue ordinary bonds or raise other sources of financing which do not benefit from the *Privilège*, including promissory notes (*billets à ordre*) which represent receivables arising from home loans.

*Sociétés de financement de l'habitat* may carry out temporary transfers of securities, pledge a securities account and pledge or transfer all or part of the receivables held by them in accordance with the applicable provisions of the French Monetary and Financial Code (*Code monétaire et financier*). The receivables or securities thus transferred or pledged are not included in the cover pool defined in Article L. 515-19 of the French Monetary and Financial Code (*assiette du Privilège*) and are not taken into account for the calculation of the Legal Cover Ratio.

In order to hedge their interest and currency risks on loans, exposures, *obligations de financement de l'habitat* and other sources of financing benefiting from the *Privilège*, or to manage or hedge the global risk on their assets, liabilities and off balance sheet exposures, *sociétés de financement de l'habitat* may use derivative instruments as defined in Article L. 211-1 of the French Monetary and Financial Code (*Code monétaire et financier*). Any amounts due by the Issuer pursuant to these financial instruments, after applicable netting, benefit from the *Privilège*.

A *société de financement de l'habitat* may not hold equity participations or other forms of equity interest issued by other companies.

In addition:

- in accordance with Article L. 515-37 of the French Monetary and Financial Code, the provisions of Article L. 632-2 of the French Commercial Code (*nullités facultatives de la période suspecte*) shall not apply to payments made by the Issuer in application of the Programme Documents;
- the bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of a shareholder of a *société de financement de l'habitat* cannot be extended to the *société de financement de l'habitat* itself;
- any service/loan agreement pursuant to which a *société de financement de l'habitat* has delegated to another credit institution the management or the recovery of loans, exposures, assimilated receivables, securities, instruments, bonds or other sources of financing may be immediately terminated upon the opening of bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) affecting that credit institution; and
- in case of bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of a *société de financement de l'habitat*, the Specific Controller will be responsible for filing claims on behalf of creditors benefiting from the *Privilège*.

#### *SFH eligible assets*

Pursuant to the SFH Legal Framework, the eligible assets of a *société de financement de l'habitat (SFH)* comprise, *inter alia*:

- (i) home loans (*prêts à l'habitat*) which are secured by a first-ranking mortgage or other real estate security interests that are equivalent to a first-ranking mortgage (within the meaning of Article R. 515-5 of the French Monetary and Financial Code (*Code monétaire et financier*) or that are guaranteed by a credit institution or an insurance company. The property must be located in France or in any other Member State of the European Union or the EEA or in a State benefiting from the highest level of credit quality (*meilleur échelon de qualité de crédit*) given by an external rating agency recognised by the *Autorité de contrôle prudentiel (ACP)* as provided in Article L. 511-44 of the French Monetary and Financial Code (*Code monétaire et financier*);
- (ii) loans granted to any credit institutions which are secured by the remittance, the transfer or the pledge of the receivables arising from the home loans referred to in (i) above;

- (iii) units or notes (other than subordinated units or subordinated notes) issued by *organismes de titrisation*, which are French securitisation vehicles, or other similar vehicles governed by the laws of a Member State of the European Union or the EEA (or governed by the laws of the United States, Switzerland, Japan, Canada, Australia or New Zealand if their assets do not include home loans referred to in Article L. 515-14 of the French Monetary and Financial Code (*Code monétaire et financier*)) if (i) their assets comprise at least 90% of home loans referred to in (i) above or other receivables benefiting from the same level of guarantees (within the meaning of Article R. 515-5 of the French Monetary and Financial Code (*Code monétaire et financier*); and (ii) such units or notes benefit from the highest level of credit assessment (*meilleur échelon de qualité de crédit*) assigned by an external rating agency recognised by the French *Autorité de contrôle prudentiel* pursuant to Article L. 511-44 of the French Monetary and Financial Code (*Code monétaire et financier*), provided that, in accordance with Article R. 515-4 of the French Monetary and Financial Code (*Code monétaire et financier*), the total amount of units or notes issued by *organismes de titrisation* or other similar vehicles that the Issuer is holding does not exceed 10% of the total outstanding nominal amount of its privileged liabilities;
- (iv) promissory note (*billets à ordre*) governed by Articles L. 313-42 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) and which represent receivables arising from the home loans referred to in (i) above.

In the case of the Issuer, the eligible assets are comprised of the Borrower Advances which are loans referred to in (ii) above until enforcement of the Borrower Collateral Security following the occurrence of a Borrower Event of Default. After such enforcement, the eligible assets are comprised of the Borrower Advances and the Home Loan Receivables which are receivables arising from home loans referred to in (i) above. While the Issuer does not intend to acquire eligible assets which are units or notes referred to in (iii) above or promissory notes referred to in (iv) above, it is not precluded from holding any such assets and reserves the right to acquire such assets in the future. In particular, the Issuer may acquire any such assets in the future in a view to grant such assets as collateral with the *Banque de France* in accordance with the rules of the Eurosystem.

The *sociétés de financement de l'habitat* (SFH) are not allowed to make any other investments, except investments in securities, instruments or deposits which are sufficiently secure and liquid to be held as so-called substitution assets (*valeurs de remplacement*), as defined in Articles R. 515-7 and R. 515-16 of the French Monetary and Financial Code (*Code monétaire et financier*). Such assets (the "**Legal Substitution Assets**") include:

- (i) debts due or guaranteed by credit institutions or investment companies benefiting from the highest level of credit quality (*meilleur échelon de qualité de crédit*) established by an external rating agency recognized by the *Autorité de contrôle prudentiel* (ACP) meaning the following ratings: Aaa to Aa3 for Moody's or AAA to AA- for S&P;
- (ii) debt with a maturity of less than 100 days due or guaranteed by credit institutions or investment companies of a Member State of the European Union or the EEA benefiting from the second highest level of credit quality (*second meilleur échelon de qualité de crédit*) established by an external rating agency recognized by the *Autorité de contrôle prudentiel* (ACP), meaning the following ratings: A1 to A3 for Moody's or A+ to A- for S&P; and
- (iii) debt securities (*titres de créances*) issued or guaranteed by public sector entities referred to in paragraph I, 1 to 5, of Article L. 515-15 of the French Monetary and Financial Code (*Code monétaire et financier*).

The total amount of such substitution assets (*valeurs de remplacement*) that a *société de financement de l'habitat* may hold is limited to 15% of the sum of (i) the total outstanding nominal amount of the *obligations de financement de l'habitat* issued by such *société de financement de l'habitat* and (ii) the amount of the other sources of financing of such *société de financement de l'habitat* benefiting from the *Privilège*. See "Asset Monitoring - The Maximum Legal Substitution Assets Percentage".

Pursuant to Article R. 515-14 of the French Monetary and Financial Code (*Code monétaire et financier*), *sociétés de financement de l'habitat* must keep the record of all loans made available by it or acquired by it. This record must specify the type and value of the security and guarantees attached to such loans and the type and amount of the liabilities benefiting from the *Privilège*. Pursuant to Regulation (*règlement*) no. 99-10 dated 9 July

1999, as amended, issued by the *Comité de la Réglementation Bancaire et Financière* (Banking and Financial Regulation Committee), *sociétés de financement de l'habitat* must send to the *Autorité de contrôle prudentiel*, information relating to the quality of the assets they are financing. This report is published within 45 days of the general meeting approving the financial statements of the year then ended. In particular, the characteristics, details of the distribution of home loans and guarantees, the total of any unpaid amounts, the distribution of debts by amount and by category of debtors, the proportion of early repayments, and the level and sensitivity of the position of interest rates are required to be included as part of the latter report. *Sociétés de financement de l'habitat* must also publish the same information within 45 days of the end of each quarter. The Issuer will comply with all the foregoing regulations.

*The Privilège (Statutory Priority in Right of Payment)*

*Obligations de financement de l'habitat* are specialized covered bonds products that can only be issued by credit institutions licensed and regulated in France as *sociétés de financement de l'habitat*. *Obligations de financement de l'habitat* benefit from the legal *Privilège* under French law which provides a priority in right of payment over all the assets and revenues of the *société de financement de l'habitat* to the Bondholders and other privileged debt.

The principal and interest of the Covered Bonds will benefit from the *privilège* (statutory priority in right of payment) created by Article L. 515-19 of the French Monetary and Financial Code (the "**Privilège**").

Accordingly, notwithstanding any legal provisions to the contrary (including *Livre VI* of the French Commercial Code (*Code de Commerce*) on insolvency proceedings), pursuant to Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*):

- (i) all amounts payable to the Issuer in respect of loans or assimilated receivables, exposures and securities referred to in Articles L.515-14 to L.515-17 of the French Monetary and Financial Code (*Code monétaire et financier*) and forward financial instruments referred to in Article L.515-18 of the French Monetary and Financial Code (*Code monétaire et financier*), in each case after any applicable set-off, together with the claims in respect of deposits made by the Issuer with credit institutions, shall be allocated in priority to the payment of any sums due in respect of *obligations de financement de l'habitat* (such as the Covered Bonds) and any other resources raised by the Issuer and benefiting from the *Privilège*;
- (ii) in case of conciliation (*conciliation*), safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) and judicial liquidation (*liquidation judiciaire*), the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) or any other resources or liabilities benefiting from the *Privilège* shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer; and
- (iii) the judicial liquidation (*liquidation judiciaire*) of the Issuer will not result in the *obligations de financement de l'habitat* (such as the Covered Bonds) and the other debts benefiting from the *Privilège* becoming due and payable.

With respect to the Issuer, the liabilities benefiting from the *Privilège* comprise the Hedging Costs, amounts due under the Covered Bonds, the Hedging Termination Costs, amounts due to the Cash Collateral Provider under the Cash Collateral Agreement and certain amounts of fees and expenses due to the Administrator under the Administrative Agreement.

### *Legal Cover Ratio*

Pursuant to Articles L. 515-20 and R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* must at all times maintain a cover ratio between its eligible assets (including so-called substitution assets (*valeurs de remplacement*)) and its liabilities benefiting from the *Privilège* of at least 102 per cent. See "**Asset Monitoring – The Minimum Legal Cover Ratio**".

*Société de financement de l'habitat* must submit their Legal Cover Ratio to the *Autorité de contrôle prudentiel (ACP)* on 30 June and 31 December of each year.

### *Liquidity needs*

Pursuant to Articles L. 515-17-1 and R. 515-7-1 of the French Monetary and Financial Code (*Code monétaire et financier*), *sociétés de financement de l'habitat* must ensure, at all times, the coverage of their cash requirements for the next 180 days, by acquiring so-called substitution assets (*valeurs de remplacement*) or other eligible assets to be granted as collateral with the *Banque de France* in accordance with the rules of the Eurosystem, or by entering into refinancing agreements with credit institutions benefiting from the highest level of short term credit quality (*meilleur échelon de qualité de crédit à court terme*) established by an external rating agency recognized by the *Autorité de contrôle prudentiel (ACP)* or guaranteed by other legal entities benefiting from the same level of short term credit quality.

*Subscription by the société de financement de l'habitat of its own obligations de financement de l'habitat as eligible collateral with the Banque de France*

Pursuant to Article L. 515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* may subscribe to its own *obligations de financement de l'habitat* for the sole purpose of granting them as eligible collateral with the *Banque de France* in accordance with the rules of the Eurosystem, provided that the liquidity needs of the *société de financement de l'habitat* cannot be funded otherwise. Such recognition as eligible collateral will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. The *obligations de financement de l'habitat* thus subscribed by the *société de financement de l'habitat* must meet the following conditions:

- their outstanding principal amount does not exceed 10 per cent. of the outstanding principal amount of any liabilities of the *société de financement de l'habitat* benefiting from the *Privilège* on the subscription date of the *obligations de financement de l'habitat* by the *société de financement de l'habitat*;
- they are deprived of the rights provided for under Articles L. 228-46 to L. 228-89 of the French Commercial Code (*Code de commerce*) for so long as they are held by the *société de financement de l'habitat*;
- they are granted as collateral to the French central bank (*Banque de France*) or they are cancelled within the eight (8) days from their settlement date or from the date they are no more granted as collateral, as applicable; and
- they cannot be subscribed by a third party.

The Specific Controller certifies these conditions are met in a report delivered to the *Autorité de contrôle prudentiel (ACP)*.

### **Issuer Risk Management**

Pursuant to the terms of the Administrative Agreement (see below section "**The Administrative Agreement**") and of the *Convention d'Externalisation et de Mise à Disposition de Moyens*, the risk management of the Issuer is delegated to HSBC France.

*Compliance control* (contrôle de conformité), *ongoing internal control* (contrôle interne permanent) and *periodic internal control* (contrôle interne périodique)

The Issuer has set up ongoing internal and periodic internal control systems, in accordance with the *Règlement 97-02* of the French *Comité de la Réglementation Bancaire et Financière* (the "**Règlement**") relating to the

internal control of credit institutions and investment companies. Ongoing internal and periodic internal control systems take into account the Issuer's legal form as a French limited company with a board of directors (*société anonyme à conseil d'administration*) and the fact that the Issuer has no employees or other internal resources to carry out its activities. Compliance control, ongoing internal control and periodic internal control are carried out under the responsibility of the Chief Executive Officer (*Directeur Général*) of the Issuer, acting as *dirigeant responsable*.

**(a) Compliance control (*contrôle de conformité*)**

In accordance with article 11 of the *Règlement*, the compliance control (*contrôle de conformité*) of the activities of the Issuer will be carried out by the *Direction de la Conformité et de la Déontologie* of HSBC France, under the responsibility of the Chief Executive Officer (*Directeur Général*) of the Issuer. The Chief Executive Officer (*Directeur Général*) of the Issuer shall advise the Issuer's board of directors of these activities.

**(b) Ongoing control (*contrôle permanent*)**

In accordance with the provisions of article 6(a) of the *Règlement*, the ongoing control (*contrôle permanent*) of the Issuer will be organised around ten risk functions of HSBC France which will be coordinated by the Chief Executive Officer (*Directeur Général*) of the Issuer. The reports will be reviewed by the HSBC France Operational Risk and Internal Control Committee and which includes the heads of the ten aforementioned risk functions.

In accordance with article 7-1 of the *Règlement*, the departments in charge of the administration of the operations of the Issuer will be separate from the departments in charge of the approval, settlement and monitoring of the risks related thereto.

**(c) Periodic control (*contrôle périodique*)**

In accordance with article 7-5 of the *Règlement*, the periodic control (*contrôle périodique*) system for the activities of the Issuer will be the periodic control (*contrôle périodique*) system implemented by the Internal audit Department of HSBC France under the responsibility of the Chief Executive Officer (*Directeur Général*) of the Issuer.

*Operational Activities*

In the context of the *Convention d'Externalisation et de Mise à Disposition de Moyens*, the operational activities of the Issuer will be carried out by the relevant departments of HSBC France as described below.

**(a) Selection of the Home Loans**

The HSBC Technology and Services department of HSBC France communicates, to the Global Banking – Agency & Operations department of HSBC France, the relevant data regarding the Home Loans. The Global Banking – Agency & Operations department of HSBC France is then in charge of importing this data into the Covered Bonds Administration System, a specific information system which selects the Home Loans according to the Home Loan Eligibility Criteria.

**(b) Monitoring of the Home Loans**

The Global Banking – Agency & Operations department of HSBC France will carry out tests on a monthly basis in order to verify the consistency of the data provided to the Covered Bonds Administration System. In addition, tests will be carried out on samples of Home Loans that present any exceptional characteristics.

The Global Banking – Agency & Operations department of HSBC France is also responsible for monitoring the ratings of all relevant counterparties and for determining whether any trigger events under the Programme Documents (including breaches of the Asset Cover Test, Amortisation Test, Pre-Maturity Test or and Legal Liquidity Test) have occurred.



**(c) Reportings**

The Global Banking – Agency & Operations department of HSBC France will be responsible for the publication and the delivery of reports, in particular to:

- the Rating Agencies;
- the Bondholders and the prospective investors of the Programme;
- the statutory auditors;
- the Specific Controller; and
- the services and departments of HSBC France.

The *Direction Financière* of HSBC France will be responsible for the publication and delivery of reports to the relevant French banking authorities.

**(d) Front Office**

The management of Covered Bond issuance in the context of the Programme is entrusted to the department *Gestion Financière du Bilan* of HSBC France, which will decide upon the issuance of Covered Bonds pursuant to liquidity needs and market conditions.

The placement of the Covered Bonds will be carried out by the lead managers selected by the department *Gestion Financière du Bilan* of HSBC France. HSBC France may also act as lead manager.

**(e) Middle Office**

The Global Banking – Agency & Operations department of HSBC France will be responsible for the operational and administrative management of the Programme on behalf of the Issuer and, in particular, the following duties:

- administrative management of the transactions related to each bond issue;
- organisation and monitoring of the cash flows in relation to each bond issue;
- setting-up and updating a timetable to monitor operational activity;
- control of transaction compliance with validated decisions / strategies;
- control of compliance with internal procedures;
- administrative management of the Home Loans;
- reconciliation between front office, back office and risk control;
- update of the dedicated software; and
- identification and monitoring of transactional risks.

The Global Banking – Agency & Operations department of HSBC France will also be responsible for the relationship with the banking branch of HSBC France, *Agence des Grands Clients*, in the books of which the Issuer Accounts and the bank account of the custodian will be maintained.

**(f) Back Office**

The Back Office of the Issuer is entrusted to the Global Banking – Agency & Operations department of HSBC France which will instruct the *Agence des Grands Clients*. The department *HSBC Flux* is in charge of monitoring the operation of the Issuer Accounts before any wire transfers are carried out.

A custodian and the Paying Agent will carry out and monitor the delivery of the Covered Bonds and their corresponding payments.

*Accounting*

In the context of the *Convention d'Externalisation et de Mise à Disposition de Moyens*, the accounting systems and activities in relation to the Issuer are carried out by different departments of HSBC France: Global Banking – Agency & Operations department, Global Banking & Markets Finance, the *Direction Financière*, HSBC Technology and Services and Global Banking & Markets Information Technology.

Transactions carried out by the Issuer in the context of its activities are monitored by HSBC France, which ensures the accounting treatment of such transactions is in accordance with the provisions of the *Règlement*.

In the context of the *Convention d'Externalisation et de Mise à Disposition de Moyens*, the services described herein will be rendered in such way as to ensure that the Issuer complies with its legal and regulatory obligations, and in particular its obligations under the *Règlement*. Under the *Convention d'Externalisation et de Mise à Disposition de Moyens*, HSBC France has undertaken to update all of its software involved in the provision of such services following any regulatory, technical and/or operational modifications.

*Risk Control***(a) Credit risks**

In accordance with the applicable regulatory requirements, the monitoring of credit risks is entrusted to the *Direction des Risques de Crédit* of HSBC France. During normal operations (*i.e.*, for so long as the Home Loans granted as Borrower Collateral Security remain on the balance sheet of the Borrower), the counterparty risk will be limited to the risk of HSBC France default.

**(b) Market risks**

In normal situation, the Issuer is not authorised to be exposed to any market risk. In case of downgrading of HSBC France, the Issuer shall implement its hedging strategy in order to cover the market risks.

**(c) Operational risks**

Teams dedicated to the control of the operational activities of HSBC France will monitor operational risks on behalf of the Issuer, in accordance with the applicable procedure within HSBC France.

The management of operational risks includes the identification, assessment, control and mitigation of risk, which is carried out by a specific computer system developed by HSBC France for the Issuer. The rating system for the operational risk used by HSBC France will be applied to the Issuer.

When a risk is identified, an appropriate action plan will be implemented in order to mitigate it. The central department *Risque Opérationnel* will be regularly informed of variations to the risk exposure and the *Comité Risque Opérationnel* will consider the reports related to the management of operational risk.

**(d) ALM risks**

In accordance with the applicable regulatory requirements, the monitoring and the management of ALM risks (liquidity, global interest rate and exchange risks) are entrusted to the department *Gestion Financière du Bilan* of HSBC France.

During normal operations (*i.e.* for so long as the Home Loans granted as Borrower Collateral Security remain on the balance sheet of the Borrower), there is no ALM risk for the Issuer with respect to liquidity, global interest rate or exchange rate risk, as the payments under the Borrower Facility will be identical to amounts payable under the Covered Bonds. Following the enforcement by the Issuer of the Borrower Collateral Security and the transfer to the Issuer of the relevant Home Loans, the department *Gestion Financière du Bilan* of HSBC France will monitor ALM risks and implement the Hedging Strategy.

(e) **Settlement risks**

The settlement risks associated with the issue of Covered Bonds are mitigated considering that the delivery of the Covered Bonds is effective only after the Issuer has received payments of the corresponding proceeds. The Custodian and the Paying Agent are responsible for ensuring correct reconciliation between the delivery of the Covered Bonds and the corresponding payments.

(f) **Intermediation risks**

The exposure of the Issuer to intermediation risks is very limited. In the event that such risk would nevertheless occur, it would be mitigated, in particular, by a careful choice of the appropriate qualified entities within HSBC France. The *Direction des Risques Marchés* of HSBC France will implement an intermediation risk control process and will be responsible for verifying that the control mechanism in place is satisfactory.

*Duty of care on money laundering transactions*

The Issuer has a duty of care with respect to money laundering risks, which is entrusted to HSBC France. HSBC France will inform the Issuer in the event it identifies any such risk, however the Issuer is primarily responsible for the anti-money laundering control in respect of its transactions. In accordance with the provisions of the *Convention d'Externalisation et de Mise à Disposition de Moyens*, the Issuer benefits from the anti-money laundering procedures of HSBC France. In addition, compliance controls are also applicable to the duties carried out by operational employees of HSBC France on behalf of the Issuer with respect to money laundering risks and know your customers procedures.

The individual responsible for communicating with the French committee in charge of the treatment of data against money laundering and embezzlement (TRACFIN) will be the TRACFIN representative within HSBC France.

**Issuer Financial Elements**

The financial year of the Issuer runs from 1 January to 31 December. The annual results of the Issuer incorporated by reference herein are non-consolidated accounts. The Issuer does not have subsidiaries and does not produce consolidated financial statements.

*Prudential ratios*

The Issuer's prudential ratios are assessed at the Issuer level.

**Issuer Share capital, Subordinated Loan and Issuer Majority Shareholder's undertakings**

*Share capital*

As at 31 December 2011, the Issuer's issued share capital was € 48,000,000 which has been increased of € 6,750,000 following the decision of the general shareholders' meeting (*assemblée générale*) of the Issuer dated 22 March 2012. Accordingly, on the Programme Date, the Issuer's issued share capital is € 54,750,000 (fifty-four million seven hundred fifty thousand euros), made up of 3,650,000 ordinary shares with a par value of € 15 (fifteen euro) each (the "**Issuer Share Capital**").

On the date of this Base Prospectus, 99.99 per cent of the Issuer's share capital is held by HSBC France.

The share capital may be increased or decreased in accordance with legal provisions. New shares can be issued either at par value or at a premium.

A capital increase can only be approved by an extraordinary general meeting of shareholders, on the basis of a report by the board of directors (*conseil d'administration*).

An extraordinary general meeting of shareholders can delegate the necessary powers to the board of directors (*conseil d'administration*) to increase the share capital on one (1) or more occasions, to establish the terms of the increase, to certify that such terms have been carried out and to amend the Issuer's by-laws accordingly.

A reduction in capital can be decided by an extraordinary general meeting of shareholders, which may delegate to the board of directors (*conseil d'administration*) all the necessary powers to carry out such a reduction.

#### *Subordinated Loan*

As at 31 December 2011, the Issuer benefited from a € 20, 050,000 (twenty million fifty thousand euros) subordinated shareholder's loan granted by HSBC France.

On the Programme Date, the Issuer benefits from a € 23,300,000 (twenty-three million three hundred thousand euros) subordinated shareholder's loan granted by HSBC France (the "**Subordinated Loan**").

The Subordinated Loan Agreement provides that all amounts to be paid by the Issuer under this Subordinated Loan agreement will be paid according to the relevant Priority Payment Order, as described in Condition 15 of the Terms and Conditions.

The Subordinated Loan agreement includes "Limited recourse" and "Non petition" provisions, as described in "The Issuer - **Issuer's Activities – Limited Recourse**" and " **The Issuer - Issuer's Activities - Non petition**".

No amendment, modification, alteration or supplement may be made to the Subordinated Loan agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Subordinated Loan agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Subordinated Loan agreement to any successor;
- (c) to add to the undertakings and other obligations of the lender thereunder under the Subordinated Loan agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

The Subordinated Loan agreement is governed by, and construed in accordance with, French law. The Issuer and the lender have agreed to submit any dispute that may arise in connection with the Subordinated Loan agreement to the jurisdiction of the competent court of Paris.

#### *Letter of Undertakings*

As the majority shareholder of the Issuer and pursuant to a letter of undertakings (the "**Letter of Undertakings**"), HSBC France undertakes, in favour of the Bondholders of all Series to be issued:

- (a) not to take, or participate in, any corporate action or other steps or legal proceedings for the voluntary winding-up, dissolution or reorganisation of the Issuer or of any or all of the Issuer's revenues and assets;
- (b) not to take, or participate in, any corporate action or other steps or legal proceedings for the voluntary appointment of a receiver, administrator, administrative receiver, trustee, liquidator,

examiner, sequestrator or similar officer with respect to the Issuer or of any or all of the Issuer's revenues and assets;

- (c) not to amend the constitutional documents (and in particular the by-laws) of the Issuer other than as expressly contemplated under the Programme Documents or without Rating Affirmation;
- (d) unless required by any administrative or regulatory authorities or under any applicable law or regulation (as the same shall have been notified by the Issuer and/or HSBC France to the Rating Agencies) or unless approved by HSBC France subject to prior Rating Affirmation, HSBC France will procure that the Issuer will at all times comply with its undertakings and other obligations as set forth in the banking license of the Issuer or in the related application form (*dossier d'agrément*) filed with the *Autorité de contrôle prudentiel (ACP)* and maintain its SFH status;
- (e) not to permit any amendments to the Programme Documents other than as expressly permitted or contemplated under the Programme Documents or without the prior Representative Consent and prior Rating Affirmation;
- (f) not to create or permit to subsist any encumbrance over the whole or any part of the shares of the Issuer it owns;
- (g) not to sell, transfer, lease out or otherwise dispose of, in one (1) or more transactions or series of transactions (whether or not related), whether voluntarily or involuntarily, the whole or any part of the shares of the Issuer it owns; and
- (h) to take any necessary steps, which are available to it as shareholder, to remain majority shareholder of the Issuer.

In addition, as the head of the tax group of the Issuer and pursuant to the Letter of Undertakings, HSBC Bank plc Paris Branch undertakes in favour of the Bondholders, represented by their respective Representative, not to permit the Issuer to cease to be consolidated within the tax group formed under the *régime d'intégration fiscale* provided by Articles 223 A et seq. of the French tax Code, with HSBC Bank plc Paris Branch as head of that tax group, and not to amend the tax consolidation agreement (*convention d'intégration fiscale*) in force at the date hereof between HSBC Bank plc Paris Branch and the Issuer without prior Rating Affirmation.

### **Issuer Management bodies**

#### *The chairman and the chief executive director*

Mr. Matthieu Kiss, chairman of the board of directors (*président du conseil d'administration*) and Mr. Hervé Akoun, Chief Executive Officer (*directeur général*) are responsible for the conduct of the Issuer's activities *vis-à-vis* the *Autorité de contrôle prudentiel (ACP)* in accordance with Article L.511-13 of the French Monetary and Financial Code (*Code monétaire et financier*). In accordance with French applicable corporate laws, the chief executive director (*directeur général*) represents the Issuer *vis-à-vis* third parties. The chairman of the board of directors (*président du conseil d'administration*) of the Issuer ensures the efficient functioning of the board of directors (*conseil d'administration*) of the Issuer.

#### *Board of directors (conseil d'administration)*

The board of directors of the Issuer consists of a minimum of three (3) members and a maximum of eighteen (18) members. The term of office is six (6) years.

On the Programme Date, the board of directors of the Issuer is composed of 8 members:

<b>Name and position</b>	<b>Date of appointment</b>
Mr. Matthieu Kiss, <i>président du conseil d'administration</i>	16 July 2009
Mr. Hervé Akoun, <i>directeur général and administrateur</i>	20 June 2008
Mr. Xavier Boisseau, <i>administrateur</i>	8 January 2010

Mr. Stéphane Derouvroy, <i>administrateur</i>	20 June 2008
Mr. Wim Heirman, <i>administrateur</i>	20 June 2008
Mr. François Moreau, <i>administrateur</i>	15 February 2010
Mr. Jean Baudoin, <i>administrateur indépendant</i>	20 June 2008

The members of the board of directors of the Issuer have their business addresses at the registered office of the Issuer. On the Programme Date, Mr. Matthieu Kiss, chairman of the board of directors (*président du conseil d'administration*), is also the Chief Financial Officer (*Directeur Financier*) of HSBC France. Mr. Hervé Akoun, Chief Executive Officer (*directeur general*), is also Head of the department *Gestion Financière du Bilan* of HSBC France. Mr. Xavier Boisseau, member of the board of directors (*administrateur*), is also Head of Global Markets activities of HSBC France. Mr. Stéphane Derouvroy, member of the board of directors (*administrateur*), is also Co-Head of Debt Capital Markets of HSBC France. Mr. Wim Heirman, member of the board of directors (*administrateur*), is also a Director of the Credit Risk Department of HSBC France. Mr. François Moreau, member of the board of directors (*administrateur*), is also Chief Operating Officer and Deputy Head of the Personal Financial Services division of HSBC France. Mr. Jean Baudoin, Issuer Independent Representative (*administrateur indépendant*), holds no other position with HSBC Holdings plc or any of its direct or indirect subsidiaries.

#### *Rights and duties of the board of directors*

In accordance with French applicable corporate laws and the by-laws of the Issuer, the board of directors determines the scope of the Issuer's business activities. Without prejudice to the powers expressly granted to meetings of the shareholders, and in so far as the by-laws permit, the board of directors of the Issuer deals with all matters relating to the conduct of the Issuer's business, within the limit of the Issuer's corporate purpose (*objet social*). When dealing with third parties, the Issuer is bound by acts of the board of directors which do not come within the scope of the Issuer's corporate purpose; unless it can prove that the third party knew that a specific action was out of that scope. The board of directors must carry out the inspections and verifications which it considers appropriate. The chairman of the board of directors or the chief executive director is required to send all the documents and information necessary to perform this task to each director (*administrateur*). The chairman of the board of directors organises and oversees the work of the board of directors and reports to the shareholders' general meeting.

#### *Rights and duties of the chief executive director*

The general management of the Issuer is performed by the chief executive director (*directeur général*). The chief executive director has extensive powers to act on behalf of the Issuer in all circumstances, but must exercise its powers subject to those that the law allocates explicitly to shareholders' meetings and to the board of directors.

