



**KPMG Audit**  
1, cours Valmy\_92923 Paris La Défense Cedex\_France



**BDO France – Léger & associés**  
113, rue de l'Université  
75007 PARIS  
France

**HSBC SFH (France) S.A.**

**Statutory auditor's report on  
the financial statements**

Year ended 31 December 2011  
HSBC SFH (France) S.A.  
15, rue Vernet - 75008 Paris  
*This report contains 4 pages*  
Référence : xxx-xxx



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*This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

## **HSBC SFH (France) S.A.**

Registered office: 15, rue Vernet - 75008 Paris  
Share capital: €48 000 000

### **Statutory auditor's report on the financial statements**

Year ended 31 December 2011

To the Shareholders,

In compliance with the assignment entrusted to us by Annual General Meeting, we hereby report to you, for the year ended 31 December 2011, on:

- the audit of the accompanying financial statements of HSBC SFH (France) S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

## **1 Opinion on the financial statements**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that

the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

## **2 Justification of our assessments**

In accordance with the requirements of article L.823-9 of the French Commercial Code ("Code de commerce") relating to the justification of our assessments, we bring to your attention the following matter:

### Accounting principles:

The Note 2.3.4 to the annual financial statements described accounting principles regarding the issued debt. As part of our assessment of the accounting principles applied by your company, we have verified the appropriateness of the accounting methods, the correct presentation in notes to the financial statements and their correct application.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## **3 Specific verifications and information**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code ("Code de commerce") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Paris La Défense, 7 March 2012  
KPMG Audit

Paris, 7 March 2012  
BDO France – Léger & associés

Pascal Brouard

Michel Leger

*Partner*

*Partner*

**FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011**

**HSBC SFH France**

**S.A. with capital share of EUR 48,000,000**

15, rue Vernet  
75008 PARIS

RCS Paris 480 034 917

*RESTRICTED INFORMATION*

## HSBC SFH France

### 12.2011 BALANCE SHEET

(in EUR)

ASSETS	Notes	2011	2010
Cash and balances at central banks			
Treasury bills and money-market instruments			
loans and advances to banks	1	2,047,964,955	2,030,888,383
loans and advances to customers	2		
Bonds and other fixed-income securities	3	67,076,332	38,604,334
Equities and other variable-income securities	3		3,755,966
Equity investments and other securities held for long-term			
Investments in affiliates			
Intangible fixed assets			
Tangible fixed assets			
Other assets	4	449,368	18,603
Prepayments and accrued income	5	10,932,926	13,066,190
<b>TOTAL ASSETS</b>		<b>2,126,423,581.83</b>	<b>2,086,333,476.07</b>
Financing commitments given	6		
Guarantee commitments given	6	3,730,724,976	3,816,978,338
Securities commitments given	6		
Transactions involving forward financial instruments	6		

**RESTRICTED INFORMATION**

## HSBC SFH France

### 12.2011 BALANCE SHEET

(in EUR)

LIABILITIES	Notes	2011	2010
Due to credit institutions			
Customer accounts			
Debt securities	7	2,045,822,422	2,029,830,683
Other liabilities	8	377,847	418,277
Accruals and deferred income	9	11,672,982	13,830,750
Provisions			
Subordinated debt	10	20,154,978	14,062,304
Reserve for general banking risks			
Share capital	11	48,000,000	28,050,000
Additional paid-in capital	11		
Merger premium	11		
Reserves	11	19,957	13,562
Retained earnings	11	121,507	-88,298
Net profit of the year	11	253,889	216,200
<b>TOTAL LIABILITIES</b>		<b>2,126,423,582</b>	<b>2,086,333,476</b>
Financing commitments received	6		
Guarantee commitments received	6	3,730,724,976	3,816,978,338
Securities commitments received	6		

