



HSBC SFH (France)

(duly licensed French specialised credit institution)

€10,000,000,000 COVERED BOND PROGRAMME for the issue of Obligations de Financement de l'Habitat

Under the Covered Bond Programme described in this Base Prospectus (the "**Programme**"), HSBC SFH (France) (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue covered bonds (*obligations de financement de l'habitat*) to be governed either by French law or German law (respectively, the "**French law Covered Bonds**" and the "**German law Covered Bonds**" and together, the "**Covered Bonds**"). The Issuer is licensed as a specialised credit institution (*établissement de crédit spécialisée*) with the status of *société de financement de l'habitat* ("**SFH**") by the *Autorité de contrôle prudentiel et de résolution* (the "**ACPR**"). All Covered Bonds will benefit from the statutory *privilège* over all the assets and revenues of the Issuer created by Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Privilège**"), as more fully described herein.

The aggregate nominal amount of the Covered Bonds outstanding will not at any time exceed €10,000,000,000 (or its equivalent in other currencies) at the date of issue.

Application will be made for the period of 12 months and in certain circumstances for Covered Bonds (except the German law Covered Bonds) to be issued under the Programme to be listed and admitted to trading on the regulated market of Euronext in Paris ("**Euronext Paris**") and/or any other regulated market situated in a Member State of the European Economic Area ("**EEA**") as defined in the Directive 2014/65/EU on financial instruments markets, as amended (each such market being a "**Regulated Market**"). The Covered Bonds (except the German law Covered Bonds) issued under the Programme may also be unlisted or listed and admitted to trading on any other stock exchange, including any other Regulated Market in any Member State of the EEA. The relevant Final Terms (a form of which is contained herein) in respect of the issue of any French law Covered Bonds (the "**Final Terms**") will specify whether or not such Covered Bonds will be listed and admitted to trading on any stock exchange and, if so, the relevant market. The German law Covered Bonds will not be admitted to trading nor listed on any stock exchange.

This Base Prospectus has received the approval number 23-068 on 8 March 2023 from the *Autorité des marchés financiers* ("**AMF**"), in its capacity as competent authority under Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). The AMF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer and of the quality of the Covered Bonds that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds.

This Base Prospectus shall be in force for a period of one year as of the date set out hereunder. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus will be no longer valid.

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

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

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

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

The Covered Bonds will be in such denomination(s) as may be specified in the relevant Final Terms, save that the minimum denomination of each Covered Bond will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency.

The Covered Bonds issued under the Programme are expected on issue to be rated AAA by S&P Global Ratings Europe Limited ("**S&P**") and/or Aaa by Moody's France SAS ("**Moody's**") and, together with S&P, the "**Rating Agencies**" and each a "**Rating Agency**", it being provided that the rating assigned by Moody's to the Covered Bonds, together with any reference thereto, may be removed by the Issuer in which case the Covered Bonds will only be rated by S&P and any reference to "Rating Agency" and/or "Rating Agencies" will be S&P. Each of the Rating Agencies is established in the European Union, registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**") and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with CRA Regulation or is established in the United Kingdom (the "**UK**") and is registered under the CRA Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The credit ratings address the likelihood of full and timely receipt by any of the relevant Bondholders of interest on the Covered Bonds and the likelihood of receipt by any relevant Bondholder of principal of the Covered Bonds by the relevant Maturity Date.

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 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). The Issuer was granted with the European Covered Bonds (Premium) Label by the ACPR in July 2022. However, no representation is made or assurance given that any Covered Bonds to be issued under the Programme will actually be and/or remain allowed to use the "European Covered Bond (Premium)" label until their maturity.

This Base Prospectus and any supplement to this Base Prospectus will be published on the websites of (i) the AMF (www.amf-france.org) and (ii) HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds).

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

ARRANGER
PERMANENT DEALER
HSBC

This Base Prospectus (together with all supplements thereto from time to time), constitutes a base prospectus for the purposes of Regulation (EU) 2017/1129, as amended (the "Prospectus Regulation") and contains or incorporates by reference all relevant information concerning the Issuer which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the rights attaching to the Covered Bonds (except the German law Covered Bonds) and the reasons for the issuance and its impact on the Issuer. The terms and conditions applicable to each Tranche not contained or incorporated by reference herein (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the relevant Final Terms.

The information on any websites included in this Base Prospectus do not form part of this Base Prospectus unless that information is incorporated by reference into the Base Prospectus.

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

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

To the best of the Issuer's knowledge, the information relating to the Issuer contained or incorporated by reference in this Base Prospectus is in accordance with the facts and makes no omission likely to affect its import.

To the best of HSBC Continental Europe's knowledge, the information relating to HSBC Continental Europe, the HSBC entities and the Home Loans contained or incorporated by reference in this Base Prospectus is in accordance with the facts and makes no omission likely to affect its import.

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

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

supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of Covered Bonds in certain jurisdictions may be restricted by law. The Issuer, the Arranger and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers which is intended to permit a public offering of any Covered Bonds or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bond may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States of America, Japan, the European Economic Area (including France, Germany, Italy, the Netherlands) and the United Kingdom.

MiFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Covered Bonds will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by the European Securities and Markets Authority ("ESMA") on 5 February 2018, and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU, as amended ("MiFID II") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID II Product Governance Rules"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Covered Bonds may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018 (in accordance with the FCA's policy statement entitled "*Brexit our approach to EU non-legislative materials*"), and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT EEA RETAIL INVESTORS – If the Final Terms in respect of any Covered Bonds include a legend entitled "Prohibition of Sales to EEA retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a

person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT UK RETAIL INVESTORS – If the relevant Final Terms in respect of any Covered Bonds include a legend entitled "Prohibition of Sales to UK Retail Investors", such Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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

A number of Member States of the European Union are currently negotiating to introduce a financial transactions tax ("FTT") in the scope of which transactions on the Covered Bonds may fall. The scope of any such tax is still uncertain as well as any potential timing of implementation. If the currently discussed text or any similar tax is adopted, transactions in the Covered Bonds could be subject to higher costs, and the liquidity of the market for the Covered Bonds may be diminished. Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

For a description of these and certain further restrictions on offers, sales and transfers of Covered Bonds

and on distribution of this Base Prospectus, see "Subscription and Sale".

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

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

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

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, and weight the merits and risks of investing in the relevant Covered Bonds. The prospective investor should have sufficient knowledge in experience for the purpose of properly evaluating the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus and the relevant Final Terms;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact the relevant Covered Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one (1) or more currencies, or where the currency for principal or interest payments is different from the prospective investor's currency;
- (d) understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets;
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (f) be aware, in terms of any legislation or regulatory regime applicable to such investor, of the applicable restrictions (if any) on its ability to invest in Covered Bonds generally and in any particular type of Covered Bonds.

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

Neither the Issuer, the Dealer(s) nor any of their affiliates has or assumes responsibility for the lawfulness of the acquisition of the Covered Bonds by a prospective investor of the Covered Bonds, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

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GENERAL DESCRIPTION OF THE PROGRAMME

The following General Description does not purport to be complete and is taken from and is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the relevant Final Terms.

This General Description constitutes a general description of the Programme for the purposes of Article 25.1(b) Commission Delegated Regulation (EU) No. 2019/980, as amended. It does not, and is not intended to, constitute a summary of this Base Prospectus within the meaning of Article 7 of the Prospectus Regulation or any implementing regulation thereof.

Words and expressions defined in “Terms and Conditions of the French law Covered Bonds” below and in the relevant Final Terms shall have the same meanings in this General Description.

Issuer:	HSBC SFH (France)
Legal Entity Identifier (“LEI”) of the Issuer:	969500HCJLWDO4YCYT40
Website of the Issuer:	www.about.hsbc.fr/investor-relations/covered-bonds
Description:	Covered Bond Programme for the issue of <i>Obligations de Financement de l’Habitat</i>
Programme Size:	Up to €10,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuer may increase the amount of the Programme.
Risk Factors:	<p>An investment in the Covered Bonds involves certain risks which should be assessed prior to making any investment decision.</p> <p>For any information on the risks relating to the Issuer, the Borrower, HSBC entities and the Covered Bonds, investors and/or Bondholders should refer to section “Risk Factors” of this Base Prospectus.</p>
Arranger:	HSBC Continental Europe
Dealers:	<p>HSBC Continental Europe and any additional permanent dealer appointed in respect of the Programme in accordance with the Dealer Agreement (and whose appointment has not been terminated).</p> <p>The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to “Permanent Dealer” are to the person listed above as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to the Permanent Dealer and all persons appointed as a dealer in respect of one or more Tranches.</p>
Fiscal Agent, Paying Agents and Calculation Agent:	BNP Paribas
Method of Issue:	The Covered Bonds will be issued on a syndicated or non-syndicated basis. The Covered Bonds will be issued in series (each a “ Series ”) having one or more issue dates (each an “ Issue Date ”) and on terms

otherwise identical (or identical other than in respect of the first payment of interest), the Covered Bonds of each Series being intended to be interchangeable with all other Covered Bonds of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different Issue Dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the Issue Date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant final terms to this Base Prospectus (the “**Final Terms**”).

Issue Price:

Covered Bonds may be issued at their nominal amount or at a discount or premium to their nominal amount.

Form of Covered Bonds:

Covered Bonds may be issued either in dematerialised form (“**Dematerialised Covered Bonds**”) or in materialised form (“**Materialised Covered Bonds**”). Dematerialised Covered Bonds will not be exchangeable for Materialised Covered Bonds and Materialised Covered Bonds will not be exchangeable for Dematerialised Covered Bonds. Materialised Covered Bonds may be issued only outside France.

Settlement:

The Covered Bonds will be accepted for clearance through Euroclear France as central depository in relation to Dematerialised Covered Bonds and Clearstream Banking, S.A. (“**Clearstream**”), Euroclear Bank SA/NV (“**Euroclear**”) or any other clearing system that may be agreed between the Issuer, the fiscal agent in respect of the Programme (the “**Fiscal Agent**”) and the relevant Dealer in relation to Materialised Covered Bonds.

Currencies:

Subject to compliance with all relevant laws, regulations and directives, Covered Bonds may be issued in Euros, U.S. dollars, Canadian dollars, Pounds sterling, Japanese Yen, Swiss Francs and, subject to prior Rating Affirmation, in any other currency agreed between the Issuer and the relevant Dealer(s).

Specified Denomination:

The Covered Bonds will be issued in the Specified Denomination(s) set out in the relevant Final Terms, save that the minimum denomination of each Covered Bond listed and admitted to trading on a Regulated Market in a Member State of the European Economic Area (an “**EEA Member State**”) or offered on a non-exempt basis in an EEA Member State in circumstances which require the publication of a Base Prospectus under the Prospectus Regulation (given that any exemption regime, as set out in the Prospectus Regulation, could apply in contemplation of the relevant issue) will be at least such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Currency.

Covered Bonds having a maturity of less than one year, in respect of which the issue proceeds are to be accepted in the United Kingdom, will constitute deposits for the purposes of the prohibition on accepting

deposits contained in section 19 of the Financial Services and Markets Act 2000, as amended, unless they are issued to a limited class of professional investors and they have a denomination of at least £100,000 (or its equivalent in any other currency).

Dematerialised Covered Bonds shall be issued in one Specified Denomination only.

Maturity: Subject to compliance with all relevant laws, regulations and directives, the Covered Bonds may have any maturity as specified in the relevant Final Terms (the “**Maturity Date**”).

Fixed Rate Covered Bonds: Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

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

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, INC., and as amended and updated as at the issue date of the first Tranche of the Covered Bonds of the relevant Series; or
- (b) on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service (including EURIBOR, SONIA, CMS or TEC),

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

In no event shall the amount of interest (including, for the avoidance of doubt, any applicable margin) be less than zero.

Fixed/Floating Rate Covered Bonds: Fixed/Floating Rate Covered Bonds for which a change of interest basis is specified to be applicable may be issued by the Issuer, such change of interest being at the option of the Issuer.

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

Benchmark Discontinuation: On the occurrence of a Benchmark Event, the Independent Adviser may determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, and any Benchmark Amendments in accordance with Condition 6(c)(C).

Redemption and Purchase: The Final Terms issued in respect of each Tranche will state whether such Covered Bonds may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Bondholders and, if so, the terms applicable to such redemption.

Taxation:	All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If such a withholding or deduction is required, the Issuer will have to gross-up its payments of interest to the fullest extent then permitted by law and subject to certain exceptions. All payments of interest by or on behalf of the Issuer in respect of the Covered Bonds will be made subject to any withholding or deduction required pursuant to FATCA. There will be no grossing up provision and, accordingly, no early redemption whatsoever in case of any withholding or deduction required pursuant to FATCA.
Negative Pledge:	<p>Except in accordance with the Programme Documents, the Issuer will not create or permit to subsist any <i>privilège</i>, mortgage, charge, pledge or other form of security interest (<i>sûreté réelle</i>) upon any of its assets or revenues, present or future, to secure any Relevant Undertaking of, or guaranteed by, the Issuer.</p> <p>"Relevant Undertaking" means any present or future (i) indebtedness for borrowed money or (ii) undertaking in relation to interest or currency swap transactions.</p>
Issuer Events of Default:	Subject to the legal framework applicable to an SFH, if an Issuer Event of Default (as defined in the Terms and Conditions of the French law Covered Bonds) occurs in respect of any Series of French law Covered Bonds, the Representative (i) may, at its discretion, or (ii) shall, if so directed by the Majority Bondholders or if such Issuer Event of Default is a Covered Bonds Cross Acceleration Event, upon written notice (an "Issuer Enforcement Notice") to the Fiscal Agent and the Issuer (with copy to the Administrator and to the relevant Rating Agency) given before all defaults have been cured, cause the principal amount of all Covered Bonds of such Series to become due and payable (but subject to the relevant Priority Payment Order), together with any accrued interest thereon, as of the date on which such notice for payment is received by the Fiscal Agent.
Status of the Covered Bonds:	Subject to the Priority Payment Orders, the Covered Bonds, and, where appropriate, any related Coupons and Receipts will constitute direct, unconditional, unsubordinated and privileged obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves.
<i>Privilège:</i>	The Bondholders benefit from the <i>privilège</i> (priority right of payment) created by Article L.513-11 of the French Monetary and Financial Code (<i>Code monétaire et financier</i>).
Rating(s):	Covered Bonds issued under the Programme are expected on issue to be rated AAA by S&P and/or Aaa by Moody's, it being provided that the rating assigned by Moody's to the Covered Bonds, together with any reference thereto, may be removed by the Issuer in which case the Covered Bonds will only be rated by S&P and any reference to "Rating

Agency" and/or "Rating Agencies" will be S&P. The rating(s) of the Covered Bonds will be specified in the relevant Final Terms.

As of the date of this Base Prospectus, each of the Rating Agencies is established in the European Union, registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**") and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with CRA Regulation or is established in the United Kingdom and is registered under the CRA Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Listing and Admission to Trading:	Application will be made in certain circumstances to list and admit the Covered Bonds on Euronext Paris and application may be made for the listing and admission to trading on any other Regulated Market in a Member State of the EEA.
Governing Law:	The French law Covered Bonds, Receipts, Coupons and Talons are governed by, and shall be construed in accordance with, French law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Covered Bonds in various jurisdictions, in particular, those of the European Economic Area, France, Germany, The Netherlands, Italy, the United Kingdom, Japan and the United States of America, see " <i>Subscription and Sale</i> ".
United States Selling Restrictions/TEFRA:	The Issuer is Category 2 for the purposes of Regulation S under the U.S. Securities Act of 1933, as amended. The Final Terms will specify whether TEFRA rules are applicable and, in this case, whether TEFRA C or TEFRA D is applicable.

RISK FACTORS

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

The Issuer believes that the following factors may affect its ability to fulfil its obligations related to the Covered Bonds issued under the Programme. Most of these factors are contingencies which may or may not occur.

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and make their own opinion about risk factors prior to making any investment decision. Investors should in particular conduct their own analysis and evaluation of risks relating to the Issuer, its financial condition and the issued Covered Bonds and consult their own financial or legal advisers about the risks associated with the investment in a particular Series of Covered Bonds and the suitability of investing in the Covered Bonds in light of their particular circumstances. Additional risks and uncertainties, not included in the risk factors below, which, as of the date of this Base Prospectus, are not known to the Issuer, or are considered to be not material nor specific, may have a significant impact on the Issuer, its activities, its financial condition, or the Covered Bonds.

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

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

RISK FACTORS RELATING TO THE ISSUER, THE BORROWER AND THE FUNCTIONING OF THE PROGRAMME

The following table summarizes the risk factors identified by the Issuer and indicates, for each of them, the likelihood of their occurrence and their negative impact on the Issuer and the Group on the date of this Base Prospectus. The likelihood of the occurrence is graded on a three-level scale (“Very Unlikely”, “Unlikely” and “Likely”) and the magnitude of their negative impact is graded on a three-level scale (“Low”, “Moderate” and “Significant”). Within each of the below mentioned categories, the risks have been listed according to this grading, the risks with the highest likelihood of occurrence and with the highest negative impact coming first.

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

Risks	Likelihood	Impact
<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>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 applicable to Borrower Collateral Security</i>	Very Unlikely	Significant
<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		

Risks	Likelihood	Impact
(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
<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>Holders 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

Risks	Likelihood	Impact
(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

A. Risk factors related to the Issuer

The Issuer has sole liability under the Covered Bonds

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

In making an investment decision, investors must rely upon their own examination of the Issuer, the Borrower Collateral Security Assets, the terms of the Covered Bonds issued under the Programme and the financial information incorporated in this Base Prospectus. In the case of a Borrower Event of Default, the Borrower Collateral Security Assets may not be sufficient to pay in full the amounts payable under the Covered Bonds.

Should the Issuer default from its obligations under the Covered Bonds, Bondholders will have no other external remedies than to request such payment from the Issuer and, in particular, they will have no direct recourse to the Borrower or to the Borrower Collateral Security Assets. As a consequence, the situation of

the Bondholders may be adversely and materially affected and Bondholders could lose all of their investments in the Covered Bonds.

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 31 December 2022, the Issuer's cash amounted to €107,812,019;
- 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 31 December 2022, the Borrower Debt amounted to €4,779,628,425 (*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 31 December 2022, 137%. As at 31 December 2022, the cover pool amounted to €6,699,621,344 and was composed of 49,158 Home Loans held by 37,854 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.

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%, as of 30 June 2022 certified by the Specific Controller was 112.33%, as of 30 September 2022 certified by the Specific Controller was 115.71% and as of 31 December 2022 was 136.69% (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.

The Issuer could be transferred to Banque des Caraïbes SA or any other entity within the My Money Group

On or before 31 December 2023 or any other date agreed between the relevant parties, HSBC Continental Europe is expected to, among other things and, subject to the satisfaction of certain conditions, transfer to Banque des Caraïbes SA and/or to any other entity within My Money Group its full ownership interest in the Issuer and most of its rights and obligations under the Programme Documents to which it is a party, including, notably, in its capacity as borrower, administrator, issuer calculation agent and cash collateral provider.

Such transfer may or may not occur depending on the satisfaction of certain conditions, including, but not limited to, consents from the relevant competent authorities. As a consequence, the Transfer may not be carried out in such a timely manner. Such uncertainty may negatively impact the market value and/or liquidity of the Covered Bonds.

If the Transfer occurs, factors such as, *inter alia*, the financial health or the ratings of the Banque des Caraïbes SA and/or the other entity within My Money Group which will act as main shareholder of the Issuer and/or as a counterparty to the Issuer under the Programme Documents, could adversely impact the rating(s), the market value and/or liquidity of the Covered Bonds.

The entering into the Programme Documents by the Banque des Caraïbes SA and/or by any other entity within My Money Group is one of the conditions of the transfer. Any amendment, modification, alteration, termination or supplement made to the relevant Programme Documents in the context of and/or following completion of the Transfer may also have a material and adverse effect on the rating(s) of the Covered Bonds, on the interest of the Issuer or the holders of the Covered Bonds and may materially and/or adversely affect the value of the Covered Bonds. However, in accordance with Condition 5(g) (*Programme Documents*) of the Terms and Conditions of the French law Covered Bonds, the Transfer is subject to Transfer Rating Condition as defined in the Terms and Conditions of the French law Covered Bonds.

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 31 December 2022, none of the above-mentioned operational risks have been detected by the Issuer at the Issuer's level.

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, notwithstanding that the Issuer has obtained in July 2022 the “European Covered Bond (Premium)” label from the ACPR, 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.

B. Risk factors related to the Borrower, the Borrower Collateral Securities and Affiliates

(i) Risk factors related to the Borrower

Borrower's ability to pay under the Borrower Debt

Neither the Issuer nor any other party to the Programme Documents (other than, upon certain circumstances, the Borrower as grantor of the Borrower Collateral Security and as Cash Collateral Provider) guarantees or warrants the full and timely payment by the Borrower of any sums of principal or interest payable under the Borrower Debt, being part of the Issuer Assets. As at 31 December 2022, the Borrower Debt amounted to €4,779,628,425.

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).

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

Covered Bonds to be issued under the Programme are expected to be rated AAA by S&P and/or Aaa by Moody's (together, the “**Rating Agencies**” and each a “**Rating Agency**”), it being provided that the rating assigned by Moody's to the Covered Bonds, together with any reference thereto, may be removed by the Issuer in which case the Covered Bonds will only be rated by S&P and any reference to “Rating Agency” and/or “Rating Agencies” will be S&P. Such rating(s) will be reflected in the applicable Final Terms relating to the Covered Bonds. In the Rating Agencies' methodologies, the credit rating of a covered bond programme is linked to the credit rating attributed to the issuer's parent. The rating criteria for the Issuer include the financial health of its parent, HSBC Continental Europe, as well as the strength of the Borrower Collateral Security and various other structural features such as any Cash Collateral that aim to achieve a de-linkage between the ratings of HSBC Continental Europe and the relevant rating(s) of the Covered Bonds. Nevertheless, if the Borrower Collateral Security and the other support granted to the Issuer prove insufficient or fail to be granted to the Issuer in accordance with the Programme Documents, decreases in the credit ratings of HSBC

Continental Europe may cause a decrease in the relevant credit rating(s) of the Covered Bonds. Furthermore, failure to meet any legal overcollateralisation requirement may result not only in the occurrence of a Borrower Event of Default but also in a downgrade of the relevant rating(s) assigned to the Covered Bonds. If the credit rating(s) of the Covered Bonds was or were reduced due to these factors, such downgrade(s) may adversely and materially affect the value of the then outstanding Covered Bonds, increase the Issuer's cost of borrowing and adversely affect the Issuer's ability to issue new Covered Bonds. Furthermore, the removal of Moody's rating of the Covered Bonds may also adversely and materially affect the value of the Covered Bonds.

(ii) Risk factors relating to the Borrower Collateral Security

No interpretation by French courts of rules applicable to Borrower Collateral Security

The Home Loan Receivables which will be granted with full title transfer (*remise en pleine propriété à titre de garantie*) as Borrower Collateral Security in favour of the Issuer for the repayment of the Borrower Debt extended by the Issuer will be granted in accordance with Articles L.211-36 to L.211-40 of the French Monetary and Financial Code (*Code monétaire et financier*) implementing Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements, which has been amended by Directive 2009/44/EC of the European Parliament and of the Council of 6 May 2009 (the "**EU Collateral Directive**").

Although these French laws are in full force and effect as of the date of this Base Prospectus, holders of the Covered Bonds should note that French courts have not yet had the opportunity to interpret such rules and therefore the manner in which the Borrower Collateral Security would be enforced by a French court is uncertain. The Issuer cannot give any assurance as to the manner in which French courts will or will not apply rules applicable to Borrower Collateral Security and the effects of such rulings could be materially adverse to the functioning of the Borrower Collateral Security.

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

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

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

Notification to the debtors under the relevant Home Loans may not be made at the times mandated and the Issuer might not obtain effective direct payment from the debtors under the relevant Home Loans in a sufficiently timely manner, all of which may affect payments under the Covered Bonds. In such circumstances, a shortfall in distributions of interest or repayment of principal to Bondholders may result. Until notification to the debtors has been given informing them that insolvency proceedings have been opened against the Borrower, a statutory stay of execution under mandatory rules of French insolvency law will prevent the Issuer from taking recourse against the Borrower for repayment of collections received by the Borrower under the relevant Home Loans which are commingled with other funds of the Borrower.

Set-off by debtors under the Home Loans

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

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

Since no provision under the Home Loan agreements expressly allows a debtor to expand statutory set-off possibilities nor expressly provides for a mutuality (*connexité*) between claims owed by a debtor to the Borrower under a Home Loan and claims that such debtor may, as the case may be, have against the Borrower under other contracts, such as a bank account or a deposit contract, etc. but, at the same time, no provision under the Home Loan agreements expressly provides for a waiver of set-off (see "**The Borrower Collateral Security – The Borrower Collateral Security Agreement – Eligible Assets - Home Loan Eligibility Criteria**"), a debtor under a Home Loan is entitled to invoke either (i) a statutory or a judicial set-off, or (ii) a set-off based on a mutuality of claims (*connexité*) should such mutuality be provided for by another contract than the Home Loan agreement or the global economic relationship which would exist between a debtor under a Home Loan and the Borrower.

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

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

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

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

If the collateral value of the Home Loan Receivables (amounting to €6,699,621,344 at 31 December 2022 and representing 141% of the Covered Bonds currently outstanding (*i.e.* €4,750,000,000) 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 31 December 2022, the number of Home Loans was 49,158 held by 37,854 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.

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 31 December 2022, the Home Loan Receivables amounted to €6,699,621,344 and the Home Loan Securities to €4,750,000,000.

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:

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

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.

A buyer may not be found to acquire the Home Loan Receivables granted as Borrower Collateral Security and the related Home Loan Security at the times required and the price that may have been 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.

(iii) Risks related to the Affiliates

As at the date of this Base Prospectus, the Issuer's Affiliates are HSBC Continental Europe and any of its French subsidiaries, however and subject to Rating Affirmation and certain other conditions precedent set out in the Programme Documents, new Affiliates may accede to the Programme and hence generally change or increase the risks of the Bondholders under the Programme.

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

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 31 December 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.

Substitution risk

In the event of a downgrading of the short-term and/or long-term debt of or certain other parties to the Programme Documents which triggers the need for a substitution, or if under certain other circumstances the substitution of HSBC Continental Europe is appropriate pursuant to the terms of the Programme Documents, the Issuer cannot ascertain that a substitute entity will be found.

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

The failure to proceed to the substitution of HSBC Continental Europe in any of the Programme Documents would adversely and materially affect the functioning of the Programme and as a consequence the ability of the Issuer to perform its obligations under the Programme. Consequently, the Programme and the related Programme Documents could not effectively function up to the Maturity Date of the Covered Bonds.

Limited resources are available to the Issuer

In the absence of any Borrower Event of Default, the Issuer's ability to meet its obligations under the Covered Bonds will depend on the amount of scheduled principal and interest paid by the Borrower under the Borrower Facility Agreement and the timing thereof and/or the revenue proceeds generated by Permitted Investments, and/or payments proceeds under Legal Substitution Assets, and/or the available amount under the Share Capital Proceeds Account.

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

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

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

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

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

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

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

Upon certain events occurring and, notably, in the context of and/or following completion of the Transfer (as defined in Condition 1 (*Definitions*)), a new entity would have to be appointed to act as Administrator and Issuer Calculation Agent.

Under the relevant Programme Documents, the Issuer may in certain circumstances terminate the appointment of HSBC 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 servicing function to a new servicer outside the HSBC Group may result in delays, increased costs and/or losses in collection of sums due to the Issuer under its assets, could create operational and administrative difficulties for the Issuer, and could adversely and materially affect its ability to perform its obligations under the Covered Bonds.

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 31 December 2022, Borrower Collateral Security Assets amounted to €6,699,621,344.

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.

Modification, alteration, amendment, termination or supplement to the Programme Documents without Bondholder prior consent

Subject to the qualifications described in the relevant Programme Document(s) to which it is a party, the Issuer may, without prior Rating Affirmation and without the prior consent of any of the Bondholders in accordance with Condition 12 (*Representation of Bondholders*) under "Terms and Conditions of the French law Covered Bonds", concur with any person in making any modifications, alterations, terminations or supplements to any Programme Document to which it is a party if the same is:

- to cure any ambiguity, omission, defect or inconsistency;
- to evidence or effect the transition of any party to any Programme Document to which it is a party to any successor;
- to add to the undertakings and other obligations of any party (except the Issuer) under a Programme Document to which it is a party;
- to comply with any mandatory requirements of applicable laws and regulations;
- to reflect amendments that are directly related to, or consequential from, the Transfer, including removing any condition regarding any Representative Consent, subject in all cases to the Transfer Rating Condition being satisfied; or
- to allow for the removal of the rating assigned by Moody's to the Covered Bonds including any reference thereto in any further Rating Affirmation.

Should the Issuer modify, alter, or amend any of the Programme Documents, the functioning of the Programme may be altered and become detrimental to the interest of the Bondholders.

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 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.

Conflicts of interest in respect of HSBC Continental Europe or its successors

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

According to the conflicts of interest policy of HSBC Continental Europe, all lines of business and functions of HSBC Continental Europe have procedures and controls in place to identify, prevent or manage conflicts of interests. As a subsidiary of HSBC Continental Europe, the Issuer is covered by these arrangements.

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

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

The bankruptcy of the Issuer, which is an event that is customarily considered an event of default under debt instruments giving rise to an absolute or qualified right on the part of the registered holder to declare such debt instrument immediately due and payable, constitutes the occurrence of an Issuer Event of Default under the Terms and Conditions of the French law Covered Bonds. However, under

the SFH Legal Framework, the opening of bankruptcy proceedings or of conciliation proceedings with respect to the Issuer will not give rise to the right on the part of the holders of the Covered Bonds to declare the Covered Bonds immediately due and payable since, pursuant to the terms of the French Monetary and Financial Code (*Code monétaire et financier*) mentioned above, all cash flows generated by the assets of the Issuer are allocated as a matter of absolute priority to servicing liabilities of the Issuer which benefit from the *Privilège* as they fall due, in preference to all other claims, whether or not secured or statutorily preferred and, until payment in full of the liabilities of the Issuer which benefit from the *Privilège*, no other creditors may take any action against the assets of the Issuer.

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

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

Permitted Investments

Any available funds standing to the credit of the Issuer Accounts (prior to their allocation and distribution) may be invested by the Administrator in Permitted Investments (*i.e.* Euro denominated government securities, Euro demand or time deposits, certificates of deposit and debt obligations (including commercial paper) as further described in the section "The Issuer" of this Base Prospectus). The value of the Permitted Investments may fluctuate depending on the financial markets and the Issuer may be exposed to a credit risk in relation to such Permitted Investments. None of the Arranger, the Dealers, the Issuer, the Administrator or any other party to the Programme Documents guarantees the market value of the Permitted Investments. None of them shall be liable if the market value of any of the Permitted Investments fluctuates and decreases.

(ii) Risks relating to swaps and options derivatives

Interest and currency risks

Each Borrower Advance granted by the Issuer for the benefit of the Borrower under the Borrower Facility Agreement shall be made available in the same Specified Currency and according to the same interest conditions to those applicable to the Covered Bonds funding such Borrower Advance. As a consequence, as long as a Borrower Event of Default has not occurred, the Issuer shall not be exposed to any currency and interest risk regarding the Borrower Debt and the Covered Bonds. As at 31 December 2022, the Borrower Debt amounted to €4,779,628,425.

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.

(iii) Risk related to the Home Loans and related Home Loan Security

Prepayment

The rate of prepayment of Home Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including but not limited to amendments to mortgage interest tax deductibility), local and regional economic conditions, as well as changes in the debtor's behaviour (including but not limited to home-owner mobility). A high level of prepayment of the Home Loans, and a variation in the rate of prepayments of principal on the Home Loans may negatively affect the ability of the Issuer to have sufficient funds to make payments under the Covered Bonds upon the service of a Borrower Enforcement Notice and subsequent definitive transfer of title to the Home Loan Receivables and Home Loan Security in favour of the Issuer. The Issuer calibrates its cover pool taking into account the risk induced by high prepayment rates. The impact of prepayment rates are monitored through projections made on the cover pool using various level of prepayment rates (from conservative to less conservative).

Debtors' ability to pay under the Home Loans

The debtors under the Home Loans are individuals having borrowed under the Home Loans in order to finance the acquisition of real estate property. The ability of such debtors to make a timely payment mainly depends on their ability to generate sufficient income. As a result, the Home Loans selected in the cover pool are strictly under the loan-to-income ratio (*taux d'effort*) threshold of 33%.

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

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

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

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

No independent investigation – representations and warranties

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

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

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

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

Changes to the lending criteria of the Borrower

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

Enforcement of Home Loan Guarantees

As at the date of this Base Prospectus, a large majority of Home Loans are guaranteed by Crédit Logement and the remainder are Mortgages. Following enforcement of the Borrower Collateral Security, transfer of title to the Home Loan Receivables and related Home Loan Security in favour of the Issuer will become definitive and notification of the debtors under such Home Loans will be given, and the Issuer will enforce its rights under the relevant Home Loan Guarantees against the guarantor. If thereafter, such guarantor does not pay in whole or in part any amounts due under the relevant Home Loan Guarantees for whatever reason or does not pay such amounts in a timely manner, this may affect the ability of the Issuer to make payments under the Covered Bonds.

Limited description of the Home Loans

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

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

French legal procedures to be followed in relation to the enforcement of French law governed Mortgages and related expenses may affect the Issuer's ability to liquidate the properties secured

under such Mortgages efficiently and in a timely manner. An outline of these procedures is set out below. Specific rules are provided for lender's privileges and mortgages registered in the departments of Haut-Rhin, Bas-Rhin and Moselle. However, these specific rules do not substantially change the outline of these procedures set out below.

Foreclosure on property located in France by secured creditors (*saisie immobilière*) may require the sale of the property at a public auction (*vente aux enchères*) if the sale cannot be made voluntarily by the debtor (*conversion en vente volontaire or à l'amiable*). The foreclosure procedure may take up to one (1) and a half year in normal circumstances. The beneficiary of a lender's privilege or a mortgage will rank in, with respect to sale proceeds, in the order of priority of registration of privileges and mortgages (*droits de préférence*) encumbering such property (Article 2450 of the French Civil Code (*Code civil*)). The first step in the foreclosure procedure consists of delivering a foreclosure notice to the debtor by a bailiff or *huissier* (a process server or *commandement de saisie immobilière*). This notice is filed at the French Land and Charges Registry having jurisdiction in the district where the relevant real property is located. The next step is to instruct a local lawyer (*avocat*) to prepare the terms of the sale of the property at auction, including the reserve price of the relevant real property (such instruction is not mandatory in the departments of *Haut-Rhin*, *Bas-Rhin* and *Moselle*). Finally, a number of legal notices are required to be given prior to the sale. The debtor may file objections against such foreclosure (including the reserve price), the validity of which will be decided by a competent court. If no bid is made at the public auction, and provided there is only one (1) foreclosing creditor, such foreclosing creditor is declared the highest bidder and is thus obliged to purchase the property at a reserve price specified in the terms of the sale. Rules applicable to the *saisie immobilière* procedure have been recently modified by an act (*ordonnance n° 2006-461 réformant la saisie immobilière*) dated 21 April 2006. This new legislation (Articles L.311-1 *et seq.* of the French Code of Civil Execution Procedures (*Code des procédures civiles d'exécution*)) came into force on 1 January 2007. The purpose of the legislation is to simplify the foreclosure process by encouraging voluntary sales (*ventes à l'amiable*) and to reduce the duration and complexity of the foreclosure process.

In accordance with Article 2454 of the French Civil Code (*Code civil*), secured creditors will continue to benefit from the lender's privilege or mortgage, even if the property is transferred by the debtor to a third party without the lender's consent. This right is known as *droit de suite*. If the secured creditor wishes to exercise this right, an order to pay is required to be served on the debtor by a bailiff and notice is required to be served on the third party to whom the relevant secured property was transferred (*tiers détenteur de l'immeuble hypothéqué*) with a view either to pay the debt secured over the property or to surrender the property at an auction.

The exercise of the *droit de suite* is often frozen due to an "advanced clearing" of the privileges and mortgages granted over the relevant property (*purge des privilèges et hypothèques*). If the debtor and all secured creditors agree, in accordance with Article 2463 of the French Civil Code (*Code civil*), for sale proceeds to be allocated (*affecté*) to them, the secured creditors exercise their preferential rights (*droits de préférence*) over the sale proceeds, the payment of which will discharge all privileges and mortgages granted over the property (*purge amiable*). If no agreement is reached (for instance if the sale price of the property is substantially below the amount of the secured debt), the third party will still be entitled to offer to pay the sale price to the secured creditors in order to clear all privileges and mortgages granted over the relevant property (*purge judiciaire*, Articles 2464 *et seq.* of the French Civil Code (*Code civil*)). Secured creditors may refuse this offer if they believe that the sale price has been underestimated by the debtor and the third party. In this case, an auction will be ordered with a minimum bid which is the price offered by the relevant third party being made to the secured creditor, plus ten per cent. (10%).

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

RISK FACTORS RELATING TO THE COVERED BONDS

A. Risk factors related to all Series of Covered Bonds

Modification of the Conditions of French law Covered Bonds

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

In the context of the Transfer (as defined in Condition 1 (*Definitions*)), holders of the Covered Bonds will not be consulted pursuant to the provisions of Article L.228-65 I of the French Commercial Code (*Code de commerce*).

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

Withholding taxes – No gross-up obligations in certain specific cases / circumstances

If French law requires that any payments in respect of any Covered Bonds be subject to deduction as contemplated in Condition 9 (*Taxation*) under the "Terms and Conditions of the French law Covered Bonds" or withholding in respect of any taxes or duties whatsoever, the Issuer will pay additional amounts except in certain specific circumstances detailed in Condition 9(b) of the "Terms and Conditions of the French law Covered Bonds". In such specific circumstances, no additional amounts shall be payable by the issuer and, therefore, the corresponding risk shall be borne by the Bondholders, or, if applicable, the Receiptholders and the Couponholders.

Such risk could materially and adversely affect the investment in the Covered Bonds and could result in the holders of the Covered Bonds losing all of their investments in the Bonds.

B. Risk factors related to the structure and features of a particular issue of Covered Bonds

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

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for prospective investors.

(i) Risk factors related to the interest payable on the Covered Bonds

Fixed Rate Covered Bonds

As contemplated in Condition 6(b) (*Interest on Fixed Rate Covered Bonds*) of the “Terms and Conditions of the French law Covered Bonds”, the Issuer may issue bearing interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date except as otherwise provided in the relevant Final Terms.

Investment in Covered Bonds which bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the market value, the yield and/or liquidity of the relevant Tranche of Covered Bonds and holders of French Law Covered Bonds may lose all or part of their investment.

Floating Rate Covered Bonds

A key difference between Floating Rate Covered Bonds contemplated in Condition 6(c) (*Interest on Floating Rate Covered Bonds*) of the “Terms and Conditions of the French law Covered Bonds” and Fixed Rate Covered Bonds is that interest income on Floating Rate Covered Bonds cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Covered Bonds at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the Terms and Conditions of the Covered Bonds provide for frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, the Issuer’s ability to also issue Fixed Rate Covered Bonds may affect the market value and the secondary market (if any) of the Floating Rate Covered Bonds (and vice versa).

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

Zero Coupon Covered Bonds

As contemplated in Condition 6(e) (*Zero Coupon Covered Bonds*) of the “Terms and Conditions of the French law Covered Bonds”, the Issuer may issue Zero Coupon Covered Bond which will not bear interest and no coupon will be payable prior to the Final Maturity Date.

