



HSBC SFH (France)

(duly licensed French specialised credit institution)

€8,000,000,000 COVERED BOND PROGRAMME
for the issue of Obligations de Financement de l'Habitat

FIRST SUPPLEMENT DATED 3 AUGUST 2022
TO THE COVERED BOND PROGRAMME BASE PROSPECTUS
DATED 11 MARCH 2022

This first supplement (the “**First Supplement**”) is supplemental to, and should be read in conjunction with, the Base Prospectus dated 11 March 2022 (the “**Base Prospectus**”) prepared in relation to the €8,000,000,000 Covered Bond Programme of HSBC SFH (France) (the “**Issuer**”) (the “**Programme**”). The Base Prospectus constitutes a base prospectus for the purpose of the Regulation (EU) 2017/1129, as amended (the “**Prospectus Regulation**”). The *Autorité des marchés financiers* (the “**AMF**”) has granted the approval number 22-060 on 11 March 2022 on the Base Prospectus.

Application has been made for approval of this First Supplement to the AMF in its capacity as competent authority under the Prospectus Regulation. This First Supplement constitutes a supplement to the Base Prospectus and has been prepared for the purpose of Article 23 of the Prospectus Regulation.

Terms defined in the Base Prospectus shall have the same meaning when used in this First Supplement.

This First Supplement has been prepared for the following purposes:

1. incorporating by reference the semi-annual financial report of HSBC SFH (France) for the six-month period ended 30 June 2022 in the French language which contains the non-consolidated financial statements of the Issuer for the six-month period ended 30 June 2022 and the statutory auditors' limited review report thereon (the “**2022 Semestrial Financial Report**”);
2. amending the Base Prospectus with respect to the implementation into French law of the Directive (EU) 2019/2162 of the European Parliament and of the Council dated 27 November 2019 on the issue of covered bonds and covered bond public supervision amending Directives 2009/65/EC and 2014/59/EU (the “**Covered Bonds Directive**”);
3. updating the cover page of the Base Prospectus with respect to the intention of the Issuer to obtain for its Covered Bonds the “European Covered Bond (Premium) Label”;
4. updating the section entitled “Risk Factors” of the Base Prospectus;
5. updating the section entitled “Documents Incorporated by Reference” of the Base Prospectus;
6. updating the fifth introductory paragraph and the Conditions 5(b) and 7(a) in the section entitled “Terms and Conditions of the French law Covered Bonds” of the Base Prospectus;
7. updating the section entitled “The Issuer” of the Base Prospectus;
8. updating the section entitled “Taxation” of the Base Prospectus; and
9. updating the section entitled “General Information” of the Base Prospectus.

Save as disclosed in this First Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which may affect the assessment of the Covered Bonds to be issued under the Programme. To the extent that there is any inconsistency between (a) any statements in this First Supplement and (b) any other statement in the Base Prospectus (or incorporated thereto by reference), the statements in this First Supplement will prevail.

Copies of this First Supplement may be obtained, without charge on request, at the principal office of the Issuer and the Paying Agents set out at the end of the Base Prospectus during normal business hours so long as any of the Covered Bonds are outstanding. The First

Supplement will be published on the websites of (i) the AMF (www.amf-france.org), (ii) the HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds) and (iii) www.info-financiere.fr.

To the extent applicable, a right of withdrawal is only granted to those investors who had already agreed to purchase or subscribe for the securities before this First Supplement was published and where the securities had not yet been delivered to the investors at the time when the significant new factor, material mistake or material inaccuracy arose or was noted; investors can exercise their right of withdrawal up to 8 August 2022 with the Authorised Offerors.

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COVER PAGE

A new paragraph is hereby inserted before the last paragraph of the cover page of the Base Prospectus as follows:

“Since the entry into force on 8 July 2022 of the relevant French law provisions, including Ordinance n° 2021-858 dated 30 June 2021, transposing the Directive (EU) 2019/2162 of the European Parliament and of the Council dated 27 November 2019 on the issue of covered bonds and covered bond public supervision amending Directives 2009/65/EC and 2014/59/EU (the “**Covered Bonds Directive**”), the Covered Bonds to be issued under the Programme are intended to be eligible for being included on the list of *obligations de financement de l’habitat* that are entitled to use the “European Covered Bond (Premium)” label to be published by the *Autorité de contrôle prudentiel et de résolution* (the “**ACPR**”), subject to verification by the Specific Controller that the conditions are satisfied and prior approval and supervision of the ACPR (notably in accordance with instruction n°2022-I-05 of the ACPR). However, no representation is made or assurance given that any Covered Bonds to be issued under the Programme will actually be and remain allowed to use the “European Covered Bond (Premium)” label until their maturity.”

RISK FACTORS

1. The table in the section “Risk Factors” on pages 12 to 15 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):

“Risks	Likelihood	Impact
A. Risk factors relating to the Issuer		
<i>The Issuer has sole liability under the Covered Bonds</i>	Very Unlikely	Significant
<i>Several items of the Issuer’s balance sheet are subject to credit risk</i>	Very Unlikely	Significant
<i>The EU Resolution and Recovery Directive</i>	Very Unlikely	Significant
<i>The Issuer could be transferred to Banque des Caraïbes SA or any other entity within the My Money Group</i>	Likely	Moderate
<i>The Issuer is exposed to certain operational risks</i>	Unlikely	Moderate
<i>Since 8 July 2022, the Covered Bonds are subject to a revised legislative and regulations framework</i>	Very Unlikely	Moderate
B. Risk factors related to the Borrower, the Borrower Collateral Securities and Affiliates		
(i) Risk factors related to the Borrower		
<i>Borrower’s ability to pay under the Borrower Debt</i>	Very Unlikely	Significant
<i>Covid-19 pandemic and its consequences may affect the Borrower’s business, operation and financial condition</i>	Unlikely	Low
<i>Credit rating of the Covered Bonds may be affected by various factors</i>	Very Unlikely	Moderate
(ii) Risk factors relating to the Borrower Collateral Security		
<i>No interpretation by French courts of rules</i>	Very Unlikely	Significant

“Risks	Likelihood	Impact
<i>applicable to Borrower Collateral Security</i>		
<i>No prior notification to debtors under the Home Loan Receivables granted as Borrower Collateral Security</i>	Very Unlikely	Moderate
<i>Set-off by debtors under the Home Loans</i>	Very Unlikely	Moderate
<i>Risks related to maintenance of Borrower Collateral Security prior to or following enforcement thereof</i>	Very Unlikely	Moderate
<i>Sale or refinancing of Home Loan Receivables and related Home Loan Security by the Issuer following enforcement of the Borrower Collateral Security</i>	Very Unlikely	Moderate
(iii) Risks related to the Affiliates	Very Unlikely	Moderate
C. Risk factors related to the functioning of the Programme		
(i) Risk relating to the nature of the Programme and the parties involved in its functioning		
<i>The Issuer relies on HSBC Continental Europe and its successors for the provision of liquidity</i>	Very Unlikely	Significant
<i>Substitution risk</i>	Very Unlikely	Significant
<i>Limited resources are available to the Issuer</i>	Very Unlikely	Significant
<i>The Issuer relies on HSBC Continental Europe or its successors for its operations and to administer the Programme Documents</i>	Unlikely	Moderate
<i>The Issuer relies on HSBC Continental Europe or its successors for the monitoring of the Borrower Collateral Security Assets</i>	Unlikely	Moderate
<i>Modification, alteration, amendment, termination or supplement to the Programme Documents without Bondholder prior consent</i>	Very Unlikely	Moderate

