



HSBC SFH (France)

A French limited liability company (*société anonyme*)

with a share capital of €113,250,000

Registered office: Immeuble Cœur Défense, 110, esplanade du Général de Gaulle, 92400

Courbevoie, France

480 034 917 RCS Nanterre

(the "**Issuer**")

Paris, 25 November 2021

**REPORT OF THE BOARD OF DIRECTORS
RELATING TO THE MEETING OF 10 DECEMBER 2021
COVENING THE HOLDERS OF THE**

€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)

of which €1,000,000,000 are currently outstanding

(the "**2025 Covered Bonds**" and the holders thereof, the "**2025 Bondholders**")

issued by the Issuer

Ladies and Gentlemen,

Pursuant to the provisions of the French *Code de commerce*, the terms and conditions of the 2025 Covered Bonds set out in the Base Prospectus dated 23 November 2017 as supplemented by a first supplement dated 16 February 2018 (together, the "**Base Prospectus**") and completed by the Final Terms dated 13 April 2018 (together with the Base Prospectus, the "**2025 Conditions**") and the convening notice published on the date hereof (the "**Notice**"), you are convened to a general meeting at the Issuer's headquarters located Immeuble Cœur Défense, 110, esplanade du Général de Gaulle, 92400 Courbevoie, France, **on 10 December 2021 on first convocation at 11.00 a.m.** (the "**2025 Meeting**") to deliberate on the following agenda:

- Approval of the Transfer and, as a consequence, approval of the amendments to the Programme Documents and the 2025 Conditions (the "**First Resolution**");
- Filing of the documents relating to the 2025 Meeting (the "**Second Resolution**"); and
- Powers to carry out formalities (the "**Third Resolution**").

Should the 2025 Meeting not be able to validly deliberate for lack of necessary quorum on first convocation (*i.e.* if the 2025 Bondholders present or represented hold at least a fifth (1/5) of the principal amount of the 2025 Covered Bonds then outstanding), the 2025 Meeting will be re-convened with the same agenda on 21 December 2021¹ at the same time.

¹ Subject to adjustment as may be specified in the convening notice convening the 2025 Meeting on second convocation.

Capitalised terms used but not defined in this report shall have the same meaning ascribed to them in the consent solicitation memorandum dated the date hereof (the “**Consent Solicitation Memorandum**”).

The Consent Solicitation Memorandum is available at the registered office of the Issuer, at the office of the Centralising Agent (copies of which are obtainable, upon request, free of charge) and at the specified office of the Paying Agent.

The description of the procedures which will allow you to participate in the 2025 Meeting is set out in the Notice published through Euroclear France and available on the websites of the Issuer (<https://www.about.hsbc.fr/fr-fr/investor-relations/covered-bonds>) and (<https://www.about.hsbc.fr/investor-relations/covered-bonds>) and of HSBC Continental Europe (formerly known as HSBC France) (“**HBCE**”) (<https://www.about.hsbc.fr/fr-fr/investor-relations> and <https://www.about.hsbc.fr/investor-relations>).

I. CONTEXT OF THE CONSENT SOLICITATION

The 2025 Covered Bonds have been issued by the Issuer and are currently legal, valid and binding obligations of the Issuer. 100.00 per cent. of the Issuer’s share capital is held directly or indirectly by HBCE.

On 18 June 2021, HBCE signed a Memorandum of Understanding with Promontoria MMB SAS, its subsidiaries Banque des Caraïbes SA and My Money Bank regarding the potential sale of its retail banking business in France which includes HBCE’s 100% ownership interest in the Issuer.

Promontoria MMB SAS, Banque des Caraïbes SA and My Money Bank are under the control, directly or indirectly, of funds and accounts managed or advised by Cerberus Capital Management L.P.

On 25 November 2021, HBCE, Promontoria MMB SAS and Banque des Caraïbes SA entered into a Framework Agreement whereby HBCE 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 (the “**Transfer**”), as further detailed in the transaction update published by HBCE on its website (<https://www.hsbc.fr/en-fr/actualites/>) and in a press release published by Promontoria MMB SAS on its website (<https://www.mymoneybank.com/en/news>).