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

Fixed/Floating Rate Covered Bonds

As contemplated in Condition 6(d) (*Fixed/floating Rate Covered Bonds*) of the “Terms and Conditions of the French law Covered Bonds”, Fixed/Floating Rate Covered Bonds may bear interest at a rate (i) that the Issuer may elect to convert from a Fixed Rate to a Floating Rate, or from a Floating Rate to a Fixed Rate or (ii) that will automatically change from a Fixed Rate to a Floating Rate or from a Floating Rate to a Fixed Rate on the date set out in the Final Terms. The conversion (whether it be automatic or optional) of the interest rate will affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds issued by the Issuer. If the Issuer converts Covered Bonds from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds and therefore investors could receive a lower return on the Covered Bonds and, as a result, lose all or part of their investment in the Covered Bonds.

Investors should refer to risk factors set out in the risk factors entitled “Fixed Rate Covered Bonds” and “Floating Rate Covered Bonds”.

Reform and regulation of "benchmarks"

In accordance with the provisions of Condition 6 (*Interest and other Calculations*) of the “Terms and Conditions of the French law Covered Bonds”, the Rate of Interest in respect of the Floating Rate Covered Bonds may be determined by reference to Reference Rates that constitute “benchmarks” for the purposes of Regulation (EU) 2016/1011, as amended (the “**Benchmarks Regulation**”) on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and applicable in its entirety since 1 January 2018.

The Benchmarks Regulation applies to the provisions of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EEA. The scope of the Benchmark Regulation is wide and, in addition to so-called “critical benchmark” indices, applies to many interest rate and foreign exchange rate indices, equity indices and other indices (including “proprietary” indices or strategies) where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue or via a systematic internaliser, financial contracts and investment funds.

The Benchmarks Regulation could have a material impact on any Covered Bonds traded on a trading venue or via a “systematic internaliser” linked to a “benchmark” index, including in any of the following circumstances:

- an index that is a “benchmark” may not be permitted to be used by a supervised entity in certain ways if its administrator does not obtain authorisation or registration or, if based in a non-EU jurisdiction, the administrator is not recognised as equivalent or recognised or endorsed and the transitional provisions do not apply; and
- if the methodology or other terms of the “benchmark” could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could, amongst other things have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the “benchmark” and as a consequence, Bondholders could lose part of their investment or receive less income than would have been the case without such change.

Either of the above could potentially lead to the Covered Bonds being de-listed, adjusted or redeemed early or otherwise impacted depending on the particular “benchmark” and the applicable terms of the Covered Bonds.

Any of the above changes or any other consequential changes as a result of international, national, or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and on the return on any Covered Bonds linked to a “benchmark”. Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Covered Bonds is to be determined, and EURIBOR or another Reference Rate has been selected as the Reference Rate, the Conditions of the Covered Bonds provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where the Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, Condition 6(c)(C) of the “Terms and Conditions of the Covered Bonds” of the Covered Bonds provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Original Reference Rate was unavailable. Uncertainty as to the continuation of such Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if such Original Reference Rate is unavailable may adversely affect the value of, and return on, the Floating Rate Covered Bonds.

If a Benchmark Event (as defined in Condition 6(a) (*Definitions*) of the “Terms and Conditions of the French law Covered Bonds”) (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest will result in Covered Bonds linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, and such Independent Adviser determines that amendments to the Conditions of the Covered Bonds provide that the Issuer may vary the Conditions of the Covered Bonds, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, then the Issuer may vary these Conditions to give effect to such amendments without any requirement for consent or approval of the Bondholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions of the Covered Bonds also provide that an Adjustment Spread may be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Bondholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Bondholders, Receiptholders and Couponholders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in Covered Bonds linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions of the Covered Bonds.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable, to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or, the Independent Adviser has failed, to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event will result in Covered Bonds linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or, the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life-time of the relevant Covered Bonds, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the floating rate Covered Bonds, in effect, becoming fixed rate Covered Bonds. Holders of Covered Bonds may, in such circumstances, be materially affected and receive a lower interest as they would have expected if an Independent Adviser had been determined or if such Independent Adviser did not fail to determine such Successor or such Alternative Rate.

Variable Rate Covered Bonds with a multiplier or other leverage factor

Covered Bonds with variable interest rates can be volatile investments. If, as provided in Condition 6 (*Interest and other Calculations*) of the “Terms and Conditions of the French law Covered Bonds” they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features. Holders of Covered Bonds may, in such circumstances, be materially affected and receive a lower interest as they would have expected.

The market continues to develop in relation to risk free rates (including SONIA) which may be reference rates for Floating Rate Covered Bonds

The market continues to develop in relation to risk free rates such as the Sterling Overnight Index Average (the “**SONIA**”) as reference rates in the capital markets as alternative to the relevant interbank offered rates. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA (which seek to measure the market’s forward expectation of such rates over a designated term).

The market or a significant part thereof (including the Issuer) may adopt an application of SONIA that differs significantly from that set out in Condition 6(c)(iii)(D) (including in relation to fallbacks in the event that such risk free rate is discontinued or fundamentally altered) and used in relation to Floating Rate Covered Bonds referencing SONIA issued under this Programme.

The market continues to develop in relation to SONIA as a reference rate and, in particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA reference rate over a designated term). Floating Rate Covered Bonds linked to such rates may have a limited trading market when issued, and a wider trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SONIA, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the Floating Rate Covered Bonds linked to SONIA may be lower than those of later-issued indexed debt securities as a result.

In respect of risk free rates (including SONIA), historical levels are not an indication of future levels

Hypothetical or historical performance data and trends are not indicative of, and have no bearing on, the potential performance of risk free rates and therefore Bondholders should not rely on any such data or trends as an indicator of future performance. Daily changes in risk free rates have, on occasion, been more volatile than daily changes in comparable benchmark or market rates. As a result, the return on and value of debt securities linked to risk free rates may fluctuate more than floating rate securities that are linked to less volatile rates. The future performance of any risk free rate is impossible to predict, and therefore no future performance of any risk free rate should be inferred from any hypothetical or historical data or trends.

Calculation of Interest Rates based on SONIA are only capable of being determined at the end of the relevant Interest Accrual Period

Interest on Floating Rate Covered Bonds which reference SONIA is only capable of being determined at the end of the relevant Interest Accrual Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in such Covered Bonds to reliably estimate the amount of interest that will be payable on such Floating Rate Covered Bonds.

In addition, the manner of adoption or application of SONIA in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the

derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Floating Rate Covered Bonds referencing SONIA. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds.

The Issuer has no control over the determination, calculation or publication of SONIA

SONIA may be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Covered Bonds linked to SONIA. If the manner in which SONIA is calculated is changed, that change may result in a reduction of the amount of interest payable on such Floating Rate Covered Bonds and the trading prices of such Floating Rate Covered Bonds.

(ii) Risk factors related to the redemption of the Covered Bonds

Redemption for taxation reasons or in case of illegality

If, as contemplated by, and further detailed in, Condition 7(f)(i) of the “Terms and Conditions of the French law Covered Bonds”, by reason of any change in French tax law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Covered Bonds, or, if applicable, Receipts or Coupons, not be able to make such payment without having to pay additional amounts, the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms, at any time, subject to having given an irrevocable notice to the Bondholders, or, if applicable, Receiptholders or Couponholders, redeem all, but not some only, of the Covered Bonds, or, if applicable, Receipts or Coupons.

If, as contemplated by, and further detailed in, Condition 6(f)(ii) of the “Terms and Conditions of the French law Covered Bonds”, the Issuer would, on the next payment of principal or interest in respect of the Covered Bonds, or, if applicable, Receipts or Coupons, be prevented by French law from making payment to the Bondholders, or, if applicable, Receiptholders or Couponholders or, if applicable, Couponholders of the full amounts then due and payable, the Issuer shall upon giving notice to the Bondholders, or, if applicable, Receiptholders or Couponholders, redeem all, but not some only, of the Covered Bonds, or, if applicable, Receipts or Coupons then outstanding.

Additionally, as contemplated by, and further detailed in, Condition 7(g) (*Redemption due to illegality*) of the “Terms and Conditions of the French law Covered Bonds”, the Covered Bonds of all Series shall be redeemed at the option of the Issuer and subject to compliance by the Issuer of all the relevant laws, regulations and directives, in whole, but not in part, at any time, on giving irrevocable notice if it becomes unlawful for the Issuer to make, fund or allow to remain outstanding any Borrower Advance made by it to the Borrower or to comply with any other of its obligations under the Covered Bonds of that Series, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations.

As contemplated by Condition 7(f) (*Redemption for Taxation Reasons*) and 6(g) (*Redemption due to illegality*) of the “Terms and Conditions of the French law Covered Bonds”, the Issuer may redeem the Covered Bonds by anticipation for taxation reasons, or for illegality. Such early redemption features may adversely and materially affect the holders of Covered Bonds. Therefore, an investor may be exposed to risks connected to the reinvestment of cash proceeds from the sale or early redemption of any Covered Bond. As a consequence, holders of Covered Bonds may lose all or part of their investment in the Bonds and the market value and liquidity of such Covered Bonds may decrease.

Covered Bonds subject to optional redemption by the Issuer

Condition 7(c) (*Redemption at the Option of the Issuer, Exercise of Issuer's Option and Partial Redemption*) of the "Terms and Conditions of the French law Covered Bonds" provide for the Issuer to redeem the Covered Bonds prior to their Maturity Date on any given Option Redemption Date(s) or Option Exercise Date specified in the relevant Final Terms.

If a Call Option is specified in the relevant Final Terms in accordance with Condition 7(c)(i) of the "Terms and Conditions of the French law Covered Bonds", the Issuer may, subject to compliance by the Issuer of all the relevant laws, regulations and directives and on giving an irrevocable notice to the Bondholders redeem, in relation to all or, if so provided, some, of the Covered Bonds on any Optional Redemption Date(s) or Option Exercise Date, as the case may be. Any such redemption of Covered Bonds shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption, if any. Any such redemption must relate to Covered Bonds of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed as specified in the relevant Final Terms and no greater than the Maximum Redemption Amount (if any) specified in the relevant Final Terms.

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

In such case, an investor generally may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. As a consequence, holders of Covered Bonds could lose part of their investment.

Prospective investors should consider reinvestment risk in light of other investments available at that time.

Extendable final maturity Covered Bonds may be redeemed after their initial maturity date

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.

(iii) Risk factors relating to the pricing of the Covered Bonds

Covered Bonds issued at a substantial discount or premium

The issue price of any specific Series of the Covered Bond will be determined in the relevant Final Terms. The market values of Covered Bonds issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such

Covered Bonds, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

It is difficult to anticipate future market volatility in interest rates, but any such volatility may have a significant adverse effect on the value and marketability of the Covered Bonds and holders of Covered Bonds could lose part of their investment.

(iv) Risk factors related to the rating of the Covered Bonds

Ratings of the Covered Bonds and Rating Affirmation

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

Any such rating(s) may not continue for any period of time or may not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of any of the Rating Agencies, circumstances so warrant. In particular, any rating assigned by Moody's may be removed. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact both the value of the Covered Bonds or their marketability in secondary market transactions.

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

Where, after the Programme Date, as defined below, a particular matter such as that referred to in the preceding paragraph or any other matter involves the relevant Rating Agency being requested a prior Rating Affirmation, the relevant Rating Agency, at its sole discretion, may or may not give such affirmation. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the relevant Rating Agency cannot provide the relevant affirmation in the time available or at all and it will not be held responsible for the consequences thereof and there will be no Rating Affirmation in the context of the Transfer. Any affirmation received from the relevant Rating Agency, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the Covered Bonds form part since the Programme

Date. Furthermore, in the event that the relevant Rating Agency gives a Rating Affirmation, this will be on the basis of full and timely receipt by the relevant Bondholders of interest on the Covered Bonds and the likelihood of receipt of principal of the Covered Bonds by the relevant Final Maturity Date. After any such affirmation, the then current rating(s) of the Covered Bonds may or may not continue for any period of time or may or may not be reviewed, revised, suspended or withdrawn entirely by the relevant Rating Agency for any of the reasons specified above in relation to the original rating(s) of the Covered Bonds. As such an affirmation of the rating(s) of the Covered Bonds by the relevant Rating Agency is not a representation or warranty that, as a result of a particular matter, the interest and principal due under the Covered Bonds will be paid or repaid in full and when due. The rating(s) may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Covered Bonds. A credit rating is not a recommendation to any sell or hold securities and may be revised or withdrawn by the concerned rating agency at any time.

Rating agencies (other than the relevant Rating Agency) could seek to rate the Covered Bonds and if such unsolicited ratings are lower than any comparable ratings assigned to the Covered Bonds by the relevant Rating Agency, those unsolicited ratings could have a material and adverse effect on the market value and the marketability of the Covered Bonds.

C. Risk factors related to the market generally

Market value of the Covered Bonds

Application will be made in certain circumstances to list and admit the Covered Bonds on Euronext Paris and application may be made for the listing and admission to trading on any other Regulated Market in a Member State of the EEA. If this is the case, the relevant Final Terms in respect of such Covered Bonds will specify such admission to trading.

The market value of the Covered Bonds will be affected by the creditworthiness of the borrower and of the Issuer and a number of additional factors, including, but not limited to, the volatility of the market interest and yield rates and the time remaining to the maturity date.

The value of the Covered Bonds on Euronext or any other Regulated Markets in a Member State of the EEA depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the French Law Covered Bonds are traded. The price at which holders of Covered Bonds will be able to sell the Covered Bonds prior to maturity may be at a discount, which could be substantial and adverse, from the issue price or the purchase price paid by such holder of French Law Covered Bonds and result in losing all or part of their investment in the Covered Bonds.

An active trading market for the Covered Bonds may not develop

Covered Bonds may have a limited established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. If a Tranche of Covered Bonds is issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in such Covered Bonds. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Covered Bonds.

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

These risk factors could materially and adversely affect the market value of the Covered Bonds and, as a consequence, holders of Covered Bonds may lose all or part of their investment in the Covered Bonds.

Exchange rate risks and exchange controls

The Programme allows for Covered Bonds to be issued in a range of currencies (each, a "**Specified Currency**" as defined in Condition 6(a) (*Interest and other Calculations - Definitions*) of the "Terms and Conditions of the French law Covered Bonds"). The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Covered Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Covered Bonds, and (3) the Investor's Currency equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. If this risk ever materialises, the holders of Covered Bonds may receive less interest or principal than expected, or no interest or principal. As a consequence, this may adversely affect the Holders of the Covered Bonds who could lose part of their investment in the Covered Bonds.

CONDITIONS ATTACHED TO THE CONSENT OF THE ISSUER TO USE THE BASE PROSPECTUS

In the context of any offer of Covered Bonds in France and/or the Grand Duchy of Luxembourg (the “**Non-exempt Offer Jurisdictions**”) that is not within an exemption from the requirement to publish a prospectus under Article 1.4 of the Prospectus Regulation, (a “**Non-exempt Offer**”), in relation to any person (an “**Investor**”) to whom an offer of any Covered Bonds is made, the Issuer consents to the use of the Base Prospectus and the relevant Final Terms (together, the “**Prospectus**”) in connection with a Non-exempt Offer of any Covered Bonds during the offer period specified in the relevant Final Terms (the “**Offer Period**”) and in the Non-exempt Offer Jurisdiction(s) specified in the relevant Final Terms by:

- (1) subject to conditions set out in the relevant Final Terms, any financial intermediary designated in such Final Terms; or
- (2) if so specified in the relevant Final Terms, any financial intermediary which satisfies the following conditions: (a) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “**Rules**”), from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Covered Bonds by any person and disclosure to any potential investor; (b) complies with the restrictions set out in the section entitled “*Subscription and Sale*” of this Base Prospectus which would apply as if it were a Dealer; (c) considers the relevant EEA manufacturer’s target market assessment, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018, and distribution channels identified under the “MiFID II product governance” legend and/or the relevant UK manufacturers’ target market assessment, taking into account the FCA Handbook Product Intervention and Product Governance Sourcebook, and distribution channels identified under the “UK MiFIR product governance” legend set out in the relevant Final Terms; (d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Covered Bonds is fully and clearly disclosed to investors or potential investors; (e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Covered Bonds under the Rules; (f) complies with applicable anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Covered Bonds by the Investor), and will not permit any application for Covered Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies; (g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the relevant Dealer(s) and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer(s) in order to enable the Issuer and/or the relevant Dealer(s) to comply with anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules applying to the Issuer and/or the relevant Dealer(s); (h) does not, directly or indirectly, cause the Issuer or the relevant Dealer(s) to breach any Rule or any requirement to obtain or make any filing, authorisation or consent in any jurisdiction; and (i) satisfies any further conditions specified in the relevant Final Terms (in each case an “**Authorised Offeror**”). For the avoidance of doubt, none of the Dealers or the Issuer shall have any obligation to ensure that an Authorised Offeror complies with applicable laws and regulations and shall therefore have no liability in this respect.

The Issuer accepts responsibility, in the Non-exempt Offer Jurisdiction(s) specified in the Final Terms, for the content of the Prospectus in relation to any person (an “**Investor**”) in such Non-exempt Offer Jurisdiction(s) to whom an offer of any Covered Bonds is made by any Authorised Offeror and where the offer is made during the period for which that consent is given. However,

neither the Issuer nor any Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

The consent referred to above relates to Offer Periods (if any) ending no later than the date falling 12 months from the date of the approval of the Base Prospectus by the AMF.

In the event the Final Terms designate financial intermediary(ies) to whom the Issuer has given its consent to use the Prospectus during an Offer Period, the Issuer may also give consent to additional Authorised Offerors after the date of the relevant Final Terms and, if it does so, it will publish any new information in relation to such Authorised Offerors who are unknown at the time of the approval of this Base Prospectus or the filing of the relevant Final Terms at www.about.hsbc.fr/investor-relations/covered-bonds.

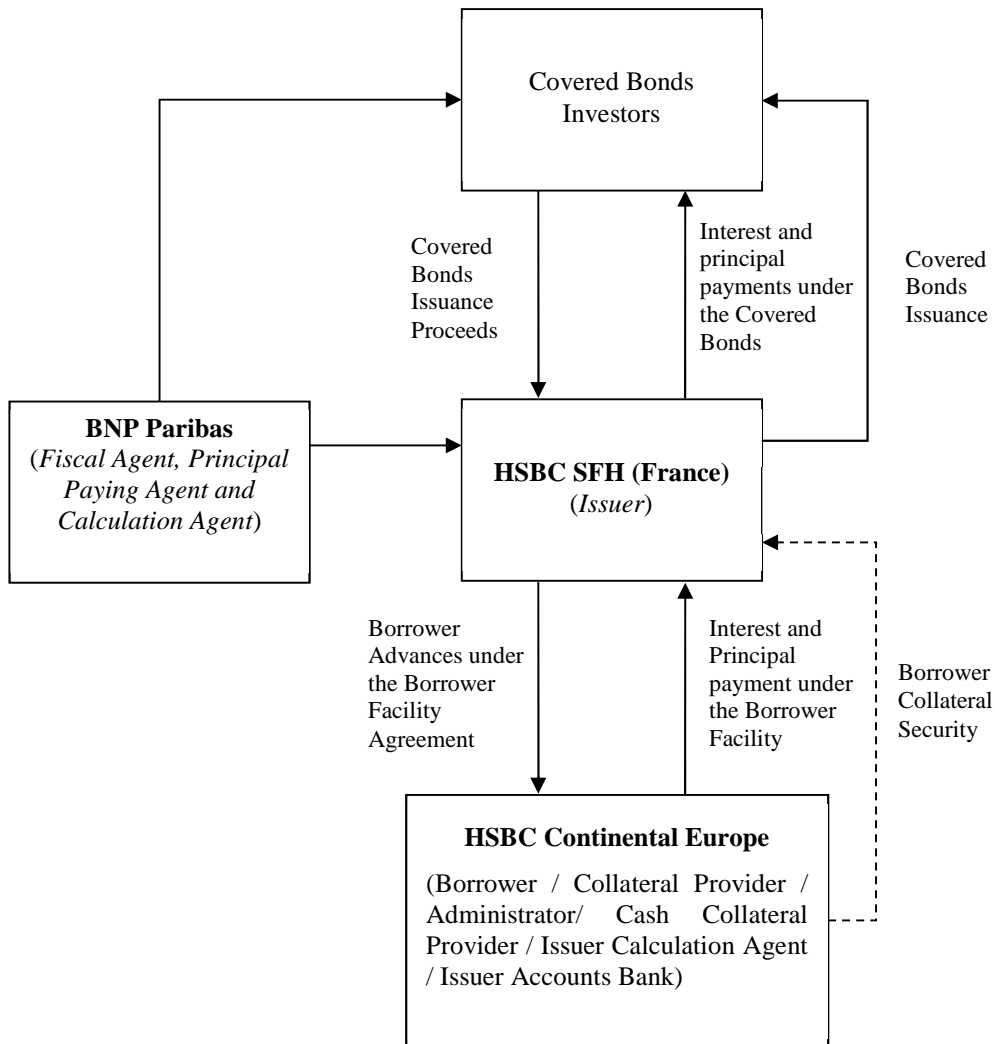
If the Final Terms specify that any financial intermediary may use the Prospectus during the Offer Period, any such Authorised Offeror is required, for the duration of the Offer Period, to publish on its website that it is using the Prospectus for the relevant Non-exempt Offer with the consent of the Issuer and in accordance with the conditions attached thereto.

Other than as set out above, neither the Issuer nor any of the Dealers has authorised the making of any Non-exempt Offer by any person in any circumstances and such person is not permitted to use the Prospectus in connection with its offer of any Covered Bonds. Any such offers are not made on behalf of the Issuer or by any of the Dealers or Authorised Offerors and none of the Issuer or any of the Dealers or Authorised Offerors has any responsibility or liability for the actions of any person making such offers.

An Investor intending to acquire or acquiring any Covered Bonds from an Authorised Offeror will do so, and offers and sales of the Covered Bonds to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price allocations and settlement arrangements (the “Terms and Conditions of the Non-exempt Offer”). The Issuer will not be a party to any such arrangements with Investors (other than Dealers) in connection with the offer or sale of the Covered Bonds and, accordingly, the Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Non-exempt Offer shall be provided to Investors by that Authorised Offeror at the time of the Non-exempt Offer. Neither the Issuer nor any of the Dealers or other Authorised Offerors has any responsibility or liability for such information or the consequences of its use by the relevant investors.

STRUCTURE DIAGRAM – PRINCIPAL PROGRAMME PARTIES

Structure Diagram



Principal Programme Parties

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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 annual financial report of HSBC SFH (France) for the year ended 31 December 2022 in the French language and prepared in accordance with French generally accepted accounting principles and the statutory auditors' report thereon (together the **"2022 Annual Financial Report"**); and

<https://www.about.hsbc.fr/-/media/france/fr/investors-relations/hsbc-sfh/230307-rapport-financier-annuel-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"**).

<https://www.about.hsbc.fr/-/media/france/fr/investors-relations/hsbc-sfh/220307-rapport-financier-annuel-2021.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 (<https://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 Annual Financial Report (page number)	2021 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.	Pages 48 to 66	Pages 47 to 66
11.1.3	Accounting standards	Page 23	Page 24
11.1.5	Financial information		
	- Balance sheet	Pages 48 to 49	Pages 47 to 48
	- Income statement	Page 50	Page 49
	- Statement of cash flows	Page 51	Page 50
	- Statement of changes in equity	Page 52	Page 51
	- Accounting policies and explanatory notes	Pages 53 to 62	Pages 52 to 62
11.1.7	Age of financial information	Page 48	Page 47
11.3	Auditing of Historical financial information	Pages 63 to 66	Pages 63 to 66

SECTION 4	INFORMATION ABOUT THE ISSUER		
4.1.5	Recent events relating to the issuer	Pages 4 to 9	Pages 4 to 9

SUPPLEMENT TO THE BASE PROSPECTUS

In connection with Covered Bonds admitted to trading on a Regulated Market, if at any time during the duration of the Programme there is a significant change affecting any matter contained or incorporated by reference in this base prospectus (the "**Base Prospectus**") or generally any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which may affect the assessment of any Covered Bonds, which inclusion would reasonably be required by investors, and would reasonably be expected by them to be found in this Base Prospectus for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the rights attaching to the Covered Bonds and the reason for the issuance and its impact on the Issuer, the Issuer shall prepare a supplement to the Base Prospectus in accordance with Article 23 of the Prospectus Regulation for use in connection with any subsequent offering of the Covered Bonds, submit such supplement to the Base Prospectus to the AMF for approval and supply each Dealer, Euronext Paris and the AMF with such number of copies of such supplement to the Base Prospectus as may reasonably be requested.

In accordance with and pursuant to Article 23.2a of the Prospectus Regulation, where the relevant Final Terms relate to a Non-exempt Offer of the Covered Bonds in any Member State of the EEA, investors who have already agreed to purchase or subscribe for Covered Bonds before any supplement is published have the right, exercisable within two working days, in each case, after the publication of this supplement, to withdraw their acceptances, provided that the significant new factor, material mistake or material inaccuracy referred to in Article 23.1 of the Prospectus Regulation arose or was noted before the closing of the Non-exempt Offer or the delivery of the Covered Bonds, whichever occurs first. That period may be extended by the Issuer or, if any, the relevant Authorised Offeror(s). The final date of the right of withdrawal shall be stated in the supplement. On 7 March 2024, this Base Prospectus, as supplemented (as the case may be), will expire and the obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will no longer apply.

Any supplement to the Base Prospectus shall be published on the website of the AMF (www.amf-france.org) and the Issuer (www.about.hsbc.fr/investor-relations/covered-bonds).

USE OF PROCEEDS

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

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

TERMS AND CONDITIONS OF THE FRENCH LAW COVERED BONDS

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

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

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

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

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

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

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

In these Conditions, references to "**day**" or "**days**" are to calendar days unless the context otherwise specifies.

1. Definitions

"**Banque des Caraïbes**" is a French joint stock company (*société anonyme*), licensed as an *établissement de crédit*, member of the My Money Group and registered with the Trade and Companies Registry under number 315 769 257 R.C.S Paris, or any authorized successor or assignee.

"**Base Prospectus**" means the Base Prospectus dated 8 March 2023 of the Issuer, in the form in which it is on file with the *Autorité des marchés financiers* in France and received the approval number 23-068 on 8 March 2023, together with any document incorporated by reference and any supplement to this Base Prospectus, as the case may be.

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

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

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

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

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

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

amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved by the Majority Bondholders of all Series for which Covered Bonds (including German law Covered Bonds) or, if applicable, any Receipts or Coupons relating to them, are Outstanding, and such liquidation or winding up being subject to prior Rating Affirmation); or

- (f) the Issuer makes any proposal for a general moratorium in relation to its debt or applies for a judgment is issued for the judicial liquidation (*liquidation judiciaire*) or the transfer of the whole of the business (*cession totale de l'entreprise*) of the Issuer or, to the extent permitted by applicable law, if the Issuer is subject to any other insolvency or bankruptcy proceedings or makes any conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors; or
- (g) the Issuer ceases to carry on all or a material part of its business (except in the case of a cessation for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, in each case the terms of which have previously been approved by the Majority Bondholders of all Series for which Covered Bonds (including German Law Covered Bonds) or, if applicable, any Receipts or Coupons relating to them, are Outstanding and such liquidation or winding up being subject to prior Rating Affirmation).

"Majority Bondholders" means, a decision of the General Meeting (as defined in Condition 12 of the Terms and Conditions) of such Series taken in accordance with Condition 12(e) of the Terms and Conditions.

"MMB" means My Money Bank, a French joint stock company (*société anonyme*), licensed as an *établissement de crédit* and a member of the My Money Group and registered with the Trade and Companies Registry under number 784 393 340 R.C.S. Nanterre, or any authorized successor or assignee.

"MMB SCF" is a French *société anonyme* licensed as an *établissement de crédit spécialisé*, member of the My Money Group and registered with the Trade and Companies Registry under the number 840 318 950 R.C.S. Nanterre.

"My Money Group" means Promontoria MMB, a French *société par actions simplifiée*, licensed as a *compagnie financière* holding registered with the Trade and Companies Registry under the number 820 982 619 R.C.S. Nanterre, or any authorized successor or assignee, and its consolidated subsidiaries.

"Outstanding" means, in relation to Covered Bonds of any Series, (including German law Covered Bonds) all the Covered Bonds issued other than (a) those that have been redeemed in accordance with these Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Covered Bonds to the date for such redemption and any interest payable after such date) have been duly paid as provided in Condition 8 of the Terms and Conditions, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled or held by the Issuer, for so long as such Covered Bonds are held by the Issuer, as provided in these Conditions, (e) in the case of Definitive Materialised Covered Bonds (i) those mutilated or defaced Definitive Materialised Covered Bonds that have been surrendered in exchange for replacement Definitive Materialised Covered Bonds, (ii) (for the purpose only of determining how many such Definitive Materialised Covered Bonds are outstanding and without prejudice to their status for any other purpose) those Definitive Materialised Covered Bonds alleged to have been lost, stolen or destroyed and in respect of which replacement Definitive Materialised Covered Bonds have been issued and (iii) any Temporary Global Certificate or Permanent Global Certificate to the extent that it shall have been exchanged for one (1) or more Definitive Materialised Covered Bonds, pursuant to its provisions.

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

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

"Programme Documents" means:

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

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

"Rating Agency" means S&P Global Ratings Europe Limited (or any successor rating agency) ("**S&P**") or Moody's France SAS (or any successor rating agency) ("**Moody's**" and, together, the "**Rating Agencies**"), it being provided that the rating assigned by Moody's to the Covered Bonds, together with any reference thereto, may be removed by the Issuer in which case the Covered Bonds will only be rated by S&P and any reference to "Rating Agency" and/or "Rating Agencies" will be S&P.

"Regulated Market" means any regulated market situated in a Member State of the EEA as defined in the Markets in Financial Instruments Directive 2014/65/EU, as amended from time to time.

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

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

"Transfer" means the transfer by HSBC Continental Europe, subject to the satisfaction of certain conditions, of, among other things, its full ownership interest in the Issuer and of most of its rights and obligations under the Programme Documents to which it is a party, including, notably, in its capacity as borrower, administrator, issuer calculation agent and cash collateral provider, to (i) Banque des Caraïbes SA and/or (ii) to any other entity within My Money Group.

"Transfer Rating Condition" means the condition whereby the rating assigned by S&P to the Covered Bonds, at the time of the Transfer, is:

- (a) at least AAA; or
- (b) no lower than the then prevailing rating assigned by S&P to the covered bonds issued by MMB SCF; or
- (c) the highest achievable long-term rating assignable to covered bonds issued by a French law governed *société de financement à l'habitat* under the then prevailing S&P covered bonds methodology (the **"Applicable Rating Methodology"**):
 - (i) structured with MMB acting as borrower and collateral provider;
 - (ii) with an equivalent cover pool as the Issuer,
 - (iii) with the same or equivalent structural features as the Issuer (except in respect of any amendments which are directly related to, or consequential from, the Transfer as permitted under Condition 5(g)), and
 - (iv) ensuring that all relevant counterparties to such a *société de financement à l'habitat* are appropriately rated in accordance with the Applicable Rating Methodology for such rating level.

2. Form, Denomination, Title and Redenomination

(a) Form

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

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

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

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

In the case of Dematerialised Covered Bonds issued in bearer dematerialised form (*au porteur*), Euroclear France shall act as agent for the Issuer solely for the purpose of maintaining the record of ownership of such Dematerialized Covered Bonds in Euroclear France's books. In the case of Dematerialised Covered Bonds issued in administered registered form (*au nominatif administré*), each Account Holder shall act as agent for the Issuer solely for the purpose of maintaining the record of ownership of such Dematerialized Covered Bonds in such Account Holder's books.

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

(b) Type of Underlying

The Covered Bonds may be "**Fixed Rate Covered Bonds**", "**Floating Rate Covered Bonds**", "**Zero Coupon Covered Bonds**" or a combination of any of the foregoing, depending on the Interest Basis and the redemption method specified in the relevant Final Terms.

(c) Denomination

The Covered Bonds will be issued in the specified denomination set out in the relevant Final Terms (the "**Specified Denomination(s)**"), provided that all Covered Bonds admitted to trading on a Regulated Market in circumstances which require the publication of a prospectus under the Prospectus Regulation will be at least such amount as may be allowed or required from time to time in relation to the relevant Specified Currency.

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

(d) Title

- (i) Title to Dematerialised Covered Bonds in bearer form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Covered Bonds may only be effected through, registration of the transfer in the accounts of the

Account Holders. Title to Dematerialised Covered Bonds in fully registered form (*au nominatif pur*) shall pass upon, and transfer of such Covered Bonds may only be effected through, registration of the transfer in the accounts maintained by the Issuer or by the Registration Agent.

- (ii) Title to Definitive Materialised Covered Bonds, including, where appropriate, Receipt(s), Coupons and/or a Talon attached, shall pass by delivery.
- (iii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Covered Bond, Coupon, Receipt or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

(e) Redenomination

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

3. Conversions and Exchanges of Covered Bonds

(a) Dematerialised Covered Bonds

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

(b) Materialised Covered Bonds

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

4. Status

Subject to the Priority Payment Orders, the principal and interest of the Covered Bonds, and, where applicable, any related Coupons and Receipts are direct, unconditional, unsubordinated and, pursuant to the provisions of Condition 5(b), privileged obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and equally and rateably with all other present and future

obligations (including the French and German law Covered Bonds of all other Series) and other resources raised by the Issuer benefiting from the *Privilège* described in Condition 5.

5. Covenants

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

(a) Negative Pledge

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

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

The principal and interest of the Covered Bonds will benefit from the *privilège* (statutory priority in right of payment) created by Article L.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.

(c) Limitation on Indebtedness

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

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

(d) Restrictions on mergers or reorganisations

The Issuer undertakes not to enter into any merger, re-organisation or similar transaction without prior Representative Consent and Rating Affirmation.

This Condition 5(d) shall not apply in the context of and/or following completion of the Transfer provided that the Transfer Rating Condition is satisfied at the time that such Transfer is effected.

(e) Separateness covenants

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

- (i) to maintain books and records separate from any other person or entity;
- (ii) to maintain its accounts separate from those of any other person or entity;
- (iii) not to commingle assets with those of any other entity;
- (iv) to conduct its own business in its own name;
- (v) to maintain separate financial statements;
- (vi) to pay its own liabilities out of its own funds;
- (vii) to observe all corporate, partnership, or other formalities required by its constituting documents;
- (viii) not to guarantee or to become obligated for the debts of any other entity or to hold out its credit as being available to satisfy the obligations of others;
- (ix) not to acquire capital shares of its partners or shareholders;
- (x) to use its own separate stationery, invoices and cheques;
- (xi) to hold itself out as a separate entity;
- (xii) not to have any employees;
- (xiii) not to voluntarily wind up; and
- (xiv) to correct any known misunderstanding regarding its separate identity.

(f) Amortisation Test

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

(g) Programme Documents

Subject to the qualifications described in the relevant Programme Document(s) to which it is a party and/or except in the context of the Transfer, the Issuer undertakes that no amendment,

modification, alteration, termination or supplement shall be made to any Programme Document to which it is a party without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

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

- (i) to cure any ambiguity, omission, defect or inconsistency;
- (ii) to evidence or effect the transition of any party to any Programme Document to which it is a party to any successor;
- (iii) to add to the undertakings and other obligations of any party (except the Issuer) under any Programme Document to which it is a party;
- (iv) to comply with any mandatory requirements of applicable laws and regulations;
- (v) to reflect amendments that are directly related to, or consequential from, the Transfer, including removing any condition regarding any Representative Consent, subject in all cases to the Transfer Rating Condition being satisfied; or
- (vi) to allow for the removal of the rating assigned by Moody's to the Covered Bonds including any reference thereto in any further Rating Affirmation.

In addition, the Issuer undertakes that:

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

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

(h) Notification of Issuer Events of Default

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

(i) No further Issuance

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

- (i) as from the date a Borrower Enforcement Notice (as defined in the section "**The Borrower and the Borrower Facility Agreement**" – "**The Borrower Facility Agreement**" of the Base Prospectus) has been served, except for the purposes of subscription by the Issuer of

Auto-held Covered Bonds in accordance with Condition 18;

- (ii) as from the date an Issuer Enforcement Notice has been served;
- (iii) for so long as a Non Compliance with Asset Cover Test (as defined in the section "**Asset Monitoring**" of the Base Prospectus) has occurred and is not remedied, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 18;
- (iv) for so long as a Non Compliance with Amortisation Test (as defined in the section "**Asset Monitoring**" of the Base Prospectus) has occurred and is not remedied, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 18; or
- (v) for so long as, regarding the Pre-Maturity Test (as defined in the section "**Asset Monitoring**" of the Base Prospectus), a Non Compliance Notice (as defined in the section "**Asset Monitoring**" of the Base Prospectus) has been delivered and is not withdrawn, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 18.

(j) Rating of further Issuance

Subject to Condition 5(i) above and except in the context of and/or following completion of the Transfer, the Issuer undertakes that any new further issuance of Covered Bonds will be rated by the relevant Rating Agency.

6. Interest and other Calculations

(a) Definitions

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

"Adjustment Spread" means either a spread (which may be positive or negative), or the formula or the methodology for calculating a spread, in either case, which the Independent Adviser determines and which is required to be applied to the Successor Rate or the Alternative Rate, as the case may be, to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit, as the case may be, to Bondholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate, as the case may be, and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (ii) the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be; or (if the Issuer determines that no such industry standard is recognised or acknowledged)
- (iii) the Independent Adviser determines to be appropriate.

"Alternative Rate" means an alternative Benchmark which the Independent Adviser determines in accordance with Condition 5(c)(iii)(C)(b) and which is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Covered Bonds.

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

"Benchmark Amendments" has the meaning given to it in Condition 6(c)(iii)(C)(d).

"Benchmark Event" means:

- (i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Covered Bonds;
- (v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate, in the opinion of the supervisor, is no longer representative of an underlying market or that its method of calculation has significantly changed; or
- (vi) it has become unlawful for any Paying Agent, Calculation Agent or the Issuer to calculate any payments due to be made to any Bondholder using the Original Reference Rate.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Fiscal Agent, the Calculation Agent and the Paying Agents.

"Business Day" means:

- (i) in the case of Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer payment system (TARGET 2) or any successor or replacement for that system (the **"TARGET 2 System"**) is operating (a **"TARGET 2 Business Day"**), and/or
- (ii) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency, and/or
- (iii) in the case of a Specified Currency and/or one (1) or more additional business centre(s) specified in the relevant Final Terms (the **"Business Centre(s)"**), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified.

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

- (i) if **"Actual/365"**, **"Actual/Actual"** or **"Actual/Actual-ISDA"** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty-five (365) (or, if any portion of that Calculation Period falls in a leap year, the

sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by three hundred and sixty-six (366) and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by three hundred and sixty-five (365).

- (ii) if "**Actual/Actual-ICMA**" is specified in the relevant Final Terms:
 - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
 - (B) if the Calculation Period is longer than one (1) Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

in each case, where:

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

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

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

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

where:

"Y₁" is the year, expressed as a number, in which the first (1st) day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first (1st) day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be thirty-one (31), in which case D₁ will be thirty (30); and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be thirty-one (31) and D₁ is greater than twenty-nine (29), in which case D₂ will be thirty (30).

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

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

where:

"Y₁" is the year, expressed as a number, in which the first (1st) day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first (1st) day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be thirty-one (31), in which case D₁ will be thirty (30); and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be thirty-one (31), in which case D₂ will be thirty (30).

"Effective Date" means, as the context requires:

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

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

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 6(c)(iii)(C)(a).

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

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

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

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

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

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

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

"ISDA Definitions" means the 2006 ISDA Definitions as may be specified in the relevant Final Terms, as published by the International Swaps and Derivatives Association, Inc, as amended or supplemented as at the Issue Date.

“Original Reference Rate” means the originally-specified Benchmark used to determine the Rate of Interest (or any component part thereof) on the Covered Bonds as specified in the relevant Final Terms.

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

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

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

the Materialised Covered Bond, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation).