“Risks	Likelihood	Impact
<i>Insolvency and examinership laws in France could limit the ability of the Bondholders to enforce their rights under the Covered Bonds</i>	Very Unlikely	Moderate
<i>Conflicts of interest in respect of HSBC Continental Europe</i>	Very Unlikely	Low
<i>Holder of the Covered Bonds may not declare the Covered Bonds immediately due and payable upon the Issuer filing for bankruptcy</i>	Very Unlikely	Low
<i>Recourse and enforcement with respect to the Issuer is subject to significant limitations</i>	Very Unlikely	Low
<i>Permitted Investments</i>	Very Unlikely	Low
(ii) Risks relating to swaps and options derivatives		
<i>Interest and currency risks</i>	Very Unlikely	Low
(iii) Risk related to the Home Loans and related Home Loan Security		
<i>Prepayment</i>	Likely	Moderate
<i>Debtors' ability to pay under the Home Loans</i>	Very Unlikely	Moderate
<i>No independent investigation – representations and warranties</i>	Very Unlikely	Moderate
<i>Changes to the lending criteria of the Borrower</i>	Very Unlikely	Moderate
<i>Enforcement of Home Loan Guarantees</i>	Very Unlikely	Moderate
<i>Limited description of the Home Loans</i>	Very Unlikely	Low
<i>Foreclosing on real property granted as security under French law governed Mortgages</i>	Very Unlikely	Low”

2. **The paragraph entitled “Several items of the Issuer’s balance sheet are subject to credit risk” in the section “Risk Factors” on page 16 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

“Several items of the Issuer’s balance sheet are subject to credit risk

Several items of the Issuer’s balance sheet are subject to credit risk, in particular its cash and loans both on steady-state as well as in the event of a transfer of collateral. Under steady-state, the Issuer’s balance sheet is mainly exposed to its parent company:

- the Issuer’s cash, which reflects the investment of its equity, is currently composed of sight deposits in HSBC Continental Europe’s accounting books. Such deposits are subject to a minimum rating requirement described in the Base Prospectus (long-term rate A by S&P and short-term rate P-1 by Moody’s). As of the date of this Base Prospectus, the long-term rating of HSBC Continental Europe is AA- (Fitch), A1 (Moody’s) and A+ (S&P) and the short-term rating of HSBC Continental Europe is F1 (Fitch), P-1 (Moody’s) and A-1 (S&P). **As at 30 June 2022, the Issuer’s cash amounted to €104,098,705;**
- the other major component of the Issuer’s asset under steady-state is currently all the Borrower Advances granted to HSBC Continental Europe that replicate the characteristics of the Covered Bonds issued. The related credit risk is considered low as long as HSBC Continental Europe complies with the requirements of the Programme (long-term rating BBB by S&P and counterparty risk Baa2 by Moody’s). As of the date of this Base Prospectus, the long-term rating of HSBC Continental Europe is AA- (Fitch), A1 (Moody’s) and A+ (S&P) and the long-term counterparty risk assigned to HSBC Continental Europe by Moody’s is Aa3. **As at 30 June 2022, the Borrower Debt amounted to €4,271,287,671 (i.e. the Advances still outstanding and the corresponding interests).**

The bulk of the cover pool is composed of prime Home Loans with the following characteristics: (i) all fixed-rate and (ii) **all** guaranteed by Crédit Logement. In addition, it is voluntarily over-collateralised, above the regulatory minimum of 105% and above the overcollateralization level required by the Rating Agencies in order to obtain an AAA rating, *i.e. as at 30 June 2022, 112.33%. As at 30 June 2022, the cover pool amounted to €4,899,927,252 and was composed of 40,744 Home Loans held by 32,149 borrowers.*

If an event occurs under the Programme (for example, a Borrower Event of Default or a downgrade of HSBC Continental Europe’s rating below a specific threshold), the Issuer shall access to the ownership of the Eligible Assets granted as Borrower Collateral Security. Then, the remaining credit risk shall come from the transferred Home Loans portfolio, which is mitigated by the guarantees granted directly or indirectly on the Home Loan Receivables.”

3. **The paragraph entitled “The EU Resolution and Recovery Directive” in the section “Risk Factors” on pages 16 to 18 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

“The EU Resolution and Recovery Directive

Directive 2014/59/EU of the European Parliament and of the Council dated 15 May 2014 on the resolution of financial institutions provides for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”) which was implemented in France by the *Ordonnance portant diverses dispositions d’adaptation de la législation au droit de l’Union européenne en matière financière* dated 20 August 2015. The BRRD provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the

continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including Covered Bonds to equity (the “**general bail-in tool**”), which equity could also be subject to any future application of the general bail-in tool. Relevant claims for the purposes of the bail-in tool would include the claims of the holders in respect of any Covered Bonds issued under the Programme, only if and to the extent that the bond liability exceeded the value of the cover pool collateral against which it is secured. **In this respect, it is to be noted that the Issuer shall maintain at any time a Minimum Legal Cover Ratio of 105% and the Legal Cover Ratio as of 31 March 2022 certified by the Specific Controller was 111.20% and as of 30 June 2022 was 112.33% (not yet certified by the Specific Controller).**

Regarding covered bonds such as the Covered Bonds, the BRRD provides that the relevant resolution authority shall not exercise the write down or conversion powers in relation to secured liabilities including covered bonds and liabilities in the form of financial instruments used for hedging purposes which form an integral part of the cover pool and which according to national law are secured in a way similar to covered bonds, whether they are governed by the law of a Member State of the EEA or of a third country.

The BRRD also provides that in exceptional circumstances, where the bail-in tool is applied, the relevant resolution authority may exclude or partially exclude certain liabilities from the application of the write-down or conversion powers where: (a) it is not possible to bail-in that liability within a reasonable time; (b) the exclusion is strictly necessary and is proportionate to achieve the continuity of critical functions and core business lines in a manner that maintains the ability of the institution under resolution to continue key operations, services and transactions; (c) the exclusion is strictly necessary and proportionate to avoid giving rise to widespread contagion, in particular as regards eligible deposits held by natural persons and micro, small and medium sized enterprises, which would severely disrupt the functioning of financial markets, including of financial market infrastructures, in a manner that could cause a serious disturbance to the economy of a Member State or of the Union; or (d) the application of the bail-in tool to those liabilities would cause a destruction in value such that the losses borne by other creditors would be higher than if those liabilities were excluded from bail-in. Consequently, where a resolution authority decides to exclude or partially exclude an eligible liability or class of eligible liabilities, the level of write down or conversion applied to other eligible liabilities - as the holders of the Covered Bonds - when not excluded, may be increased to take account of such exclusions. Subsequently, if the losses that would have been borne by those liabilities have not been passed on fully to other creditors, the resolution financing arrangement may make a contribution to the institution under resolution to (i) cover any losses which have not been absorbed by eligible liabilities and restore the net asset value of the institution under resolution to zero and/or (ii) purchase shares or other instruments of ownership or capital instruments in the institution under resolution, in order to recapitalise the institution. The last step - if there are losses left - would be an extraordinary public financial support through additional financial stabilisation tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework. An institution will be considered as failing or likely to fail when: it is, or is likely

in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. In particular, holders of Covered Bonds may be subject to write-down (including to zero) or conversion into equity on any application of the general bail-in tool (subject, in the case of covered bonds such as the Covered Bonds, to the limitations set out above), which may result in such holders losing some or all of their investment. The BRRD also provides that the relevant resolution authority can modify the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments). The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of the holders of the Covered Bonds, the price or value of their investment in any Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any Covered Bonds.

