



KPMG Audit
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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 2012
HSBC SFH (France) S.A.
15, rue Vernet - 75008 Paris
This report contains 4 pages
Référence : PB-13-1-08



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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: €54 750 000

Statutory auditor's report on the financial statements

Year ended 31 December 2012

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 2012, 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 2012 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*), 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.



*HSBC SFH (France) S.A.
Statutory auditor's report on the financial statements
13 March 2013*

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 and Paris, 13th March 2013

KPMG Audit
Département de KPMG S.A.

BDO France – Léger & Associés

Pascal Brouard
Partner

Michel Léger
Partner

FINANCIAL STATEMENTS AS OF 31 DECEMBER 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

12.2012 BALANCE SHEET

(in EUR)

| ASSETS | 31/12/12 | 31/12/11 |
|--|----------------------|----------------------|
| Cash and balances at central banks | 0 | 0 |
| Treasury bills and money-market instruments | 0 | 0 |
| loans and advances to banks | 2,128,752,155 | 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 | 92,174 | 449,368 |
| Prepayments and accrued income | 8,771,761 | 10,932,926 |
| TOTAL ASSETS | 2,137,616,090 | 2,126,423,582 |
| Financing commitments given | 0 | 0 |
| Guarantee commitments given | 0 | 3,730,724,976 |
| Securities commitments given | 0 | 0 |
| Transactions involving forward financial instruments | 0 | 0 |

RESTRICTED INFORMATION

HSBC SFH France

12.2012 BALANCE SHEET

(in EUR)

| LIABILITIES | 31/12/12 | 31/12/11 |
|-----------------------------------|----------------------|----------------------|
| Due to credit institutions | 0 | 0 |
| Customer accounts | 0 | 0 |
| Debt securities | 2,049,295,011 | 2,045,822,422 |
| Other liabilities | 341,203 | 377,847 |
| Accruals and deferred income | 9,379,798 | 11,672,982 |
| Provisions | 0 | 0 |
| Subordinated debt | 23,304,360 | 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 | 150,366 | 253,889 |
| TOTAL LIABILITIES | 2,137,616,090 | 2,126,423,582 |
| Financing commitments received | 0 | 0 |
| Guarantee commitments received | 3,997,207,897 | 3,730,724,976 |
| Securities commitments received | 0 | 0 |

HSBC SFH France

NET INCOME

(in EUR)

| INCOME STATEMENT | 31/12/12 | 31/12/11 |
|---|----------------|----------------|
| Interest and similar income | 63,543,608 | 63,473,362 |
| Interest and similar expense | - 63,693,203 | - 63,401,557 |
| Commission income | 768,717 | 906,646 |
| Commission expense | 0 | 0 |
| Gains or losses on trading account securities | 16,069 | - 2,511 |
| Other banking income (charges) | 0 | 0 |
| NET OPERATING INCOME | 635,191 | 975,939 |
| General operating expenses | - 400,378 | - 770,998 |
| GROSS OPERATING INCOME | 234,813 | 204,941 |
| OPERATING PROFIT | 234,813 | 204,941 |
| NET OPERATING PROFIT BEFORE TAX | 234,813 | 204,941 |
| Exceptional items | 0 | 0 |
| PROFIT BEFORE TAX | 234,813 | 204,941 |
| Income tax | - 84,447 | 48,948 |
| NET INCOME | 150,366 | 253,889 |

RESTRICTED INFORMATION

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT EVENTS

On the 22th of March 2012, the Company decided to increase its share capital for an amount of EUR 6,050,000, to raise it from EUR 48,000,000 to EUR 54,750,000.

On the 27th of March 2012, the Company 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 business purpose is to consent and / or finance Home loans and hold corporate securities (the "Corporate business 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's (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, 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 in 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, the company 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, the company 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, the company 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 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 October 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, the company 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, the company 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, the company 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 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 31st December 2012: | EUR 5,265,119.81 |
| Premium remaining to be amortised as of 31st December 2012: | EUR 173,366.30 |
| Issuing charges remaining to be amortised as of 31st December 2012: | EUR 3,506,640.82 |

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 31st December 2012, the corresponding amount recognised in the profit and loss statement was EUR 2,281,000.

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 December 2012, the received guarantee amounted to EUR 3,997,207,897.