With regard to the shareholders, the by-laws of the Issuer provides that some actions may not be taken by the board of directors, nor by the chairman nor by the chief executive director, nor by any deputy managing director (*directeur général délégué*) whatsoever, without the prior consent of the shareholders' general meeting. Such provisions of the by-laws of the Issuer restricting the actions the board of directors, the chairman, the chief executive director or the deputy managing directors may take are not enforceable against third parties.

#### *The Issuer Independent Representative*

According to the by-laws of the Issuer, the board of directors will, at any time, include an independent member (the "**Issuer Independent Representative**"), i.e. a member having no relationship with the Issuer, its shareholders or its management, which may compromise the independence of judgment by such member, as further described and detailed in the by-laws of the Issuer. On the Programme Date, Mr. Jean Baudoin is the Issuer Independent Representative.

Certain action, determination or appointment by the Issuer or the shareholders of the Issuer (such as specified under the Terms and Conditions and/or any other Programme Documents) may not be taken or made without written confirmation consent of the Issuer Independent Representative (the "**Issuer Independent Representative Consent**"). By way of example, the Programme Documents may not be amended without the prior Issuer Independent Representative Consent (except if any such amendment is expressly permitted or contemplated under the Programme Documents).

### **Issuer Statutory Auditors**

The auditors of the Issuer are:

- (a) KPMG Audit, 1, cours Valmy, 92923 Paris La Défense Cedex, France; and
- (b) BDO France - Léger & Associés, 113 rue de l'Université, 75007 Paris, France.

The statutory auditors of the Issuer are registered with the *Compagnie Nationale des Commissaires aux Comptes* (official statutory auditors' representative body).

KPMG Audit has been appointed as auditors of the Issuer on 16 December 2004 and has audited and rendered unqualified audit reports on the non-consolidated financial statements of the Issuer for the fiscal years ended 2010 and 2011.

BDO France - Léger & Associés has been appointed as auditors of the Issuer on 20 June 2008 and has audited and rendered an unqualified audit report on the non-consolidated financial statements of the Issuer for the fiscal years ended 2010 and 2011.

### **External Supervision and oversight of the Issuer**

#### *The Autorité de contrôle prudentiel (ACP)*

As a credit institution (*établissement de crédit*) and a *société de financement de l'habitat* the Issuer is supervised by the *Autorité de contrôle prudentiel (ACP)*, an independent supervisory and control authority of banking and insurance activities in France, integrated within the framework of the *Banque de France*. The *Autorité de contrôle prudentiel* is notably composed of the Governor of the *Banque de France* and various experts chosen for their expertise in banking and financial matters and is responsible for monitoring observance of the laws and regulations applicable to credit institutions as well as the soundness of their financial position.

The Issuer is subject to off-site monitoring and on-site inspections by the *Autorité de contrôle prudentiel*. Off-site monitoring by the *Autorité de contrôle prudentiel* consists of the examination of the Issuer's prudential and accounting records as well as regular contacts with the Issuer's board of directors and statutory auditors. The Issuer is required to submit to the *Autorité de contrôle prudentiel* an annual report on internal control procedures and the assessment and supervision of risk procedures and bi-annual reports setting forth its Legal Cover Ratio (pursuant to its status as a *société de financement de l'habitat*). In addition, statutory auditors are required to advise the *Autorité de contrôle prudentiel* of any fact or decision that may constitute a breach of existing regulations and that is likely to have a significant effect on the financial situation, the profits or the asset composition of the Issuer or cause the statutory auditors to issue a qualified or adverse opinion.

Through on-site inspections, the *Autorité de contrôle prudentiel* ascertains that the information disclosed by the Issuer accurately reflects its financial condition. The *Autorité de contrôle prudentiel* may decide to make a recommendation, issue an injunction or institute disciplinary proceedings if it determines that the Issuer has contravened a law or regulation relating to its activity as a *société de financement de l'habitat*.

### **The Specific Controller**

The Issuer has appointed, in accordance with Article L.515-30 of the French Monetary and Financial Code (*Code monétaire et financier*) a Specific Controller (*Contrôleur spécifique*), and a Substitute Specific Controller (*Contrôleur Spécifique Suppléant*), who are selected from the official list of auditors and are

appointed by the board of directors of the Issuer with the approval of the *Autorité de contrôle prudentiel* (ACP).

The Specific Controller ensures that the Issuer complies with the SFH Legal Framework (in particular, verifying the quality and the eligibility of the assets the Legal Cover Ratio). He also monitors the balance between the Issuer's assets and liabilities in terms of rates and maturity (cash flow adequacy) and notifies the board of directors (*conseil d'administration*), the chief executive director (*directeur général*) of the Issuer and the *Autorité de contrôle prudentiel* (ACP) if he considers such balance to be unsatisfactory.

The Specific Controller carries out various audits in cooperation with the Issuer's statutory auditors and is completely independent of the Issuer. In particular, the Specific Controller must control the valuation procedures of the real estate properties securing the Home Loan Receivables that are granted as Borrower Collateral Security.

For the performance of its duties, the Specific Controller has access to all information from management, internal control data, and internal audit data. The Specific Controller is entitled to undertake, at any time, any necessary control of the Issuer that it deems appropriate and to review the Issuer's books and records. In addition, the Specific Controller is entitled to request information from third parties who have entered into transactions on behalf of the Issuer. It may request copies of relevant agreements and documents from any credit institution entrusted with the management or the recovery of loans, bonds or other sources of financing of the Issuer pursuant to Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) and copies of the home loan agreements, mortgage registration certificates and any other documents relating to the Home Loan Receivables that are granted as Borrower Collateral Security it may consider relevant in order to carry out its duties.

The Specific Controller certifies, on a quarterly basis, compliance with legal and regulatory standards concerning the Legal Cover Ratio in connection with the issuance programme of the Issuer and for any issue of resources of more than €500 million which benefit from the *Privilège*. The Specific Controller's certificate relating to the quarterly issuance Programme and, if any, the Specific Controller's certificate relating to the issue of Covered Bonds the amount of which equals or exceeds €500 million will be attached to the relevant Final Terms.

Additionally, the Specific Controller certifies that documents the Issuer sends to the *Autorité de contrôle prudentiel* meet legal and regulatory requirements. The Specific Controller submits an annual report on its activity to the board of directors of the Issuer, and a copy is forwarded to the *Autorité de contrôle prudentiel*.

The *Autorité de contrôle prudentiel* can require information relating to the activity and the financial situation of the Issuer from the Specific Controller. The Specific Controller is required to disclose to the *Autorité de contrôle prudentiel* any decision taken by the *société de financement de l'habitat* or its parent company, which constitute a violation of legal provisions and affect its financial situation, the continuity of the company or the certification of accounts. The Specific Controller is also required to advise the *Autorité de contrôle prudentiel* of any fact or decision that could jeopardize the situation of the *société de financement de l'habitat* as a going concern.

The Specific Controller cannot conduct any activities that could undermine its independence and take, receive or retain any interest in the Issuer or HSBC France. The Specific Controller is prevented from providing services exceeding the scope of its control to the Issuer or to HSBC France.

The Specific Controller is liable for any error or negligence committed in the exercise of its functions.

Managers may be sanctioned if the Specific Controller is not appointed, not invited to attend shareholders' meetings, prevented from conducting its control or not provided with useful documents that he has requested.

The Specific Controller attends all meetings of the shareholders of the Issuer and, on his request, may be heard by the board of directors (*conseil d'administration*) of the Issuer.

On the Programme Date:



- (a) the Specific Controller of the Issuer is Cailliau Dedouit et Associés, 19, rue Clément Marot, 75008 Paris, France; and
- (b) the Substitute Controller of the Issuer is Rémi Savournin 19, rue Clément Marot 75008 Paris France.

### **The Administrative Agreement**

This section sets out the main material terms of the Administrative Agreement.

#### *Background*

The "**Administrative Agreement**" refers to the agreement dated on or prior to the Programme Date and entered into between the Issuer and HSBC France, as Administrator (the "**Administrator**").

#### *Purpose*

Under the Administrative Agreement, the Issuer appoints HSBC France as its servicer for the rendering of administrative services to the Issuer (including all necessary advice, assistance and know-how, whether technical or not, day to day management and corporate administration services). The Administrator will always act in the best and exclusive interest of the Issuer.

#### *Administrator's duties*

Pursuant to the Administrative Agreement, the Administrator will *inter alia*:

- (a) advise and assist the Issuer in all accounting and tax matters;
- (b) advise and assist the Issuer in all legal and administrative matters;
- (c) ensure that the Issuer will exercise each of its rights and perform each of its obligations under the Programme Documents;
- (d) provide the Issuer with all necessary assistance and know-how, whether technical or other, to exercise and perform all of its rights and obligations under the Programme Documents;
- (e) assist the Issuer in operating its bank accounts, the management and investment of its available cash in Permitted Investments in accordance with the relevant Permitted Investments rules, and any other matters in relation to the management of its bank accounts and funds so as to ensure that the Issuer will at all times comply with the provisions of the Programme Documents;
- (f) act as custodian of any and all other documents that any corporate company similar to the Issuer shall keep on file under any applicable laws, until the Service Termination Date, as defined below;
- (g) until no Borrower Event of Default has occurred, perform the management and servicing of the Borrower Advances made available to the Borrower under the Borrower Facility Agreement;
- (h) upon a Borrower Enforcement Notice being served under the Borrower Facility Agreement, assist the Issuer within the enforcement process of the Borrower Collateral Security;
- (i) upon enforcement of the Borrower Collateral Security following the enforcement of a Borrower Event of Default, cause the Borrower to deliver and transfer title to the Borrower Collateral Security Assets to the Issuer;
- (j) upon enforcement of the Borrower Collateral Security following the occurrence of a Borrower Event of Default and upon the Issuer taking title to the Borrower Collateral Security Assets, perform the servicing of such assets, or if the servicing of such assets is transferred to a substitute servicer, procure that the servicing of such assets shall be performed by such substitute servicer pursuant to a servicing agreement to be entered into by the Issuer and such substitute servicer in accordance with Article L.515-22 of the French Monetary and Financial Code (*Code monétaire et*

*financier*), and promptly notify the debtors for the direct payment to the Issuer of the amounts due under the relevant Home Loan Receivables;

- (k) perform the management and servicing of the Covered Bonds and of the other resources of the Issuer mentioned in Article L. 515-36 of the French Monetary and Financial Code (*Code monétaire et financier*); and
- (l) upon cancellation of any Auto-held Covered Bond by the Issuer in accordance with Condition 19 of the Terms and Conditions of the French law Covered Bonds, notify such cancellation to the Rating Agencies in accordance with the Administrative Agreement.

For the purpose of investment by the Administrator of the Issuer's available cash in Permitted Investments as mentioned in paragraph (e) above, "**Permitted Investments**" shall mean:

- (a) Euro denominated government securities, Euro demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of thirty (30) days or less and mature on or before the next following Payment Date and the short term or, as applicable, long term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least A-1 (short term) or A + (long term) by S&P and P-1 (short term) by Moody's;
- (b) Euro denominated government securities, Euro demand or time deposits, certificates of deposit and debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of three hundred sixty-four (364) days or less, and the short term or, as applicable, long term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least A-1+ (short term) or AA- (long term) by S&P and P-1 (short term) by Moody's; and
- (c) Euro denominated government securities, Euro demand or time deposits, certificates of deposit which have a remaining maturity date of more than three hundred sixty-four (364) days and the long term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least AAA by S&P and Aaa by Moody's.

*Administrator's duties regarding the refinancing of the Transferred Assets*

After title to the Home Loan Receivables granted as Borrower Collateral Security and the related Home Loan Security has been transferred to the Issuer upon enforcement of the Borrower Collateral Security (the "**Transferred Assets**"), the Administrator will organise the sale or refinancing by the Issuer of such Home Loan Receivables and related Home Loan Security in order for the Issuer to receive sufficient Available Funds to make payments when due under the relevant Series of Covered Bonds (after taking into account all payments to be made in priority thereto according to the relevant Priority Payment Order and the relevant payment dates and Final Maturity Date under each relevant Series of Covered Bonds).

The Administrator shall ensure that Transferred Assets which are proposed for sale or refinancing by the Issuer (the "**Selected Assets**") at any relevant date (the "**SARA Relevant Date**"), will be selected on a random basis, provided that (i) no more Selected Assets will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount, and (ii) the aggregate outstanding principal amount or value (and interest accrued thereon) of such Selected Assets shall not exceed the "**Selected Assets Required Amount (SARA)**", which is calculated as follows:

$$\text{SARA} = \text{Adjusted Required Redemption Amount} * \text{A/B}$$

where:

"**Adjusted Required Redemption Amount**" means an amount equal to the Euro equivalent of the outstanding principal amount of the first Series of Covered Bonds maturing after the SARA Relevant Date (together with accrued interest thereon), less amounts standing to the credit of the Issuer Accounts (excluding all amounts to be applied on the first Payment Date following the SARA Relevant Date to repay higher ranking amounts in the relevant Priority Payment Order and those amounts that are required

to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds);

"A" means the Euro equivalent of the aggregate of the outstanding principal amount or value (together with interest accrued thereon) of all the Transferred Assets; and

"B" means the Euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) in respect of all Series of Covered Bonds then outstanding.

The Administrator will ensure that the Selected Assets offered for sale by the Issuer to potential buyers are sold for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount.

If the Selected Assets have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six (6) months prior to the Final Maturity Date of the Series of Covered Bonds maturing after the SARA Relevant Date (after taking into account all payments, provisions and credits to be made in priority thereto), then the Administrator will (i) organise the offer for sale of the Selected Assets by the Issuer for the best price reasonably available, or (ii) seek a refinancing of the Selected Assets by the Issuer on the best terms reasonably available, even if the price obtained in this case for the Selected Assets is less than the Adjusted Required Redemption Amount.

For the purpose hereof, the Administrator may through a tender process select a portfolio manager of recognised standing which shall be appointed by the Issuer to advise it in relation to the sale or refinancing of the Transferred Assets. This portfolio manager can be appointed by the Issuer on terms intended to incite the portfolio manager to achieve the best price for the sale or refinancing of the Transferred Assets (if such terms are commercially available in the market)-

In respect of any sale or refinancing of the Selected Assets, the Administrator shall use all reasonable endeavours to procure that the same are sold as quickly as reasonably practicable (in accordance, as the case may be, with the recommendations of the portfolio manager), taking into account the market conditions at that time.

#### *Substitution and Agency*

The Administrator may not assign its rights and obligations under the Administrative Agreement but will have the right to be assisted by, to appoint or to substitute for itself any third party in the performance of certain or all its tasks under the Administrative Agreement, provided that:

- (a) the Administrator has given written notice of the exercise of that right to the Issuer;
- (b) the Administrator remains liable to the Issuer for the proper performance of those tasks and, with respect to the Issuer only, the relevant third party has expressly waived any right to any contractual claim against the Issuer; and
- (c) the relevant third party has undertaken to comply with all obligations binding upon the Administrator under the Administrative Agreement.

#### *Fees*

In consideration of the services provided by the Administrator to the Issuer under the Administrative Agreement, the Issuer will pay to the Administrator an administration fee computed subject to, and in accordance with, the provisions of the Administrative Agreement.

The Administrator will benefit from the *Privilège* for the payment of that portion of its fees or the other amounts that might be owed to it by the Issuer under the Administrative Agreement which corresponds to the management and servicing of the assets and liabilities of the Issuer in accordance with Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*).

#### *Representations, warranties and undertakings*

The Administrator has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Administrative Agreement and continuing until the Service Termination Date.

#### *Indemnities*

Pursuant to the Administrative Agreement, the Administrator undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of the occurrence of any default by the Administrator in its performance of any of its obligations under the Administrative Agreement.

#### *Resignation of the Administrator*

The Administrator will not resign from the duties and obligations imposed on it as Administrator pursuant to the Administrative Agreement, except:

- (a) upon a determination that the performance of its duties under the Administrative Agreement will no longer be permissible under applicable law; and
- (b) in the case where, the Issuer does not comply with any of its material obligations under the Administrative Agreement and fails to remedy the situation within one hundred and eighty (180) days from the receipt by the Issuer of a notice from the Administrator,

such resignation shall however be effective upon replacement of the Administrator.

#### *Administrator's Defaults*

Each of the following events shall constitute an Administrator's Default:

- (a) any material representation or warranty made by the Administrator is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Administrator or (if sooner) the Administrator has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Administrator fails to comply with any of its material obligations under the Administrative Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Administrator or (if sooner) the Administrator has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Administrator; or
- (d) at any time it is or becomes unlawful for the Administrator to perform or comply with any or all of its material obligations under the Administrative Agreement or any or all of its material obligations under the Administrative Agreement are not, or cease to be, legal, valid and binding.

For such purposes, "**Insolvency Event**" means the occurrence of any of the following events:

- (a) the relevant entity is, or is deemed or declared for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, including without limitation, *en état de cessation des paiements*, or admits in writing its inability to pay its debts as they fall due;
- (b) the relevant entity by reason of financial difficulties, begins formal negotiations with one (1) or more of its creditors with a view to the general readjustment or rescheduling of any of its indebtedness or applies for or is subject to an amicable settlement or a *procédure de conciliation* pursuant to Articles L.611-1 *et seq.* of the French Commercial Code (*Code de commerce*);

- (c) a meeting of the shareholders of the relevant entity is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed;
- (d) any person presents a petition for the winding-up or for the administration or for the bankruptcy of the relevant entity and the petition is not discharged within thirty (30) days;
- (e) any order for the winding-up or administration of the relevant entity is issued;
- (f) a judgment is issued for the judicial liquidation ("*liquidation judiciaire*"), the safeguard procedure of the relevant entity ("*procédure de sauvegarde*"), the rescheduling of the debt of the relevant entity ("*redressement judiciaire*") or the transfer of the whole or part of the business of the relevant entity ("*cession de l'entreprise*") pursuant to Articles L. 620-1 et seq. of the French Commercial Code (Code de commerce); or
- (g) any liquidator, trustee in bankruptcy, receiver, administrative receiver, administrator or the like (including, without limitation, any "*mandataire ad hoc*", "*administrateur judiciaire*", "*administrateur provisoire*", "*conciliateur*" or "*mandataire liquidateur*") is appointed in respect of the relevant entity or any substantial or material part of the assets or the directors of the relevant entity request such appointment.

#### *Administrator Rating Trigger Event*

If an Administrator Rating Trigger Event occurs, the Administrator will notify the Issuer in writing of the occurrence of the Administrator Rating Trigger Event within five (5) Business Days from the date upon which it becomes aware of such event and this will constitute an Administrator Termination Event under the Administrative Agreement.

For such purposes, an "**Administrator Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Administrator become rated below BBB by S&P or Baa2 by Moody's.

#### *Termination*

"**Administrator Termination Events**" under the Administrative Agreement will include the following events:

- (a) the occurrence of any Administrator's Default;
- (b) the occurrence of the Administrator Rating Trigger Event; or
- (c) the occurrence of a Borrower Event of Default.

If an Administrator Termination Event occurs, the Issuer shall terminate the appointment of the Administrator under the Administrative Agreement by delivery of a written termination notice to the Administrator (the "**Notice of Termination**"). Upon receipt by the Administrator of the Notice of Termination, the appointment of the Administrator under the Administrative Agreement will terminate with effect:

- not earlier than twenty (20) Business Days as from the receipt by the Administrator of the Notice of Termination, if such Notice of Termination is served due to the occurrence of a Borrower Event of Default or of an Administrator Rating Trigger Event;
- not earlier than twenty (20) Business Days as from the receipt by the Administrator of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, if such Notice of Termination is served due to any other reason,

and save for any continuing obligations of the Administrator contained in the Administrative Agreement.

Upon the resignation of the Administrator, or termination of its appointment as Administrator in accordance with the terms of the Administrative Agreement, the Issuer shall replace HSBC France, as

Administrator, by any legal entity, which is a financial institution (*établissement de crédit*) within the meaning of Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Substitute Administrator**"), the choice of which being subject to prior Rating Affirmation.

Notwithstanding the resignation of the Administrator or the termination of its appointment as Administrator, the Administrator will continue to be bound by all its obligations under the Administrative Agreement until the earlier of (i) its replacement as Administrator in accordance with the Administrative Agreement, and (ii) the termination of the Administrative Agreement in accordance with the terms thereof (the "Service Termination Date"). The Administrator undertakes to act in good faith to assist any Substitute Administrator.

#### *Term and Termination of the Administrative Agreement*

The Administrative Agreement shall remain in effect for an initial period of ten (10) years and shall be automatically renewed for additional ten-year periods unless a party thereto notifies to the others its intention to terminate the Administrative Agreement three (3) months prior to the end of the initial period or the additional periods, as the case may be.

Without prejudice to the other terms of the Administrative Agreement, the Administrative Agreement shall terminate:

- (a) on its scheduled term as defined above;
- (b) if earlier than its scheduled term, if the Issuer and any Substitute Administrator replacing (i) HSBC France as Administrator or (ii) a previous Administrator having replaced HSBC France as Administrator agree in writing to cease to be bound by the Administrative Agreement and execute another agreement for the performance of the services contemplated by the Administrative Agreement; or
- (c) if earlier than its scheduled term and upon failure to replace the Administrator (i) the last day of the sixty (60) Business Days period starting on the date of resignation of the Administrator, or (ii) the last day of the forty (40) Business Days period starting on the date a Notice of Termination is delivered to the Administrator.

The termination of the Administrative Agreement in accordance with its terms shall trigger the termination of the appointment of HSBC France as Administrator thereunder on the relevant termination date of the Administrative Agreement.

#### *Limited recourse – Non petition*

The Administrative Agreement includes "Limited recourse" and "Non petition" provisions, as described in "The Issuer - **Issuer's Activities – Limited recourse**" and "**The Issuer - Issuer's Activities - Non-Petition**".

#### *Amendment*

No amendment, modification, alteration or supplement shall be made to the Administrative Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Administrative Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Administrative Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Administrator under the Administrative Agreement; or

- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Administrative Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Administrator have agreed to submit any dispute that may arise in connection with the Administrative Agreement to the jurisdiction of the competent court of Paris.

**The Issuer Accounts Agreement**

This section sets out the main material terms of the Issuer Accounts Agreement pursuant to which the Issuer Accounts are opened in the books of the Issuer Accounts Bank.

*Background*

The Issuer Accounts Agreement refers to the agreement dated on or prior to the Programme Date and entered into between the Issuer and HSBC France, as "Issuer Accounts Bank" (the "**Issuer Accounts Bank**") (the "**Issuer Accounts Agreement**"). The Issuer Accounts Bank will always act in the best and exclusive interest of HSBC SFH (France).

*Purpose*

Under the Issuer Accounts Agreement, the Issuer appoints HSBC France as its account bank for the opening and operation of its bank accounts (the "**Issuer Accounts**").

*Issuer Accounts*

The Issuer Accounts opened in the name of the Issuer in the books of the Issuer Accounts Bank include:

- (a) the "**Issuer Cash Accounts**", including the "**Issuer General Account**" (denominated in Euro), the "**Cash Collateral Account**" (denominated in Euro), and the "**Share Capital Proceeds Account**" (denominated in Euro); and
- (b) the "**Issuer Securities Accounts**", which are securities accounts (*comptes d'instruments financiers*) opened in relation to each Issuer Cash Account,

it being provided that, according to the Administrative Agreement, the Administrator may open within the books of the Issuer Accounts Bank any new bank cash account in the name of the Issuer which may be necessary or advisable for the performance by the Issuer of its rights and obligations under any Programme Document, and notably in case of issuance of Covered Bonds denominated in a Specified Currency other than Euro provided that an Issuer Securities Account (*compte-titres*) is opened in relation to each such Issuer Cash Account.

*Funds Allocation*

Each of the Issuer Accounts shall be exclusively dedicated to the operation of the Issuer.

All sums standing to the credit balance of the Issuer Cash Accounts may be invested from time to time in Permitted Investments by the Administrator (see "**The Issuer**" - "**The Administrative Agreement**").

*Operation*

The Issuer Cash Accounts shall not be operated by the Issuer Accounts Bank otherwise than in accordance with the provisions of the Issuer Accounts Agreement and the Administrative Agreement and, in particular, the Issuer Accounts Bank shall be entitled to refuse to, without being liable for any such refusal:

- (a) deliver credit cards or other means of payment with respect to the Issuer Cash Accounts or make any transfer from any of the Issuer Cash Accounts upon instructions of the Administrator other than by bank transfer or any such other means as is agreed with the Issuer;

- (b) debit any of the Issuer Cash Accounts upon instructions of any person other than the Issuer or the Administrator;
- (c) debit any of the Issuer Cash Accounts upon instructions of the Administrator, if the Issuer Accounts Bank is aware that such instructions may cause a debit balance of the relevant Issuer Cash Accounts (in which case the Issuer Accounts Bank will promptly inform the Administrator and the Issuer and postpone the performance of the relevant instructions until it has received the relevant renewed written instructions of the same); or
- (d) implement any instruction from the Issuer (or the Administrator acting on its behalf) in connection with the Issuer Accounts if it is aware that an implementation of such instruction would constitute a breach of any provision of the Issuer Accounts Agreement.

#### *Issuer General Account*

As from the Programme Date and on any relevant date thereafter, the Issuer General Account shall be credited or debited by the Issuer Accounts Bank, acting upon the instructions of the Issuer (or the Administrator acting on its behalf), with any and all amounts which are not specified to be credited or debited to any other Issuer Cash Accounts (the "**Issuer General Account**").

#### *Cash Collateral Account*

The Cash Collateral Account shall be credited and debited only subject to, and in accordance with, the Cash Collateral Agreement as described in "**Asset Monitoring— The Pre-Maturity Test and the Legal Liquidity Test**" (the "**Cash Collateral Account**").

Upon the occurrence of a Borrower Event of Default which is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer (or the Administrator acting on its behalf) will give the appropriate instructions in order to ensure that the balance of the Cash Collateral Account be allocated in accordance with the applicable Priority Payment Order.

#### *Share Capital Proceeds Account*

On or prior to the Programme Date and upon instruction of the Issuer (or the Administrator acting on its behalf), the Share Capital Proceeds Account shall be credited with the amount of the Issuer Share Capital and the Subordinated Loan (the "**Share Capital Proceeds Account**").

The funds standing to the Share Capital Proceeds Account shall be invested from time to time in Permitted Investments. Such funds and the proceeds from the relevant Permitted Investments shall be included in the Issuer's available funds and allocated to the payments due by the Issuer in accordance with the applicable Priority Payment Order.

#### *Representations, warranties and undertakings*

The Issuer Accounts Bank has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Issuer Accounts Agreement and continuing until the Service Termination Date.

#### *Indemnities*

Pursuant to the Issuer Accounts Agreement, the Issuer Accounts Bank undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of the occurrence of any default by the Issuer Accounts Bank in its performance of any of its obligations under the Issuer Accounts Agreement.

#### *Fees*

In consideration of the services provided by the Issuer Accounts Bank to the Issuer under the Issuer Accounts Agreement, the Issuer (or the Administrator acting on its behalf) will pay to the Issuer Accounts



Bank a fee to be computed subject to, and in accordance with, the provisions of the Issuer Accounts Agreement.

The Issuer Accounts Bank will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due by the Issuer under the Issuer Accounts Agreement.

*Resignation of Issuer Accounts Bank*

The Issuer Accounts Bank will not resign from the duties and obligations imposed on it as Issuer Accounts Bank pursuant to the Issuer Accounts Agreement, except as follows:

- (a) upon a determination that the performance of its duties under the Issuer Accounts Agreement will no longer be permissible under applicable law; and
- (b) in the case where the Issuer does not comply with any of its material obligations under the Issuer Accounts Agreement and fails to remedy the situation within one hundred and eighty (180) days from the receipt by the Issuer of a notice from the Issuer Accounts Bank (with copy to the Administrator),

Such resignation shall become effective upon replacement of the Issuer Calculation Agent.

*Issuer Accounts Bank's Defaults*

Each of the following events shall constitute an Issuer Accounts Bank's Default (an "**Issuer Accounts Bank's Default**"):

- (a) any material representation or warranty made by the Issuer Accounts Bank is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Accounts Bank or (if sooner) the Issuer Accounts Bank has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Issuer Accounts Bank fails to comply with any of its material obligations under the Issuer Accounts Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Accounts Bank or (if sooner) the Issuer Accounts Bank has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Issuer Accounts Bank; or
- (d) at any time it is or becomes unlawful for the Issuer Accounts Bank to perform or comply with any or all of its material obligations under the Issuer Accounts Agreement or any or all of its material obligations under the Issuer Accounts Agreement are not, or cease to be, legal, valid and binding.

If an Issuer Accounts Bank's Default occurs, the Issuer Accounts Bank shall notify the Issuer (or the Administrator) of such occurrence promptly after becoming aware of the same.

*Issuer Accounts Bank Rating Trigger Event*

If an Issuer Accounts Bank Rating Trigger Event occurs, the Issuer Accounts Bank will promptly notify the Issuer in writing of the occurrence of such event. Within thirty (30) calendar days of the occurrence, of an Issuer Accounts Bank Rating Trigger Event:

- (a) the Issuer (or the Administrator acting on its behalf) shall have closed the then existing Issuer Accounts and opened new accounts in its name under the terms of a new Issuer Accounts Agreement substantially on the same terms as the Issuer Accounts Agreement, with another financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 by S&P and P-1 by Moody's; or

- (b) subject to prior Rating Affirmation, the Issuer Accounts Bank has obtained a guarantee of its obligations under the Issuer Accounts Agreement on terms acceptable to the Issuer, acting reasonably, from a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 by S&P and P-1 by Moody's,

provided that failure to comply with the provisions of paragraph (a) or paragraph (b) above (each, a "Remedy to an Issuer Accounts Bank Rating Trigger Event") within the relevant 30 calendar day-period shall constitute an Issuer Accounts Bank Termination Event within the meaning of the Issuer Accounts Agreement.

For the purpose of the above, "**Issuer Accounts Bank Rating Trigger Event**" means the event in which the short-term senior unsecured, unsubordinated and unguaranteed debt obligations of the then appointed Issuer Accounts Bank become rated below A-1 by S&P, or the short-term senior unsecured, unsubordinated and unguaranteed debt obligations of the then appointed Issuer Accounts Bank become rated below P-1 by Moody's.

The same provisions will apply each time an Issuer Accounts Bank Rating Trigger Event occurs in relation to any substitute financial institution appointed in replacement of an Issuer Accounts Bank.

#### *Termination*

"**Issuer Accounts Bank Termination Events**" under the Issuer Accounts Agreement will include the following events:

- (a) the occurrence of any Issuer Accounts Bank's Default;
- (b) the failure to comply with one or the other remedies to an Issuer Accounts Bank Rating Trigger Event within the relevant 30 calendar day-period; or
- (c) the occurrence of a Borrower Event of Default.