II. DESCRIPTION OF THE RESOLUTIONS

a. FIRST RESOLUTION – APPROVAL OF THE TRANSFER AND, AS A CONSEQUENCE, APPROVAL OF THE AMENDMENTS TO THE PROGRAMME DOCUMENTS AND THE 2025 CONDITIONS

In the First Resolution, the Board of Directors of the Company proposes that the 2025 Meeting approves the Transfer and, as a consequence, approves the amendments to the Programme Documents and the 2025 Conditions.

Indeed, to achieve such Transfer, the Programme Documents will have to be amended. In particular, HBCE, as the majority shareholder of the Issuer, has undertaken pursuant to a letter of undertaking in favour of the 2025 Bondholders, *inter alia*, (i) not to permit any amendments to the Programme Documents other than as expressly permitted or contemplated under the Programme Documents or without the prior Representative Consent and prior Rating Affirmation (in each case, as such capitalised terms are defined under the

2025 Conditions), (ii) 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, (iii) to take any necessary steps, which are available to it as shareholder, to remain majority shareholder of the Issuer. In addition, HSBC Bank plc, acting through its Paris Branch, pursuant to the same letter of undertaking, has undertaken in favour of the 2025 Bondholders, 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 *Code général des impôts*, with HSBC Bank plc, acting through its Paris Branch as head of that tax group, and not to amend the tax consolidation agreement (*convention d'intégration fiscale*) between HSBC Bank plc, acting through its Paris Branch and the Issuer without prior Rating Affirmation.

The 2025 Bondholders are therefore requested to waive any undertaking made by HBCE to their benefit in any such Programme Documents including, for the avoidance of doubt, any Rating Affirmation and/or Representative Consent.

Furthermore, as a result of the above:

- Condition 1 (*Definitions*) of the 2025 Conditions will be amended to insert a new definition of Transfer and a new definition of “Transfer Rating Condition” (as such terms are defined in the Resolutions);
- Condition 5(d) (*Restrictions on mergers or reorganisations*) of the 2025 Conditions will be amended to exclude its application in the context of and following completion of the Transfer provided that the Transfer Rating Condition is satisfied at the time that such Transfer is effected;
- Condition 5(g) (*Programme Documents*) of the 2025 Conditions will be amended to enable the Issuer to amend, modify, alter, terminate or supplement any Programme Document to which it is a party (i) 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 (ii) to allow for the removal of the rating assigned by Moody's to the 2025 Covered Bonds including any reference thereto in any further Rating Affirmation, in each case without prior Rating Affirmation;
- Condition 5(j) (*Rating of further Issuance*) of the 2025 Conditions will be amended so that this Condition will not apply in the context of and following completion of the Transfer;
- Condition 12 (*Representation of the Bondholders*) of the 2025 Conditions will be amended to exclude the obligation to hold future Bondholders' meetings in respect of the Transfer; and
- Condition 14 (*Limited recourse, Non petition*) of the 2025 Conditions will be amended to remove referencing to HSBC France (former legal name of HBCE).

These are the reasons why there is a legal obligation to consult the 2025 Bondholders to approve the Transfer, all consequential amendments to the Programme Documents and the 2025 Conditions and the 2025 Meeting is held.

The text of the First Resolution presented to the 2025 Bondholders is the following:

“First Resolution – Approval of the Transfer and, as a consequence, approval of the amendments to the Programme Documents and the 2025 Conditions.

The Meeting, deliberating pursuant to Article L.228-65 I of the French *Code de commerce* and noting:

- the report of the Board of Directors of the Issuer dated 25 November 2021,
- the Consent Solicitation Memorandum dated 25 November 2021,
- the base prospectus dated 23 November 2017 and the first supplement to such base prospectus dated 16 February 2018 (together, the “**Base Prospectus**”), and
- the final terms dated 13 April 2018 relating to the 2025 Covered Bonds (together with the Base Prospectus, the “**2025 Conditions**”),

in the context of the transfer by HSBC Continental Europe (“**HBCE**”), subject to the satisfaction of certain conditions, of, among other things, its full ownership interest in HSBC SFH (France) (the “**Issuer**”) and of most of its rights and obligations under the Programme Documents (as defined in the 2025 Conditions) 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 (the “**Transfer**”),