"Relevant Financial Centre" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be the Euro-Zone) or, if none is so connected, Paris.

"Relevant Nominating Body" means, in respect of a Benchmark:

- (i) the central bank for the currency to which the Benchmark, relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Benchmark; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Benchmark, relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate, as applicable, (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

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

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

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

"Specified Currency" means the currency specified as such in the relevant Final Terms.

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

"Successor Rate" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body. If, following a Benchmark Event, more than one successor or replacement rates are recommended by any Relevant Nominating Body, the Independent Adviser will determine, among those successor or replacement rates, the one which is the most appropriate, taking into consideration, without limitation, the particular features of the relevant Covered Bonds and the nature of the Issuer.

(b) Interest on Fixed Rate Covered Bonds

Each Fixed Rate Covered Bond bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of

Interest, such interest being payable in arrear on each Interest Payment Date except as otherwise provided in the relevant Final Terms.

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

(c) Interest on Floating Rate Covered Bonds

- (i) *Interest Payment Dates:* Each Floating Rate Covered Bond bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day. Notwithstanding the foregoing, where the applicable Final Terms specify that the relevant Business Day Convention is to be applied on an "unadjusted" basis, the Interest Amount payable on any date shall not be affected by the application of that Business Day Convention.
- (iii) *Rate of Interest for Floating Rate Covered Bonds:* The Rate of Interest in respect of Floating Rate Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in (i) the relevant Final Terms and/or (ii) the provisions below relating to either ISDA Determination or Screen Rate Determination, depending upon which is specified in the relevant Final Terms.

(A) ISDA Determination for Floating Rate Covered Bonds

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

determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

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

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

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

- (1) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
 - (I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one (1) entity); or
 - (II) the arithmetic means of the Relevant Rates of the persons whose Relevant Rates appear on that Page, in each case appearing on such Page at the Relevant Time on the Interest Determination Date as disclosed in the relevant Final Terms, plus or minus (as indicated in the relevant Final Terms) the Margin (if any); and
- (2) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (1)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (1)(II) applies and fewer than two (2) Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent, plus or minus (as indicated in the relevant Final Terms) the Margin (if any); and
- (3) if paragraph (2) above applies and the Calculation Agent determines that fewer than two (2) Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two (2) out of five (5) leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-Zone as selected by the Calculation Agent (the "**Principal Financial Centre**") are quoting at or about the

Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two (2) of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two (2) of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

(C) Benchmark discontinuation

(a) Independent Adviser

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined in accordance with Condition 6(c)(iii)(B) and if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(c)(iii)(C)(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 6(c)(iii)(C)(c)) and any Benchmark Amendments (in accordance with Condition 6(c)(iii)(C)(d)).

In making such determination, the Independent Adviser appointed pursuant to this Condition 6(c)(iii)(C) shall act in good faith in a commercially reasonable manner as an expert and in consultation with the Issuer (for the avoidance of doubt the Issuer's consultation referred to above shall not give any discretionary power to the Issuer and the Independent Adviser will act alone in determining whether a Successor Rate or an Alternative Rate is available). In the absence of bad faith, manifest error or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents, or the Bondholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 6(c)(iii)(C).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(c)(iii)(C)(a) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Covered Bonds in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of

the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 6(c)(iii)(C)(a) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(c)(iii)(C)(a).

(b) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 6(c)(iii)(C)(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 6(c)(iii)(C)); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 6(c)(iii)(C)(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 6(c)(iii)(C)).

(c) Adjustment Spread

If the Independent Adviser, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(c)(iii)(C) and the Independent Adviser, determines (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6(c)(iii)(C)(e), without any requirement for the consent or approval of Bondholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

For the avoidance of doubt, and in connection with any such variation in accordance with this Condition 6(c)(iii)(C)(d), the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading.

(e) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this

Condition 6(c)(iii)(C) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents, the Representative of the *Masse* and, in accordance with Condition 17, the Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Bondholders and the Representative of the *Masse* of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

- (i) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 6(c)(iii)(C); and
- (ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Fiscal Agent shall display such certificate at its offices, for inspection by the Bondholders at all reasonable times during normal business hours.

Each of the Fiscal Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Fiscal Agent's, the Calculation Agent's or the Paying Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the Paying Agents and the Bondholders.

(f) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 6(c)(iii)(C) (a), (b), (c) and (d), the Original Reference Rate and the fallback provisions provided for in Condition 6(c)(iii)(B) will continue to apply unless and until a Benchmark Event has occurred.

(D) Screen Rate Determination for Floating Rate Covered Bonds referencing Compounded Daily SONIA

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified in the relevant Final Terms as being "Compounded Daily SONIA", the Rate of Interest applicable to the Covered Bonds for each Interest Accrual Period will be the sum of the Margin and Compounded Daily SONIA with respect to such Interest Accrual Period, all as determined by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date.

For the purposes of this Condition 6(c)(iii)(D):

“**Compounded Daily SONIA**” means, in relation to an Interest Accrual Period:

- I. where "Index Determination" is specified as Not Applicable in the relevant Final Terms, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Calculation Agent as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest fourth decimal place, with 0.00005% being rounded upwards):

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

- II. where "Index Determination" is specified as Applicable in the relevant Final Terms, the rate calculated by the Calculation Agent as at the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fourth decimal place, with 0.00005% being rounded upwards):

$$\left(\frac{Index_{END}}{Index_{START}} - 1 \right) \times \frac{365}{d}$$

provided, however, that if the Calculation Agent is unable for any reason to determine either or both of $Index_{END}$ and $Index_{START}$ in relation to any Interest Accrual Period, then Compounded Daily SONIA shall be calculated for such Interest Accrual Period as if "Index Determination" had been specified as being Not Applicable in the relevant Final Terms (and paragraph I of this definition shall be applied accordingly),

where:

“**d**” means (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, the number of calendar days in the relevant Interest Accrual Period and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, the number of calendar days in the relevant Observation Period;

“**d₀**” means (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, the number of London Business Days in the relevant Interest Accrual Period and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, for any Observation Period, the number of London Business Days in the relevant Observation Period;

“**i**” means, in relation to any Interest Period, a series of whole numbers from one to d_0 , each representing the relevant London Business Day in chronological order from (and including) the first London Business Day (i) where "Lag" or "Lock-Out" is specified in the relevant Final Terms as the Observation Method, in the relevant Interest Accrual Period, and (ii) where "Shift" is specified in the relevant Final Terms as the Observation Method, in the relevant Observation Period;

“**Index_{END}**” means, in relation to any Interest Accrual Period, the Index Value on the day which is "p" London Business Days prior to (i) the Interest Payment

Date for such Interest Accrual Period or (ii) if the Covered Bonds become due and payable prior to the end of an Interest Period, the date on which the Covered Bonds become so due and payable;

“**Index_{START}**” means, in relation to any Interest Accrual Period, the Index Value on the day which is “p” London Business Days prior to the first day of such Interest Accrual Period (and in respect of the first Interest Accrual Period, the Issue Date);

“**Index Value**” means, where “SONIA” is specified as the Reference Rate in the relevant Final Terms, in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised redistributors on the Relevant Screen Page on the immediately following London Business Day provided, however, that in the event that the value originally published is subsequently corrected and such corrected value is published by authorised redistributors or the Bank of England, as the administrator of SONIA (or any successor administrator of SONIA) on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the Index Value in relation to such London Business Day;

“**LBD**” means a London Business Day;

“**Lock-Out Period**” means the period from, and including, the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

“**n_i**” means, for any London Business Day, the number of calendar days from (and including) such London Business Day “i” up to (but excluding) the following London Business Day;

“**Observation Period**” means, in relation to an Interest Period, the period from (and including) the date which is “p” London Business Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling “p” London Business Days prior to the Interest Payment Date for such Interest Accrual Period;

“**p**” has the meaning given to it in the applicable Final Terms;

“**Reference Day**” means each London Business Day in the relevant Interest Accrual Period, other than any London Business Day in the Lock-Out Period;

“**SONIA Compounded Index**” means the index known as the “SONIA Compounded Index” administered by the Bank of England (or any successor administrator thereof);

“**SONIA_i**” means (i) where “Shift” is specified in the relevant Final Terms as the Observation Method, and in respect of a London Business Day “i”, the SONIA reference rate in respect of that day, and (ii) where “Lock-Out” is specified in the relevant Final Terms as the Observation Method, (x) in respect of any London Business Day “i” that is a Reference Day, the SONIA reference rate in respect of such Reference Day, and (y) in respect of any London Business Day “i” that is not a Reference Day (being a London Business Day in the Lock-Out Period), the SONIA reference rate in respect of the last Reference Day of the relevant Interest Accrual Period (such last Reference Day falling no

fewer than five London Business Days prior to the final day of the relevant Interest Accrual Period);

“**SONIA_{i-pLBD}**” means (i) where “Lag” is specified in the relevant Final Terms as the Observation Method, in respect of any London Business Day falling in the relevant Interest Accrual Period the SONIA reference rate for the London Business Day falling “p” London Business Days prior to the relevant London Business Day “i”, and (ii) where “Shift” or “Lock-Out” is specified in the relevant Final Terms as the Observation Method, SONIA_i; and

“**SONIA reference rate**” means, in relation to any London Business Day, a reference rate equal to the daily Sterling Overnight Index Average (“**SONIA**”) rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Business Day immediately following such London Business Day.

For the purpose of this Condition 6(c)(iii)(D), an “**Interest Accrual Period**” means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the relevant Series of Covered Bonds becomes due and payable following an Issuer Event of Default, shall be the date on which such Covered Bonds become due and payable).

Fallback provisions

If, in respect of any London Business Day in the relevant Observation Period, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be:

- (I) the Bank of England’s Bank Rate (the “**Bank Rate**”) prevailing at close of business on the relevant London Business Day; plus the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or
- (II) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Business Day, the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

Notwithstanding paragraph (II) above, in the event the Bank of England publishes (i) guidance as to how the SONIA reference rate is to be determined

or (ii) any rate that is to replace the SONIA reference rate, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine the SONIA reference rate for the purpose of the relevant Series of Covered Bonds for so long as the SONIA reference rate is not available or has not been published by the authorised distributors.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Covered Bonds become due and payable in accordance with Condition 10 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Covered Bonds became due and payable and the Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

(d) Fixed/Floating Rate Covered Bonds

Fixed/Floating Rate Covered Bonds may bear interest at a rate (i) that the Issuer may elect to convert on the date set out in the Final Terms from a Fixed Rate to a Floating Rate, or from a Floating Rate to a Fixed Rate or (ii) that will automatically change from a Fixed Rate to a Floating Rate or from a Floating Rate to a Fixed Rate on the date set out in the Final Terms.

(e) Zero Coupon Covered Bonds

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

(f) Accrual of Interest

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

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

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one (1) or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be. In no event shall the amount of interest (including, for the avoidance of doubt, any applicable Margin) be less than zero.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest fifth decimal (with halves being rounded up), (y) all figures shall be rounded to seven (7) figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) Calculations

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

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

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Covered Bonds for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption

Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Bondholders, any other Calculation Agent appointed in respect of the Covered Bonds that is to make a further calculation upon receipt of such information and, if the Covered Bonds are admitted to trading on a Regulated Market and the rules of such Regulated Market so require, such Regulated Market as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such Regulated Market of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth (4th) Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) Calculation Agent and Reference Banks

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

7. Redemption, Purchase and Options

(a) Final Redemption

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to the provisions of the following 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 or interests 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, or resolution proceeding (*procédure de résolution*) opened pursuant to Article L.613-49 of the French Monetary and Financial Code (*Code monétaire et financier*).

(b) Redemption by Instalments

Unless previously redeemed, purchased and cancelled as provided in this Condition 7, or the relevant Instalment Date (being one (1) of the dates so specified in the relevant Final Terms) is extended pursuant to any Issuer's or Bondholders' option in accordance with Conditions 7(c) or 7(d), each Covered Bond that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Covered Bond shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Covered Bond, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused (i) in the case of Dematerialised Covered Bonds, on the due date for such payment or (ii) in the case of Materialised Covered Bonds, on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

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

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

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

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

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

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

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

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

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

(e) **Early Redemption**

(i) *Zero Coupon Covered Bonds*

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

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

(f) **Redemption for Taxation Reasons**

- (i) If, by reason of any change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Covered Bonds, or, if applicable, Receipts or Coupons, not be able to make such payment without having to pay additional amounts as specified under Condition 9(b) below, the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms, at any time, subject to having given not more than forty-five (45) nor less than thirty (30) days' notice to the Bondholders, or, if applicable, Receiptholders or Couponholders (which notice shall be irrevocable), in accordance with Condition 17, redeem all, but not some only, of the Covered Bonds, or, if applicable, Receipts or Coupons at their Early Redemption Amount together with any interest accrued to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than

the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes.

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

(g) Redemption due to illegality

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

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

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

(h) Purchases

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

Unless the possibility of holding and reselling is expressly excluded in the Final Terms, Covered Bonds so purchased by the Issuer may be held and resold in accordance with applicable laws and regulations for the purpose of enhancing the liquidity of the Covered Bonds, or cancelled in accordance with Condition 7(i) below.

(i) Cancellation

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

8. Payments and Talons

(a) Dematerialised Covered Bonds

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

(b) Definitive Materialised Covered Bonds

(i) *Method of payment*

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

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

Payments of principal in respect of Definitive Materialised Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (i) above only against presentation and surrender (or, in the case of partial payment of any sum due, annotation) of such Covered Bonds, and payments of interest in respect of Definitive Materialised Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

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

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

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

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

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

If the due date for redemption of any Definitive Materialised Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and

including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (if appropriate) of the relevant Definitive Materialised Covered Bond.

(iii) Payments in the United States

Notwithstanding the foregoing, if any Materialised Covered Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Covered Bonds in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) Payments subject to Fiscal Laws

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

(d) Appointment of Agents

The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are set forth in the Agency Agreement. The Fiscal Agent, the Paying Agents and the Registration Agent act solely as agents of the Issuer and the Calculation Agent(s) act(s) as independent experts(s) and, in each case, do not assume any obligation or relationship of agency for any Bondholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, Registration Agent or Calculation Agent and to appoint other Fiscal Agent, Paying Agent(s), Registration Agent(s) or Calculation Agent(s) or additional Paying Agent(s), Registration Agent(s) or Calculation Agent(s), provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one (1) or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least one (1) major European city (and ensuring the financial services of the Covered Bonds in France so long as the Covered Bonds are listed and traded on Euronext Paris and in such other city where the Covered Bonds are admitted to trading, so long as the Covered Bonds are admitted to trading on any other Regulated Market and it is required by such Regulated Market), (iv) in the case of Dematerialised Covered Bonds in fully registered form, a Registration Agent and (v) such other agents as may be required by the rules of any other Regulated Market and/or other stock exchange on which the Covered Bonds may be admitted to trading.

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

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

(e) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Covered Bond, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet

(and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

(f) Business Days for Payment

If any date for payment in respect of any Covered Bond, Receipt or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**Business Day**" means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Covered Bonds, on which Euroclear France is open for business or (ii) in the case of all other Covered Bonds, on which Banks and foreign exchange markets are open for business in the relevant place of presentation, (B) in such jurisdictions as shall be specified as "**Financial Centre(s)**" in the relevant Final Terms and (C) (i) in the case of a payment in a currency other than Euro, where payment is to be made by transfer to an account maintained with a Bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) in the case of a payment in Euro, which is a TARGET 2 Business Day.

(g) Bank

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

9. Taxation

(a) Withholding Tax

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

(b) Additional Amounts

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

- (i) *Other connection:* to, or to a third party on behalf of, a Bondholder, Receiptholder or Couponholder who is liable to such taxes or duties by reason of his having some connection with the Republic of France other than the mere holding of the Covered Bond, Receipt or Coupon; or
- (ii) *More than thirty (30) days after the Relevant Date:* in the case of Definitive Materialised Covered Bonds, more than thirty (30) days after the Relevant Date except to the extent that the Bondholder, Receiptholder or Couponholder would have been entitled to such additional amounts on presenting it (or the Certificate representing it, as applicable) for payment on the thirtieth (30th) day.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Covered Bonds by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

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

10. Events of Default

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

11. Prescription

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

12. Representation of Bondholders

In respect of the representation of French law Bondholders, the following shall apply:

(a) Full *Masse*

If the relevant Final Terms specify “Full *Masse*”, the French law Bondholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse* (the “**Masse**”) and the provisions of the French Commercial Code (*Code de commerce*) relating to the *Masse* shall apply, as completed by, and subject to, the provisions of this Condition 12(a).

(i) Legal Personality

The *Masse* will be a separate legal entity and will act in part through a representative (the “**Representative**”) and in part through (a) a general meeting of the Bondholders (a “**General Meeting**”) and/or (b) Written Resolution (as defined below).

(ii) Representative of the *Masse*

The names and addresses of the initial Representative (as defined above) of the *Masse* and its alternate will be set out in the relevant Final Terms. The Representative appointed in respect of the first Tranche of any Series of Covered Bonds will be the Representative of the single *Masse* of all Tranches in such Series.

The Representative will be entitled to such remuneration in connection with its functions or duties as set out in the relevant Final Terms.

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

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

(iii) General Meetings

In accordance with Article R.228-71 of the French Commercial Code (*Code de commerce*), the right of each French law Covered Bondholder to participate in General Meetings will be evidenced by the entries in the books of the relevant French law Covered Bondholder as of 0:00, Paris time, on the second business day in Paris preceding the date set for the meeting of the relevant General Meeting.

In accordance with Articles L.228-59 and R.228-67 of the French Commercial Code (*Code de commerce*), notice of date, hour, place and agenda of any General Meeting will be published as provided under Condition 17 not less than 15 calendar days prior to the date of such General Meeting on first convocation, and 5 calendar days on second convocation.

Each Bondholder has the right to participate in a General Meeting in person, by proxy, by correspondence and, in accordance with Article L.228-61 of the French Commercial Code (*Code de commerce*), by videoconference or by any other means of telecommunication allowing the identification of participating Bondholders, as provided *mutatis mutandis* by Article R.225-97 of the French Commercial Code (*Code de commerce*).

Decisions of General Meetings and Written Resolutions once approved will be published in accordance with the provisions set forth in Condition 17.

The place where a General Meeting shall be held will be set out in the notice convening such General Meeting

(b) Contractual *Masse*

If the Covered Bonds have a denomination of at least Euro 100,000 or its equivalent in any other currency or are issued outside France for the purpose of Article L.228-90 of the French Commercial Code (*Code de commerce*), the relevant Final Terms may specify “Contractual *Masse*” and the French law Bondholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *Masse* which will be subject to the provisions of this Condition 12(b) below.

The *Masse* will be governed by the provisions of the French Commercial Code (*Code de commerce*) with the exception of Articles L.228-48, L.228-59, L.228-65 I (only in the case of the

Transfer), L.228-71, R.228-63, R. 228-65, R. 228-67 and R.228-69 of the French Commercial Code (*Code de commerce*) and subject to the following provisions:

(i) Legal Personality

The *Masse* will be a separate legal entity and will act in part through a Representative and in part through (a) a General Meeting (as defined above) and/or (b) Written Resolution (as defined below).

The *Masse* alone, to the exclusion of all individual French law Covered Bondholder, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Covered Bonds.

(ii) Representative of the *Masse*

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

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

The Representative appointed in respect of each Series of Covered Bonds will be:

DIIS Group
12, rue Vivienne
75002 Paris
France

Email address: rmo@diisgroup.com

represented by Mr. Sylvain Thomazo. In the event of retirement, dissolution or revocation of appointment of the Representative, such Representative will be replaced by the alternative representative.

The alternative representative is, at the date hereof, DIIS Group, represented by Mrs. Sandrine d'Haussey.

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

The Issuer shall pay to the Representative an amount of Euro 1,500 (excluding tax) per year so long as any of the French law Covered Bonds is Outstanding. The alternative representative will only become entitled to the annual remuneration of Euro 1,500 (excluding tax) if it exercises the duties of Representative on a permanent basis; such remuneration will accrue from the day on which it assumes such duties.

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

(iii) Powers of Representative

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

All legal proceedings against the holders of French law Covered Bonds or initiated by them, must be brought by or against the Representative except that, should safeguard procedure (*procédure de sauvegarde*), accelerated safeguard (*procédure de sauvegarde accélérée*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings be commenced against the Issuer, the Specific Controller would file the proof of debt of all creditors (including the holders of the Covered Bonds) of the Issuer benefiting from the *Privilège* pursuant to paragraph 1 of Article L.513-24 of the French Monetary and Financial Code (*Code monétaire et financier*).

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

(iv) General Meeting

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

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 17 not less than 15 calendar days prior to the date of such General Meeting on first convocation, and 5 calendar days on second convocation.

Each Bondholder has the right to participate in a General Meeting in person, by proxy, by correspondence and, in accordance with Article L.228-61 of the French Commercial Code (*Code de commerce*), by videoconference or by any other means of telecommunication allowing the identification of participating Bondholders, as provided *mutatis mutandis* by Article R.225-97 of the French Commercial Code (*Code de commerce*). Each French law Covered Bond carries the right to one (1) vote or, in the case of French law Covered Bonds issued with more than one (1) Specified Denomination, one (1) vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such Covered Bond.

(v) Powers of the General Meetings

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

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

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

Decisions of General Meetings and Written Resolutions once approved must be published in accordance with the provisions set forth in Condition 17.

(c) **Written Resolutions**

Pursuant to Article L.228-46-1 of the French Commercial Code (*Code de commerce*), but in respect of any Series of Dematerialised Covered Bonds only, the Issuer shall be entitled in lieu of the holding of a General Meeting to seek approval of a resolution from the Bondholders by way of a Written Resolution. Subject to the following sentence a Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Bondholders. Pursuant to Articles L.228-46-1 and R.225-97 of the French Commercial Code (*Code de commerce*) approval of a Written Resolution may also be given by way of electronic communication allowing the identification of Bondholders ("**Electronic Consent**").

Notice seeking the approval of a Written Resolution (including by way of Electronic Consent) will be published as provided under Condition 17 not less than 15 calendar days prior to the date fixed for the passing of such Written Resolution (the "**Written Resolution Date**"). Notices seeking the approval of a Written Resolution will contain the conditions of form and time-limits to be complied with by the Bondholders who wish to express their approval or rejection of such proposed Written Resolution. Bondholders expressing their approval or rejection before the Written Resolution Date will undertake not to dispose of their Covered Bonds until after the Written Resolution Date.

For the purpose hereof, a "**Written Resolution**" means a resolution in writing signed by the Bondholders of not less than 80 per cent. in nominal amount of the Covered Bonds outstanding.

(d) **Information to Bondholders**

Each holder of French law Covered Bonds or Representative thereof will have the right, during the fifteen (15) day period preceding the holding of each General Meeting and Written Resolution Date, and, in the case of an adjourned General Meeting, 5-day period preceding the holding of such adjourned General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be prepared in connection with such resolutions, all of which will be available for inspection by the relevant holders of French law Covered Bonds at

the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting or Written Resolution.

(e) Expenses

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

(f) Single Masse

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

(g) One Bondholder

If and for so long as the Covered Bonds of any Series are held by a single Bondholder and unless a Representative has been appointed in relation to such Series, such Bondholder shall exercise all powers, rights and obligations entrusted to the *Masse* by the provisions of Condition 12. The Issuer shall hold a register of the decisions taken by the sole Bondholder and shall make them available, upon request, to any subsequent holder of any of the Covered Bonds of such Series.

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

If, in the case of any Materialised Covered Bonds, a Definitive Materialised Covered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and Regulated Market regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for this purpose and notice of whose designation is given to Bondholders, in accordance with Condition 17, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Definitive Materialised Covered Bond, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Materialised Covered Bonds, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Materialised Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Limited recourse, Non petition

Limited recourse

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

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer under the Covered Bonds and these Conditions against any shareholder, member of the board of directors (*conseil d'administration*), chief executive officer (*directeur général*), deputy chief executive officer (*directeur général délégué*) or agent of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation of the Issuer under the Covered Bonds and these Conditions is a corporate obligation of the Issuer, and that no personal liability shall be attached to, or be incurred by any

shareholder, member of the board of directors (*conseil d'administration*), chief executive officer (*directeur général*), deputy chief executive officer (*directeur général délégué*) or agent of the Issuer, as such, or any of them under or by reason of any of the obligations, covenants or agreements of the Issuer contained in these Conditions or implied therefrom and, as a condition of and in consideration for the issuing by the Issuer of any Covered Bond, to waive any and all personal liability of every such shareholder, member of the board of directors (*conseil d'administration*), chief executive officer (*directeur général*), deputy chief executive officer (*directeur général délégué*) or agent of the Issuer for breaches by the Issuer of any of its obligations, covenants or agreements under the Covered Bonds and these Conditions;

- (b) to limit its recourse against the Issuer under the Covered Bonds and these Conditions to amounts payable or expressed to be payable to it by the Issuer on, under or in respect of its obligations and liabilities under the Covered Bonds and these Conditions (and, for the avoidance of doubt, to the exclusion of any damage for breach of contract or other penalties not expressed as being payable by the Issuer under the Covered Bonds and these Conditions) and in accordance with the then applicable Priority Payment Order;
- (c) that amounts payable or expressed to be payable by the Issuer on, under or in respect of its obligations and liabilities under the Covered Bonds and/or these Conditions shall be recoverable only from and to the extent of the amount of the Available Funds, as calculated on the relevant Interest Payment Date or (as applicable) on the relevant Final Maturity Date of each relevant Series of Covered Bonds (provided that, in the event that no Available Funds exist at the relevant date, the Issuer shall not be liable to make payment of the aforementioned amounts and, provided further that, in the event that the Available Funds at the relevant date are insufficient to pay in full all amounts whatsoever due to it and all other claims ranking *pari passu* to its claims, then its claims against the Issuer shall be satisfied only up to a certain percentage of such Available Funds (as determined in accordance with the then applicable Priority Payment Order) and, after payment of such percentage, the obligations of the Issuer to it shall be discharged in full);
- (d) that, in accordance with paragraph 2 of Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*), in the event of a conciliation (*conciliation*), safeguard (*sauvegarde*), accelerated safeguard (*sauvegarde accélérée*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) of the Issuer, the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) and any other resources or liabilities benefiting from the *Privilège* shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer;
- (e) that, in accordance with paragraph 3 of Article L.513-11, of the French Monetary and Financial Code (*Code monétaire et financier*), the Covered Bonds and the other debt benefiting from the *Privilège* shall not become due and payable as a result of the judicial liquidation (*liquidation judiciaire*) of the Issuer; and
- (f) that, in accordance with Article L.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 in application of the Programme Documents.

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

Non-petition

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

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

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

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

15. Priority Payment Orders

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

16. Further Issues and Consolidation

(a) Further Issues

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

(b) Consolidation

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

17. Notices

- (a) Notices to the holders of Dematerialised Covered Bonds in registered form (*au nominatif*) shall be valid if either (i) they are mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth (4th) weekday (being a day other than a Saturday or a Sunday) after the mailing, or (ii) at the option of the Issuer, they are published in a leading daily

newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or, so long as such Covered Bonds are listed and admitted to trading on any Regulated Market(s) or any other stock exchange and the applicable rules of the relevant Regulated Market or stock exchange so require, notices shall be published in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) and/or the stock exchange(s) on which such Covered Bonds is/are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos*, and as otherwise required by the applicable rules of the relevant Regulated Market(s) or stock exchanges(s), as the case may be.

- (b) Notices to the holders of Materialised Covered Bonds and Dematerialised Covered Bonds in bearer form (*au porteur*) shall be valid if published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or, so long as such Covered Bonds are listed and admitted to trading on any Regulated Market(s) or any other stock exchange and the applicable rules of the relevant Regulated Market or stock exchange so require, notices shall be published in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) and/or the stock exchange(s) on which such Covered Bonds is/are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos*, and as otherwise required by the applicable rules of the relevant Regulated Market(s) or stock exchanges(s), as the case may be.
- (c) Notices required to be given to the holders of Dematerialised Covered Bonds (whether in registered or in bearer form) (*au nominatif* or *au porteur*) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream and any other clearing system through which the Covered Bonds are for the time being cleared in substitution for the mailing and publication as required by Conditions 17(a) and (b), above; provided that so long as such Covered Bonds are listed and admitted to trading on any Regulated Market(s) or any other stock exchange and the applicable rules of that Regulated Market or stock exchange so require, notices shall also be published as otherwise required by the applicable rules of the relevant Regulated Market(s) or stock exchanges(s), as the case may be.
- (d) If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe, provided that so long as such Covered Bonds are admitted to trading on any Regulated Market, notices shall be published as otherwise required by the rules applicable to that Regulated Market, as the case may be. Any notice given by publication shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Coupon holders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Materialised Covered Bonds in accordance with this Condition.
- (e) Notices relating to the convocation and decisions of the General Meetings and to the Written Resolutions pursuant to Condition 12 or to any decision taken by the Issuer following a General Meeting or a Written Resolution shall be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream and any other clearing system through which the Covered Bonds are for the time being cleared and on the website of HSBC Continental Europe (or its successor or of the Issuer).
- (f) Notices to be given by any Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bonds in definitive form) with the relative Covered Bonds or Covered Bonds, with the Paying Agent (in the case of Materialised Covered Bonds).

18. Governing Law and Jurisdiction

(a) Governing Law

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

(b) Jurisdiction

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

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

Pursuant to Article L.513-26 of the French Monetary and Financial Code (*Code monétaire et financier*), the Issuer as *société de financement de l'habitat* (SFH) may subscribe to its own Covered Bonds (the "**Auto-held Covered Bonds**") for the sole purpose of granting them as eligible collateral with the Banque de France in accordance with the rules of the Eurosystem provided that the Issuer's liquidity needs cannot be funded otherwise. Such recognition as eligible collateral will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. The Covered Bonds thus subscribed by the Issuer must meet the following conditions:

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

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

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

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

Temporary Global Certificates

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

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

Exchange

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

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

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

Delivery of Definitive Materialised Covered Bonds

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

Exchange Date

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

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

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

THE ISSUER

General

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

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

The Issuer is governed by:

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

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

Following the enactment of Law no. 2010-1249 dated 22 October 2010 on banking and financial regulation (the "**SFH Law**") and of Decree n°2011-205 dated 23 February 2011 establishing the new status of "*société de financement de l'habitat* (SFH)" (as modified by Decree n°2014-1315 dated 3 November 2014), and in accordance with the provisions of Article 74 of the SFH Law, the Issuer has opted for the regime of *société de financement de l'habitat* (SFH). On 28 March 2011, the Issuer was granted the status of *société de financement de l'habitat* (SFH) by the *Autorité de contrôle prudentiel et de résolution*. It shall be noted that following the transposition of the Capital Requirements Directive (*Directive CRD IV*) by the ordonnance n°2013-544 dated 27 June 2013, the *sociétés de financement de l'habitat* have the status of specialised credit institutions (*établissements de crédit spécialisés*) since 1st January 2014 and is under supervision of the *Autorité de contrôle prudentiel et de résolution* and the European Central Bank (ECB). The Issuer is governed by the SFH Legal Framework as described below. See "The SFH Legal Framework".

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

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

- (a) grant or finance home loans (*prêts à l'habitat*) and hold eligible securities and instruments;
- (b) grant to any credit institutions (including HSBC Continental Europe) loans guaranteed by the remittance, the transfer or the pledge of the receivables arising from home loans;
- (c) acquire promissory notes issued by credit institutions which represent receivables arising from home loans;
- (d) issue *obligations de financement de l'habitat* (such as the Covered Bonds) and raise other sources of financing which benefit from the *Privilège* in order to finance these assets;
- (e) issue ordinary bonds or raise other sources of financing which do not benefit from the *Privilège*, including promissory notes (*billets à ordre*) which represent receivables arising from home loans;

- (f) carry out temporary transfers of securities, pledge a securities account and pledge or transfer all or part of the receivables held by it in accordance with the applicable provisions of the French Monetary and Financial Code (*Code monétaire et financier*). The receivables or securities thus transferred or pledged are not included in the cover pool defined in Article L.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;
- (g) in order to hedge its interest and currency risks on loans, exposures, *obligations de financement de l'habitat* and other sources of financing benefiting from the *Privilège*, or to manage or hedge the global risk on its assets, liabilities and off balance sheet, exposures, use derivative instruments as defined in Article L.211-1 of the French Monetary and Financial Code (*Code monétaire et financier*). Any amounts due by the Issuer pursuant to these financial instruments, after applicable netting, benefit from the *Privilège*.

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

The Issuer's registered office and principal place of business is located at Immeuble Coeur Défense, 110, esplanade du Général de Gaulle, 92400 Courbevoie, France. The telephone number of the Issuer's registered office is: +33 1 58 13 09 39.

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

On 18 June 2021, the Issuer announced in a press release that HSBC Continental Europe has signed on such date a Memorandum of Understanding with Promontoria MMB SAS, its subsidiary Banque des Caraïbes SA and My Money Bank ("**MMB**") regarding the potential sale of HSBC Continental Europe's retail banking business in France. Promontoria MMB SAS and Banque des Caraïbes SA are under the control, directly or indirectly, of funds and accounts managed or advised by Cerberus Capital Management L.P.

The potential sale includes HSBC Continental Europe's French retail banking business, the Crédit Commercial de France ("**CCF**") brand and, subject to the satisfaction of relevant conditions, its 100 per cent. ownership interest in Crédit Logement, its 100 per cent. ownership interest in the Issuer, and the transfer of rights and obligations under the covered bonds programme at completion (the "**Potential Transaction**"). The Potential Transaction is structured such that it may proceed even if the relevant conditions to transfer the Issuer and/or the 100 per cent of HSBC Continental Europe's ownership interest in Crédit Logement are not satisfied.

On 25 November 2021, HSBC Continental Europe, Promontoria MMB SAS and Banque des Caraïbes SA entered into a Framework Agreement whereby HSBC Continental Europe would transfer, among other things, and subject to the satisfaction of certain conditions, its full ownership interest in the Issuer and most of its rights and obligations under the Programme Documents to which it is a party, including, notably, in its capacity as borrower, administrator, issuer calculation agent and cash collateral provider, to (i) Banque des Caraïbes SA and/or (ii) any other entity within My Money Group.

On 10 December 2021, HSBC SFH (France) obtained the consent from the holders of its €1,250,000,000 2.00 per cent. Covered Bonds due 16 October 2023 (ISIN: FR0011470764) and the holders of its €1,000,000,000 0.500 per cent. Covered bonds due 17 April 2025 extendible as Floating Rate Covered Bonds up to 17 April 2026 (ISIN: FR0013329638) requested in order for them to approve the Transfer and all consequential amendments to the Terms and Conditions of such Covered Bonds.

At 31 December 2022 the Issuer's subordinated debt ("*dettes subordonnées*") amounted to €0, and the nominal amount of the covered bonds ("*dettes représentées par un titre*") issued by the Issuer amounted to €4,750,000,000. Such covered bonds are scheduled to mature no later than 7 September 2032.

Issuer's Activities

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

Special purpose entity and restrictions on object and powers

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

The Issuer does not have and will not have any employees, nor will it own or lease any premises. The management of its operations is, and will be, entrusted to another credit institution or credit institutions in accordance with the provisions of Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*). On the Programme Date, the management of the administrative operations of the Issuer is carried out by the HSBC Continental Europe in its capacity as Administrator in accordance with the Administrative Agreement and the risk management of the Issuer is carried out by the relevant departments of HSBC Continental Europe in accordance with the provisions of the *Convention d'Externalisation et de Mise à Disposition de Moyens et de Personnel* entered into between the Issuer and HSBC Continental Europe. The Issuer will undertake pursuant to the Administrative Agreement and its by-laws (*statuts*) not to engage in unrelated business activities or incur any material liabilities other than those contemplated in the Programme Documents.

Limitations on indebtedness

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

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

Limited recourse

Each party to any Programme Document will agree:

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer under any Programme Document against any shareholder, member of the board of directors (*conseil d'administration*), chief executive officer (*directeur général*), deputy chief executive officer (*directeur général délégué*) or agent of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation of the Issuer under any Programme Document is a corporate obligation of the Issuer, and that no personal liability shall be attached to, or be incurred by any shareholder, member of the board of directors (*conseil d'administration*), chief executive officer (*directeur général*), deputy chief executive officer (*directeur général délégué*) or agent of the Issuer, as such, or any of them under or by reason of any of the obligations, covenants or agreements of the Issuer contained in any Programme Document or implied therein and to waive any and all personal liability of every such shareholder, member of the board of directors (*conseil d'administration*), chief executive officer (*directeur général*), deputy chief executive officer (*directeur général délégué*) or agent of the Issuer for breaches by the Issuer of any of its obligations, covenants or agreements under any Programme Document;
- (b) to limit its recourse against the Issuer under any Programme Document to amounts payable or expressed to be payable to it by the Issuer on, under or in respect of its obligations and liabilities under any Programme Document (and, for the avoidance of doubt, to the exclusion of any damage for breach of

contract or other penalties not expressed as being payable by the Issuer under any Programme Document) and in accordance with the then applicable Priority Payment Order; and

- (c) that amounts payable or expressed to be payable by the Issuer on, under or in respect of its obligations and liabilities under any Programme Document shall be recoverable only from and to the extent of the amount of the Available Funds, as calculated on the relevant Payment Date (provided that, in the event that no Available Funds exist at the relevant date, the Issuer shall not be liable to make payment of the aforementioned amounts and provided further that in the event that the Available Funds at the relevant date are insufficient to pay in full all amounts whatsoever due under any claim of any party under any Programme Document and all other claims ranking *pari passu* to any such claim, then the claim of such party against the Issuer shall be satisfied only up to a certain percentage of such Available Funds (as determined in accordance with the then applicable Priority Payment Order) and, after payment of such percentage, the obligations of the Issuer to such party shall be discharged in full;
- (d) that, in accordance with paragraph 2 of Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*), in the event of a conciliation (*conciliation*), safeguard (*sauvegarde*), accelerated safeguard (*sauvegarde accélérée*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) of the Issuer, the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) and any other resources or liabilities benefiting from the *Privilège* shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer;
- (e) that, in accordance with paragraph 3 of Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*), the Covered Bonds and the other debt benefiting from the *Privilège* shall not become due and payable as a result of the judicial liquidation (*liquidation judiciaire*) of the Issuer; and
- (f) that, in accordance with Article L.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 in application of the Programme Documents.

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

Non-petition

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

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

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

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

No risk of Issuer consolidation upon insolvency of any Affiliate

The Issuer is a ring-fenced, bankruptcy remote entity. Pursuant to the provisions of Article L.513-20 of the French Monetary and Financial Code (*Code monétaire et financier*), the safeguard procedure, the accelerated safeguard procedure, judicial reorganisation or liquidation (*procédure de sauvegarde, de sauvegarde accélérée, de redressement ou de liquidation judiciaires*) of HSBC Continental Europe, in its capacity as shareholder of the Issuer, will not be extended to the Issuer.

Restrictions on mergers or reorganisations

The Issuer will undertake in the Conditions not to enter into any merger, re-organisation or similar transaction without prior Representative Consent and Rating Affirmation. However, this undertaking shall not apply in the context and/or following completion of the Transfer provided that the Transfer Rating Condition is satisfied at the time that such Transfer is effected.

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.513-7 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.513-4, 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);
- Regulation (*règlement*) 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 to the Issuer and the Covered Bonds 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* (SFH) 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 (*prêts à l'habitat*) 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 (*établissement de crédit*), 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 30 September 2022 certified by the Specific Controller was 115.71%. The Legal Cover Ratio not yet certified by the Specific Controller, as of 31 December 2022 was 136.69%.

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, the Decree no. 2022-766 dated 2 May 2022 and the Decree no. 2023-102 dated 16 February 2023 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 4° 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. The Issuer was granted with the European Covered Bonds (Premium) Label by the ACPR in July 2022. 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.