**RESTRICTED INFORMATION**

## HSBC SFH France

### NET INCOME

(in EUR)			
INCOME STATEMENT	Notes	2011	2010
Interest and similar income	12	63,473,362	54,776,290
Interest and similar expense	12	-63,401,557	-54,715,753
Commission income	13	906,646	695,137
Commission expense	13		
Gains or losses on trading account securities	14	-2,511	-129,734
Other banking income (charges)	15		
<b>NET OPERATING INCOME</b>		<b>975,939</b>	<b>625,941</b>
General operating expenses	16	-770,998	-298,733
<b>GROSS OPERATING INCOME</b>		<b>204,941</b>	<b>327,207</b>
<b>OPERATING PROFIT</b>		<b>204,941</b>	<b>327,207</b>
<b>NET OPERATING PROFIT BEFORE TAX</b>		<b>204,941</b>	<b>327,207</b>
Exceptional items	17		
Income tax	18	48,948	-111,007
<b>NET INCOME</b>		<b>253,889</b>	<b>216,200</b>

*RESTRICTED INFORMATION*



## NOTES TO THE FINANCIAL STATEMENTS

### 1 SIGNIFICANT EVENTS SINCE 31 DECEMBER 2011

On the 21<sup>st</sup> of April 2011, the Combined General Meeting decided the transformation of the Company into a Housing Finance Company (Société de Financement de l'Habitat), after obtaining the approval of the Autorité de Contrôle Prudentiel (ACP) (the banking supervisor) on the 28<sup>th</sup> of March 2011. The name of the Company becomes "HSBC SFH (France)".

On the 2<sup>nd</sup> of September 2011, the Company completed a cash increase of its share capital, for an amount of EUR 19,950,000, to raise it to EUR 48,000,000.

On the 5<sup>th</sup> of September 2011, the Company conducted an increase of its subordinated loan agreement entered into on 29 July 2008 with HSBC France, for an amount of EUR 6,050,000, to bring it to EUR 20,050,000.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting principles

The financial statements have been prepared in accordance with generally accepted accounting principles:

- Going concern,
- Consistency of accounting methods from one financial year to the other;
- Accruals basis of accounting,
- Compliance with the general rules for the preparation and presentation of annual financial statements.

The financial statements and their notes have been prepared and presented in accordance with the amended regulation 2000.03 of the Accounting Rules Committee, the instructions in force of the Banking Commission and the generally accepted accounting principles in the French banking industry.

On the 1st of January 2005, the company "Hervet Participations" has been integrated to tax consolidation group of HSBC BANK PLC PARIS BRANCH. On the 20th of June 2008, the Combined General Meeting of shareholders decided to change the name of "Hervet Participations" to "HSBC Covered Bonds (France)". On the 21<sup>st</sup> of April 2011, the Combined General Meeting of shareholders decided to change the name of "HSBC Covered Bonds (France)" to "HSBC SFH (France)". The company's business purpose is set out in the Article 2 of the Articles of Incorporation updated on the 31st of August 2011, which stipulates:

"In accordance with laws and regulations applicable to Housing Finance Companies, the Company's purpose is to consent and / or finance Home loans and hold corporate securities (the "Corporate purpose").

Home loans made and / or funded by the Company are loans, in whole or part of , to finance a residential property located in France or in another member state of the European Union or in another state part of the Agreement on the European Economic Area or in a state benefiting from the highest level of quality of credit issued by an external rating agency credit recognized by the banking supervisor (Autorité de Contrôle Prudentiel - ACP) and secured by (a) a mortgage or a related guarantee at least equivalent, or (b) a bond granted by a credit institution or an insurance company ("Home loans").

To finance the operations mentioned above, the Company may issue housing finance bonds benefiting from the privilege defined in Article L. 515-19 of the Monetary and Financial Code and raise other sources, even by issuing financial instruments or debt securities, including on the basis of foreign law (including debt securities registered under German law (Nammensschuldverschreibung) whose contract or document for public information (within the meaning of Article L. 412-1 of the Code) or equivalent document required for admission on foreign regulated markets mentions that privilege.

