



# HSBC SFH (France)

## Investor Presentation

August 2013



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HSBC SFH (France)  
Société Anonyme au capital social de 113.250.000 euros  
15, rue Vernet, 75008 Paris  
RCS Paris 480 034 917  
Member HSBC Group



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# Section 1 - Executive summary



# Executive Summary

## Overview

### HSBC France

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- HSBC France is one of the Group's principal banking operations in Europe
- Senior unsecured debt ratings of AA- (negative) by S&P, A1 (stable) by Moody's, and AA- (stable) by Fitch
- Strong Global Banking and Markets platforms and substantial Commercial Banking operations
- Retail focus on affluent and high net worth clients

### HSBC SFH (France) (the "Issuer")

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- A French credit institution approved and regulated by the *Banque de France* and *Autorité de Contrôle Prudentiel* ("ACP"), with the status of *Société de Financement de l'Habitat*
- Full recourse obligation of the Issuer against HSBC France
- AAA/Aaa rated issuance by S&P and Moody's with hard bullet maturities
- Covered bonds issued under *Obligations de Financement de l'Habitat* (OH) legal framework

### Current Cover Pool

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- Prime residential mortgages and *Crédit Logement* guaranteed home loans
- 100% originated by HSBC France
- 100% income verification
- Current weighted average LTV of 67.2%; weighted average indexed LTV of 61.0%; weighted average seasoning of 52.5 months (as of 30 June 2013)

# Executive Summary

## Highlights

### Programme terms

<b>Issuer</b>	HSBC SFH (France)
<b>Programme size</b>	EUR8bn
<b>Ratings</b>	AAA/Aaa (S&P/Moody's)
<b>Maximum LTV</b>	80%
<b>Minimum Contractual over-collateralisation</b>	108.1%
<b>Currency</b>	Any
<b>Specific Controller</b>	Cailliau Dedouit & Associés
<b>Asset Monitor</b>	KPMG Audit plc
<b>Listing</b>	Euronext Paris for the OH
<b>Law</b>	French Ability to issue German law governed <i>Namensschuldverschreibungen</i>

### Current cover pool<sup>1</sup>

<b>Pool Notional</b>	EUR 4,397,434,178
<b>Collateral</b>	100% prime home loans
<b>Number of loans</b>	33,570
<b>Average loan balance</b>	EUR 130,993
<b>Breakdown</b>	81% Crédit Logement, 19% Mortgages
<b>WA Seasoning</b>	52.5 months
<b>WA Remaining Term</b>	13.8 years
<b>WA Current LTV</b>	67.2%
<b>WA Indexed LTV</b>	61.0%

Note  
1 : As of 30 June 2013



## Section 2 - The HSBC Group



# 22 Home and Priority Growth markets

## With further Network and Small markets

	Asia Pacific	Europe	Middle East and North Africa	North America	Latin America
Home markets	Hong Kong <sup>1</sup>	United Kingdom			
Priority Growth markets	Australia Mainland China India Indonesia Malaysia Singapore Taiwan Vietnam	France Germany Switzerland Turkey	Egypt Saudi Arabia UAE	Canada USA	Argentina Brazil Mexico
Network markets	Operations focused on Commercial Banking and Global Banking and Markets international clients and businesses				
Small markets	Markets where HSBC has profitable scale and focused operations Representative Offices				