Issuer Risk Management

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

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

The Issuer has set up ongoing internal and periodic internal control systems, in accordance with the *arrêté* dated 3 November 2014 (the “*Arrêté*”) relating to the internal control of banking sector companies, payment services and investment services subject to the *Autorité de contrôle prudentiel et de résolution* supervision, which replaced the *Règlement 97-02* of the French *Comité de la Réglementation Bancaire et Financière*. Ongoing internal and periodic internal control systems take into account the Issuer's legal form as a French limited company with a board of directors (*société anonyme à conseil d'administration*) and the fact that the Issuer has no employees or other internal resources to carry out its activities. Ongoing internal control is carried out under the responsibility of the Chief Executive Officer (*Directeur Général*) of the Issuer, acting as *dirigeant effectif*. Periodic internal control is carried out under the responsibility of the Head of the Internal Audit (*Inspecteur Général*) of HSBC Continental Europe. Compliance control is carried out by the Compliance Department (*Direction de la Conformité*) of HSBC Continental Europe, which covers regulatory compliance (*conformité réglementaire*) and financial crime risk compliance (*conformité – lutte contre la criminalité financière*) activities under the responsibility of a Compliance Manager.

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

In accordance with Article 28 of the *Arrêté*, the risk of non-compliance of the activities of the Issuer will be carried out by a Compliance Manager – Markets & Securities Services attached to the Compliance Manager – Global Banking and Markets & Securities Services himself attached to the Chief Compliance Officer of HSBC Continental Europe. The Compliance Manager responsible of the compliance control of the Issuer shall advise the Issuer's board of directors of these activities.

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

In accordance with the provisions of Articles 16 and 74 of the *Arrêté*, the ongoing control (*contrôle permanent*) and the risk monitoring by the risk management function are carried out, under the responsibility of the Chief Executive Officer (*Directeur Général*) of the Issuer.

In accordance with Articles 14 et seq. of the *Arrêté*, the units in charge of the administration of the operations of the Issuer will be separate from the units in charge of the approval and the settlement as well as from the units in charge of the monitoring of the diligences related to the Risk Management Function missions.

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

In accordance with Articles 17 et seq. of the *Arrêté*, the periodic control (*contrôle périodique*) system for the activities of the Issuer will be the periodic control (*contrôle périodique*) system implemented by the Internal Audit Department of HSBC Continental Europe under the responsibility of the Head of the Internal Audit (*Inspecteur Général*) of HSBC Continental Europe.

Operational Activities

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

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

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

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

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

(c) **Reportings**

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

- the relevant Rating Agency;
- the Bondholders and the prospective investors of the Programme;
- the Banking or Regulatory Supervisory Authorities (responsibility shared with the *Direction Financière* of HSBC Continental Europe);
- the statutory auditors (responsibility shared with the *Direction Financière* of HSBC Continental Europe);
- the Specific Controller; and
- the services and departments of the HSBC Continental Europe group.

(d) **Front Office**

The management of Covered Bonds' issuance in the context of the Programme is entrusted to the ALCM department of HSBC Continental Europe, which will decide upon the issuance of Covered Bonds pursuant to liquidity needs and market conditions.

The placement of the Covered Bonds will be carried out by the lead managers selected by the ALCM department of HSBC Continental Europe. HSBC Continental Europe may also act as lead manager.

(e) **Middle Office**

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

- administrative management of the transactions related to each bond issue;
- organisation and monitoring of the cash flows in relation to each bond issue;
- setting-up and updating a timetable to monitor operational activity;

- administrative management of the Home Loans; and
- update of the dedicated software.

The ALCM department of HSBC Continental Europe will be responsible for the control of transaction compliance with validated decisions / strategies.

Each operational department will be responsible for the control of compliance with the internal procedures pertaining to them.

The reconciliation between front office, back office and risk control will be carried out by the departments in charge of each division (The Operations, Services and Technology department of HSBC Continental Europe for the monitoring of the Home Loans, the Global Markets department and its support functions for the monitoring of financial instruments (securities, derivatives).

The Global Banking – Agency & Operations department of HSBC Continental Europe will also be responsible for the relationship with (i) the Client Management Group - Client Management (CMG-CM) of HSBC Continental Europe, in the books of which the Issuer Accounts are maintained, (ii) the *Banque de France* or any credit institution, other than HSBC Continental Europe, in the books of which the Issuer Accounts will be maintained in the event of a downgrade of HSBC Continental Europe below the required ratings or in the event of the implementation of the 180 days liquidity cover plan by the Issuer and (iii) the custodian of the Covered Bonds.

(f) **Back Office**

The Back Office of the Issuer is entrusted to the Global Banking – Agency & Operations department of HSBC Continental Europe which will instruct payment (i) either directly *via* electronic access in the HSBCnet tool (ii) or by SWIFT message for payments related to Company account open at the *Banque de France* (iii) or will instruct the department *HOST* Payments (with the support of the Banking Middle-Office Client Management when necessary) in certain very specific situations.

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

Accounting

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

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

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

Risk Control

(a) **Credit risks**

In accordance with the applicable regulatory requirements, the monitoring of credit risks is entrusted to the Wholesale Credit Risk department and Retail Credit Risk department of HSBC Continental Europe.

During normal operations (*i.e.*, for so long as the Home Loans granted as Borrower Collateral Security remain on the balance sheet of the Borrower), the balance sheet of the Issuer is primarily exposed to HSBC Continental Europe, mainly because of the secured loans granted by the Issuer in accordance with its corporate purpose. The corresponding default risk shall be managed by the Wholesale Credit Risk department of HSBC Continental Europe pursuant to the limits set by the Issuer and through monitoring ratings of HSBC Continental Europe (*i.e.*, minimal ratings as required under the Programme Documents). This risk is mitigated by the Borrower Collateral Security Agreement. The default risk of the Borrower Collateral Security Assets shall be monitored by the Retail Credit Risk department of HSBC Continental Europe.

(b) **Market risks**

In normal situation, the Issuer is not exposed to any market risk as the payments under the Borrower Facility will be identical to amounts payable under the Covered Bonds.

Upon the occurrence of a Borrower Event of Default and enforcement of the Borrower Collateral Security, the Issuer's ability to meet its obligations under all the Covered Bonds will notably depend on the revenue proceeds from the Borrower Collateral Security Assets which would have been enforced in favour of the Issuer (meaning the amount of principal and interest paid directly to the Issuer by the relevant debtors under the Home Loan Receivables upon enforcement of such Borrower Collateral Security or the price or value of such Home Loan Receivables and related Home Loan Security upon the sale or refinancing thereof by the Issuer).

If such interests paid by the relevant debtors under the Home Loan Receivables are not sufficient, the Issuer may not have enough funds available to meet its obligations under the Covered Bonds.

(c) **Operational risks**

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

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

When a risk is identified, an appropriate action plan will be implemented in order to mitigate it.

(d) **ALM risks**

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

The ALCM department of HSBC Continental Europe will carry out the monitoring of risk exposure due to the current balance sheet. Before the enforcement by the Issuer of the Borrower Collateral Security, there is no ALM risk for the Issuer with respect to liquidity as the payments under the Borrower Facility will be identical to amounts payable under the Covered Bonds. As a result, ALM risk with respect to global interest rate or exchange rate is limited to exposure given rise by cash or structural currency positions due to foreign currencies issues.

The ALCM department of HSBC Continental Europe is also responsible for the monitoring of risks with respect to the foreseeable long-term evolution of the Issuer's balance sheet.

(e) **Settlement risks**

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

(f) **Intermediation risks**

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

Duty of care on money laundering transactions

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

The individual responsible for communicating with the French committee in charge of the treatment of data against money laundering and embezzlement (*Traitement du renseignement et action contre les circuits financiers clandestins* – TRACFIN) will be the TRACFIN representative within HSBC Continental Europe.

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)

	31/12/2022 (audited)	30/06/2022 (limited review)	31/12/2021 (audited)
Income Statement			
Net operating income	1,489,199	587,463	1,551,719
Gross operating income	-675,342	-957,425	-283,794
Net income	-579,943	-843,135	-470,694
Balance Sheet			
Total balance sheet	4,894,652,786	4,387,511,824	3,777,695,946
Equity attributable to the owners of the parent (excluding FRBG)	113,174,113	112,910,919	113,754,056

Debt represented by a security	4,779,724,315	4,271,287,671	3,261,770,548
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As of 31 December 2022, the balance sheet presents a total of 4,894,652,786 euros, as a reminder the total balance sheet as of 31 December 2021 was of 3,777,695,946 euros. The balance sheet has increased over the year mainly due to three new issues of covered bonds in March, June and September 2022, less the redemption of an existing series of covered bonds in March 2022.

As of 31 December 2022, the net income presents a total of 579,943 euros, as a reminder the net income as of 31 December 2021 was of -470,694 euros. The decrease of the net income is mainly due to the reduction in net operating income and the increase of the Issuer's general operating expenses.

Prudential ratios

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

Cash flow statements (fiscal years 2022 and 2021 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	31/12/2022	31/12/2021	31/12/2020
Net Profit & Loss	-580	-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 *	23,838	0	-3,679
Flows related to lending operations to credit institutions and customers **	-12,296	-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	-490	517	-128
Other transactions	0	0	390
Total non-monetary items included in net pre-tax profit and other adjustment:	10,131	-2,408	-1,067
Cashflow relating to transactions with credit instructions (including accrued interests)	-1,008,390	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	45	28	29
Dividend received from affiliates companies			
Taxes paid	-86	-145	-529
Net decrease / (increase) of assets and liabilities from operating activities	-1,008,431	-117	999,500
TOTAL NET CASHFLOW FROM OPERATING ACTIVITIES	-998,301	-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)	994,530	0	-1,000,000
Other net cashflow from financing activities (including accrued interests)	-400,000	400,000	
Income / charges from financing activities			
Cashflow derived from or intended for shareholders	0	0	-831
TOTAL NET CASHFLOW RELATING TO FINANCING ACTIVITIES	594,530	400,000	-1,000,831
NET VARIATION OF CASH OR CASH EQUIVALENT	-403,771	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			
Cash and cash equivalent at closing	107,812	511,583	114,107
Cash, central Banks, post office checking accounts (assets and liabilities)	107,812	511,583	114,107
Account net balance and loans / borrowings with credit institutions			
TOTAL NET TREASURY VARIATION OR CASH EQUIVALENT	-403,771	397,475	-2,398

* These flows correspond to accrued interests and the spread of premiums and issuance costs for the year.

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

Issuer Share capital and Issuer Majority Shareholder's undertakings

Share capital

On the Programme Date, the Issuer's issued share capital is €113,250,000 (one hundred and thirteen million two hundred fifty thousand euros), made up of 7,550,000 ordinary shares with a par value of €15 (fifteen euro) each (the "**Issuer Share Capital**").

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

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

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

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

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

Letter of Undertakings

As the majority shareholder of the Issuer and pursuant to a letter of undertakings (the "**Letter of Undertakings**"), HSBC Continental Europe undertakes, except in the context of and/or following completion of the Transfer, in favour of the Bondholders of all Series to be issued following the date of this Base Prospectus:

- (a) not to take, or participate in, any corporate action or other steps or legal proceedings for the voluntary winding-up, dissolution or reorganisation of the Issuer or of any or all of the Issuer's revenues and assets;
- (b) not to take, or participate in, any corporate action or other steps or legal proceedings for the voluntary appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer with respect to the Issuer or of any or all of the Issuer's revenues and assets;
- (c) not to amend the constitutional documents (and in particular the by-laws (*statuts*)) of the Issuer other than as expressly contemplated under the Programme Documents or without Rating Affirmation;
- (d) unless required by any administrative or regulatory authorities or under any applicable law or regulation (as the same shall have been notified by the Issuer and/or HSBC Continental Europe to the relevant Rating Agency) or unless approved by HSBC Continental Europe subject to prior Rating Affirmation, HSBC Continental Europe will procure that the Issuer will at all times comply with its undertakings and other obligations as set forth in the banking license of the Issuer or in the related application form (*dossier d'agrément*) filed with the *Autorité de contrôle prudentiel et de résolution* and maintain its SFH status;
- (e) not to permit any amendments to the Programme Documents other than as expressly permitted or contemplated under the Programme Documents or without a prior Rating Affirmation;

- (f) not to create or permit to subsist any encumbrance over the whole or any part of the shares of the Issuer it owns;
- (g) not to sell, transfer, lease out or otherwise dispose of, in one (1) or more transactions or series of transactions (whether or not related), whether voluntarily or involuntarily, the whole or any part of the shares of the Issuer it owns; and
- (h) to take any necessary steps, which are available to it as shareholder, to remain majority shareholder of the Issuer.

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

Issuer Management bodies

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

Mr. Pierre Bouvy, 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.

Board of directors (conseil d'administration)

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

The board of directors of the Issuer is composed of 6 members:

Name and position	Date of appointment
Mr. Harry-David Gauvin, <i>président du conseil d'administration</i>	15 November 2021
Mr. Pierre Bouvy, <i>directeur général et administrateur</i>	19 September 2022
Mr. Asselin de Louvencourt, <i>administrateur indépendant</i>	20 February 2017
Mr. Sébastien Badina, <i>administrateur</i>	16 November 2017
Mrs. Yanit Braka, <i>administratrice</i>	21 May 2021
Mr. Julien Delorme, <i>administrateur</i>	16 November 2017

The members of the board of directors of the Issuer have their business addresses at the registered office of the Issuer.

Mr. Harry-David Gauvin, chairman of the board of directors (*président du conseil d'administration*), is also the Head of Markets Treasury of HSBC Continental Europe. Mr. Pierre Bouvy, Chief Executive Officer (*directeur général*), is also Head of Cash & Liquidity in Markets Treasury Department of HSBC Continental Europe. Mr. Asselin de Louvencourt, Independent member of the board of directors (*administrateur indépendant*), holds no other position with HSBC Holdings plc or any of its direct or indirect subsidiaries. Mrs. Yanit Braka, member of the board of directors (*administratrice*), is also Director Sales of Client Solutions Group, Markets and Securities Services of HSBC Continental Europe. Mr. Sébastien Badina member of the board of directors (*administrateur*), is also Head of Retail Banking and Wealth Management Risk of HSBC Continental Europe. Mr. Julien Delorme, member of the board of directors (*administrateur*), is also Programme Director – Exceptional Projects within HSBC Continental Europe.

Rights and duties of the board of directors

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

Rights and duties of the chief executive officer and deputy chief executive officer

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

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

The Issuer Independent Representative

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

Certain action, determination or appointment by the Issuer or the shareholders of the Issuer (such as specified under the Terms and Conditions and/or any other Programme Documents) may not be taken or made without written confirmation consent of the Issuer Independent Representative (the "**Issuer**

Independent Representative Consent"). By way of example, the Programme Documents may not be amended without the prior Issuer Independent Representative Consent (except if any such amendment is expressly permitted or contemplated under the Programme Documents).

Issuer Statutory Auditors

The auditors of the Issuer are:

- (a) 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 2021 and 2022.

External Supervision and oversight of the Issuer

The Autorité de contrôle prudentiel et de résolution (ACPR)

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

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

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

The Specific Controller

The Issuer has appointed, in accordance with Article L.513-23 of the French Monetary and Financial Code (*Code monétaire et financier*) a Specific Controller (*Contrôleur spécifique*), and a Substitute Specific Controller (*Contrôleur Spécifique Suppléant*), who are selected from the official list of auditors

and are appointed by the board of directors of the Issuer with the approval of the *Autorité de contrôle prudentiel et de résolution*.

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

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

For the performance of its duties, the Specific Controller has access to all information from management, internal control data, and internal audit data. The Specific Controller is entitled to undertake, at any time, any necessary control of the Issuer that it deems appropriate and to review the Issuer's books and records. In addition, the Specific Controller is entitled to request information from third parties who have entered into transactions on behalf of the Issuer. It may request copies of relevant agreements and documents from any credit institution entrusted with the management or the recovery of loans, bonds or other sources of financing of the Issuer pursuant to Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*) and copies of the home loan agreements, mortgage registration certificates and any other documents relating to the Home Loan Receivables that are granted as Borrower Collateral Security it may consider relevant in order to carry out its duties.

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

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

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

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

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

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

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

On the Programme Date:

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

The Administrative Agreement

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

Background

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

Purpose

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

Administrator's duties

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

- (a) advise and assist the Issuer in all accounting and tax matters;
- (b) advise and assist the Issuer in all legal and administrative matters;
- (c) ensure that the Issuer will exercise each of its rights and perform each of its obligations under the Programme Documents;
- (d) provide the Issuer with all necessary assistance and know-how, whether technical or other, to exercise and perform all of its rights and obligations under the Programme Documents;
- (e) assist the Issuer in operating its bank accounts, the management and investment of its available cash in Permitted Investments in accordance with the relevant Permitted Investments rules, and any other matters in relation to the management of its bank accounts and funds so as to ensure that the Issuer will at all times comply with the provisions of the Programme Documents;
- (f) act as custodian of any and all other documents that any corporate company similar to the Issuer shall keep on file under any applicable laws, until the Service Termination Date, as defined below;
- (g) until no Borrower Event of Default has occurred, perform the management and servicing of the Borrower Advances made available to the Borrower under the Borrower Facility Agreement;
- (h) upon a Borrower Enforcement Notice being served under the Borrower Facility Agreement, assist the Issuer within the enforcement process of the Borrower Collateral Security;
- (i) upon enforcement of the Borrower Collateral Security following the occurrence of a Borrower Event of Default and upon the Issuer taking definitive title to the Borrower Collateral Security

Assets, perform the servicing of such assets, or if the servicing of such assets is transferred to a substitute servicer, procure that the servicing of such assets shall be performed by such substitute servicer pursuant to a servicing agreement to be entered into by the Issuer and such substitute servicer in accordance with Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*), and promptly notify the debtors for the direct payment to the Issuer of the amounts due under the relevant Home Loan Receivables;

- (j) perform the management and servicing of the Covered Bonds and of the other resources of the Issuer mentioned in Article L.513-30 of the French Monetary and Financial Code (*Code monétaire et financier*); and
- (k) upon cancellation of any Auto-held Covered Bond by the Issuer in accordance with Condition 18 of the Terms and Conditions of the French law Covered Bonds, notify such cancellation to the Rating Agencies in accordance with the Administrative Agreement.

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

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

Administrator's duties regarding the refinancing of the Transferred Assets

After title to the Home Loan Receivables granted as Borrower Collateral Security and the related Home Loan Security has been 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).

The Administrator shall ensure that Transferred Assets which are proposed for sale or refinancing by the Issuer (the "**Selected Assets**") at any relevant date (the "**SARA Relevant Date**"), will be selected on a random basis, provided that (i) no more Selected Assets will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount, and (ii) the

aggregate outstanding principal amount or value (and interest accrued thereon) of such Selected Assets shall not exceed the "**Selected Assets Required Amount (SARA)**", which is calculated as follows:

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

where:

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

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

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

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

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

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

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

Substitution and Agency

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

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

Fees

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

The Administrator will benefit from the *Privilège* for the payment of that portion of its fees or the other amounts that might be owed to it by the Issuer under the Administrative Agreement which corresponds to the management and servicing of the assets and liabilities of the Issuer in accordance with Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*).

Representations, warranties and undertakings

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

Indemnities

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

Resignation of the Administrator

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

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

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

Administrator's Defaults

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

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

- (d) at any time it is or becomes unlawful for the Administrator to perform or comply with any or all of its material obligations under the Administrative Agreement or any or all of its material obligations under the Administrative Agreement are not, or cease to be, legal, valid and binding.

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

- (a) the relevant entity is, or is deemed or declared for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, including without limitation, en *état de cessation des paiements*, or admits in writing its inability to pay its debts as they fall due;
- (b) the relevant entity by reason of financial difficulties, begins formal negotiations with one (1) or more of its creditors with a view to the general readjustment or rescheduling of any of its indebtedness or applies for or is subject to an amicable settlement or a *procédure de conciliation* pursuant to Articles L.611-1 *et seq.* of the French Commercial Code (*Code de commerce*);
- (c) a meeting of the shareholders of the relevant entity is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed;
- (d) any person presents a petition for the winding-up or for the administration or for the bankruptcy of the relevant entity and the petition is not discharged within thirty (30) days;
- (e) any order for the winding-up or administration of the relevant entity is issued;
- (f) a judgment is issued for the judicial liquidation ("*liquidation judiciaire*"), the safeguard procedure of the relevant entity ("*procédure de sauvegarde*"), the rescheduling of the debt of the relevant entity ("*redressement judiciaire*") or the transfer of the whole or part of the business of the relevant entity ("*cession de l'entreprise*") pursuant to Articles L.620-1 *et seq.* of the French Commercial Code (*Code de commerce*); or
- (g) any liquidator, trustee in bankruptcy, receiver, administrative receiver, administrator or the like (including, without limitation, any "*mandataire ad hoc*", "*administrateur judiciaire*", "*administrateur provisoire*", "*conciliateur*" or "*mandataire liquidateur*") is appointed in respect of the relevant entity or any substantial or material part of the assets or the directors of the relevant entity request such appointment.

Administrator Rating Trigger Event

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

For such purposes, an "**Administrator Rating Trigger Event**" means the event in which the counterparty risk assessment of the Administrator become rated below Baa2(cr) by Moody's.

Termination

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

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

If an Administrator Termination Event occurs, the Issuer shall terminate the appointment of the Administrator under the Administrative Agreement by delivery of a written termination notice to the

Administrator (the "**Notice of Termination**"). Upon receipt by the Administrator of the Notice of Termination, the appointment of the Administrator under the Administrative Agreement will terminate with effect:

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

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

Upon the resignation of the Administrator, or termination of its appointment as Administrator in accordance with the terms of the Administrative Agreement, the Issuer shall replace HSBC Continental Europe, as Administrator, by any legal entity, which is a financial institution (*établissement de crédit*) within the meaning of Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Substitute Administrator**"), the choice of which being subject to prior Rating Affirmation.

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

Term and Termination of the Administrative Agreement

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

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

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

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

Limited recourse – Non petition

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

Amendment

No amendment, modification, alteration or supplement shall be made to the Administrative Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Administrative Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

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

Governing Law – Jurisdiction

The Administrative Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Administrator have agreed to submit any dispute that may arise in connection with the Administrative Agreement to the jurisdiction of the competent court of Paris.

The Issuer Accounts Agreement

This section sets out the main material terms of the Issuer Accounts Agreement pursuant to which the Issuer Accounts are opened in the books of the Issuer Accounts Bank.

Background

The Issuer Accounts Agreement refers to the agreement dated on or prior to the Programme Date and entered into between the Issuer and HSBC Continental Europe, as "Issuer Accounts Bank" (the "**Issuer Accounts Bank**") (the "**Issuer Accounts Agreement**"). The Issuer Accounts Bank will always act in the best and exclusive interest of HSBC SFH (France).

Purpose

Under the Issuer Accounts Agreement, the Issuer appoints HSBC Continental Europe as its account bank for the opening and operation of its bank accounts (the "**Issuer Accounts**").

Issuer Accounts

The Issuer Accounts opened in the name of the Issuer in the books of the Issuer Accounts Bank include:

- (a) the "**Issuer Cash Accounts**", including the "**Issuer General Account**" (denominated in Euro), the "**Cash Collateral Account**" (denominated in Euro), and the "**Share Capital Proceeds Account**" (denominated in Euro); and
- (b) the "**Issuer Securities Accounts**", which are securities accounts (*comptes d'instruments financiers*) opened in relation to each Issuer Cash Account,

it being provided that, according to the Administrative Agreement, the Administrator may open within the books of the Issuer Accounts Bank any new bank cash account in the name of the Issuer which may be necessary or advisable for the performance by the Issuer of its rights and obligations under any

Programme Document, and notably in case of issuance of Covered Bonds denominated in a Specified Currency other than Euro provided that an Issuer Securities Account (*compte-titres*) is opened in relation to each such Issuer Cash Account.

Funds Allocation

Each of the Issuer Accounts shall be exclusively dedicated to the operation of the Issuer.

All sums standing to the credit balance of the Issuer Cash Accounts may be invested from time to time in Permitted Investments by the Administrator (see "**The Issuer**" - "**The Administrative Agreement**").

Operation

The Issuer Cash Accounts shall not be operated by the Issuer Accounts Bank otherwise than in accordance with the provisions of the Issuer Accounts Agreement and the Administrative Agreement and, in particular, the Issuer Accounts Bank shall be entitled to refuse to, without being liable for any such refusal:

- (a) deliver credit cards or other means of payment with respect to the Issuer Cash Accounts or make any transfer from any of the Issuer Cash Accounts upon instructions of the Administrator other than by bank transfer or any such other means as is agreed with the Issuer;
- (b) debit any of the Issuer Cash Accounts upon instructions of any person other than the Issuer or the Administrator;
- (c) debit any of the Issuer Cash Accounts upon instructions of the Administrator, if the Issuer Accounts Bank is aware that such instructions may cause a debit balance of the relevant Issuer Cash Accounts (in which case the Issuer Accounts Bank will promptly inform the Administrator and the Issuer and postpone the performance of the relevant instructions until it has received the relevant renewed written instructions of the same); or
- (d) implement any instruction from the Issuer (or the Administrator acting on its behalf) in connection with the Issuer Accounts if it is aware that an implementation of such instruction would constitute a breach of any provision of the Issuer Accounts Agreement.

Issuer General Account

As from the Programme Date and on any relevant date thereafter, the Issuer General Account shall be credited or debited by the Issuer Accounts Bank, acting upon the instructions of the Issuer (or the Administrator acting on its behalf), with any and all amounts which are not specified to be credited or debited to any other Issuer Cash Accounts (the "**Issuer General Account**").

Cash Collateral Account

The Cash Collateral Account shall be credited and debited only subject to, and in accordance with, the Cash Collateral Agreement as described in "**Asset Monitoring— The Pre-Maturity Test**" (the "**Cash Collateral Account**").

Upon the occurrence of a Borrower Event of Default which is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer (or the Administrator acting on its behalf) will give the appropriate instructions in order to ensure that the balance of the Cash Collateral Account be allocated in accordance with the applicable Priority Payment Order.

Share Capital Proceeds Account

On or prior to the Programme Date and upon instruction of the Issuer (or the Administrator acting on its behalf), the Share Capital Proceeds Account shall be credited with the amount of the Issuer Share Capital (the "**Share Capital Proceeds Account**").

The funds standing to the Share Capital Proceeds Account shall be invested from time to time in Permitted Investments. Such funds and the proceeds from the relevant Permitted Investments shall be included in the Issuer's available funds and allocated to the payments due by the Issuer in accordance with the applicable Priority Payment Order.

Representations, warranties and undertakings

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

Indemnities

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

Fees

In consideration of the services provided by the Issuer Accounts Bank to the Issuer under the Issuer Accounts Agreement, the Issuer (or the Administrator acting on its behalf) will pay to the Issuer Accounts Bank a fee to be computed subject to, and in accordance with, the provisions of the Issuer Accounts Agreement.

The Issuer Accounts Bank will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due by the Issuer under the Issuer Accounts Agreement.

Resignation of Issuer Accounts Bank

The Issuer Accounts Bank will not resign from the duties and obligations imposed on it as Issuer Accounts Bank pursuant to the Issuer Accounts Agreement, except as follows:

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

Such resignation shall become effective upon replacement of the Issuer Calculation Agent.

Issuer Accounts Bank's Defaults

Each of the following events shall constitute an Issuer Accounts Bank's Default (an "**Issuer Accounts Bank's Default**"):

- (a) any material representation or warranty made by the Issuer Accounts Bank is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Accounts Bank or (if sooner) the Issuer Accounts Bank has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Issuer Accounts Bank fails to comply with any of its material obligations under the Issuer Accounts Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Accounts Bank or (if sooner)

the Issuer Accounts Bank has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;

- (c) an Insolvency Event occurs in respect of the Issuer Accounts Bank; or
- (d) at any time it is or becomes unlawful for the Issuer Accounts Bank to perform or comply with any or all of its material obligations under the Issuer Accounts Agreement or any or all of its material obligations under the Issuer Accounts Agreement are not, or cease to be, legal, valid and binding.

If an Issuer Accounts Bank's Default occurs, the Issuer Accounts Bank shall notify the Issuer (or the Administrator) of such occurrence promptly after becoming aware of the same.

Issuer Accounts Bank Rating Trigger Event

If an Issuer Accounts Bank Rating Trigger Event occurs, the Issuer Accounts Bank will promptly notify the Issuer in writing of the occurrence of such event. Within thirty (30) calendar days of the occurrence, of an Issuer Accounts Bank Rating Trigger Event:

- (a) the Issuer (or the Administrator acting on its behalf) shall have closed the then existing Issuer Accounts and opened new accounts in its name under the terms of a new Issuer Accounts Agreement substantially on the same terms as the Issuer Accounts Agreement, with another financial institution whose long term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A by S&P and short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's; or
- (b) subject to prior Rating Affirmation, the Issuer Accounts Bank has obtained a guarantee of its obligations under the Issuer Accounts Agreement on terms acceptable to the Issuer, acting reasonably, from a financial institution whose long term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A by S&P and short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's,

provided that failure to comply with the provisions of paragraph (a) or paragraph (b) above (each, a "**Remedy to an Issuer Accounts Bank Rating Trigger Event**") within the relevant 30 calendar day-period shall constitute an Issuer Accounts Bank Termination Event within the meaning of the Issuer Accounts Agreement.

For the purpose of the above, "**Issuer Accounts Bank Rating Trigger Event**" means the event in which the long term senior unsecured, unsubordinated and unguaranteed debt obligations of the then appointed Issuer Accounts Bank become rated below A by S&P, or the short-term deposit of the then appointed Issuer Accounts Bank become rated below P-1 by Moody's.

The same provisions will apply each time an Issuer Accounts Bank Rating Trigger Event occurs in relation to any substitute financial institution appointed in replacement of an Issuer Accounts Bank.

Termination

"**Issuer Accounts Bank Termination Events**" under the Issuer Accounts Agreement will include the following events:

- (a) the occurrence of any Issuer Accounts Bank's Default;
- (b) the failure to comply with one or the other remedies to an Issuer Accounts Bank Rating Trigger Event within the relevant 30 calendar day-period; or
- (c) the occurrence of a Borrower Event of Default.

If an Issuer Accounts Bank Termination Event occurs, the Issuer shall terminate the appointment of the Issuer Accounts Banks under the Issuer Accounts Agreement by delivery of a written termination notice

to the Issuer Accounts Bank (the "Notice of Termination"). Upon receipt by the Issuer Accounts Bank of the Notice of Termination, the appointment of the Issuer Accounts Bank under the Issuer Accounts Agreement will terminate with effect not earlier than twenty (20) Business Days as from the receipt by the Issuer Accounts Bank of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, save for any continuing obligations of the Issuer Accounts Bank contained in the Issuer Accounts Agreement.

Upon the resignation of the Issuer Accounts Bank or termination of its appointment as Issuer Accounts Bank hereunder in accordance with the terms of the Issuer Accounts Agreement, the Issuer shall replace HSBC Continental Europe, as Issuer Accounts Bank, at the costs of HSBC Continental Europe, by any legal entity (the "**Substitute Issuer Accounts Bank**"), the choice of which being subject to prior Rating Affirmation. Upon its appointment and unless otherwise agreed with the Issuer (but subject to prior Rating Affirmation), the Substitute Issuer Accounts Bank shall:

- (a) provide the Issuer with all necessary advice and assistance and know-how, whether technical or other, including in connection with the opening, maintaining and operation of the Issuer Accounts and the Programme Documents and, in particular, as described under the Issuer Accounts Agreement;
- (b) together with the Issuer Accounts Bank, take all steps necessary to replace the Issuer Accounts Bank in all rights and obligations arisen from the Programme Documents the Issuer Accounts Bank is a party and, for such purposes, become a party, as Issuer Accounts Bank, to any relevant Programme Documents to which the Issuer Accounts Bank is a party.

Notwithstanding its resignation or the termination of its appointment as Issuer Accounts Bank in accordance with the terms of the Issuer Accounts Agreement and notwithstanding any other provision of the Issuer Accounts Agreement, the duties of the Issuer Accounts Bank under the Issuer Accounts Agreement shall continue and the Issuer Accounts Bank shall continue to be bound by all its obligations under the Issuer Accounts Agreement until the earlier of (i) its replacement as Issuer Accounts Bank, and (ii) the termination of the Issuer Accounts Bank Agreement in accordance with its terms (the "**Service Termination Date**").

Term and Termination of the Issuer Accounts Bank Agreement

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

Without prejudice to the other terms of the Issuer Accounts Bank Agreement, the Issuer Accounts Bank Agreement shall terminate:

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

The termination of the Issuer Accounts Bank Agreement in accordance with its terms shall trigger the termination of the appointment of HSBC Continental Europe as Issuer Accounts Bank thereunder on the relevant termination date of the Issuer Accounts Bank Agreement.

Limited recourse – Non petition

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

Amendment

No amendment, modification, alteration or supplement shall be made to the Issuer Accounts Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Issuer Accounts Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

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

Governing Law – Jurisdiction

The Issuer Accounts Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Issuer Accounts Bank have agreed to submit any dispute that may arise in connection with the Issuer Accounts Agreement to the jurisdiction of the competent court of Paris.

THE BORROWER AND THE BORROWER FACILITY AGREEMENT

The Borrower

The borrower under the Borrower Facility Agreement (the "**Borrower**") is HSBC Continental Europe (formerly known as HSBC France).

Please refer to section "Recent Developments" in respect of the sale of HSBC Continental Europe's retail banking business in France including its full ownership interest in the Issuer.

General information relating to HSBC Continental Europe

HSBC Continental Europe is a limited liability company (*société anonyme*) organised under the laws of France and licensed as a credit institution, having its registered office at 38, avenue Kléber, 75116 Paris, France and registered with the Trade and Companies Register of Paris, France under number 775 670 284. HSBC Continental Europe was incorporated on 1 July 1894 and the duration of the company has been extended until 30 June 2043. HSBC Continental Europe is governed by the laws and regulations applicable to commercial companies and, in particular, the French Commercial Code (*Code de commerce*), to the extent that they are not disapplied by more specific laws such as, *inter alia*, the various applicable rules of French law applicable to licensed entities and by the by-laws (*statuts*) of HSBC Continental Europe.

The shares of HSBC Continental Europe are not listed but HSBC Continental Europe is an issuer of financial instruments to the public. As at the date of this Base Prospectus, the short-term rating of HSBC Continental Europe senior bond issues is F1 (Fitch), P-1 (Moody's) and A-1 (S&P) and the long-term rating of HSBC Continental Europe senior bond issues is AA- (Fitch), A1 (Moody's) and A+ (S&P). Moody's has also assigned a long-term counterparty risk ratings of Aa3 to HSBC Continental Europe. Such ratings being subject to variations from time to time, up-to-date ratings are available at the following address:

www.hsbc.com/investors/fixed-income-investors/credit-ratings.

Activities

HSBC Continental Europe offers its customers the power of a global banking and finance group coupled with a one on one relationship founded on in-depth local expertise.

HSBC Continental Europe was created when the brand was adopted by CCF, Union de Banques a Paris (UBP), Banque Herve in the Paris region, Banque de Picardie and Banque de Baecque Beau in autumn 2005. The merger of HSBC Herve, HSBC de Baecque Beau, HSBC UBP and HSBC Picardie with HSBC Continental Europe was completed in July 2008.

In addition to its retail banking network, HSBC Continental Europe offers its clientele a full range of products and services in the following businesses: Global Banking and Markets, Commercial Banking, Asset Management and Insurance, and Private Banking.

HSBC Continental Europe is a member of the HSBC Group.

The recent HSBC Continental Europe's annual reports are available on www.hsbc.com.

General information relating to share capital

The issued capital of HSBC Continental Europe is €1,062,332,775 and consists of 212,466,555 shares with a par value of €5 each.

HSBC Bank plc has owned 99.99 per cent of the share capital and voting rights since 31 October 2000. HSBC Bank plc is a wholly-owned subsidiary of HSBC Holdings plc, a company listed in London, Hong Kong, New York and Bermuda.

Management and administration

HSBC Continental Europe is administered by a board of directors which consists of at least twelve (12) and no more than twenty (20) members, four (4) of whom are representatives of salaried staff elected by the employees of HSBC Continental Europe. The members of the board are appointed or elected for a term of three (3) years.

Control

As a regulated bank, HSBC Continental Europe is subject to various controls by the French financial regulators (*Autorité de contrôle prudentiel et de résolution, Autorité des Marchés Financiers*, etc.) and by the European Central Bank.

Accounting regulations and methods

HSBC Continental Europe presents its accounts according to the provisions in use in all private industrial and commercial companies and is subject to tax in the same way as any commercial entity.

The accounts of HSBC Continental Europe are subject to examination by PricewaterhouseCoopers Audit and BDO Paris, the statutory auditors (*commissaires aux comptes*) of HSBC Continental Europe which were reappointed in 2018 by the combined general meeting of HSBC Continental Europe for a period of six (6) years, expiring at the close of the ordinary general meeting to be called in 2024 to approve the financial statements for the year ending 2023. The accounts of HSBC Continental Europe must be approved by its board of directors and are submitted, within five (5) months following the end of each financial year, together with the statutory auditors' report, for examination by the shareholders meeting of HSBC Continental Europe.

The Borrower Facility Agreement

Background

The proceeds from the issuance of the Covered Bonds under the Programme will be used by the Issuer, as lender (in such capacity, the "**Lender**"), to fund advances to be made available to HSBC Continental Europe as borrower (in such capacity, the "**Borrower**").

The Lender and the Borrower have agreed to enter into a credit facility agreement (the "**Borrower Facility Agreement**") in order to determine the terms and conditions according to which the Lender shall grant the Borrower with advances under the Borrower Facility Agreement (each, a "**Borrower Advance**").

The Borrower Advances

The Borrower Advances shall be made available to the Borrower in an aggregate maximum amount equal to €10,000,000,000 (the "**Borrower Facility Commitment**") for the purpose of financing the general financial needs of the Borrower. Pursuant to the Borrower Facility Agreement, the Borrower shall send to the Administrator (with a copy to the Issuer acting as Lender under the Borrower Facility Agreement) a duly completed drawdown request (a "**Drawdown Request**") in respect of the Borrower Advance to be made available under the Borrower Facility Agreement. Upon receipt of a Drawdown Request by the Administrator (with copy to the Lender), the Lender, together with the Administrator, shall elaborate (i) corresponding Final Terms of the Covered Bonds to be issued to fund such Drawdown Request, and (ii) final terms of the Borrower Advance ("**Final Terms of Borrower Advance**") reflecting the terms and conditions of such corresponding Final Terms of the Covered Bonds.

The Borrower may (i) accept the terms and conditions of the Final Terms of Borrower Advance proposed by the Administrator and the Lender, in which case such Final Terms of Borrower Advance shall be definitive between the Borrower and the Lender and a Borrower Advance shall be made available according to such Final Terms of Borrower Advance, or (ii) refuse the terms and conditions of such Final Terms of Borrower Advance, in which case such Final Terms of Borrower Advance and the relevant Drawdown Request shall be considered as null and void between the Borrower and the Lender.

Principal and interest amounts

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

Representations, warranties and undertakings

The Borrower has made customary representations and warranties and undertakings to the Lender, the representations and warranties being given on the execution date of the Borrower Facility Agreement and continuing until all sums due by the Borrower under the Borrower Facility Agreement shall have been repaid in full.

Main other terms

The Borrower Facility Agreement also provides for:

- (a) (i) customary tax gross-up provisions relating to payments to be made by the Borrower to the relevant Finance Parties under the Borrower Facility Agreement and (ii) corresponding tax gross-up provision relating to payments to be made by the Issuer pursuant to Condition 9(b) of the Covered Bonds;
- (b) customary tax indemnity provisions relating to any payment to be made by the relevant Finance Parties on account of tax on or in relation to any sum received or receivable under the Borrower Facility Agreement by the Finance Parties from the Borrower or any liability in respect of any such payment being asserted, imposed, levied or assessed against the Finance Parties;
- (c) customary "increased costs" provisions;
- (d) general financial information covenants and other customary covenants of the Borrower.