If an Issuer Accounts Bank Termination Event occurs, the Issuer shall terminate the appointment of the Issuer Accounts Banks under the Issuer Accounts Agreement by delivery of a written termination notice to the Issuer Accounts Bank (the "Notice of Termination"). Upon receipt by the Issuer Accounts Bank of the Notice of Termination, the appointment of the Issuer Accounts Bank under the Issuer Accounts Agreement will terminate with effect not earlier than twenty (20) Business Days as from the receipt by the Issuer Accounts Bank of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, save for any continuing obligations of the Issuer Accounts Bank contained in the Issuer Accounts Agreement..

Upon the resignation of the Issuer Accounts Bank or termination of its appointment as Issuer Accounts Bank hereunder in accordance with the terms of the Issuer Accounts Agreement, the Issuer shall replace HSBC France, as Issuer Accounts Bank, at the costs of HSBC France, by any legal entity (the "**Substitute Issuer Accounts Bank**"), the choice of which being subject to prior Rating Affirmation. Upon its appointment and unless otherwise agreed with the Issuer (but subject to prior Rating Affirmation), the Substitute Issuer Accounts Bank shall:

- (a) provide the Issuer with all necessary advice and assistance and know-how, whether technical or other, including in connection with the opening, maintaining and operation of the Issuer Accounts and the Programme Documents and, in particular, as described under the Issuer Accounts Agreement;
- (b) together with the Issuer Accounts Bank, take all steps necessary to replace the Issuer Accounts Bank in all rights and obligations arisen from the Programme Documents the Issuer Accounts Bank is a party and, for such purposes, become a party, as Issuer Accounts Bank, to any relevant Programme Documents to which the Issuer Accounts Bank is a party.

Notwithstanding its resignation or the termination of its appointment as Issuer Accounts Bank in accordance with the terms of the Issuer Accounts Agreement and notwithstanding any other provision of the Issuer Accounts Agreement, the duties of the Issuer Accounts Bank under the Issuer Accounts Agreement shall continue and the Issuer Accounts Bank shall continue to be bound by all its obligations

under the Issuer Accounts Agreement until the earlier of (i) its replacement as Issuer Accounts Bank, and (ii) the termination of the Issuer Accounts Bank Agreement in accordance with its terms (the "**Service Termination Date**").

*Term and Termination of the Issuer Accounts Bank Agreement*

The Issuer Accounts Bank Agreement shall remain in effect for an initial period of ten (10) years and shall be automatically renewed for additional ten-year periods unless a party thereto notifies to the others its intention to terminate the Issuer Accounts Bank Agreement three (3) months prior to the end of the initial period or the additional periods, as the case may be.

Without prejudice to the other terms of the Issuer Accounts Bank Agreement, the Issuer Accounts Bank Agreement shall terminate:

- (a) on its scheduled term as defined above;
- (b) if earlier than its scheduled term, if the Issuer and any Substitute Issuer Accounts Bank replacing (i) HSBC France as Issuer Accounts Bank or (ii) a previous Issuer Accounts Bank having replaced HSBC France as Issuer Accounts Bank agree in writing to cease to be bound by the Issuer Accounts Bank Agreement and execute another agreement for the performance of the services contemplated by Issuer Accounts Bank Agreement; or
- (c) if earlier than its scheduled term and upon failure to replace the Issuer Accounts Bank (i) the last day of the sixty (60) Business Days period starting on the date of resignation of the Issuer Accounts Bank, or (ii) the last day of the forty (40) Business Days period starting on the date a Notice of Termination is delivered to the Issuer Accounts Bank.

The termination of the Issuer Accounts Bank Agreement in accordance with its terms shall trigger the termination of the appointment of HSBC France as Issuer Accounts Bank thereunder on the relevant termination date of the Issuer Accounts Bank Agreement.

*Limited recourse – Non petition*

The Issuer Accounts Agreement includes "Limited recourse" and "Non petition" provisions, as described in "**The Issuer - Issuer's Activities – Limited recourse**" and "**The Issuer - Issuer's Activities - Non petition**".

*Amendment*

No amendment, modification, alteration or supplement shall be made to the Issuer Accounts Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Issuer Accounts Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Issuer Accounts Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Issuer Accounts Bank under the Issuer Accounts Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Issuer Accounts Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Issuer Accounts Bank have agreed to submit any dispute that may arise in connection with the Issuer Accounts Agreement to the jurisdiction of the competent court of Paris.

## THE BORROWER AND THE BORROWER FACILITY AGREEMENT

### The Borrower

The borrower under the Borrower Facility Agreement (the "**Borrower**") is HSBC France.

#### *General information relating to HSBC France*

HSBC France is a limited liability company (*société anonyme*) organised under the laws of France and licensed as a credit institution, having its registered office at 103 avenue des Champs-Élysées, 75008 Paris, France and registered with the Trade and Companies Register of Paris, France under number 775 670 284. HSBC France was incorporated on 1 July 1894 and the duration of the company has been extended until 30 June 2043. HSBC France is governed by the laws and regulations applicable to commercial companies and, in particular, the French Commercial Code (*Code de commerce*), to the extent that they are not disappplied by more specific laws such as, *inter alia*, the various applicable rules of French law applicable to licensed entities and by the by-laws of HSBC France.

The shares of HSBC France are not listed but HSBC France is an issuer of financial instruments to the public. As at the date of this Base Prospectus, the short term rating of HSBC France senior bond issues is F1+ (Fitch), P-1 (Moody's) and A-1+ (S&P) and the long term rating of HSBC France senior bond issues is AA (Fitch), Aa3 (Moody's) and AA- (S&P).

#### *Activities*

HSBC France offers its customers the power of a global banking and finance group coupled with a one on one relationships founded on in-depth local expertise.

HSBC in France boasts a network of 402 branches operating under the name HSBC. HSBC France was created when the brand was adopted by CCF, Union de Banques a Paris (UBP), Banque Herve in the Paris region, Banque de Picardie and Banque de Baecque Beau in autumn 2005. The merger of HSBC Herve, HSBC de Baecque Beau, HSBC UBP and HSBC Picardie with HSBC France was completed in July 2008.

In addition to its retail banking network, HSBC France offers its clientele a full range of products and services in the following businesses: Global Banking and Markets, Asset Management and Insurance, and Private Banking.

HSBC France is a member of the HSBC Group.

The recent HSBC France's annual reports are available on [www.hsbc.fr](http://www.hsbc.fr).

#### *General information relating to share capital*

The issued capital of HSBC France is € 337,189,135 and consists of 67,437,827 shares with a par value of € 5 each.

HSBC Bank plc has owned 99.99 per cent of the share capital and voting rights since 31 October 2000. HSBC Bank plc is a wholly-owned subsidiary of HSBC Holdings plc, a company listed in London, Hong Kong, New York, Paris and Bermuda.

#### *Management and administration*

HSBC France is administered by a board of directors which consists of at least sixteen (16) and no more than twenty (20) members, four (4) of whom are representatives of salaried staff elected by the employees of HSBC France. The members of the board are appointed or elected for a term of four (4) years.

### *Control*

As a regulated bank, HSBC France is subject to various controls by the French financial regulators (*Autorité de Contrôle Prudentiel, Autorité des Marchés Financiers*, etc.).

### *Accounting regulations and methods*

HSBC France presents its accounts according to the provisions in use in all private industrial and commercial companies and is subject to tax in the same way as any commercial entity.

The accounts of HSBC France are subject to examination by KPMG Audit and BDO France - Léger & Associés, the statutory auditors (*commissaires aux comptes*) of HSBC France which were appointed for a period of six (6) years, expiring at the close of the ordinary general meeting to be called in 2012 to approve the financial statements for the year ending 2011. The accounts of HSBC France must be approved by its board of directors and are submitted, within five (5) months following the end of each financial year, together with the statutory auditors' report, for examination by the shareholders meeting of HSBC France.

## **The Borrower Facility Agreement**

### *Background*

The proceeds from the issuance of the Covered Bonds under the Programme will be used by the Issuer, as lender (in such capacity, the "**Lender**"), to fund advances to be made available to HSBC France as borrower (in such capacity, the "**Borrower**").

The Lender and the Borrower have agreed to enter into a credit facility agreement (the "**Borrower Facility Agreement**") in order to determine the terms and conditions according to which the Lender shall grant the Borrower with advances under the Borrower Facility Agreement (each, a "Borrower Advance").

### *The Borrower Advances*

The Borrower Advances shall be made available to the Borrower in an aggregate maximum amount equal to € 8,000,000,000 (the "**Borrower Facility Commitment**") for the purpose of financing the general financial needs of the Borrower. Pursuant to the Borrower Facility Agreement, the Borrower shall send to the Administrator (with a copy to the Issuer acting as Lender under the Borrower Facility Agreement) a duly completed drawdown request (a "**Drawdown Request**") in respect of the Borrower Advance to be made available under the Borrower Facility Agreement. Upon receipt of a Drawdown Request by the Administrator (with copy to the Lender), the Lender, together with the Administrator, shall elaborate (i) corresponding Final Terms of the Covered Bonds to be issued to fund such Drawdown Request, and (ii) final terms of the Borrower Advance ("**Final Terms of Borrower Advance**") reflecting the terms and conditions of such corresponding Final Terms of the Covered Bonds.

The Borrower may (i) accept the terms and conditions of the Final Terms of Borrower Advance proposed by the Administrator and the Lender, in which case such Final Terms of Borrower Advance shall be definitive between the Borrower and the Lender and a Borrower Advance shall be made available according to such Final Terms of Borrower Advance, or (ii) refuse the terms and conditions of such Final Terms of Borrower Advance, in which case such Final Terms of Borrower Advance and the relevant Drawdown Request shall be considered as null and void between the Borrower and the Lender.

### *Principal and interest amounts*

The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the corresponding Final Terms of Covered Bonds, it being provided that, as a principle, the interest to be paid by the Borrower under a Borrower Advance shall reflect the financing costs of the Lender under the Covered Bonds funding such Borrower Advance. The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall be further described hereunder and in the relevant Final Terms of Borrower Advance. Any amounts repaid or prepaid under any Borrower Advance may not be re-borrowed.

*Representations, warranties and undertakings*

The Borrower has made customary representations and warranties and undertakings to the Lender, the representations and warranties being given on the execution date of the Borrower Facility Agreement and continuing until all sums due by the Borrower under the Borrower Facility Agreement shall have been repaid in full.

*Main other terms*

The Borrower Facility Agreement also provides for:

- (a) (i) customary tax gross-up provisions relating to payments to be made by the Borrower to the relevant Finance Parties under the Borrower Facility Agreement and (ii) corresponding tax gross-up provision relating to payments to be made by the Issuer pursuant to Condition 9(b) of the Covered Bonds;
- (b) customary tax indemnity provisions relating to any payment to be made by the relevant Finance Parties on account of tax on or in relation to any sum received or receivable under the Borrower Facility Agreement by the Finance Parties from the Borrower or any liability in respect of any such payment being asserted, imposed, levied or assessed against the Finance Parties;
- (c) customary "increased costs" provisions;
- (d) general financial information covenants and other customary covenants of the Borrower.

*Borrower Events of Default*

Each of the following events constitutes the occurrence of an event of default under the Borrower Facility Agreement (each, a "Borrower Event of Default"):

- (a) the Borrower fails to pay any sum due under the Borrower Facility Agreement when due, in the currency and in the manner specified therein; provided, however, that where such non-payment is due to an administrative error or the failure of continuing external payment systems or clearing systems reasonably used by the Borrower and such payment is made by the Borrower within three (3) Business Days of such non-payment, such non-payment shall not constitute a Borrower Event of Default;
- (b) a Breach of Pre-Maturity Test occurs;
- (c) a Breach of Asset Cover Test occurs;
- (d) a Breach of Collection Loss Reserve Funding Requirement occurs;
- (e) any material representation or warranty made by the Borrower, in the Borrower Facility Agreement or in any notice or other document, certificate or statement delivered by it pursuant thereto or in connection therewith is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the Borrower has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (f) the Borrower fails to comply with any of its material obligations under the Borrower Facility Agreement or the Borrower Collateral Security Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the date on which the Borrower has knowledge of the same provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (g) as regards the Borrower, an Insolvency Event occurs;

- (h) at any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its material obligations under the Borrower Facility Agreement or any of the material obligations of the Borrower under the Borrower Facility Agreement are not or cease to be legal, valid and binding; or
- (i) upon the occurrence of a Hedging Rating Trigger Event (as defined in section "**The Hedging Strategy**" of this Base Prospectus), (i) the Issuer (or the Administrator on its behalf) fails to enter into appropriate Issuer Hedging Agreements and related Issuer Hedging Transactions (as defined in section "**The Hedging Strategy**" of this Base Prospectus) with Eligible Hedging Provider(s) (as defined in section "The Hedging Strategy" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "**The Hedging Strategy**" of this Base Prospectus) or (ii) the Issuer (or the Administrator on its behalf) or the Borrower fails to enter into appropriate Borrower Hedging Agreement(s) and related Borrower Hedging Transaction(s) (as defined in section "**The Hedging Strategy**" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "**The Hedging Strategy**" of this Base Prospectus) or (iii) the Borrower fails to pay any costs and expenses referred to in section "The Hedging Strategy" of this Base Prospectus.

Upon the occurrence of a Borrower Event of Default, the Issuer (represented by the Administrator or the Issuer Independent Representative) shall, by written notice (such notice to constitute a *mise en demeure*) to (i) the Borrower (with a copy to copy to the Issuer Independent Representative (if the Borrower Enforcement Notice is delivered by the Administrator), (ii) the Administrator (if the Borrower Enforcement Notice is delivered by the Issuer Independent Representative) and (iii) (in each instance) the Rating Agencies), (x) declare that (i) no further Borrower Advances shall be available under the Borrower Facility Agreement, and (ii) the then outstanding Borrower Advances are immediately due and payable and (y) enforce the rights of the Lender under the Borrower Security Documents for the repayment of any sum due by the Borrower under the Borrower Facility Agreement and not paid by the Borrower (whether at its contractual due date or upon acceleration pursuant to the aforementioned provision) (a "**Borrower Enforcement Notice**").

*Borrower's indemnities*

Under the Borrower Facility Agreement, the Borrower undertakes to indemnify the Lender against:

- (a) any cost, claim, loss, expense (including legal fees) or liability (other than reasonable consequential losses including loss of profit), which it may (acting reasonably) sustain or incur as a consequence of the occurrence of any Borrower Event of Default or any default by the Borrower in the performance of any of the obligations expressed to be assumed by it in the Borrower Facility Agreement; and
- (b) (other than by reason of negligence or default by the Lender) any loss it may suffer or incur as a result of its funding or making arrangements to fund a Borrower Advance requested by the Borrower under the Borrower Facility Agreement but not made by reason of the operation of any one or more of the provisions of the Borrower Facility Agreement.

In addition, the Borrower irrevocably and unconditionally guarantees and undertakes to hold the Issuer harmless against any liabilities that the Issuer may incur in connection with its funding or making arrangements to fund, through the issuance of Covered Bonds or otherwise, any Borrower Advance made available to the Borrower hereunder (including but not limited to any indemnity payable by the Lender (in its capacity as Issuer) to any party under any Programme Documents and any termination costs due and payable by the Lender under any Hedging Agreement which would not be subordinated to the full and final redemption of the then outstanding Covered Bonds).

*Broken Funding Indemnity*

If, as a consequence of the occurrence of a Borrower Event of Default, the Lender receives or recovers all or any part of a Borrower Advance otherwise than as described or scheduled under the relevant Finals Terms of Borrower Advance, the Borrower shall pay to the Lender on demand an amount equal to the amount (if any) of the difference (if positive) between (x) the additional interest which would have been payable on the amount so received or recovered had such Borrower Event of Default not occurred, and (y) the amount of interest which the Lender reasonably determines would have been payable to the Lender on the last day of the term thereof in respect of a deposit equal to the amount so received or recovered placed by it with a prime bank for a period starting on the third Business Day following the date of such receipt or recovery and ending on the last day of the term thereof.

*Limited recourse – Non petition*

The Borrower Facility Agreement includes "Limited recourse" and "Non petition" provisions, as described in "**The Issuer - Issuer's Activities – Limited recourse**" and "**The Issuer Issuer's Activities - Non-petition**".

*Amendment*

No amendment, modification, alteration or supplement shall be made to the Borrower Facility Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Borrower Facility Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (c) to cure any ambiguity, omission, defect or inconsistency;
- (d) to evidence or effect the transition of any party to the Borrower Facility Agreement to any successor;
- (e) to add to the undertakings and other obligations of the Borrower under the Borrower Facility Agreement; or
- (f) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Borrower Facility Agreement shall be governed by, and construed in accordance with, French law. The Lender and the Borrower have agreed to submit any dispute that may arise in connection with the Borrower Facility Agreement to the jurisdiction of the competent court of Paris.



## THE BORROWER COLLATERAL SECURITY

### The Borrower Collateral Security Agreement

#### *Background*

The Borrower Collateral Security Agreement refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer, in its capacity as "Lender", and (ii) HSBC France, in its respective capacity as "Borrower", "Administrator" and "Issuer Calculation Agent" (the "**Borrower Collateral Security Agreement**").

#### *Borrower Secured Liabilities*

The Borrower Collateral Security Agreement sets forth the terms and conditions upon which the Borrower shall grant financial assets (the "**Eligible Assets**") as collateral security (*remise en garantie financière à titre de sûreté*) pursuant to Articles L. 211-36 to L. 211-40 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Borrower Collateral Security**") in order to secure, as they become due and payable, the payments of all and any amounts owed by the Borrower under the Borrower Facility Agreement, whether present or future (the "**Borrower Secured Liabilities**").

The title to the Eligible Assets granted as Borrower Collateral Security shall not be transferred in favour of the Issuer until perfection of the Borrower Collateral Security. The Issuer shall be vested in the title to such Eligible Assets only upon enforcement of the Borrower Collateral Security, if any such enforcement occurs in accordance with the terms of the Borrower Collateral Security Agreement.

#### *Eligible Assets*

For the purposes of the Borrower Collateral Security Agreement, an Eligible Asset is any Home Loan Receivable that complies or whose underlying Home Loan complies (each, a "**relevant Home Loan**") with the requirements of the SFH Legal Framework and each of the following eligibility criteria (the "**Home Loan Eligibility Criteria**"):

- (a) prior to the date upon which the relevant Home Loan has been made available to the borrower thereof, all lending criteria and conditions precedent as applied by the originator of such relevant Home Loan pursuant to its customary lending procedures were satisfied;
- (b) the purpose of the loan is either to buy, to renovate, to build or to refinance a residential real estate property;
- (c) the underlying property is located in France;
- (d) the relevant Home Loan is governed by French law;
- (e) the relevant Home Loan is denominated in Euro;
- (f) all sums due under the relevant Home Loan (including interest and costs) are secured by a fully effective Home Loan Security;
- (g) on the relevant Selection Date, the current principal balance of the relevant Home Loan is no more than Euro 1,000,000 ;
- (h) the loan-to-value of the relevant Home Loan is no more than one hundred per cent. (100%);
- (i) on the relevant Selection Date, the remaining term for the relevant Home Loan is less than thirty (30) years;
- (j) on the relevant Selection Date, the borrower under the relevant Home Loan has paid at least one (1) instalment in respect of such Home Loan;

- (k) the borrower under the relevant Home Loan is an individual who is not an employee of the originator of such relevant Home Loan;
- (l) the relevant Home Loan is current (i.e. does not present any arrears) as at the Selection Date;
- (m) the relevant Home Loan is either monthly or quarterly amortising as at the Selection Date;
- (n) under the relevant Home Loan, the borrower does not benefit from a right to raise contractual right of set off;
- (o) the opening by the borrower under the relevant Home Loan of a bank account dedicated to payments due under such relevant Home Loan is not provided for in the relevant contractual arrangements as a condition precedent to the originator of such relevant Home Loan making such relevant Home Loan available to the borrower under such relevant Home Loan; and
- (p) except in the event that prior Rating Affirmation has been obtained, no amount drawn under the relevant Home Loan is capable of being redrawn by the borrower thereof (i.e. such relevant Home Loan is not flexible).

If it is confirmed that a relevant Home Loan ceases to comply with any Home Loan Eligibility Criteria (each, an "**Ineligible Home Loan**"), any Home Loan Receivables granted as Borrower Collateral Security under such Ineligible Home Loan shall account for zero for the purpose of calculation of the Asset Cover Test on the relevant Asset Cover Test Date (see "**Asset Monitoring - Asset Cover Test**"). In addition, the Borrower may request that such Ineligible Home Loan Receivables be released from the scope of the Borrower Collateral Security.

The Home Loan Eligibility Criteria may be amended from time to time subject to prior Rating Affirmation.

For the purpose hereof:

"**Home Loan**" means each and any loan originated by the Borrower which finances or refinances the acquisition (and/or, as the case may be, the construction) of residential real estate property.

"**Home Loan Receivable**" means each and any loan receivable arising from any Home Loan.

"**Home Loan Security**" means, in respect of a Home Loan, a Mortgage or a Home Loan Guarantee.

"**Home Loan Guarantee**" means (i) each and any joint and several guarantee or other type of guarantee provided by *Crédit Logement*; or, subject to Rating Affirmation (of S&P) and notification (of Moody's), a credit institution of the EEA specialised in the guaranteeing of loans financing the acquisition of residential real estate property and guaranteeing the Home Loans; or (ii) subject to Rating Affirmation (of S&P) and notification (of Moody's), each and any financial guarantee or other type of guarantee provided by insurance companies, or mutual insurance companies and guaranteeing the Home Loans.

"**Mortgage**" means each duly registered first ranking mortgage (and in particular in respect of Home Loans governed by French law, any *hypothèque*) or similar first ranking legal privilege (and in particular in respect of Home Loans governed by French law, any *privilège de prêteur de deniers*) securing the repayment of any given Home Loan or any second ranking mortgage securing the repayment of any given Home Loan if the relevant first ranking mortgage is granted to secure the repayment of a Home Loan which receivable is granted as Borrower Collateral Security.

"**Selection Date**" means, with respect to each Home Loan Receivable to be granted as Borrower Collateral Security under the Borrower Collateral Security Agreement, at the latest the 20th Business Day of each calendar month upon which such Home Loan Receivable shall have been notified by the relevant party as being effectively granted as Borrower Collateral Security subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement.

### *Borrower Collateral Security Assets*

Eligible Assets shall be validly granted as Borrower Collateral Security and shall qualify as "**Borrower Collateral Security Assets**" for the purposes of the Borrower Collateral Security Agreement only upon satisfaction of numerous conditions precedents, including in particular that the same shall have been duly identified by the Borrower. For the purpose of identifying at any time each Home Loan Receivable to be granted as Borrower Collateral Security under the Borrower Collateral Security Agreement, the Borrower undertakes thereunder to identify the same according to the following identification requirements (the "**Identification Requirements**"):

- (a) it shall maintain and keep in custody, at its registered office, a list of each Home Loan Receivable granted as Borrower Collateral Security under the Borrower Collateral Security Agreement and identifying such Home Loan Receivable according to the identification requirements set forth therein (each, a "**Collateral Security List**"); and
- (b) it shall ensure that each Home Loan Receivable be identified in the database, which lists all and any Collateral Security Assets (the "**Borrower Collateral Security Database**").

Pursuant and subject to the Borrower Collateral Security Agreement:

- (a) the Borrower shall allow each of the Issuer, the Administrator, the Issuer Calculation Agent or any of their representatives to consult each Borrower Collateral Security List at any time, subject to a 3 Business Day prior written notice.
- (b) the Borrower shall inform the Issuer, the Administrator and the Issuer Calculation Agent of any change as to where each Borrower Collateral Security List is maintained and kept.
- (c) The Borrower agrees and acknowledges that in the absence of evidence to the contrary, the registration of any Home Loan Receivable in the Borrower Collateral Security Database shall be sufficient evidence of the fact that such Home Loan Receivable is an element of the Borrower Collateral Security granted by it in favour of the Issuer/Lender pursuant to the Borrower Collateral Security Agreement.
- (d) the Issuer/Lender acknowledges that any Borrower Collateral Security granted by the Borrower to the benefit of the Issuer pursuant to the Borrower Collateral Security Agreement shall be only to the extent of the amount (as calculated from time to time) of Eligible Assets which are the subject of such Borrower Collateral Security.

### *Creation and Perfection*

The Borrower Collateral Security shall be created in accordance with Articles L. 211-36 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). The Borrower Collateral Security shall not entail any transfer of title with respect to the relevant Eligible Assets until enforcement.

The Borrower Collateral Security shall be perfected pursuant to paragraphs I and II, 1°) and II, 2°) of Article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*).

The perfection of each security shall not be conditional upon any formality other than the identification of the assets subject to the Borrower Collateral Security.

### *Controlling Rights and Covenants*

The Borrower Collateral Security Agreement provides that the Issuer benefits from controlling rights and covenants (the "**Controlling Rights and Covenants**") which should give it sufficient "control" over the Borrower Collateral Security Assets as required by Article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*).

The Controlling Rights and Covenants include the following undertakings from the Borrower to the benefit of the Issuer: (i) to maintain the Borrower Collateral Security Assets free from any encumbrance or any option to purchase or similar rights, except as contemplated under the Borrower Collateral Security Agreement; (ii) not to transfer, assign, pledge, delegate or in any way encumber any of the Borrower

Collateral Security Assets other than pursuant to, or as permitted under, the Borrower Collateral Security Agreement, (iii) not to permit that similar restrictions apply which may materially affect the security created under the Borrower Collateral Security Agreement; (iv) to perform the servicing of the Borrower Collateral Security Assets in accordance with applicable laws and its customary servicing procedures (the "**Servicing Procedures**"); (v) not to materially alter the Servicing Procedures without the prior consent of the Issuer (such consent not to be unreasonably withheld); (vi) not to agree any renegotiation, restructuring or amendment of the terms, conditions and main financial characteristics of the Borrower Collateral Security Assets which may materially and adversely affect the value of the Borrower Collateral Security Assets or the rights of the creditor thereunder without the prior consent of the Issuer; and (vii) for the purpose of satisfying itself whether the Borrower Collateral Security Assets remain Eligible Assets or controlling the information contained in the relevant asset reports, to grant (at reasonable times and intervals and upon reasonable notice) the Issuer (or any agent acting on its behalf) access to premises where the relevant asset records are located, in order to inspect or audit such asset records (such right of inspection or audit including taking copies of all or any document or data).

*Asset Monitoring and Asset Cover Test*

Each Home Loan Receivable that is an Eligible Asset shall be deemed validly granted as Borrower Collateral Security and shall qualify as "Borrower Collateral Security Asset" upon delivery by the Issuer Calculation Agent to the Issuer of an Asset Cover Test Calculation Notice certifying that:

- (a) such Home Loan Receivable arises from a Home Loan which conforms with all the Home Loan Eligibility Criteria;
- (b) such Home Loan Receivable has been duly identified in compliance with the Identification Requirements; and
- (c) such Home Loan Receivable has been duly identified in the relevant Asset Report.

*Effective Date*

On or prior to the Effective Date:

- (a) the Home Loan Receivables to be granted by the Borrower as Borrower Collateral Security on the Effective Date shall have been identified in accordance with the Identification Requirements; and
- (b) such Home Loan Receivables shall be deemed Borrower Collateral Security Assets.

*Selection Date*

On each Selection Date:

- (a) the Home Loan Receivables selected by the Borrower to be granted by it as Borrower Collateral Security on such Selection Date shall have been identified:
  - (i) in the Borrower Collateral Security Database and the relevant Borrower Collateral Security List in accordance with the Identification Requirements;
  - (ii) in the relevant Asset Report; and
- (b) such Home Loan Receivables shall qualify as "Borrower Collateral Security Assets".

With effect on each Selection Date and upon confirmation by the Issuer Calculation Agent in the Asset Report delivered on such Selection Date that a Non Compliance with Asset Cover Test would not occur as a result thereof:

- (a) the Borrower Collateral Security Assets granted as Borrower Collateral Security on the Effective Date or, as the case may be, on the preceding Selection Date shall be automatically and entirely released without formality, which the Borrower and the Issuer hereby expressly accept in advance; and
- (b) the Borrower Collateral Security Assets identified as mentioned above shall be deemed automatically granted as Borrower Collateral Security hereunder, which the Borrower and the Issuer hereby expressly accept in advance under the Borrower Collateral Security Agreement.

*Interim Selection Date*

The Borrower shall be at any time entitled to request that any Home Loan Receivable granted as Borrower Collateral Security be added and/or released from the scope of the Borrower Collateral Security on any date (which is not a "normal" Selection Date) on which the Borrower requests that any Home Loan Receivable—granted as Borrower Collateral Security be added and/or released from the scope of the Borrower Collateral Security (an "**Interim Selection Date**"). In particular, if the Issuer Calculation Agent confirms to the Borrower and the Issuer in any relevant Asset Report or Asset Cover Test Calculation Notice that any Home Loan underlying a Home Loan Receivable granted as Borrower Collateral Security has become an Ineligible Asset at such date, the Borrower may request that such Home Loan Receivable be released from the scope of the Borrower Collateral Security and substituted by a Home Loan Receivable arising from an Eligible Asset. Any top-up and/or release on any Interim Selection Date shall be made subject to, and in accordance with the relevant terms of the Borrower Collateral Security Agreement.

The conditions to top-ups are as follows:

- (a) no addition of any Home Loan Receivable as Borrower Collateral Security hereunder shall be effective until and unless all the following conditions precedent shall have been satisfied on or prior to the relevant Interim Selection Date:
  - (i) the relevant Home Loan Receivable shall have been identified in the Borrower Collateral Security Database and the relevant Borrower Collateral Security List in accordance with the Identification Requirements and in the relevant Asset Report;
  - (ii) such Home Loan Receivable shall qualify as "Borrower Collateral Security Asset" within the meaning of the Borrower Collateral Security Agreement; and
  - (iii) a Non Compliance with Asset Cover Test would not occur as a result of the addition of such Home Loan Receivable; for such purpose, the Issuer Calculation Agent shall recalculate the Asset Percentage (as defined below) that would be applicable following such addition and the Borrower shall provide the Finance Parties with an Asset Report up-to-date.
- (b) No top-up hereunder shall be effected (or permitted to be effected) by the Borrower, otherwise than as contemplated by the Borrower Collateral Security Agreement.

The conditions to releases are as follows:

- (a) No release under the Borrower Collateral Security Agreement shall be effective until and unless all the following conditions precedent shall have been satisfied:
  - (i) on the proposed Interim Selection Date at the latest, the Borrower shall have delivered to the Issuer (with a copy to the Issuer Calculation Agent and the Administrator) a request of release (the "**Release Request**") substantially in the form attached as a schedule to the Borrower Collateral Security Agreement and identifying the Home Loan Receivables requested by the Borrower to be released from the scope of the Borrower Collateral Security with effect as of the date proposed in the Release Request as the date of release (the "**Release Date**"); and

- (ii) no later than the proposed Interim Selection Date, the Issuer Calculation Agent shall have controlled and certified in writing to the Issuer that the Home Loan Receivables identified in the Release Request have been properly identified and that the proposed release shall not result, on or after the proposed Release Date, in a Non Compliance with Asset Cover Test; for such purpose, the Issuer Calculation Agent shall recalculate the Asset Percentage that would be applicable following such release and the Borrower shall provide the Finance Parties with an Asset Report up-to-date.
- (b) No release under the Borrower Collateral Security Agreement shall be effected (or permitted to be effected) by the Borrower, otherwise than as contemplated by the terms therein.