Holders of the Covered Bonds should note that the BRRD has been amended by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 which had to be implemented under French law within 18 months from the date of its entry into force on 27 June 2019. Such Directive has been implemented into French law by the French Ordinance no. 2020-1636 relating to the resolution regime in the banking sector on 21 December 2020.”

4. The paragraph entitled “*The Issuer is exposed to certain operational risks*” in the section “Risk Factors” on page 19 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):

“The Issuer is exposed to certain operational risks

The Issuer is exposed to several types of operational risks that are inherent to its operations, including fraudulent and other criminal activities (both internal and external, including cyber), breakdown in processes. These operational risks could have an adverse effect on the business, the customers, the financial conditions and results of operations of the Issuer.

The main operational risks for the Issuer include the following:

- the financial crime risk refers to potential money laundering, terrorism’s financing, sanctions with respect to the Borrower’s customers. HSBC Continental Europe has a responsibility to help protect the integrity of the global financial system. To fulfil this responsibility, HSBC Continental Europe has made and continue to make, significant investments in the ability to detect, deter and prevent financial crime and HSBC Continental Europe has set a framework to be followed within its group. The framework is built to observe the letter and spirit of all relevant laws, codes rules, regulations, and standards of good market practice. These include for the Issuer more specifically those relating to financial crime compliance such as anti money laundering, Counter Terrorism and Proliferation Financing, and Sanctions in relation with the Borrower Collateral Security (*i.e.* the Home Loan Receivables which will be granted with full title transfer (*remise en pleine propriété à titre de garantie*)).
- the risks linked to security of information with respect to unauthorised access, alteration or theft of information. The risk from cyber-attack remains a concern for HSBC Continental Europe’s group and failure to protect its operations from internet crime or cyber-attacks may result in financial loss, business disruption and / or loss of data or other sensitive information that could undermine the reputation and the ability to keep or attract Bondholders. The risk related to insider has been also considered by the Issuer. This risk comprises the risk implicit in actions by employees of HSBC Continental Europe, contractors of the Issuer or of HSBC Continental Europe, or others (such as third-party vendors), with authorised access to

sensitive information, systems, premises, infrastructure, to cause reputational, regulatory or operational harm.

- the risk linked to transaction settlement error or failure to perform in the day-to-day activities, due to unavailability of systems, human errors, or process deployment, disruption from the external environment, dependency in the information technology system.

As at 30 June 2022, none of the above-mentioned operational risks have been detected by the Issuer at the Issuer's level."

5. A new paragraph entitled *"Since 8 July 2022, the Covered Bonds are subject to a revised legislative and regulations framework"* in the section "Risk Factors" of the Base Prospectus is hereby inserted after the paragraph entitled *"The Issuer is exposed to certain operational risks"* on page 19 as follows (the additions appear in blue):

"Since 8 July 2022, the Covered Bonds are subject to a revised legislative and regulations framework

The Covered Bonds Directive and Regulation (EU) 2019/2160 of the European Parliament and the Council (together, the "New EU Covered Bonds Framework") were definitely adopted on 27 November 2019 and published on 18 December 2019.

The New EU Covered Bonds Framework provides a common definition of covered bonds, defines the structural features of the instrument, defines the tasks and responsibilities for the supervision of covered bonds, sets out the rules allowing the use of the labels "European Covered Bond" and "European Covered Bond (Premium)" and strengthens the conditions for granting preferential prudential treatment to covered bonds under the capital requirement regulation.

*Under French law, the Covered Bonds Directive has been transposed by an Ordinance no. 2021-858 dated 30 June 2021, the Decree no. 2021-898 dated 6 July 2021, a Ministerial Decree (*arrêté*) dated 7 July 2021 and the Decree no. 2022-766 dated 2 May 2022, which entered in force on 8 July 2022. The potential impact on the Issuer and the Covered Bonds of this New EU Covered Bonds Framework and of the new French law applicable to covered bonds (such as the Covered Bonds) and to SFH (such as the Issuer) is relatively limited but cannot yet be fully estimated. The implementation of the New EU Covered Bonds Framework under French law and/or its interpretation could have an adverse effect on the Covered Bonds or on the Bondholders. Furthermore, even if the label is requested by the Issuer, the Covered Bonds may not benefit from, and/or remain allowed to use, the "European Covered Bond" or "European Covered Bond (Premium)" label until their maturity."*

6. The paragraph entitled *"Borrower's ability to pay under the Borrower Debt"* in the section "Risk Factors" on pages 19 to 20 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):

"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. **As at 30 June 2022, the Borrower Debt amounted to €4,271,287,671.**

The likelihood of timely payments by the Borrower under the Borrower Debt is assessed through the monitoring of HSBC Continental Europe's rating. If this rating falls below a long-term rating of BBB by S&P and a counterparty risk rating of Baa2 by Moody's, the Issuer shall be entitled to enforce the Borrower Collateral Security. As of the date of this Base Prospectus, the long-term rating of HSBC Continental Europe is AA- (Fitch), A1 (Moody's) and A+ (S&P) and the long-term counterparty risk assigned to HSBC Continental Europe by Moody's is Aa3.

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 and as a consequence, this may adversely affect the Issuer's ability to perform its obligations under the Covered Bonds.

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)."

7. **The paragraph entitled "*Risks related to maintenance of Borrower Collateral Security prior to or following enforcement thereof*" in the section "Risk Factors" on pages 23 to 24 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

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

If the collateral value of the Home Loan Receivables (amounting to €4,899,927,252 at 30 June 2022 and representing 115.29% of the Covered Bonds currently outstanding (i.e. €4,250,000,000)) 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. In this respect, it is to be noted that holders of Home Loans are composed of premium clients a large part of which are located in Paris and in the region Ile-de-France. As at 30 June 2022, the number of Home Loans was 40,744 held by 32,149 clients.

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."

8. **The paragraph entitled "*Sale or refinancing of Home Loan Receivables and related Home Loan Security by the Issuer following enforcement of the Borrower Collateral Security*" in the section "Risk Factors" on pages 24 and 25 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

"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 definitively 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). As at 30 June 2022, the Home Loan Receivables amounted to €4,899,927,252 and the Home Loan Securities to €4,250,000,000.

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. The representations or warranties previously given by the Borrower with respect to such assets pursuant to the terms of the Borrower Collateral Security Agreement may not benefit to 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.”