## ***2.2 – Changes in accounting policies***

No change in accounting policies in 2011.

## ***2.3 - Valuation principles and methods***

### **2.3.1 ACCRUED INTERESTS RECEIVABLE AND PAYABLE**

Accrued interests receivable and payable are recorded in the balance sheet in a related creditor (respectively debtor) account.

### **2.3.2 LOANS AND ADVANCES TO BANKS**

It should be noted that the origination and management fees are spread on a straight-line basis throughout the term of the loan.

On the 20th of January 2010, HSBC Covered Bonds granted a loan of EUR 1.5 billion to HSBC FRANCE, with a seven-year term, paying an interest rate of 3.375%.  
Accrued interests are recorded in the related account.

On the 7th of April 2010, HSBC Covered Bonds granted two new loans to HSBC FRANCE of respectively, CHF 200 million, with a maturity of five years and five

months, paying an interest rate of 1.75% for the first one, and a maturity of eight years and five months, paying an interest rate of 2.375% for the second one.  
Accrued interests are recorded in the related account.

Lastly, on the 24th of December 2010, HSBC Covered Bonds granted a fourth loan of CHF 200 million to HSBC FRANCE, with a maturity of eight years and four months, paying an interest rate of 2.00%.  
Accrued interests are recorded in the related account.

The CHF claims as of 31st December 2011, were translated into euro, in the balance sheet, at the official exchange rate on the reporting date.

### **2.3.3 AVAILABLE-FOR-SALE PORTFOLIO**

The certificates of deposit and the SICAV mutual funds are accounted for at their acquisition value.

Accrued interests are recorded in the related receivable account.

The entire SICAV portfolio has been sold in September 2011, showing a gain of EUR 34 thousand.

The unrealized loss on certificates of deposit amounted to EUR 13.7 thousand as of 31st December 2011.

### **2.3.4 DEBT REPRESENTED BY A SECURITY**

It should be noted that the issuance premiums of the covered bonds are spread on a straight-line basis from the date of issuance to the maturity date. Similarly, the issuing charges of the covered bonds are spread on a straight-line basis from the date of issuance to the maturity date.

On the 20th of January 2010, HSBC Covered Bonds issued bonds amounting to EUR 1.5 billion, with a seven-year maturity, paying the market swap +40 basis points with a coupon of 3.375% to be paid to the investors.  
Accrued interests are recorded in the related account.

On the 7th of April 2010, HSBC Covered Bonds issued two new bonds of, respectively, CHF 200 million, with a maturity of five years and five months, paying the market swap +10 bp with a coupon of 1.75% for the first one, and a maturity of eight years and five months, paying the market swap +14 bp with a 2.375% coupon for the second one.  
Accrued interests are recorded in the related account.

Lastly, on the 24th of December 2010, HSBC Covered Bonds issued a third CHF 200 million bond, with a maturity of eight years and four months, paying the Benchmark swap +24 bp with a 2.00% coupon.  
Accrued interests are recorded in the related account.

The CHF claims as of 31st December 2011, were translated into euro, in the balance sheet, at the official exchange rate on the reporting date.

In accordance with regulation 2000.03 amended of the Accounting Rules Committee, the following information is provided:

Issuance premium remaining to be amortised as of 31st December 2011:  
EUR 6,602,810.72

Premium remaining to be amortised as of 31st December 2011: EUR 202,521.69

Issuing charges remaining to be amortised as of 31st December 2011:  
EUR 4,330,115.67

### 2.3.5 SUBORDINATED DEBT

The subordinated loan is booked at its acquisition cost.  
Accrued interests are recorded in the related payable account.  
The loan was agreed with HSBC FRANCE.

### 2.3.6 SHARE CAPITAL

HSBC France owns 99.99% of HSBC SFH (France)' share capital.

The share capital stands at EUR 48,000,000, made up of 3,200,000 shares with a nominal value of EUR 15 each.