- a) **approves** the Transfer and all consequential amendments to the Programme Documents (as such term is defined in Condition 1 (*Definitions*)) of the 2025 Conditions,
- b) **waives** any undertaking made by HBCE to the benefit of the Bondholders (as defined in the 2025 Conditions) in any such Programme Documents including, for the avoidance of doubt, any Rating Affirmation and/or Representative Consent,
- c) **notes, as a result of a) above**, that the Issuer has requested the Bondholders to approve the amendments to Condition 1 (*Definitions*), Condition 5(d) (*Restrictions on mergers or reorganisations*), Condition 5(g) (*Programme Documents*), Condition 5(j) (*Rating of further Issuance*), Condition 12 (*Representation of Bondholders*) and Condition 14 (*Limited recourse, Non petition*) of the 2025 Conditions so that the modifications of the Programme Documents in the context of the Transfer will not entail any subsequent meetings of Bondholders,
- d) **approves** the following amendments to the 2025 Conditions so that:
 - a new definition of “Transfer” in Condition 1 (*Definitions*) of the 2025 Conditions shall be added as follows (the blue underlined text being added):

“**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.”
 - a new definition of “Transfer Rating Condition” in Condition 1 (*Definitions*) of the 2025 Conditions shall be added as follows (the blue underlined text being added):

“**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 (as defined below) 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) (*Programme Documents*)), 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.

Where:

“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, with a share capital of EUR 276,154,299.74, having its registered office located at Tour Europlaza, 20 avenue André Prothin, 92063 Paris la Défense Cedex, France, registered with the Trade and Companies Registry under number 784 393 340 R.C.S. Nanterre.”

- Condition 5(d) (*Restrictions on mergers or reorganisations*) of the 2025 Conditions shall be amended as follows (the blue underlined text being added):

“(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 of S&P and notification of Moody's.

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

Where:

“My Money Group” means Promontoria MMB, a French *société par actions simplifiée*, licensed as a *compagnie financière* holding and its consolidated subsidiaries; and

“MMB SCF” is a French *société anonyme* licensed as an *établissement de crédit spécialisé* and a member of the My Money Group, having its registered office located at Tour Europlaza, 20, avenue André Prothin, 92063 Paris La Défense Cedex, France.”

- the first and second paragraphs of Condition 5(g) (*Programme Documents*) of the 2025 Conditions shall be amended as follows (the blue underlined text being added and the ~~red double-strikethrough~~ text being deleted):

“(g) Programme Documents

Subject to the qualifications described in the relevant Programme Document(s) to which it is a party and except in respect 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; ~~or~~
 - (iv) to comply with any mandatory requirements of applicable laws and regulations; ~~or~~
 - (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."
- Condition 5(j) (*Rating of further Issuance*) of the 2025 Conditions shall be amended as follows (the blue underlined text being added):
- "(j) Rating of further Issuance**
Subject to Condition 5(i) above and except in the context of and following completion of the Transfer, the Issuer undertakes that any new further issuance of Covered Bonds will be rated by the Rating Agencies."
- the second paragraph of Condition 12 (*Representation of the Bondholders*) of 2025 Conditions shall be amended as follows (the blue underlined text being added):
- "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, R. 228-63, R. 228-67, R. 228-69 and the second sentence of Article L.228-71, subject to the following provisions:"
- the last paragraph of Condition 14 (*Limited recourse, Non petition*) of the 2025 Conditions shall be amended as follows (the blue underlined text being added and the ~~red double strikethrough~~ text being deleted):
- "Despite the fact that the Issuer is almost entirely owned by ~~HSBC France~~ its shareholder(s), pursuant to the provisions of Article L.515-27 of the French Monetary and Financial Code (*Code monétaire et financier*), the safeguard procedure, judicial reorganisation or liquidation (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of ~~HSBC France~~ its shareholder(s), in its capacity as shareholder of the Issuer, shall not be extended to the Issuer."