9. **The paragraph entitled “*The Issuer relies on HSBC Continental Europe and its successors for the provision of liquidity*” in the section “Risk Factors” on pages 25 to 26 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

“The Issuer relies on HSBC Continental Europe and its successors for the provision of liquidity

The Issuer has entered into the Cash Collateral Agreement with HSBC Continental Europe (as Cash Collateral Provider), who has agreed to provide liquidity to the Issuer upon certain rating trigger events occurring. **As at 30 June 2022, there was no need to provide liquidity under the Cash Collateral Agreement.**

Failure of HSBC Continental Europe or its successors to provide liquidity to the Issuer where required under the Cash Collateral Agreement may adversely affect the Issuers' ability to perform its obligations under the Covered Bonds and as a consequence Bondholders could receive a diminished return on their investment in the Covered Bonds.”

10. **The paragraph entitled “*The Issuer relies on HSBC Continental Europe or its successors for the monitoring of the Borrower Collateral Security Assets*” in the section “Risk Factors” on page 28 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

“The Issuer relies on HSBC Continental Europe or its successors for the monitoring of the Borrower Collateral Security Assets

The Issuer has entered into the Borrower Collateral Security Agreement with HSBC Continental Europe, who has agreed to administer and monitor the Borrower Collateral Security Assets and/or the Borrower Collateral Security. **As at 30 June 2022, Borrower Collateral Security Assets amounted to €4,899,927,252.**

Under the relevant Programme Documents, the Issuer may terminate the appointment of HSBC Continental Europe (such termination not being effective until a substitute servicer with the required rating shall have replaced HSBC Continental Europe), 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.

As a consequence, Bondholders could lose all or a significant part of their investment in the Covered Bonds.”

11. **The paragraph entitled “*Insolvency and examinership laws in France could limit the ability of the Bondholders to enforce their rights under the Covered Bonds*” in the section “Risk Factors” on pages 28 to 29 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

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

The Issuer having its registered office in France, may be subject to French laws and proceedings affecting creditors, including conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de*

sauvegarde), accelerated safeguard proceedings (*sauvegarde accélérée*) and judicial reorganisation or liquidation proceedings (*procédure de redressement ou de liquidation judiciaires*).

The Issuer, as a French regulated financial institution, is also subject to the provisions of Articles L.613-24 *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 (*e.g.* the prior-approval of the *Autorité de contrôle prudentiel et de résolution* would be required to open insolvency proceedings with respect to the Issuer), specific concepts of insolvency (*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.513-31 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 under the Covered Bonds;
- in accordance with Article L.513-20 of the French Monetary and Financial Code (*Code monétaire et financier*) (applicable to the Issuer by reference to Article L.513-28 of the French Monetary and Financial Code (*Code monétaire et financier*)), the insolvency proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of a shareholder of the Issuer cannot be extended to the Issuer;
- in accordance with Article L.513-21 of the French Monetary and Financial Code (*Code monétaire et financier*) (applicable to the Issuer by reference to Article L.513-28 of the French Monetary and Financial Code), 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, **deposits**, 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 accordance with Article L.513-30 of the French Monetary and Financial Code (*Code monétaire et financier*), in in case of insolvency proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) **or resolution proceeding (*procédure de résolution*)** 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 insolvency proceedings in respect of the Issuer, the ability of Bondholders to exercise their rights under the Covered Bonds may be limited.”

12. The paragraph entitled “Interest and currency risks” in the section “Risk Factors” on page 31 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):

“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. **As at 30 June 2022, the Borrower Debt amounted to €4,258,843,836.**

The Home Loan Receivables that are part of the Borrower Collateral Security may not 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.”

13. **The paragraph entitled “*Extendable final maturity Covered Bonds may be redeemed after their initial maturity date*” in the section “Risk Factors” on page 42 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

“As contemplated in Condition 7(a) of the “Terms and Conditions of the French law Covered Bonds”, the Final Maturity Date of Extendable Final Maturity Covered Bonds may be extended automatically to the Extended Final Maturity Date if a **Maturity Extension Trigger Event has occurred**. The payment of the Final Redemption Amount may be automatically deferred and shall not be due and payable until the Extended Final Maturity Date if so specified in the relevant Final Terms. Interest will continue to accrue on any unpaid amount during such extended period at the relevant applicable Rate of Interest and be payable on each Interest Payment Date and on the Extended Final Maturity Date all as specified in the relevant Final Terms and in accordance with the applicable Terms and Conditions. However, the situation of the Issuer may change between the Final Maturity Date and the Extended Final Maturity Date. As a result, investors may not be repaid in full at the Final Maturity Date but at the Extended Final Maturity Date and the market value of the Covered Bonds between the Final Maturity Date and the Extended Final Maturity Date might be significantly affected.”

DOCUMENTS INCORPORATED BY REFERENCE

The section entitled “Documents Incorporated by Reference” on pages 49 and 50 of the Base Prospectus is hereby deleted in its entirety and shall be replaced with the following:

“The 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, the Base Prospectus:

- the semi-annual financial report of HSBC SFH (France) for the six-month period ended 30 June 2022 in the French language which contains the non-consolidated financial statements of the Issuer for the six-month period ended 30 June 2022 and the auditors’ limited review report thereon (the “**2022 Semestrial Financial Report**”);

<https://www.about.hsbc.fr/-/media/france/fr/investors-relations/hsbc-sfh/220801-rapport-financier-semestriel-juin-2022.pdf>

- the annual financial report of HSBC SFH (France) for the year ended 31 December 2021 in the French language and prepared in accordance with French generally accepted accounting principles and the statutory auditors’ report thereon (together the “**2021 Annual Financial Report**”); and

<https://www.about.hsbc.fr/-/media/france/fr/investors-relations/hsbc-sfh/220307-rapport-financier-annuel-2021.pdf>

- the annual financial report of HSBC SFH (France) for the year ended 31 December 2020 in the French language and prepared in accordance with French generally accepted accounting principles and the statutory auditors’ report thereon (together the “**2020 Annual Financial Report**”).

<http://www.about.hsbc.fr/-/media/france/fr/investors-relations/hsbc-sfh/210304-rapport-financier-annuel-2020.pdf>

All documents incorporated by reference in the 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 the 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), (ii) the HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds) and (iii) www.info-financiere.fr.

For the purpose of the Prospectus Regulation, information can be found in the documents incorporated by reference in this Base Prospectus in accordance with the following cross-reference table (in which the numbering refers to the relevant items of Annexes 6 and 7 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation, as amended).