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 | 2012 | 2011 |
|---|----------------------|----------------------|
| On Demand deposits | 79,434,565 | 2,145,924 |
| Term deposits | 1,997,017,893 | 1,993,583,416 |
| < 3 months | | |
| > 3 months < 1 year | | 164,527,805 |
| > 1 year < 5 years | 1,997,017,893 | 1,829,055,611 |
| > 5 years | | |
| Impairment on non-performing loans and country risks | | |
| Accrued interests | 52,299,697 | 52,235,616 |
| GENERAL TOTAL | 2,128,752,155 | 2,047,964,955 |

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

NOTE 2 - LOANS AND ADVANCES TO CUSTOMERS

(Outstanding amounts at the end of the period)

(in EUR)

| NATURE OF THE ITEMS | 2012 | 2011 |
|---|----------|----------|
| Receivables from customers | 0 | 0 |
| Commercial loans | | |
| Ordinary accounts in overdraft | | |
| Other customers loans and receivables (excluding related receivables) | | |
| Lease financing | | |
| TOTAL | 0 | 0 |

| | | |
|---|----------|----------|
| Personal loans | | |
| Loans to financial customers | | |
| Loans to non-financial customers | | |
| Securities received under repurchase agreements | | |
| Related receivables | | |
| TOTAL | 0 | 0 |

| | | |
|--|----------|----------|
| <i>Of which gross non-performing loans</i> | <i>0</i> | <i>0</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 | 2012 | 2011 |
|---|----------|----------|
| On Demand deposits | | |
| Term deposits | 0 | 0 |
| < 3 months | | |
| > 3 months < 1 year | | |
| > 1 year < 5 years | | |
| > 5 years | | |
| Impairment on non-performing loans and country risks | 0 | 0 |
| Accrued interests | | |
| TOTAL | 0 | 0 |

NOTE 3 - BONDS & OTHER FIXED INCOME SECURITIES

(in EUR)

| NATURE OF THE ITEMS | 2012 | 2011 |
|--|----------|-------------------|
| Treasury bills and other eligible bills | 0 | 0 |
| - Trading securities | | |
| - Available for sale securities | | |
| - Held to maturity securities | | |
| - Related receivables | | |
| Bonds and other fixed-income securities | 0 | 67,076,332 |
| . 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 | 0 | 67,000,000 |
| - Impairment losses on unquoted bonds, interbank market securities and negotiable debt instruments | 0 | - 13,708 |
| . Held-to-maturity securities | | |
| - Quoted bonds | | |
| - Unquoted bonds, interbank market securities and negotiable debt instruments | | |
| . Related receivables | 0 | 90,041 |
| <i>of which subordinated notes</i> | | |
| Equities and other variable-income securities & medium-term investments | 0 | 0 |
| . Trading securities | 0 | 0 |
| - Quoted equities | | |
| - Unquoted equities and other variable-income securities | | |
| . Available-for-sale securities | 0 | 0 |
| - Quoted equities | 0 | 0 |
| - Unquoted equities & other securities | | |
| . Equity securities available for sale in the medium-term | 0 | 0 |
| - unquoted medium-term investments | | |
| - quoted medium-term investments | | |
| . Related receivables | | |
| Own shares | 0 | 0 |
| - Short-term investment securities | | |
| TOTAL | 0 | 67,076,332 |

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

Net value

(in EUR)

| NATURE OF THE ITEMS | 2012 | 2011 |
|---|----------|-------------------|
| Treasury bills and other eligible bills | 0 | 0 |
| < 3 months | | |
| > 3 months < 1 year | | |
| > 1 year 5 years | | |
| > 5 years | | |
| Related receivables | | |
| TOTAL | | |
| Debt securities | 0 | 66,986,292 |
| < 3 months | 0 | 67,000,000 |
| > 3 months < 1 year (*) | | |
| > 1 year 5 years | | |
| > 5 years | | |
| Provisions for impairment | 0 | - 13,708 |
| Related receivables | 0 | 90,041 |
| TOTAL | 0 | 67,076,332 |

**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 | 2012 | 2011 |
|---|----------|----------|
| Treasury bills and other eligible bills | | |
| Debt securities | | |
| <i>of which impairment charge</i> | | |
| Equities and other variable-income securities & medium-term investments | 0 | 0 |
| Own shares | | |
| TOTAL AVAILABLE-FOR-SALE SECURITIES & EQUITY SECURITIES AVAILABLE-FOR-SALE IN THE MEDIUM-TERM (excluding accrued interest) | 0 | 0 |