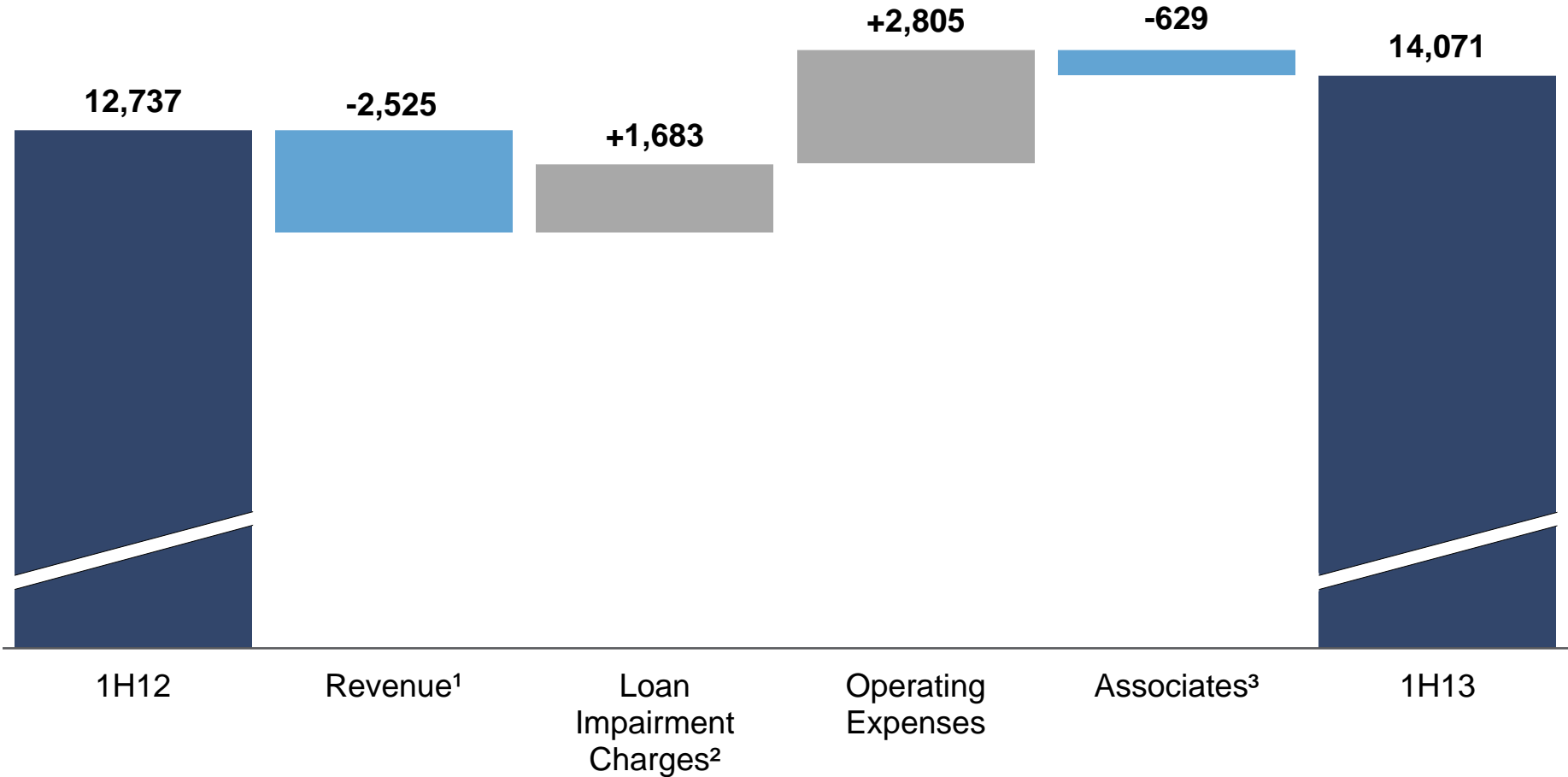
<sup>1</sup> Includes Hang Seng Bank



# Reported Profit before tax Increased by 10%

1H13 vs 1H12

USDm



1 Revenue is net operating income before loan impairment charges and other credit risk positions

2 Loan impairment charges and other credit risk provisions

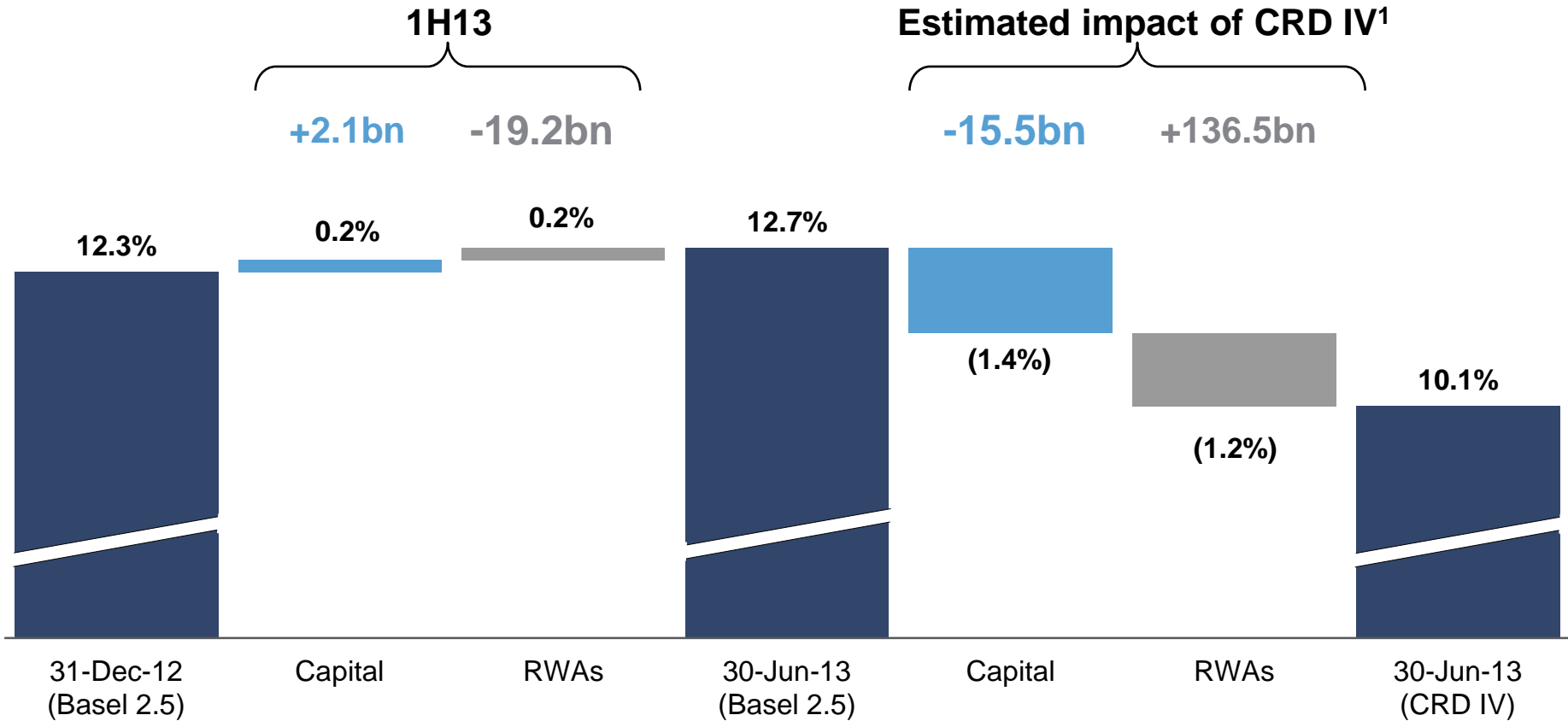
3 Share of profit in associates and joint ventures

# Capital Strength

## Now and under CRD IV

### Core / Common Equity Tier 1 ratio

USDbn



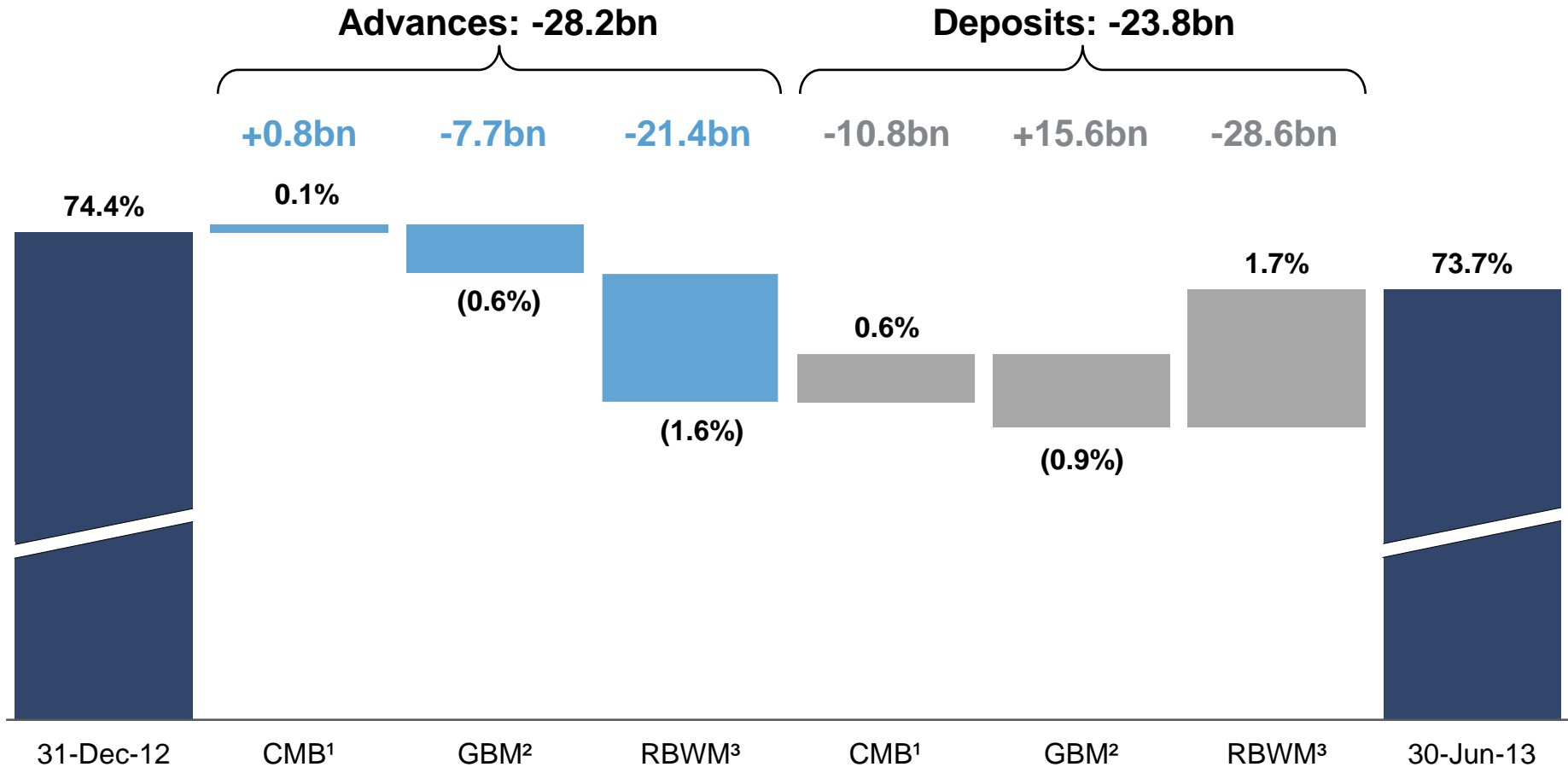
<sup>1</sup> Estimated CRDIV end point CET1 after planned mitigation of immaterial holdings based on our interpretation of final CRR rules