### 2.3.7 INTEREST AND SIMILAR INCOME

The interest paid and received is recorded on an *accruals basis* in the profit and loss account.

Fees for granting a loan are treated as additional interest income and are spread on a straight-line basis over the effective term of the credit. In 2011, the corresponding amount recognised in the profit and loss statement was EUR 2,265,000.

### 2.3.8 OFF-BALANCE SHEET ITEMS

#### - *Commitments*

Loans granted to HSBC France by HSBC SFH (France) are guaranteed by eligible housing loans granted by the retail branches of HSBC France.

On the 31st of December 2011, the received guarantee amounted to EUR 3,730,724,976.

This guarantee, received from HSBC France, enabled HSBC SFH (France) to provide a corresponding guarantee to the subscribers.

On the 31st of December 2011, this given guarantee amounted to EUR 3,730,724,976.

The housing credits that guarantee the loans granted by HSBC SFH (France) to HSBC France are financial guarantees whose characteristics are described in Articles L.211-38 and seq. of the Monetary and Financial Code.

### ***3 IDENTITY OF THE PARENT COMPANY USING THE GLOBAL CONSOLIDATION METHOD***

HSBC FRANCE  
103, avenue des Champs Elysées  
75008 PARIS

### ***4 DISCLOSURE RELATING TO CREDIT RISK***

The sole counterparty of HSBC SFH (France) is HSBC France.

Loans granted by HSBC SFH (France) enable HSBC France to refinance itself.

### ***5 INFORMATION RELATING TO INTEREST AND FOREIGN EXCHANGE RATE RISK***

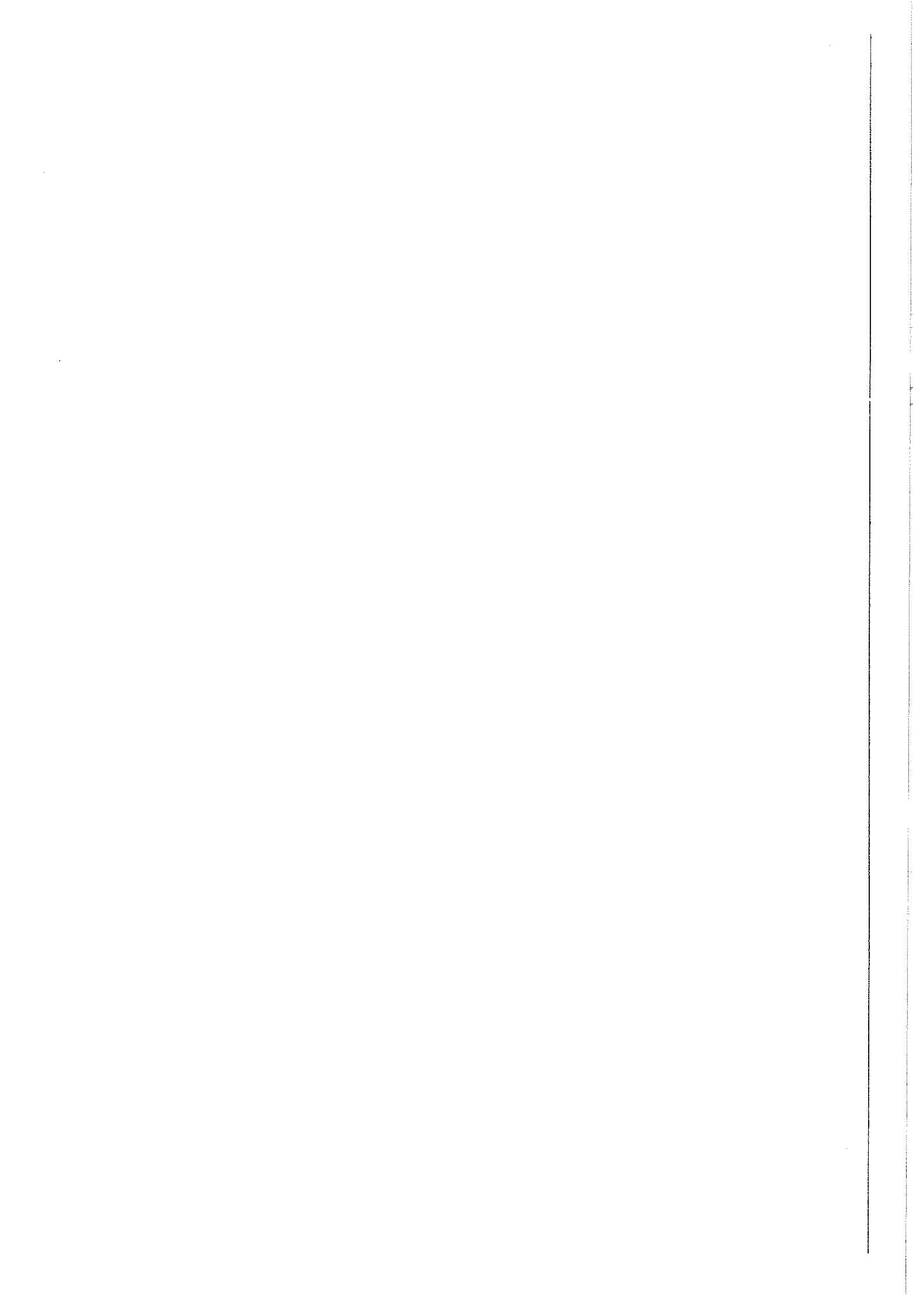
The interest and currency risks of HSBC SFH (France) are limited, since the loans granted by HSBC SFH (France) to HSBC France are backed by the covered bond issues.