The Borrower shall monitor the Borrower Collateral Security Assets so as to at all times comply with the Asset Cover Test and the Minimum Legal Cover Ratio (as further described in "**Asset Monitoring – The Asset Cover Test**").

In particular, the Borrower may from time to time add, substitute or release Borrower Collateral Security Assets (including Home Loan Receivables arising from Ineligible Home Loans) from the scope of the Borrower Collateral Security in accordance with the Borrower Collateral Security Agreement. However, any such addition, substitution and/or release shall be effective only subject to confirmation by the Issuer Calculation Agent that a Non Compliance with Asset Cover Test would not occur as a result of such addition, substitution and/or release. For such purpose, the Issuer Calculation Agent shall recalculate the Asset Percentage (as defined in "**Asset Monitoring – The Asset Cover Test**") that would be applicable following such addition, substitution and/or release each time any such addition, substitution or release is requested by the Borrower.

Upon non compliance with the Asset Cover Test on any Asset Cover Test Date, the Borrower shall:

- (a) grant additional or substitute Eligible Assets as Borrower Collateral Security, pursuant to the relevant terms of the Borrower Collateral Security Agreement, on each Selection Date or Interim Selection Date prior to the next following Asset Cover Test Date; and
- (b) as the case may be, request a release pursuant to the relevant terms of the Borrower Collateral Security Agreement, on each Selection Date or Interim Selection Date, prior to the next following Asset Cover Test Date;

in each case, as necessary to cure such Non Compliance with Asset Cover Test.

A failure to cure a non compliance with the Asset Cover Test which has occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date shall constitute a Breach of Asset Cover Test under the Borrower Collateral Security Agreement. Any Breach of Asset Cover Test constitutes the occurrence of a "Borrower Event of Default".

#### *Asset Servicing*

The Borrower shall perform the servicing of the Borrower Collateral Security Assets in accordance with applicable laws and the applicable Servicing Procedures, using the degree of skill, care and attention as it would use for the servicing of its assets for its own account, without interfering with the Issuer's material rights under the Borrower Collateral Security Agreement and allowing control by the Issuer over the Borrower Collateral Security Assets.

The Borrower shall provide each Finance Party (with a copy to the Rating Agencies and the Asset Monitor):

- (a) on a date comprised between the 15th Business Day and the last Business Day (both included) of each calendar month (the "**Asset Report Date**"), an asset report (the "**Asset Report**") which shall be up-to-date as at the last day of the preceding calendar month, and
- (b) on each other date (each, an "**Interim Selection Date**") upon which substituted or additional Borrower Collateral Security Assets are selected by the Borrower for inclusion in the scope of

the Borrower Collateral Security, an Asset Report, up-to-date as of such Interim Selection Date;

- (c) promptly upon the request of any Finance Party while a Borrower Event of Default has occurred, an Asset Report up-to-date as at the date which shall have been specified in such request; and
- (d) at any time and in order to control compliance under the Borrower Collateral Security Agreement or for any audit purposes, such additional information as any Finance Party may reasonably require with reasonable prior notice (except upon the occurrence of a Borrower Event of Default in which case such notice is not required) in connection with any Asset Report or the Borrower Collateral Security Assets.

The Borrower shall furthermore, in accordance with the Servicing Procedures, establish, maintain or cause to be maintained and furthermore administer at all times accurate, complete and up-to-date records with respect to the Borrower Collateral Security Assets.

For the purpose of satisfying itself as to whether the Borrower Collateral Security Assets remain Eligible Assets or control Asset Reports, each Finance Party (or any agent acting on its behalf) is granted the access to the Borrower's premises or to premises where the Asset Records (as defined below) are located, in order to inspect or audit such Asset Records (such right of inspection or audit including taking copies of all or any document or data).

If a Servicing Rating Trigger Event occurs, the Administrator will notify the Issuer in writing of the occurrence of such event and then within 30 Business Days of such occurrence, the Issuer and the Borrower will use reasonable endeavours to appoint a new servicer (whose long-term senior unsecured, unsubordinated and unguaranteed debt obligations (if rated) are rated at least BBB by S&P and Baa2 by Moody's), in replacement of the Borrower for the servicing of the Borrower Collateral Security Assets, it being specified that: (i) in accordance and subject to the Borrower Facility Agreement, the Borrower shall comply with any of its material obligations under the Programme Documents (including its material obligations under the present Clause), and (ii) any breach by the Borrower of its material obligations under the Borrower Facility Agreement (if not remedied in accordance with the relevant provisions of the Borrower Facility Agreement) constitutes the occurrence of a Borrower Event of Default. For the purposes hereof, "**Servicing Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Borrower become rated below BBB by S&P or Baa2 by Moody's.

For the purpose hereof:

"**Asset Records**" means

- (a) the computer and manual records, files, internal data, books and all other information (including information stored in information systems) related to the Borrower Collateral Security Assets, together with the underlying contracts and other documents evidencing title of the relevant entity to such assets (including, with respect to Home Loans, the related Home Loan Security); and
- (b) the records, files, internal data, computer systems and all other information related to the Collection Accounts and the operation of the same.

"**Collection Accounts**" means any and all bank accounts opened in the name of the Borrower to collect interest and principal paid under the Home Loan Receivables granted as Borrower Collateral Security, as specified from time to time to the Issuer Calculation Agent pursuant to the relevant terms of the Borrower Collateral Security Agreement.

*Representations, warranties and undertakings*

The Borrower has made customary representations, warranties and undertakings in favour of the Issuer, such representations and warranties being given on the execution date of the Borrower Collateral Security Agreement and continuing until satisfaction in full of the Borrower Secured Liabilities.

### *Enforcement*

Upon the service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement following the occurrence of a Borrower Event of Default, the Issuer (represented by the Issuer Independent Representative or by the Administrator) shall be entitled to exercise any and all rights, actions and privileges with respect to the Borrower Collateral Security Assets as granted to a secured creditor in accordance with paragraph II, 3°) of Article L.211-38 of the French Monetary and Financial Code (*Code monétaire et financier*). In particular, with immediate effect as from the service to the Borrower of a Borrower Enforcement Notice in respect of the Borrower Collateral Security Assets:

- (a) the Borrower shall no longer be entitled to service the Borrower Collateral Security Assets and shall refrain from taking any action whatsoever in connection with the Borrower Collateral Security Assets or *vis-à-vis* the debtors, except upon the written prior instructions each of the Issuer or the Administrator or any representative, agent or expert acting on its behalf;
- (b) the Issuer shall be vested in all the rights of title, all discretions, benefits and all other rights of the Borrower with respect to any and all Borrower Collateral Security Assets, related Asset Records and related documents, including, without any formality whatsoever, all rights of title, all discretions, benefits and all other rights in relation to any right, privilege, guarantee or security interest (*droit accessoire, privilège, garantie ou sûreté*) ancillary or as the case may be attached to the Borrower Collateral Security Assets (and, in particular, any and all relevant Home Loan Security); and
- (c) the Administrator acting on behalf of the Issuer or any representative, agent or expert acting on its behalf) shall:
  - take whatever action required in order to perfect, or any other action which it deems necessary for the purpose of perfecting, its rights of title, discretions, privileges, remedies and other rights with respect to the Borrower Collateral Security Assets and any related rights, privileges, guarantees and security interest ancillary or attached to the Borrower Collateral Security Assets; and/or
  - exercise all the Issuer's rights, discretions, privileges and remedies under any or all Borrower Collateral Security Assets or any related documents; and/or
  - enforce all its rights, discretions, privileges and remedies under the Home Loan Security and the other guarantees and security interest ancillary or attached to the Borrower Collateral Security Assets; and/or
  - serve a notice to any or all of the debtors and all other relevant entities under the Borrower Collateral Security Assets, mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Borrower Collateral Security Assets and/or the related Asset Contractual Documentation.

After transfer of title with respect to the Borrower Collateral Security Assets, the Issuer (represented by the Issuer Independent Representative or by the Administrator) or any of its representative, agent or expert acting on its behalf may dispose of, transfer, sell or cause to be sold, any or all the Borrower Collateral Security Assets to any third party or refinance the same (by way of securitisation or otherwise).

For the purpose hereof, "**Asset Contractual Documentation**" means, in relation to any and all Borrower Collateral Security Assets, all originals or executive or true copies (*copies exécutoires*) of any contract, instrument or other document (such as riders, waivers and amendments) providing for the terms and conditions of, and/or evidencing title and benefit to, such Borrower Collateral Security Assets and any right, privilege, guarantee or security interest (*droit accessoire, privilège, garantie ou sûreté*) ancillary or as the case may be attached thereto (and, in particular, any and all relevant Home Loan Security).



*Conditions of enforcement*

Enforcement of the Borrower Collateral Security following delivery of the Borrower Enforcement Notice shall not require the Issuer observing or undertaking, in the exercise of its rights as a secured party under the Borrower Collateral Security Agreement, any formality whatsoever (including the necessity to **obtain a court order or conduct an auction**), any notification requirements (to the Borrower or to any other person) nor any other procedures (provided that, in order to direct payments due under the Borrower Collateral Security Assets to the Issuer, a notice shall be served to any or all the debtors and all other relevant entities under the Borrower Collateral Security Assets, mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Borrower Collateral Security Assets and/or the related Asset Contractual Documentation).

No right of the Issuer to enforce its rights under the Borrower Collateral Security Agreement shall be in any manner affected or limited by any Insolvency Event with respect to the Borrower.

*Borrower's obligations upon enforcement*

With immediate effect as from the service to the Borrower of a Borrower Enforcement Notice and upon the instructions of the Issuer, the Administrator or any representative, agent or expert acting on its behalf (each, an "**Enforcing Party**"), the Borrower shall:

- (a) execute any document, take whatever action and do all such things required in order to perfect, or any other action that the Enforcing Party deems necessary for the purpose of perfecting, the Issuer's rights of title, discretions, privileges, remedies and other rights in relation to any or all Borrower Collateral Security Assets and any related rights, privileges, guarantees and security interest ancillary or attached thereto;
- (b) deliver such Asset Records and related documents to the Enforcing Party to such place as the same may reasonably designate;
- (c) allow to the Enforcing Party reasonable access to its facilities, premises, computer and/or software systems; and
- (d) take all steps and do all things and cooperate in good faith to enable any entity which shall have been appointed as Substitute Administrator in replacement of the Administrator to take over its duties in such capacity.

*Application of proceeds*

Once the Issuer shall have been vested in all rights of title, discretions, benefits and other rights with respect to any and all the Borrower Collateral Security Assets following enforcement of the Borrower Collateral Security, any principal and interest payments, distributions, sale or liquidation proceeds and other sums (together, the "**Enforcement Proceeds**") received by the Issuer thereunder shall be held by the Issuer as cash collateral (*gage-espèces*) for the satisfaction in full of the Borrower Secured Liabilities, being provided that for the purpose of this cash collateral, the Issuer shall be hereby entitled not to segregate the Enforcement Proceeds from its other assets.

As from the day upon which all sums due under any and all of the Tranches and Series of Covered Bonds shall have been repaid in full and subject to the discharge in full of all the Borrower Secured Liabilities, the Borrower shall have the right to claim against the Issuer for repayment (*créance de restitution*) of the portion of the Enforcement Proceeds received by the Issuer and not applied to the satisfaction of the Borrower Secured Liabilities. Such repayment by the Issuer to the Borrower shall be made, subject to the applicable Priority Payment Order, as soon as reasonably practicable following the day upon which all sums due under any and all the Tranches and Series of Covered Bonds shall have been repaid in full.

*Limited recourse – Non petition*

The Borrower Collateral Security Agreement includes "Limited recourse" and "Non petition" provisions, as described in "**The Issuer - Issuer's Activities – Limited recourse**" and "**The Issuer - Issuer's Activities - Non petition**".

*Amendment*

No amendment, modification, alteration or supplement shall be made to the Borrower Collateral Security Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Borrower Collateral Security Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Borrower Collateral Security Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Borrower under the Borrower Collateral Security Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

The Rating Agencies shall be informed in advance of any amendment, modification, alteration of or supplement to the Borrower Collateral Security Agreement.

*Governing Law – Jurisdiction*

The Borrower Collateral Security Agreement shall be governed by, and construed in accordance with, French law. The parties to the Borrower Collateral Security Agreement have agreed to submit any dispute that may arise in connection with the Borrower Collateral Security Agreement to the jurisdiction of the competent court of Paris.

**The Cash Collateral Agreement***Background*

The Cash Collateral Agreement refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer in its capacity as "Lender", and (ii) HSBC France in its capacity as "Cash Collateral Provider" (the "**Cash Collateral Provider**"), "Administrator" and "Issuer Calculation Agent" (the "**Cash Collateral Agreement**").

*Secured Liabilities*

The Cash Collateral Agreement sets forth the terms and conditions upon which the Cash Collateral Provider shall fund certain amounts as cash collateral (gage espèces) (each, a "Cash Collateral") into the Cash Collateral Account and the Collection Loss Reserve Account.

*Creation and Perfection*

Any Cash Collateral shall be created upon credit of the corresponding sums into the Cash Collateral Account and the Collection Loss Reserve Account.

The perfection of each Cash Collateral shall not be conditional upon any formality. Each Cash Collateral shall entail the transfer of title in favour of the Issuer with respect to the relevant cash funded into the Cash Collateral Account and the Collection Loss Reserve Account.

The positive balance from time to time outstanding on the Cash Collateral Account and the Collection Loss Reserve Account shall at all times be kept and vested with the Issuer, form part of the Issuer's assets and be retained as continuing security for the satisfaction in full of the Borrower Secured Liabilities.

Any such balance, at any time standing to the credit of the Cash Collateral Account and the Collection Loss Reserve Account may be invested only in Permitted Investments whose maturity is earlier than the Final Maturity Date of the relevant Series of Covered Bonds (which is not a Series of Extendable Maturity

Covered Bonds) or the Extended Final Maturity Date of Extendable Maturity Covered Bonds. For the purpose of each Cash Collateral to be created hereunder, the Issuer shall be entitled not to segregate the funds credited to the Cash Collateral Account and the Collection Loss Reserve Account.

*Pre-Maturity Test and Legal Liquidity Test*

The contractual liquidity test of the Issuer (the "**Pre-Maturity Test**") shall be deemed complied with for so long as, in relation to any and each Series of Covered Bonds, (i) no Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, and (ii) if, to the contrary, a Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, the Cash Collateral Provider has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant CCRFA within thirty (30) Business Days from the receipt of the relevant Cash Collateral Funding Notice.

The legal liquidity test of the Issuer (the "**Legal Liquidity Test**") shall be deemed complied with for so long as, in relation to all the Liabilities of the Issuer, (i) no Legal Liquidity Rating Downgrade Event has occurred, or (ii) if, to the contrary, a Legal Liquidity Rating Downgrade Event has occurred, the Cash Collateral Provider (x) has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount following the receipt of the relevant Cash Collateral Funding Notice, and (y) on each day following the occurrence of a Legal Liquidity Rating Downgrade Event and until such date as condition (i) is met (each, a "**CCRFA Funding Date**"), the Cash Collateral Provider has maintained in the Cash Collateral Account an amount sufficient to ensure that the balance of the Cash Collateral Account shall be at least equal to the required amount, as determined pursuant to the Cash Collateral Agreement, computed as of such CCRFA Funding Date.

The Cash Collateral Provider shall fund the Cash Collateral Account with the relevant Cash Collateral, up to the relevant Cash Collateral Required Funding Amount, upon the occurrence of (i) the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or both of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade Event**"), and/or (ii) the downgrading at any time of the then applicable ratings of the Borrower below (cumulatively) the two (2) Liquidity Rating Required Levels (as defined below) (each, a "**Legal Liquidity Rating Downgrade Event**"). The occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

The following credit ratings with respect to the Borrower are defined as the "**Pre-Maturity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1 (short-term) (S&P) and P-1 (short-term) (Moody's).

The following credit ratings with respect to the Borrower are defined as the "**Liquidity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1 (short-term) (S&P) and P-1 (short-term) (Moody's).

Upon the occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event, the Issuer Calculation Agent shall inform the Cash Collateral Provider of the same within three (3) Business Days from such occurrence by written notice (the "**Cash Collateral Funding Notice**") delivered to the Cash Collateral Provider (with a copy to the Issuer, the Administrator and the Rating Agencies).

If a Cash Collateral Funding Notice is received by the Cash Collateral Provider, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the "**Cash Collateral Required Funding Amount (CCRFA)**") calculated by the Issuer Calculation Agent as being equal to:

- (a) in the event of a Pre-Maturity Rating Downgrade Event occurring while no Legal Liquidity Rating Downgrade Event has occurred and is continuing: CCRFA = Pre-Maturity Covered Bond Principal Amount in relation to the relevant Series of Covered Bonds + Pre-Maturity Costs in relation to relevant Series of Covered Bonds;
- (b) in the event of a Legal Liquidity Rating Downgrade Event occurring while no Pre-Maturity Rating Downgrade Event has occurred and is continuing: CCRFA = Liabilities - Revenues; and

- (c) in the event of both a Pre-Maturity Rating Downgrade Event and a Legal Liquidity Rating Downgrade Event occurring at the same time, CCRFA is equal to the greater of:
- (i) Pre-Maturity Covered Bond Principal Amount in relation to the relevant Series of Covered Bonds + Pre-Maturity Costs in relation to relevant Series of Covered Bonds; and
  - (ii) Liabilities - Revenues;

whereby:

**"Pre-Maturity Costs"** means the aggregate amount of fees, costs, expenses, taxes and other ancillary sums (excluding interest and principal amounts) scheduled to be paid by the Issuer on any Series of Covered Bonds within the relevant Pre-Maturity Test Period.

**"Pre-Maturity Covered Bond Principal Amount"** means the aggregate amount of principal of Covered Bonds (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency), excluding the aggregate amount of principal of any Series of Extendable Maturity Covered Bonds, the Final Maturity Date of which falls during the relevant Pre-Maturity Test Period.

**"Pre-Maturity Test Period"** is, with respect to any Series of Covered Bonds (which is not a Series of Extendable Maturity Covered Bonds), the period starting from, and excluding, the two hundred and seventieth (270<sup>th</sup>) calendar day preceding the Final Maturity Date of that Series and ending on, and including, such Final Maturity Date.

**"Liabilities"** means, on any given date, the liabilities that are due by the Issuer to all its creditors within the Legal Liquidity Cover Period starting on, and including, such date (including principal and interest due by the Issuer under the then outstanding Covered Bonds).

**"Revenues"** means, on any given date, all the sums that are due to the Issuer by all its debtors within the Legal Liquidity Cover Period starting on, and including, such date (excluding the sums due to the Issuer under the Borrower Facility Agreement, but including the sums due by the relevant debtors under the Borrower Collateral Security Assets and the net amount due to the Issuer under the Hedging Agreements).

**"Legal Liquidity Cover Period"** means a period of one hundred and eighty (180) calendar days as from each CCRFA Funding Date, the first applicable Legal Liquidity Cover Period beginning upon the occurrence of a Legal Liquidity Rating Downgrade Event.

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant CCRFA within thirty (30) Business Days from the receipt of a Cash Collateral Funding Notice shall constitute a **"Breach of Pre-Maturity Test"**. A Breach of Pre-Maturity Test constitutes the occurrence of a Borrower Event of Default.

The failure by the Cash Collateral Provider to fund any required Cash Collateral following the receipt of a Cash Collateral Funding Notice or maintain the relevant CCRFA in the Cash Collateral Account at any time during any Legal Liquidity Cover Period in accordance with Clause 5 of the Cash Collateral Agreement constitutes a **"Breach of Legal Liquidity Test"**. A Breach of Legal Liquidity Test does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default. However, it may trigger the withdrawal of the license of the Issuer as a *société de financement de l'habitat*.

#### *Collection Loss Trigger Event*

Upon downgrading of the credit ratings of the Borrower below at least one (1) of the following ratings: A-2 (short-term) (S&P) or P-1 (short-term) (Moody's) (or any other credit ratings determined by the Issuer Calculation Agent after the date hereof in accordance with the methodologies published by the Rating Agencies) (each a, **"Collection Loss Trigger Event"**) and within ten (10) Business Days from the occurrence of any Collection Loss Trigger Event, the Cash Collateral Provider shall be required (i) to pay into the credit of a bank account to be opened by the Administrator in accordance with the Administrative Agreement within such period in the Issuer's name and in the books of the Issuer Accounts Bank (the **"Collection Loss Reserve Account"**), an amount calculated in accordance with the Borrower Collateral Security Agreement and equal to the aggregate amount of collections received by the Borrower under the

Home Loan Receivables granted as Borrower Collateral Security during the three (3) calendar months preceding the occurrence date of the Collection Loss Trigger Event, as the same shall be reported to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies) within the above mentioned ten (10) Business Day-period and (ii) further, to adjust, within ten (10) Business Days following each Asset Cover Test Date, the amount standing to the credit of this Collection Loss Reserve Account so that it is an amount equal to the sum of collections received by the Borrower under the Home Loans granted as Borrower Collateral Security during the three (3) calendar months preceding the most recent Asset Cover Test Calculation Date, and any such adjustment shall be reported to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies).

All cash credited to the Collection Loss Reserve Account as described above shall be granted as Cash Collateral subject to, and in accordance with, the relevant terms of the Cash Collateral Agreement and shall secure the Borrower Secured Liabilities as they become due and payable.

Failure by the Borrower to fund the Collection Loss Reserve Account up to the required amount within the required period following the occurrence date of the Collection Loss Trigger Event shall constitute a **"Breach of Collection Loss Reserve Funding Requirement"**. A Breach of Collection Loss Reserve Funding Requirement constitutes the occurrence of a Borrower Event of Default.

#### *Remuneration*

The Issuer shall pay interest (each, an **"Interest Payment"**) to the Cash Collateral Provider in respect of the principal amount of each of the Cash Collateral funded subject to, and in accordance with, the terms of the Cash Collateral Agreement. Each Interest Payment will accrue daily on each of such Cash Collateral at the Interest Rate. Each Interest Payment will be calculated for each Interest Period on each relevant Interest Payment Date for the Interest Period.

For the purposes hereof:

**"Business Day"** means a day on which the banks are open for business in Paris and in London (excluding in any event Saturday and Sunday).

**"Interest Rate"** means the lesser of (i) EONIA flat, or (ii) the remuneration received by the Issuer in investing the cash standing to the credit of (as applicable) the Cash Collateral Account or the Collection Loss Reserve Account during the relevant Interest Period.

**"Interest Payment Date"** means the last day of each Interest Period. If an Interest Payment Date falls on a day other than a Business Day, the Interest Payment Date shall be postponed on the next Business Day.

**"Interest Period"** means, with respect to each Cash Collateral, a period of three (3) calendar months. The first Interest Period with respect to each Cash Collateral will start from and including any date upon which such Cash Collateral is funded subject to, and in accordance with, the relevant terms hereof, and will end on but excluding the last day of the three-month period following such date. Each following Interest Period with respect to such Cash Collateral will be the period from, and including, the preceding Interest Payment Date to, but excluding, the next Interest Payment Date.

The Interest Payments due with respect to each Cash Collateral shall accrue on a day-to-day basis and shall be credited on each Interest Payment Date to (as applicable) the Cash Collateral Account and the Collection Loss Reserve Account. Each Interest Payment shall be compounded with the relevant Cash Collateral where the said Interest Payment has accrued for at least one year. Each Interest Payment shall be compounded with the relevant Cash Collateral where the said Interest Payment has accrued for at least one year. Each Interest Payment shall be part of the Cash Collateral (*gage espèces*) and, accordingly, be held by the Issuer and applied to the repayment of the Borrower Secured Liabilities.

#### *Representations, warranties and undertakings*

The Cash Collateral Provider has made customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Cash Collateral Agreement and continuing until satisfaction in full of the Secured Liabilities.

### *Enforcement*

Upon the service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement following the occurrence of a Borrower Event of Default, the Issuer (represented by the Issuer Independent Representative or by the Administrator) shall be entitled to apply to the repayment of the Secured Liabilities all sums standing to the credit of the Cash Collateral Account and the Collection Loss Reserve Account.

Any sum remaining to the credit of the Cash Collateral Account and the Collection Loss Reserve Account after satisfaction in full of the Borrower Secured Liabilities shall be promptly repaid to the Cash Collateral Provider.

The Cash Collateral Provider will benefit from the *Privilège* for the repayment of any amounts constituting any Cash Collateral. The Cash Collateral Provider will thus be qualified as a Privileged Creditor.

With immediate effect as from the service of a Borrower Enforcement Notice and upon the instructions of each of the Issuer, the Administrator or any of its representative, agent or expert acting on its behalf (each, an "**Enforcing Party**"), the Cash Collateral Provider shall:

- (a) execute any document, take whatever action and do all such things required in order to perfect, or any other action that the Enforcing Party deems necessary for the purpose of perfecting, the Issuer's rights hereunder; and
- (b) take all steps and do all things and cooperate in good faith to enable any entity which shall have been appointed as Substitute Administrator in replacement of the Administrator to take over its duties in such capacity.

### *Conditions of enforcement*

Enforcement requires no other formality whatsoever (including the necessity to obtain a court order or conduct an auction), any notification requirements (to the Borrower, the Cash Collateral Provider or any other person) nor any other procedures. No right of the Issuer to enforce its rights under the Cash Collateral Agreement shall be in any manner affected or limited by any Insolvency Event with respect to the Cash Collateral Provider or the Borrower.

### *Release without discharge*

In respect of each Cash Collateral funded pursuant to the terms hereof, the Cash Collateral Provider shall have the right to request from the Issuer the release of such Cash Collateral under the following circumstances (each, a "**Release Without Discharge Event**"):

- (a) while such Cash Collateral has been funded upon a Pre-Maturity Rating Downgrade Event, the Borrower regains the Pre-Maturity Rating Required Levels;
- (b) while such Cash Collateral has been funded upon a Legal Liquidity Rating Downgrade Event, the Borrower regains the Legal Liquidity Rating Required Levels; or
- (c) if, on a given date, (i) the amount of Cash Collateral standing to the credit of the Cash Collateral Account exceeds the applicable CCRFA or (ii) the amount of Cash Collateral standing to the credit of each of the Collection Loss Reserve Account exceeds the amount that must be funded in each such accounts pursuant to the relevant terms hereof (each, a "**Cash Collateral Excess**").

Upon any release request by the Cash Collateral Provider following the occurrence of a Release Without Discharge Event, the Issuer shall release the relevant Cash Collateral and repay to the Cash Collateral Provider (i) the full amount thereof if the release is given following a Release Without Discharge Event mentioned in paragraphs (a) and (b) above, or (ii) an amount equal to the Cash Collateral Excess if the release is given following a Release Without Discharge Event mentioned in paragraph (c) above. Any release and repayment made as mentioned above shall not be deemed a discharge of the Cash Collateral

Provider with respect to its obligations to fund further Cash Collateral pursuant to the terms of the Cash Collateral Agreement.

*Final release and discharge*

The Issuer shall, at the request and cost of the Cash Collateral Provider, give final release with respect to all Cash Collateral, cancel the security created under the Cash Collateral Agreement and discharge the Cash Collateral Provider from all its obligations to fund any further Cash Collateral pursuant to the terms of the Cash Collateral Agreement upon the occurrence of any of the following events all sums due under any and all the Tranches and Series of Covered Bonds shall have been repaid in full and the Secured Liabilities have been entirely and definitively discharged in full (independently of any intermediate or partial discharges).

In connection with the final release and cancellation described above, the Issuer shall do all such acts and things, at the cost of the Cash Collateral Provider, as are reasonably requested by the Cash Collateral Provider in order to release and cancel the security created hereunder and discharge the Cash Collateral Provider from all its obligations to fund any further Cash Collateral pursuant to the terms of the Cash Collateral Agreement.

*Limited recourse – Non petition*

The Cash Collateral Agreement includes "Limited recourse" and "Non petition" provisions, as described in "**The Issuer - Issuer's Activities – Limited recourse**" and "**The Issuer - Issuer's Activities - Non-petition**".

*Amendment*

No amendment, modification, alteration or supplement shall be made to the Cash Collateral Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Cash Collateral Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Cash Collateral Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Cash Collateral Provider under the Cash Collateral Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Cash Collateral Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Cash Collateral Provider have agreed to submit any dispute that may arise in connection with the Cash Collateral Agreement to the jurisdiction of the competent court of Paris.

## ASSET MONITORING

Under the Borrower Collateral Security Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower shall monitor the Borrower Collateral Security Assets so as to ensure compliance with an asset cover test (the “**Asset Cover Test**”)

Under the SFH Legal Framework, the Specific Controller shall monitor the Borrower Collateral Security Assets so as to ensure compliance with a Minimum Legal Cover Ratio (the “**Minimum Legal Cover Ratio**”) and a maximum percentage of Legal Substitution Assets (the “**Maximum Legal Substitution Assets Percentage**”).

Under the Cash Collateral Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower, as Cash Collateral Provider, shall fund the Cash Collateral Account up to an amount determined in accordance with the relevant provisions of the Borrower Cash Collateral Agreement.

Under Condition 5(f) and following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer shall ensure compliance with an amortisation test (the “**Amortisation Test**”).

### **The Asset Cover Test**

The following terms shall have the following definitions:

“**Asset Cover Test Date**” means:

- (a) in the event of a Selection Date, such Selection Date;
- (b) in the event of the issuance of a Series or a Tranche of Covered Bonds, such issuance date; or
- (c) otherwise, a day which must fall between the 15th Business Day and the last Business Day (both included) of each calendar month;

The first Asset Cover Test Date shall be the date of the first issue of Covered Bonds by the Issuer under the Programme.

“**Asset Cover Test Calculation Date**” means the last day of every calendar month.

“**Asset Cover Test Calculation Period**” means, each period starting on, and including, the immediately preceding Asset Cover Test Date, and ending on, and excluding such Asset Cover Test Date.

Compliance with the Asset Cover Test requires compliance with the asset cover ratio R specified below (the “**Asset Cover Ratio**”). Such compliance is tested by the Issuer Calculation Agent from time to time subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement and the Calculation Services Agreement.

*The Asset Cover Ratio (R)*

“**R**” means the following ratio which shall be at least equal to one (1) at each Asset Cover Test Date:

$$R = \left[ \frac{\text{Adjusted Aggregate Asset Amount (AAAA)}}{\text{Aggregate Covered Bond Outstanding Principal Amount}} \right]$$

whereby:



**"Aggregate Covered Bond Outstanding Principal Amount "** means, at any Asset Cover Test Date, the aggregate amount of principal (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

**"Adjusted Aggregate Asset Amount (AAAA)"** means, at any Asset Cover Test Date:

$$(AAAA) = A + B + C + D - (Y + Z)$$

whereby:

"A" means the lower of "A1" and "A2".