# Customer deposits are the principal source of funding

With over \$300bn excess deposits compared to customer loans

## Advances to deposits ratio

USDbn



1 Commercial Banking

2 Global Banking and Markets

3 Retail Banking and Wealth Management, Global Private Banking and others

## Section 3 - HSBC France





## HSBC France

### France within the HSBC Group

- HSBC France is HSBC Bank plc's principal banking operation in Continental Europe
- HSBC France is given high credit ratings by all major rating agencies
  - AA- (negative) by S&P
  - A1 (stable) by Moody's
  - AA- (stable) by Fitch
- History
  - CCF was founded in 1890 and over time developed a universal mid-sized banking model
  - HSBC Bank plc acquired the CCF group in 2000
  - All former foreign-domiciled subsidiaries have been merged into other HSBC sites
  - France is now fully integrated within the Group (risk management, IT systems, etc.) and aims to leverage Group capabilities

# HSBC Operations in France

## Financial results

### France: Profit Before Taxation

USDm as per HSBC Holdings financial statements

	1H 12 <sup>2</sup>	2H 12 <sup>4</sup>	1H 13 <sup>6</sup>
Retail Banking and Wealth Management	29	106	130
Commercial Banking	114	89	135
Global Banking and Markets	330	184	302
Global Private Banking	(5)	(6)	-
Other	(175)	(88)	(78)
<b>TOTAL</b>	<b>293</b>	<b>285</b>	<b>489</b>

### France: lending to individuals

USDbn as per HSBC Holdings financial statements

	Jun 12 <sup>3</sup>	Dec 12 <sup>5</sup>	Jun 13 <sup>7</sup>
Total Personal lending <sup>1</sup>	12.7	13.6	14.1

Source: HSBC Holdings Annual Report 2012 and Interim Report June 2013

1 : Sum of first lien residential mortgages and other personal loans

2: EUR/USD rate (average of period) = 1.2970

3: EUR/USD rate (end of period) = 1.2660

4: EUR/USD rate (average of period) = 1.2723

5: EUR/USD rate (end of period) = 1.3188

6: EUR/USD rate (average of period) = 1.3133

7: EUR/USD rate (end of period) = 1.3037

# HSBC France

## Position in France and retail approach

- Market position in France
  - c. 6% penetration rate on the Premier customer segment in France (c. 6.5m customers, i.e. 10% of French population<sup>1</sup>)
- A personal banking (RBWM<sup>2</sup>) business focused on high net worth clients
  - 315 branches across the main urban centres in France, including 32 Premier centres<sup>3</sup>
  - 371,000 HSBC Premier Customers (i.e. high net worth segment)<sup>3</sup>
  - Product offering and distribution aligned with customer segments
    - Structured approach for wealth management advice and dedicated Premier centres
    - Training and accreditation levels of Premier customer advisers
    - Structured products, optimization products and advice
    - Tailoring to internationally-minded customers (for instance: integrated online banking with other HSBC entities around the world)

### Distribution of branch networks

Number of branches as of 31<sup>st</sup> December 2012 (315 branches)



Note:

1 Source: INSEE

2 Retail Banking and Wealth Management

3 Source: HSBC France Reference Document 2012



# HSBC France Funding Strategy

## Motivation for covered bonds issuance

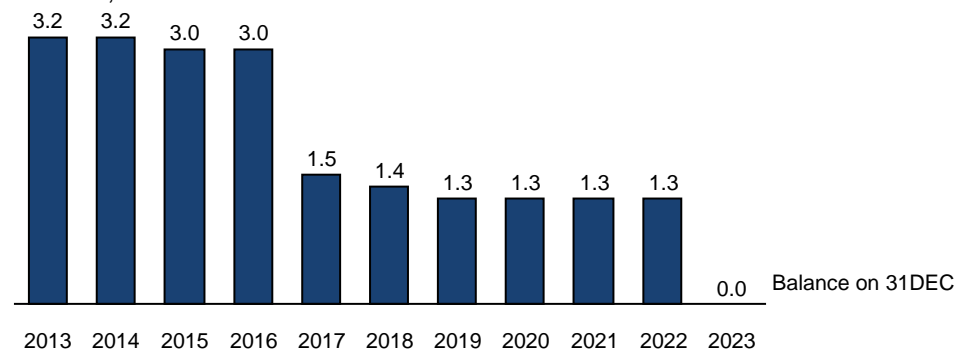
- Fund asset growth
- Refinance maturing debt
- Manage Asset & Liabilities profile
- Diversify investor base
- Reduce overall cost of funds

## Covered bonds issuance strategy

- Mainly public benchmark series on various medium and long term maturities
- Issuance mainly in EUR denominated units

## Profile of HSBC SFH covered bonds<sup>1</sup>

EUR bn, as of 30 June 2013



Notes:

<sup>1</sup> Source: HSBC SFH Investor Web Site (see appendix 2)

## Section 4 - French Home Loan market



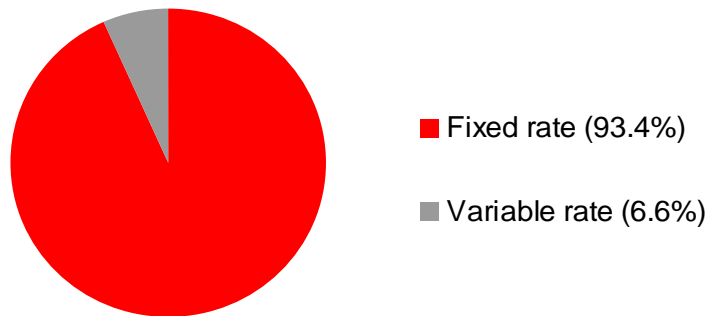
# French home loan market

## Typical loan characteristics

- Fixed rate for the entire length of the home loan
- Fully amortising, not “re-advanceable”
- Underwriting criteria primarily based on the creditworthiness of the borrower
- Compulsory life and disability insurance
- Institutional guarantees available in addition to traditional mortgages
- Low delinquency
- Regulated product environment

## French Market - Home loan interest rate

Production in 2012<sup>1</sup>

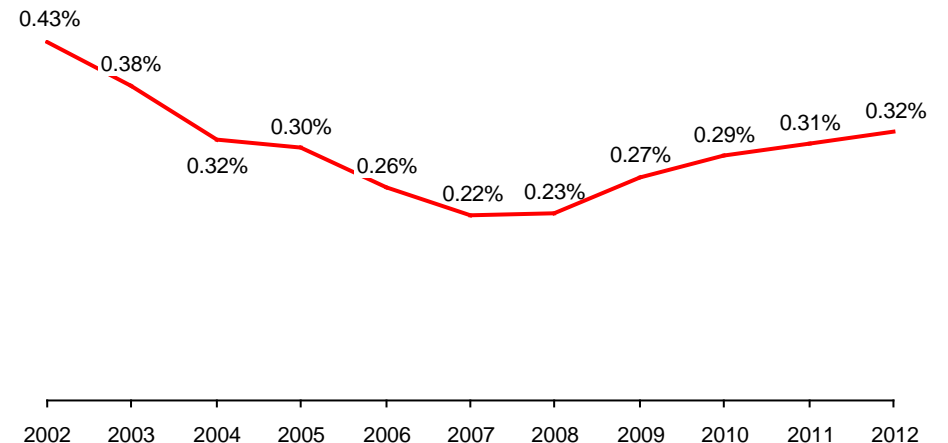


Notes:

1 Source: Annual study of the French *Autorité de contrôle prudentiel* on Home loans – 2012

2 Ratio of doubtful home loans multiplied by impairment rate

## Average loss<sup>2</sup> on home loans – French market<sup>1</sup>

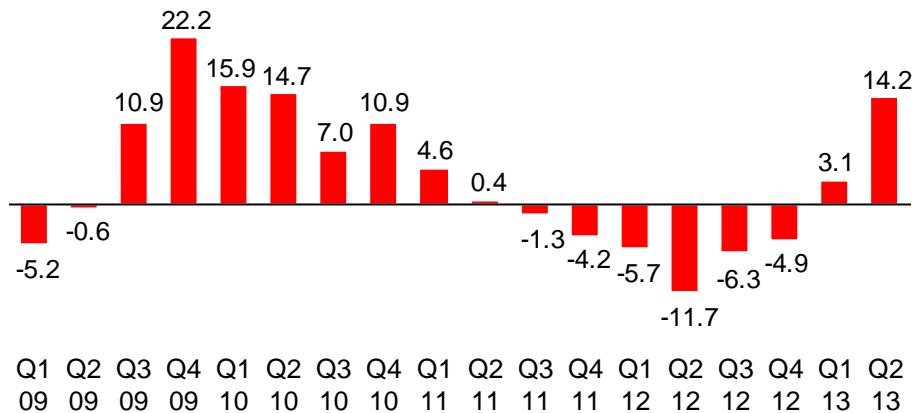


# French home loan market

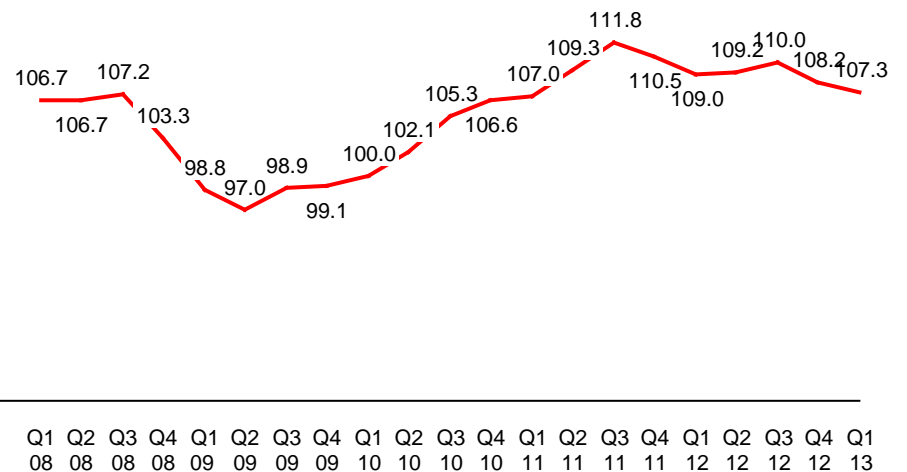
## Market dynamics<sup>1</sup>

- In 2012, market slowdown with a 25.8% reduction in volume
- In 2013, return to growth in the H1 (annualised 38.8%)
- Market mainly driven by:
  - Historically low interest rates
  - Shortage of housing supply
  - Reduced house prices

## Quarterly growth rate in New home loans (%)<sup>1</sup>



## French home price index (base 100 in 2000 Q4)<sup>2</sup>



Note:

1 Source: Crédit Logement Newsletter, 30<sup>th</sup> June 2013

2 Source: INSEE – *Indice de prix des notaires* (notary index on home prices)

# French home loan market

## Specificity of the French home loan market : guaranteed home loans

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- Home loans which are secured by a guarantee provided either by a selected credit institution or a selected insurance company represent the majority of the French home loan market (52.9% of outstanding home loans in 2012<sup>1</sup>)
- There are various reasons for the popularity of guaranteed home loans in France:
  - From the borrower's perspective:
    - Lower costs : mortgage registration costs are, in general, between 2.2% and 2.5% vs. below 1% for a home loan guarantee fee
    - The administrative process is simplified at signing of the loan and at maturity of the loan
    - Up to 75% of the guarantee fee is paid back to the borrower at maturity, if there is no payment incident during the life of the loan
  - From the lender's perspective:
    - Mainly used for well known customers, low risk loans and loans below EUR1m
    - The lending bank may call the guarantee after three unpaid instalments and is immediately fully indemnified by the guarantor
    - The recovery process is then fully managed by the guarantor
    - The administrative process is simplified at signing of the loan and at maturity of the loan