### ***6 EXPOSURE TO THE SOVEREIGN RISK***

The HSBC SFH (France) entity holds no financial assets with sovereign risk.

### ***7 INFORMATION ON RELATED PARTIES***

In accordance with the ANC 2010-04 recommendations, the list of transactions of HSBC SFH (France) with related parties is not subject to information in notes, as transactions are performed to normal market conditions.



NOTE 1 - LOANS AND ADVANCES TO BANKS

(in EUR)

In EUR thousands	2011	2010
On Demand deposits	2,145,924	1,041,005
Term deposits	1,993,583,416	1,979,846,449
< 3 months		
> 3 months < 1 year	164,527,805	
> 1 year < 5 years	1,829,055,611	1,979,846,449
> 5 years		
Impairment on non-performing loans and country risks		
Accrued interests	52,235,616	50,000,929
<b>GENERAL TOTAL</b>	<b>2,047,964,955</b>	<b>2,030,888,383</b>

<i>of which securities received under repurchase agreements</i>		
<i>of which subordinated loans</i>		

**RESTRICTED INFORMATION**

**NOTE 2 - LOANS AND ADVANCES TO CUSTOMERS**

(Outstanding amounts at the end of the period)

(in EUR)

NATURE OF THE ITEMS	2011	2010
Receivables from customers Commercial loans Ordinary accounts in overdraft Other customers loans and receivables (excluding related receivables)		
Lease financing		
<b>TOTAL</b>		

Personal loans Loans to financial customers Loans to non-financial customers Securities received under repurchase agreements Related receivables		
<b>TOTAL</b>		

<i>Of which gross non-performing loans</i>		
<i>Of which impairment on non-performing loans</i>		
<i>Of which net non-performing loans</i>		
<i>Of which subordinated loans</i>		

BREAKDOWN OF OUTSTANDING LOANS BY REMAINING CONTRACTUAL MATURITY	2011	2010
On Demand deposits		
Term deposits		
< 3 months		
> 3 months < 1 year		
> 1 year < 5 years		
> 5 years		
Impairment on non-performing loans and country risks		
Accrued interests		
<b>TOTAL</b>		