"A1" is equal to the sum of all Adjusted Home Loan Outstanding Principal Amounts of all Relevant Home Loans (see **"The Borrower Collateral Security"** for a description of the Home Loans Eligibility Criteria) during the most recently completed Asset Cover Test Calculation Period, as such Adjusted Home Loan Outstanding Principal Amounts will be calculated on the relevant Asset Cover Test Date, whereby:

**"Adjusted Home Loan Outstanding Principal Amount"** means, with respect to each Relevant Home Loan granted as Borrower Collateral Security, the lower of:

- (i) the Home Loan Outstanding Principal Amount of such Relevant Home Loan minus the Applicable Deemed Reductions; and
- (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Relevant Home Loan minus the Applicable Deemed Reductions.

**"Applicable Deemed Reductions"** means, with respect to any Relevant Home Loan, the aggregate sum of the financial losses incurred by the Borrower with respect to such Relevant Home Loan to the extent that such financial losses have been incurred as a direct result of a material breach of the Servicing Procedures by the Borrower during the applicable Asset Cover Test Calculation Period (see "The Borrower Collateral Security Agreement – Asset Servicing" for a description of the Servicing Procedures).

**"Home Loan Outstanding Principal Amount"** means, with respect to each Relevant Home Loan, the amount of principal outstanding at the relevant Asset Cover Test Date under such Relevant Home Loan (in Euro or Euro equivalent with respect to Home Loans denominated in a Specified Currency)..

**"Index"** means (i) with respect to properties located in France (except in the Ile de France's district), the index of increases of prices issued by the INSEE and named "*Indice trimestriel du prix des logements anciens – Province – Appartements / Maisons*", or (ii) with respect to properties located in the Ile de France district, the index of increases of prices issued by the INSEE and named "*Indice trimestriel du prix des logements anciens – Ile de France – Appartements / Maisons*".

**"Indexed Valuation"** means, at any date in relation to any Relevant Home Loan secured over any property:

- (i) where the Original Market Value of that property is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or
- (ii) where the Original Market Value of that property is less than the Price Indexed Valuation as at that date, the Original Market Value plus eighty per cent. (80%) of the difference between the Price Indexed Valuation and the Original Market Value.

**"LTV Cut-Off Percentage"** means:

- (i) eighty per cent. (80%) for each Relevant Home Loan secured by a Mortgage;
- (ii) eighty per cent. (80%) for each Relevant Home Loan secured by a Home Loan Guarantee issued by *Crédit Logement*;

- (iii) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan that has the benefit of an insurance policy with an acceptable insurer or guarantee with an acceptable financial institution, insuring the credit risk under such Relevant Home Loan; and
- (iv) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan not mentioned under (i) to (iii) above.

**"Original Foreclosure Value"** in relation to any property, means the purchase price of such property or (as applicable) the most recent valuation of such property, as disclosed to the Borrower by the relevant debtor under the related Relevant Home Loan.

**"Original Market Value"** in relation to any property, means the Original Foreclosure Value divided by one (1).

**"Price Indexed Valuation"** in relation to any property at any date, means the Original Market Value of that property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value.

**"Relevant Home Loan"** means, with respect to a given Asset Cover Test Date, any Home Loan from which Home Loan Receivables have been granted as Borrower Collateral Security, excluding Home Loans which do not comply any more with the applicable Home Loan Eligibility Criteria.

**"A2"** is equal to the sum of all unadjusted Home Loan Outstanding Principal Amounts of all Relevant Home Loans minus the Applicable Deemed Reductions (as defined above) of all such Relevant Home Loans multiplied by the applicable Asset Percentage, whereby:

**"Asset Percentage"** means (i) ninety two point five per cent. (92.5%) or (ii) such percentage figure as is determined on a quarterly basis (subject to below) by the Issuer Calculation Agent pursuant to the relevant terms of the Borrower Collateral Security Agreement.

For the purpose of the calculation of the Asset Percentage referred to in (ii) above, the Issuer Calculation Agent will calculate, on a quarterly basis, the weighted average frequency of foreclosure (**"WAFF"**) and the weighted average loss severity (**"WALS"**) (and/or such figures calculated by the Issuer Calculation Agent in accordance with any relevant alternative methodologies published by S&P) for all Relevant Home Loans or for a random sample of the same. The WAFF and WALS (or other relevant figures) so calculated will be incorporated by the Issuer Calculation Agent into one (1) or more cash flow models designed by the Issuer Calculation Agent in accordance with the methodologies published by S&P. Such models, which test the credit enhancement required in various cash flow scenarios, will indicate, on the basis of the latest WAFF and WALS figures (or other relevant figures), the Asset Percentage needed in order to provide credit enhancement to cover all such cash flow scenarios. Save where otherwise determined in accordance with the methodologies published by S&P, the Asset Percentage will be adjusted in accordance with the various methodologies published by S&P provided that the Asset Percentage may not, at any time, exceed ninety two point five per cent. (92.5%).

**"B"** is equal to the aggregate amount of cash standing to the credit of the Cash Collateral Account, as reported by the Borrower in the relevant Asset Report.

**"C"** is equal to the aggregate value outstanding under all Eligible Substitution Assets held by the Issuer (the **"Aggregate Eligible Substitution Asset Amount (AESAA)"**) provided that, the amount of the Aggregate Eligible Substitution Asset Amount (AESAA) (whatever such amount is at any Asset Cover Test Date) shall in any event account only for up to twenty per cent. (20%) of the Adjusted Aggregate Asset Amount (AAAA) for the purposes hereof. The Aggregate Eligible Substitution Asset Amount (AESAA) shall be reported by the Borrower in the relevant Asset Report. Eligible Substitution Assets will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology agreed with the Rating Agencies.

For the purposes of the above calculation, an **"Eligible Substitution Asset"** is:

- (a) any Legal Substitution Asset (other than a Permitted Investment) which is a Euro or another Specified Currency demand or time deposit, certificate of deposit, long-term debt obligation or short-term debt obligation (including commercial paper) provided that in all cases such investment has a remaining period to maturity of one (1) year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposit is made (being duly licensed for such purposes) are rated at least P-1/Aa3 by Moody's and A1+/AA- by S&P; or
- (b) any Legal Substitution Asset (other than a Permitted Investment) which is a Euro or another Specified Currency denominated government and public securities, provided that such investment has a remaining maturity of one (1) year or less and is rated at least Aaa by Moody's and AAA by S&P; or
- (c) any Euro or other Specified Currency denominated residential mortgage backed securities provided that such investment (i) has a remaining period to maturity of one (1) year or less, (ii) is actively traded in a continuous, liquid market on a recognised stock exchange, (iii) is held widely across the financial system and available in an adequate supply, (iv) is rated at least P-1/Aa3 by Moody's, A1+/AA- by S&P, (v) is eligible for an investment by a *société de financement à l'habitat*.

"D" is equal to the aggregate value outstanding under all Permitted Investments, as determined by the Issuer Accounts Bank (or the Administrator on its behalf) and reported to the Issuer Calculation Agent pursuant to the Issuer Accounts Agreement. Permitted Investments will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology agreed with the Rating Agencies.

"Y" is equal to (i) zero before any Issuer Hedging Agreement shall be entered into by the Issuer subject to, and in accordance with, the Hedging Strategy and (ii) otherwise, an amount equal to the payments due under the Issuer Hedging Agreements (plus interest thereon) within the period of  $\alpha$  plus two (2) months preceding the relevant Asset Cover Test Date where  $\alpha$  means the period between two (2) interest payment dates (first day of such period included and last day of such period excluded) under the relevant Issuer Hedging Agreements.

"Z" is equal to:  $WAM * Covered\ Bond\ Outstanding\ Principal\ Amount * Carrying\ Cost$ , whereby:

"WAM" means the greater of (i) the weighted average maturity of Series of Covered Bonds outstanding as at the relevant Asset Cover Test Date, and (ii) one (1) year.

"Covered Bond Outstanding Principal Amount" means, at any Asset Cover Test Date, the aggregate amount of principal (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Series of Covered Bonds.

"Carrying Cost" means zero point five percent (0.5%) or any other greater percentage agreed between by the Borrower subject to prior Rating Affirmation.

#### *Calculation of the Asset Cover Ratio (R)*

On each Asset Cover Test Date, the Asset Cover Ratio (R) shall be calculated by the Issuer Calculation Agent according to the terms, definitions and calculation formula set forth above.

No later than three (3) Business Days following any Asset Cover Test Date, the Issuer Calculation Agent shall inform the Issuer and the Borrower (with a copy to the Rating Agencies, the Asset Monitor and the Specific Controller) of its calculation of the Asset Cover Ratio (R).

#### *Non Compliance with Asset Cover Test*

Non compliance with the Asset Cover Test (the "**Non Compliance with Asset Cover Test**") would result from the Asset Cover Test Ratio (R) being strictly less than one (1).

#### *Remedies*

Upon Non Compliance with Asset Cover Test on any Asset Cover Test Date, the Borrower shall:

- (a) grant additional Eligible Assets as Borrower Collateral Security pursuant to the relevant terms of the Borrower Collateral Security Agreement, on each Selection Date prior to the next following Asset Cover Test Date; and/or
- (b) release Borrower Collateral Security Assets from the Borrower Collateral Security pursuant to the relevant terms of the Borrower Collateral Security Agreement, on each Selection Date prior to the next following Asset Cover Test Date;

in each case, as necessary to cure such Non Compliance with Asset Cover Test.

A Non Compliance with Asset Cover Test does not constitute the occurrence of an Issuer Event of Default or a Borrower Event of Default. However, it will prevent the Issuer from issuing any further Series as long as it remains unremedied except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19.

#### *Breach of Asset Cover Test*

The failure by the Borrower to cure a Non Compliance with Asset Cover Test occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date shall constitute a “**Breach of Asset Cover Test**” within the meaning of the Borrower Collateral Security Agreement. The Issuer Calculation Agent will promptly inform the Issuer and the Borrower (with a copy to the Rating Agencies, the Asset Monitor and the Specific Controller) of its calculation of the Asset Cover Ratio and, if applicable, the occurrence of a Breach of Asset Cover Test.

A Breach of Asset Cover Test constitutes the occurrence of a Borrower Event of Default.

A Breach of Asset Cover Test will not constitute the occurrence of an Issuer Event of Default but will prevent the Issuer from issuing any further Series except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19.

#### **The Minimum Legal Cover Ratio**

The Issuer, as a *société de financement de l'habitat*, must at all times maintain a cover ratio between its eligible assets (including so-called substitution assets (*valeurs de remplacement*)) and its liabilities benefiting from the *Privilège* (the “**Cover Ratio**”). In accordance with the French SFH Legal Framework on the date hereof, and in particular pursuant to Articles L. 515-20 and R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), the *sociétés de financement de l'habitat* (SFH) such as the Issuer must at all times maintain a Legal Cover Ratio equal to at least one hundred and two per cent. (102%) (the “**Minimum Legal Cover Ratio**”).

Regulation no. 99-10 dated 9 July 1999, as amended, issued by the *Comité de la Réglementation Bancaire et Financière* (Banking and Financial Regulation Committee) defines the way the Legal Cover Ratio is calculated.

In the case of the Issuer, the ratio's denominator (Article 8) is comprised of the Covered Bonds and the other resources benefiting from the *Privilège*, including any amount due under the agreement referred to in Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) or derivative instruments benefiting from the *Privilège*. The ratio's numerator (Article 9) is made up of the Issuer's assets (weighted to reflect their category) and, in accordance with Article R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), shall take into account the Home Loan Receivables granted as Borrower Collateral Security.

The Specific Controller ensures that the Minimum Legal Cover Ratio is complied with.

To carry out its duties, the Specific Controller will be given access by the Issuer to any information that allows confirmation of compliance with the Minimum Legal Cover Ratio (as described in the section “**The Issuer**”).

The Issuer must publish the calculation of its actual Cover Ratio twice a year, on each 30 June and 31 December.

Non-compliance by the Issuer with the Minimum Legal Cover Ratio shall constitute a "**Breach of Minimum Legal Cover Ratio**". The Specific Controller is legally responsible for notifying promptly the Issuer and the *Autorité de contrôle prudentiel* (ACP) of the occurrence of a Breach of Minimum Legal Cover Ratio. Upon such notification, the Issuer shall then notify the Borrower, the Rating Agencies, the Asset Monitor and the Issuer Calculation Agent of the same.

A Breach of Minimum Legal Cover Ratio does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default. However, it may trigger the withdrawal of the license of the Issuer as a *société de financement de l'habitat*.

### **The Maximum Legal Substitution Assets Percentage**

Pursuant to Articles L. 515-17 and R. 515-7 of the French Monetary and Financial Code, the Legal Substitution Assets of the Issuer shall not exceed at any time a percentage equal to fifteen per cent. (15%) of the total amount of its liabilities which benefit from the *Privilège* (the "**Maximum Legal Substitution Assets Percentage**").

With respect to the Issuer and for the purpose of the calculation of the Maximum Legal Substitution Assets Percentage, "**The Legal Substitution Assets**" are comprised of such debt, securities, deposits and other investment products that are deemed eligible as the so-called substitution assets (*valeurs de remplacement*) within the meaning of Articles L. 515-17, R. 515-7 and R. 515-16 of the French Monetary and Financial Code (*Code monétaire et financier*) (including any Permitted Investment and any Cash Collateral made available to the Issuer by the Cash Collateral Provider in accordance with the Cash Collateral Agreement) and which are held by the Issuer from time to time. The Specific Controller ensures that the Maximum Legal Substitution Assets Percentage is not exceeded by the Issuer.

Upon the Legal Substitution Assets of the Issuer exceeding the Maximum Legal Substitution Assets Percentage, this shall constitute a "**Breach of Maximum Legal Substitution Assets Percentage**" by the Issuer. The Specific Controller ensures the Issuer and the *Autorité de contrôle prudentiel* (ACP) are promptly notified of the occurrence of a Breach of Maximum Legal Substitution Assets Limit.

Upon receipt of such notice, the Issuer will then notify the Borrower, the Rating Agencies, the Asset Monitor and the Issuer Calculation Agent of the same.

A Breach of Maximum Legal Substitution Assets Limit does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default if. However, it may trigger the withdrawal of the license of the Issuer as a *société de financement de l'habitat*.

### **The Pre-Maturity Test and the Legal Liquidity Test**

#### *Downgrading below the Pre-Maturity and Liquidity Rating Required Levels*

The Cash Collateral Provider shall fund the Cash Collateral Account with the relevant Cash Collateral, up to the relevant Cash Collateral Required Funding Amount, upon the occurrence of (i) the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or both of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade Event**"), and/or (ii) the downgrading at any time of the then applicable ratings of the Borrower below (cumulatively) the two (2) Liquidity Rating Required Levels (as defined below) (each, a "**Legal Liquidity Rating Downgrade**"). The occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

The following credit ratings with respect to the Borrower are defined as the "**Pre-Maturity Rating Required Levels**": A-1 (short-term) (S&P) and P-1 (short-term) (Moody's).

The following credit ratings with respect to the Borrower (are defined as the "**Liquidity Rating Required Levels**" for the purposes of this Agreement: A-1 (short-term) (S&P) and P-1 (short-term) (Moody's).

Upon the occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event, the Issuer Calculation Agent shall inform the Cash Collateral Provider of the same within three (3) Business Days from such occurrence by written notice (the "**Cash Collateral Funding Notice**") delivered to the Cash Collateral Provider (with a copy to the Issuer, the Administrator and the Rating Agencies).

*Remedies*

If a Cash Collateral Funding Notice is received by the Cash Collateral Provider, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the "**Cash Collateral Required Funding Amount (CCRFA)**") calculated by the Issuer Calculation Agent as being equal to:

- (a) in the event of a Pre-Maturity Rating Downgrade Event occurring while no Legal Liquidity Rating Downgrade Event has occurred and is continuing: CCRFA = Pre-Maturity Covered Bond Principal Amount in relation to the relevant Series of Covered Bonds + Pre-Maturity Costs in relation to relevant Series of Covered Bonds;
- (b) in the event of a Legal Liquidity Rating Downgrade Event occurring while no Pre-Maturity Rating Downgrade Event has occurred and is continuing: CCRFA = Liabilities - Revenues; and
- (c) in the event of both a Pre-Maturity Rating Downgrade Event and a Legal Liquidity Rating Downgrade Event occurring at the same time, CCRFA is equal to the greater of:
  - (i) Pre-Maturity Covered Bond Principal Amount in relation to the relevant Series of Covered Bonds + Pre-Maturity Costs in relation to relevant Series of Covered Bonds; and
  - (ii) Liabilities - Revenues;

whereby:

**"Legal Liquidity Cover Period"** means a period of one hundred and eighty (180) calendar days. The first applicable Legal Liquidity Cover Period starts upon the occurrence of a Legal Liquidity Rating Downgrade Event.

**"Pre-Maturity Costs"** means the aggregate amount of fees, costs, expenses, taxes and other ancillary sums (excluding interest and principal amounts) scheduled to be paid by the Issuer on any Series of Covered Bonds within the relevant Pre-Maturity Test Period.

**"Pre-Maturity Covered Bond Principal Amount"** means the aggregate amount of principal of Covered Bonds (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency), excluding the aggregate amount of principal of any Series of Extendable Maturity Covered Bonds, the Final Maturity Date of which falls during the relevant Pre-Maturity Test Period.

**"Pre-Maturity Test Period"** means with respect to any Series of Covered Bonds (which is not a Series of Extendable Maturity Covered Bonds), the period starting from, and excluding, the two hundred and seventieth (270<sup>th</sup>) calendar day preceding the Final Maturity Date of that Series and ending on, and including, such Final Maturity Date.

**"Liabilities"** means, on any given date, the liabilities that are due by the Issuer to all its creditors within the Legal Liquidity Cover Period starting on, and including, such date (including principal and interest due by the Issuer under the then outstanding Covered Bonds).

**"Revenues"** means, on any given date, all the sums that are due to the Issuer by all its debtors within the Legal Liquidity Cover Period starting on, and including, such date (excluding the sums due to the Issuer under the Borrower Facility Agreement, but including the sums due by the relevant debtors under the Borrower Collateral Security Assets and the net amount due to the Issuer under the Hedging Agreements).

*Breach of Pre-Maturity Test and Breach of Legal Liquidity Test*

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant CCRFA within thirty (30) Business Days from the receipt of a Cash Collateral Funding Notice shall constitute a "Breach of Pre-Maturity Test". A Breach of Pre-Maturity Test constitutes the occurrence of a Borrower Event of Default.

The failure by the Cash Collateral Provider to fund any required Cash Collateral following the receipt of a Cash Collateral Funding Notice or maintain the relevant CCRFA in the Cash Collateral Account at any time during any Legal Liquidity Cover Period in accordance with Clause 5 of the Cash Collateral Agreement constitutes a "Breach of Legal Liquidity Test". A Breach of Legal Liquidity Test does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default. However, it may trigger the withdrawal of the license of the Issuer as a *société de financement de l'habitat*.

**The Amortisation Test**

Following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer undertakes to comply with the Amortisation Test in accordance with Condition 5 (f) of the Terms and Conditions of the French law Covered Bonds.

For the purpose of the determination of the Amortisation Ratio, the following terms shall have the following definitions:

"**Amortisation Test Date**" means the day, as determined by the Administrator, comprised between the 15<sup>th</sup> Business Day and the last Business Day (both included) of each calendar month, following the enforcement of a Borrower Event of Default;

"**Amortisation Test Calculation Period**" means each period starting on, and including, the immediately preceding Amortisation Test Date, and ending on, and excluding such Amortisation Test Date. Compliance with the Amortisation Test requires compliance with the amortisation ratio RA specified below (the "**Amortisation Ratio (RA)**"). Such compliance is tested by the Issuer Calculation Agent from time to time throughout the period following the enforcement of a Borrower Event of Default subject to, and in accordance with the Condition 5 (f) of the Terms and Conditions of the French law Covered Bonds and the Calculation Services Agreement.

*The Amortisation Ratio*

"**RA**" means the following ratio which shall be at least equal to one (1) at each Amortisation Test Date:

$$RA = \left[ \frac{TAAA'}{ACBOPA} \right]$$

whereby:

"**Aggregate Covered Bond Outstanding Principal Amount (ACBOPA)**" means, at any Amortisation Test Date, the aggregate amount of principal (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

"**Transferred Aggregate Asset Amount (TAAA)**" means, at any Amortisation Test Date:

$$(TAAA') = A' + B + C + D + E - Z$$

whereby:

"**A**" is equal to the sum of all "Transferred Home Loan Outstanding Principal Amounts" of all Home Loans, title to which has been transferred to the Issuer upon enforcement of the Borrower Collateral Security following the enforcement of a Borrower Event of Default (each, a "**Relevant Transferred Home Loan**"), as such "Transferred Home Loan Outstanding Principal Amounts" will be calculated on the relevant Amortisation Test Calculation Date, whereby:

**"Home Loan Outstanding Principal Amount"** means, with respect to each Relevant Transferred Home Loan, the amount of principal outstanding at the relevant Amortisation Test Date under such Relevant Transferred Home Loan;

**"Relevant Transferred Home Loan"** means, with respect to a given Amortisation Test Date, any Home Loan from which Home Loan Receivables have been granted as Borrower Collateral Security provided that title to such Home Loan Receivables has been transferred to the Issuer upon enforcement of the Borrower Collateral Security following the enforcement of a Borrower Event of Default; and

**"Transferred Home Loan Outstanding Principal Amount"** means, with respect to each Relevant Transferred Home Loan, the Home Loan Outstanding Principal Amount of such Relevant Transferred Home Loan (in Euro or Euro equivalent with respect to Home Loans denominated in a Specified Currency) multiplied by M, where for all the Relevant Transferred Home Loans that are less than three (3) months in arrears,  $M = 1$  and for all the Relevant Transferred Home Loans that are three (3) months or more in arrears,  $M = 0.7$ .

**"B"**, **"C"**, **"D"** and **"Z"** have the meaning ascribed to such terms, and shall be determined, on each relevant Amortisation Test Date, subject to, and in accordance with, the terms and formula described in **"The Asset Cover Test"** above.

**"E"** is equal to the aggregate amount of principal and interest payments, distributions, indemnities, insurance and other proceeds, payments under any Home Loan Security and other sums received during the applicable Amortisation Test Calculation Period by the Issuer from the debtors or other relevant entities under the Borrower Collateral Security Assets whose title has been transferred to the Issuer following enforcement of the Borrower Collateral Security, as the same shall be reported by the Issuer Calculation Agent on each Amortisation Test Date subject to, and in accordance with, the relevant terms of the Calculation Services Agreement.

#### *Calculation of the Amortisation Ratio*

On each Amortisation Test Date, the Amortisation Ratio (RA) shall be calculated by the Issuer Calculation Agent according to the terms, definitions and calculation formula set forth above.

No later than three (3) Business Days following any Amortisation Test Date, the Issuer Calculation Agent shall inform the Issuer (with a copy to the Rating Agencies and to the Asset Monitor) of its calculation of the Amortisation Ratio (RA).

#### *Non Compliance with Amortisation Test*

A **"Non Compliance with Amortisation Test"** will result from the Amortisation Ratio (RA) being strictly less than one (1).

A Non Compliance with Amortisation Test will prevent the Issuer from issuing any further Series, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 19.

#### *Breach of Amortisation Test*

The failure by the Issuer to cure a Non Compliance with Amortisation Test occurred on any Amortisation Test Date prior to the next following Amortisation Test Date shall constitute a **"Breach of Amortisation Test"**. The Issuer Calculation Agent will inform promptly the Issuer, each relevant Representative (with a copy to the Rating Agencies and to the Asset Monitor) of the occurrence of a Breach of Amortisation Test.

A Breach of Amortisation Test constitutes the occurrence of an Issuer Event of Default.



## The Calculation Services Agreement

This section sets out the main material terms of the Calculation Services Agreement.

### *Background*

The "**Calculation Services Agreement**" refers to the agreement dated on or prior to the Programme Date and entered into between (i) the Issuer, in its capacity as "Lender" and (ii) HSBC France, in its capacity as "Issuer Calculation Agent" (the "**Issuer Calculation Agent**").

### *Purpose*

Under the Calculation Services Agreement, the Issuer appoints HSBC France as its servicer for the purposes of any calculation and determinations to be made under the Programme Documents (but excluding all calculation and determinations to be made with respect to the Series of Covered Bonds, such calculation and determinations to be made on behalf of the Issuer by the Calculation Agent under the Issuer Agency Agreement). The Issuer Calculation Agent will always act in the best and exclusive interest of the Issuer.

### *Duties of the Issuer Calculation Agent*

Pursuant to the Calculation Services Agreement, the Issuer Calculation Agent will *inter alia* undertake to do:

- (a) any and all calculation in relation to the Borrower Facility Agreement, including, but not limited to, any interest and principal amounts and the effective global rate (*taux effectif global*);
- (b) any and all calculation in relation to the Borrower Collateral Security Agreement, including, but not limited to, the Asset Cover Test (see "**Asset Monitoring**");
- (c) any and all calculation in relation to the Cash Collateral Agreement, including, but not limited to, the Pre-Maturity Test and the Legal Liquidity Test and make the other calculations provided for in the Cash Collateral Agreement with respect to the funding of the Collection Loss Reserve Account (see "**Asset Monitoring**");
- (d) any and all calculation in relation to the Amortisation Test (see "**Asset Monitoring**").

### *Substitution and Agency*

The Issuer Calculation Agent may not assign its rights and obligations under the Calculation Services Agreement but will have the right to be assisted by, to appoint, or to substitute for itself, any third party in the performance of certain or all its tasks under the Calculation Services Agreement, provided that:

- (a) the Issuer Calculation Agent remains liable to the Issuer for the proper performance of those tasks and, with respect to the Issuer only, the relevant third party has expressly waived any right to any contractual claim against the Issuer; and
- (b) the relevant third party has undertaken to comply with all obligations binding upon the Issuer Calculation Agent under the Calculation Services Agreement.

### *Fees*

In consideration of the services provided by the Issuer Calculation Agent to the Issuer under the Calculation Services Agreement, the Issuer will pay to the Issuer Calculation Agent a servicing fee computed subject to, and in accordance with, the provisions of the Calculation Services Agreement.

Issuer Calculation Agent will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due to it by the Issuer under the Calculation Services Agreement.

*Representations, warranties and undertakings*

The Issuer Calculation Agent has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Calculation Services Agreement and continuing until the Service Termination Date.

*Indemnities*

Pursuant to the Calculation Services Agreement, the Issuer Calculation Agent undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of the occurrence of any default by the Issuer Calculation Agent in its performance of any of its obligations under the Calculation Services Agreement.

*Resignation of the Issuer Calculation Agent*

The Issuer Calculation Agent will not resign from the duties and obligations imposed on it as Issuer Calculation Agent pursuant to the Calculation Services Agreement, except:

- (a) upon a determination that the performance of its duties under the Calculation Services Agreement will no longer be permissible under applicable law; and
- (b) in the case where the Issuer does not comply with any of its material obligations under the Calculation Services Agreement and fails to remedy the situation within one hundred and eighty (180) days from the receipt by the Issuer of a notice from the Issuer Calculation Agent,

such resignation being effective on the date upon which (i) the event in paragraph (a) above occurs; or (ii) one hundred and eighty (180) days after the date of delivery of the notice referred to in paragraph (b) above.

*Issuer Calculation Agent's Defaults*

Issuer Calculation Agent's Defaults will occur upon *inter alia* the occurrence of the following events:

- (a) any material representation or warranty made by the Issuer Calculation Agent is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Calculation Agent or (if sooner) the Issuer Calculation Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Issuer Calculation Agent fails to comply with any of its material obligations under the Calculation Services Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Calculation Agent or (if sooner) the Issuer Calculation Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Issuer Calculation Agent; or
- (d) at any time it is or becomes unlawful for the Issuer Calculation Agent to perform or comply with any or all of its material obligations under the Calculation Services Agreement or any or all of its material obligations under the Calculation Services Agreement are not, or cease to be, legal, valid and binding.

If an Issuer Calculation Agent's Default has occurred, the Issuer Calculation Agent shall notify the Issuer of such occurrence promptly after becoming aware of it.

*Issuer Calculation Agent Rating Trigger Event*

If an Issuer Calculation Agent Rating Trigger Event occurs, the Issuer Calculation Agent will notify the Issuer in writing of the occurrence of the Issuer Calculation Agent Rating Trigger Event within five (5) Business Days from the date upon which it becomes aware of such event and this will constitute a termination event under the Calculation Services Agreement.

For such purposes, "**Issuer Calculation Agent Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Calculation Agent become rated below BBB by S&P or Baa2 by Moody's.

*Termination*

"**Issuer Calculation Agent Termination Events**" under the Calculation Services Agreement will include the following events:

- (a) the occurrence of any Issuer Calculation Agent's Default;
- (b) the occurrence of the Issuer Calculation Agent Rating Trigger Event; or
- (c) the occurrence of a Borrower Event of Default.

If an Issuer Calculation Agent Termination Event occurs, the Issuer shall terminate the appointment of the Issuer Calculation Agent under the Issuer Calculation Services Agreement by delivery of a written termination notice to the Issuer Calculation Agent (the "**Notice of Termination**"). Upon receipt by the Issuer Calculation Agent of the Notice of Termination, the appointment of the Issuer Calculation Agent under the Issuer Calculation Services Agreement will terminate with effect:

- (a) not earlier than twenty (20) Business Days as from the receipt by the Issuer Calculation Agent of the Notice of Termination, if such Notice of Termination is served due to the occurrence of an Issuer Calculation Agent Rating Trigger Event;
- (b) not earlier than twenty (20) Business Days as from the receipt by the Issuer Calculation Agent of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, if such Notice of Termination is served due to any other reason,

and save for any continuing obligations of the Issuer Calculation Agent contained in the Calculation Services Agreement.

Upon the resignation of the Issuer Calculation Agent, or termination of its appointment as Issuer Calculation Agent hereunder in accordance with the terms of the Issuer Calculation Services Agreement, the Issuer shall replace HSBC France as Issuer Calculation Agent, by any legal entity (the "**Substitute Issuer Calculation Agent**"), the choice of which being subject to prior Rating Affirmation. Upon its appointment and unless otherwise agreed with the Issuer (but subject to prior Rating Affirmation), the Substitute Issuer Calculation Agent shall:

- (a) provide the Issuer with all necessary assistance and know-how, whether technical or other, as described under the Calculation Services Agreement;
- (b) together with the Issuer Calculation Agent, take all steps necessary to replace the Issuer Calculation Agent in all rights and obligations arisen from the Programme Documents the Issuer Calculation Agent is a party and, for such purposes, become a party, as Issuer Calculation Agent, to any relevant Programme Documents to which the Issuer Calculation Agent is a party.