Notes:

<sup>1</sup> Source: Annual study of the French *Autorité de contrôle prudentiel* on Home loans – 2012

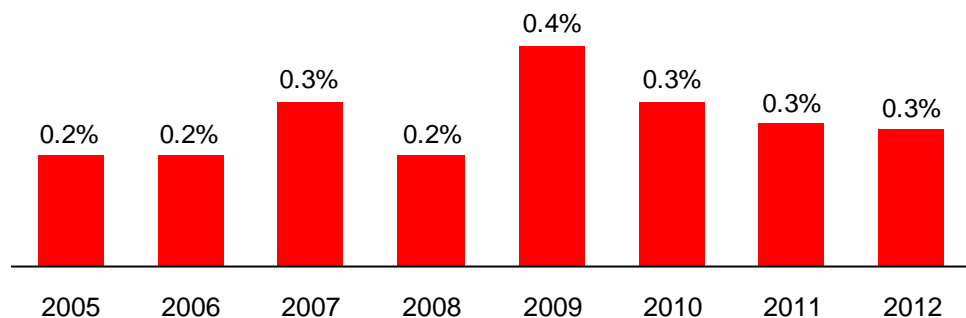
# French home loan market

## Crédit Logement

### Crédit Logement is a major partner in the French home loan guarantee market

- Surety agreements are the most popular residential guarantee on the French housing market with 54.1%<sup>1</sup> market share of 2012 loan production
- Crédit Logement has a strong market presence
  - Crédit Logement is a credit institution which is specialized in guarantees of residential property loans distributed by banks
  - Crédit Logement has guaranteed loans for 35 years
  - In 2011, its market share was stable at 30% of the total French residential property market (excl. renegotiations).
  - On 31 Dec 2012, it had a portfolio of outstanding guarantees of EUR232.9bn on 2.96m loans
- Crédit Logement maintains its credit strength
  - Regulatory capital of EUR8.2bn, including EUR3.7bn in mutual guarantee funds
  - Long-term rating of Aa3 (stable) by Moody's and A+ (stable) by S&P<sup>3</sup>
  - Equity participation from nearly all the major French banks
  - Shareholders' commitment to rebuild capital in proportion to their share if ever necessary
- Crédit Logement brings value to its customers
  - Administratively and financially advantageous for HSBC and its customers
  - Pays out a guaranteed loan within one month of loan default

### Crédit Logement realised losses (%)



Source: Crédit Logement

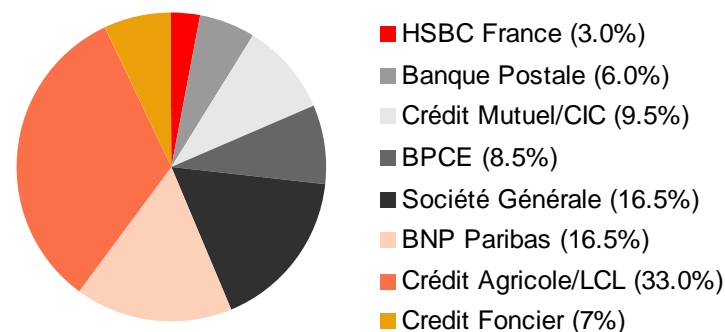
Notes:

1 Annual Report Crédit Logement 2012

2 PPI typically covers the borrower against an accident, sickness, death, circumstances that may prevent them from earning a salary/wage by which they can service the debt

3 As of 21<sup>st</sup> June 2013

### Crédit Logement shareholders<sup>1</sup>



# HSBC SFH (France) within the SFH legal framework





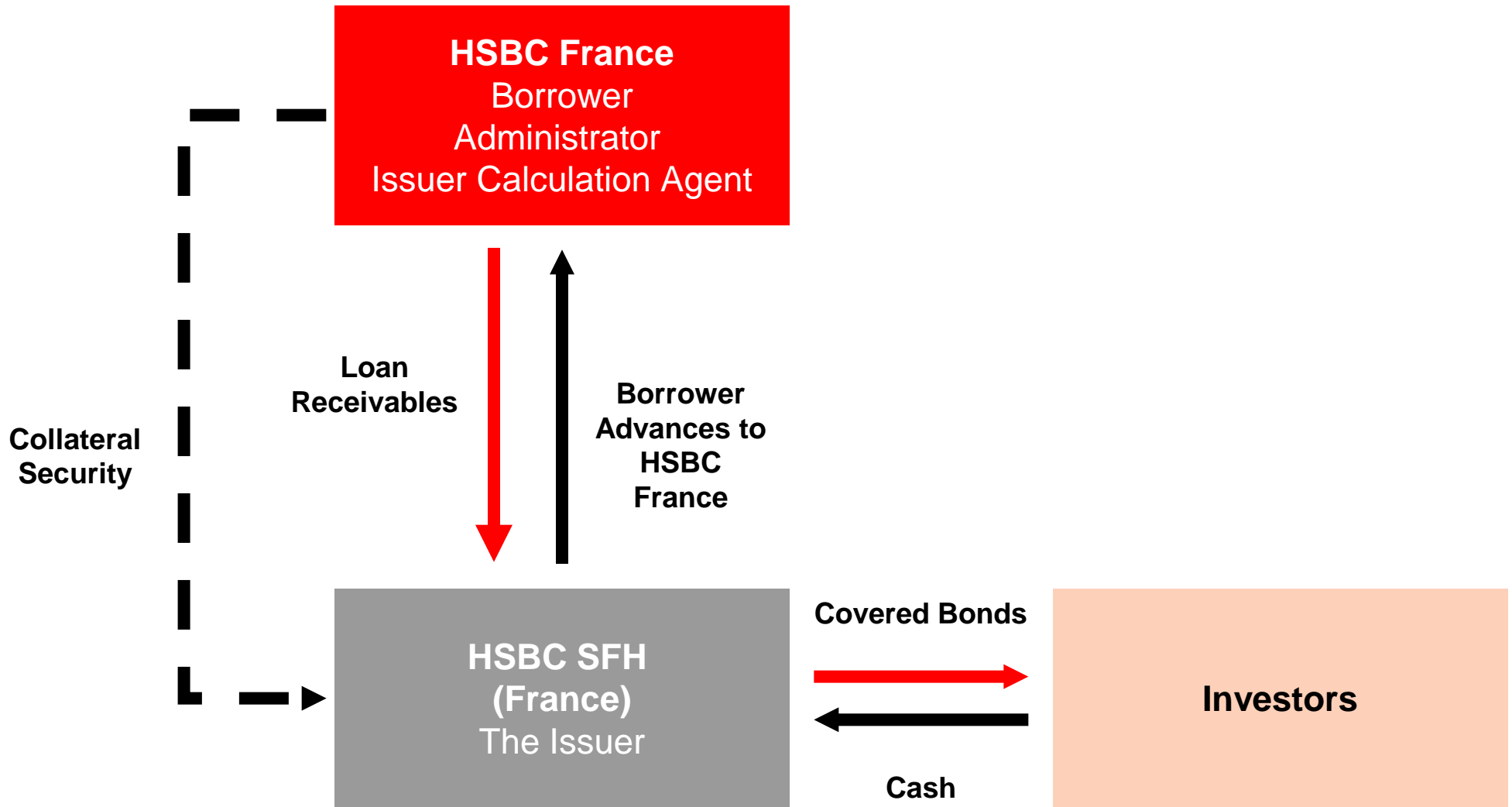
# HSBC SFH (France) within the SFH legal framework