**RESTRICTED INFORMATION**



NOTE 3 - BONDS & OTHER FIXED INCOME SECURITIES

(in EUR)		
NATURE OF THE ITEMS	2011	2010
Treasury bills and other eligible bills		
- Trading securities		
- Available for sale securities		
- Held to maturity securities		
- Related receivables		
<b>Bonds and other fixed-income securities</b>	<b>67,076,332</b>	<b>38,604,334</b>
. Trading securities		
- Bonds & other quoted securities		
- Unquoted bonds, interbank market securities and gross negotiable debt securities		
- Impairment losses on unquoted bonds, interbank market securities & negotiable debt instruments		
. Available-for-sale securities		
- Quoted bonds		
- Unquoted bonds, interbank market securities and negotiable debt instruments	67,000,000	38,550,000
- Impairment losses on unquoted bonds, interbank market securities and negotiable debt instruments	-13,708	
. Held-to-maturity securities		
- Quoted bonds		
- Unquoted bonds, interbank market securities and negotiable debt instruments		
. Related receivables	90,041	54,334
<i>of which subordinated notes</i>		
<b>Equities and other variable-income securities &amp; medium-term investments</b>		<b>3,755,966</b>
. Trading securities		
- Quoted equities		
- Unquoted equities and other variable-income securities		
. Available-for-sale securities		
- Quoted equities		
- Unquoted equities & other securities		3,755,966
. Equity securities available for sale in the medium-term		
- unquoted medium-term investments		
- quoted medium-term investments		
. Related receivables		
<b>Own shares</b>		
- Short-term investment securities		
<b>TOTAL</b>	<b>67,076,332</b>	<b>42,360,300</b>

RESTRICTED INFORMATION

**BREAKDOWN BY REMAINING CONTRACTUAL MATURITY OF TREASURY BILLS  
AND GOVERNMENT BONDS**

Net value

(in EUR)

NATURE OF THE ITEMS	2011	2010
Treasury bills and other eligible bills < 3 months > 3 months < 1 year > 1 year 5 years > 5 years Related receivables		
<b>TOTAL</b>		
Debt securities < 3 months > 3 months < 1 year (*) > 1 year 5 years > 5 years Provisions for impairment Related receivables	66,986,292 67,000,000    -13,708 90,041	38,550,000 38,550,000     54,334
<b>TOTAL</b>	<b>67,076,332</b>	<b>38,604,334</b>

**ESTIMATED VALUE OF THE PORTFOLIO OF AVAILABLE-FOR-SALE  
SECURITIES & EQUITY SECURITIES AVAILABLE-FOR-SALE IN  
THE MEDIUM-TERM**

(in EUR)

Nature of the Items	2011	2010
Treasury bills and other eligible bills		
Debt securities <i>of which impairment charge</i>		
Equities and other variable-income securities & medium-term investments		3,755,966
Own shares		
<b>TOTAL AVAILABLE-FOR-SALE SECURITIES &amp; EQUITY SECURITIES AVAILABLE-FOR-SALE IN THE MEDIUM-TERM (excluding accrued interest)</b>		<b>3,755,966</b>

**RESTRICTED INFORMATION**

**NOTE 4 - OTHER ASSETS**

(in EUR)

	2011	2010
Settlement accounts related to securities transactions		
Other receivables & assets	449,368	18,603
<b>TOTAL</b>	<b>449,368</b>	<b>18,603</b>

**NOTE 5 – PREPAYMENTS AND ACCRUED INCOME**

(in EUR)

	2011	2010
Deferred tax assets		
Other prepayments and accrued assets	10,932,926	13,066,190
<b>TOTAL</b>	<b>10,932,926</b>	<b>13,066,190</b>

***RESTRICTED INFORMATION***

NOTE 6 - OFF BALANCE SHEET

(in EUR)

	2011	2010
<b>FINANCING COMMITMENTS</b>		
Commitments given		
. Refinancing agreements & other financing commitments given in favour of banks		
. In favour of customers		
<b>Total</b>		
Commitments received		
. Refinancing agreements & other financing commitments received from banks		