Notwithstanding its resignation or the termination of its appointment in accordance with the terms of the Issuer Calculation Services Agreement and notwithstanding any other provision of the Issuer Calculation Services Agreement, the duties of the Issuer Calculation Agent under the Issuer Calculation Services Agreement shall continue and the Issuer Calculation Agent shall continue to be bound by all its obligations thereto until the earlier of (i) its replacement as Issuer Calculation Agent, and (ii) the termination of the Issuer Calculation Services Agreement in accordance with its terms (the "**Service Termination Date**").

*Term and Termination of the Issuer Calculation Services Agreement*

The Issuer Calculation Services Agreement shall remain in effect for an initial period of ten (10) years and shall be automatically renewed for additional ten-year periods unless a party thereto notifies to the others its intention to terminate the Issuer Calculation Services Agreement three (3) months prior to the end of the initial period or the additional periods, as the case may be.

Without prejudice to the other terms of the Issuer Calculation Services Agreement, the Issuer Calculation Services Agreement shall terminate:

- (a) on its scheduled term as defined above;
- (b) if earlier than its scheduled term, if the Issuer and any Substitute Issuer Calculation Agent replacing (i) HSBC France as Issuer Calculation Agent or (ii) a previous Issuer Calculation Agent having replaced HSBC France as Issuer Calculation Agent agree in writing to cease to be bound by the Issuer Calculation Services Agreement and execute another agreement for the performance of the services contemplated by the Issuer Calculation Services Agreement; or
- (c) if earlier than its scheduled term and upon failure to replace the Issuer Calculation Agent (i) the last day of the sixty (60) Business Days period starting on the date of resignation of the Issuer Calculation Agent, or (ii) the last day of the forty (40) Business Days period starting on the date a Notice of Termination is delivered to the Issuer Calculation Agent.

The termination of the Issuer Calculation Services Agreement in accordance with its terms shall trigger the termination of the appointment of HSBC France as Issuer Calculation Agent thereunder on the relevant termination date of the Issuer Calculation Services Agreement.

*Limited recourse – Non petition*

The Calculation Services Agreement includes "Limited recourse" and "Non petition" provisions, as described in "**The Issuer - Issuer's Activities – Limited recourse**" and "**The Issuer - Issuer's Activities - Non petition**".

*Amendment*

No amendment, modification, alteration or supplement shall be made to the Calculation Services Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Calculation Services Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Calculation Services Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Issuer Calculation Agent under the Calculation Services Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Calculation Services Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Issuer Calculation Agent have agreed to submit any dispute that may arise in connection with the Calculation Services Agreement to the jurisdiction of the competent court of Paris.

## The Asset Monitor Agreement

### *Background*

The "**Asset Monitor Agreement**" refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer, (ii) HSBC France as the Issuer Calculation Agent or, as the applicable, the "Administrator" and (iii) KPMG Audit plc as Asset Monitor (the "**Asset Monitor**"). Under the Asset Monitor Agreement, KPMG Audit plc has been appointed as Asset Monitor by the Issuer to carry out, subject to due receipt of the information to be provided by the Issuer Calculation Agent to the Asset Monitor, various testing and notification duties in relation to the calculations performed by the Issuer Calculation Agent in relation to the Asset Cover Test and the Amortisation Test subject to and in accordance with the terms of the Asset Monitor Agreement.

### *Services of the Asset Monitor*

If the Asset Cover Test Date immediately preceding an anniversary of the Programme Date falls prior to the occurrence of a Borrower Event of Default, and subject to receipt of the information to be provided to it by the Issuer Calculation Agent in relation to the calculations performed by the Issuer Calculation Agent regarding the relevant Asset Cover Test, the Asset Monitor will test the arithmetic accuracy of the calculations performed by the Issuer Calculation Agent in relation to the Asset Cover Test on the Asset Cover Test Date immediately preceding an anniversary of the Programme Date, as applicable, with a view to reporting on the arithmetic accuracy or otherwise of such calculations.

On each Amortisation Test Date and subject to receipt of the information to be provided to it by the Issuer Calculation Agent in relation to the calculations performed by the Issuer Calculation Agent regarding the relevant Amortisation Test, the Asset Monitor will test the arithmetic accuracy of the calculations performed by the Issuer Calculation Agent in relation to the Amortisation Test on the relevant Amortisation Test Date, with a view to reporting on the arithmetic accuracy or otherwise of such calculations.

Upon the occurrence of a Calculation Monitoring Rating Trigger Event and for so long as such Calculation Monitoring Rating Trigger Event is continuing, or, if the Asset Monitor has been notified of the occurrence of a Non-Compliance with Asset Cover Test or of a Non-Compliance with Amortisation Test (see section "**Asset Monitoring**"), and subject to receipt of the information to be provided to the Asset Monitor, the Asset Monitor shall conduct the tests of the Issuer Calculation Agent's calculations referred to above, as applicable, in respect of every Asset Cover Test Date or Amortisation Test Date, as applicable.

For the purposes of this section, "**Calculation Monitoring Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of HSBC France become rated below BBB by S&P or Baa2 by Moody's.

If the tests conducted by the Asset Monitor in accordance with the provisions above reveal arithmetic errors in the relevant calculations performed by the Issuer Calculation Agent such that:

- the Asset Cover Test had been failed on the relevant Asset Cover Test Date (where the Issuer Calculation Agent had recorded it as being satisfied); or
- the Amortisation Test had been failed on the relevant Amortisation Test Date (where the Issuer Calculation Agent had recorded it as being satisfied),

and subject to receipt of the information to be provided to the Asset Monitor, for a period of six (6) months thereafter, the Asset Monitor shall conduct the tests of the Issuer Calculation Agent's calculations referred to above, in respect of every Asset Cover Test Date or Amortisation Test Date, as applicable, occurring during such six (6) month period.

The Asset Monitor shall notify, on a confidential basis, the parties to the Asset Monitor Agreement (with copy to the Rating Agencies), in writing, of the relevant calculations performed by the Issuer Calculation Agent and of the results of its tests of the accuracy of the Issuer Calculation Agent's calculations. If the calculations performed by the Issuer Calculation Agent have not been performed correctly, the Asset Monitor will report the correct calculation of the Asset Cover Test or Amortisation Test, as applicable.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it is true and correct and is complete and not misleading and is not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information.

#### *Termination*

The Issuer may, at any time, terminate the appointment of the Asset Monitor hereunder upon providing the Asset Monitor with sixty (60) days' prior written notice, provided that such termination may not be effected unless and until a replacement has been found by the Issuer which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign from its appointment under the Asset Monitor Agreement upon providing the Issuer (copied to the Rating Agencies) with sixty (60) days' prior written notice, provided that such resignation shall not be effected unless and until a replacement which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

#### *Fees*

Under the terms of the Asset Monitor Agreement, the Issuer will pay to the Asset Monitor a fee for the tests to be performed by the Asset Monitor.

The Asset Monitor will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due to it by the Issuer under the Asset Monitor Agreement.

#### *Limited recourse – Non petition*

The Asset Monitor Agreement includes "Limited recourse" and "Non petition" provisions, as described in "**The Issuer - Issuer's Activities – Limited recourse**" and "**The Issuer - Issuer's Activities - Non petition**".

#### *Amendment*

Except as further described under the Asset Monitor Agreement, any material amendment to the Asset Monitor Agreement is subject to the Rating Affirmation.

#### *Governing Law – Jurisdiction*

The Asset Monitor Agreement shall be governed by, and construed in accordance with, English law. Each party to the Asset Monitor Agreement (including the Asset Monitor) irrevocably submits to the exclusive jurisdiction of the English courts in any action or proceeding arising out of or relating to the Asset Monitor Agreement, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined by such courts.

## CASH FLOW

### Cash management

Pursuant to the Administrative Agreement, the Administrator will assist the Issuer in operating its bank accounts, the management and investment of its available cash in Permitted Investments in accordance with the relevant Permitted Investments rules, and any other matters in relation to the management of its bank accounts and funds so as to ensure that the Issuer will at all times comply with the provisions of the Programme Documents.

Pursuant to the Administrative Agreement and subject to and in accordance with the Terms and Conditions, the Administrator will invest any cash standing from time to time to the credit of the Issuer Cash Accounts pending application in accordance with the Priority Payment Orders (see "**Cash Flow - Priority Payment Orders**"), in instruments which qualify as "Permitted Investments" (as defined in "**The Issuer – The Administrative Agreement**").

### Issuer Accounts

Available Funds of the Issuer will be from time to time credited and debited by the Administrator on behalf of the Issuer into the Issuer Cash Accounts opened in the books of the Issuer Accounts Bank (see "**The Issuer – The Issuer Accounts Agreement**" for a further description of the Issuer Accounts).

For the purposes hereof:

"**Available Funds**" means:

- (a) in the absence of service of a Borrower Enforcement Notice (and whether an Issuer Enforcement Notice has been served to the Fiscal Agent and the Issuer or not):
  - (i) payment proceeds from the Borrower under the Borrower Facility Agreement;
  - (ii) cash standing to the credit of the Issuer General Account or the Share Capital Proceeds Account (including proceeds from Permitted Investments invested with such cash (if any));
  - (iii) any Cash Collateral (if any) standing to the credit of the Cash Collateral Account and the Collection Loss Reserve Account (including proceeds from Permitted Investments invested with any such Cash Collateral (if any));
  - (iv) payment proceeds, whether in interest, principal or otherwise, received by the Issuer from the debtors under the Legal Substitution Assets and standing to the credit of the Issuer General Account; and
  - (v) payment proceeds from the Issuer Hedging Agreements and Borrower Hedging Agreements (if any).
- (b) following the service of a Borrower Enforcement Notice and enforcement of the Borrower Collateral Security (and whether an Issuer Enforcement Notice has been served to the Fiscal Agent and the Issuer or not):
  - (i) payment proceeds, whether in interest, principal or otherwise, received by the Issuer following service of a notice to any or all debtors under the Home Loans mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Home Loans and/or the related Asset Contractual Documentation and standing to the credit of the Issuer General Account;
  - (ii) insurance proceeds and other proceeds (other than the proceeds mentioned in (i) above) received by the Issuer under the Home Loans and standing to the credit of the Issuer General Account;

- (iii) payment proceeds, whether in interest, principal or otherwise, received by the Issuer from the debtors under the Legal Substitution Assets and standing to the credit of the Issuer General Account;
- (iv) proceeds from disposal of, transfer, sale or refinancing (by way of securitisation or otherwise) of the Home Loan Receivables and standing to the credit of the Issuer General Account;
- (v) proceeds from the enforcement of any Home Loan Security (if any) and standing to the credit of the Issuer General Account;
- (vi) cash from Permitted Investments (if any) standing to the credit of the Issuer General Account;
- (vii) cash standing to the credit of the Cash Collateral Account and the Collection Loss Reserve Account;
- (viii) payment proceeds from the Issuer Hedging Agreements and Borrower Hedging Agreement(s) (if any);
- (ix) cash standing to the credit of the Share Capital Proceeds Account; and
- (x) proceeds from disposal of, transfer, sale or refinancing (by way of securitisation or otherwise) of all other eligible assets of the Issuer and standing to the credit of the Issuer General Account.

### Priority Payment Orders

#### *Pre-Enforcement Priority Payment Order*

In the absence of service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice and in the absence of service of an Issuer Enforcement Notice, on any Payment Date and (as applicable) Final Maturity Date of each relevant series of Covered Bonds, the Administrator (on behalf of the Issuer) will give the appropriate instructions to the Issuer Accounts Bank to debit the relevant Issuer Cash Accounts and (as the case may be) the relevant Issuer Securities Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following Pre-Enforcement Priority Payment Order:

- (i) **first**, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer, if any, under the Issuer Hedging Agreements and the Borrower Hedging Agreement(s) (other than Hedging Termination Costs) (together, the "**Hedging Costs**");
- (ii) **secondly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iii) **thirdly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iv) **fourthly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer, if any, in respect of any payments to be made by the Issuer following an early termination of the Issuer Hedging Agreements or Borrower Hedging Agreement(s) as a result of an event of default under the same in respect of which the relevant hedge counterparty of the Issuer is the defaulting party or following a termination event of the same in respect of which the hedge counterparty of the Issuer is the affected party (together, the "**Hedging Termination Costs**");
- (v) **fifthly**, in or towards payment or discharge *pari passu* and *pro rata* of the amounts then due and payable by the Issuer to (a) the Administrator under Clauses 8, 9 and 10 of the



Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing of the Borrower Collateral Security Assets would be carried out by this new servicer in accordance with Article L.515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;

- (vi) **sixthly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (vii) **seventhly**, only after and subject to the payment of any due and payable amounts due to the Issuer's creditors under item (i) to item (vi) hereabove (the "**Privileged Creditors**"), (a) the Issuer's liability, if any, to taxation, and (b) any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to any relevant entity in connection with the holding of any meeting of Bondholders, to any stock exchange and other listing entities where the Covered Bonds are listed, any clearing systems entities where the Covered Bonds are cleared, HSBC France (with respect to any insurance premium, regulatory, professional and legal fees, costs and other expenses paid by HSBC France on behalf of the Issuer and to be repaid by the Issuer to HSBC France subject to, and in accordance with, the relevant terms of the *Convention d'externalisation et de prestations de services*), the Administrator, the Issuer Calculation Agent, the Asset Monitor, the Issuer Accounts Bank, the Paying Agent(s), the Permanent Dealers, the Dealers; the Fiscal Agent(s), the Calculation Agent(s), the Issuer's Auditors, the Specific Controller, the Substitute Specific Controller, the Representatives and the Rating Agencies in respect of the monitoring fees (together, the "**Senior Administrative and Tax Costs**"; and
- (viii) **eighthly**, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to (i) any dividend to be then distributed to the Issuer's shareholders, and (ii) interest, principal and other payments then due and payable under the Subordinated Loan.

#### *Controlled Post-Enforcement Priority Payment Order*

In the event of service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice and thereafter unless and until an Issuer Enforcement Notice is served to the Issuer, on any Payment Date and (as applicable) Final Maturity Date of each relevant series of Covered Bonds, the Administrator (on behalf of the Issuer) will give the appropriate instructions to the Issuer Accounts Bank to debit the relevant Issuer Cash Accounts and (as the case may be) the relevant Issuer Securities Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following "**Controlled Post-Enforcement Priority Payment Order**":

- (i) **first**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Hedging Costs then due and payable by the Issuer, if any, under the Issuer Hedging Agreements (other than Hedging Termination Costs); or
- (i) **secondly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds
- (ii) **thirdly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iii) **fourthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any and all Hedging Termination Costs then due and payable by the Issuer, if any;
- (iv) **fifthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any amounts then due and payable by the Issuer to (a) the Administrator under Clauses 8, 9 and 10 of the Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing of the Borrower Collateral Security Assets would be carried out by this new servicer in accordance

with Article L.515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;

- (v) **sixthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (vi) **seventhly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* any and all Senior Administrative and Tax Costs then due and payable by the Issuer;
- (vii) **eighthly**, (a) only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to any and all enforcement proceeds surplus amounts remaining after enforcement of the Borrower Collateral Security subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement; and (b) only after and subject to the full repayment of any outstanding Covered Bonds and sums referred to in (a) above, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to any third parties (with respect to any dividend already voted and to be then distributed to the Issuer's shareholders, and interest, principal and other payments then due and payable under the Subordinated Loan).

*Accelerated Post-Enforcement Priority Payment Order*

In the event of service of an Issuer Enforcement Notice and thereafter (whether a Borrower Enforcement Notice shall have been served to the Borrower or not), the Administrator (on behalf of the Issuer) will promptly and no later than three (3) Business Days after receipt by the Issuer of such Issuer Enforcement Notice give the appropriate instructions to the Issuer Accounts Bank to debit from all the Issuer Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date and on each and every day chosen by the Administrator thereafter to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on and as from such date, in the following Accelerated Post-Enforcement Priority Payment Order provided that, for the avoidance of doubt, no payment item below shall be paid as long as an item ranking senior to it shall not have been duly paid, repaid, reimbursed or redeemed in full by the Issuer::

- (i) **first**, in or towards payment or discharge *pari passu*, *pro rata* and in full of any and all sums then due and payable by the Issuer, if any, under the Issuer Hedging Agreements (other than Hedging Termination Costs) and remaining unpaid at such date;
- (ii) **secondly**, after and subject to the full repayment of any and all sums referred to in (i) above, in or towards payment or discharge *pari passu*, *pro rata* and in full of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds and remaining unpaid at such date;
- (iii) **thirdly**, after and subject to the full repayment of any and all sums referred to in (i) and (ii) above, in or towards payment or discharge *pari passu*, *pro rata* and in full of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds and remaining unpaid at such date;
- (iv) **fourthly**, after and subject to the full repayment of any and all sums referred to in (i) to (iii) above, in or towards payment or discharge *pari passu*, *pro rata* and in full of any and all Hedging Termination Costs then due and payable by the Issuer and remaining unpaid at such date;
- (v) **fifthly**, after and subject to the full repayment of any and all sums referred to in (i) to (iv) above, in or towards payment or discharge *pari passu* and *pro rata* of any amounts then due and payable by the Issuer (and remaining unpaid at such date) to (a) the Administrator under Clauses 8, 9 and 10 of the Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing of the Borrower Collateral Security Assets would be carried out by this new servicer in accordance with Article L.515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;

- (vi) **sixthly**, after and subject to the full repayment of any and all sums referred to in (i) to (v) above, **in or** towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (vii) **seventhly**, after and subject to the full repayment of any and all sums referred to in (i) to (vi) above, in or towards payment or discharge *pari passu* and *pro rata* of the Senior Administrative and Tax Costs ; and
- (viii) **eighthly**, (a) after and subject to the full repayment of any and all sums referred to in (i) to (vii) above, in or towards payment *pari passu* and *pro rata* of any and all amounts due by the Issuer with respect to any and all enforcement proceeds surplus amounts remaining after enforcement of the Borrower Collateral Security subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement; and (b) after and subject to the full repayment of any and all sums referred to in (i) to (vii) above and any sums referred to in (a) above, in or towards payment *pari passu* and *pro rata* of any and all amounts due by the Issuer to any third parties (with respect to any dividend already voted and to be then distributed to the Issuer's shareholders, and interest, principal and other payments then due and payable under the Subordinated Loan).

## ORIGINATION OF THE HOME LOANS

The large majority of home loans originated by sales persons within HSBC France are originated pursuant to the rules described below.

### Pre-acceptance controls

In the first stage of the underwriting process, certain initial checks are performed on each prospective borrower. For each existing customer, the HSBC France's internal behavioural score (Basle II rating, using a scale from 1 to 10) is used. In addition, information on both existing customers and new-to-bank applicants are also collected from:

- (i) the French National Database on Household Credit Repayment Incidents (*Fichier des Incidents de Remboursement des Crédits aux Particuliers*), a central administration for consumer loans and home loans which is regulated by *Banque de France*; and
- (ii) the Central Cheque Register (*Fichier Central des Chèques*), a central administration for cheques held by the Banque de France.

If any prospective borrower or co-borrower is registered as having previously defaulted on their obligations under any loan or account, or if such borrower has an internal behavioural score of greater than 7, the application is declined.

If not, the relationship manager reviews the prospective borrower's income and expenses and collects information about the property to be financed. Prospective borrowers will be asked to provide proof of income, which may take the form of their last three payslips and, in some circumstances, their most recent year-end payslip and tax notice. In the case of existing customers, the relationship manager will also review activity on their existing accounts. Information and, where applicable, documentation will also be requested describing the property to be financed, the net personal contribution or down payment, the characteristics of the loan requested (amount, type, etc..) and the type of security (first ranking mortgage, *Crédit Logement* guarantee or third party guarantee). If a *Crédit Logement* guarantee is sought, a separate application process is prepared.

### Scoring

For each home loan, an automated application scoring model is used to assess the application. The existing model is used since 2004 and is tested and calibrated at least twice each year.

The main drivers of the model are:

- (i) socio-demographic information of the prospective borrower such as: age, marital status, number of dependants, time at employer and profession;
- (ii) financial information such as the applicant's debt ratio (*taux d'endettement*) and available income (*reste à vivre*), taking into account the applicant's personal circumstances;
- (iii) characteristics of the loan, such as the amount of the down payment, the loan-to-value, the term of the loan and any security or guarantees received; life insurance policies, and
- (iv) in the case of existing HSBC France customers, past loan and account history as indicated by the internal behavioural score described in "**Pre-acceptance controls**", above.

These characteristics are weighted according to their expected predictive power and an application score is then calculated. An expected loss given default ("LGD") is also calculated, primarily (but not solely) based on the security or guarantees to be received. The application score and LGD are inputted into a decision tree, which takes into account, amongst other things, the applicant's debt-to-income ratio, the term of the loan and the amount of the down payment. On this basis, the loan application is graded "Very good", "Good", "Neutral", "Poor quality" or "Reject".

## Acceptance

The final decision to grant or reject a loan is always made by a member of HSBC France staff with the requisite level of authority. Depending on the final grade of the application described above and the amount of the loan, amongst other things, the application decision will be made by the relationship manager on his own. If the application is beyond the relationship manager's authority, the decision will be made by either the director of the relevant branch or HSBC France's central retail underwriting department.

## Pre-funding controls

If accepted, the home loan request file is transmitted to the back office for processing. The back office checks that (i) all of the documents necessary for the funding of the home loan have been provided, (ii) the home loan complies with any applicable legal formalities and (iii) the information provided with respect to the customer and the property is consistent. The back office also liaises with the relevant notary public. The home loan offer may only be issued to the client once all the necessary documents have been obtained and the required conditions have been met. Upon the return of the offer signed by the client, the back office checks the validity of the acceptance (signatures, dates, etc.) and proceeds with the funding of the home loan to the notary public.

## Servicing

The servicing of the home loans - including acceptance of full or partial repayment, renegotiations of rates, rescheduling of principal repayments - is the responsibility of relationship managers or directors of branches, according to their decision-making powers and levels of authority, and is carried out by the back office. Key loan documents (including home loan offers, loan guarantees, copies of mortgage agreements and life insurance policies) are scanned and archived with a service provider.

## Delinquent loans

The relevant branch is responsible for notifying the back office of overdue payments, which processes the overdue payment and sends a reminder letter to the client. Upon the first overdue payment, the borrower's internal behavioural score is downgraded to 8.2. Once the borrower misses three consecutive payments, or fails to clear any arrears within six months, the loan is automatically designated as "doubtful" and the back office files a declaration to the *Fichier National des Incidents de Remboursement des Crédits aux Particuliers* of the *Banque de France*.

If the doubtful loan is guaranteed by *Crédit Logement*, the loan file is sent to *Crédit Logement*, which becomes responsible for servicing the home loan and is required to start to pay the relevant guaranteed amounts to HSBC France within one month. For the first 24 months, *Crédit Logement* can elect (i) either to pay only the borrower's contractual monthly payments or (ii) to pay all amounts outstanding under the loan on an accelerated basis. After 24 months, *Crédit Logement* is required to reimburse HSBC France for all amounts then outstanding under the loan (to the extent that the loan is fully guaranteed).

If the doubtful loan is not guaranteed by *Crédit Logement*, the client's file is jointly managed by the branch and the regional credit department (*pole crédit*). The assistance of the "Prevention Department" (*cellule Prévention – DAJF Réseau – PRAD*) of HSBC France may also be sought. Efforts are made to recover the arrear amounts without litigation. If these efforts are unsuccessful, all amounts due under the home loan are accelerated and the servicing of such home loan is transmitted to the Litigation Department (*DAJ Contentieux/Recouvrement*), which sits within HSBC France's Legal Department. This department is responsible for collecting proceeds by enforcing the mortgages, insurance and other security interest and and guarantees securing the repayment of the loan.

## THE HEDGING STRATEGY

The present section describes the hedging strategy (the "**Hedging Strategy**") to be implemented from time to time by the Issuer upon the occurrence of a Hedging Rating Trigger Event (as defined below) and/or any Borrower Event of Default (as defined under section "**The Borrower and the Borrower Facility Agreement**"), as applicable.

Pursuant to Articles L.515-18 and L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), any amounts payable by the Issuer under the derivative transactions described below will benefit, after any applicable netting, from the *Privilège*. Any Hedging Provider(s) will thus be qualified as Privileged Creditor(s).

### *Hedging strategy before the occurrence of a Hedging Rating Trigger Event and/or any Borrower Event of Default*

The Covered Bonds issued under the Programme may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Index Linked Covered Bonds (but subject to prior Rating Affirmation) or Zero Coupon Covered Bonds. Each Series of Covered Bonds will be denominated in any Specified Currency and may be Dual Currency Covered Bonds (see "Terms and Conditions of the Covered Bonds").

The proceeds from the issuance of the Covered Bonds under the Programme will be used by the Issuer to fund Borrower Advances to be made available to the Borrower under the Borrower Facility Agreement. The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the Covered Bonds funding such Borrower Advance, as further described hereunder and in the relevant Final Terms of Borrower Advance (see "The Borrower and the Borrower Facility Agreement").

The Issuer is therefore not exposed to any risk of an interest rate or currency mismatch arising between the payments received on the Borrower Advances and the payments to be made under the Covered Bonds. As a consequence, in the absence of any Hedging Rating Trigger Event (as defined below), the Issuer will have no obligation to hedge any interest rate or currency risk.

The determination of the currency and of the interest rate of each Series of Covered Bonds, as specified in each applicable Final Terms, shall be made by the Issuer regardless of the currencies in which the Borrower Collateral Security Assets are denominated and the interest rate conditions applicable, as the case may be, to such Borrower Collateral Security Assets (see "The Borrower Collateral Security").

Before the enforcement of the Borrower Collateral Security and in the absence of any Hedging Rating Trigger Event (as defined below), any interest rate or currency risk linked to the mismatch between the Borrower Collateral Security Assets and the Borrower Debt will be hedged according to the usual and current strategies and practices of HSBC France.

Upon enforcement of the Borrower Collateral Security following the enforcement of a Borrower Event of Default, and the transfer of the title to the Borrower Collateral Security Assets to the Issuer, the Issuer would need to have in place appropriate derivative transactions to hedge the currency and interest rate risks arising from such Borrower Collateral Security Assets.

### *Hedging Strategy upon the occurrence of a Hedging Rating Trigger Event*

In order to hedge any interest rate or currency risk arising from the mismatches between the terms and conditions of the Covered Bonds and the Borrower Collateral Security Assets, and therefore implement the Hedging Strategy of the Issuer described in the present section, the Issuer and the Borrower have agreed to execute the Hedging Approved Form Letter. The Hedging Strategy provides for the conclusion of three (3) sets of hedging agreements (the "**Hedging Agreements**"): and related hedging transactions (the "Hedging Transactions").

The first set of Hedging Agreements refers to the "Issuer Hedging Agreement(s) – Covered Bonds" (as defined below) to be entered into by the Issuer with Eligible Hedging Provider(s) (as defined below) upon the occurrence of a Hedging Rating Trigger Event (as defined below), in order to hedge any currency and/or interest rate risk borne by the Issuer in connection with any Series of Covered Bonds.

The second set of Hedging Agreements refers to the "Issuer Hedging Agreement(s) – Borrower Collateral Security" (as defined below) to be entered into by the Issuer with Eligible Hedging Provider(s) upon the occurrence of a Hedging Rating Trigger Event, in order to hedge any currency and/or interest rate risk borne by the Issuer in respect of the Borrower Collateral Security Assets.

The first and second sets of Hedging Agreements are defined as the "Issuer Hedging Agreements".

The third set of Hedging Agreements refers to the "Borrower Hedging Agreement(s)" (as defined below) to be entered into by the Issuer with the Borrower upon the occurrence of a Hedging Rating Trigger Event, and constitutes a back-to-back agreement with the two (2) sets of Issuer Hedging Agreement(s). It aims at transferring to the Borrower the effect of such Issuer Hedging Agreement(s) and related Hedging Transaction(s) (the "Issuer Hedging Transaction(s)"), until a Borrower Event of Default is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement.

Therefore, the Hedging Agreements shall hedge the amount of interest and principal payable by the Issuer under any relevant Series of Covered Bonds in the relevant Specified Currency against the interest rate and/or currency risk of the payments corresponding to the interest and principal in each relevant currency to be received by the Issuer under the Borrower Collateral Security Assets following the delivery of a Borrower Enforcement Notice.

The floating interest rate applicable to the Hedging Transactions will refer to Euribor (one (1) month) or, subject to prior Rating Affirmation, to any other index agreed by the Issuer (the "Permitted Index").

Upon the issuance of each Series of Covered Bonds and in accordance with the Calculation Services Agreement, the Issuer Calculation Agent shall communicate to the Issuer (with copy to the Borrower, the Administrator and the Rating Agencies) the margin (relative to Euribor (one (1) month) or the agreed Permitted Index) to be paid by the Issuer when hedging the interest and principal payable by it under such Series in the relevant Specified Currency, into variable rate flows denominated in Euros and indexed to Euribor (one (1) month) or the agreed Permitted Index (the "Covered Bonds Hedging Margin").

In accordance with the Calculation Services Agreement, at the end of each three (3) calendar months' period as from the Programme Date and before the occurrence of a Hedging Rating Trigger Event, the Issuer Calculation Agent shall communicate to the Issuer (with copy to the Borrower, the Administrator and the Rating Agencies) the average margin (relative to Euribor (one (1) month) or the agreed Permitted Index) to be received by the Issuer when hedging the interest and principal payable under the Borrower Collateral Security Assets in each relevant currency, into variable rate flows denominated in Euros and indexed to Euribor (one (1) month) or the agreed Permitted Index (the "Assets Hedging Margin").

Upon the occurrence of a Hedging Rating Trigger Event, the Issuer (or the Administrator on its behalf) will enter into with Eligible Hedging Provider(s):

- (i) one or more agreements (the "Issuer Hedging Agreement(s) – Borrower Collateral Security") and related Issuer Hedging Transaction(s), the effective date of which being the occurrence of such Hedging Rating Trigger Event, in order to hedge any currency and/or interest rate risk it will bear in respect of the Borrower Collateral Security Assets, substantially in the relevant Approved Form (or, when legally required, its equivalent under the FBF (*Fédération Bancaire Française*) standard form) and in substance acceptable to the Rating Agencies. The Hedging Transactions entered into under the Issuer Hedging Agreement(s) – Borrower Collateral Security will swap the payments to be received under the Borrower Collateral Security Assets to Euro/EURIBOR (one (1) month) or any other Permitted Index; and
- (ii) one or more agreements (the "Issuer Hedging Agreement(s) – Covered Bonds" and related Issuer Hedging Transaction(s), the effective date of which being the occurrence of such Hedging Rating Trigger Event, in order to hedge any currency and/or interest rate risk it will bear in respect of the Covered Bonds, substantially in the relevant Approved Form (or, when legally required, its equivalent under the FBF (*Fédération Bancaire Française*) standard form) and in substance acceptable to the Rating Agencies. The Hedging Transactions entered into under the Issuer Hedging Agreement(s) – Covered Bonds will swap the Issuer's obligations under each Series of Covered Bonds to Euro / EURIBOR (one (1) month) or the Permitted Index agreed in respect of the Hedging Transactions entered into under the Issuer Hedging Agreement(s) – Borrower Collateral Security.