The information incorporated by reference in the 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 6 and Annex 7 of the Regulation (EU) 2019/980, as amended)

Extracts of Annexes 6 and 7 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation, as amended	2022 Semestrial Financial Report (page number)	2021 Annual Financial Report (page number)	2020 Annual Financial Report (page number)	
SECTION 11	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES			
11.1	Historical financial information			
11.1.1	Historical financial information covering the latest two financial years (at least 24 months) or such shorter period as the issuer has been in operation and the audit report in respect of each year.	11 to 34	47 to 66	58 to 84
11.1.3	Accounting standards	-	24	28
11.1.5	Financial information			
	- Balance sheet	11 to 12	47 to 48	58 to 59
	- Income statement	13	49	60
	- Statement of cash flows	14	50	61
	- Statement of changes in equity	15	51	62
	- Accounting policies and explanatory notes	16 to 34	52 to 62	63 to 79
11.1.7	Age of financial information	11	47	58
11.3	Auditing of Historical financial information	35 to 36	63 to 66	80 to 84

SECTION 4	INFORMATION ABOUT THE ISSUER			
4.1.5	Recent events relating to the issuer	3 to 6	4 to 9	6 to 10"

TERMS AND CONDITIONS OF THE FRENCH LAW COVERED BONDS

1. **The fifth introductory paragraph of the section “Terms and Conditions of the French law Covered Bonds” on page 53 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

“An amended and restated agency agreement dated on or about the date of the Base Prospectus **as amended by a supplemental agency agreement dated on or about 3 August 2022 and as the same may be further amended, varied or supplemented from time to time (together, the "Agency Agreement")** governed by French law has been 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)**".”

2. **The Condition 5(b) entitled “*Privilège (Statutory Priority in Right of Payment)*” in the section “Terms and Conditions of the French law Covered Bonds” on page 60 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):**

“*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.513-11 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 **Articles L.513-11 and L.513-30** of the French Monetary and Financial Code (*Code monétaire et financier*):

- (i) all amounts payable to the Issuer in respect of loans, assimilated receivables, exposures, securities **and deposits** referred to in Articles **L.513-28 to L.513-29** of the French Monetary and Financial Code (*Code monétaire et financier*), **including any mortgages, guarantees, accessories and indemnities relating thereto**, and forward financial instruments referred to in Article L.513-10 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 **of** other resources benefiting from the *Privilège*;
- (ii) in case of safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) **or** judicial liquidation (*liquidation judiciaire*) **proceedings of the Issuer, or resolution proceeding (*procédure de résolution*) opened against the Issuer pursuant to Article L.613-49 of the French Monetary and Financial Code (*Code monétaire et financier*)**, 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, **either in principal or accrued or future interest**; and
- (iii) the **safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings of the Issuer, or resolution proceeding (*procédure de résolution*) opened against the Issuer pursuant to Article L.613-49 of the French Monetary and Financial Code**

(*Code monétaire et financier*), 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.”

3. **The Condition 7(a) entitled “Final Redemption” in the section “Terms and Conditions of the French law Covered Bonds” on pages 79 to 80 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:**

“Final Redemption

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to **the paragraph below**, 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 (the “**Extended Final Maturity Date**”) is specified in the Final Terms of any Series of Covered Bonds (the “**Extendable Final Maturity Covered Bonds**”) **and there occurs a Maturity Extension Trigger Event, then the** 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.

A “Maturity Extension Trigger Event” shall be deemed to have occurred if, in accordance with the provisions of Article R.513-8-1 of the French Monetary and Financial Code (*Code monétaire et financier*), one or more of the following events occurs:

- (i) **when (x) the Issuer, (y) the Borrower or (z) a credit institution issuing promissory notes (*billets à ordre*) subscribed by the Issuer in accordance with, and pursuant to, the provisions of Articles L.313-43 to L.313-48 of the French Monetary and Financial Code (*Code monétaire et financier*), defaults in payment of the principal on the Maturity Date;**
- (ii) **when (x) the Issuer, (y) the Borrower or (z) a credit institution issuing promissory notes (*billets à ordre*) subscribed by the Issuer in accordance with, and pursuant to, the provisions of Articles L.313-43 to L.313-48 of the French Monetary and Financial Code (*Code monétaire et financier*), is the subject of safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings of the Issuer, or resolution proceeding (*procédure de résolution*) opened against the Issuer pursuant to Article L.613-49 of the French Monetary and Financial Code (*Code monétaire et financier*).”**

THE ISSUER

1. The sub-paragraph entitled “The SFH Legal Framework” in the section “The Issuer” on pages 104 to 108 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

“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**”):

- the Covered Bonds Directive;
- Regulation (EU) 2019/2160 of the European Parliament and the Council;
- Articles L.513-3, L.513-5, L.513-7 to L.513-26-1 and L.513-28 to L.513-33 of the French Monetary and Financial Code (*Code monétaire et financier*), such application resulting notably from enactment of Law no. 2010-1249 dated 22 October 2010 on banking and financial regulation;
- Articles R.513-1-A, R.513-1, R.513-3, R.513-4, R.513-6 to R.513-12, R.513-14, R.513-15 to R.513-18 and R.513-19 to R.513-21 of the French Monetary and Financial Code (*Code monétaire et financier*), such application resulting notably from enactment of Decree no. 2011-205 dated 23 February 2011 (as modified by Decree no. 2014-1315 dated 3 November 2014); and
- Regulation (*réglement*) no. 99-10 dated 9 July 1999 relating to *sociétés de crédit foncier* and *sociétés de financement de l'habitat*, as amended, issued by the *Comité de la Réglementation Bancaire et Financière* (Banking and Financial Regulation Committee) (the “**CRBF Regulation**”); and
- the various ACPR's instructions applicable to *sociétés de financement de l'habitat* (the “**ACPR Instructions**”).

The SFH Legal Framework has been amended recently by Ordinance n°2021-858 dated 30 June 2021, the Decree no. 2021-898 dated 6 July 2021, a Ministerial Decree (*arrêté*) dated 7 July 2021 and the Decree no. 2022-766 dated 2 May 2022, which have implemented the Covered Bonds Directive into French law. Such revisions to the SFH Legal Framework apply since 8 July 2022.

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.513-28 to L.513-30 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, exposures and deposits, (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.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*) (*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.513-31 of the French Monetary and Financial Code (*Code monétaire et financier*), 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;
- in accordance with Article L.513-20 of the French Monetary and Financial Code (*Code monétaire et financier*), the insolvency 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;
- in accordance with Article L.513-21 of the French Monetary and Financial Code (*Code monétaire et financier*), 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, deposits, bonds or other sources of financing may be immediately terminated upon the opening of insolvency proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) affecting that credit institution; and
- in accordance with Article L.513-24 of the French Monetary and Financial Code (*Code monétaire et financier*), in case of insolvency 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* comprise, *inter alia*:

- (i) home loans (*prêts à l'habitat*) which are defined as loans that: (i) aim at financing, in whole or in part, residential real property located in France or another European Union Member State or an EEA Member State or a State benefiting from the highest level of credit assessment (*meilleur échelon de qualité de crédit*) assigned by an external rating agency recognised by the ACPR pursuant to Article L.511-44 of the French Monetary and Financial Code (*Code monétaire et financier*); and (ii) are guaranteed by a first-ranking mortgage or a charge over real property which provides a guarantee at least equivalent, or a guarantee (*cautionnement*) granted by a credit institution or an insurance company and qualifying at least for the second level of credit assessment (*deuxième échelon de qualité de crédit*) given by an external rating agency

recognised by the ACPR pursuant to Article L.511-44 of the French Monetary and Financial Code (*Code monétaire et financier*);

- (ii) loans granted by it to any credit institutions which are secured by the assignment (*cession*), the transfer (*remise*) or the pledge (*nantissement*) of the receivables arising from the home loans referred to in (i) above pursuant to, and in accordance with, the provisions of Articles L.211-36 to L.211-40 or Articles L.313-23 to L.313-35 of the French Monetary and Financial Code (*Code monétaire et financier*), regardless of their professional nature;
- (iii) promissory note (*billets à ordre*) issued by any credit institution, pursuant to, and in accordance with, the provisions of articles L.313-43 to L.313-48 of the French Monetary and Financial Code (*Code monétaire et financier*) and which are issued in order to refinance home loans referred to in (i) above, as an exception to article L.313-42 of the said code.