<b>GUARANTEES GIVEN</b>		
Commitments given		
. Guarantees given for banks		
. Guarantees given for customers	3,730,724,976	3,816,978,338
<b>Total</b>	<b>3,730,724,976</b>	<b>3,816,978,338</b>
Commitments received		
. Guarantees received from banks	3,730,724,976	3,816,978,338
. Guarantees received from customers		
<b>Total</b>	<b>3,730,724,976</b>	<b>3,816,978,338</b>

<b>SECURITIES COMMITMENTS GIVEN</b>		
Commitments given: securities to be delivered		
Commitments given: calls on securities (tenor < 3 months)		
Commitments given: calls on securities (tenor ranging from 3 months to 1 year)		
Commitments given: calls on securities (tenor ranging from 1 to 5 years)		
Commitments given: calls on securities (tenor > 5 years)		
. Trading at issue, trading in the monthly settlement market and other		
<b>Total</b>		
Commitments received: securities to be received		
Commitments received: puts on securities (tenor < 3 months)		
Commitments received: puts on securities (tenor ranging from 3 months to 1 year)		
Commitments received: puts on securities (tenor ranging from 1 to 5 years)		
Commitments received: puts on securities (tenor > 5 years)		
. Trading at issue, trading in the monthly settlement market and other		
<b>Total</b>		

RESTRICTED INFORMATION

NOTE 7 - DEBT SECURITIES

(in EUR)

BREAKDOWN OF OUTSTANDING LOANS BY REMAINING CONTRACTUAL MATURITY	2011	2010
<b>Due to banks and central banks</b>		
<b>On Demand deposits</b>		
<b>Term deposits</b>	1,993,583,416	1,979,846,449
< 3 months		
> 3 months < 1 year	164,527,805	
> 1 year < 5 years	1,829,055,611	1,979,846,449
> 5 years		
<b>Accrued Interest (Interest payable)</b>	52,239,007	49,984,234
<b>GENERAL TOTAL</b>	<b>2,045,822,422</b>	<b>2,029,830,683</b>
<i>of which securities received under repurchase agreements</i>		

**RESTRICTED INFORMATION**

**NOTE 8 - OTHER LIABILITIES**

Before appropriation of earnings

(in EUR)

	2011	2010
Settlement accounts related to securities transactions		
Other debt representing borrowed securities		
Sundry creditors	377,847	418,277
Trading securities and securities received under repurchase agreements		
<b>TOTAL</b>	<b>377,847</b>	<b>418,277</b>

**Note 9 – ACCRUALS AND DEFERRED INCOME**

(in EUR)

	2011	2010
Collection accounts		
Other accruals and deferred income	11,672,982	13,830,750
<b>TOTAL</b>	<b>11,672,982</b>	<b>13,830,750</b>

**RESTRICTED INFORMATION**

**NOTE 10 - SUBORDINATED DEBT**

(in EUR)

<b>BREAKDOWN OF OUTSTANDING AMOUNTS BY REMAINING CONTRACTUAL MATURITY</b>	<b>2011</b>	<b>2010</b>
<b>Due to banks and central banks</b>		
<b>On Demand deposits</b>		
<b>Term deposits</b>	<b>20,050,000</b>	<b>14,000,000</b>
< 3 months		
> 3 months < 1 year		
> 1 year < 5 years		
> 5 years	20,050,000	14,000,000
<b>Accrued interest (Interest payable)</b>	<b>104,978</b>	<b>62,304</b>
<b>GENERAL TOTAL</b>	<b>20,154,978</b>	<b>14,062,304</b>

**RESTRICTED INFORMATION**

**NOTE 11 - SHARE CAPITAL**

The share capital of HSBC Covered Bonds is made up of 3,200,000 shares with a nominal value of EUR 15 per share, giving a total share capital of EUR 48,000,000.