In addition, the Issuer and the Borrower have undertaken to enter into, upon the occurrence of a Hedging Rating Trigger Event, one or more agreements (the "Borrower Hedging Agreement(s)") and related Hedging Transaction(s) (the "Borrower Hedging Transaction(s)"), the effective date of which being the occurrence of

such Hedging Rating Trigger Event, substantially in the relevant Approved Form (or, when legally required, its equivalent under the FBF (Fédération Bancaire Française) standard form) and in substance acceptable to the Rating Agencies, in order to transfer to the Borrower the effect of the two (2) sets of Issuer Hedging Agreement(s) and related Issuer Hedging Transaction(s), until a Borrower Event of Default is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement. Under the Borrower Hedging Transactions, the Issuer will receive amounts equal to its payment obligations under the Issuer Hedging Transactions and will pay amounts equal to the amounts it receives under the Issuer Hedging Transactions.

The financial conditions of the Hedging Agreements shall be determined so that (a) the margin payable by the Issuer under the Issuer Hedging Agreement(s) related to a Series of Covered Bonds is no more than the Covered Bonds Hedging Margin calculated for such Series and (b) the margin received by the Issuer under the Issuer Hedging Agreement(s) related to the Borrower Collateral Security Assets is at least as much as the last communicated Assets Hedging Margin.

Depending on the market conditions prevailing at the time the Hedging Agreements are transacted, each Hedging Transaction may be "in the money" or "out of the money" from the Issuer's standpoint. As a result, the Issuer (i) will be required to pay to, or will receive from, the relevant Eligible Hedging Provider(s) under each Issuer Hedging Transaction a premium (*soulte*) (such premium will in particular take into account any sums to be paid (if any) given the prevailing market conditions to allow the Issuer Hedging Transactions to be transacted at the relevant Covered Bonds Hedging Margin and the Assets Hedging Margin) and (ii) will receive from, or pay to, the Borrower a corresponding amount under the relevant Borrower Hedging Transaction(s). In accordance with the Calculation Services Agreement, the Issuer Calculation Agent shall calculate and communicate to the Issuer (with copy to the Borrower, the Administrator and the Rating Agencies) the amount of each such premium (*soulte*).

In any case, all sums to be received by the Issuer under the Issuer Hedging Transactions as from the occurrence of a Borrower Event of Default which is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement (and thus the termination of the Borrower Hedging Agreement(s) as described in paragraph "**Hedging Strategy upon the occurrence of a Borrower Event of Default**" below) until the Final Maturity Date of the last Series of Covered Bonds shall exceed at any payment date under the Issuer Hedging Transactions, all sums to be paid by the Issuer under such Issuer Hedging Transactions, together with any costs and expenses relating thereto, if any.

If notwithstanding the payment of the premiums (*soulttes*) referred above, the Issuer still has to bear costs and expenses when it negotiates and/or enters into any Hedging Agreements and/or related Hedging Transactions to comply with any of the conditions referred to above, the Borrower has undertaken to pay any such costs and expenses.

In addition, the Issuer and the Borrower have undertaken that any costs and/or expenses to be paid in relation to any Hedging Agreements and/or related Hedging Transactions shall be paid, unless otherwise agreed, at a payment date under the applicable Hedging Transaction.

Upon the occurrence of a Hedging Rating Trigger Event, (i) any failure by the Issuer (or the Administrator on its behalf) to enter into (a) appropriate Issuer Hedging Agreements and related Issuer Hedging Transactions with Eligible Hedging Provider(s) or (b) Borrower Hedging Agreement(s) and related Borrower Hedging Transaction(s) with the Borrower, within thirty (30) calendar days from the date of occurrence of the relevant Hedging Rating Trigger Event constitutes the occurrence of an Issuer Event of Default (see "Terms and Conditions of the Covered Bonds") and a Borrower Event of Default (see "The Borrower and the Borrower Facility Agreement – The Borrower Facility Agreement") and (ii) any failure by the Borrower (a) to enter into appropriate Borrower Hedging Agreement(s) and related Borrower Hedging Transaction(s) with the Issuer, within thirty (30) calendar days from the date of occurrence of the relevant Hedging Rating Trigger Event or (b) to pay any costs and expenses referred to above constitutes the occurrence of a Borrower Event of Default.

Each Hedging Agreement will provide that all amounts to be paid by the Issuer under such Hedging Agreement will be paid according to the relevant Priority Payment Order, as described in Condition 15 of the Terms and Conditions. In particular, upon the termination of a Hedging Agreement, the Issuer or the Borrower or any relevant Eligible Hedging Provider(s), as applicable, may be liable to pay any hedging termination costs to the other party in accordance with the provisions of the relevant Hedging Agreement. Such hedging termination costs, when to be paid by the Issuer and provided that the amount of such costs has not been reduced to zero (0) in accordance with the provisions of the relevant Hedging Agreement, shall be subordinated to payments under the Covered Bonds if resulting from an event of default in respect of which the relevant hedge counterparty of the Issuer is the defaulting party or from any termination event in



respect of which the hedge counterparty of the Issuer is the affected party, as described in section "**Cash Flow –Priority Payment Orders**".

Pursuant to the terms of the Hedging Agreements, in the event that the relevant ratings of the Eligible Hedging Provider(s) (or its respective guarantor, as applicable) (the "**Hedging Provider**") is or are downgraded by a Rating Agency below the required ratings specified in the relevant Hedging Agreement and, where applicable, the relevant Hedging Provider will, in accordance with and pursuant to the terms of the relevant Hedging Agreement, be required to take certain remedial measures which may include one (1) or more of the following: (i) providing collateral for its obligations under the relevant Hedging Agreement; (ii) arranging for its obligations under the relevant Hedging Agreement to be transferred to a replacement hedging provider with the ratings required by the Rating Agencies (as specified in the relevant Hedging Agreement); (iii) procuring another entity with the ratings agreed with the relevant Rating Agency (as specified in the relevant Hedging Agreement) to become co-obligor in respect of its obligations under the relevant Hedging Agreement; and/or (iv) taking such other actions as the relevant Hedging Provider may agree with the relevant Rating Agency.

Each Issuer Hedging Agreement may be terminated in accordance with certain termination events and events of default. An Issuer Event of Default will not constitute a termination event under any Issuer Hedging Agreement.

Each Borrower Hedging Agreement may be terminated in accordance with certain termination events and events of default. In particular, a Borrower Event of Default which is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement constitutes the occurrence of a termination event under a Borrower Hedging Agreement but does not constitute the occurrence of a termination event under an Issuer Hedging Agreement.

*Hedging Strategy upon the occurrence of a Borrower Event of Default*

Upon the occurrence of a Borrower Event of Default which is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, and the subsequent transfer in favour of the Issuer of title to the Home Loan Receivables (and related Home Loans Security) following an enforcement of the Borrower Collateral Security:

- (a) the Issuer will maintain its rights and obligations under the existing Issuer Hedging Agreements;
- (b) the Borrower Hedging Agreement(s) will be immediately terminated.

For the purposes of this section:

"**Approved Form**" means a 1992 (Multicurrency - Cross Border) or 2002 ISDA Master Agreement (including its schedule), credit support document and confirmation governed thereby or, as the case may be, a 2001 or 2007 FBF Master Agreement relating to transactions on forward financial instruments (including its schedule), collateral annex and confirmation governed thereby, in a form agreed by the Issuer and the Borrower pursuant to the Hedging Approved Form Letter or as otherwise agreed subject to prior Rating Affirmation.

"**Eligible Hedging Provider**" means a financial institution which meets the following conditions:

- such financial institution is permitted under any applicable and relevant law to enter into derivative contracts with French residents; and
- (i) the rating of its senior unsecured, unsubordinated and unguaranteed debt obligations is at least a Hedging Required Rating, or (ii) the rating of the senior unsecured, unsubordinated and unguaranteed debt obligations of its guarantor under the relevant Hedging Agreement is at least a Hedging Required Rating, or (iii) this financial institution has provided collateral for its obligations under the relevant Hedging Agreement and taken any remedial action as agreed with the relevant Rating Agencies.

"**Hedging Approved Form Letter**" means the letter agreement dated on or prior the Programme Date entered into between HSBC SFH (France) and HSBC France in order to implement the Hedging Strategy of the Issuer and pursuant to which the Issuer and the Borrower agree on the Approved Form of the Hedging Agreements.

**"Hedging Rating Trigger Event"** means the event in which the senior unsecured, unsubordinated and unguaranteed debt obligations of HSBC France become rated below A-1(short term) by S&P or or A2 (long term) by Moody's.

**"Hedging Required Rating"** means, as regards any Eligible Hedging Provider or, as applicable, its guarantor under the relevant Hedging Agreement in relation to the hedging of currency risks, interest risks and other risks, A-1 (short-term) by S&P and P-1 (short-term) and A2 (long-term) by Moody's.

## TAXATION

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will only include French law Covered Bonds, in the following section.*

*The following is a summary limited to certain tax considerations in France and in the Grand-Duchy of Luxembourg relating to the payments made in respect of the Covered Bonds that may be issued under the Programme and specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in France and in the Grand Duchy of Luxembourg as of the date of this Base Prospectus and as applied by the tax authorities, all of which are subject to changes or to different interpretation. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Covered Bonds. Each prospective holder or beneficial owner of Covered Bonds should consult its tax advisor as to the tax consequences of any investment in or ownership and disposal of the Covered Bonds in light of its particular circumstances.*

### EU Savings Directive

On 3 June 2003, the European Union adopted the Directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Directive**"). The Directive requires Member States as from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income within the meaning of the Directive made by a paying agent located within its jurisdiction to (or, under certain circumstances, to the benefit of) a beneficial owner (within the meaning of the Directive) resident in another Member State, except Luxembourg and Austria will instead impose a withholding system for a transitional period unless the beneficiary of the interest payment elects for the exchange of information. The rate of this withholding tax is currently 35%.

If a payment in respect of the Covered Bonds were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a paying agent, the Issuer will be required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of individuals.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### France

- 1 Pursuant to the French "*loi de finances rectificative pour 2009 n° 3*" (no. 2009-1674 dated 30 December 2009) (the "**Law**"), payments of interest and other revenues made by the Issuer with respect to Covered Bonds (other than Covered Bonds (described below) which are assimilated (*assimilables* for the purpose of French law) and form a single series with Covered Bonds issued before 1 March 2010 having the benefit of Article 131 *quater* of the French General Tax Code (*Code général des impôts*)) will not be subject to the withholding tax set out under Article 125 A III of the French General Tax Code (*Code général des impôts*) unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French General Tax Code (*Code général des impôts*) (a "**Non-Cooperative State**"). If such payments under the Covered Bonds are made in a Non-Cooperative State, a 50% withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French General Tax Code (*Code général des impôts*).

Furthermore, interest and other revenues on such Covered Bonds are not deductible from the Issuer's taxable income, if they are paid or accrued to persons established in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Article 109 of the French

General Tax Code (*Code général des impôts*), in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* of the French General Tax Code (*Code général des impôts*), at a rate of 30% or 55%.

Notwithstanding the foregoing, the Law provides that neither the 50% withholding tax nor the non-deductibility will apply in respect of a particular issue of Covered Bonds if the Issuer can prove that the principal purpose and effect of such issue of Covered Bonds was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to the ruling (*rescrit*) no. 2010/11 (FP and FE) of the *Direction générale des impôts* dated 22 February 2010, an issue of Covered Bonds will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of Covered Bonds if such Covered Bonds are:

- (a) offered by means of a public offer within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) or pursuant to an equivalent offer in a state or territory other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
  - (b) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
  - (c) admitted, at the time of their issue, to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French Monetary and Financial Code, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.
2. Payments of interest and other revenues with respect to Covered Bonds which are assimilated (*assimilables* for the purpose of French law) and form a single series with Covered Bonds, issued (or deemed issued) outside France as provided under Article 131 *quater* of the French General Tax Code (*Code général des impôts*), before 1 March 2010, will continue to be exempt from the withholding tax set out under Article 125 A III of the French General Tax Code (*Code général des impôts*).

Covered Bonds issued before 1 March 2010, whether denominated in Euro or in any other currency, and constituting *obligations* under French law, or *titres de créances négociables* within the meaning of rulings (*rescrits*) no. 2007/59 (FP) and 2009/23 (FP) of the *Direction générale des impôts* dated 8 January 2008 and 7 April 2009, respectively, or other debt securities issued under French or foreign law and considered by the French tax authorities as falling into similar categories, are deemed to be issued outside the Republic of France for the purpose of Article 131 *quater* of the French General Tax Code (*Code général des impôts*), in accordance with Circular 5 I-11-98 of the *Direction générale des impôts* dated 30 September 1998 and the aforementioned rulings (*rescrits*) no. 2007/59 (FP) and 2009/23 (FP).

In addition, interest and other revenues paid by the Issuer on Covered Bonds which are to be assimilated (*assimilables* for the purpose of French law) and form a single series with Covered Bonds issued before 1 March 2010 will not be subject to the withholding tax set out in Article 119 *bis* of the French General Tax Code (*Code général des impôts*) solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

### **Directive**

The Directive has been implemented in French law by Article 242 *ter* of the French General Tax Code (*Code général des impôts*) and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to French General Tax Code (*Code général des impôts*). Article 242 *ter* of the French General Tax Code (*Code général des impôts*), imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

## SUBSCRIPTION AND SALE

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will only include French law Covered Bonds and the expression "Bondholders" includes any holder of such French law Covered Bonds, in the following section.*

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 4 May 2012 between the Issuer, the Arranger and the Permanent Dealer (the "**Dealer Agreement**"), the Covered Bonds will be offered by the Issuer to the Permanent Dealer. However, the Issuer has reserved the right to sell Covered Bonds directly on its own behalf to Dealers that are not the Permanent Dealer. The Covered Bonds may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer(s). The Covered Bonds may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Covered Bonds to be issued in syndicated Tranches that are jointly and severally underwritten by two (2) or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Covered Bonds subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealers have agreed to indemnify the Issuer against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Covered Bonds in certain circumstances prior to payment for such Covered Bonds being made to the Issuer.

### Selling Restrictions

#### General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers in particular following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Covered Bonds to which it relates or in a supplement to this Base Prospectus.

Each Dealer shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefore.

#### European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus, as completed by the Final Terms in relation thereto, to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC of 4 November 2003 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU of 24 November 2010.

With regard to any German law Covered Bond, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of German law Covered Bonds to the public in any relevant jurisdiction, except for offerings in compliance with all laws, regulations and directives applicable to the offering of the German law Covered Bonds in the relevant jurisdiction which may differ from the laws, regulations and directives applicable to the offering of securities in such jurisdiction.

#### **France**

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Covered Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L. 411-1, L. 411-2 and D. 411-1 to D. 411-3 of the French Monetary and Financial Code (*Code monétaire et financier*).

#### **Germany**

No Base Prospectus nor any prospectus within the meaning of the German Sales Prospectus Act (*Verkaufsprospektgesetz*) or the German Investment Product Act (*Vermögensanlagengesetz*) entering into force on 1 June 2012 has been, nor will be, published in Germany or filed with the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) with regard to any Covered Bond.

Covered Bonds may not be offered, sold or delivered, and will not be offered, sold or delivered, directly or indirectly to the public in Germany, except in compliance with all applicable laws, in the case of German law Covered Bonds in particular the exemptions from the prospectus requirement under Section 8f (1) of the German Sales Prospectus Act or, as of 1 June 2012, the exemptions from the prospectus requirement under Section 2 of the German Investment Product Act.

The Issuer assumes no responsibility and makes no representation regarding the suitability of Covered Bonds including, without limitation, German law Covered Bonds as an investment product for any investor. In particular, the Issuer assumes no responsibility for the eligibility of any Covered Bonds as investment for any Bondholder domiciled in Germany and subject to particular regulatory requirements with regard to its investments, including, without limitation, insurance companies, pension funds, credit institutions and investment funds. Unless explicitly stated otherwise in the Terms and Conditions or the Final Terms, no reference therein to particular German law regulatory requirements implies or may be construed to imply any representation or warranty by the Issuer as to the suitability of the relevant Covered Bond for the Bondholder.

## The Netherlands

Each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any Covered Bonds other than to persons who trade or invest in securities in the conduct of a profession or business which includes banks, stock brokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises.

## Italy

Each of the Dealers represents and agrees that this Base Prospectus has not been, nor will be, published in the Republic of Italy in connection with the offering of Covered Bonds and such offering of Covered Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**Consob**") in the Republic of Italy pursuant to Legislative Decree no. 58 of 24 February 1998 as amended (the "**Financial Services Act**") and to Consob Regulation no. 11971 of 14 May 1999, as amended (the "**Issuers Regulation**") and, accordingly, no Covered Bond may be offered, sold, transferred or delivered, and will not be offered, sold, transferred or delivered, directly or indirectly, in the Republic of Italy in an offer to the public, nor may, or will, copies of this Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 34-ter, paragraph 1(b) of the Issuers Regulation; or
- (b) in other circumstances which are exempted from the rules on offers to the public pursuant to, and in compliance with, the conditions set out in Article 100 of the Financial Services Act and its implementing regulations, including Article 34-ter, first paragraph, of the Issuers Regulation.

Moreover, and subject to the foregoing, each of the Dealers represents and agrees that any offer, sale, transfer or delivery of Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must, and will, be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and, in particular, will be made:

- (a) by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Consob Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and
- (b) in compliance with any other notification requirement and/or limitation which may be, from time to time, imposed by Consob, the Bank of Italy and/or any other Italian authority.

Any investor purchasing Covered Bonds in the offering is solely responsible for ensuring that any offer or resale of Covered Bonds it purchased in the offering occurs in compliance with applicable Italian laws and regulations. No person resident or located in the Republic of Italy other than the original addressees of this Base Prospectus may rely on this Base Prospectus or its content.

## United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Covered Bonds which have a maturity of less than one (1) year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

### **Japan**

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "FIEA") and each of the Dealers has represented and agreed that it will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly in Japan or to a resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **United States of America**

The Covered Bonds have not been and will not be registered under the Securities Act, and subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons as defined under Regulation S. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell the Covered Bonds of any identifiable Tranche within the United States, except as permitted by the Dealer Agreement.

Materialised Covered Bonds in bearer form having a maturity of more than one (1) year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 as amended, and regulations thereunder.

In addition, until forty (40) days after the commencement of the offering of any identifiable Tranche, an offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Covered Bonds outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Covered Bonds, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.



**FORM OF FINAL TERMS**

*(This form of Final Terms will only apply to the French law Covered Bonds. The form of final terms applicable to the German law Covered Bonds is included in the Agency Agreement)*

**Final Terms dated [ ● ]**



**HSBC SFH (France)**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]  
under the € 8,000,000,000 Covered Bond Programme

Issue Price: [ ● ] per cent.

[Name(s) of Dealer(s)]

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 4 May 2012 which received visa no. 12-192 from the *Autorité des marchés financiers* ("**AMF**") in France on 4 May 2012 [and the supplement to the Base Prospectus dated [●]] which received visa no. [●] from the AMF on [●]] which [together] constitute[s] a base prospectus for the purposes of article 5.4 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 [, as amended by Directive 2010/73/UE] (the "**Prospectus Directive**").

This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [, the supplement to the Base Prospectus] and these Final Terms are available for viewing on the websites of (a) the AMF (www.amf-france.org) and (b) HSBC France (www.hsbc.fr) and during normal business hours at the registered office of the Issuer and at the specified office of the Paying Agent(s) where copies may be obtained.[In addition<sup>1</sup>, the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [on/at] [●].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]] ([together] the "**Original Base Prospectus**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 [, as amended by Directive 2010/73/UE] (the "**Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 4 May 2012 which received visa no. 12-192 from the *Autorité des marchés financiers* ( the "**AMF**") in France on 4 May 2012 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Current Base Prospectus**"), save in respect of the Conditions which are extracted from the Original Base Prospectus and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Original Base Prospectus and the Current Base Prospectus. The [Original Base Prospectus, the] Current Base Prospectus and these Final Terms are available for viewing on the websites of (a) the AMF (www.amf-france.org) and (b) HSBC France (www.hsbc.fr) and during normal business hours at the registered office of the Issuer and at the specified office of the Paying Agent(s) where copies may be obtained.. [In addition<sup>2</sup>, the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [on/at] [●].]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a forty-eight (48)-hour time period.]*

- |    |                               |  |
|----|-------------------------------|--|
| 1. | <b>Issuer:</b>                | HSBC SFH (France)  |
| 2. | [(i)] <b>Series Number:</b>   | [●]  |
|    | [(ii)] <b>Tranche Number:</b> | [●]  |
|    |                               | (If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible).] |

<sup>1</sup> If the Covered Bonds are admitted to trading on a Regulated Market other than the Luxembourg Stock Exchange.

<sup>2</sup> If the Covered Bonds are admitted to trading on a Regulated Market other than the Luxembourg Stock Exchange.

3. **Specified Currency or Currencies:** [ ● ]
4. **Aggregate Nominal Amount of Covered Bonds:** [ ● ]  
 [(i) Series: [ ● ]  
 [(ii) Tranche: [ ● ]]
5. **Issue Price:** [ ● ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. **Specified Denominations:** [ ● ] (*one (1) denomination only for Dematerialised Covered Bonds*) (*Not less than €100,000 or its equivalent in other currency at the Issue Date, when the Covered Bonds are admitted to trading on a Regulated Market in circumstances which require the publication of a prospectus under the Prospectus Directive*)<sup>3</sup>
7. (i) **Issue Date:** [ ● ]  
 (ii) **Interest Commencement Date:** [Specify/Issue Date/Not Applicable]
8. **Final Maturity Date:** [Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]  
**Extended Final Maturity Date:** [Applicable/Not Applicable] [If applicable specify date]
9. **Interest Basis:** [[ ● ] per cent. Fixed Rate]  
 [[EURIBOR, EONIA, LIBOR, CMS, TEC or other] +/- [ ● ] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Other (specify)]  
 (*further particulars specified below*)
10. **Redemption/Payment Basis:** [Redemption at par]<sup>4</sup>  
 [Index Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Instalment]  
 [Other (specify)]  
 (*further particulars specified below*)
11. **Change of Interest or Redemption/Payment Basis:** [Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/ payment basis]

<sup>3</sup> Covered Bonds denominated in Sterling in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitute a contravention of section 19 of FSMA and having a maturity of less than one year must have a minimum denomination of Sterling 100,000 (or its equivalent in other currencies).

<sup>4</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €100,000 or more. Where Annex XII is not applicable but income on the Covered Bonds is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

12. **Put/Call Options:** [Bondholder Put]  
[Issuer Call]  
[(further particulars specified below)]  
[other option: specify details]
13. (i) **Status of the Covered Bonds:** Senior
- (ii) **Date of Board approval for issuance of Covered Bonds obtained:** [●]
14. **Method of distribution:** [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Covered Bond Provisions:** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) **Rate[(s)] of Interest:** [●] per cent. per annum [payable [annually / semi-annually / quarterly / monthly / other (specify)] in arrear]
- (ii) **Interest Payment Date(s):** [●] in each year [where applicable: adjusted pursuant to the [specify applicable Business Day Convention]]
- (iii) **Fixed Coupon Amount[(s)]:** [●] per [●] in Specified Denomination
- (iv) **Broken Amount(s):** [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]
- (v) **Day Count Fraction:** [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) **[Determination Dates:** [●] in each year  
(insert regular Interest Payment Dates, ignoring Issue Date or Final Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]
- (vii) **Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:** [Not Applicable/give details]
16. **Floating Rate Covered Bond Provisions:** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) **Interest Period(s):** [●]
- (ii) **Specified Interest Payment Dates:** [●]
- (iii) **First Interest Payment Date:** [●]
- (iv) **Interest Period Date:** [●] [Interest Payment Date / Other (specify)]
- (v) **Business Day Convention:** [Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]  
[Insert "unadjusted" if the application of the

*relevant Business Day Convention is not intended to affect the Interest Amount]*

- (vi) Business Centre(s) (Condition 6(a)): [ ● ]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [ ● ]
- (ix) Screen Rate Determination: [Applicable/Not Applicable]
- Benchmark: [ ● ] *(specify Benchmark [EURIBOR, EONIA, LIBOR, CMS, TEC or other] and months [e.g. EURIBOR 3 months]) (additional information if necessary)*
  - Relevant Time: [ ● ]
  - Interest Determination Date(s): [ ● ]
  - Primary Source: [*Specify relevant screen page or "Reference Banks"*]
  - Reference Banks (if Primary Source is "Reference Banks"): [*Specify four*]
  - Relevant Financial Centre: [*The financial centre most closely connected to the benchmark - specify if not Paris*]
  - Representative Amount: [*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
  - Effective Date: [*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
  - Specified Duration: [*Specify period for quotation if not duration of Interest Accrual Period*]
- (x) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: [ ● ]
  - Designated Maturity: [ ● ]
  - Reset Date: [ ● ]
  - ISDA Definitions : [2000 ISDA Definitions/2006 ISDA Definitions]
- (xi) Margin(s): [ +/- ] [ ● ] per cent. per annum
- (xii) Minimum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]

- (xiii) Maximum Rate of Interest: [Not Applicable/[●] per cent. per annum]
- (xiv) Day Count Fraction: [●]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions: [●]
- 17. Zero Coupon Covered Bond Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Amortisation Yield: [●] per cent. per annum
- (ii) Day Count Fraction: [●]
- (iii) Any other formula/basis of determining amount payable: [●]
- 18. Index-Linked Interest Covered Bond/other variable-linked interest Covered Bond Provisions<sup>5</sup>:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [●][give name and address]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Interest Determination Date(s): [●]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (vi) Interest or Calculation Period(s): [●]
- (vii) Specified Interest Payment Dates: [●]

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<sup>5</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €100,000 or more. Where Annex XII is not applicable but income on the Covered Bonds is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

- |            |  |  |
|------------|--|--|
| (viii)     | Business Day Convention:   | [Floating Rate Business Day Convention/<br>Following Business Day Convention/Modified<br>Following Business Day Convention/Preceding<br>Business Day Convention/other ( <i>give details</i> )] |
| (ix)       | Business Centre(s):  | [ ● ]  |
| (x)        | Minimum Rate of Interest:  | [Not Applicable/[ ● ] per cent. per annum]   |
| (xi)       | Maximum Rate of Interest:  | [Not Applicable/[ ● ] per cent. per annum]   |
| (xii)      | Day Count Fraction:  | [ ● ]  |
| <b>19.</b> | <b>Dual Currency Covered Bond Provisions<sup>6</sup>:</b>  | [Applicable/Not Applicable]<br><i>(If not applicable, delete the remaining sub-<br/>paragraphs of this paragraph)</i>  |
| (i)        | Rate of Exchange/Method of<br>calculating Rate of Exchange:  | <i>[give details]</i>  |
| (ii)       | Party, if any, responsible for calculating<br>the principal and/or interest due (if not<br>the Calculation Agent): | [ ● ] <i>[give name and address]</i>   |
| (iii)      | Provisions applicable where calculation<br>by reference to Rate of Exchange<br>impossible or impracticable:        | <i>[Need to include a description of market<br/>disruption or settlement disruption events and<br/>adjustment provisions]</i>  |
| (iv)       | Person at whose option Specified<br>Currency(ies) is/are payable:  | [ ● ]  |
| (v)        | Day Count Fraction:  | [ ● ]  |

## PROVISIONS RELATING TO REDEMPTION

- |            |  |   |
|------------|--|---|
| <b>20.</b> | <b>Call Option:</b>  | [Applicable/Not Applicable]<br><i>(If not applicable, delete the remaining sub-<br/>paragraphs of this paragraph)</i> |
| (i)        | Optional Redemption Date(s):   | [ ● ]   |
| (ii)       | Optional Redemption Amount(s) of<br>each Covered Bond and method, if any,<br>of calculation of such amount(s): | [ ● ] per Covered Bond of [ ● ] specified<br>denomination   |
| (iii)      | If redeemable in part:   |   |
|            | (a) Minimum Redemption Amount:   | [ ● ]   |
|            | (b) Maximum Redemption Amount:   | [ ● ]   |

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<sup>6</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €100,000 or more. Where Annex XII is not applicable but income on the Covered Bonds is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

- (iv) Option Exercise Date [ ● ]
- (v) Notice period<sup>7</sup>: [ ● ]
- 21. Put Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ● ]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [ ● ] per Covered Bond of [ ● ] specified denomination
- (iii) Option Exercise Date [ ● ]
- (iv) Notice period<sup>8</sup>: [ ● ]
- 22. Final Redemption Amount of each Covered Bond<sup>9</sup>:** [[ ● ] per Covered Bond of [ ● ] specified denomination / Specified Denomination/Other *(Specify)*]
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: *[give or annex details]*
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [ ● ] *[give name and address]*
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ● ]
- (iv) Determination Date(s): [ ● ]
- (v) Provisions for determining Final Redemption Amount where calculation

<sup>7</sup> If setting notice periods which are different to those provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

<sup>8</sup> If setting notice periods which are different to those provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

<sup>9</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €100,000 or more. Where Annex XII is not applicable but income on the Covered Bonds is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.