In accordance with Article L.513-7 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* may also hold securities, exposures and deposits within the conditions and limits set out in Articles R.513-6 and R.513-20 of the French Monetary and Financial Code (*Code monétaire et financier*) that may be financed by privileged resources.

In accordance with article R.513-18 of the French Monetary and Financial Code (*Code monétaire et financier*), any *société de financement de l'habitat* must keep an up-to-date list (*état*) of the loans it has granted or acquired. Such list must also mention the nature and the value of the guarantees relating to these loans, together with the nature and the amount of the privileged debts.

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.513-11 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*) on insolvency proceedings), pursuant to Article L.513-11 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, securities and deposits referred to in Articles L.513-3 to L.513-7 of the French Monetary and Financial Code (*Code monétaire et financier*) and forward financial instruments used for hedging as referred to in Article L.513-10 of the French Monetary and Financial Code (*Code monétaire et financier*), including any mortgages, guarantees, accessories and indemnities relating thereto, in each case after any applicable set-off, together with the receivables 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 of other resources raised by the Issuer and benefiting from the *Privilège*;
- (ii) in case of safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings of the Issuer, or resolution proceeding (*procédure de résolution*) opened against the Issuer pursuant to Article L.613-49 of the French Monetary and Financial Code (*Code monétaire et financier*), 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, either in principal or accrued or future interest; and

- (iii) the safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings of the Issuer, or resolution proceeding (*procédure de résolution*) opened against the Issuer pursuant to Article L.613-49 of the French Monetary and Financial Code (*Code monétaire et financier*), 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 amounts due under the Covered Bonds, 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.513-12 and R.513-8 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 sums receivable as a result of forward financial instruments benefiting from the *Privilège*) and its liabilities benefiting from the *Privilège* of at least 105 %. See "**Asset Monitoring – The Minimum Legal Cover Ratio**".

Société de financement de l'habitat must submit their Legal Cover Ratio on 31 March, 30 June, 30 September and 31 December of each year to the ACPR. The Legal Cover Ratio as of 31 March 2022 certified by the Specific Controller was 111.20%. The Legal Cover Ratio not yet certified by the Specific Controller, as of 30 June 2022 was 112.33%.

Liquidity needs

Pursuant to Articles L.513-8 and R.513-7 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 liquid assets and short-term exposures to credit institutions complying with the provisions of Article R.513-7 of the French Monetary and Financial (*Code monétaire et financier*).

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.513-26 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*, by derogation to the provisions of Articles 1349 of the French Civil Code (*Code civil*), L.228-44 and L.228-74 of the French Commercial Code (*Code de commerce*), for the sole purpose of granting them as eligible collateral with the *Banque de France* and procedures set by it. 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 maximum principal amount does not exceed 10 per cent. of the outstanding aggregate 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 *Banque de France* failing which they will be cancelled within eight (8) days.

The Specific Controller certifies these conditions are met in a report delivered to the ACPR.

Extendable maturity structure

Since the Decree no. 2021-898 dated 6 July 2021 and the Decree no. 2022-766 dated 2 May 2022 and in accordance with Article L 513-30 I bis. and Article R.513-8-1 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* may issue *obligations de financement de l'habitat* with extendable maturity structures, provided that:

- (i) the relevant maturity extension trigger(s) are those mentioned in Article R.513-8-1 of the French Monetary and Financial Code (*Code monétaire et financier*);
- (ii) the contractual terms and conditions of such *obligations de financement de l'habitat* specify the relevant maturity extension trigger(s);
- (iii) the final maturity date of such *obligations de financement de l'habitat* is at all times determinable; and
- (iv) in the event of the insolvency or resolution of the *société de financement de l'habitat* issuing such *obligations de financement de l'habitat*, or in the event of a default in payment mentioned in Article R.513-8-1, paragraph 1° of the French Monetary and Financial Code (*Code monétaire et financier*), the maturity extensions do not affect the ranking of the investors in such *obligations de financement de l'habitat* or invert the sequencing of the original maturity schedule of such *obligations de financement de l'habitat*.

With respect to the Issuer, the maturity of the Covered Bonds of a given Series may be extended in accordance with, and subject to, the provisions of Condition 7(a) of the Terms and Conditions of the French law Covered Bonds.

Labelling

Pursuant to Article L.513-26-1 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* may use:

- (i) the label “European Covered Bond” for issuances of *obligations de financement de l'habitat* or other resources benefiting from the *Privilège*, provided that it complies with the SFH Legal Framework; and
- (ii) the label “European Covered Bond (Premium)” for issuances of *obligations de financement de l'habitat* or other resources benefiting from the *Privilège*, provided that the ACPR has confirmed that the *société de financement de l'habitat* complies with the conditions of labelling which are described notably in instruction no. 2022-I-05 of the ACPR.

If a *société de financement de l'habitat* either (i) requests the use of, or (ii) benefits from, the “European Covered Bond (Premium)” label, in accordance with Article L.513-32 of the French Monetary and Financial Code (*Code monétaire et financier*) the Specific Controller shall verify that the provisions of Article 129 of CRR are complied with.

Pursuant to Article 16 of the CRBF Regulation, the ACPR is responsible for the granting and control of both “European Covered Bond” and “European Covered Bond (Premium)” labels. In particular, the ACPR publishes the list of *obligations de financement de l'habitat* that are entitled to use these labels. Subject to the aforementioned verification of the Specific Controller and approval and supervision of the ACPR, the Issuer intends to issue Covered Bonds that are entitled to use the “European Covered Bonds (Premium)” label. However, no representation is made or assurance given that any Covered Bonds to be issued will actually be and remain allowed to use the “European Covered Bond (Premium)” label until their maturity.”

2. **The paragraph entitled “Issuer Financial Elements” in the section “The Issuer” on pages 113 to 114 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:**

“Issuer Financial Elements

The financial year of the Issuer runs from 1 January to 31 December. The annual and semestrial 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.

Comparative Financial Data (in euros)

	30/06/2022 (limited review)	31/12/2021 (audited)	30/06/2021 (limited review)	31/12/2020 (audited)
Income Statement				
Net operating income	587,463	1,551,719	735,319	2,542,930
Gross operating income	-957,425	-283,794	-515,942	750,734
Net income	-843,135	-470,694	-540,491	387,114
Balance Sheet				
Total balance sheet	4,387,511,824	3,777,695,946	3,385,214,709	3,376,820,410
Equity attributable to the owners of the parent (excluding FRBG)	112,910,919	113,754,056	113,684,259	114,224,750
Debt represented by a security	4,271,287,671	3,261,770,548	3,269,756,849	3,261,770,548

As of 31 December 2021, the balance sheet presents a total of 3,777,695,946 euros, as a reminder the total balance sheet as of 31 December 2020 was of 3,376,820,410 euros. The balance sheet has increased over the year mainly due to a regulatory requirement.