## Main characteristics of the programme

- HSBC SFH (France) is a French covered bond issuer, registered under the *Société de Financement de l'Habitat* (SFH) legal framework. It is a credit institution licensed and supervised by the *Autorité de Contrôle Prudentiel* (ACP - French financial regulator)
- All covered bonds issued by HSBC SFH (France) are *Obligations de Financement de l'Habitat* (OH) and benefit from the Privilege created by the Art. L.515-19 of the French Monetary and Financial Code (FMFC)
- A Specific Controller (Cailliau Dedouit & Associés) monitors the Issuer on a monthly basis and ensures that all regulatory and legal constraints are complied with. The Specific Controller also performs on an annual basis an audit of the cover pool
- Minimum legal overcollateralization of 2% under the legal coverage ratio and 180-day legal liquidity coverage
- Minimum contractual overcollateralization of 8.1%
- Cover pool composed of 100% French prime home loans originated by HSBC France (1<sup>st</sup> lien mortgages or guaranteed by *Crédit Logement*)
- Strong credit ratings: AAA (S&P) / Aaa (Moody's)
- OH fully comply with :
  - the UCITS Directive (in particular with the dispositions of Article 52-4, i.e. requirement of a specific legal framework)
  - ECB eligibility criteria

# HSBC SFH (France) within the SFH legal framework

## Main characteristics of the programme

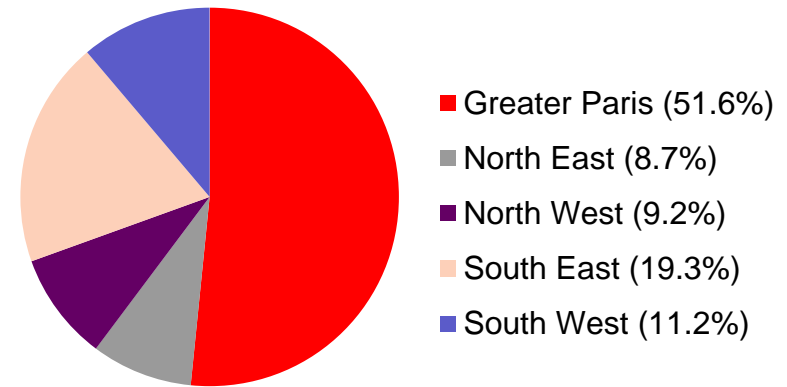


# HSBC SFH (France) within the SFH legal framework

## Cover pool statistics<sup>1</sup>

<b>Pool Notional</b>	EUR 4,397,434,178
<b>Type</b>	100% prime home loans originated by HSBC France: 81% guaranteed by Crédit Logement, 19% first lien mortgages
<b>Average balance</b>	EUR 130,993
<b>WA Current LTV</b>	67.2%
<b>WA Indexed LTV</b>	61.0%
<b>WA Seasoning</b>	52.5 months
<b>Max Loan Amount</b>	EUR1m
<b>WA Remaining Term</b>	13.8 years
<b>Number of loans</b>	33,570

### Regional distribution<sup>2</sup>



Notes:

1 As at 30 June 2013

2 Source: HSBC SFH Investor Report as at 30 June 2013

Greater Paris = Ile-de-France

North East = Alsace, Bourgogne, Champagne-Ardenne, Franche-Comté, Lorraine, Nord-Pas-de-Calais

North West = Basse-Normandie, Bretagne, Haute-Normandie, Pays-de-la-Loire, Picardie

South East = Auvergne, Corse, Limousin, Provence-Alpes-Côte d'Azur, Rhône-Alpes,

South West = Aquitaine, Centre, Languedoc-Roussillon, Midi-Pyrénées, Poitou-Charentes

# Section 6 – Conclusions





## Conclusions

- AAA investment in HSBC France
- Issuer fully regulated by the *Autorité de Contrôle Prudentiel* with the status of SFH
- Full recourse to HSBC France
- Secured by prime French residential home loans originated by HSBC France
- All home loans either guaranteed by *Crédit Logement* or secured by a 1<sup>st</sup> lien mortgage

# Appendix I - Covered Bond Programme Structure



# Key features of the SFH legal framework

- Key provisions of SFH law:
  - Requirement to cover all liquidity needs for the next 180-day period on an on-going basis
  - Minimum 2% legal overcollateralisation of the cover assets
  - Possibility for the issuers to use up to 10% of outstanding issued covered bonds for direct repo operations with ECB
  - Guaranteed home loans :
    - the rating of the guarantor directly impacts the weighting of such home loans in the cover pool valuation
    - guaranteed home loans secured by an "internal" guarantee (i.e. when the guarantor is at least 20% owned by the sponsor bank) are applied an additional 20% weighting haircut
  - OH investors benefit from the Privilege (statutory priority right of payment) over all the assets and revenues of the Issuer
  - OH are subject to strict criteria in terms of asset eligibility, supervision, control and license requirements
- The control over cover pool assets and guarantors are further tightened under the OH regime with the appointment of the specific controller, who publishes a yearly report to the Directors of HSBC SFH (France) on (i) the governance of the issuer, (ii) its ALM procedures, (iii) the eligibility of cover assets and (iv) the compliance with any other aspects of the law. This report is directly sent by the specific controller to the regulator. Moreover, the specific controller must certify any regulatory reporting sent to ACP.