(in EUR)

ITEMS	2011		2010	
	Number of shares	Amount	Number of shares	Amount
Capital subscribed	3,200,000	48,000,000	1,870,000	28,050,000
Additional paid-in capital				
Merger premium				
Reserves		19,957		13,562
Retained earnings		121,507		-88,298
Net profit of the year		253,889		216,200
Shareholders' equity as of 31 December	3,200,000	48,395,352	1,870,000	28,191,463

**BREAKDOWN OF SHARE CAPITAL-RELATED PREMIUMS AND RESERVES**

ITEMS	Amount 2010	Movements during the fiscal year	2011
Reserves	13,562	6,395	19,957
Legal reserve	13,562	6,395	19,957
General reserve			
Special reserve of long-term gains			
Other reserves			
Premiums			
Additional paid-in capital			

**RESTRICTED INFORMATION**



**Note 12 - NET INTEREST INCOME**

(in EUR)

	2011	2010
<b>Interest and similar income</b>		
. Banks and financial institutions	63,443,433	54,756,091
. Customers	29,928	20,199
. Bonds and other fixed-income securities		
. Other		
<b>Total</b>	<b>63,473,362</b>	<b>54,776,290</b>
<b>Interest and similar expense</b>		
. Banks and financial institutions	-465,635	-324,847
. Customers	-62,935,923	-54,390,906
. Subordinated debt		
. Other bonds and fixed-income securities		
. Other		
<b>Total</b>	<b>-63,401,557</b>	<b>-54,715,753</b>

**RESTRICTED INFORMATION**

**NOTE 13 - BREAKDOWN OF FEES AND COMMISSION INCOME**

(in EUR)

	2011	2010
<b>BREAKDOWN OF FEES AND COMMISSION INCOME RECORDED AS SUCH IN THE INCOME STATEMENT</b>		
<b>Income</b>	<b>906,646</b>	<b>695,137</b>
. On transactions with banks	906,646	695,137
. On transactions with customers		
. On foreign-exchange transactions		
. On securities primary market activities		
. On financial services for third parties		
. On securities commitments		
. Other fee income		
<b>Expenses</b>		
. On transactions with banks		
. On corporate actions		
. On forward financial instrument activities		
. On financial services for third parties		
. Other fee expense		
<b>TOTAL FEE AND COMMISSION INCOME</b>	<b>906,646</b>	<b>695,137</b>

Fees and commission income are earned annually, and are spread on a straight-line basis.

**Note 14 - Gains and losses on trading account securities**

(in EUR)

	2011	2010
Net income from trading securities		
Net income from foreign-exchange transactions	-2,511	-129,734
Net income from forward financial instruments		
<b>TOTAL</b>	<b>-2,511</b>	<b>-129,734</b>

**NOTE 15 - OTHER EXPENSES AND REVENUES FROM BANKING ACTIVITIES**

(in EUR)

	2011	2010
Operating income		
Operating expenses		
<b>TOTAL</b>		

**NOTE 16 - GENERAL OPERATING EXPENSES**

	(in EUR)	
	2011	2010
Employee compensation and benefits		
Other administrative expenses	-770,998	-298,733
<i>of which statutory audit fees:</i>	-29,965	-30,000
<b>TOTAL</b>	<b>-770,998</b>	<b>-298,733</b>

**NOTE 17 - EXCEPTIONAL ITEMS**

	(in EUR)	
	2011	2010
Non-recurring income on securities		
Non-recurring loss on securities		
Tax penalties		
<b>TOTAL</b>		

**NOTE 18 - INCOME TAX**

	(in EUR)	
	2011	2010
Reversals of tax provisions	111,007	
Corporate income tax and lump sum annual corporate tax	-62,060	-111,007
<b>TOTAL</b>	<b>48,948</b>	<b>-111,007</b>

The income tax of EUR 48,948 refers to the netting between the 2011's charge on income tax (- 62 K€) and the cancellation of the 2010's income tax provision (+ 111 K€).  
In 2010, the Company did not use its previous losses carried forward into its income tax calculation.