Such amendments shall take effect (i) immediately in respect of the amendments to (vi) of Condition 5(g) (*Programme Documents*) and Condition 5(j) (*Rating of further Issuance*) and (ii) by 31 December 2023 or such other date (*i.e.* completion of the Transfer), provided that the Issuer may withdraw such amendments at any time before such date at its sole option and in its sole and absolute discretion, all as notified by the Issuer to the Bondholders in accordance with Condition 17."

b. SECOND RESOLUTION – FILING OF THE DOCUMENTS RELATING TO THE 2025 MEETING

In the Second Resolution, the Board of Directors of the Company proposes that the 2025 Meeting decides, in accordance with Article R.228-74 paragraph 1 of the French *Code de commerce*, that the attendance sheet, the relevant powers of represented 2025 Bondholders and the minutes of this meeting shall be filed at the registered office of the Issuer to enable any bondholder to exercise its communication right granted by law.

The text of the Second Resolution presented to the 2025 Bondholders is the following:

“The 2025 Meeting decides, in accordance with Article R.228-74 paragraph 1 of the French Code de commerce, that the attendance sheet, the relevant powers of represented 2025 Bondholders and the minutes of this Meeting shall be filed at the registered office of the Issuer to enable any 2025 Bondholder to exercise its communication right granted by law.”

c. THIRD RESOLUTION – POWERS TO CARRY OUT FORMALITIES

In the Third Resolution, the Board of Directors of the Company proposes that the 2025 Meeting authorises and grants all powers to the legal representatives of the Issuer to take all measures and to conclude any agreements, as the case may be, to implement these resolutions, and to the holder of a copy or excerpt of the minutes setting out these resolutions, to perform any legal or administrative formalities.

The text of the Third Resolution presented to the 2025 Bondholders is the following:

“The 2025 Meeting authorises and grants all powers to the legal representatives of the Issuer to take all measures and to conclude any agreements, as the case may be, to implement these Resolutions, and to the holder of a copy or excerpt of the minutes setting out these Resolutions, to perform any legal or administrative formalities.”

III. CONSENT FEES

Subject to the 2025 Resolutions being approved at the 2025 Meeting (whether held on first convocation or second convocation) and the resolutions relating to the €1,250,000,000 2.00 per cent. Covered Bonds due 16 October 2023 (the “**2023 Covered Bonds**”) being approved at the meeting to be held on 10 December 2021 on first convocation or, if the quorum is not met, on 21 December 2021² on second convocation relating to such 2023 Covered Bonds (such interconditionality being waivable by the Issuer in its sole and absolute discretion), the Issuer will pay:

- a) at the latest 3 Business Days following the date of the latest Meeting of any Series (*i.e.* 10 December 2021, on first convocation or, if the quorum is not met with respect to any Series, 21 December 2021³, on second convocation) (the “**2025 First Consent Fee Payment Date**”), an amount equal to 0.20 per cent. of the aggregate nominal amount of the 2025 Covered Bonds for which any 2025 Bondholder has validly cast its vote (the “**2025 First Consent Fee**”). The 2025 First Consent Fee will be paid by the Centralising Agent, on behalf of the Issuer, to the 2025 Bondholders holding the 2025 Covered Bonds on the date of the relevant 2025 Meeting and who have validly cast their votes; and

² Subject to adjustment as may be specified in the convening notice convening such meeting on second convocation.

³ Subject to adjustment as may be specified in the convening notice convening such meeting on second convocation.

- b) at the latest 5 Business Days following the completion of the Transfer which is expected to occur by 31 December 2023 (or such other date as will be notified by the Issuer to the Bondholders in accordance with Condition 17) (the “**2025 Second Consent Fee Payment Date**”), an amount equal to 0.05 per cent. of the aggregate nominal amount of the 2025 Covered Bonds held by each 2025 Bondholder only if the Transfer is completed (the “**2025 Second Consent Fee**”). The 2025 Second Consent Fee will be paid by the Paying Agent (in coordination with the Centralising Agent), on behalf of the Issuer, to all 2025 Bondholders holding the 2025 Covered Bonds at the 2025 Second Consent Fee Payment Date.

For the avoidance of doubt, a 2025 Bondholder will be considered to have validly cast its vote if it has voted “for”, “against” or “abstention” in respect of the 2025 Resolutions submitted by the Issuer to the 2025 Meeting, be it in person, by proxy or by correspondence.

Should you approve these various proposals, please confirm with your vote by adopting these resolutions which shall be read to you and have been kept available at the registered office during fifteen days preceding the 2025 Meeting, in accordance with any applicable laws and regulations.

The Board of Directors