Guarantor Rating	External Guarantor	Internal Guarantor
≥ A-	100%	80%
≥ BBB- and £ BBB+	80%	60%
< BBB- or not rated	0%	0%



# Covered Bonds Programme Structure

## Legal features

To ensure insolvency protection and security enforcement in case of bankruptcy of HSBC France, the Covered Bond Programme relies on the new legal framework of the SFH (Article L515-34 to L. 515-38 of the FMFC) and the use of the collateral provisions of the Article L. 211-36 to L. 211-40 of the FMFC where asset segregation is provided without having to transfer the assets off balance sheet

To ensure the bankruptcy-remoteness of the issuer, HSBC SFH (France) is a limited-purpose credit institution whose sole activity is to provide funding to HSBC France by issuing covered bonds

# Covered Bonds Programme Structure

## Asset Cover Test

- The Asset Cover Test (ACT) is designed to ensure that the collateral constituted by home loans, cash and other collateral is able to meet the future cash flows (interest and principal) on the covered bonds (tested monthly by the calculation agent)

**Asset Cover Ratio**

=

Adjusted Aggregate Asset Amount  
 —————  
 Aggregate Covered Bond Outstanding Principal Amount

≥

1

- Whereby

**Adjusted Aggregate Asset Amount**

=

Lower of :  
 Adjusted Home Loan Outstanding Principal Amount

And

(Sum of all Unadjusted Home Loan Outstanding Principal Amounts – Applicable Deemed reductions)  
 X  
 Asset Percentage

Plus

Cash  
 +  
 Aggregate Eligible Substitution Assets Amount  
 +  
 Aggregate Value of Permitted Investments

Less

Zero Or Potential financing costs of the swap

Plus

Weighted Average Maturity x Covered Bond Outstanding Principal Amount x Carrying Cost

Note:  
 Please refer to section Asset Monitoring of the O.C. for the detailed definitions

# Covered Bonds Programme Structure

## Amortisation Test

- The Amortisation Test is designed to ensure that the Issuer has the capacity to meet its obligations following the enforcement of the Borrower Event of Default. Compliance with the Amortisation Test requires compliance with the amortisation ratio (RA)

$$\text{Amortisation Ratio} = \frac{\text{Transferred Aggregate Asset Amount}}{\text{Aggregate Covered Bond Outstanding Principal Amount}} \geq 1$$

- Whereby

$$\text{Transferred Aggregate Asset Amount} = \left( \begin{array}{l} \text{Sum of all:} \\ \text{Transferred Home Loan Outstanding} \\ \text{Principal Amount}^1 \\ \times \\ M \\ \text{(M=1 if loan less than 3 months in arrears;} \\ \text{M=0.7 if loan 3 months or more in arrears)} \end{array} \right) \text{ Plus } \left( \begin{array}{l} \text{Cash} \\ + \\ \text{Aggregate} \\ \text{Eligible Substitution} \\ \text{Assets Amount} \\ + \\ \text{Aggregate Value of} \\ \text{Permitted Investments} \end{array} \right) \text{ Less } \left( \text{Weighted Average Maturity} \times \text{Covered Bond Outstanding Principal Amount} \times \text{Carrying Cost}^2 \right)$$

Notes:

1 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

2 Please refer to section Asset Monitoring of the O.C. for the detailed definitions

# Covered Bonds Programme Structure

## Hedging strategies

- Before a default event, the Issuer is not exposed to any risk of an interest or currency rate mismatch arising between the payments received on the Borrower Advances and the payments to be made under the Covered Bonds
- Upon the occurrence of a Hedging Rating Trigger Event, the Issuer will enter into Hedging Agreements
  - Issuer Hedging Agreements :
    - Derivative agreement(s) concluded by the Issuer with Eligible Hedging Providers (Issuer Hedging Agreements) to hedge any currency and interest rate mismatch between the Covered Bonds and the Cover Pool
  - Borrower Hedging Agreement :
    - Derivative agreement concluded by the Issuer with HSBC France (Borrower Hedging Agreement) to hedge mismatches between the Cover Pool and Borrower Advances
  - ‘Hedging Rating Trigger Event’ means the event in which the senior unsecured, unsubordinated and un-guaranteed debt obligations of HSBC France become rated below A (long term) by S&P or P1 (short term) or A2 (long term) by Moody’s
- Upon the occurrence of a Borrower Event of Default, and the subsequent transfer in favour of the Issuer of title to the Home Loans, the Issuer will :
  - Maintain its rights and obligations under the existing Issuer Hedging Agreements
  - Terminate immediately the Borrower Hedging Agreements

# Covered Bonds Programme Structure

## Structural Highlights

- Pre-Maturity Test
  - Designed to ensure that the Borrower can provide sufficient liquidity in case of a downgrade
  - If, 270 days before the maturity of any series of hard bullet Covered Bonds, the Borrower's short-term rating is below A (long term) by S&P or P-1 (short term) by Moody's, the Borrower must fund the cash collateral account to a sufficient level calculated by the Issuer Security agent as the Covered Bond Principal Amount + Costs
  - A non-compliance with the Pre-Maturity Test will prevent the Issuer from issuing any further series of Covered Bonds as long as it remains un-remedied. A failure to fund the cash collateral account to the required level within 30 calendar days of receipt of a notice of non-compliance will result in a Borrower Event of Default
- Liquidity Support
  - Monthly payment under the Covered Bond Swap after the occurrence of the Hedging Rating Trigger Event
  - Funds held by the highly rated Covered Bond Swap provider until the annual payment of interest
- Accounts Agreement
  - HSBC France provides bank accounts to the Issuer as long as it is an eligible bank for the rating agencies
- Asset Servicing
  - HSBC France will perform the Asset Servicing and will provide HSBC SFH (France) with Asset Reporting
  - HSBC SFH (France) will use reasonable effort to enter into a master servicing agreement with an eligible servicer if HSBC France is downgraded below BBB by S&P or Baa2 by Moody's
- Commingling Risk
  - A cash collateral reserve will be placed under a specific account (the "Collection Loss Reserve Account") in case of downgrade of HSBC France below BBB (long term) by S&P or P-1 (short term) by Moody's

# Covered Bonds Programme Structure

## Key events

### **Borrower event of default**

- The occurrence of any of the following events will constitute a Borrower Event of Default :
  - Default in the payment of principal or interest on any Borrower Facility not remedied within 3 business days after the due date
  - Breach of Pre-Maturity Test
  - Breach of Asset Cover Test
  - Breach of Collection Loss Reserve Funding requirement
  - Any material representation or warranties made by the Borrower is incorrect in any material aspect
  - Failure to comply with any of the Borrower's material obligations
  - Occurrence of Insolvency Event
  - Any of the Borrower's material obligations becomes unlawful or ceases to be legal, valid and binding
  - Failure to enter into any Hedging Agreement within 30 days following a Hedging Rating Trigger Event
  
