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

HSBC SFH (France) S.A.

Statutory Auditors' Review
Report on condensed financial
statements as of 30 June 2012

Period from 1st January to 30 June 2012
HSBC SFH (France) S.A.
15 rue Vernet 75008 Paris
This report contains 8 pages
Reference :



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This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is 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 : €54 750 000

Statutory Auditors' Review Report on condensed financial statements as of 30 June 2012

Period from 1st January to 30 June 2012

Dear Sir or Madam

In our quality of statutory auditors of HSBC SFH (France) S.A. and in answer to your request, we conducted a review of the balance sheet as of 30 June 2012, the income statement for the period from 1st January to 30 June 2012, together with the Summary of Notes including summary of significant accounting policies and major events of the period ("the condensed financial statements"), which are attached to this report.

We draw your attention to the fact that HSBC SFH (France) S.A. has prepared for the first time interim accounts as of 30 June, financial information relating to the period from 1st January to 30 June 2011 for comparison purposes has not been subject to a limited review.

These condensed financial statements are the responsibility of the Company's President. Our responsibility is to express a conclusion on these condensed financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review consists primarily of making inquiries of persons responsible for financial and accounting matters and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*HSBC SFH (France) S.A.
Statutory Auditors' Review Report on condensed
financial statements as of 30 June 2012
20 juillet 2012*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements are not prepared in conformity with the French accounting principles described in the notes attached to these financial statements.

Statutory auditors

Paris La Défense, le 20 juillet 2012

KPMG Audit
Département de KPMG S.A.

Pascal Brouard
Associé

Paris, le 20 juillet 2012

BDO France - Léger & associés

Michel Léger
Associé

CONDENSED FINANCIAL STATEMENTS AS OF 30 JUNE 2012

HSBC SFH France

S.A. with capital share of EUR 54,750,000

15, rue Vernet
75008 PARIS

RCS Paris 480 034 917

HSBC SFH France

BALANCE SHEET

(in EUR)

ASSETS	30/06/2012	31/12/2011
Cash and balances at central banks	0	0
Treasury bills and money-market instruments	0	0
Loans and advances to banks	2,107,214,807	2,047,964,955
Loans and advances to customers	0	0
Bonds and other fixed-income securities	0	67,076,332
Equities and other variable-income securities	0	0
Equity investments and other securities held for long-term	0	0
Investments in affiliates	0	0
Intangible fixed assets	0	0
Tangible fixed assets	0	0
Other assets	201,034	449,368
Prepayments and accrued income	9,868,341	10,932,926
TOTAL ASSETS	2,117,284,182	2,126,423,582
Financing commitments given	0	0
Guarantee commitments given*	3,810,153,843	3,730,724,976
Securities commitments given	0	0
Transactions involving forward financial instruments	0	0

* data m-1

RESTRICTED INFORMATION

HSBC SFH France

BALANCE SHEET

(in EUR)

LIABILITIES	30/06/2012	31/12/2011
Due to credit institutions	0	0
Customer accounts	0	0
Debt securities	2,027,361,260	2,045,822,422
Other liabilities	447,360	377,847
Accruals and deferred income	10,972,271	11,672,982
Provisions	0	0
Subordinated debt	23,304,180	20,154,978
Reserve for general banking risks	0	0
Share capital	54,750,000	48,000,000
Additional paid-in capital	0	0
Merger premium	0	0
Reserves	32,651	19,957
Retained earnings	362,701	121,507
Net profit of the year	53,758	253,889
TOTAL LIABILITIES	2,117,284,182	2,126,423,582
Financing commitments received	0	0
Guarantee commitments received*	3,810,153,843	3,730,724,976
Securities commitments received	0	0

* data m-1

RESTRICTED INFORMATION

HSBC SFH France

INCOME STATEMENT

(in EUR)

INCOME STATEMENT	30/06/2012	31/12/2011	30/06/2011 *
Interest and similar income	31,655,599	63,473,362	31,292,403
Interest and similar expense	-31,732,293	-63,401,557	-31,267,542
Commission income	345,180	906,646	414,477
Commission expense	0	0	0
Gains or losses on trading account securities	10,010	-2,511	3,481
Other banking income (charges)	0	0	0
NET OPERATING INCOME	278,496	975,939	442,819
General operating expenses	-198,806	-770,998	-323,897
GROSS OPERATING INCOME	79,690	204,941	118,921
OPERATING PROFIT	79,690	204,941	118,921
NET OPERATING PROFIT BEFORE TAX	79,690	204,941	118,921
Exceptional items	0	0	0
Income tax	-25,931	48,948	77,621
NET INCOME	53,758	376,155	196,542

* Unaudited financial statements

RESTRICTED INFORMATION

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 SIGNIFICANT EVENTS SINCE 31 DECEMBER 2011

On the 21st of April 2011, the Combined General Meeting of shareholders 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 28th of March 2011. The name of the Company becomes "HSBC SFH (France)".

On the 2nd 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 22th of March 2012, the Company decided to increase its share capital for an amount of EUR 6,750,000, to raise it to EUR 54,750,000.

On the 5th 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.

On the 27th of March 2012, HSBC SFH (France) prepaid its subordinated loan from HSBC France for a total amount of EUR 20,050,000.

On the 27th of March 2012, HSBC SFH (France) subscribed a new subordinated loan from HSBC France for a total principal amount of EUR 23,300,000.

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 21st 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 mentioned that privilege. "

2.2 – Changes in accounting policies

No change in accounting method during the first half of 2012.

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.

In February 2012, the certificates of deposit have been replaced by a fixed term deposit.

The fixed term deposits are booked for their acquisition values.
Accrued interests are recorded in the related accounts.

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 30th June 2012, 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 certificates of deposit have been replaced by a fixed term deposit in February 2012.

The entire SICAV portfolio has been sold in September 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 30th June 2012, 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 30th June 2012:	EUR 5,940,483.46
Premium remaining to be amortised as of 30th June 2012:	EUR 189,391.02
Issuing charges remaining to be amortised as of 30th June 2012:	EUR 3,927,857.18

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 54,750,000 made up of 3,650,000 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. As of 1st Half 2012, the corresponding amount recognised in the profit and loss statement was EUR 1,134,000.

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 30th June 2012, the received guarantee amounted to EUR 3,810,153,843.

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

On the 30th June 2012, this given guarantee amounted to EUR 3,810,153,843.

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.