Borrower Events of Default

Each of the following events constitutes the occurrence of an event of default under the Borrower Facility Agreement (each a "**Borrower Event of Default**"):

- (a) the Borrower fails to pay any sum due under the Borrower Facility Agreement when due, in the currency and in the manner specified therein; provided, however, that where such non-payment is due to an administrative error or the failure of continuing external payment systems or clearing systems reasonably used by the Borrower and such payment is made by the Borrower within three (3) Business Days of such non-payment, such non-payment shall not constitute a Borrower Event of Default;
- (b) a Breach of Pre-Maturity Test occurs;
- (c) a Breach of Asset Cover Test occurs;
- (d) a Breach of Collection Loss Reserve Funding Requirement occurs;
- (e) any material representation or warranty made by the Borrower, in the Borrower Facility Agreement or in any notice or other document, certificate or statement delivered by it pursuant thereto or in connection therewith is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the Borrower has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;

- (f) the Borrower fails to comply with any of its material obligations under the Borrower Facility Agreement or the Borrower Collateral Security Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the date on which the Borrower has knowledge of the same provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (g) as regards the Borrower, an Insolvency Event occurs; or
- (h) at any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its material obligations under the Borrower Facility Agreement or any of the material obligations of the Borrower under the Borrower Facility Agreement are not or cease to be legal, valid and binding.

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

Borrower's indemnities

Under the Borrower Facility Agreement, the Borrower undertakes to indemnify the Lender against:

- (a) any cost, claim, loss, expense (including legal fees) or liability (other than reasonable consequential losses including loss of profit), which it may (acting reasonably) sustain or incur as a consequence of the occurrence of any Borrower Event of Default or any default by the Borrower in the performance of any of the obligations expressed to be assumed by it in the Borrower Facility Agreement; and
- (b) (other than by reason of negligence or default by the Lender) any loss it may suffer or incur as a result of its funding or making arrangements to fund a Borrower Advance requested by the Borrower under the Borrower Facility Agreement but not made by reason of the operation of any one or more of the provisions of the Borrower Facility Agreement.

In addition, the Borrower irrevocably and unconditionally guarantees and undertakes to hold the Issuer harmless against any liabilities that the Issuer may incur in connection with its funding or making arrangements to fund, through the issuance of Covered Bonds or otherwise, any Borrower Advance made available to the Borrower hereunder (including but not limited to any indemnity payable by the Lender (in its capacity as Issuer) to any party under any Programme Documents).

Broken Funding Indemnity

If, as a consequence of the occurrence of a Borrower Event of Default, the Lender receives or recovers all or any part of a Borrower Advance otherwise than as described or scheduled under the relevant Finals Terms of Borrower Advance, the Borrower shall pay to the Lender on demand an amount equal to the amount (if any) of the difference (if positive) between (x) the additional interest which would have been payable on the amount so received or recovered had such Borrower Event of Default not occurred, and (y) the amount of interest which the Lender reasonably determines would have been payable to the Lender on the last day of the term thereof in respect of a deposit equal to the amount so received or recovered placed by it with a prime bank for a period starting on the third Business Day following the date of such receipt or recovery and ending on the last day of the term thereof.

Limited recourse – Non petition

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

Amendment

No amendment, modification, alteration or supplement shall be made to the Borrower Facility Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Borrower Facility Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

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

Governing Law – Jurisdiction

The Borrower Facility Agreement shall be governed by, and construed in accordance with, French law. The Lender and the Borrower have agreed to submit any dispute that may arise in connection with the Borrower Facility Agreement to the jurisdiction of the competent court of Paris.

THE BORROWER COLLATERAL SECURITY

The Borrower Collateral Security Agreement

Background

The Borrower Collateral Security Agreement refers to the agreement dated on or prior to the Programme Date, as amended from time to time, and made between (i) the Issuer, in its capacity as "Lender", and (ii) HSBC Continental Europe, in its respective capacity as "Borrower", "Administrator" and "Issuer Calculation Agent" (the "**Borrower Collateral Security Agreement**").

Borrower Secured Liabilities

Pursuant to the Borrower Collateral Security Agreement, the Borrower has irrevocably and unconditionally undertaken, pursuant to Articles L.211-36 to L.211-40 of the French Monetary and Financial Code (*Code monétaire et financier*) to transfer by way of security the full title (*remettre en pleine propriété à titre de garantie*) (the "**Borrower Collateral Security**") in favour of the Issuer, acting as lender under the Borrower Facility Agreement, in order to secure, as they become due and payable, the payments of all and any amounts owed by the Borrower under the Borrower Facility Agreement, whether present or future (the "**Borrower Secured Liabilities**"), such Eligible Assets (as described below) that will have been selected by the Borrower.

The title to the Eligible Assets granted as Borrower Collateral Security shall be immediately transferred in favour of the Issuer but this transfer will not become definitive until perfection of the Borrower Collateral Security.

Eligible Assets

For the purposes of the Borrower Collateral Security Agreement, an "**Eligible Asset**" is any Home Loan Receivable that complies or whose underlying Home Loan complies (each, a "**relevant Home Loan**") with the requirements of the SFH Legal Framework and each of the following eligibility criteria (the "**Home Loan Eligibility Criteria**"):

- (a) prior to the date upon which the relevant Home Loan has been made available to the borrower thereof, all lending criteria and conditions precedent as applied by the originator of such relevant Home Loan pursuant to its customary lending procedures were satisfied;
- (b) the purpose of the loan is either to buy, to renovate, to build or to refinance a residential real estate property;
- (c) the underlying property is located in France;
- (d) the relevant Home Loan is governed by French law;
- (e) the relevant Home Loan is denominated in Euro;
- (f) the relevant Home Loan bears a fixed interest rate;
- (g) all sums due under the relevant Home Loan (including interest and costs) are secured by a fully effective Home Loan Security;
- (h) when the relevant Home Loan is guaranteed by a Home Loan Guarantee, the borrower is contractually prevented from constituting a Mortgage on the underlying property without the previous consent of the originator;
- (i) on the relevant Selection Date, the current principal balance of the relevant Home Loan is no more than Euro 1,000,000;
- (j) the loan-to-value of the relevant Home Loan is no more than one hundred per cent. (100%);

- (k) when the relevant Home Loan is guaranteed by a Home Loan Guarantee, on the date upon which it has been made available to the borrower thereof, the loan-to-income ratio (*taux d'effort*¹) of this borrower was not above thirty-three per cent. (33%);
- (l) on the relevant Selection Date, the remaining term for the relevant Home Loan is less than thirty (30) years;
- (m) on the relevant Selection Date, the borrower under the relevant Home Loan has paid at least one (1) instalment in respect of such Home Loan;
- (n) the borrower under the relevant Home Loan is either (1) an individual who is not an employee of the originator of such relevant Home Loan or (2) a "*SCI patrimoniale*" (provided that the shareholders of such SCI shall only be individuals);
- (o) the relevant Home Loan is current (*i.e.* does not present any arrears) as at the Selection Date;
- (p) the relevant Home Loan is either monthly or quarterly amortising as at the Selection Date;
- (q) under the relevant Home Loan, the borrower does not benefit from a right to raise contractual right of set off;
- (r) the opening by the borrower under the relevant Home Loan of a bank account dedicated to payments due under such relevant Home Loan is not provided for in the relevant contractual arrangements as a condition precedent to the originator of such relevant Home Loan making such relevant Home Loan available to the borrower under such relevant Home Loan; and
- (s) except in the event that prior Rating Affirmation has been obtained, no amount drawn under the relevant Home Loan is capable of being redrawn by the borrower thereof (*i.e.* such relevant Home Loan is not flexible).

If it is confirmed that a relevant Home Loan ceases to comply with any Home Loan Eligibility Criteria (each, an "**Ineligible Home Loan**"), any Home Loan Receivables granted as Borrower Collateral Security under such Ineligible Home Loan shall account for zero for the purpose of calculation of the Asset Cover Test on the relevant Asset Cover Test Date (see "**Asset Monitoring - Asset Cover Test**"). In addition, the Borrower may request that such Ineligible Home Loan Receivables be released from the scope of the Borrower Collateral Security.

The Home Loan Eligibility Criteria may be amended from time to time subject to prior Rating Affirmation.

For the purpose hereof:

"Home Loan" means each and any loan originated by the Borrower which finances or refinances the acquisition (and/or, as the case may be, the construction) of residential real estate property.

"Home Loan Receivable" means each and any loan receivable arising from any Home Loan.

"Home Loan Security" means, in respect of a Home Loan, a Mortgage or a Home Loan Guarantee.

"Home Loan Guarantee" means (i) each and any joint and several guarantee or other type of guarantee provided by Crédit Logement; or, subject to Rating Affirmation (of S&P) and notification (of Moody's), a French *société de financement* or a credit institution of the EEA specialised in the guaranteeing of loans financing the acquisition of residential real estate property and guaranteeing the Home Loans; or (ii) subject to Rating Affirmation (of S&P) and notification (of Moody's), each and any financial guarantee or other type of guarantee provided by insurance companies, or mutual insurance companies and guaranteeing the Home Loans.

¹ Corresponding to the "*ratio emprunt/revenus*" mentioned in Article 129 1(e) of the French version of Regulation (EU) No. 575/2013 dated 26 June 2013.

"Mortgage" means each duly registered first ranking mortgage (and in particular in respect of Home Loans governed by French law, any *hypothèque*) or similar first ranking legal privilege (and in particular in respect of Home Loans governed by French law, any *privilège de prêteur de deniers*) securing the repayment of any given Home Loan or any second ranking mortgage securing the repayment of any given Home Loan if the relevant first ranking mortgage is granted to secure the repayment of a Home Loan which receivable is granted as Borrower Collateral Security.

"Selection Date" means, with respect to each Home Loan Receivable to be granted to and/or released from the Borrower Collateral Security under the Borrower Collateral Security Agreement, at the latest the 20th Business Day of each calendar month upon which such Home Loan Receivable shall have been effectively granted to and/or released from the Borrower Collateral Security subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement.

Borrower Collateral Security Assets

Eligible Assets shall be validly granted as Borrower Collateral Security and shall qualify as **"Borrower Collateral Security Assets"** for the purposes of the Borrower Collateral Security Agreement only upon execution of the relevant transfer certificate (a **"Transfer Certificate"**) or substitution transfer certificate (a **"Substitution Transfer Certificate"**), each duly identifying the transferred Eligible Assets.

Creation and Perfection

In accordance with paragraphs I and II, 1°) and II, 2°) of Article L.211-38 of the French Monetary and Financial Code (*Code monétaire et financier*), the perfection of the Borrower Collateral Security on each Selection Date shall not be conditional upon any formality other than the identification of the transferred Eligible Assets in the relevant Transfer Certificate or Substitution Transfer Certificate subject to, and in accordance with, the terms of the Borrower Collateral Security Agreement.

Asset Monitoring and Asset Cover Test

First Transfer

On the Selection Date falling on November 2015

- (i). the Home Loan Receivables selected by the Borrower to be granted by it as Borrower Collateral Security on such Selection Date shall have been identified:
 - a) in its dedicated data base (the **"Borrower Collateral Security Database"**) and in the relevant list (the **"Borrower Collateral Security List"**) in accordance with the identification requirements set out in the Borrower Collateral Security Agreement (the **"Identification Requirements"**);
 - b) in the relevant asset report (the **"Asset Report"**); and
 - c) in a duly executed Transfer Certificate.
- (ii). such Home Loan Receivables shall qualify as **"Borrower Collateral Security Assets"** within the meaning of the Borrower Collateral Security Agreement.
- (iii). With effect on such Selection Date and upon confirmation by the Issuer Calculation Agent in the Asset Report delivered on such Selection Date in accordance with this the Borrower Collateral Security Agreement that a Non Compliance with Asset Cover Test would not occur as a result thereof:
 - a) all the Eligible Assets granted as collateral security (*remise en garantie financière à titre de sûreté*) since the Effective Date and then renewed on each previous Selection Date shall be automatically and entirely released without formality; and

- b) the Home Loan Receivables identified as mentioned in this Clause (i) above shall be deemed automatically granted as Borrower Collateral Security (*remises en pleine propriété à titre de garantie*).

Addition

On each following Selection Date on which Home Loan Receivables are to be added to the Borrower Collateral Security:

- (i). the Home Loan Receivables selected by the Borrower to be granted by it as Borrower Collateral Security on such Selection Date shall have been identified:
 - a) in the Borrower Collateral Security Database and the relevant Borrower Collateral Security List in accordance with the Identification Requirements;
 - b) in the relevant Asset Report; and
 - c) in a duly executed Transfer Certificate
- (ii). such Home Loan Receivables shall qualify as “Borrower Collateral Security Assets” within the meaning of the Borrower Collateral Security Agreement.
- (iii). with effect on such Selection Date and upon confirmation by the Issuer Calculation Agent in the Asset Report delivered on such Selection Date in accordance with the Borrower Collateral Security Agreement that a Non Compliance with Asset Cover Test would not occur as a result thereof, the Home Loan Receivables identified as mentioned above shall be deemed automatically granted as Borrower Collateral Security (*remises en pleine propriété à titre de garantie*).

Substitution

On each following Selection Date on which existing Borrower Collateral Security Assets are to be substituted by new Home Loan Receivables:

- (i). the new Home Loan Receivables selected by the Borrower to be granted by it as Borrower Collateral Security on such Selection Date and the existing Borrower Collateral Security Assets to be released from the Borrower Collateral Security on such Selection Date shall have been identified:
 - a) in the Borrower Collateral Security Database and the relevant Borrower Collateral Security List in accordance with the Identification Requirements;
 - b) in the relevant Asset Report; and
 - c) in a duly executed Substitution Transfer Certificate.
- (ii). the new Home Loan Receivables shall qualify as “Borrower Collateral Security Assets” within the meaning of the Borrower Collateral Security Agreement.
- (iii). with effect on such Selection Date and upon confirmation by the Issuer Calculation Agent in the Asset Report delivered on such Selection Date in accordance with the Borrower Collateral Security Agreement that a Non Compliance with Asset Cover Test would not occur as a result thereof:
 - a) the existing Borrower Collateral Security Assets identified to be released as mentioned above shall be deemed automatically released from the Borrower Collateral Security; and
 - b) the new Home Loan Receivables identified as mentioned above shall be deemed automatically granted as Borrower Collateral Security (*remises en pleine propriété à titre de garantie*).

Release

On each following Selection Date on which existing Borrower Collateral Security Assets are to be released from the Borrower Collateral Security:

- (i). the Borrower shall have delivered to the Issuer (with a copy to the Issuer Calculation Agent and the Administrator) a request of release (the “**Release Request**”) substantially in the form as attached to the Borrower Collateral Security Agreement and identifying the Borrower Collateral Security Assets requested by the Borrower to be released from the scope of the Borrower Collateral Security;
- (ii). the existing Borrower Collateral Security Assets to be released from the Borrower Collateral Security on such Selection Date shall have been identified:
 - a) in the Borrower Collateral Security Database and the relevant Borrower Collateral Security List in accordance with the Identification Requirements;
 - b) in the relevant Asset Report; and
 - c) in a duly executed partial release certificate (a “**Partial Release Certificate**”)
- (iii). with effect on such Selection Date and upon confirmation by the Issuer Calculation Agent in the Asset Report delivered on such Selection Date in accordance with the Borrower Collateral Security Agreement that a Non Compliance with Asset Cover Test would not occur as a result thereof, the existing Borrower Collateral Security Assets identified to be released as mentioned above shall be deemed automatically released from the Borrower Collateral Security.

Interim Selection Date

The Borrower shall be at any time entitled to request that any Home Loan Receivable granted as Borrower Collateral Security be added and/or released from the scope of the Borrower Collateral Security on any date (which is not a “normal” Selection Date) (an “**Interim Selection Date**”). In particular, if the Issuer Calculation Agent confirms to the Borrower and the Issuer in any relevant Asset Report or Asset Cover Test Calculation Notice that any Home Loan underlying a Home Loan Receivable granted as Borrower Collateral Security has become an Ineligible Asset at such date, the Borrower may request that such Home Loan Receivable be released from the scope of the Borrower Collateral Security and substituted by a Home Loan Receivable arising from an Eligible Asset. Any top-up and/or release on any Interim Selection Date shall be made subject to, and in accordance with, the procedures described above with references to “Selection Date” deemed to be references to the relevant Interim Selection Date.

Asset Servicing

The Lender/Issuer has full title over the Borrower Collateral Security Assets. However, for the avoidance of doubt, the Borrower is entitled to keep and dispose of any collections received under the Collateral Security Assets, subject to the provisions of the Borrower Collateral Security Agreement relating to enforcement.

For the whole duration of the Borrower Collateral Security, it has been agreed that the servicing, management and recovery of the Borrower Collateral Security Assets shall be carried out by the Borrower in accordance with the provisions of the Borrower Collateral Security Agreement.

The Lender/Issuer has acknowledged and accepted that it shall have no right to interfere with the free monitoring and servicing of the Borrower Collateral Security Assets, except as expressly provided for in the Borrower Collateral Security Agreement or upon the occurrence of a Borrower Event of Default under the Borrower Facility Agreement, provided that the Borrower shall monitor and service the Borrower Collateral Security Assets on behalf of the Lender/Issuer, having due regard to the interests of the Lender/Issuer, and in accordance with the Servicing Procedures as mentioned below (the “**Servicing Procedures**”).

Servicing Procedures

The Borrower shall:

- (i). perform the servicing of the relevant Borrower Collateral Security Assets strictly in compliance with applicable laws and the applicable Servicing Procedures;
- (ii). use that degree of skill, care and attention in accordance with the Servicing Procedures with respect to the servicing of the Borrower Collateral Security Assets which it uses with respect to the servicing of its assets for its own account;
- (iii). observe and comply in all material respects with all requirements of the law applicable to it and the Borrower Collateral Security Assets and to the instructions as may be given to it by other parties with respect to the servicing of the Borrower Collateral Security Assets;
- (iv). not materially alter the Servicing Procedures without the consent of each other parties (such consent not to be unreasonably withheld); and
- (v). refrain from taking any action which would result in an interference with the Issuer's material rights under the the Borrower Collateral Security Agreement.

Asset Report

The Borrower shall provide each other parties to the Borrower Collateral Security Agreement (with a copy to the Rating Agencies and the Asset Monitor) with:

- (i). no later than 5 pm on each Asset Cover Test Date, an Asset Report which shall be up-to-date as on the last day of the preceding calendar month; and
- (ii). on any Selection Date and/or Interim Selection Date provided that additional, substituted or released Borrower Collateral Security Assets are selected by the Borrower for inclusion in and/or exclusion from the scope of the Borrower Collateral Security, an Asset Report up-to-date as on such Selection Date and/or Interim Selection Date;
- (iii). promptly upon the request of any such of such parties while a Borrower Event of Default has occurred, an Asset Report up-to-date as at the date which shall have been specified in such request; and
- (iv). at any time and in order to control compliance under the Borrower Collateral Security Agreement or for any audit purposes, such additional information as any such parties may reasonably require with reasonable prior notice (except upon the occurrence of a Borrower Event of Default in which case such notice is not required) in connection with any Asset Report or the Borrower Collateral Security Assets.

Asset Records

The Borrower shall:

- (i). in accordance with the Servicing Procedures, establish and maintain or cause to be maintained at all times accurate, complete and up-to-date Asset Records using a degree of skill and care consistent with the servicing and administration procedures of its own assets;
- (ii). in administering the Asset Records, use the degree of skill and care that it exercises with respect to comparable records that it administers for its own account; and
- (iii). maintain the Asset Records at its offices across France.

Where:

"**Asset Records**" means:

- (i). the electronic and manual records, files, internal data, books and all other information (including information stored in information systems) related to the Borrower Collateral Security Assets, together with the underlying contracts and other documents evidencing title of the relevant entity to such assets (including, with respect to Home Loans, the related Home Loan Security); and
- (ii). the records, files, internal data, computer systems and all other information related to the Collection Accounts and the operation of the same;

"**Collection Accounts**" means any and all bank accounts opened in the name of the Borrower to collect interest and principal paid under the Home Loan Receivables granted as Borrower Collateral Security, as specified from time to time to the Issuer Calculation Agent pursuant to the relevant terms of the Borrower Collateral Security Agreement;

Representations, warranties and undertakings

The Borrower has made customary representations, warranties and undertakings in favour of the Issuer, such representations and warranties being given on the execution date of the Borrower Collateral Security Agreement and continuing until satisfaction in full of the Borrower Secured Liabilities.

Enforcement

Upon the service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement following the occurrence of a Borrower Event of Default, the transfer of full title (*remise en pleine propriété*) of the Borrower Collateral Security Assets shall become definitive and the Lender/Issuer shall be definitively vested without any formality in all the rights of title, all discretions, benefits and all other rights of the Borrower with respect to the Borrower Collateral Security Assets, related Asset Records and related documents, including, without any formality whatsoever, all rights of title, all discretions, benefits and all other rights in relation to any right, privilege, guarantee or security interest (*droit accessoire, privilège, garantie ou sûreté*) ancillary or as the case may be attached to the Borrower Collateral Security Assets (and, in particular, the relevant Home Loan Security) whatever the value of Collateral Security Assets at the time of enforcement but subject to the repayment claim (*créance de restitution*) of the Borrower against the Issuer provided for in the Borrower Collateral Security Agreement. In particular, with immediate effect as from the service to the Borrower of a Borrower Enforcement Notice in respect of the Borrower Collateral Security Assets:

- (i). the Borrower shall no longer be entitled to service the Borrower Collateral Security Assets and shall refrain from taking any action whatsoever in connection with the Borrower Collateral Security Assets or *vis-à-vis* the Debtors, except upon the written prior instructions of the Issuer, the Administrator or any representative, agent or expert acting on the Issuer's or the Administrator's behalf;
- (ii). the Administrator acting on behalf of the Issuer or any of its representative, agent or expert acting on its behalf, shall:
 - a) exercise all its rights, discretions, privileges and remedies under the Borrower Collateral Security Assets or any related documents; and/or
 - b) enforce all its rights, discretions, privileges and remedies under the Home Loan Security and the other guarantees and security interest ancillary or attached to any or all Borrower Collateral Security Assets; and/or
 - c) serve a notice to any or all the Debtors under the Borrower Collateral Security Assets, mentioning the new payment instructions to be observed by the same with respect to the payment

of sums due under the Borrower Collateral Security Assets and/or the related Asset Contractual Documentation.

For the purpose hereof:

“**Asset Contractual Documentation**” means, in relation to any Borrower Collateral Security Asset, all originals or executive or true copies (*copies exécutoires* or *bordereaux d’inscription*) of any contract, instrument or other document (such as riders, waivers and amendments) providing for the terms and conditions of, and/or evidencing title and benefit to, such Borrower Collateral Security Asset and any right, privilege, guarantee or security interest (*droit accessoire, privilège, garantie ou sûreté*) ancillary or as the case may be attached thereto (and, in particular, the relevant Home Loan Security).

Conditions of enforcement

Enforcement of the Borrower Collateral Security following delivery of the Borrower Enforcement Notice shall not require the Issuer observing or undertaking, in exercising its rights as a secured party under the Borrower Security Agreement, any formality whatsoever (including the requirement to obtain a court order or conduct an auction), any notification requirements whatsoever (whether to the Borrower or to any other person) nor any other procedures, (provided that, in order to direct payments due under the Borrower Collateral Security Assets to the Issuer, a notice shall be served to any or all the debtors and all other relevant entities under the Borrower Collateral Security Assets, mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Borrower Collateral Security Assets and/or the related Asset Contractual Documentation.

No right of the Issuer to enforce its rights under the Borrower Collateral Security Agreement shall be in any manner affected or limited by any Insolvency Event with respect to the Borrower.

Borrower’s obligations upon enforcement

With immediate effect as from the service to the Borrower of a Borrower Enforcement Notice and upon the instructions of any Enforcing Party, the Borrower shall:

- (i). deliver such Asset Records and related documents to the enforcing party to such place as the same may reasonably designate;
- (ii). allow to the enforcing party reasonable access to its facilities, premises, computer and/or software systems; and
- (iii). take all steps and do all things and cooperate in good faith to enable any entity which shall have been appointed as Substitute Administrator in replacement of the Administrator to take over its duties in such capacity.

Application of proceeds

Once the Issuer shall have been definitively vested in all rights of title, discretions, benefits and other rights with respect to any Borrower Collateral Security Asset (and, as the case may be, moneys standing to the Collection Loss Reserve Account) following enforcement of the Borrower Collateral Security, any enforcement proceeds (the “**Enforcement Proceeds**”) received by the Issuer thereunder shall be held by the Issuer in its relevant accounts as cash collateral (*gage-espèces*) for the satisfaction in full of the Borrower Secured Liabilities. For the purpose of this cash collateral, the Issuer shall be hereby entitled not to segregate the Enforcement Proceeds from its other assets.

As from the day upon which all sums due under any and all the Tranches and Series of Covered Bonds shall have been repaid in full and subject to the discharge in full of all the Borrower Secured Liabilities, the Borrower shall have the right to claim against the Issuer for repayment (*créance de restitution*) of the portion of the Enforcement Proceeds received by the Issuer and not applied to the satisfaction of the Borrower Secured Liabilities. Such

repayment by the Issuer to the Borrower shall be made, subject to the applicable Priority Payment Order, as soon as reasonably practicable following such Borrower's claim.

Limited recourse – Non petition

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

Amendment

No amendment, modification, alteration or supplement shall be made to the Borrower Collateral Security Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Borrower Collateral Security Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

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

The Rating Agencies shall be informed in advance of any amendment, modification, alteration of or supplement to the Borrower Collateral Security Agreement.

Governing Law – Jurisdiction

The Borrower Collateral Security Agreement shall be governed by, and construed in accordance with, French law. The parties to the Borrower Collateral Security Agreement have agreed to submit any dispute that may arise in connection with the Borrower Collateral Security Agreement to the jurisdiction of the competent court of Paris.

The Cash Collateral Agreement

Background

The Cash Collateral Agreement refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer in its capacity as "Lender", and (ii) HSBC Continental Europe in its capacity as "Cash Collateral Provider" (the "**Cash Collateral Provider**"), "Administrator" and "Issuer Calculation Agent" (the "**Cash Collateral Agreement**").

Secured Liabilities

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

Creation and Perfection

Any Cash Collateral shall be created upon credit of the corresponding sums into the Cash Collateral Account and the Collection Loss Reserve Account.

The perfection of each Cash Collateral shall not be conditional upon any formality. Each Cash Collateral shall entail the transfer of title in favour of the Issuer with respect to the relevant cash funded into the Cash Collateral Account and the Collection Loss Reserve Account.

The positive balance from time to time outstanding on the Cash Collateral Account and the Collection Loss Reserve Account shall at all times be kept and vested with the Issuer, form part of the Issuer's assets and be retained as continuing security for the satisfaction in full of the Borrower Secured Liabilities.

Any such balance, at any time standing to the credit of the Cash Collateral Account and the Collection Loss Reserve Account may be invested only in Permitted Investments whose maturity is earlier than the Final Maturity Date of the relevant Series of Covered Bonds (which is not a Series of Extendable Final Maturity Covered Bonds) or the Extended Final Maturity Date of Extendable Final Maturity Covered Bonds. For the purpose of each Cash Collateral to be created hereunder, the Issuer shall be entitled not to segregate the funds credited to the Cash Collateral Account and the Collection Loss Reserve Account.

Pre-Maturity Test

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

The Cash Collateral Provider shall fund the Cash Collateral Account with the relevant Cash Collateral, up to the relevant Cash Collateral Required Funding Amount, upon the occurrence of the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or both of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade Event**"). The occurrence of a Pre-Maturity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

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

Upon the occurrence of a Pre-Maturity Rating Downgrade Event, the Issuer Calculation Agent shall inform the Cash Collateral Provider of the same within three (3) Business Days from such occurrence by written notice (the "**Cash Collateral Funding Notice**") delivered to the Cash Collateral Provider (with a copy to the Issuer, the Administrator and the Rating Agencies).

If a Cash Collateral Funding Notice is received by the Cash Collateral Provider, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the "**Cash Collateral Required Funding Amount (CCRFA)**") calculated by the Issuer Calculation Agent as being equal to the Pre-Maturity Covered Bond Principal Amount in relation to the relevant Series of Covered Bonds + Pre-Maturity Costs in relation to relevant Series of Covered Bonds;

whereby:

"Pre-Maturity Costs" means the aggregate amount of fees, costs, expenses, taxes and other ancillary sums (excluding interest and principal amounts) scheduled to be paid by the Issuer on any Series of Covered Bonds within the relevant Pre-Maturity Test Period.

"Pre-Maturity Covered Bond Principal Amount" means the aggregate amount of principal of Covered Bonds (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency), excluding the aggregate amount of principal of any Series of Extendable Final Maturity Covered Bonds, the Final Maturity Date of which falls during the relevant Pre-Maturity Test Period.

"Pre-Maturity Test Period" is, with respect to any Series of Covered Bonds (which is not a Series of Extendable Final Maturity Covered Bonds), the period starting from, and excluding, the one hundred and eightieth (180th)

calendar day preceding the Final Maturity Date of that Series and ending on, and including, such Final Maturity Date.

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

Collection Loss Trigger Event

Means the downgrading of the credit rating of the Borrower below BBB (long term) (S&P) or the downgrading of the counterparty risk assessment of the Borrower below P-1(cr) (short-term) (Moody's) (or any other credit ratings determined by the Issuer Calculation Agent after the date hereof in accordance with the methodologies published by the relevant Rating Agency) (each a, "**Collection Loss Trigger Event**") and within ten (10) Business Days from the occurrence of any Collection Loss Trigger Event, the Cash Collateral Provider shall be required (i) to pay into the credit of a bank account to be opened by the Administrator in accordance with the Administrative Agreement within such period in the Issuer's name and in the books of the Issuer Accounts Bank (the "**Collection Loss Reserve Account**"), an amount calculated in accordance with the Borrower Collateral Security Agreement and equal to the aggregate amount of collections received by the Borrower under the Home Loan Receivables granted as Borrower Collateral Security during the three (3) calendar months preceding the occurrence date of the Collection Loss Trigger Event, as the same shall be reported to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies) within the above-mentioned ten (10) Business Day-period and (ii) further, to adjust, within ten (10) Business Days following each Asset Cover Test Date, the amount standing to the credit of this Collection Loss Reserve Account so that it is an amount equal to the sum of collections received by the Borrower under the Home Loans granted as Borrower Collateral Security during the three (3) calendar months preceding the most recent Asset Cover Test Calculation Date, and any such adjustment shall be reported to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies).

All cash credited to the Collection Loss Reserve Account as described above shall be granted as Cash Collateral subject to, and in accordance with, the relevant terms of the Cash Collateral Agreement and shall secure the Borrower Secured Liabilities as they become due and payable.

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

Remuneration

The Issuer shall pay interest (each, an "**Interest Payment**") to the Cash Collateral Provider in respect of the principal amount of each of the Cash Collateral funded subject to, and in accordance with, the terms of the Cash Collateral Agreement. Each Interest Payment will accrue daily on each of such Cash Collateral at the Interest Rate. Each Interest Payment will be calculated for each Interest Period on each relevant Interest Payment Date for the Interest Period.

For the purposes hereof:

"**Business Day**" means a day on which the banks are open for business in Paris and in London (excluding in any event Saturday and Sunday).

"**Interest Rate**" means the lesser of (i) EONIA flat, or (ii) the remuneration received by the Issuer in investing the cash standing to the credit of (as applicable) the Cash Collateral Account or the Collection Loss Reserve Account during the relevant Interest Period.

"**Interest Payment Date**" means the last day of each Interest Period. If an Interest Payment Date falls on a day other than a Business Day, the Interest Payment Date shall be postponed on the next Business Day.

“Interest Period” means, with respect to each Cash Collateral, a period of three (3) calendar months. The first Interest Period with respect to each Cash Collateral will start from and including any date upon which such Cash Collateral is funded subject to, and in accordance with, the relevant terms hereof, and will end on but excluding the last day of the three-month period following such date. Each following Interest Period with respect to such Cash Collateral will be the period from, and including, the preceding Interest Payment Date to, but excluding, the next Interest Payment Date.

The Interest Payments due with respect to each Cash Collateral shall accrue on a day-to-day basis and shall be credited on each Interest Payment Date to (as applicable) the Cash Collateral Account and the Collection Loss Reserve Account. Each Interest Payment shall be compounded with the relevant Cash Collateral where the said Interest Payment has accrued for at least one year. Each Interest Payment shall be compounded with the relevant Cash Collateral where the said Interest Payment has accrued for at least one year. Each Interest Payment shall be part of the Cash Collateral (*gage espèces*) and, accordingly, be held by the Issuer and applied to the repayment of the Borrower Secured Liabilities.

Representations, warranties and undertakings

The Cash Collateral Provider has made customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Cash Collateral Agreement and continuing until satisfaction in full of the Secured Liabilities.

Enforcement

Upon the service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement following the occurrence of a Borrower Event of Default, the Issuer (represented by the Issuer Independent Representative or by the Administrator) shall be entitled to apply to the repayment of the Secured Liabilities all sums standing to the credit of the Cash Collateral Account and the Collection Loss Reserve Account.

Any sum remaining to the credit of the Cash Collateral Account and the Collection Loss Reserve Account after satisfaction in full of the Borrower Secured Liabilities shall be promptly repaid to the Cash Collateral Provider.

The Cash Collateral Provider will benefit from the *Privilège* for the repayment of any amounts constituting any Cash Collateral. The Cash Collateral Provider will thus be qualified as a Privileged Creditor.

With immediate effect as from the service of a Borrower Enforcement Notice and upon the instructions of each of the Issuer, the Administrator or any of its representative, agent or expert acting on its behalf (each, an **"Enforcing Party"**), the Cash Collateral Provider shall:

- (a) execute any document, take whatever action and do all such things required in order to perfect, or any other action that the Enforcing Party deems necessary for the purpose of perfecting, the Issuer's rights hereunder; and
- (b) take all steps and do all things and cooperate in good faith to enable any entity which shall have been appointed as Substitute Administrator in replacement of the Administrator to take over its duties in such capacity.

Conditions of enforcement

Enforcement requires no other formality whatsoever (including the necessity to obtain a court order or conduct an auction), any notification requirements (to the Borrower, the Cash Collateral Provider or any other person) nor any other procedures. No right of the Issuer to enforce its rights under the Cash Collateral Agreement shall be in any manner affected or limited by any Insolvency Event with respect to the Cash Collateral Provider or the Borrower.

Release without discharge

In respect of each Cash Collateral funded pursuant to the terms hereof, the Cash Collateral Provider shall have the right to request from the Issuer the release of such Cash Collateral under the following circumstances (each, a "**Release Without Discharge Event**"):

- (a) while such Cash Collateral has been funded upon a Pre-Maturity Rating Downgrade Event, the Borrower regains the Pre-Maturity Rating Required Levels; or
- (b) if, on a given date, (i) the amount of Cash Collateral standing to the credit of the Cash Collateral Account exceeds the applicable CCRFA or (ii) the amount of Cash Collateral standing to the credit of each of the Collection Loss Reserve Account exceeds the amount that must be funded in each such accounts pursuant to the relevant terms hereof (each, a "**Cash Collateral Excess**").

Upon any release request by the Cash Collateral Provider following the occurrence of a Release Without Discharge Event, the Issuer shall release the relevant Cash Collateral and repay to the Cash Collateral Provider (i) the full amount thereof if the release is given following a Release Without Discharge Event mentioned in paragraphs (a) and (b) above, or (ii) an amount equal to the Cash Collateral Excess if the release is given following a Release Without Discharge Event mentioned in paragraph (c) above. Any release and repayment made as mentioned above shall not be deemed a discharge of the Cash Collateral Provider with respect to its obligations to fund further Cash Collateral pursuant to the terms of the Cash Collateral Agreement.

Final release and discharge

The Issuer shall, at the request and cost of the Cash Collateral Provider, give final release with respect to all Cash Collateral, cancel the security created under the Cash Collateral Agreement and discharge the Cash Collateral Provider from all its obligations to fund any further Cash Collateral pursuant to the terms of the Cash Collateral Agreement upon the occurrence of any of the following events all sums due under any and all the Tranches and Series of Covered Bonds shall have been repaid in full and the Secured Liabilities have been entirely and definitively discharged in full (independently of any intermediate or partial discharges).

In connection with the final release and cancellation described above, the Issuer shall do all such acts and things, at the cost of the Cash Collateral Provider, as are reasonably requested by the Cash Collateral Provider in order to release and cancel the security created hereunder and discharge the Cash Collateral Provider from all its obligations to fund any further Cash Collateral pursuant to the terms of the Cash Collateral Agreement.

Limited recourse – Non petition

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

Amendment

No amendment, modification, alteration or supplement shall be made to the Cash Collateral Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Cash Collateral Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

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

Governing Law – Jurisdiction

The Cash Collateral Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Cash Collateral Provider have agreed to submit any dispute that may arise in connection with the Cash Collateral Agreement to the jurisdiction of the competent court of Paris.

ASSET MONITORING

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

Under the SFH Legal Framework, the Specific Controller shall monitor the Borrower Collateral Security Assets so as to ensure compliance with a Minimum Legal Cover Ratio (the “**Minimum Legal Cover Ratio**”) and a maximum percentage of Legal Substitution Assets (the “**Maximum Legal Substitution Assets Percentage**”).

Under the Cash Collateral Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower, as Cash Collateral Provider, shall fund the Cash Collateral Account up to an amount determined in accordance with the relevant provisions of the Borrower Cash Collateral Agreement.

Under Condition 5(f) and following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer shall ensure compliance with an amortisation test (the “**Amortisation Test**”).

The Asset Cover Test

The following terms shall have the following definitions:

“**Asset Cover Test Date**” means:

- (a) in the event of a Selection Date, such Selection Date;
- (b) in the event of the issuance of a Series or a Tranche of Covered Bonds, such issuance date; or
- (c) otherwise, a day which must fall between the 15th Business Day and the last Business Day (both included) of each calendar month;

The first Asset Cover Test Date shall be the date of the first issue of Covered Bonds by the Issuer under the Programme.

“**Asset Cover Test Calculation Date**” means the last day of every calendar month.

“**Asset Cover Test Calculation Period**” means, each period starting on, and including, the immediately preceding Asset Cover Test Date, and ending on, and excluding such Asset Cover Test Date.

Compliance with the Asset Cover Test requires compliance with the asset cover ratio R specified below (the “**Asset Cover Ratio**”). Such compliance is tested by the Issuer Calculation Agent from time to time subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement and the Calculation Services Agreement.

The Asset Cover Ratio (R)

“**R**” means the following ratio which shall be at least equal to one (1) at each Asset Cover Test Date:

$$R = \left[\frac{\text{Adjusted Aggregate Asset Amount (AAAA)}}{\text{Aggregate Covered Bond Outstanding Principal Amount}} \right]$$

whereby:

“**Aggregate Covered Bond Outstanding Principal Amount**” means, at any Asset Cover Test Date, the aggregate amount of principal (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

“**Adjusted Aggregate Asset Amount (AAAA)**” means, at any Asset Cover Test Date:

$$(AAAA) = A + B + C + D - Z$$

whereby:

"A" means the lower of "A1" and "A2".

"A1" is equal to the sum of all Adjusted Home Loan Outstanding Principal Amounts of all Relevant Home Loans (see "**The Borrower Collateral Security**" for a description of the Home Loans Eligibility Criteria) during the most recently completed Asset Cover Test Calculation Period, as such Adjusted Home Loan Outstanding Principal Amounts will be calculated on the relevant Asset Cover Test Date, whereby:

"Adjusted Home Loan Outstanding Principal Amount" means, with respect to each Relevant Home Loan granted as Borrower Collateral Security, the lower of:

- (i) the Home Loan Outstanding Principal Amount of such Relevant Home Loan minus the Applicable Deemed Reductions; and
- (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Relevant Home Loan minus the Applicable Deemed Reductions.