RESTRICTED INFORMATION

NOTE 4 - OTHER ASSETS

| | (in EUR) | |
|--|--------------|------------------|
| | 2012 | 2011 |
| Settlement accounts related to securities transactions | | |
| Other receivables & assets | 92,174 | 449,368 |
| TOTAL | 92174 | 449367,67 |

NOTE 5 – PREPAYMENTS AND ACCRUED INCOME

| | (in EUR) | |
|--------------------------------------|------------------|-------------------|
| | 2012 | 2011 |
| Deferred tax assets | | 0 |
| Other prepayments and accrued assets | 8,771,761 | 10,932,926 |
| TOTAL | 8,771,761 | 10,932,926 |

NOTE 6 - OFF BALANCE SHEET

(in EUR)

| | 2012 | 2011 |
|---|----------|----------|
| FINANCING COMMITMENTS | | |
| Commitments given | | |
| . Refinancing agreements & other financing commitments given in favour of banks | | |
| . In favour of customers | | |
| Total | 0 | 0 |
| Commitments received | | |
| . Refinancing agreements & other financing commitments received from banks | | |

| | | |
|--------------------------------------|----------------------|----------------------|
| GUARANTEES GIVEN | | |
| Commitments given | | |
| . Guarantees given for banks | | |
| . Guarantees given for customers | 0 | 3,730,724,976 |
| Total | 0 | 3,730,724,976 |
| Commitments received | | |
| . Guarantees received from banks | 3,997,207,897 | 3,730,724,976 |
| . Guarantees received from customers | | |
| Total | 3,997,207,897 | 3,730,724,976 |

| | | |
|--|----------|----------|
| SECURITIES COMMITMENTS GIVEN | | |
| 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 | | |
| Total | 0 | 0 |
| 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 | | |
| Total | 0 | 0 |

NOTE 7 - DEBT SECURITIES

| (in EUR) | | |
|--|----------------------|----------------------|
| BREAKDOWN OF OUTSTANDING LOANS BY REMAINING CONTRACTUAL MATURITY | 2012 | 2011 |
| Due to banks and central banks | | |
| On Demand deposits | | |
| Term deposits | 1,997,017,893 | 1,993,583,416 |
| < 3 months | | |
| > 3 months < 1 year | | |
| > 1 year < 5 years | | 164,527,805 |
| > 5 years | 1,997,017,893 | 1,829,055,611 |
| Accrued interest (interest payable) | 52,277,119 | 52,239,007 |
| GENERAL TOTAL | 2,049,295,011 | 2,045,822,422 |
| <i>of which securities received under repurchase agreements</i> | | |

NOTE 8 - OTHER LIABILITIES

Before appropriation of earnings

(in EUR)

| | 2012 | 2011 |
|--|----------------|----------------|
| Settlement accounts related to securities transactions | | |
| Other debt representing borrowed securities | | |
| Sundry creditors | 341,203 | 377,847 |
| Trading securities and securities received under repurchase agreements | | |
| TOTAL | 341,203 | 377,847 |

Note 9 – ACCRUALS AND DEFERRED INCOME

(in EUR)

| | 2012 | 2011 |
|------------------------------------|------------------|-------------------|
| Collection accounts | | |
| Other accruals and deferred income | 9,379,798 | 11,672,982 |
| TOTAL | 9,379,798 | 11,672,982 |

RESTRICTED INFORMATION

NOTE 10 - SUBORDINATED DEBT

(in EUR)

| BREAKDOWN OF OUTSTANDING AMOUNTS BY REMAINING CONTRACTUAL MATURITY | 2012 | 2011 |
|---|-------------------|-------------------|
| Due to banks and central banks | | |
| On Demand deposits | | |
| Term deposits | 23,300,000 | 20,050,000 |
| < 3 months | | |
| > 3 months < 1 year | | |
| > 1 year < 5 years | | |
| > 5 years | 23,300,000 | 20,050,000 |
| Accrued interest (Interest payable) | 4,360 | 104,978 |
| GENERAL TOTAL | 23,304,360 | 20,154,978 |

NOTE 11 - SHARE CAPITAL

The share capital of HSBC Covered Bonds is made up of 3,650,000 shares with a nominal value of EUR 15 per share, giving a total share capital of EUR 54,750,000.