- A Borrower Event of Default will result in a Borrower Enforcement Notice :
  - No further Borrower advances shall be available
  - Borrower advances become due and payable
  - Enforcement of the Borrower Facility with a transfer of assets to the Issuer

# Covered Bonds Programme Structure

## Key events

### Issuer event of default

- The occurrence of any of the following events will constitute an Issuer Event of Default
  - Breach of Amortisation Test
  - Default in the payment of principal or interest on any Covered Bond not remedied within 5 business days after the due date
  - Default in the performance or observance of any of its other material obligations not remedied within 30 days after receipt by Fiscal Agent
  - Covered Bonds Cross Acceleration Event
  - Order made for the liquidation or winding up the Issuer
  - Occurrence of Insolvency Event
  - The Issuer ceases to carry on all or a material part of business
  - Failure to enter into any Hedging Agreement within 30 days following a Hedging Rating Trigger Event
  
- An Issuer Event of Default will result in an Issuer Enforcement Notice
  - An Issuer Enforcement Notice causes the principal amount of all Covered Bonds of such Series to become due and payable, subject to the relevant Payment Priority Order

# Covered Bonds Programme Structure

## Key events

### **No further issuance**

- The Issuer undertakes not to issue any new Covered Bonds under the Programme
  - As from the date a Borrower Enforcement Notice has been served
  - As from the date an Issuer Enforcement Notice has been served
  - For so long as Non-Compliance with Asset Cover Test has occurred and is not remedied
  - For so long as Non-Compliance with Amortisation Test has occurred and is not remedied
  - For so long as, regarding the Pre-Maturity Test and the Legal Liquidity Test, a Non-Compliance Notice has been delivered and is not withdrawn



# Covered Bonds Programme Structure

## Cash flow priorities

Pre-Enforcement Priority Payment Order	Controlled Post-Enforcement Priority Payment Order	Accelerated Post-Enforcement Priority Payment Order
<p>Prior to any enforcement notice being served</p>	<p>In the event of service by the Issuer to the Borrower of a Borrower Enforcement Notice</p>	<p>An Issuer Event of Default will result in an Issuer Enforcement Notice and an Accelerated Post-Enforcement Priority Payment Order</p>
<ol style="list-style-type: none"> <li>1. Hedging Costs, if any, (other than Hedging Termination Costs)</li> <li>2. Interest amounts due on the Covered Bonds</li> <li>3. Principal amounts due on the Covered Bonds</li> <li>4. Hedging Termination costs, if any</li> <li>5. Fees due and payable to the Administrator and the Servicer</li> <li>6. Amounts due and payable to the Cash Collateral Provider</li> <li>7. Other administrative and tax costs</li> <li>8. Dividend to the Issuer's shareholders and any payment under the subordinated loan</li> </ol>	<ol style="list-style-type: none"> <li>1. Hedging Costs, if any, (other than Hedging Termination Costs)</li> <li>2. Interest amounts due on the Covered Bonds</li> <li>3. Principal amounts due on the Covered Bonds</li> <li>4. Hedging Termination costs (only after full repayment of any outstanding Covered Bonds)</li> <li>5. Fees due and payable to the Administrator and the Servicer</li> <li>6. Amounts due and payable to the Cash Collateral Provider</li> <li>7. Other administrative and tax costs</li> <li>8. Subject to full repayment of any outstanding Covered Bonds, distribution of remaining enforcement proceeds to the Borrower and payment of dividend to the Issuer's shareholders and any payment under the subordinated loan</li> </ol>	<ol style="list-style-type: none"> <li>1. Hedging Costs, if any, (other than Hedging Termination Costs)</li> <li>2. Interest amounts due on the Covered Bonds</li> <li>3. All principal outstanding amounts under the Covered Bonds</li> <li>4. Hedging Termination costs (only after full repayment of any outstanding Covered Bonds)</li> <li>5. Fees due and payable to the Administrator and the Servicer</li> <li>6. Amounts due and payable to the Cash Collateral Provider</li> <li>7. Other administrative and tax costs</li> <li>8. Subject to full repayment of any outstanding Covered Bonds, distribution of remaining enforcement proceeds to the Borrower and payment of dividend to the Issuer's shareholders and any payment under the subordinated loan</li> </ol>
<p>To be paid on any Payment Date</p>	<p>In the event of service by the Issuer</p>	<p>Instruction to pay to be given within 3 business days of receipt of Issuer Enforcement Notice</p>

# Covered Bonds Programme Structure

## Home Loan eligibility criteria

- a. All lending criteria and conditions precedent as applied by the originator of the Home Loan pursuant to its customary lending procedures were satisfied
- b. the purpose of the Home 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 Home Loan is governed by French law
- e. the Home Loan is denominated in Euro
- f. all sums due under the 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 such Home Loan is no more than Euro 1,000,000
- h. on the relevant Selection Date, the loan-to-value of the Home Loan is no more than 100%
- i. on the relevant Selection Date, the remaining term for the Home Loan is less than thirty (30) years
- j. on the relevant Selection Date, the borrower under the Home Loan has paid at least one (1) instalment in respect of the Home Loan
- k. the borrower under the Home Loan is an individual who is not an employee of the originator of such Home Loan
- l. the Home Loan is current (i.e. does not present any arrears) as at the relevant Selection Date
- m. the Home Loan is either monthly or quarterly amortising as at the relevant Selection Date
- n. the borrower under the Home Loan does not benefit from a contractual right of set off
- o. the opening by the borrower under the Home Loan of a bank account dedicated to payments due under the Home Loan is not a condition precedent to the originator of the Home Loan making the Home Loan available to the borrower under the Home Loan
- p. except where prior Rating Affirmation has been obtained, no amount drawn under the Home Loan is capable of being redrawn by the borrower thereof (i.e. the Home Loan is not flexible)

# Appendix II - Contacts



# Contacts and further information

## HSBC France

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Matthieu Kiss

Chief Financial Officer

matthieu.kiss@hsbc.fr

+33 1 4070 2396

## HSBC Holdings plc

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Nick Turnor

Head of Debt Investor Relations

nick.turnor@hsbc.com

+44 20 7992 5501

## HSBC SFH (France)

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Samir El Aziz

Chief Executive Officer

samir.el.aziz@hsbc.fr

+33 1 5813 0410

## Websites

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[www.hsbc.fr/1/2/hsbc-france](http://www.hsbc.fr/1/2/hsbc-france)

[www.hsbc.com/1/2/investor-relations](http://www.hsbc.com/1/2/investor-relations)