"Applicable Deemed Reductions" means, with respect to any Relevant Home Loan, the aggregate sum of the financial losses incurred by the Borrower with respect to such Relevant Home Loan to the extent that such financial losses have been incurred as a direct result of a material breach of the Servicing Procedures by the Borrower during the applicable Asset Cover Test Calculation Period (see "**The Borrower Collateral Security Agreement – Asset Servicing**" for a description of the Servicing Procedures).

"Home Loan Outstanding Principal Amount" means, with respect to each Relevant Home Loan, the amount of principal outstanding at the relevant Asset Cover Test Date under such Relevant Home Loan (in Euro or Euro equivalent with respect to Home Loans denominated in a Specified Currency).

"Index" means (i) with respect to properties located in France (except in the Ile de France's district), the index of increases of prices issued by the INSEE and named "*Indice trimestriel du prix des logements anciens – Province – Appartements / Maisons*", or (ii) with respect to properties located in the Ile de France district, the index of increases of prices issued by the INSEE and named "*Indice trimestriel du prix des logements anciens – Ile de France – Appartements / Maisons*".

"Indexed Valuation" means, at any date in relation to any Relevant Home Loan secured over any property:

- (i) where the Original Market Value of that property is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or
- (ii) where the Original Market Value of that property is less than the Price Indexed Valuation as at that date, the Original Market Value plus eighty per cent. (80%) of the difference between the Price Indexed Valuation and the Original Market Value.

"LTV Cut-Off Percentage" means:

- (i) eighty per cent. (80%) for each Relevant Home Loan secured by a Mortgage;
- (ii) eighty per cent. (80%) for each Relevant Home Loan secured by a Home Loan Guarantee issued by *Crédit Logement*;
- (iii) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan that has the benefit of an insurance policy with an acceptable insurer or guarantee with an acceptable financial institution, insuring the credit risk under such Relevant Home Loan; and

- (iv) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan not mentioned under (i) to (iii) above.

"Original Foreclosure Value" in relation to any property, means the purchase price of such property or (as applicable) the most recent valuation of such property, as disclosed to the Borrower by the relevant debtor under the related Relevant Home Loan.

"Original Market Value" in relation to any property, means the Original Foreclosure Value divided by one (1).

"Price Indexed Valuation" in relation to any property at any date, means the Original Market Value of that property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value.

"Relevant Home Loan" means, with respect to a given Asset Cover Test Date, any Home Loan from which Home Loan Receivables have been granted as Borrower Collateral Security, excluding Home Loans which do not comply any more with the applicable Home Loan Eligibility Criteria.

"A2" is equal to the sum of all unadjusted Home Loan Outstanding Principal Amounts of all Relevant Home Loans minus the Applicable Deemed Reductions (as defined above) of all such Relevant Home Loans multiplied by the applicable Asset Percentage, whereby:

"Asset Percentage" means (i) ninety-two point five per cent. (92.5%) or (ii) such percentage figure as is determined on a quarterly basis (subject to below) by the Issuer Calculation Agent pursuant to the relevant terms of the Borrower Collateral Security Agreement.

For the purpose of the calculation of the Asset Percentage referred to in (ii) above, the Issuer Calculation Agent will calculate, on a quarterly basis, the weighted average frequency of foreclosure ("**WAFF**") and the weighted average loss severity ("**WALS**") (and/or such figures calculated by the Issuer Calculation Agent in accordance with any relevant alternative methodologies published by S&P) for all Relevant Home Loans or for a random sample of the same. The WAFF and WALS (or other relevant figures) so calculated will be incorporated by the Issuer Calculation Agent into one (1) or more cash flow models designed by the Issuer Calculation Agent in accordance with the methodologies published by S&P. Such models, which test the credit enhancement required in various cash flow scenarios, will indicate, on the basis of the latest WAFF and WALS figures (or other relevant figures), the Asset Percentage needed in order to provide credit enhancement to cover all such cash flow scenarios. Save where otherwise determined in accordance with the methodologies published by S&P, the Asset Percentage will be adjusted in accordance with the various methodologies published by S&P provided that the Asset Percentage may not, at any time, exceed ninety-two point five per cent. (92.5%).

"B" is equal to the aggregate amount of cash standing to the credit of the Cash Collateral Account, as reported by the Borrower in the relevant Asset Report.

"C" is equal to the aggregate value outstanding under all Eligible Substitution Assets held by the Issuer (the "**Aggregate Eligible Substitution Asset Amount (AESAA)**") provided that, the amount of the Aggregate Eligible Substitution Asset Amount (AESAA) (whatever such amount is at any Asset Cover Test Date) shall in any event account only for up to twenty per cent. (20%) of the Adjusted Aggregate Asset Amount (AAAA) for the purposes hereof. The Aggregate Eligible Substitution Asset Amount (AESAA) shall be reported by the Borrower in the relevant Asset Report. Eligible Substitution Assets will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology agreed with the Rating Agencies.

For the purposes of the above calculation, an "**Eligible Substitution Asset**" is:

- (a) any Legal Substitution Asset (other than a Permitted Investment) which is a Euro or another Specified Currency demand or time deposit, certificate of deposit, long-term debt obligation or short-term debt

obligation (including commercial paper) provided that in all cases such investment has a remaining period to maturity of one (1) year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposit is made (being duly licensed for such purposes) are rated at least P-1/Aa3 by Moody's and A1+/AA- by S&P; or

- (b) any Legal Substitution Asset (other than a Permitted Investment) which is a Euro or another Specified Currency denominated government and public securities, provided that such investment has a remaining maturity of one (1) year or less and is rated at least Aaa by Moody's and AAA by S&P; or
- (c) any Euro or other Specified Currency denominated residential mortgage backed securities provided that such investment (i) has a remaining period to maturity of one (1) year or less, (ii) is actively traded in a continuous, liquid market on a recognised stock exchange, (iii) is held widely across the financial system and available in an adequate supply, (iv) is rated at least P-1/Aa3 by Moody's, A1+/AA- by S&P, (v) is eligible for an investment by a *société de financement à l'habitat*.

"D" is equal to the aggregate value outstanding under all Permitted Investments, as determined by the Issuer Accounts Bank (or the Administrator on its behalf) and reported to the Issuer Calculation Agent pursuant to the Issuer Accounts Agreement. Permitted Investments will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology agreed with the Rating Agencies.

"Z" is equal to: $WAM * \text{Covered Bond Outstanding Principal Amount} * \text{Carrying Cost}$, whereby:

"WAM" means the greater of (i) the weighted average maturity of Series of Covered Bonds outstanding as at the relevant Asset Cover Test Date, and (ii) one (1) year.

"Covered Bond Outstanding Principal Amount" means, at any Asset Cover Test Date, the aggregate amount of principal (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Series of Covered Bonds.

"Carrying Cost" means zero point five percent (0.5%) or any other greater percentage agreed between by the Borrower subject to prior Rating Affirmation.

Calculation of the Asset Cover Ratio (R)

On each Asset Cover Test Date, the Asset Cover Ratio (R) shall be calculated by the Issuer Calculation Agent according to the terms, definitions and calculation formula set forth above.

No later than three (3) Business Days following any Asset Cover Test Date, the Issuer Calculation Agent shall inform the Issuer and the Borrower (with a copy to the Rating Agencies, the Asset Monitor and the Specific Controller) of its calculation of the Asset Cover Ratio (R).

Non Compliance with Asset Cover Test

Non compliance with the Asset Cover Test (the "**Non Compliance with Asset Cover Test**") would result from the Asset Cover Test Ratio (R) being strictly less than one (1).

Remedies

Upon Non Compliance with Asset Cover Test on any Asset Cover Test Date, the Borrower shall:

- (a) grant additional Eligible Assets as Borrower Collateral Security pursuant to the relevant terms of the Borrower Collateral Security Agreement, on each Selection Date prior to the next following Asset Cover Test Date; and/or
- (b) release Borrower Collateral Security Assets from the Borrower Collateral Security pursuant to the relevant terms of the Borrower Collateral Security Agreement, on each Selection Date prior to the next following Asset Cover Test Date;

in each case, as necessary to cure such Non Compliance with Asset Cover Test.

A Non Compliance with Asset Cover Test does not constitute the occurrence of an Issuer Event of Default or a Borrower Event of Default. However, it will prevent the Issuer from issuing any further Series as long as it remains unremedied except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 18.

Breach of Asset Cover Test

The failure by the Borrower to cure a Non Compliance with Asset Cover Test occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date shall constitute a “**Breach of Asset Cover Test**” within the meaning of the Borrower Collateral Security Agreement. The Issuer Calculation Agent will promptly inform the Issuer and the Borrower (with a copy to the Rating Agencies, the Asset Monitor and the Specific Controller) of its calculation of the Asset Cover Ratio and, if applicable, the occurrence of a Breach of Asset Cover Test.

A Breach of Asset Cover Test constitutes the occurrence of a Borrower Event of Default.

A Breach of Asset Cover Test will not constitute the occurrence of an Issuer Event of Default but will prevent the Issuer from issuing any further Series except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 18.

Reporting Undertaking in respect of Bondholders

So as to comply with the requirements of Article 129 (7) of Regulation (EU) 575/2013, the Issuer undertakes to make available to the Bondholders on a quarterly basis an investor report including at least the following information:

- (i) the value of (a) the Eligible Assets and Eligible Substitution Assets and (b) the outstanding Covered Bonds, both calculated as at the most recent Asset Cover Test Calculation Date;
- (ii) the geographical distribution and type of Eligible Assets and Eligible Substitution Assets, Home Loan Receivables size, interest rate and currency risks, each as at the most recent Asset Cover Test Calculation Date;
- (iii) the maturity structure of these Eligible Assets and Eligible Substitution Assets and of the Covered Bonds; and
- (iv) the percentage of Home Loan Receivables more than ninety days past due, calculated as at the most recent Asset Cover Test Calculation Date;

The Minimum Legal Cover Ratio

The Issuer, as a *société de financement de l'habitat*, must at all times maintain a cover ratio between its eligible assets (including so-called substitution assets (*valeurs de remplacement*)) and its liabilities benefiting from the *Privilège* (the “**Legal Cover Ratio**”). In accordance with the French SFH Legal Framework on the date hereof, and in particular pursuant to Articles L.513-12 and R.513-8 of the French Monetary and Financial Code (*Code monétaire et financier*), the *sociétés de financement de l'habitat* (SFH) such as the Issuer must at all times maintain a Legal Cover Ratio equal to at least one hundred and five per cent. (105%) (the “**Minimum Legal Cover Ratio**”).

Regulation no. 99-10 dated 9 July 1999, as amended, issued by the *Comité de la Réglementation Bancaire et Financière* (Banking and Financial Regulation Committee) defines the way the Legal Cover Ratio is calculated.

In the case of the Issuer, the ratio's denominator (Article 8) is comprised of the Covered Bonds and the other resources benefiting from the *Privilège*, including any amount due under the agreement referred to in Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*) or derivative instruments benefiting from the *Privilège*. The ratio's numerator (Article 9) is made up of the Issuer's assets (weighted to reflect their category) and, in accordance with Article R.513-8 of the French Monetary and Financial Code (*Code*

monétaire et financier), shall take into account the Home Loan Receivables granted as Borrower Collateral Security.

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

To carry out its duties, the Specific Controller will be given access by the Issuer to any information that allows confirmation of compliance with the Minimum Legal Cover Ratio (as described in the section "**The Issuer**").

The Issuer must publish the calculation of its actual Legal Cover Ratio twice a year, on each 30 June and 31 December.

Non-compliance by the Issuer with the Minimum Legal Cover Ratio shall constitute a "**Breach of Minimum Legal Cover Ratio**". The Specific Controller is legally responsible for notifying promptly the Issuer and the *Autorité de contrôle prudentiel et de résolution* (ACPR) of the occurrence of a Breach of Minimum Legal Cover Ratio. Upon such notification, the Issuer shall then notify the Borrower, the Rating Agencies, the Asset Monitor and the Issuer Calculation Agent of the same.

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

The Maximum Legal Substitution Assets Percentage

Pursuant to Articles L.513-7 and R.513-6 of the French Monetary and Financial Code (*Code monétaire et financier*), the Legal Substitution Assets of the Issuer shall not exceed at any time a percentage equal to fifteen per cent. (15%) of the total amount of its liabilities which benefit from the *Privilège* (the "**Maximum Legal Substitution Assets Percentage**").

With respect to the Issuer and for the purpose of the calculation of the Maximum Legal Substitution Assets Percentage, the "**Legal Substitution Assets**" are comprised of such debt, securities, deposits and other investment products that are deemed eligible as the so-called substitution assets (*valeurs de remplacement*) within the meaning of Articles L.513-7, R.513-6 and R.513-20 of the French Monetary and Financial Code (*Code monétaire et financier*) (including any Permitted Investment and any Cash Collateral made available to the Issuer by the Cash Collateral Provider in accordance with the Cash Collateral Agreement) and which are held by the Issuer from time to time. The Specific Controller ensures that the Maximum Legal Substitution Assets Percentage is not exceeded by the Issuer.

Upon the Legal Substitution Assets of the Issuer exceeding the Maximum Legal Substitution Assets Percentage, this shall constitute a "**Breach of Maximum Legal Substitution Assets Percentage**" by the Issuer. The Specific Controller ensures the Issuer and the *Autorité de contrôle prudentiel et de résolution* (ACPR) are promptly notified of the occurrence of a Breach of Maximum Legal Substitution Assets Percentage.

Upon receipt of such notice, the Issuer will then notify the Borrower, the Rating Agencies, the Asset Monitor and the Issuer Calculation Agent of the same.

A Breach of Maximum Legal Substitution Assets Percentage does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default if. However, it may trigger the withdrawal of the license of the Issuer as a *société de financement de l'habitat*.

The Pre-Maturity Test

Downgrading below the Pre-Maturity Rating Required Levels

The Cash Collateral Provider shall fund the Cash Collateral Account with the relevant Cash Collateral, up to the relevant Cash Collateral Required Funding Amount, upon the occurrence of the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or both of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade**").

Event"). The occurrence of a Pre-Maturity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

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

Upon the occurrence of a Pre-Maturity Rating Downgrade Event, the Issuer Calculation Agent shall inform the Cash Collateral Provider of the same within three (3) Business Days from such occurrence by written notice (the "**Cash Collateral Funding Notice**") delivered to the Cash Collateral Provider (with a copy to the Issuer, the Administrator and the Rating Agencies).

Remedies

If a Cash Collateral Funding Notice is received by the Cash Collateral Provider, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the "**Cash Collateral Required Funding Amount (CCRFA)**") calculated by the Issuer Calculation Agent as being equal to the Pre-Maturity Covered Bond Principal Amount in relation to the relevant Series of Covered Bonds + Pre-Maturity Costs in relation to relevant Series of Covered Bonds;

whereby:

"Pre-Maturity Costs" means the aggregate amount of fees, costs, expenses, taxes and other ancillary sums (excluding interest and principal amounts) scheduled to be paid by the Issuer on any Series of Covered Bonds within the relevant Pre-Maturity Test Period.

"Pre-Maturity Covered Bond Principal Amount" means the aggregate amount of principal of Covered Bonds (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency), excluding the aggregate amount of principal of any Series of Extendable Final Maturity Covered Bonds, the Final Maturity Date of which falls during the relevant Pre-Maturity Test Period.

"Pre-Maturity Test Period" means with respect to any Series of Covered Bonds (which is not a Series of Extendable Final Maturity Covered Bonds), the period starting from, and excluding, the one hundred and eightieth (180th) calendar day preceding the Final Maturity Date of that Series and ending on, and including, such Final Maturity Date.

Breach of Pre-Maturity Test

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

The Amortisation Test

Following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer undertakes to comply with the Amortisation Test in accordance with Condition 5 (f) of the Terms and Conditions of the French law Covered Bonds.

For the purpose of the determination of the Amortisation Ratio, the following terms shall have the following definitions:

"Amortisation Test Date" means the day, as determined by the Administrator, comprised between the 15th Business Day and the last Business Day (both included) of each calendar month, following the enforcement of a Borrower Event of Default;

"Amortisation Test Calculation Period" means each period starting on, and including, the immediately preceding Amortisation Test Date, and ending on, and excluding such Amortisation Test Date. Compliance with the Amortisation Test requires compliance with the amortisation ratio RA specified below (the "**Amortisation Ratio (RA)**"). Such compliance is tested by the Issuer Calculation Agent from time to time throughout the period

following the enforcement of a Borrower Event of Default subject to, and in accordance with the Condition 5 (f) of the Terms and Conditions of the French law Covered Bonds and the Calculation Services Agreement.

The Amortisation Ratio

"**RA**" means the following ratio which shall be at least equal to one (1) at each Amortisation Test Date:

$$RA = \left[\frac{TAAA'}{ACBOPA} \right]$$

whereby:

"**Aggregate Covered Bond Outstanding Principal Amount (ACBOPA)**" means, at any Amortisation Test Date, the aggregate amount of principal (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

"**Transferred Aggregate Asset Amount (TAAA)**" means, at any Amortisation Test Date:

$$(TAAA) = A' + B + C + D + E - Z$$

whereby:

"**A**" is equal to the sum of all "Transferred Home Loan Outstanding Principal Amounts" of all Home Loans, title to which has been definitively transferred to the Issuer upon enforcement of the Borrower Collateral Security following the enforcement of a Borrower Event of Default (each, a "**Relevant Transferred Home Loan**"), as such "Transferred Home Loan Outstanding Principal Amounts" will be calculated on the relevant Amortisation Test Calculation Date, whereby:

"**Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Transferred Home Loan, the amount of principal outstanding at the relevant Amortisation Test Date under such Relevant Transferred Home Loan;

"**Relevant Transferred Home Loan**" means, with respect to a given Amortisation Test Date, any Home Loan from which Home Loan Receivables have been granted as Borrower Collateral Security provided that title to such Home Loan Receivables has been definitively transferred to the Issuer upon enforcement of the Borrower Collateral Security following the enforcement of a Borrower Event of Default; and

"**Transferred Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Transferred Home Loan, the Home Loan Outstanding Principal Amount of such Relevant Transferred Home Loan (in Euro or Euro equivalent with respect to Home Loans denominated in a Specified Currency) multiplied by M, where for all the Relevant Transferred Home Loans that are less than three (3) months in arrears, $M = 1$ and for all the Relevant Transferred Home Loans that are three (3) months or more in arrears, $M = 0.7$.

"**B**", "**C**", "**D**" and "**Z**" have the meaning ascribed to such terms, and shall be determined, on each relevant Amortisation Test Date, subject to, and in accordance with, the terms and formula described in "**The Asset Cover Test**" above.

"**E**" is equal to the aggregate amount of principal and interest payments, distributions, indemnities, insurance and other proceeds, payments under any Home Loan Security and other sums received during the applicable Amortisation Test Calculation Period by the Issuer from the debtors or other relevant entities under the Borrower Collateral Security Assets whose title has been definitively transferred to the Issuer following enforcement of the Borrower Collateral Security, as the same shall be reported by the Issuer Calculation Agent on each Amortisation Test Date subject to, and in accordance with, the relevant terms of the Calculation Services Agreement.

Calculation of the Amortisation Ratio

On each Amortisation Test Date, the Amortisation Ratio (RA) shall be calculated by the Issuer Calculation Agent according to the terms, definitions and calculation formula set forth above.

No later than three (3) Business Days following any Amortisation Test Date, the Issuer Calculation Agent shall inform the Issuer (with a copy to the Rating Agencies and to the Asset Monitor) of its calculation of the Amortisation Ratio (RA).

Non Compliance with Amortisation Test

A "**Non Compliance with Amortisation Test**" will result from the Amortisation Ratio (RA) being strictly less than one (1).

A Non Compliance with Amortisation Test will prevent the Issuer from issuing any further Series, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 18.

Breach of Amortisation Test

The failure by the Issuer to cure a Non Compliance with Amortisation Test occurred on any Amortisation Test Date prior to the next following Amortisation Test Date shall constitute a "**Breach of Amortisation Test**". The Issuer Calculation Agent will inform promptly the Issuer, each relevant Representative (with a copy to the Rating Agencies and to the Asset Monitor) of the occurrence of a Breach of Amortisation Test.

A Breach of Amortisation Test constitutes the occurrence of an Issuer Event of Default.

The Calculation Services Agreement

This section sets out the main material terms of the Calculation Services Agreement.

Background

The "**Calculation Services Agreement**" refers to the agreement dated on or prior to the Programme Date and entered into between (i) the Issuer, in its capacity as "Lender" and (ii) HSBC Continental Europe, in its capacity as "Issuer Calculation Agent" (the "**Issuer Calculation Agent**").

Purpose

Under the Calculation Services Agreement, the Issuer appoints HSBC Continental Europe as its servicer for the purposes of any calculation and determinations to be made under the Programme Documents (but excluding all calculation and determinations to be made with respect to the Series of Covered Bonds, such calculation and determinations to be made on behalf of the Issuer by the Calculation Agent under the Issuer Agency Agreement). The Issuer Calculation Agent will always act in the best and exclusive interest of the Issuer.

Duties of the Issuer Calculation Agent

Pursuant to the Calculation Services Agreement, the Issuer Calculation Agent will *inter alia* undertake to do:

- (a) any and all calculation in relation to the Borrower Facility Agreement, including, but not limited to, any interest and principal amounts and the effective global rate (*taux effectif global*);
- (b) any and all calculation in relation to the Borrower Collateral Security Agreement, including, but not limited to, the Asset Cover Test (see "**Asset Monitoring**");
- (c) any and all calculation in relation to the Cash Collateral Agreement, including, but not limited to, the Pre-Maturity Test and make the other calculations provided for in the Cash Collateral Agreement with respect to the funding of the Collection Loss Reserve Account (see "**Asset Monitoring**");
- (d) any and all calculation in relation to the Amortisation Test (see "**Asset Monitoring**").

Substitution and Agency

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

- (a) the Issuer Calculation Agent remains liable to the Issuer for the proper performance of those tasks and, with respect to the Issuer only, the relevant third party has expressly waived any right to any contractual claim against the Issuer; and
- (b) the relevant third party has undertaken to comply with all obligations binding upon the Issuer Calculation Agent under the Calculation Services Agreement.

Fees

In consideration of the services provided by the Issuer Calculation Agent to the Issuer under the Calculation Services Agreement, the Issuer will pay to the Issuer Calculation Agent a servicing fee computed subject to, and in accordance with, the provisions of the Calculation Services Agreement.

Issuer Calculation Agent will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due to it by the Issuer under the Calculation Services Agreement.

Representations, warranties and undertakings

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

Indemnities

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

Resignation of the Issuer Calculation Agent

The Issuer Calculation Agent will not resign from the duties and obligations imposed on it as Issuer Calculation Agent pursuant to the Calculation Services Agreement, except:

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

such resignation being effective on the date upon which (i) the event in paragraph (a) above occurs; or (ii) one hundred and eighty (180) days after the date of delivery of the notice referred to in paragraph (b) above.

Issuer Calculation Agent's Defaults

Issuer Calculation Agent's Defaults will occur upon *inter alia* the occurrence of the following events:

- (a) any material representation or warranty made by the Issuer Calculation Agent is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Calculation Agent or (if sooner) the Issuer Calculation Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;

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

If an Issuer Calculation Agent's Default has occurred, the Issuer Calculation Agent shall notify the Issuer of such occurrence promptly after becoming aware of it.

Issuer Calculation Agent Rating Trigger Event

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

For such purposes, "**Issuer Calculation Agent Rating Trigger Event**" means the event in which the counterparty risk assessment of the Issuer Calculation Agent become rated below Baa2(cr) by Moody's.

Termination

"**Issuer Calculation Agent Termination Events**" under the Calculation Services Agreement will include the following events:

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

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

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

and save for any continuing obligations of the Issuer Calculation Agent contained in the Calculation Services Agreement.

Upon the resignation of the Issuer Calculation Agent, or termination of its appointment as Issuer Calculation Agent hereunder in accordance with the terms of the Issuer Calculation Services Agreement, the Issuer shall replace HSBC Continental Europe as Issuer Calculation Agent, by any legal entity (the "**Substitute Issuer Calculation Agent**"), the choice of which being subject to prior Rating Affirmation. Upon its appointment and

unless otherwise agreed with the Issuer (but subject to prior Rating Affirmation), the Substitute Issuer Calculation Agent shall:

- (a) provide the Issuer with all necessary assistance and know-how, whether technical or other, as described under the Calculation Services Agreement;
- (b) together with the Issuer Calculation Agent, take all steps necessary to replace the Issuer Calculation Agent in all rights and obligations arisen from the Programme Documents the Issuer Calculation Agent is a party and, for such purposes, become a party, as Issuer Calculation Agent, to any relevant Programme Documents to which the Issuer Calculation Agent is a party.

Notwithstanding its resignation or the termination of its appointment in accordance with the terms of the Issuer Calculation Services Agreement and notwithstanding any other provision of the Issuer Calculation Services Agreement, the duties of the Issuer Calculation Agent under the Issuer Calculation Services Agreement shall continue and the Issuer Calculation Agent shall continue to be bound by all its obligations thereto until the earlier of (i) its replacement as Issuer Calculation Agent, and (ii) the termination of the Issuer Calculation Services Agreement in accordance with its terms (the "**Service Termination Date**").

Term and Termination of the Issuer Calculation Services Agreement

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

Without prejudice to the other terms of the Issuer Calculation Services Agreement, the Issuer Calculation Services Agreement shall terminate:

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

The termination of the Issuer Calculation Services Agreement in accordance with its terms shall trigger the termination of the appointment of HSBC Continental Europe as Issuer Calculation Agent thereunder on the relevant termination date of the Issuer Calculation Services Agreement.

Limited recourse – Non petition

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

Amendment

No amendment, modification, alteration or supplement shall be made to the Calculation Services Agreement without prior Rating Affirmation if the same materially and adversely affects the interests of the Issuer or the Bondholders.

For the avoidance of doubt, the Calculation Services Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Calculation Services Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Issuer Calculation Agent under the Calculation Services Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

Governing Law – Jurisdiction

The Calculation Services Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Issuer Calculation Agent have agreed to submit any dispute that may arise in connection with the Calculation Services Agreement to the jurisdiction of the competent court of Paris.

The Asset Monitor Agreement

Background

The "**Asset Monitor Agreement**" refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer, (ii) HSBC Continental Europe as the Issuer Calculation Agent or, as the applicable, the "Administrator" and (iii) KPMG LLP as Asset Monitor (the "**Asset Monitor**"). Under the Asset Monitor Agreement, KPMG LLP has been appointed as Asset Monitor by the Issuer to carry out, subject to due receipt of the information to be provided by the Issuer Calculation Agent to the Asset Monitor, various testing and notification duties in relation to the calculations performed by the Issuer Calculation Agent in relation to the Asset Cover Test and the Amortisation Test subject to and in accordance with the terms of the Asset Monitor Agreement.

Services of the Asset Monitor

If the Asset Cover Test Date immediately preceding an anniversary of the Programme Date falls prior to the occurrence of a Borrower Event of Default, and subject to receipt of the information to be provided to it by the Issuer Calculation Agent in relation to the calculations performed by the Issuer Calculation Agent regarding the relevant Asset Cover Test, the Asset Monitor will test the arithmetic accuracy of the calculations performed by the Issuer Calculation Agent in relation to the Asset Cover Test on the Asset Cover Test Date immediately preceding an anniversary of the Programme Date, as applicable, with a view to reporting on the arithmetic accuracy or otherwise of such calculations.

On each Amortisation Test Date and subject to receipt of the information to be provided to it by the Issuer Calculation Agent in relation to the calculations performed by the Issuer Calculation Agent regarding the relevant Amortisation Test, the Asset Monitor will test the arithmetic accuracy of the calculations performed by the Issuer Calculation Agent in relation to the Amortisation Test on the relevant Amortisation Test Date, with a view to reporting on the arithmetic accuracy or otherwise of such calculations.

Upon the occurrence of a Calculation Monitoring Rating Trigger Event and for so long as such Calculation Monitoring Rating Trigger Event is continuing, or, if the Asset Monitor has been notified of the occurrence of a Non-Compliance with Asset Cover Test or of a Non-Compliance with Amortisation Test (see section "**Asset Monitoring**"), and subject to receipt of the information to be provided to the Asset Monitor, the Asset Monitor shall conduct the tests of the Issuer Calculation Agent's calculations referred to above, as applicable, in respect of every Asset Cover Test Date or Amortisation Test Date, as applicable.

For the purposes of this section, "**Calculation Monitoring Rating Trigger Event**" means the event in which the counterparty risk assessment of HSBC Continental Europe become rated below Baa2(cr) by Moody's.

If the tests conducted by the Asset Monitor in accordance with the provisions above reveal arithmetic errors in the relevant calculations performed by the Issuer Calculation Agent such that:

- the Asset Cover Test had been failed on the relevant Asset Cover Test Date (where the Issuer Calculation Agent had recorded it as being satisfied); or
- the Amortisation Test had been failed on the relevant Amortisation Test Date (where the Issuer Calculation Agent had recorded it as being satisfied),

and subject to receipt of the information to be provided to the Asset Monitor, for a period of six (6) months thereafter, the Asset Monitor shall conduct the tests of the Issuer Calculation Agent's calculations referred to above, in respect of every Asset Cover Test Date or Amortisation Test Date, as applicable, occurring during such six (6) month period.

The Asset Monitor shall notify, on a confidential basis, the parties to the Asset Monitor Agreement (with copy to the Rating Agencies), in writing, of the relevant calculations performed by the Issuer Calculation Agent and of the results of its tests of the accuracy of the Issuer Calculation Agent's calculations. If the calculations performed by the Issuer Calculation Agent have not been performed correctly, the Asset Monitor will report the correct calculation of the Asset Cover Test or Amortisation Test, as applicable.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it is true and correct and is complete and not misleading and is not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information.

Termination

The Issuer may, at any time, terminate the appointment of the Asset Monitor hereunder upon providing the Asset Monitor with sixty (60) days' prior written notice, provided that such termination may not be effected unless and until a replacement has been found by the Issuer which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign from its appointment under the Asset Monitor Agreement upon providing the Issuer (copied to the Rating Agencies) with sixty (60) days' prior written notice, provided that such resignation shall not be effected unless and until a replacement which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

Fees

Under the terms of the Asset Monitor Agreement, the Issuer will pay to the Asset Monitor a fee for the tests to be performed by the Asset Monitor.

The Asset Monitor will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due to it by the Issuer under the Asset Monitor Agreement.

Limited recourse – Non petition

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

Amendment

Except as further described under the Asset Monitor Agreement, any material amendment to the Asset Monitor Agreement is subject to the Rating Affirmation.

Governing Law – Jurisdiction

The Asset Monitor Agreement shall be governed by, and construed in accordance with, English law. Each party to the Asset Monitor Agreement (including the Asset Monitor) irrevocably submits to the exclusive jurisdiction of the English courts in any action or proceeding arising out of or relating to the Asset Monitor Agreement, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined by such courts.

CASH FLOW

Cash management

Pursuant to the Administrative Agreement, the Administrator will assist the Issuer in operating its bank accounts, the management and investment of its available cash in Permitted Investments in accordance with the relevant Permitted Investments rules, and any other matters in relation to the management of its bank accounts and funds so as to ensure that the Issuer will at all times comply with the provisions of the Programme Documents.

Pursuant to the Administrative Agreement and subject to and in accordance with the Terms and Conditions of the Covered Bonds, the Administrator will invest any cash standing from time to time to the credit of the Issuer Cash Accounts pending application in accordance with the Priority Payment Orders (see "**Cash Flow - Priority Payment Orders**"), in instruments which qualify as "Permitted Investments" (as defined in "**The Issuer – The Administrative Agreement**").

Issuer Accounts

Available Funds of the Issuer will be from time to time credited and debited by the Administrator on behalf of the Issuer into the Issuer Cash Accounts opened in the books of the Issuer Accounts Bank (see "**The Issuer – The Issuer Accounts Agreement**" for a further description of the Issuer Accounts).

For the purposes hereof:

"**Available Funds**" means:

- (a) in the absence of service of a Borrower Enforcement Notice (and whether an Issuer Enforcement Notice has been served to the Fiscal Agent and the Issuer or not):
 - (i) payment proceeds from the Borrower under the Borrower Facility Agreement;
 - (ii) cash standing to the credit of the Issuer General Account or the Share Capital Proceeds Account (including proceeds from Permitted Investments invested with such cash (if any));
 - (iii) any Cash Collateral (if any) standing to the credit of the Cash Collateral Account and the Collection Loss Reserve Account (including proceeds from Permitted Investments invested with any such Cash Collateral (if any)); and
 - (iv) payment proceeds, whether in interest, principal or otherwise, received by the Issuer from the debtors under the Legal Substitution Assets and standing to the credit of the Issuer General Account.
- (b) following the service of a Borrower Enforcement Notice and enforcement of the Borrower Collateral Security (and whether an Issuer Enforcement Notice has been served to the Fiscal Agent and the Issuer or not):
 - (i) payment proceeds, whether in interest, principal or otherwise, received by the Issuer following service of a notice to any or all debtors under the Home Loans mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Home Loans and/or the related Asset Contractual Documentation and standing to the credit of the Issuer General Account;
 - (ii) insurance proceeds and other proceeds (other than the proceeds mentioned in (i) above) received by the Issuer under the Home Loans and standing to the credit of the Issuer General Account;
 - (iii) payment proceeds, whether in interest, principal or otherwise, received by the Issuer from the debtors under the Legal Substitution Assets and standing to the credit of the Issuer General Account;

- (iv) proceeds from disposal of, transfer, sale or refinancing (by way of securitisation or otherwise) of the Home Loan Receivables and standing to the credit of the Issuer General Account;
- (v) proceeds from the enforcement of any Home Loan Security (if any) and standing to the credit of the Issuer General Account;
- (vi) cash from Permitted Investments (if any) standing to the credit of the Issuer General Account;
- (vii) cash standing to the credit of the Cash Collateral Account and the Collection Loss Reserve Account;
- (viii) cash standing to the credit of the Share Capital Proceeds Account; and
- (ix) proceeds from disposal of, transfer, sale or refinancing (by way of securitisation or otherwise) of all other eligible assets of the Issuer and standing to the credit of the Issuer General Account.

Priority Payment Orders

Pre-Enforcement Priority Payment Order

In the absence of service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice and in the absence of service of an Issuer Enforcement Notice, on any Payment Date and (as applicable) Final Maturity Date of each relevant series of Covered Bonds, the Administrator (on behalf of the Issuer) will give the appropriate instructions to the Issuer Accounts Bank to debit the relevant Issuer Cash Accounts and (as the case may be) the relevant Issuer Securities Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following Pre-Enforcement Priority Payment Order:

- (i) **first**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (ii) **secondly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iii) **thirdly**, in or towards payment or discharge *pari passu* and *pro rata* of the amounts then due and payable by the Issuer to (a) the Administrator under Clauses 8, 9 and 10 of the Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing of the Borrower Collateral Security Assets would be carried out by this new servicer in accordance with Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;
- (iv) **fourthly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (v) **fifthly**, only after and subject to the payment of any due and payable amounts due to the Issuer's creditors under item (i) to item (vi) hereabove (the "**Privileged Creditors**"), (a) the Issuer's liability, if any, to taxation, and (b) any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to any relevant entity in connection with the holding of any meeting of Bondholders, to any stock exchange and other listing entities where the Covered Bonds are listed, any clearing systems entities where the Covered Bonds are cleared, HSBC Continental Europe (with respect to any insurance premium, regulatory, professional and legal fees, costs and other expenses paid by HSBC Continental Europe on behalf of the Issuer and to be repaid by the Issuer to HSBC Continental Europe subject to, and in accordance with, the relevant terms of the *Convention d'externalisation et de prestations de services*), the Administrator, the Issuer Calculation Agent, the Asset Monitor, the Issuer Accounts Bank, the Paying Agent(s), the Permanent Dealers, the Dealers; the Fiscal Agent(s), the Calculation

Agent(s), the Issuer's Auditors, the Specific Controller, the Substitute Specific Controller, the Representatives and the Rating Agencies in respect of the monitoring fees (together, the "**Senior Administrative and Tax Costs**"; and

- (vi) **sixthly**, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to any dividend to be then distributed to the Issuer's shareholders.

Controlled Post-Enforcement Priority Payment Order

In the event of service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice and thereafter unless and until an Issuer Enforcement Notice is served to the Issuer, on any Payment Date and (as applicable) Final Maturity Date of each relevant series of Covered Bonds, the Administrator (on behalf of the Issuer) will give the appropriate instructions to the Issuer Accounts Bank to debit the relevant Issuer Cash Accounts and (as the case may be) the relevant Issuer Securities Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following "**Controlled Post-Enforcement Priority Payment Order**":

- (i) **first**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds
- (ii) **secondly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iii) **thirdly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any amounts then due and payable by the Issuer to (a) the Administrator under Clauses 8, 9 and 10 of the Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing of the Borrower Collateral Security Assets would be carried out by this new servicer in accordance with Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;
- (iv) **fourthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (v) **fifthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* any and all Senior Administrative and Tax Costs then due and payable by the Issuer;
- (vi) **sixthly**, (a) only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to any and all enforcement proceeds surplus amounts remaining after enforcement of the Borrower Collateral Security subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement; and (b) only after and subject to the full repayment of any outstanding Covered Bonds and sums referred to in (a) above, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to any third parties (with respect to any dividend already voted and to be then distributed to the Issuer's shareholders).

Accelerated Post-Enforcement Priority Payment Order

In the event of service of an Issuer Enforcement Notice and thereafter (whether a Borrower Enforcement Notice shall have been served to the Borrower or not), the Administrator (on behalf of the Issuer) will promptly and no later than three (3) Business Days after receipt by the Issuer of such Issuer Enforcement Notice give the appropriate instructions to the Issuer Accounts Bank to debit from all the Issuer Accounts (other than the Issuer

General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date and on each and every day chosen by the Administrator thereafter to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on and as from such date, in the following Accelerated Post-Enforcement Priority Payment Order provided that, for the avoidance of doubt, no payment item below shall be paid as long as an item ranking senior to it shall not have been duly paid, repaid, reimbursed or redeemed in full by the Issuer::

- (i) **first**, after and subject to the full repayment of any and all sums referred to in (i) above, in or towards payment or discharge *pari passu, pro rata* and in full of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds and remaining unpaid at such date;
- (ii) **secondly**, after and subject to the full repayment of any and all sums referred to in (i) and (ii) above, in or towards payment or discharge *pari passu, pro rata* and in full of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds and remaining unpaid at such date;
- (iii) **thirdly**, after and subject to the full repayment of any and all sums referred to in (i) to (iv) above, in or towards payment or discharge *pari passu* and *pro rata* of any amounts then due and payable by the Issuer (and remaining unpaid at such date) to (a) the Administrator under Clauses 8, 9 and 10 of the Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing of the Borrower Collateral Security Assets would be carried out by this new servicer in accordance with Article L.513-15 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;
- (iv) **fourthly**, after and subject to the full repayment of any and all sums referred to in (i) to (v) above, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (v) **fifthly**, after and subject to the full repayment of any and all sums referred to in (i) to (vi) above, in or towards payment or discharge *pari passu* and *pro rata* of the Senior Administrative and Tax Costs; and
- (vi) **sixthly**, (a) after and subject to the full repayment of any and all sums referred to in (i) to (vii) above, in or towards payment *pari passu* and *pro rata* of any and all amounts due by the Issuer with respect to any and all enforcement proceeds surplus amounts remaining after enforcement of the Borrower Collateral Security subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement; and (b) after and subject to the full repayment of any and all sums referred to in (i) to (vii) above and any sums referred to in (a) above, in or towards payment *pari passu* and *pro rata* of any and all amounts due by the Issuer to any third parties (with respect to any dividend already voted and to be then distributed to the Issuer's shareholders).