- by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ● ]
- (vi) Payment Date: [ ● ]
- (vii) Minimum Final Redemption Amount: [ ● ]
- (viii) Maximum Final Redemption Amount: [ ● ]
- 23. Redemption by Instalments:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Instalment Amount(s): [ ● ]
- (ii) Instalment Date(s): [ ● ]
- (iii) Other terms relating to Redemption by Instalments: [Not Applicable/give details]
- 24. Early Redemption Amount:**
- Early Redemption Amount(s) of each Covered Bond payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same and/or any other terms (if required or if different from that set out in Condition 7): [ ● ]

#### GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

- 25. Form of Covered Bonds:** [Dematerialised Covered Bonds/ Materialised Covered Bonds] (Materialised Covered Bonds are only in bearer form)  
*[Delete as appropriate]*
- (i) Form of Dematerialised Covered Bonds: [Not Applicable / if Applicable specify whether bearer form (*au porteur*) / registered form (*au nominatif*)]
- (ii) Registration Agent: [Not Applicable/if applicable give name and address] (Note that a Registration Agent must be appointed in relation to Fully Registered Dematerialised Covered Bonds only)
- (iii) Temporary Global Certificate: [Not Applicable/Temporary Global Certificate exchangeable for Definitive Materialised Covered Bonds on [ ● ] (the "Exchange Date"), being forty (40) days after the Issue Date subject to postponement as specified in the Temporary Global Certificate]

26. **Financial Centre(s) or other special provisions relating to payment dates for the purposes of Condition 8(g):** [Not Applicable/Give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 15 (ii), 16(iv) and 18(ix) relate]
27. **Talons for future Coupons or Receipts to be attached to Definitive Materialised Covered Bonds (and dates on which such Talons mature):** [Yes/No/Not Applicable. If yes, give details] (Only applicable to Materialised Covered Bonds)
28. **Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment:** [Not Applicable/give details]
29. **Details relating to Instalment Covered Bonds: amount of each instalment, date on which each payment is to be made:** [Not Applicable/give details]
30. **Redenomination, renominalisation and reconventioning provisions:** [Not Applicable/The provisions [in Condition 2(d)] [annexed to these Final Terms] apply]
31. **Consolidation provisions:** [Not Applicable/The provisions [in Condition 16(b)] [annexed to these Final Terms] apply]
32. **Other final terms:** [Not Applicable/give details]  
(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

**DISTRIBUTION**

33. (i) **If syndicated, names of Managers:** [Not Applicable/give names]
- (ii) **[Date of subscription agreement:** [●]<sup>10</sup>
- (iii) **Stabilising Manager(s) (if any):** [Not Applicable/give name]

<sup>10</sup>

Required only for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

34. **If non-syndicated, name of Dealer:** [Not Applicable/*give name*]
354. **Additional selling restrictions:** [Not Applicable/*give details*]
36. **U.S. selling restrictions:** [The Issuer is Category 1 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.]  
[TEFRA C/ TEFRA D/ TEFRA not Applicable]  
(*TEFRA are not applicable to Dematerialised Covered Bonds*)

#### GENERAL

The aggregate principal amount of Covered Bonds issued has been translated into Euro at the rate of [ ● ] per cent. producing a sum of: [ ● ]

#### [PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the [*specify relevant regulated market*] of the Covered Bonds described herein pursuant to the Euro 8,000,000,000 Covered Bond Programme of HSBC SFH (France).]

#### RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [(*Relevant third party information*)] has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]<sup>11</sup>

Signed on behalf of HSBC SFH (France):

By: .....

Duly authorised

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<sup>11</sup> Include if third party information is provided, for example in compliance with Annex XII of the Prospectus Directive Regulation in relation to an index of its components, an underlying security or the issuer of an underlying security.

## PART B – OTHER INFORMATION

### 1. ISSUE SPECIFIC RISK FACTORS

*[Not Applicable / Insert any risk factors that are material to the Covered Bonds being admitted to trading in order to assess the market risk associated with the Covered Bonds and that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds which are not covered under "Risk Factors" in the Base Prospectus. If any such additional risk factors need to be included consideration should be given as to whether they constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

### 2. LISTING AND ADMISSION TO TRADING

- (i) Listing(s): [Euronext Paris - other (*specify*)/None]
- (ii) (a) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market*] with effect from [●].][Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market*] with effect from [●].] [Not Applicable]  
*(Where documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)*
- (b) Regulated Markets or equivalent markets on which, to the knowledge of the Issuer, securities of the same class of the Covered Bonds to be admitted to trading are already admitted to trading: [●]
- (iii) Estimate of total expenses related to admission to trading: [●]
- (iv) Additional publication of Base Prospectus and Final Terms: [●] *(See paragraph 10 of the section "**General Information**" of this Base Prospectus which provides that the Base Prospectus and Final Terms will be published on the website of the AMF at least during a period of twelve (12) months from the date of the Base Prospectus and that the Final Terms related to Covered Bonds on any Regulated Market will be published on the website of the AMF. Please provide for additional methods of publication in respect of an admission to trading on a regulated market other than Euronext Paris.)*

### 3. RATINGS

Ratings:

The Covered Bonds to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[[Other]: [●]]

[[Each of [●], [●] and] [●] is established in the European Union, is registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**") and is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu) in accordance with CRA Regulation.]

[[Each of [●], [●] and] [●] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, as amended, although the result of such applications has not been determined.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"), but is endorsed by [*insert credit rating agency*] which is established in the European Union, registered under the CRA Regulation and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu) in accordance with CRA Regulation.]

[[Each of [●], [●] and] [●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, as amended.]

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 4. [NOTIFICATION]

The AMF, which is the French competent authority for the purposes of the Prospectus Directive [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

#### **SPECIFIC CONTROLLER**

The specific controller (*contrôleur spécifique*) of the Issuer has certified that the value of the assets of the Issuer will be greater than the value of its liabilities benefiting from the *privilège* defined in Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), after settlement of this issue.

See attached "Specific Controller's Certificate relating to the quarterly issuance Programme for the [●] quarter of [●]" [and, "Specific Controller's Certificate relating to the issue of Covered Bonds amounting to [●]"].

**5. [THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

*If advisors are mentioned in these Final Terms, specify the capacity in which the advisors have acted.*

*Specify other information mentioned in the Final Terms which has been audited or reviewed by auditors and where auditors have produced a report. Insert the report or, with permission of the competent authority, a summary of the report.*

*Where a statement or report attributed to a person as an expert is included in these Final Terms in respect of the Issuer or the Covered Bonds, provide such person's name, business address, qualifications and material interest if any in the Issuer. If the report has been produced at the Issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part in respect of the Issuer or the Covered Bonds.*

*Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*In addition, the Issuer shall identify the source(s) of the information.]*

**6. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: "Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer."

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

**7. [REASONS FOR THE OFFER,] ESTIMATED NET PROCEEDS AND TOTAL EXPENSES<sup>12</sup>**

- (i) Reasons for the offer: [●]  
*(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from general corporate purposes will need to include those reasons here.)]*
- (ii) Estimated net proceeds: [●]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses, state amount and sources of other funding.)*
- (iii) Estimated total expenses: [●]<sup>13</sup>  
*(If the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies,*

<sup>12</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnote no. 8 above.

<sup>13</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnote no. 8 above.

*it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)*

**8. [FIXED RATE COVERED BONDS ONLY – YIELD**

Indication of yield: [●].

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

**9. [INDEX-LINKED OR OTHER VARIABLE-LINKED COVERED BONDS ONLY – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING<sup>14</sup>**

*[Need to include details where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

**10. [DUAL CURRENCY COVERED BONDS ONLY – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT<sup>15</sup>**

*[Need to include details where past and future performance and volatility of the relevant rate[s] can be obtained, the underlying on which it is based and of the method used to relate the two, a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*

*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

**11. [DERIVATIVES ONLY – EXPLANATION OF EFFECT ON VALUE OF INVESTMENT, RETURN ON DERIVATIVES SECURITIES AND INFORMATION CONCERNING THE UNDERLYING SETTLEMENT PROCEDURES FOR DERIVATIVE SECURITIES**

*[Need to include a description of the settlement procedures of the derivative securities.]*

**RETURN ON DERIVATIVES SECURITIES**

Return on derivative securities: *[Description of how any return on derivative securities takes place]*

Payment or delivery date: [●]

Method of calculation: [●]

<sup>14</sup> For derivative securities to which Annex XII to the Prospectus Directive Regulation applies, please complete instead paragraph 11 below relating to explanation of effect on value of investment, return on derivatives securities and information concerning the underlying.

<sup>15</sup> For derivative securities to which Annex XII to the Prospectus Directive Regulation applies, please complete instead paragraph 11 below relating to explanation of effect on value of investment, return on derivatives securities and information concerning the underlying.

### INFORMATION CONCERNING THE UNDERLYING

The exercise price or the final reference price of the underlying:	[ ● ]
A statement setting out the type of the underlying and details of where information on the underlying can be obtained:	
- an indication where information about the past and the further performance of the underlying and its volatility can be obtained	[ ● ]
- where the underlying is a security:	[Applicable/Not Applicable]
the name of the issuer of the security:	[ ● ]
the ISIN (International Security Identification Number) or other such security identification code:	[ ● ]
- where the underlying is an index:	[Applicable/Not Applicable]
the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained:	[ ● ]
- where the underlying is an interest rate:	[Applicable/Not Applicable]
a description of the interest rate:	[ ● ]
- others:	[Applicable/Not Applicable]
where the underlying does not fall within the categories specified above the Final Terms shall contain equivalent information:	[ ● ]
- where the underlying is a basket of underlyings:	[Applicable/Not Applicable]
disclosure of the relevant weightings of each underlying in the basket:	[ ● ]
A description of any market disruption or settlement disruption events that affect the underlying:	[ ● ]
Adjustment rules with relation to events concerning the underlying: <sup>16</sup>	[ ● ]

### OTHER

Name and address of Calculation Agent:	[ ● ]
[Information on taxes on the income from the Covered Bonds withheld at source in the country where admission to trading (other than in France) is sought:	[ ● ]]

### 12. [DERIVATIVES ONLY – POST ISSUANCE INFORMATION CONCERNING THE UNDERLYING

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The Issuer will not provide any post-issuance transaction information regarding securities to be admitted to trading and the performance of the underlying collateral, except if required by any applicable laws and regulations.<sup>17</sup>

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.<sup>18</sup>

*[If post-issuance information is to be reported, specify what information will be reported and where such information can be obtained.]*

### 13. [TERMS AND CONDITIONS OF THE OFFER]<sup>19</sup>

#### CONDITIONS, OFFER STATISTICS, EXPECTED TIMETABLE AND ACTION REQUIRED TO APPLY FOR THE OFFER

Offer Price	<i>[Issue Price] [specify the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser]</i>
Conditions to which the offer is subject:	<i>[Not Applicable/give details]</i>
Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the amount of the offer:	<i>[Not Applicable/give details]</i>
The time period, including any possible amendments, during which the offer will be open and description of the application process:	<i>[Not Applicable/give details]</i>
Description of the application process:	<i>[Not Applicable/give details]</i>
A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:	<i>[Not Applicable/give details]</i>
Details of the minimum and/or maximum amount of application:	<i>[Not Applicable/give details]</i>
Method and time limits for paying and delivering the Covered Bonds:	<i>[Not Applicable/give details]</i>
Manner and date in which results of the offer are to be made public:	<i>[Not Applicable/give details]</i>
Procedures for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	<i>[Not Applicable/give details]</i>

### 14. [PLAN OF DISTRIBUTION AND ALLOTMENT]<sup>20</sup>

The various categories of prospective investors to which the securities are offered. If the offer is being made simultaneously in the markets of two [●]

<sup>17</sup> Required for asset backed securities to which Annex VIII to the Prospectus Directive Regulation applies.

<sup>18</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>19</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>20</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

(2) or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche:

Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:]

[ ● ]

#### 15. [PRICING<sup>21</sup>

Indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser:]

[ ● ]

#### 16. [PLACING AND UNDERWRITING<sup>22</sup>

Name and address of the coordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place:

[ ● ]

Entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place the issue without a firm commitment or under 'best efforts' arrangements. Where not all of the issue is underwritten, a statement of the portion not covered:]

[ ● ]

#### 17. OPERATIONAL INFORMATION

Intended to be held in a manner which would allow Eurosystem eligibility

[Yes]/[No]/[Not Applicable].

[Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper, that is, held under the New Safekeeping Structure (NSS),] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

<sup>21</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>22</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

Common Code:	[ ● ]
ISIN Code:	[ ● ]
Depositories:	[Yes/No]
(i) Euroclear France to act as Central Depository	
(ii) Common Depository for Euroclear Bank and Clearstream Banking, <i>société anonyme</i>	[Yes/No]
(iii) Common Depository for DTC	[Yes/No]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the relevant identification number(s):	[Not Applicable/ <i>give name(s) and number(s) and address(es)</i> ]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	BNP Paribas Securities Services Corporate Trust Services Les Grands Moulins de Pantin 9 rue du Débarcadère 93500 Pantin France
Names and addresses of additional Paying Agent(s) (if any):	[ ● ]

**ATTESTATION DU CONTROLEUR SPECIFIQUE RELATIVE AU PROGRAMME TRIMESTRIEL  
D'EMISSIONS EN APPLICATION DES ARTICLES L.515-30 ET  
R.515-13 DU CODE MONETAIRE ET FINANCIER**

Messieurs les Administrateurs de HSBC SFH (France),

En notre qualité de contrôleur spécifique de votre société et en exécution des dispositions prévues par les Articles L.515-30 et R.515-13 du Code monétaire et financier, nous vous présentons notre attestation portant sur le respect de la règle prévue à l'Article L. 515-20 du Code monétaire et financier, dans le cadre d'un programme trimestriel d'émissions des ressources bénéficiant du privilège mentionné à l'Article L.515-19 de ce Code.

Par décision en date du [ ● ], le conseil d'administration de HSBC SFH (France) a fixé le plafond maximum du programme d'émissions de ressources bénéficiant du privilège institué par l'Article L.515-19 du Code monétaire et financier, à [ ● ] Euros, pour la période allant du [ ● ] au [ ● ].

L'Article L.515-20 du Code monétaire et financier dispose que le montant total des éléments d'actif des sociétés de financement de l'habitat doit être supérieur au montant des éléments de passif bénéficiant du privilège mentionné à l'Article L. 515-19 de ce même Code. Il nous appartient d'attester du respect de cette règle dans le cadre du présent programme d'émissions.

Le respect de cette règle, compte tenu du programme d'émissions visé ci-dessus, a été vérifié sur la base d'informations financières estimées au titre de la période courue, et prévisionnelles, au titre de la période à venir, établies sous la responsabilité de votre conseil d'administration. Les informations financières prévisionnelles ont été établies à partir des hypothèses traduisant la situation future que vous avez estimée la plus probable à la date de leur établissement. Ces informations sont présentées en annexe à la présente attestation.

Nous avons effectué nos travaux sur la base des diligences que nous avons estimées nécessaires au regard de la doctrine professionnelle de la Compagnie Nationale des Commissaires aux Comptes, relative à cette mission. Ces diligences sont destinées à vérifier, sur la base des informations financières établies, et du programme d'émissions susvisé, le respect de la règle prévue par l'Article L.515-20 du Code monétaire et financier et les modalités de calcul du ratio de couverture prévues par les dispositions du règlement n°99-10 du Comité de la Réglementation Bancaire et Financière.

Nos diligences ont notamment consisté à examiner le processus d'élaboration des informations financières produites, afin d'en vérifier la cohérence dans la perspective de contrôler le respect de la règle prévue à l'Article L. 515-20 du Code monétaire et financier. En ce qui concerne les informations prévisionnelles, nous avons pris connaissance des hypothèses retenues et vérifié leur traduction chiffrée, étant rappelé que, s'agissant de prévisions présentant par nature un caractère incertain, les réalisations différeront parfois de manière significative des informations prévisionnelles établies.

Sur la base de nos travaux, nous n'avons pas d'observation à formuler sur le respect, par HSBC SFH (France), de l'Article L.515-20 du Code monétaire et financier stipulant que le montant des éléments d'actif doit être supérieur au montant des éléments de passif privilégiés, après prise en compte du présent programme d'émissions.

Le [date]

Le Contrôleur Spécifique

[cabinet du Contrôleur Spécifique]

[adresse]

[En-tête de HSBC SFH (France)]

## ANNEXE

Montants après prise en compte du présent programme d'émissions de EUR [●]

En millions d'euros	Estimé	Prévisionnel
	Au [●]	Au [●]
Total des emplois	[●]	[●]
Total des ressources bénéficiant du privilège mentionné à l'Article L.515-19 du Code monétaire et financier	[●]	[●]

**SPECIFIC CONTROLLER'S CERTIFICATE RELATING TO THE QUARTERLY ISSUANCE  
PROGRAMME FOR THE [●] QUARTER OF [●]  
PURSUANT TO ARTICLES L. 515-30 AND R. 515-13 OF THE FRENCH MONETARY AND  
FINANCIAL CODE (*CODE MONÉTAIRE ET FINANCIER*)**

FREE TRANSLATION FROM FRENCH

To the Directors of HSBC SFH (France),

In our capacity as the Specific Controller of your company and pursuant to the provisions set forth in Articles L.515-30 and R.515-13 of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby set out our certification regarding compliance with the rule provided for in Article L. 515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) within the framework of a quarterly programme for issuing resources benefiting from the statutory priority in right of payment (*privilège*) mentioned in Article L. 515-19 of said code.

In a decision dated [●], the Board of Directors of HSBC SFH (France) set the maximum ceiling for the Programme for issuing resources benefiting from the *privilège* mentioned in Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) at EUR [●], for the period from [●] to [●].

Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) states that the total amount of assets held by *sociétés de financement de l'habitat* (special purpose real estate credit institutions) must be greater than the amount of liabilities which benefit from the *privilège* mentioned in Article L.515-19 of said code. It is our responsibility to certify the compliance with this rule within the scope of this issue programme.

Compliance with this rule, in view of the aforementioned issue programme, was verified on the basis of estimated financial data, in respect of the period elapsed, and forecasted financial data, in respect of the future period to come, drawn up under the responsibility of your Board of Directors. The forecasted financial data were drawn up on the basis of assumptions which reflect the future position that you deemed to be most probable as of the date that they were drawn up. This information is presented in an appendix to this report.

We performed our review in accordance with the procedures issued from the professional rules and practises of the *Compagnie Nationale des Commissaires aux Comptes* (National Association of Statutory Auditors) that are applicable to this type of assignment. These procedures, based on such financial information, and on the above mentioned issue programme, were carried out in order to verify compliance with the rule laid down by Article L. 515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) and with the methods of calculating the coverage ratio provided for in Regulation no. 99-10 of the French Banking and Financial Regulation Committee (*Comité de la Réglementation Bancaire et Financière*).

Our work has also required that we plan and prepare our review leading to an assessment of the fair presentation of the estimated and the forecasted financial data, with regard to its consistency, plausibility and relevance, with a view to checking compliance with the rule provided for in Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*). Regarding the forecasted financial data, we have assessed the assumptions used and their statement in figures, considering that, as the forecasts are, by their nature, uncertain, the actual results could differ significantly from the forecasted data presented.

Based on our work, we have no comments to make as regards compliance by HSBC SFH (France) with Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*), which states that the amount of assets must be greater than the amount of liabilities benefiting from the *privilège*, after taking into account the aforementioned issue programme.

On [date],

The Specific Controller

[name of the Specific Controller]

[address]

## [Head-paper of HSBC SFH (France)]

## APPENDIX

Figures after taking into account current issue Programme of EUR [●]

In million of EUR	Estimated Figures	Forecasted Figures
	As of [●]	As of [●]
Total application of funds	[●]	[●]
Total sources of funds that benefit from the <i>privilège</i> in Article L.515-19 of the French Monetary and Financial Code ( <i>Code monétaire et financier</i> )	[●]	[●]

**ATTESTATION DU CONTROLEUR SPECIFIQUE RELATIVE A UNE EMISSION  
OBLIGATAIRE D'UN MONTANT DE [●] EN APPLICATION DES ARTICLES L.515-30 ET  
R.515-13 DU CODE MONETAIRE ET FINANCIER**

*[Uniquement applicable au cas où le montant des obligations de financement de l'habitat émises est supérieur ou égal à 500.000.000 d'euros ou la contre-valeur de ce montant en toute devise].*

Messieurs les Administrateurs de HSBC SFH (France),

En notre qualité de contrôleur spécifique de votre société et en exécution des dispositions prévues par les Articles L.515-30 et R.515-13 du Code monétaire et financier, nous devons établir une attestation du respect de la règle prévue à l'Article L.515-20 de ce Code, dans le cadre de toute émission d'obligations de financement de l'habitat d'une valeur unitaire au moins égale à 500 millions d'Euros.

Par décision en date du [●], le conseil d'administration de HSBC SFH (France) a fixé le plafond maximum du Programme d'émissions de ressources bénéficiant du privilège institué par l'Article L.515-19 du Code monétaire et financier, à [●] Euros, pour la période allant du [●] au [●].

Dans le cadre de ce programme trimestriel d'émissions, par décision en date du [●], le directeur général de HSBC SFH (France) a autorisé le lancement d'une nouvelle émission de ressources bénéficiant du privilège institué par l'Article L.515-19 du Code monétaire et financier, pour un montant de [●] Euros.

L'Article L.515-20 du Code monétaire et financier dispose que le montant total des éléments d'actif des sociétés de financement de l'habitat doit être supérieur au montant des éléments de passif bénéficiant du privilège mentionné à l'Article L.515-19 de ce même Code. Il nous appartient d'attester du respect de cette règle au titre de la présente opération.

Le respect de cette règle, après prise en compte de l'émission visée ci-dessus, a été vérifié sur la base d'informations financières estimées et prévisionnelles établies sous la responsabilité de votre conseil d'administration. Les informations financières prévisionnelles ont été établies à partir des hypothèses traduisant la situation future que vous avez estimée la plus probable à la date de la présente émission. Ces informations sont présentées en annexe à la présente attestation.

Nous avons effectué nos travaux sur la base des diligences que nous avons estimées nécessaires au regard de la doctrine professionnelle de la Compagnie Nationale des Commissaires aux Comptes, relative à cette mission. Ces diligences sont destinées à vérifier, sur la base des informations financières établies, le respect de la règle prévue par l'Article L.515-20 du Code monétaire et financier et les modalités de calcul du ratio de couverture prévues par les dispositions du règlement n°99-10 du Comité de la Réglementation Bancaire et Financière. Nos diligences ont notamment consisté à examiner le processus d'élaboration des informations financières estimées et prévisionnelles, établies à la date plus proche de celle de la présente émission, afin d'en vérifier la cohérence dans la perspective de contrôler le respect de la règle prévue à l'Article L. 515-20 du Code monétaire et financier. En ce qui concerne les informations prévisionnelles, nous avons pris connaissance des hypothèses retenues et vérifié leur traduction chiffrée, étant rappelé que, s'agissant de prévisions présentant par nature un caractère incertain, les réalisations différeront parfois de manière significative des informations prévisionnelles établies.

Sur la base de nos travaux, nous n'avons pas d'observation à formuler sur le respect, par HSBC SFH (France), de l'Article L.515-20 du Code monétaire et financier stipulant que le montant des éléments d'actif doit être supérieur au montant des éléments de passif privilégiés, après prise en compte de la présente émission visée ci-dessus.

Le [date]

Le Contrôleur Spécifique

[cabinet du Contrôleur Spécifique]

[adresse]



[En-tête de HSBC SFH (France)]

## ANNEXE

Montants après prise en compte des émissions obligataires réalisées du [●] au [●], y compris la présente émission de [●] (date de règlement [●])

En millions d'euros	Estimé	Prévisionnel
	Au [●]	Au [●]
Total des emplois	[●]	[●]
Total des ressources bénéficiant du privilège mentionné à l'Article L.515-19 du Code monétaire et financier	[●]	[●]

**SPECIFIC CONTROLLER'S CERTIFICATE RELATING TO THE  
ISSUE OF COVERED BOND AMOUNTING TO [●] PURSUANT TO ARTICLES L. 515-30 AND R.515-  
13 OF THE FRENCH MONETARY AND FINANCIAL CODE (*CODE MONÉTAIRE ET FINANCIER*)**

FREE TRANSLATION FROM FRENCH

[Only applicable if the amount of Covered Bonds issued equals or exceeds Euro 500,000,000 or its equivalent in any other currency]

To the Directors of HSBC SFH (France),

In our capacity as the Specific Controller of your company and pursuant to the provisions set forth in Articles L.515-30 and R.515-13 of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby set out our certification regarding compliance with the rule provided for in Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) within the framework of any issue of covered bonds (*obligations de financement de l'habitat*) with a unit value of at least Euro 500 million.

In a decision dated [●], the Board of Directors of HSBC SFH (France) set the maximum ceiling for the for issuing resources benefiting from the *privilège* mentioned in Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) at EUR [●], for the period from [●] to [●].

Within the scope of this quarterly issue Programme, in a decision dated [●], the chief executive officer of HSBC SFH (France) approved a new issue of funds qualifying for the preferential rights set forth in Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), for an amount of [●].

Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) states that the total amount of assets held by *sociétés de financement de l'habitat* (special purpose real estate credit institutions) must be greater than the amount of liabilities which benefit from the *privilège* in Article L. 515-19 of said code. It is our responsibility to certify the compliance of the current transaction with this rule.

Compliance with this rule, after taking into account the aforementioned issue, was verified on the basis of estimated and forecasted financial data, drawn up under the responsibility of your Board of Directors. The forecasted financial data were drawn up on the basis of assumptions which reflect the position that you deemed to be most probable as of the date of the present issue. This information is presented in an appendix to this report.

We performed our review in accordance with the procedures issued from the professional rules and practises of the *Compagnie Nationale des Commissaires aux Comptes* (National Association of Statutory Auditors) that are applicable to this type of assignment. These procedures, based on such financial information, were carried out in order to verify compliance with the rule laid down by Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) and with the methods of calculating the coverage ratio provided for in Regulation no. 99-10 of the French Banking and Financial Regulation Committee (*Comité de la Réglementation Bancaire et Financière*). Our work has also required that we plan and prepare our review leading to an assessment of the fair presentation of the estimated and the forecasted financial data, drawn up as of the closest date of the present issue, with regard to its consistency, plausibility and relevance, with a view to checking compliance with the rule provided for in Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*). Regarding the forecasted financial data, we have assessed the assumptions used and their statement in figures, considering that, as the forecasts are, by their nature, uncertain, the actual results could differ significantly from the forecasted data presented.

Based on our work, we have no comments to make as regards compliance by HSBC SFH (France) with Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*), which states that the amount of assets must be greater than the amount of liabilities benefiting from the *privilège*, after taking into account the aforementioned issue programme.

On [date],

The Specific Controller

[name of the Specific Controller]

[address]

## [Head-paper of HSBC SFH (France)]

## APPENDIX

Figures after taking into account the Covered Bonds issues for the period from [●] to [●] including the present issue of [●] (value date [●]).

In million of EUR	Estimated figures	Forecasted Figures
	As of [●]	As of [●]
Total application of funds	[●]	[●]
Total sources of funds that benefit from the <i>privilège</i> mentioned in Article L.515-19 of the French Monetary and Financial Code ( <i>Code monétaire et financier</i> )	[●]	[●]

## GENERAL INFORMATION

- (1) Application has been made for the AMF to approve this document as a base prospectus and this Base Prospectus has received visa n° 12-192 on 4 May 2012. Application will be made in certain circumstances to list and admit the Covered Bonds on Euronext Paris and application may be made for the listing and admission to trading on any other Regulated Market in a Member State of the EEA.
- (2) The Issuer has obtained all necessary corporate and other consents, approvals and authorisations in France in connection with the update of the Programme including authorisations by the general meeting of shareholders (*assemblée générale d'actionnaires*) of the Issuer dated 22 March 2012 and the board of directors (*conseil d'administration*) of the Issuer dated 22 March 2012. Any issuance of Covered Bonds under the Programme, to the extent that such Covered Bonds constitute *obligations* under French law, requires the prior authorisation of the board of directors (*conseil d'administration*) of the Issuer, which may delegate its power to any member of the board of directors (*conseil d'administration*) of the Issuer, to the chief executive director (*directeur général*) of the Issuer, or with the latter's agreement to any of the deputy chief executive director (*directeur général délégué*) of the Issuer (if any) or to any other person. For this purpose, the board of directors (*conseil d'administration*) of the Issuer held on 22 March 2012 delegated for a period one year to Mr. Hervé Akoun, chief executive director (*directeur général*) of the Issuer, and, with the approval of the latter, to Mr. Xavier Boisseau and Mr. François Moreau, the power to decide the issue of bonds (*obligations*) under the Programme, governed by French or foreign law, up to an amount of € 3,000,000,000 (or its equivalent in any other currency).
- (3) Save as disclosed in this Base Prospectus, there has been no material adverse change in the financial position of the Issuer since 31 December 2011.
- (4) Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 December 2011.
- (5) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceeding which are pending or threatened of which the Issuer is aware) during a period covering at least the previous twelve (12) months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.
- (6) Save as disclosed in this Base Prospectus, there are no material contracts that are not entered into in the ordinary course of the Issuer's business which could result in any Affiliate being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders in respect of the Covered Bonds being issued.
- (7) Application may be made for Covered Bonds to be accepted for clearance through Euroclear France (115 rue Réaumur, 75081 Paris cedex 02, France) and/or Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgique) and Clearstream, Luxembourg (42 avenue JF Kennedy, 1855 Luxembourg, Luxembourg). The Common Code and the International Securities Identification Number (ISIN) or the identification number for any other relevant clearing system for each Series of Covered Bonds will be set out in the relevant Final Terms.
- (8) KPMG Audit, a department of KPMG S.A., 1, cours Valmy, 92923 Paris La Défense Cedex, France, (duly authorised as *Commissaires aux comptes*) have been appointed as *Commissaire aux comptes* to the Issuer as from 16 December 2004 and have audited and rendered unqualified audit reports on the non-consolidated financial statements of the Issuer for the fiscal years ended 2010 and 2011. BDO France - Léger & associés, 113 rue de l'Université, 75007 Paris, France, (duly authorised as *Commissaires aux comptes*) have been appointed as *Commissaire aux comptes* to the Issuer as from 20 June 2008 and have audited and rendered an unqualified audit report on the non-consolidated financial statements of the Issuer for the fiscal years ended 2010 and 2011.
- (9) The Issuer does not intend to provide post-issuance transaction information regarding the Covered Bonds to be admitted to trading and the performance of the underlying collateral, except if required by any applicable laws and regulations.

- (10) The Issuer does not produce consolidated financial statements.
- (11) This Base Prospectus and any supplements thereto will be published on the websites of HSBC France ([www.hsbc.fr](http://www.hsbc.fr)), of the AMF ([www.amf-france.org](http://www.amf-france.org)) and on (iii) [www.info-financiere.fr](http://www.info-financiere.fr). The Final Terms related to Covered Bonds admitted to trading on any Regulated Market of the EEA in accordance with the Prospectus Directive will be published, so long as such Covered Bonds are admitted to trading on any Regulated Market, on the websites of HSBC France ([www.hsbc.fr](http://www.hsbc.fr)) and of the AMF ([www.amf-france.org](http://www.amf-france.org)).

In addition, should the Covered Bonds be listed on a Regulated Market of the EEA other than Euronext Paris in accordance with the Prospectus Directive, the Final Terms related to those Covered Bonds will provide whether this Base Prospectus and the relevant Final Terms will be published on the website of (x) the Regulated Market of the Member State of the EEA where the Covered Bonds have been admitted to trading or (y) the competent authority of the Member State of the EEA where the Covered Bonds have been listed.

- (12) So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer and at the specified office of the Paying Agent(s):
- (a) the *statuts* of the Issuer;
  - (b) the audited non-consolidated financial statements of the Issuer and audit reports thereon in respect of the financial years ended on 31 December 2010 and 31 December 2011;
  - (c) the Agency Agreement (which includes the form of the *Lettre Comptable*, the Temporary Global Certificates, the Definitive Materialised Covered Bonds, the Coupons, the Receipts, the Talons, the Terms and Conditions of the German law Covered Bonds and the form of Assignment of the German law Covered Bonds);
  - (d) Final Terms for Covered Bonds that are admitted to trading on Euronext Paris or any other Regulated Market in the EEA;
  - (e) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus;
  - (f) all reports, letters and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Base Prospectus.

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