(in EUR)

| ITEMS | 2012 | | 2011 | |
|--|------------------|------------|------------------|------------|
| | Number of shares | Amount | Number of shares | Amount |
| Capital subscribed | 3,650,000 | 54,750,000 | 3,200,000 | 48,000,000 |
| Additional paid-in capital | | | | |
| Merger premium | | | | |
| Reserves | | 32,651 | | 19,957 |
| Retained earnings | | 362,701 | | 121,507 |
| Net profit of the year | | 150,366 | | 253,889 |
| Shareholders' equity as of 31 December | 3,650,000 | 55,295,718 | 3,200,000 | 48,395,352 |

BREAKDOWN OF SHARE CAPITAL-RELATED PREMIUMS AND RESERVES

| ITEMS | Amount 2011 | Movements during the fiscal year | 2012 |
|------------------------------------|-------------|----------------------------------|--------|
| Reserves | 19,957 | 12,694 | 32,651 |
| Legal reserve | 19,957 | 12,694 | 32,651 |
| General reserve | | | 0 |
| Special reserve of long-term gains | 0 | | 0 |
| Other reserves | 0 | | 0 |
| Premiums | 0 | 0 | 0 |
| Additional paid-in capital | | | 0 |

Note 12 - NET INTEREST INCOME

(in EUR)

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Interest and similar income | | |
| . Banks and financial institutions | 63,515,335 | 63,443,433 |
| . Customers | 28,273 | 29,928 |
| . Bonds and other fixed-income securities | | |
| . Other | | |
| Total | 63,543,608 | 63,473,362 |
| Interest and similar expense | | |
| . Banks and financial institutions | - 506,910 | - 465,635 |
| . Customers | - 63,186,293 | - 62,935,923 |
| . Subordinated debt | | |
| . Other bonds and fixed-income securities | | |
| . Other | | |
| Total | - 63,693,203 | - 63,401,557 |

NOTE 13 - BREAKDOWN OF FEES AND COMMISSION INCOME

(in EUR)

| | 2012 | 2 011 |
|---|----------------|----------------|
| BREAKDOWN OF FEES AND COMMISSION INCOME RECORDED AS SUCH IN THE INCOME STATEMENT | | |
| Income | 768,717 | 906,646 |
| . On transactions with banks | 768,717 | 906,646 |
| . 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 | | |
| Expenses | 0 | 0 |
| . On transactions with banks | | |
| . On corporate actions | | |
| . On forward financial instrument activities | | |
| . On financial services for third parties | | |
| . Other fee expense | | |
| TOTAL FEE AND COMMISSION INCOME | 768,717 | 906,646 |

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)

| | 2012 | 2011 |
|---|---------------|----------------|
| Net income from trading securities | | |
| Net income from foreign-exchange transactions | 16,069 | - 2,511 |
| Net income from forward financial instruments | | |
| TOTAL | 16,069 | - 2,511 |

NOTE 15 - OTHER EXPENSES AND REVENUES FROM BANKING ACTIVITIES

(in EUR)

| | 2012 | 2011 |
|--------------------|----------|----------|
| Operating income | | |
| Operating expenses | | |
| TOTAL | 0 | 0 |

NOTE 16 - GENERAL OPERATING EXPENSES

(in EUR)

| | 2012 | 2011 |
|---------------------------------------|------------------|------------------|
| Employee compensation and benefits | | |
| Other administrative expenses | - 400,378 | - 770,998 |
| <i>of which statutory audit fees:</i> | - 45,035 | - 29,965 |
| TOTAL | - 400,378 | - 770,998 |

NOTE 17 - EXCEPTIONAL ITEMS

| | (in EUR) | |
|------------------------------------|----------|----------|
| | 2012 | 2011 |
| Non-recurring income on securities | 0 | 0 |
| Non-recurring loss on securities | 0 | 0 |
| Tax penalties | 0 | 0 |
| TOTAL | 0 | 0 |

NOTE 18 - INCOME TAX

| | (in EUR) | |
|--|-----------------|---------------|
| | 2012 | 2011 |
| Reversals of tax provisions | 0 | 0 |
| Corporate income tax and lump sum annual corporate tax | - 84,447 | 48,948 |
| TOTAL | - 84,447 | 48,948 |

The income tax of EUR -84,447 refers to the netting between the 2012's charge on income tax (- 85 K€) and the cancellation of the 2011's excedental charge on income tax (+ 1 K€).