ORIGINATION OF THE HOME LOANS

The large majority of home loans originated by sales persons within HSBC Continental Europe are originated pursuant to the rules described below.

Pre-acceptance controls

In the first stage of the underwriting process, certain initial checks are performed on each prospective borrower. For each existing customer, the HSBC Continental Europe's internal behavioural score (Basle II rating, using a scale from 1 to 10) is used. In addition, information on both existing customers and new-to-bank applicants are also collected from:

- (i) the French National Database on Household Credit Repayment Incidents (*Fichier des Incidents de Remboursement des Crédits aux Particuliers*), a central administration for consumer loans and home loans which is regulated by *Banque de France*; and
- (ii) the Central Cheque Register (*Fichier Central des Chèques*), a central administration for cheques held by the *Banque de France*.

If any prospective borrower or co-borrower is registered as having previously defaulted on their obligations under any loan or account, or if such borrower has an internal behavioural score of greater than 7, the application is declined.

If not, the relationship manager reviews the prospective borrower's income and expenses and collects information about the property to be financed. Prospective borrowers will be asked to provide proof of income, which may take the form of their last three payslips and, in some circumstances, their most recent year-end payslip and tax notice. In the case of existing customers, the relationship manager will also review activity on their existing accounts. Information and, where applicable, documentation will also be requested describing the property to be financed, the net personal contribution or down payment, the characteristics of the loan requested (amount, type, etc.) and the type of security (first ranking mortgage, *Crédit Logement* guarantee or third party guarantee). If a *Crédit Logement* guarantee is sought, a separate application process is prepared.

Scoring

For each home loan, an automated application scoring model is used to assess the application. The existing model is used since 2004 and is tested and calibrated at least twice each year.

The main drivers of the model are:

- (i) socio-demographic information of the prospective borrower such as: age, marital status, number of dependants, time at employer and profession;
- (ii) financial information such as the applicant's debt ratio (*taux d'endettement*) and available income (*reste à vivre*), taking into account the applicant's personal circumstances;
- (iii) characteristics of the loan, such as the amount of the down payment, the loan-to-value, the term of the loan and any security or guarantees received; life insurance policies, and
- (iv) in the case of existing HSBC Continental Europe customers, past loan and account history as indicated by the internal behavioural score described in "**Pre-acceptance controls**", above.

These characteristics are weighted according to their expected predictive power and an application score is then calculated. An expected loss given default ("LGD") is also calculated, primarily (but not solely) based on the security or guarantees to be received. The application score and LGD are inputted into a decision tree, which takes into account, amongst other information, the applicant's debt-to-income ratio, the term of the loan and the amount of the down payment. On this basis, the loan application is graded "Very good", "Good", "Neutral", "Poor quality" or "Reject".

Acceptance

The final decision to grant or reject a loan is always made by a member of HSBC Continental Europe staff with the requisite level of authority. Depending on the final grade of the application described above and the amount of the loan, amongst other things, the application decision will be made by the relationship manager on his own. If the application is beyond the relationship manager's authority, the decision will be made by either the director of the relevant branch or HSBC Continental Europe's central retail underwriting department.

Pre-funding controls

If accepted, the home loan request file is transmitted to the back office for processing. The back office checks that (i) all of the documents necessary for the funding of the home loan have been provided, (ii) the home loan complies with any applicable legal formalities and (iii) the information provided with respect to the customer and the property is consistent. The back office also liaises with the relevant notary public. The home loan offer may only be issued to the client once all the necessary documents have been obtained and the required conditions have been met. Upon the return of the offer signed by the client, the back office checks the validity of the acceptance (signatures, dates, etc.) and proceeds with the funding of the home loan to the notary public.

Servicing

The servicing of the home loans - including acceptance of full or partial repayment, renegotiations of rates, rescheduling of principal repayments - is the responsibility of relationship managers or directors of branches, according to their decision-making powers and levels of authority, and is carried out by the back office. Key loan documents (including home loan offers, loan guarantees, copies of mortgage agreements and life insurance policies) are scanned and archived with a service provider.

Delinquent loans

The relevant branch is responsible for notifying the back office of overdue payments, which processes the overdue payment and sends a reminder letter to the client. Upon the first overdue payment, the borrower's internal behavioural score is downgraded to 8.2. The management of the outstanding balances for each customer is transferred to the Collection Department, which sits with the Retail Credit team. The client is contacted to find a solution to the payment issues the customer is facing, without litigation. Once the borrower misses three consecutive payments, the loan is automatically designated as "doubtful" and the back office files a declaration to the *Fichier National des Incidents de Remboursement des Crédits aux Particuliers* of the *Banque de France*.

If the doubtful loan is guaranteed by *Crédit Logement*, the loan file is sent to *Crédit Logement*, which becomes responsible for servicing the home loan and is required to start to pay the relevant guaranteed amounts to HSBC Continental Europe within one month. For the first 24 months, *Crédit Logement* can elect (i) either to pay only the borrower's contractual monthly payments or (ii) to pay all amounts outstanding under the loan on an accelerated basis. After 24 months, *Crédit Logement* is required to reimburse HSBC Continental Europe for all amounts then outstanding under the loan (to the extent that the loan is fully guaranteed).

If the doubtful loan is not guaranteed by *Crédit Logement*, and the efforts of the Collection Department are not successful, all amounts due under the home loan are accelerated and the servicing of such home loan is transmitted to the Litigation Department (*DRCR Contentieux/Recouvrement*), which also sits within HSBC Continental Europe's Credit Department. This department is responsible for collecting proceeds by enforcing the mortgages, insurance and other security interest and guarantees securing the repayment of the loan.

TAXATION

For the avoidance of doubt, it is specified that the expression “Covered Bonds” will only include French law Covered Bonds, in the following section.

The following is a summary limited to certain tax considerations in France and in the Grand-Duchy of Luxembourg relating to the payments made in respect of the Covered Bonds that may be issued under the Programme and specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in France and in the Grand Duchy of Luxembourg as of the date of this Base Prospectus and as applied by the tax authorities, all of which are subject to changes or to different interpretation, potentially with a retroactive effect. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Covered Bonds. Each prospective holder or beneficial owner of Covered Bonds should consult its tax advisor as to the tax consequences of any investment in or ownership and disposal of the Covered Bonds in light of its particular circumstances.

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 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.

Luxembourg

The comments below are intended as a basic summary of certain withholding tax consequences in relation to the purchase, ownership and disposal of the Covered Bonds under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

Withholding tax

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain individual Bondholders, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest) or repayment of principal of the Covered Bonds. There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Bondholders, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Covered Bonds.

In accordance with the law of 23 December 2005, as amended (the "Law"), interest payments made by Luxembourg paying agents within the meaning of the Law, to Luxembourg individual residents beneficial owners are subject to a 20 per cent. withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

SUBSCRIPTION AND SALE

For the avoidance of doubt, it is specified that the expression "Covered Bonds" will only include French law Covered Bonds and the expression "Bondholders" includes any holder of such French law Covered Bonds, in the following section.

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated on or about the date of the Base Prospectus between the Issuer, the Arranger and the Permanent Dealer (the "**Dealer Agreement**"), the Covered Bonds will be offered by the Issuer to the Permanent Dealer. However, the Issuer has reserved the right to sell Covered Bonds directly on its own behalf to Dealers that are not the Permanent Dealer. The Covered Bonds may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer(s). The Covered Bonds may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Covered Bonds to be issued in syndicated Tranches that are jointly and severally underwritten by two (2) or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Covered Bonds subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealers have agreed to indemnify the Issuer against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Covered Bonds in certain circumstances prior to payment for such Covered Bonds being made to the Issuer.

Selling Restrictions

General

These selling restrictions may be modified or supplemented by the agreement of the Issuer and the Dealers in particular following a change in a relevant law, regulation or directive. Any such modification or supplement will be set out in a supplement to this Base Prospectus.

Each Dealer shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefore.

European Economic Area

Prohibition of Sales to EEA Retail Investors

If the Final Terms in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA.

For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive No. 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive 2016/97/EU, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in Regulation (EU) No. 2017/1129, as amended (the “**Prospectus Regulation**”); and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds

With regard to any German law Covered Bond, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of German law Covered Bonds to the public (as defined below) in any relevant jurisdiction, except for offerings in compliance with all laws, regulations and directives applicable to the offering of the German law Covered Bonds in the relevant jurisdiction which may differ from the laws, regulations and directives applicable to the offering of securities in such jurisdiction.

Non-Exempt Offer selling restriction under the Prospectus Regulation

If the Final Terms in respect of any Covered Bonds specify “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (each, an “**EEA Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that EEA Member State except that it may make an offer of such Covered Bonds to the public in that EEA Member State:

- (a) if the Final Terms in relation to the Covered Bonds specify that an offer of those Covered Bonds may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that EEA Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Covered Bonds which has been approved by the competent authority in that EEA Member State or, where appropriate, approved in another EEA Member State and notified to the competent authority in that EEA Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Covered Bonds to the public**” in relation to any German law Covered Bonds in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Relevant State by any measure implementing the Prospectus Regulation in that Relevant State.

France

Each of the Dealers and the Issuer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, it has undertaken to comply with applicable French laws

and regulations in force regarding the offer, the placement or the sale of the Covered Bonds and the distribution in France of the Base Prospectus or any other offering material relating to the Covered Bonds.

Germany

No base prospectus nor any prospectus within the meaning of the German Investment Product Act (*Vermögensanlagengesetz*) has been, nor will be, published in Germany or filed with the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) with regard to any Covered Bond.

Covered Bonds may not be offered, sold or delivered, and will not be offered, sold or delivered, directly or indirectly to the public in Germany, except in compliance with all applicable laws, in the case of German law Covered Bonds in particular the exemptions from the prospectus requirement under Section 2 of the German Investment Product Act.

The Issuer assumes no responsibility and makes no representation regarding the suitability of Covered Bonds including, without limitation, German law Covered Bonds as an investment product for any investor. In particular, the Issuer assumes no responsibility for the eligibility of any Covered Bonds as investment for any Bondholder domiciled in Germany and subject to particular regulatory requirements with regard to its investments, including, without limitation, insurance companies, pension funds, credit institutions and investment funds. Unless explicitly stated otherwise in the Terms and Conditions, no reference therein to particular German law regulatory requirements implies or may be construed to imply any representation or warranty by the Issuer as to the suitability of the relevant Covered Bond for the Bondholder.

The Netherlands

The Covered Bonds (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Base Prospectus nor any other document in relation to any offering of the Covered Bonds (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Regulation, provided that these parties acquire the Covered Bonds for their own account or that of another qualified investor.

Italy

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Base Prospectus has not been, nor will be, published in the Republic of Italy in connection with the offering of Covered Bonds and such offering of Covered Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") in the Republic of Italy pursuant to Legislative Decree no. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and to CONSOB Regulation no. 11971 of 14 May 1999, as amended (the "**Issuers Regulation**") and, accordingly, no Covered Bond may be offered, sold, transferred or delivered, and will not be offered, sold, transferred or delivered, directly or indirectly, in the Republic of Italy in an offer to the public, nor may, or will, copies of this Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of the Financial Services Act and/or Italian CONSOB regulations; or
- (b) in other circumstances which are exempted from the rules on offers to the public pursuant to, and in compliance with, the conditions set out in Article 1 of the Prospectus Regulation and its implementing regulations, including Article 100 of the Financial Services Act and Article 34-ter of the Issuers Regulation.

Moreover, and subject to the foregoing, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale, transfer or delivery

of Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must, and will, be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and, in particular, must be made:

- (a) by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the "**Banking Act**");
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Any investor purchasing Covered Bonds in the offering is solely responsible for ensuring that any offer or resale of Covered Bonds it purchased in the offering occurs in compliance with applicable Italian laws and regulations.

Where no exemption from the rules on public offerings applies, the Covered Bonds which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Prospectus Regulation and the applicable Italian laws. Pursuant to Article 100-*bis* of the Financial Services Act, failure to comply with such rules may result in the sale of such Covered Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

United Kingdom

Prohibition of Sales to UK Retail Investors

If the Final Terms in respect of any Covered Bonds specifies the "Prohibition of Sales to UK Retail Investors" as "Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom (the "**UK**").

For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Directive (EU) 2016/97 (the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"); and

- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Final Terms in respect of any Covered Bonds specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable” in relation to the UK, each Dealer represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in the UK except that it may make an offer to the public of Covered Bonds in the UK:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has further represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Covered Bonds which have a maturity of less than one (1) year from the date of issue,
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (which terms as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the

benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

United States of America

The Covered Bonds have not been and will not be registered under the Securities Act, and subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons as defined under Regulation S. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell the Covered Bonds of any identifiable Tranche within the United States or to, or for the account or benefit of U.S. persons as defined under Regulation S, except as permitted by the Dealer Agreement.

Materialised Covered Bonds in bearer form having a maturity of more than one (1) year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 as amended, and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Materialised Covered Bonds in bearer form, deliver Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Covered Bonds are a part, as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of an identifiable tranche of Covered Bonds sold to or through more than one Dealer, by each of such Dealers with respect to Covered Bonds of an identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Covered Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until forty (40) days after the commencement of the offering of any identifiable Tranche, an offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Covered Bonds outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Covered Bonds, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

FORM OF FINAL TERMS 1

(This form of Final Terms will only apply to the French law Covered Bonds. The form of final terms applicable to the German law Covered Bonds is included in the Agency Agreement)

FORM OF FINAL TERMS FOR USE IN CONNECTION WITH ISSUES OF COVERED BONDS WITH A DENOMINATION OF LESS THAN €100,000 TO BE ADMITTED TO TRADING ON A REGULATED MARKET OR REGULATED MARKETS AND/OR OFFERED ON A NON-EXEMPT BASIS IN THE EUROPEAN ECONOMIC AREA

[MiFID II PRODUCT GOVERNANCE/ RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018, has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU, as amended ("**MiFID II**"); and (ii) all channels for distribution of the Covered Bonds are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]]²

[UK MiFIR PRODUCT GOVERNANCE / RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ECPS TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018 (in accordance with the FCA's policy statement entitled "*Brexit our approach to EU non-legislative materials*"), has led to the conclusion that: (i) the target market for the Covered Bonds is retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"), and eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); **EITHER** [and (ii) all channels for distribution of the Covered Bonds are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Covered Bonds to retail clients are appropriate - investment advice[, / and] portfolio management[, / and] [non-advised sales][and pure execution services]], subject to the distributor's suitability and appropriateness obligations under COBS, as applicable]]. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable.]]³

² Legend to be included following completion of the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018.

³ Legend to be included following completion of the target market assessment in respect of the Covered Bonds, taking into account the FCA Handbook Product Intervention and Product Governance Sourcebook.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU as amended, (“**MiFID II**”)/MiFID II]; (ii) a customer within the meaning of Directive 2016/97/EU, as amended (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the “**PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]⁴

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the [Financial Services and Markets Act 2000, as amended (the “**FSMA**”)/FSMA] and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]⁵

[The Base Prospectus dated [●] expires on [●]. The updated Base Prospectus shall be available for viewing free of charge of the website of the AMF (www.amf-france.org), on the website of HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds) and for inspection at the specified offices of the Paying Agent(s).]⁶

⁴ Delete legend if the Covered Bonds do not constitute “packaged” products under the PRIIPs Regulation and no key information document (KID) will be prepared, in which case, insert “Not Applicable” in paragraph 1(vii) of Part B below.

⁵ Delete legend if the Covered Bonds do not constitute “packaged” products under the UK PRIIPs Regulation and no key information document (KID) will be prepared, in which case, insert “Not Applicable” in paragraph 1(viii) of Part B below.

⁶ To be included in the case of public offer which offer period expires after the expiry date of this Base Prospectus.

Final Terms dated [●]



HSBC SFH (France)

Legal entity identifier ("LEI"): [969500HCJLWDO4YCYT40]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]

under the €10,000,000,000 Covered Bond Programme

Issue Price: [●] per cent.

[Name(s) of Dealer(s)]

[Any person making or intending to make an offer of the Covered Bonds may only do so [: in those Public Offer Jurisdictions mentioned in Annex "Issue Specific Summary" below, provided such person is [an Authorised Offeror] in that paragraph and that such offer is made during the Offer Period specified for such purpose therein; or (ii) otherwise] in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances.

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended, and includes any relevant implementing measure in the Relevant Member State.]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 8 March 2023 which received the approval number 22-060 from the *Autorité des marchés financiers* ("**AMF**") in France on 8 March 2023 [and the supplement to the Base Prospectus dated [●]] which received the approval number [●] from the AMF on [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**").

This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented] in order to obtain all the relevant information. The Base Prospectus [, the supplement to the Base Prospectus] and these Final Terms are available for viewing on the websites of (a) the AMF (www.amf-france.org) and (b) HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds). [In addition¹, the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [on/at] [●].]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]] ([together] the "**Original Base Prospectus**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") and must be read in conjunction with the Base Prospectus dated 8 March 2023 which received the approval number 23-068 from the *Autorité des marchés financiers* (the "**AMF**") in France on 8 March 2023 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Current Base Prospectus**"), save in respect of the Conditions which are extracted from the Original Base Prospectus and are attached hereto. The [Original Base Prospectus, the] Current Base Prospectus and these Final Terms are available for viewing on the websites of (a) the AMF (www.amf-france.org) and (b) HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds). [In addition², the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [on/at] [●].]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs in which case subparagraphs which are not applicable can be deleted. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a forty-eight (48)-hour time period.]

- | | | |
|----|------------------------|-------------------|
| 1. | Issuer: | HSBC SFH (France) |
| 2. | Series Number: | [●] |
| | Tranche Number: | [●] |

¹ If the Covered Bonds are admitted to trading on a Regulated Market other than the Luxembourg Stock Exchange.

² If the Covered Bonds are admitted to trading on a Regulated Market other than the Luxembourg Stock Exchange.

<p>[(iii) Date on which the Covered Bonds become Fungible:</p>	<p>[Not Applicable/ The Covered Bonds will be assimilated (<i>assimilées</i>) and form a single series with the existing [<i>insert description of the Series</i>] issued by the Issuer on [<i>insert date</i>] as from the date of assimilation which is expected to be on or about [●]]</p>
<p>3. Specified Currency or Currencies:</p>	<p>[●]</p>
<p>4. Aggregate Nominal Amount of Covered Bonds:</p>	<p>[●]</p>
<p>[(i) Series:</p>	<p>[●]</p>
<p>[(ii) Tranche:</p>	<p>[●]]</p>
<p>5. Issue Price:</p>	<p>[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [<i>insert date</i>] (<i>if applicable</i>)]</p>
<p>6. Specified Denominations:</p>	<p>[●] (<i>one (1) denomination only for Dematerialised Covered Bonds</i>)³</p>
<p>7. (i) Issue Date:</p>	<p>[●]</p>
<p>(ii) Interest Commencement Date:</p>	<p>[Specify/Issue Date/Not Applicable]</p>
<p>8. Final Maturity Date:</p>	<p>[Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]</p>
<p>Extended Final Maturity Date:</p>	<p>[Specify date] provided a Maturity Extension Trigger Event occurs (as specified in Condition 7(a)/[Not Applicable] [<i>If applicable specify date</i>]</p>
<p>9. Interest Basis:</p>	<p>[[●] per cent. Fixed Rate]</p> <p>[[<i>Compounded Daily SONIA, EURIBOR, CMS, TEC or other</i>] +/- [●] per cent. Floating Rate]</p> <p>[Fixed/Floating Rate]</p> <p>[Zero Coupon]</p> <p>(<i>further particulars specified below</i>)</p>
<p>10. Redemption/Payment Basis:</p>	<p>[Redemption at par]</p> <p>[Instalment]</p> <p>(<i>further particulars specified below</i>)</p>

³ Covered Bonds denominated in Sterling in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitute a contravention of section 19 of FSMA and having a maturity of less than one year must have a minimum denomination of Sterling 100,000 (or its equivalent in other currencies).

11. **Change of Interest or Redemption/Payment Basis:** [Applicable/Not Applicable] [*Specify the date where any fixed to floating rate or floating to fixed rate change occurs or refer to paragraphs 14 and 15 below and identify there*]
12. **Put/Call Options:** [Bondholder Put]
[Issuer Call]
[(*further particulars specified below*)]
13. (i) **Status of the Covered Bonds:** Senior
- (ii) **Date of Board approval for issuance of Covered Bonds obtained:** [●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Covered Bond Provisions:** [In respect of Fixed/Floating Rate Covered Bonds: from (and including) [●] to (but excluding) [●]:] [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) **Rate[(s)] of Interest:** [●] per cent. per annum [payable [annually / semi-annually / quarterly / monthly / other (*specify*)] in arrear]
- (ii) **Interest Payment Date(s):** [●] in each year [*where applicable*: adjusted pursuant to the [*specify applicable Business Day Convention*]]
- (iii) **Fixed Coupon Amount[(s)]:** [●] per [●] in Specified Denomination
- (iv) **Broken Amount(s):** [[●] per Specified Denomination payable on the Interest Payment Date falling [in/on][●]][*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (v) **Day Count Fraction:** [Actual/365 / Actual/Actual / Actual/Actual-
ISDA / Actual/Actual-ICMA / Actual/365
(Fixed) / 30/360 / 360/360 / 30E/360 / Euro
bond Basis]
- (vi) **[Determination Dates:** [●] in each year

(*insert regular Interest Payment Dates, ignoring Issue Date or Final Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*)]

15. Floating Rate Covered Bond Provisions:

[In respect of Fixed/Floating Rate Covered Bonds: from (and including) [●] to (but excluding) [●]:] [Applicable [if the Final Maturity Date is extended until Extended Final Maturity Date]/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Interest Period Date: [●] [Interest Payment Date / Other (*specify*)]
- (v) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)] [*Insert "unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Amount*]
- (vi) Business Centre(s) (Condition 6(a)): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [●]
- (ix) Screen Rate Determination: [Applicable/Not Applicable]
 - Benchmark: [●] (*specify Benchmark [EURIBOR, CMS, TEC or other] and months [e.g. EURIBOR 3 months] (additional information if necessary)*)
 - Reference Rate: [Compounded Daily SONIA]
 - Relevant Time: [●]
 - Interest Determination Date(s): [●]
 - Primary Source: [*Specify relevant screen page or "Reference Banks"*]

- Reference Banks (if Primary Source is "Reference Banks"): *[Specify four]*
- Relevant Financial Centre: *[The financial centre most closely connected to the benchmark - specify if not Paris]*
- SONIA Lag Period (p): *[five/[●] London Business Days]/[Not Applicable]*
- Representative Amount: *[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]*
- Effective Date: *[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]*
- Specified Duration: *[Specify period for quotation if not duration of Interest Accrual Period]*
- Observation Method: *[Lag][Lock-Out][Shift]*
- Index Determination: *[Applicable/Not Applicable]*
[Where Index Determination is applicable, "Shift" should be specified as the Observation Method]
- (x) ISDA Determination: *[Applicable/Not Applicable]*
- Floating Rate Option: *[●]*
- Designated Maturity: *[●]*
- Reset Date: *[●]*
- ISDA Definitions: 2006 ISDA Definitions
- (xi) Margin(s)⁵: *[+/-] [●] per cent. per annum*
- (xii) Minimum Rate of Interest⁶: *[0.00 per cent. per annum / [●] per cent. per annum]*
- (xiii) Maximum Rate of Interest: *[Not Applicable/[●] per cent. per annum]*

⁵ In no event shall the amount of interest be less than zero.

⁶ In no event shall the amount of interest be less than zero.

(xiv)	Day Count Fraction:	[Actual/365 / Actual/Actual / Actual/Actual-ISDA / Actual/Actual-ICMA / Actual/365 (Fixed) / 30/360 / 360/360 / 30E/360 / Euro bond Basis]
16.	Zero Coupon Covered Bond Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Amortisation Yield:	[●] per cent. per annum
(ii)	Day Count Fraction:	Actual/365 / Actual/Actual / Actual/Actual-ISDA / Actual/Actual-ICMA / Actual/365 (Fixed) / 30/360 / 360/360 / 30E/360 / Euro bond Basis

PROVISIONS RELATING TO REDEMPTION

17.	Call Option:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Covered Bond of [●] specified denomination
(iii)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
(iv)	Option Exercise Date:	[●]
(v)	Notice period ⁷ :	[●]
18.	Put Option:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s):	[●] per Covered Bond of [●] Specified Denomination
(iii)	Option Exercise Date:	[●]

⁷ If setting notice periods which are different to those provided in the Terms and Conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

- (iv) Notice period⁸: [●]
- 19. Final Redemption Amount of each Covered Bond:** [[●] per Covered Bond of [●] Specified Denomination / Specified Denomination/Other (Specify)]
- 20. Redemption by Instalments:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Other terms relating to Redemption by Instalments: [Not Applicable/give details]
- 21. Early Redemption Amount:**
Early Redemption Amount(s) of each Covered Bond payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same and/or any other terms: [●] per Specified Denomination

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

- 22. Form of Covered Bonds:** [Dematerialised Covered Bonds/ Materialised Covered Bonds] (Materialised Covered Bonds are only in bearer form)
[Delete as appropriate]
- (i) Form of Dematerialised Covered Bonds: [Not Applicable / if Applicable specify whether bearer form (*au porteur*) / registered form (*au nominatif*)]
- (ii) Registration Agent: [Not Applicable/if applicable give name and address] (Note that a Registration Agent must be appointed in relation to Fully Registered Dematerialised Covered Bonds only)
- (iii) Temporary Global Certificate: [Not Applicable/Temporary Global Certificate exchangeable for Definitive Materialised Covered Bonds on [●] (the "Exchange Date"), being forty (40) days after the Issue

⁸ If setting notice periods which are different to those provided in the Terms and Conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

Date subject to postponement as specified in the Temporary Global Certificate]

23. **Financial Centre(s) or other special provisions relating to payment dates for the purposes of Condition 8(g):** [Not Applicable/*Give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 15 (ii), 16(iv) and 18(ix) relate*]
24. **Talons for future Coupons or Receipts to be attached to Definitive Materialised Covered Bonds (and dates on which such Talons mature):** [Yes/No/Not Applicable. *If yes, give details*] (*Only applicable to Materialised Covered Bonds*)
25. **Purchase in accordance with applicable French laws and regulations:** [Not Applicable/Applicable]
26. **Details relating to Instalment Covered Bonds: amount of each instalment, date on which each payment is to be made:** [Not Applicable/*give details*]
27. **Redenomination:** [Not Applicable/The provisions [in Condition 2(d)] apply]
28. **Consolidation provisions:** [Not Applicable/The provisions [in Condition 16(b)] apply]
29. **Masse (Condition 12):** [[Full *Masse*]/[Contractual *Masse*] shall apply]

(Note that: (i) in respect of any Tranche of Covered Bonds issued outside France, Condition 12(b) (Contractual *Masse*) may be elected by the Issuer, and (ii) in respect of any Tranche of Covered Bonds issued inside France, Condition 12(a) (Full *Masse*) shall apply. Insert below details of Representative and Alternative Representative and remuneration, if any:)

[Name and address of the Representative: [●]]

[Name and address of the alternate Representative: [●]]

[The Representative will receive no remuneration/The Representative will receive a remuneration of [●]]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of HSBC SFH (France):

By:

Duly authorised as legal representative of HSBC SFH (France)

PART B – OTHER INFORMATION

1. DISTRIBUTION

- | | | |
|--------|---|--|
| (i) | If syndicated, names of Managers: | [Not Applicable/ <i>give names</i>] |
| (ii) | [Date of subscription agreement: | [●]] |
| (iii) | Stabilisation Manager(s) (if any): | [Not Applicable/ <i>give name</i>] |
| (iv) | If non-syndicated, name of Dealer: | [Not Applicable/ <i>give name</i>] |
| [(v) | Total commission: | [●]] |
| (vi) | U.S. selling restrictions: | <p>[The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.]</p> <p>[TEFRA C/ TEFRA D/ TEFRA not Applicable] (<i>TEFRA are not applicable to Dematerialised Covered Bonds</i>)</p> |
| (vii) | Prohibition of Sales to EEA Retail Investors: | <p>[Not Applicable/Applicable]</p> <p><i>(If the offer of the Covered Bonds does not constitute “packaged” products, “Not Applicable” should be specified. If the offer of the Covered Bonds may constitute “packaged” products and no key information document will be prepared in the EEA, “Applicable” should be specified and the legend entitled “Prohibition of Sales to EEA Retail Investors” on the cover page of the Final Terms should be included. For the purpose of the above, a “packaged” product shall designate a “packaged retail investment product” which means in accordance with Regulation (EU) No 1286/2014 of 26 November 2014 an investment, where, regardless of the legal form of the investment, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor.)</i></p> |
| (viii) | Prohibition of Sales to UK Retail Investors: | <p>[Not Applicable/Applicable]</p> <p><i>(If the offer of the Covered Bonds does not constitute “packaged” products, “Not Applicable” should be specified. If the offer of the Covered Bonds may constitute “packaged” products and no key information document will be prepared in the UK, “Applicable” should be specified and the legend entitled “Prohibition of Sales to UK Retail Investors” on the cover page of the Final Terms should be included.)</i></p> |

2. LISTING AND ADMISSION TO TRADING

- (i) Listing(s): [Euronext Paris - other (*specify*)/None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market*] with effect from [●].][Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market*] with effect from [●].] [Not Applicable]
- (Where documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)
- (iii) Regulated Markets or equivalent markets on which, to the knowledge of the Issuer, securities of the same class of the Covered Bonds to be admitted to trading are already admitted to trading: [[●]/Not Applicable]
- (iv) Estimate of total expenses related to admission to trading: [●]
- (v) Additional publication of Base Prospectus and Final Terms: [●] (*See paragraph 10 of the section "General Information" of this Base Prospectus which provides that the Base Prospectus and Final Terms will be published on the website of the AMF at least during a period of twelve (12) months from the date of the Base Prospectus and that the Final Terms related to Covered Bonds on any Regulated Market will be published on the website of the AMF. Please provide for additional methods of publication in respect of an admission to trading on a regulated market other than Euronext Paris.*)

3. TERMS AND CONDITIONS OF THE OFFER

- Offer Price: [Issue Price][*specify*]
- Conditions to which the offer is subject: [Not Applicable/*give details*]
- Offer Period (including any possible amendments): [*specify*]
- Description of the application process: [*Not Applicable/give details*]
- Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [*Not Applicable/give details*]
- Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]

Details of the method and time limits for paying up and delivering the <i>Obligations de Financement de l'Habitat</i> :	[Not Applicable/give details]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/give details]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/give details]
Whether tranche(s) have been reserved for certain countries:	[Not Applicable/give details]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/give details]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/give details]
Consent of the Issuer to use the Prospectus during the Offer Period:	[Not Applicable / Applicable with respect to any Authorised Offeror specified below]
Authorised Offeror(s) in the various countries where the offer takes place:	[Not Applicable / <i>Name(s) and address(es) of the financial intermediary(ies) appointed by the Issuer to act as Authorised Offeror(s)/ Any financial intermediary which satisfies the conditions set out below in item "Conditions attached to the consent of the Issuer to use the Prospectus"</i>]
Conditions attached to the consent of the Issuer to use the Prospectus:	[Not Applicable / <i>Where the Issuer has given a general consent to any financial intermediary to use the Prospectus, specify any additional conditions to or any condition replacing those set out on pages 5 and 6 of the Base Prospectus or indicate "See conditions set out in the Base Prospectus". Where Authorised Offeror(s) have been designated herein, specify any condition</i>]

4. RATINGS

Ratings:	The Covered Bonds to be issued have been rated:
	[S&P: [●]]
	[Moody's: [●]]
	[[Other]: [●]]
	[[Each of [●], [●] and [●] is established in the [European Union] [United Kingdom] and is registered under Regulation (EC) No 1060/2009, as amended (the " CRA Regulation ") or

is registered under the CRA Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA") and is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu) in accordance with CRA Regulation.]

[[Each of [●], [●] and] [●] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, as amended, although the result of such applications has not been determined.]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**") [as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA")], but is endorsed by [insert credit rating agency] which is established in the European Union, registered under the CRA Regulation and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with CRA Regulation.]

[[Each of [●], [●] and] [●] is not established in the [European Union] [United Kingdom] and has not applied for registration under Regulation (EC) No. 1060/2009, as amended [as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA")].]

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating. A brief explanation of the meaning of the rating[s] should be included)

5. [NOTIFICATION]

The AMF, which is the French competent authority for the purposes of the Prospectus Regulation [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation.]

6. [SPECIFIC CONTROLLER]

The specific controller (*contrôleur spécifique*) of the Issuer has certified that the value of the assets of the Issuer will be greater than the value of its liabilities benefiting from the *privilège* defined in Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*), after settlement of this issue.

See attached "Specific Controller's Certificate relating to the quarterly issuance Programme for the [●] quarter of [●]" [and, "Specific Controller's Certificate relating to the issue of Covered Bonds amounting to [●]"].]

7. [THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST]

If advisors are mentioned in these Final Terms, specify the capacity in which the advisors have acted.

Specify other information mentioned in the Final Terms which has been audited or reviewed by auditors and where auditors have produced a report. Insert the report or, with permission of the competent authority, a summary of the report.

Where a statement or report attributed to a person as an expert is included in these Final Terms in respect of the Issuer or the Covered Bonds, provide such person's name, business address, qualifications and material interest if any in the Issuer. If the report has been produced at the Issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part in respect of the Issuer or the Covered Bonds.

Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In addition, the Issuer shall identify the source(s) of the information.]

8. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]]

Need to include a description of any interest, including a conflict of interest, that is material to the issue, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: "[Save as discussed in ["Subscription and Sale"]/Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer.]" (amend as appropriate if there are other interests)

[The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)]

9. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: [●]

(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from general corporate purposes will need to include those reasons here.)

(ii) Estimated net proceeds: [●]

(iii) [Estimated total expenses:] [●]/ Not Applicable *[Include breakdown of expenses.]*

10. [FIXED RATE COVERED BONDS ONLY – YIELD]

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price.
It is not an indication of future yield.]

11. FLOATING RATE COVERED BONDS ONLY - PERFORMANCE OF RATES

Details of performance rates: Details of performance of [*specify applicable benchmark*] rates can be obtained [but not] free of charge from [Reuters]/[●] / [Not Applicable]

Benchmarks: Amounts payable under the Covered Bonds will be calculated by reference to [EURIBOR/SONIA/CMS/TEC] which is provided by [the European Money Markets Institute/the Bank of England/[●]/[the Banque de France]]. As at [●], [the European Money Markets Institute/the Bank of England/[●]/[the Banque de France]] [appears/does not appear] on [the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011, as amended (the “**Benchmarks Regulation**”) / the register of administrators and benchmarks established and maintained by the Financial Conduct Authority in the United Kingdom pursuant to Article 36 of the Benchmarks Regulation as it forms part of UK domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”)].

12. OPERATIONAL INFORMATION

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes]/[No]/[Not Applicable]

[Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper, that is, held under the New Safekeeping Structure (NSS),] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

Common Code: [●]

ISIN: [●]

Depositories:

(i) Euroclear France to act as
Central Depository: [Yes/No]

(ii) Common Depository for
Euroclear Bank and Clearstream
Banking, S.A.: [Yes/No]

(iii) Common Depository for
DTC: [Yes/No]

Any clearing system(s) other than
Euroclear Bank SA/NV and
Clearstream Banking, S.A. and the
relevant identification number(s): [Not Applicable/*give name(s) and number(s) and address(es)*]

Delivery: Delivery [against/free of] payment

Names and addresses of initial
Paying Agent(s): BNP Paribas
Les Grands Moulins de Pantin
9, rue du Débarcadère
93500 Pantin
France

Names and addresses of additional
Paying Agent(s) (if any): [●]

[ANNEX – ISSUE SPECIFIC SUMMARY]

[insert the issue specific summary]

FORM OF FINAL TERMS 2

(This form of Final Terms will only apply to the French law Covered Bonds. The form of final terms applicable to the German law Covered Bonds is included in the Agency Agreement)

FORM OF FINAL TERMS FOR USE IN CONNECTION WITH ISSUES OF COVERED BONDS WITH A DENOMINATION OF AT LEAST EUR100,000 (OR ITS EQUIVALENT IN ANOTHER CURRENCY) TO BE LISTED AND ADMITTED TO TRADING ON AN EUROPEAN ECONOMIC AREA OR UK REGULATED MARKET

[MiFID II PRODUCT GOVERNANCE/ RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES TARGET MARKET – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018, has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU, as amended (“**MiFID II**”); and (ii) all channels for distribution of the Covered Bonds are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services. Any person subsequently offering, selling or recommending the Covered Bonds (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]⁷

[UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018 (in accordance with the FCA’s policy statement entitled “*Brexit our approach to EU non-legislative materials*”), has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Covered Bonds (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]⁸

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU, as amended (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of [Directive 2014/65/EU, as amended (“**MiFID II**”)/MiFID II]. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the “**PRIIPs Regulation**”) for offering or selling the Covered

⁷ Legend to be included following completion of the target market assessment in respect of the Covered Bonds, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 5 February 2018.

⁸ Legend to be included following completion of the target market assessment in respect of the Covered Bonds, taking into account the FCA Handbook Product Intervention and Product Governance Sourcebook.

Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]⁹

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the [Financial Services and Markets Act 2000, as amended (the “**FSMA**”)/FSMA] and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]¹⁰

⁹ Delete legend if the offer of the Covered Bonds do not constitute “packaged” products under the PRIIPs Regulation and no key information document (KID) will be prepared, in which case, insert “Not Applicable” in paragraph 1(vi) of Part B below.

¹⁰ Delete legend if the Covered Bonds do not constitute “packaged” products under the UK PRIIPs Regulation and no key information document (KID) will be prepared, in which case, insert “Not Applicable” in paragraph 1(vii) of Part B below.

Final Terms dated [●]



HSBC SFH (France)

Legal entity identifier ("LEI"): [969500HCJLWDO4YCYT40]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]
under the €10,000,000,000 Covered Bond Programme

Issue Price: [●] per cent.

[Name(s) of Dealer(s)]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 8 March 2023 which received the approval number 22-060 from the *Autorité des marchés financiers* ("**AMF**") in France on 8 March 2023 [and the supplement to the Base Prospectus dated [●]] which received the approval number [●] from the AMF on [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**").

This document constitutes the **Final Terms** of the Covered Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented] in order to obtain all the relevant information. The Base Prospectus [, the supplement to the Base Prospectus] and these Final Terms are available for viewing on the websites of (a) the AMF (www.amf-france.org) and (b) HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds). [In addition¹, the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [on/at] [●].]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]] ([together] the "**Original Base Prospectus**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") and must be read in conjunction with the Base Prospectus dated 8 March 2023 which received the approval number 23-068 from the *Autorité des marchés financiers* (the "**AMF**") in France on 8 March 2023 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Current Base Prospectus**"), save in respect of the Conditions which are extracted from the Original Base Prospectus and are attached hereto. The [Original Base Prospectus, the] Current Base Prospectus and these Final Terms are available for viewing on the websites of (a) the AMF (www.amf-france.org) and (b) HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds). [In addition², the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [on/at] [●].]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs in which case sub-paragraphs which are not applicable can be deleted. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a forty-eight (48)-hour time period.]

- | | | |
|----|--------------------------------------|-------------------|
| 1. | Issuer: | HSBC SFH (France) |
| 2. | [(i) Series Number: | [●] |
| | [(ii) Tranche Number: | [●] |

¹ If the Covered Bonds are admitted to trading on a Regulated Market other than the Luxembourg Stock Exchange.

² If the Covered Bonds are admitted to trading on a Regulated Market other than the Luxembourg Stock Exchange.