As of 31 December 2021, the net income presents a total of -470,694 euros, as a reminder the net income as of 31 December 2020 was of 387,114 euros. The decrease of the net income is mainly due to the reduction in net operating income and the increase in the Single Resolution Fund’s contribution.

As of 30 June 2022, the balance sheet presents a total of 4,387,511,824 euros, as a reminder the total balance sheet as of 31 December 2021 was of 3,777,695,946 euros and of 3,385,214,709 euros as of 30 June 2021. The balance sheet has increased, over the period, mainly due to the increase of issuances and the decrease of regulatory requirements.

As of 30 June 2022, the net income presents a total of -843,135 euros, as a reminder the net income as of 31 December 2021 was of -470,694 euros and of -540,491 euros as of 30 June 2021. The decrease of the net income, over the period, is mainly due to the increase in general operating expenses.

Prudential ratios

The Issuer’s prudential ratios are assessed at the Issuer level.”

3. **The paragraph entitled “Cash flow statements (fiscal years 2021 and 2020 audited)” in the section “The Issuer” on page 114 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:**

“Cash flow statements (first semester 2022 limitedly reviewed and fiscal years 2021 and 2020 audited)

The cash flow statement analyses changes in cash flow from operating activities, investing activities and financing activities between two financial periods.

It is prepared using the indirect method. Net income for the period is restated for non-monetary items:

- depreciation allowances for tangible and intangible assets, net depreciation, net provisions, other transactions without cash payments such as expenses payable and accrued income, and corporate tax due on the following financial period;
- cash flows from operating, investing and financing activities are determined by the difference between the items in the annual financial statements for the previous year and for the current year.

Operating activities include lending to HSBC Continental Europe of resources from financial activities.

Investment activities correspond to the acquisition of investment notes, subscription of term deposits, and coupons and interest amounts of such investments.

Financing activities correspond to the issue of shares, and the issue or reimbursement of unsubordinated long-term loans, and the issue of covered bonds.

Cash flow is defined according to the standards of the CNC. It includes cash on hand and demand deposits at the Banque de France, in post office accounts and with banks.”

HSBC SFH (France)

S.A. with capital share of 113 250 000 euros

110, esplanade du Général de Gaulle
92400 COURBEVOIE
RCS Nanterre 480 034 917

CASHFLOW STATEMENT

In Thousand Euros	Proforma		
	30/06/2022	31/12/2021	31/12/2020
Net Profit & Loss	-843	-471	387
Corporate Tax			
Net appropriations to depreciation of tangible and intangible assets			
Depreciation of goodwill and other fixed assets			
Net appropriations to provisions	-341	829	
Portion of profits relating to affiliate companies			
Flows related to share and bond issues transactions *	10,868	0	-3,679
Flows related to lending operations to credit institutions and customers **	-17,144	-3,284	1,964
Net loss / net gain from investment activities			
Exchange rate variations on cash and cash equivalents	0	0	0
Cashflow on payable expenses	133	517	-128
Other transactions	0	0	390
Total non-monetary items included in net pre-tax profit and other adjustments	-7,328	-2,408	-1,067
Cashflow relating to transactions with credit instructions (including accrued interests)	-1,000,000	0	1,000,000
Cashflow relating to transactions with customers			
Cashflow from other transactions relating to financial assets or liabilities			
Cashflow from other transactions relating to non-financial assets or liabilities	-72	28	29
Dividend received from affiliates companies			
Taxes paid	-83	-145	-529
Net decrease / (increase) of assets and liabilities from operating activities	-1,000,155	-117	999,500
TOTAL NET CASHFLOW FROM OPERATING ACTIVITIES	-1,007,483	-2,525	998,433
Cashflow relating to participating interests			
Borrowings to banks			
Cashflow relating to tangible and intangible assets			
TOTAL NET CASHFLOW FROM INVESTMENTS ACTIVITIES	0	0	0
Cashflow derived from or intended for covered bonders (including accrued interests)	1,000,000	400,000	-1,000,000
Other net cashflow from financing activities (including accrued interests)	-400,000	0	
Income / charges from financing activities			
Cashflow derived from or intended for shareholders	0	0	-831
TOTAL NET CASHFLOW RELATING TO FINANCING ACTIVITIES	600,000	400,000	-1,000,831
NET VARIATION OF CASH OR CASH EQUIVALENT	-407,483	397,475	-2,398
Exchange rate variations on cash and cash equivalents	0	0	0
Cash and cash equivalent at opening	511,583	114,107	116,505
Cash, central Banks, post office checking accounts (assets and liabilities)	511,583	114,107	116,505
Account net balance and loans / borrowings with credit institutions		116,505	
Cash and cash equivalent at closing	104,100	511,583	114,107
Cash, central Banks, post office checking accounts (assets and liabilities)	104,100	511,583	114,107
Account net balance and loans / borrowings with credit institutions			
TOTAL NET TREASURY VARIATION OR CASH EQUIVALENT	-407,483	397,475	-2,398

* These flows correspond to accrued interests and the spread of premiums and

** These flows cover both accrued interests and the spread of the commissions for

4. **The sub-paragraph entitled “The chairman, the chief executive officer and the deputy chief executive officer” in the section “The Issuer” on page 117 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:**

“The chairman, the chief executive officer and the deputy chief executive officer

Mr. Arnaud Menjot de Champfleury, Chief Executive Officer (*directeur général*) and Mrs. Agnieszka Bojarska-Serres, Deputy Chief Executive Officer (*directrice générale déléguée*) are responsible for the conduct of the Issuer’s activities *vis-à-vis* the ACPR in accordance with Article L.511-13 of the French Monetary and Financial Code (*Code monétaire et financier*).

Mrs. Agnieszka Bojarska-Serres has been appointed as Deputy Chief Executive Officer (*directrice générale déléguée*) on 14 June 2022 and is also Head of Lending for the Retail Banking of HSBC Continental Europe. In accordance with French applicable corporate laws, the Chief Executive Officer (*directeur général*) and the Deputy Chief Executive Officer (*directeur général délégué*) represent 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.”

5. **The paragraph entitled “Issuer Statutory Auditors” in the section “The Issuer” on page 119 of the Base Prospectus is hereby deleted and replaced with the following:**

“Issuer Statutory Auditors

The auditors of the Issuer are:

- (a) PricewaterhouseCoopers Audit, 63, rue de Villiers 92208 Neuilly sur Seine Cedex, France; and
- (b) BDO Paris, 43-47, avenue de la Grande Armée, 75116 Paris, France.