[(iii) Date on which the Covered Bonds become Fungible:	[Not Applicable/ The Covered Bonds will be assimilated (<i>assimilées</i>) and form a single series with the existing [<i>insert description of the Series</i>] issued by the Issuer on [<i>insert date</i>] as from the date of assimilation which is expected to be on or about [●]]
3. Specified Currency or Currencies:	[●]
4. Aggregate Nominal Amount of Covered Bonds:	[●]
[(i) Series:	[●]
[(ii) Tranche:	[●]]
5. Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [<i>insert date</i>] (<i>if applicable</i>)]
6. Specified Denominations:	[●] (<i>one (1) denomination only for Dematerialised Covered Bonds</i>) (<i>Not less than €100,000 or its equivalent in other currency at the Issue Date, when the Covered Bonds are admitted to trading on a Regulated Market in circumstances which require the publication of a prospectus under the Prospectus Regulation</i>) ³
7. (i) Issue Date:	[●]
(ii) Interest Commencement Date:	[Specify/Issue Date/Not Applicable]
8. Final Maturity Date:	[Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year]
Extended Final Maturity Date:	[Specify date] provided a Maturity Extension Trigger Event occurs (as specified in Condition 7(a))/[Not Applicable] [<i>If applicable specify date</i>]
9. Interest Basis:	[[●] per cent. Fixed Rate] [[<i>Compounded Daily SONIA, EURIBOR, CMS, TEC or other</i>] +/- [●] per cent. Floating Rate] [Fixed/Floating Rate] [Zero Coupon] (<i>further particulars specified below</i>)
10. Redemption/Payment Basis:	[Redemption at par] [Instalment] (<i>further particulars specified below</i>)

³ Covered Bonds denominated in Sterling in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitute a contravention of section 19 of FSMA and having a maturity of less than one year must have a minimum denomination of Sterling 100,000 (or its equivalent in other currencies).

- 11. Change of Interest or Redemption/Payment Basis:** [Applicable/Not Applicable] [*Specify the date where any fixed to floating rate or floating to fixed rate change occurs or refer to paragraphs 14 and 15 below and identify there*]
- 12. Put/Call Options:** [Bondholder Put]
[Issuer Call]
[(*further particulars specified below*)]
- 13. (i) Status of the Covered Bonds:** Senior
- (ii) Date of Board approval for issuance of Covered Bonds obtained:** [●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14. Fixed Rate Covered Bond Provisions:** [In respect of Fixed/Floating Rate Covered Bonds: from (and including) [●] to (but excluding) [●]:]
[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually / semi-annually / quarterly / monthly / other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [*where applicable*: adjusted pursuant to the [*specify applicable Business Day Convention*]]
- (iii) Fixed Coupon Amount[(s)]: [●] per [●] in Specified Denomination
- (iv) Broken Amount(s): [[●] per Specified Denomination payable on the Interest Payment Date falling [in/on][●]][*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / *include any other option from the Conditions*]
- (vi) [Determination Dates: [●] in each year
(insert regular Interest Payment Dates, ignoring Issue Date or Final Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]

15. Floating Rate Covered Bond Provisions:

[In respect of Fixed/Floating Rate Covered Bonds:
from (and including) [●] to (but excluding) [●]:]
[Applicable [if the Final Maturity Date is extended
until Extended Final Maturity Date]/Not
Applicable]

*(If not applicable, delete the remaining sub-
paragraphs of this paragraph)*

- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Interest Period Date: [●] [Interest Payment Date / Other (*specify*)]
- (v) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)] [Insert "*unadjusted*" if the application of the relevant Business Day Convention is not intended to affect the Interest Amount]
- (vi) Business Centre(s) (Condition 6(a)): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate
Determination/ISDA
Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [●]
- (ix) Screen Rate Determination: [Applicable/Not Applicable]
 - Benchmark: [●] (*specify Benchmark [Compounded Daily SONIA, EURIBOR, CMS, TEC or other] and months [e.g. EURIBOR 3 months] (additional information if necessary)*)
 - Reference Rate: [Compounded Daily SONIA]
 - Relevant Time: [●]
 - Interest Determination Date(s): [●]
 - Primary Source: [*Specify relevant screen page or "Reference Banks"*]
 - Reference Banks (if Primary Source is "Reference Banks"): [*Specify four*]

•	Relevant Financial Centre:	<i>[The financial centre most closely connected to the benchmark - specify if not Paris]</i>
•	SONIA Lag Period (p):	[five/[●] London Business Days]/[Not Applicable]
•	Representative Amount:	<i>[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]</i>
•	Effective Date:	<i>[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]</i>
•	Specified Duration:	<i>[Specify period for quotation if not duration of Interest Accrual Period]</i>
•	Observation Method:	[Lag][Lock-Out][Shift]
•	Index Determination:	[Applicable/Not Applicable] <i>[Where Index Determination is applicable, "Shift" should be specified as the Observation Method]</i>
(x)	ISDA Determination:	[Applicable/Not Applicable]
•	Floating Rate Option:	[●]
•	Designated Maturity:	[●]
•	Reset Date:	[●]
•	ISDA Definitions:	2006 ISDA Definitions
(xi)	Margin(s) ⁵ :	[+/-] [●] per cent. per annum
(xii)	Minimum Rate of Interest ⁶ :	[0.00 per cent. per annum / [●] per cent. per annum]
(xiii)	Maximum Rate of Interest:	[Not Applicable/[●] per cent. per annum]
(xiv)	Day Count Fraction:	[●]
16.	Zero Coupon Covered Bond Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Amortisation Yield:	[●] per cent. per annum
(ii)	Day Count Fraction:	[●]

PROVISIONS RELATING TO REDEMPTION

17.	Call Option:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[●]

⁵ In no event shall the amount of interest be less than zero.

⁶ In no event shall the amount of interest be less than zero.

- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Covered Bond of [●] specified denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●]
- (b) Maximum Redemption Amount: [●]
- (iv) Option Exercise Date [●]
- (v) Notice period⁷: [●]
- 18. Put Option:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Covered Bond of [●] Specified Denomination
- (iii) Option Exercise Date [●]
- (iv) Notice period⁸: [●]
- 19. Final Redemption Amount of each Covered Bond:** [[●] per Covered Bond of [●] Specified Denomination / Specified Denomination/Other (Specify)]
- 20. Redemption by Instalments:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Other terms relating to Redemption by Instalments: [Not Applicable/give details]
- 21. Early Redemption Amount:**
- Early Redemption Amount(s) of each Covered Bond payable on redemption for taxation reasons or on event of default or other early

⁷ If setting notice periods which are different to those provided in the Terms and Conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

⁸ If setting notice periods which are different to those provided in the Terms and Conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

redemption and/or the method of calculating the same and/or any other terms:

[●] per Specified Denomination

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

- 22. Form of Covered Bonds:** [Dematerialised Covered Bonds/ Materialised Covered Bonds] (Materialised Covered Bonds are only in bearer form)
[Delete as appropriate]
- (i) Form of Dematerialised Covered Bonds: [Not Applicable / if Applicable specify whether bearer form (*au porteur*) / registered form (*au nominatif*)]
- (ii) Registration Agent: [Not Applicable/if applicable give name and address] (Note that a Registration Agent must be appointed in relation to Fully Registered Dematerialised Covered Bonds only)
- (iii) Temporary Global Certificate: [Not Applicable/Temporary Global Certificate exchangeable for Definitive Materialised Covered Bonds on [●] (the "**Exchange Date**"), being forty (40) days after the Issue Date subject to postponement as specified in the Temporary Global Certificate]
- 23. Financial Centre(s) or other special provisions relating to payment dates for the purposes of Condition 8(g):** [Not Applicable/Give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 15 (ii), 16(iv) and 18(ix) relate]
- 24. Talons for future Coupons or Receipts to be attached to Definitive Materialised Covered Bonds (and dates on which such Talons mature):** [Yes/No/Not Applicable. If yes, give details] (Only applicable to Materialised Covered Bonds)
- 25. Purchase in accordance with applicable French laws and regulations:** [Not Applicable/Applicable]
- 26. Details relating to Instalment Covered Bonds: amount of each instalment, date on which each payment is to be made:** [Not Applicable/give details]
- 27. Redenomination:** [Not Applicable/The provisions [in Condition 2(d)] apply]
- 28. Consolidation provisions:** [Not Applicable/The provisions [in Condition 16(b)] apply]

29. Masse (Condition 12):

[Full *Masse*]/[Contractual *Masse*] shall apply]

(Note that: (i) in respect of any Tranche of Covered Bonds issued outside France, Condition 12(b) (Contractual *Masse*) may be elected by the Issuer, and (ii) in respect of any Tranche of Covered Bonds issued inside France, Condition 12(a) (Full *Masse*) shall apply. Insert below details of Representative and Alternative Representative and remuneration, if any:)

[Name and address of the Representative: [●]]

[Name and address of the alternate Representative: [●]]

[The Representative will receive no remuneration/The Representative will receive a remuneration of [●]]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of HSBC SFH (France):

By:

Duly authorised as legal representative of HSBC SFH (France)

PART B – OTHER INFORMATION

1. DISTRIBUTION

- | | | |
|-------|---|--|
| (i) | If syndicated, names of Managers: | [Not Applicable/ <i>give names</i>] |
| (ii) | Stabilisation Manager(s) (if any): | [Not Applicable/ <i>give name</i>] |
| (iii) | If non-syndicated, name of Dealer: | [Not Applicable/ <i>give name</i>] |
| [(iv) | Total commission: | [●]] |
| (v) | U.S. selling restrictions: | <p>[The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.]</p> <p>[TEFRA C/ TEFRA D/ TEFRA not Applicable]
 <i>(TEFRA are not applicable to Dematerialised Covered Bonds)</i></p> |
| (vi) | Prohibition of Sales to EEA Retail Investors: | <p>[Not Applicable/Applicable]</p> <p><i>(If the offer of the Covered Bonds does not constitute “packaged” products, “Not Applicable” should be specified. If the offer of the Covered Bonds may constitute “packaged” products and no key information document will be prepared in the EEA, “Applicable” should be specified and the legend entitled “Prohibition of Sales to EEA Retail Investors” on the cover page of the Final Terms should be included. For the purpose of the above, a “packaged” product shall designate a “packaged retail investment product” which means in accordance with Regulation (EU) No 1286/2014 of 26 November 2014 an investment, where, regardless of the legal form of the investment, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor.)</i></p> |
| (vii) | Prohibition of Sales to UK Retail Investors: | <p>[Not Applicable/Applicable]</p> <p><i>(If the offer of the Covered Bonds does not constitute “packaged” products, “Not Applicable” should be specified. If the offer of the Covered Bonds may constitute “packaged” products and no key information document will be prepared in the UK, “Applicable” should be specified and the legend entitled “Prohibition of Sales to UK Retail Investors” on the cover page of the Final Terms should be included.)</i></p> |

2. LISTING AND ADMISSION TO TRADING

- (i) Listing(s): [Euronext Paris - other (*specify*)/None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market*] with effect from [●].][Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market*] with effect from [●].] [Not Applicable]
- (Where documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)
- (iii) Regulated Markets or equivalent markets on which, to the knowledge of the Issuer, securities of the same class of the Covered Bonds to be admitted to trading are already admitted to trading: [[●]/Not Applicable]
- (iv) Estimate of total expenses related to admission to trading: [●]
- (v) Additional publication of Base Prospectus and Final Terms: [●] (*See paragraph 10 of the section "General Information" of this Base Prospectus which provides that the Base Prospectus and Final Terms will be published on the website of the AMF at least during a period of twelve (12) months from the date of the Base Prospectus and that the Final Terms related to Covered Bonds on any Regulated Market will be published on the website of the AMF. Please provide for additional methods of publication in respect of an admission to trading on a regulated market other than Euronext Paris.*)

3. RATINGS

- Ratings: The Covered Bonds to be issued have been rated:
- [S&P: [●]]
- [Moody's: [●]]
- [[Other]: [●]]
- [[Each of [●], [●] and] [●] is established in the [European Union] [the United Kingdom] and is registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**") or is registered under the CRA Regulation as it forms part of UK domestic law by virtue of the European Union

(Withdrawal) Act 2018 (the "EUWA") and is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu) in accordance with CRA Regulation.]

[[Each of [●], [●] and] [●] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, as amended, although the result of such applications has not been determined.]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EC) No 1060/2009, as amended (the "CRA Regulation") [as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA")], but is endorsed by [*insert credit rating agency*] which is established in the European Union, registered under the CRA Regulation and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with CRA Regulation.]

[[Each of [●], [●] and] [●] is not established in the [European Union][United Kingdom] and has not applied for registration under Regulation (EC) No. 1060/2009, as amended [as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA")].]

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating. A brief explanation of the meaning of the rating[s] should also be included.)

4. [NOTIFICATION]

The AMF, which is the French competent authority for the purposes of the Prospectus Regulation [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation.]

5. [SPECIFIC CONTROLLER]

The specific controller (*contrôleur spécifique*) of the Issuer has certified that the value of the assets of the Issuer will be greater than the value of its liabilities benefiting from the *privilège* defined in Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*), after settlement of this issue.

See attached "Specific Controller's Certificate relating to the quarterly issuance Programme for the [●] quarter of [●]" [and, "Specific Controller's Certificate relating to the issue of Covered Bonds amounting to [●]"].]

6. [THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

If advisors are mentioned in these Final Terms, specify the capacity in which the advisors have acted.

Specify other information mentioned in the Final Terms which has been audited or reviewed by auditors and where auditors have produced a report. Insert the report or, with permission of the competent authority, a summary of the report.

Where a statement or report attributed to a person as an expert is included in these Final Terms in respect of the Issuer or the Covered Bonds, provide such person's name, business address, qualifications and material interest if any in the Issuer. If the report has been produced at the Issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part in respect of the Issuer or the Covered Bonds.

Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In addition, the Issuer shall identify the source(s) of the information.]

7. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including a conflict of interest, that is material to the issue, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: "[Save as discussed in ["Subscription and Sale"]]/Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer." (amend as appropriate if there are other interests)

[The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)]

8. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i) Reasons for the offer: [●]

(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from general corporate purposes will need to include those reasons here.)

(ii) Estimated net proceeds: [●]

9. [FIXED RATE COVERED BONDS ONLY – YIELD]

Indication of yield: [●].

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

10. FLOATING RATE COVERED BONDS ONLY - PERFORMANCE OF RATES

Performance of rates: Details of performance of [*specify applicable benchmark*] rates can be obtained [but not] free of charge from [Reuters]/[●] / [Not Applicable]

Benchmarks: Amounts payable under the Covered Bonds will be calculated by reference to [EURIBOR/SONIA/CMS/TEC] which is provided by [the European Money Markets Institute/the Bank of England/[●]/[the Banque de France]]. As at [●], [the European Money Markets Institute/the Bank of England/[●]/[the Banque de France]] [appears/does not appear] on [the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011, as amended (the “**Benchmarks Regulation**”) / the register of administrators and benchmarks established and maintained by the Financial Conduct Authority in the United Kingdom pursuant to Article 36 of the Benchmarks Regulation as it forms part of UK domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”)].

11. OPERATIONAL INFORMATION

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes]/[No]/[Not Applicable]

[Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper, that is, held under the New Safekeeping Structure (NSS),] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

Common Code: [●]

ISIN: [●]

Depositories:

(i) Euroclear France to act as
Central Depositary: [Yes/No]

(ii) Common Depositary for
Euroclear Bank and Clearstream
Banking, S.A.: [Yes/No]

(iii) Common Depositary for
DTC: [Yes/No]

Any clearing system(s) other
than Euroclear Bank SA/NV
and Clearstream Banking, S.A.
and the relevant identification
number(s): [Not Applicable/*give name(s) and number(s) and address(es)*]

Delivery: Delivery [against/free of] payment

Names and addresses of initial
Paying Agent(s): BNP Paribas
Les Grands Moulins de Pantin
9, rue du Débarcadère
93500 Pantin
France

Names and addresses of
additional Paying Agent(s) (if
any): [●]

**ATTESTATION DU CONTROLEUR SPECIFIQUE RELATIVE AU RESPECT DU RATIO DE
COUVERTURE DANS LE CADRE DE PROGRAMMES TRIMESTRIELS D'EMISSIONS DE
RESSOURCES PRIVILEGIEES**

([●ème] TRIMESTRE [●])

Au Conseil d'administration de HSBC SFH (France),

En notre qualité de contrôleur spécifique de HSBC SFH (France) et en exécution des dispositions prévues par les Articles L.513-23 et R.513-16 du Code monétaire et financier, nous avons procédé à la vérification du respect des règles relatives au ratio de couverture prévues aux Articles L.513-12 et R.513-8 du Code monétaire et financier, dans le cadre du programme du [●] trimestre d'émissions des ressources bénéficiant du privilège mentionné à l'Article L.513-11 de ce même Code.

Par décision en date du [●], le conseil d'administration de HSBC SFH (France) a fixé le plafond maximum du programme d'émissions de ressources bénéficiant du privilège institué par l'Article L.513-11 du Code monétaire et financier, à [●] Euros, pour la période allant du [●] au [●].

L'Article L.513-12 du Code monétaire et financier dispose que le montant total des éléments d'actif des sociétés de financement de l'habitat doit être supérieur au montant des éléments de passif bénéficiant du privilège mentionné à l'Article L.513-11 de ce Code. En outre, l'Article R.513-8 de ce code dispose que les sociétés de financement de l'habitat sont tenues de respecter à tout moment un ratio de couverture des ressources privilégiées par les éléments d'actifs au moins égal à 105%.

Il nous appartient d'attester du respect de ces règles dans le cadre du présent programme trimestriel d'émissions.

Le respect de ces règles, compte tenu du programme trimestriel d'émissions visé ci-dessus, a été vérifié sur la base d'informations financières estimées, au titre de la période courue, et prévisionnelles, au titre de la période à venir, établies sous votre responsabilité. Les informations financières prévisionnelles ont été établies à partir des hypothèses traduisant la situation future que vous avez estimé la plus probable à la date de leur établissement. Ces informations sont jointes à la présente attestation.

Nous avons mis en œuvre les diligences que nous avons estimé nécessaires au regard de la doctrine professionnelle de la Compagnie Nationale des Commissaires aux Comptes, relative à cette mission.

Nos travaux ont consisté à :

- vérifier la conformité du montant du programme trimestriel d'émissions avec le procès-verbal de l'organe autorisant ces émissions ;
- examiner le processus d'élaboration des données financières prévisionnelles tenant compte du présent programme trimestriel d'émissions, étant rappelé que, s'agissant de prévisions présentant par nature un caractère incertain, les réalisations différeront parfois de manière significative des informations prévisionnelles établies ;
- vérifier les modalités de calcul du ratio de couverture issu de ces données prévisionnelles, telles qu'elles sont prévues par les dispositions du règlement 99-10 du Comité de la réglementation bancaire et financière et par l'instruction 2022-I-03 de l'Autorité de contrôle prudentiel et de résolution ;
- vérifier le respect des règles prévues aux Articles L.513-12 et R.513-8 du Code monétaire et financier sur la base de ces données financières prévisionnelles.

Sur la base de nos travaux, nous n'avons pas d'observation à formuler sur le respect, par HSBC SFH (France), des dispositions prévues aux Articles L.513-12 et R.513-8 du Code monétaire et financier, après prise en compte du présent programme trimestriel d'émissions.

Cette attestation est établie à votre attention dans le contexte décrit ci-avant et ne doit pas être utilisée, diffusée, ou citée à d'autres fins. En notre qualité de Contrôleur Spécifique de votre société, notre responsabilité est définie par la loi française et nous n'acceptons aucune extension de notre responsabilité au-delà de celle prévue par la loi

française. Les juridictions françaises ont compétence exclusive pour connaître de tout litige, réclamation ou différend pouvant résulter de la présente attestation ou de toute question s'y rapportant.

Le [date]

Le Contrôleur Spécifique

[cabinet du Contrôleur Spécifique]

[adresse]

ANNEXE

Montants après prise en compte du présent programme d'émissions de EUR [●]

En millions d'euros	Estimé	Prévisionnel
	Au [●]	Au [●]
Total des emplois pondérés (*)	[●]	[●]
Total des ressources bénéficiant du privilège mentionné à l'Article L.513-11 du Code monétaire et financier et des coûts prévus de maintenance et de gestion prévus à l'article 8 du règlement n°99-10 du Comité de la réglementation bancaire et financière	[●]	[●]

(*) En considérant les actifs reçus à titre de garantie, en nantissement ou en pleine propriété et non les créances garanties figurant à l'actif du bilan de la société.

CERTIFICATE OF THE SPECIFIC CONTROLLER RELATING TO ISSUANCE PROGRAMME OF LIABILITIES FOR THE [X] QUARTER OF [X]

FREE TRANSLATION FROM FRENCH

To the Board of Directors of HSBC SFH (France),

In our capacity as Specific Controller (*contrôleur spécifique*) of HSBC SFH (France) and pursuant to the provisions set forth in Articles L.513-23 and R.513-16 of the French Monetary and Financial Code (*Code monétaire et financier*), we have verified the compliance with the rules related to the coverage ratio provided for in Articles L.513-12 and R.513-8 of the French Monetary and Financial Code (*Code monétaire et financier*) pursuant to the issuance programme of liabilities for the [X] quarter of [x] benefiting from the privileged right mentioned in Article L.513-11 of such code.

In a decision dated [x], the Board of Directors of HSBC SFH (France) set the maximum amount of the issuance programme of liabilities benefiting from the privileged right mentioned in Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*) to [X], for the period from [x] to [x].

Article L.513-12 of the French Monetary and Financial Code (*Code monétaire et financier*) states that the total amount of assets held by sociétés de financement de l'habitat (special purpose real property credit companies) must be greater than the amount of liabilities which benefit from the privileged right mentioned in Article L.513-11 of such code. Furthermore, Article R.513-8 of such code provides that sociétés de financement de l'habitat must all the time maintain a coverage ratio of at least 105 per cent. of their assets to the total amount of their liabilities benefiting from the statutory privileged right.

It is our responsibility to certify the compliance with these rules within the scope of this quarterly issuance programme.

Compliance with these rules, in view of the aforementioned quarterly issuance programme, was verified on the basis of estimated financial data, in respect of the period elapsed, and forecasted financial data, in respect of the future period, drawn up under your responsibility. The forecasted financial data were drawn up on the basis of assumptions which reflect the future position that you deemed to be most probable as of the date that they were drawn up. This information is presented in an appendix to this report.

We performed our review in accordance with the professional guidelines of the Compagnie Nationale des Commissaires aux Comptes (National Association of Statutory Auditors) that are applicable to this type of assessment.

Our work consisted in:

- verifying the conformity of the amount of the quarterly issuance programme of liabilities with the minutes of the board of directors authorizing these issuances,
- examining the process for presenting the forecasted financial data including the aforementioned quarterly issuance programme, considering that, as the forecasts are uncertain by nature, the actual results could differ significantly from the forecasted data presented,
- verifying the procedures for calculating the forecasted coverage ratio provided for in Regulation No. 99-10 of the French Banking and Financial Regulation Committee and by Instruction 2022-I-03 of *Autorité de contrôle prudentiel et de résolution* (ACPR),
- verifying compliance with the rules set forth in Articles L.513-12 and R.513-8 of the French Monetary and Financial Code (*Code monétaire et financier*), based on the forecasted financial data.

Based on our work, we have no comments to make with respect to compliance by HSBC SFH (France) with Articles L.513-12 and R.513-8 of the French Monetary and Financial Code (*Code monétaire et financier*), after taking into account of the aforementioned quarterly issuance programme of liabilities.

This certificate is established for your only attention and should not be used, transmitted or quoted for any other purposes. As Specific Controller of your company, our responsibility is defined by the French law and we don't accept any extension of our responsibility beyond what the French law provided. French courts have exclusive jurisdiction in any issue, claim or dispute arising out of this certificate or any matter relating thereto.

On [date],

The Specific Controller

[name of the Specific Controller]

[address]

APPENDIX

Figures after taking into account current issue Programme of EUR [●]

In million of EUR	Estimated Figures	Forecasted Figures
	As of [●]	As of [●]
Total of weighed assets (*)	[●]	[●]
Total sources of funds that qualify for the privileged right mentioned in Article L.513-11 of the French Monetary and Financial Code (<i>Code monétaire et financier</i>) and expected costs related to maintenance and administration set forth in Article 8 of the Regulation N°99-10 of French Banking and Financial Regulations Committee	[●]	[●]

(*) By considering the eligible collateral assets transferred as collateral security.

**ATTESTATION DU CONTROLEUR SPECIFIQUE RELATIVE AU RESPECT DU RATIO DE
COUVERTURE DANS LE CADRE D'EMISSIONS INDIVIDUELLES DE RESSOURCES
SUPERIEURES OU EGALES A 500 MILLIONS D'EUROS**

Au Conseil d'administration de HSBC SFH (France),

En notre qualité de contrôleur spécifique de HSBC SFH (France) et en exécution des dispositions prévues par les Articles L.513-23 et R.513-16 du Code monétaire et financier, nous avons procédé à la vérification du respect des règles relatives au ratio de couverture prévues aux Articles L.513-12 et R.513-8 du Code monétaire et financier, dans le cadre de l'émission d'obligations de financement de l'habitat d'une valeur unitaire au moins égale à 500 millions d'Euros.

Par décision en date du [●], le conseil d'administration de HSBC SFH (France) a fixé le plafond maximum du Programme d'émissions de ressources bénéficiant du privilège institué par l'Article L.513-11 du Code monétaire et financier, à [●] Euros, pour la période allant du [●] au [●].

Dans le cadre de ce programme trimestriel d'émissions, par décision en date du [●], le directeur général de HSBC SFH (France) a autorisé une émission de ressources bénéficiant du privilège institué par l'Article L.513-11 du Code monétaire et financier, pour un montant de [●] Euros.

L'Article L.513-12 du Code monétaire et financier dispose que le montant total des éléments d'actif des sociétés de financement de l'habitat doit être supérieur au montant des éléments de passif bénéficiant du privilège mentionné à l'Article L.513-11 de ce Code. En outre, l'Article R.513-8 de ce code dispose que les sociétés de financement de l'habitat sont tenues de respecter à tout moment un ratio de couverture des ressources privilégiées par les éléments d'actifs au moins égal à 105%.

Il nous appartient d'attester du respect de ces règles au titre de la présente opération.

Le respect de ces règles, après prise en compte de l'émission susvisée, a été vérifié sur la base d'informations financières estimées et prévisionnelles établies sous votre responsabilité. Les informations financières prévisionnelles ont été établies à partir des hypothèses traduisant la situation future que vous avez estimé la plus probable à la date de la présente émission. Ces informations sont jointes à la présente attestation.

Nous avons mis en œuvre les diligences que nous avons estimé nécessaires au regard de la doctrine professionnelle de la Compagnie Nationale des Commissaires aux Comptes relative à cette mission.

Nos travaux ont consisté à :

- vérifier la conformité du montant de l'émission visée ci-dessus avec le procès-verbal de l'organe autorisant cette émission ;
- examiner le processus d'élaboration des données financières prévisionnelles tenant compte de la présente émission, étant rappelé que, s'agissant de prévisions présentant par nature un caractère incertain, les réalisations différeront parfois de manière significative des informations prévisionnelles établies ;
- vérifier les modalités de calcul du ratio de couverture issu de ces données prévisionnelles, telles qu'elles sont prévues par les dispositions du règlement 99-10 du Comité de la réglementation bancaire et financière et par l' instruction 2022-I-03 de l'Autorité de contrôle prudentiel et de résolution ;
- vérifier le respect des règles prévues aux Articles L.513-12 et R.513-8 du Code monétaire et financier sur la base de ces données financières prévisionnelles.

Sur la base de nos travaux, nous n'avons pas d'observation à formuler sur le respect, par HSBC SFH (France), des dispositions prévues aux Articles L.513-12 et R.513-8 du Code monétaire et financier après prise en compte de la présente émission visée ci-dessus.

Cette attestation est établie à votre attention dans le contexte décrit ci-avant et ne doit pas être utilisée, diffusée, ou citée à d'autres fins. En notre qualité de Contrôleur Spécifique de votre société, notre responsabilité est définie par la loi française et nous n'acceptons aucune extension de notre responsabilité au-delà de celle prévue par la loi française. Les juridictions françaises ont compétence exclusive pour connaître de tout litige, réclamation ou différend pouvant résulter de la présente attestation ou de toute question s'y rapportant.

Le [date]

Le Contrôleur Spécifique

[cabinet du Contrôleur Spécifique]

[adresse]

ANNEXE

Montants après prise en compte des émissions obligataires réalisées du [●] au [●], y compris la présente émission de [●] (date de règlement [●])

En millions d'euros	Estimé	Prévisionnel
	Au [●]	Au [●]
Total des emplois pondérés (*)	[●]	[●]
Total des ressources bénéficiant du privilège mentionné à l'Article L.513-11 du Code monétaire et financier et des coûts prévus de maintenance et de gestion prévus à l'article 8 du règlement n°99-10 du Comité de la réglementation bancaire et financière	[●]	[●]

(*) En considérant les actifs reçus à titre de garantie, en nantissement ou en pleine propriété et non les créances garanties figurant à l'actif du bilan de la société.

**CERTIFICATE OF THE SPECIFIC CONTROLLER RELATING TO THE RESPECT OF THE LEGAL
COVER RATIO WITHIN THE FRAMEWORK OF THE NOTE ISSUANCE OF AT LEAST EUR 500
MILLION**

FREE TRANSLATION FROM FRENCH

To the Board of Directors of HSBC SFH (France),

In our capacity of specific controller (*contrôleur spécifique*) of HSBC SFH (France) and pursuant to the provisions set forth in Articles L.513-23 and R.513-16 of the French Monetary and Financial Code (*Code monétaire et financier*), we have verified the compliance with the rules provided for in Articles L.513-12 and R.513-8 pursuant to the French Monetary and Financial Code (*Code monétaire et financier*) within the framework of the note issuance of at least €500 million.

In a decision dated [x], the board of directors of HSBC SFH (France) set the maximum amount of the issuance programme benefiting from the statutory privileged right of payment set forth in Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*) at [x], for the period from [x] to [x].

Within the scope of this quarterly issuance programme, in a decision dated [x], the Managing Director of HSBC SFH (France) approved a note issuance benefiting from the statutory privileged right of payment set forth in Article L.513-11 of the French Monetary and Financial Code (*Code monétaire et financier*), for an amount of [x].

Article L.513-12 of the French Monetary and Financial Code (*Code monétaire et financier*) states that the total amount of assets held by sociétés de financement de l'habitat (special purpose real property credit companies) must be greater than the amount of liabilities benefiting from the privileged right of payment mentioned in Article L.513-11 of such code. Furthermore, Article R.513-8 of such code provides that sociétés de financement de l'habitat must all the time maintain a cover ratio of at least 105 per cent. of their assets to the total amount of their liabilities benefiting from the statutory privileged right.

It is our responsibility to certify the compliance with such rules for the issuance at stake.

Compliance with these rules, after taking into account the aforementioned note issuance, was verified on the basis of estimated and forecasted financial data, drawn up under your responsibility. The forecasted financial data were drawn up on the basis of assumptions which reflect the position that you deemed to be most likely as of the date of the issuance at stake. This information is presented in an appendix to this report.

We performed our review in accordance with the professional guidelines of the *Compagnie Nationale des Commissaires aux Comptes* (National Association of Statutory Auditors) that are applicable to this type of assessment.

Our work consisted in:

- verifying the conformity for the amount of the note issuance of liabilities with the decision authorizing this issue,
- examining the process of presenting the forecasted financial data including the aforementioned issue, considering that, as the forecasts are uncertain by nature, the actual results could differ significantly from the forecasted data presented,
- verifying the procedures for calculating the forecasted coverage ratio provided for in Regulation no. 99-10 of the French Banking and Financial Regulation Committee and by Instruction 2022-I-03 of *Autorité de contrôle prudentiel et de résolution*,
- verifying compliance with the rules set forth in Articles L.513-12 and R.513-8 of the French Monetary and Financial Code (*Code monétaire et financier*), based on the forecasted financial data.

Based on our work, we have no comments with respect to the compliance by HSBC SFH (France) with Articles L.513-12 and R.513-8 of the French Monetary and Financial Code (*Code monétaire et financier*), after taking into account of the aforementioned note issuance.

This certificate is established for your only attention and should not be used, transmitted or quoted for any other purposes. As Specific Controller of your company, our responsibility is defined by the French law and we don't accept any extension of our responsibility beyond what the French law provided. French courts have exclusive jurisdiction in any issue, claim or dispute arising out of this certificate or any matter relating thereto.

On [date],

The Specific Controller

[name of the Specific Controller]

[address]

APPENDIX

Figures after taking into account the Covered Bonds issues for the period from [●] to [●] including the present issue of [●] (value date [●]).

In million of EUR	Estimated figures	Forecasted Figures
	As of [●]	As of [●]
Total of weighed assets (*)	[●]	[●]
Total sources of funds that benefit from the <i>privilège</i> mentioned in Article L.513-11 of the French Monetary and Financial Code (<i>Code monétaire et financier</i>) and expected costs related to maintenance and administration set forth in Article 8 of the Regulation N°99-10 of French Banking and Financial Regulations Committee	[●]	[●]

(*) By considering the eligible collateral assets transferred as collateral security.

GENERAL INFORMATION

- (1) Application has been made for the AMF to approve this document as a base prospectus in its capacity as competent authority under the Prospectus Regulation. The AMF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Covered Bonds that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Covered Bonds. This Base Prospectus has received approval number 23-068 on 8 March 2023. Application will be made in certain circumstances to list and admit the Covered Bonds on Euronext Paris and application may be made for the listing and admission to trading on any other Regulated Market in a Member State of the EEA.
- (2) The Issuer has obtained all necessary corporate and other consents, approvals and authorisations in France in connection with the update of the Programme including authorisations by the general meeting of shareholders (*assemblée générale d'actionnaires*) of the Issuer dated 7 March 2023 and the board of directors (*conseil d'administration*) of the Issuer dated 7 March 2023. 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 7 March 2023 decided the increase of the Programme limit from €8,000,000,000 to €10,000,000,000 and delegated for a period of one year to Mr. Pierre Bouvy, Chief Executive Officer (*directeur général*) of the Issuer and to Mrs. Agnieszka Bojarska-Serres, Deputy Chief Executive Officer (*directrice générale déléguée*), the power to decide the issue of bonds (*obligations*) under the Programme, governed by French or foreign law, up to an amount of €3,500,000,000 (or its equivalent in any other currency).
- (3) Save as disclosed in this Base Prospectus, there has been no significant change in the financial position or financial performance of the Issuer since 31 December 2022.
- (4) Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 December 2022.
- (5) Save as disclosed in this Base Prospectus, there are no events particular to the Issuer which are to a material extent relevant to an evaluation of its solvency.
- (6) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceeding which are pending or threatened of which the Issuer is aware) during a period covering at least the previous twelve (12) months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.
- (7) Save as disclosed in the Base Prospectus, there are no material contracts that are not entered into in the ordinary course of the Issuer's business which could result in any Affiliate being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders in respect of the Covered Bonds being issued.
- (8) Application may be made for Covered Bonds to be accepted for clearance through Euroclear France (66, rue de la Victoire, 75009 Paris, France) and/or Euroclear (1 boulevard du Roi Albert II, 1210 Bruxelles, Belgique) and Clearstream (42 avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg). The Common Code and the International Securities Identification Number (ISIN) or the identification number for any other relevant clearing system for each Series of Covered Bonds will be set out in the relevant Final Terms.
- (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 2021 and 2022.

- (10) The Issuer does not intend to provide post-issuance transaction information regarding the Covered Bonds to be admitted to trading and the performance of the underlying collateral, except if required by any applicable laws and regulations.
- (11) The Issuer does not produce consolidated financial statements.
- (12) This Base Prospectus and any supplements thereto will be published on the websites of HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds), of the AMF (www.amf-france.org) and on (iii) www.info-financiere.fr. The Final Terms related to Covered Bonds admitted to trading on any Regulated Market of the EEA in accordance with the Prospectus Regulation will be published, so long as such Covered Bonds are admitted to trading on any Regulated Market, on the websites of HSBC Continental Europe (www.about.hsbc.fr/investor-relations/covered-bonds) and of the AMF (www.amf-france.org).

In addition, should the Covered Bonds be listed on a Regulated Market of a member state of the EEA other than Euronext Paris in accordance with the Prospectus Regulation, the Final Terms related to those Covered Bonds will provide whether this Base Prospectus and the relevant Final Terms will be published on the website of (x) the Regulated Market of the member state of the EEA where the Covered Bonds have been admitted to trading or (y) the competent authority of the Member State of the EEA where the Covered Bonds have been listed.

- (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 2021 and 31 December 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.
- (14) In connection with the issue of any Tranche, the Dealer(s) (if any) named as the stabilisation manager(s) (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on

which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the relevant Tranche and sixty (60) days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

- (15) In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "**Euro**", "**euro**" or "**EUR**" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam, references to "£", "**pounds sterling**" and "**Sterling**" are to the lawful currency of the United Kingdom, references to "\$", "**USD**" and "**U.S. dollar**" are to the lawful currency of the United States of America, references to "¥", "**JPY**" and "**Yen**" are to the lawful currency of Japan, references to "CHF" and "**Swiss Francs**" are to the lawful currency of Switzerland and references to "CAD" or "**Canadian dollar**" are to the lawful currency of Canada. In this Base Prospectus, any references to "euro equivalent" means the euro equivalent amount of the relevant amount denominated in the Specified Currency (as defined in Section "Terms and Conditions of the French law Covered Bonds").
- (16) Amounts payable under the Floating Rate Covered Bonds may be calculated by reference to EURIBOR which is provided by the European Money Markets Institute ("**EMMI**") or other Reference Rates as indicated in the relevant Final Terms. As at the date hereof, the EMMI appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Regulation (EU) 2016/1011, as amended (the "**Benchmark Regulation**"). The relevant Final Terms in respect of an issue of Floating Rate Covered Bonds may specify the relevant benchmark, the relevant administrator and whether such administrator appears on the European Securities and Markets Authority register referred to above.
- (17) The LEI of the Issuer is 969500HCJLWDO4YCYT40.
- (18) The website of the Issuer is "www.about.hsbc.fr/investor-relations/hsbc-sfh-france". The information on such website does not form part of this Base Prospectus, except where that information has been incorporated by reference into this Base Prospectus.
- (19) The information sourced from third parties has been accurately reproduced herein and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (20) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds. Any such short positions could adversely affect future trading prices of Covered Bonds. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, potential conflicts of interest may exist between Bondholders and the calculation agent (including where a Dealer acts as a calculation agent) or any agent appointed for a Tranche of Covered Bonds, including

with respect to certain determinations and judgements that such agent may make pursuant to the Conditions that may influence amounts receivable by the Bondholders during the term of the Covered Bonds and upon their redemption.

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PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE BASE PROSPECTUS

In the name of the Issuer

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

Paris, 8 March 2023

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Represented by: Pierre Bouvy, Chief Executive Officer



This Base Prospectus has been approved on 8 March 2023 under the approval number 23-068 by the *Autorité des marchés financiers* (AMF), in its capacity as competent authority under Regulation (EU) 2017/1129, as amended.

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

This approval is not a favourable opinion on the Issuer and on the quality of the Covered Bonds described in this Base Prospectus. Investors should make their own assessment of the opportunity to invest in such Covered Bonds.

It is valid until 7 March 2024 and shall, during this period and in accordance with the provisions of Article 23 of the Regulation (EU) 2017/1129, as amended, be completed by a supplement to the Base Prospectus in the event of new material facts or substantial errors or inaccuracies.

The approval number 23-068 granted by the AMF on 8 March 2023 to this Base Prospectus is only applicable for Covered Bonds admitted or listed to trading on any Regulated Market which are the French Law Covered Bonds, and is not relevant, in any case, for German Law Covered Bonds, as German Law Covered Bonds will not be admitted to trading nor listed on any market or stock exchange.

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