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

PricewaterhouseCoopers Audit, 63 rue de Villiers 92208 Neuilly sur Seine Cedex, France, (duly authorised as *Commissaire aux comptes*) and BDO Paris, 43-47, avenue de la Grande Armée, 75116 Paris, France, (duly authorised as *Commissaire aux comptes*) have been appointed as *Commissaires aux comptes* of the Issuer (the “**Statutory Auditors**”) respectively as from 2 March 2015 and as from 20 June 2008. The Statutory Auditors have audited and rendered unqualified audit reports on the non-consolidated financial statements of the Issuer for the fiscal years ended 2020 and 2021 and have reviewed and rendered an unqualified limited review report on the half-yearly non-consolidated financial statements of the Issuer for the six-month period ended 30 June 2022.”

TAXATION

The paragraph entitled “France” in the section “Taxation” on pages 175 to 176 of the Base Prospectus is hereby deleted in its entirety and replaced with the following (the changes appear in blue):

“France

The following is an overview of certain French withholding tax considerations that may be relevant to Bondholders who do not concurrently hold shares of the Issuer.

1. Payments of interest and other revenues made by the Issuer with respect to Covered Bonds are not subject to withholding tax in France 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**”), other than a Non-Cooperative State mentioned in Article 238-0 A 2 *bis* 2° of the French General Tax Code (*Code général des impôts*). If such payments under the Covered Bonds are made in a Non-Cooperative State other than a Non-Cooperative State mentioned in Article 238-0 A 2 *bis* 2° of the French General Tax Code (*Code général des impôts*), a 75% withholding tax is 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, according to Article 238 A of the French General Tax Code (*Code général des impôts*), 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 or domiciled in a Non-Cooperative State or paid to a bank account opened in a financial institution in such a Non-Cooperative State (the “**Deductibility Exclusion**”). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Articles 109 *et seq* 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* 2 of the French General Tax Code (*Code général des impôts*), at a rate of 12.8% for payments benefiting individuals who are not French tax residents, and 25% for fiscal years beginning as from 1 January 2022 for payments benefiting legal persons which are not French tax residents, or 75% for payments made outside France in a Non-Cooperative State other than a Non-Cooperative State mentioned in Article 238-0 A 2 *bis* 2° of the French General Tax Code (*Code général des impôts*) (subject to the more favourable provisions of any applicable double tax treaty).

Notwithstanding the foregoing, neither the 75% withholding tax set out under Article 125 A III of the French General Tax Code (*Code général des impôts*) nor, to the extent the relevant interest or other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, the Deductibility Exclusion and therefore the withholding tax set out under Article 119 *bis* 2 of the French General Tax Code (*Code général des impôts*) that may be levied as a result of such Deductibility Exclusion, 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 French tax administrative guidelines BOI-INT-DG-20-50-20 dated 24 February 2021, n°290, BOI-INT-DG-20-50-30 dated **14 June 2022**, n°150, BOI-IR-DOMIC-10-20-20-60 dated 20 December 2019, n°10 and BOI-RPPM-RCM-30-10-20-40 dated 20 December 2019, 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 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 French or foreign regulated market or 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 operations of a central depository or of a securities payment and delivery system operator within the meaning of Article L.561-2 of the French Monetary and Financial Code (*Code monétaire et financier*), 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. Pursuant to Article 125 A I of the French General Tax Code (*Code général des impôts*), subject to certain limited exceptions, where the paying agent (*établissement payeur*) is established in France, interest and other assimilated income received by individuals fiscally domiciled (*domiciliés fiscalement*) in France are subject to a 12.8% withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and solidarity levy) are also levied by way of withholding tax at a global rate of 17.2% on such interest and other assimilated income received by individuals fiscally domiciled (*domiciliés fiscalement*) in France.”

GENERAL INFORMATION

The paragraphs (2), (3), (4), (5), (7), (9) and (13) of the section “General Information” on pages 232 to 233 of the Base Prospectus shall be deleted in their entirety and replaced with the followings:

- “(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 meetings of shareholders (*assemblées générales d'actionnaires*) of the Issuer dated 10 March 2022 and 26 July 2022 and the boards of directors (*conseils d'administration*) of the Issuer dated 10 March 2022 and 26 July 2022. 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 person of its choice. For this purpose, the board of directors (*conseil d'administration*) of the Issuer held on 26 July 2022 delegated for a period of one year to Mr. Arnaud Menjot de Champfleury, Chief Executive Officer (*directeur général*) of the Issuer, to Mrs. Agnieszka Bojarska-Serres, Deputy Chief Executive Officer (*directrice générale déléguée*) and Mr. Pierre Bouvy, 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 the Base Prospectus and the First Supplement, there has been no significant change in the financial position or financial performance of the Issuer since 30 June 2022.
- (4) Save as disclosed in the Base Prospectus and the First Supplement, there has been no material adverse change in the prospects of the Issuer since 31 December 2021.
- (5) Save as disclosed in the Base Prospectus and the First Supplement, there are no events particular to the Issuer which are to a material extent relevant to an evaluation of its solvency.
- (7) Save as disclosed in the Base Prospectus and the First Supplement, 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.
- (9) PricewaterhouseCoopers Audit, 63 rue de Villiers 92208 Neuilly sur Seine Cedex, France, (duly authorised as *Commissaire aux comptes*) and BDO Paris, 43-47, avenue de la Grande Armée, 75116 Paris, France, (duly authorised as *Commissaire aux comptes*) have been appointed as *Commissaires aux comptes* of the Issuer (the “**Statutory Auditors**”) respectively as from 2 March 2015 and as from 20 June 2008. The Statutory Auditors have audited and rendered unqualified audit reports on the non-consolidated financial statements of the Issuer for the fiscal years ended 2020 and 2021 and have reviewed and rendered an unqualified limited review report on the half-yearly non-consolidated financial statements of the Issuer for the six-month period ended 30 June 2022.
- (13) 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 by-laws (*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 2020 and 31 December 2021 and the reviewed non-consolidated financial statements of the Issuer for the six-month period ended 30 June 2022;
 - (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); and

- (d) 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.

The documents listed in (a) and (b) below will be available on the website of the AMF (www.amf-france.org) and on the website of the Issuer (www.about.hsbc.fr/investor-relations/covered-bonds):

- (a) Final Terms for Covered Bonds that are admitted to trading on Euronext Paris or any other Regulated Market in the EEA; and
- (b) a copy of the Base Prospectus together with any supplement to the Base Prospectus or further Base Prospectus.”

PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THIS FIRST SUPPLEMENT

Person responsible for this First Supplement

In the name of the Issuer

I represent, to the best of my knowledge, that the information contained or incorporated by reference in this First Supplement is in accordance with the facts and makes no omission likely to affect its import.

Paris, 3 August 2022

HSBC SFH (France)

Immeuble Cœur Défense
110, esplanade du Général de Gaulle
92400 Courbevoie
France



Represented by: Arnaud Menjot de Champfleur, Chief Executive Officer



Autorité des marchés financiers

This First Supplement to the Base Prospectus has been approved on 3 August 2022 by the *Autorité des marchés financiers* (the “AMF”), in its capacity as competent authority under Regulation (EU) 2017/1129, as amended.

The AMF has approved this document after having verified that the information in the Base Prospectus is complete, comprehensible and consistent within the meaning of Regulation (EU) 2017/1129, as amended.

This approval should not be considered as a favourable opinion on the Issuer that is the subject of this First Supplement.

This First Supplement to the Base Prospectus has been granted the following approval number: 22-336.