

HSBC SFH (FRANCE)

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18 June 2021

Potential sale of HSBC SFH (France): Signing of a Memorandum of Understanding

HSBC Continental Europe ('**HBCE**') has today signed a Memorandum of Understanding ('**MOU**') with Promontoria MMB SAS ('**My Money Group**'), its subsidiary Banque des Caraïbes SA (the '**Purchaser**') and My Money Bank ('**MMB**'), regarding the potential sale of HBCE's retail banking business in France. My Money Group, MMB and the Purchaser are under the control, directly or indirectly, of funds and accounts managed or advised by Cerberus Capital Management L.P.

The potential sale includes: HBCE's French retail banking business; the Crédit Commercial de France ('**CCF**') brand; and, subject to the satisfaction of relevant conditions, HBCE's 3% ownership interest in Crédit Logement, its 100% ownership interest in HSBC SFH (France) ('**HSFH**'), and the transfer of rights and obligations under the covered bonds programme at completion (together, the '**Business**') (the '**Potential Transaction**'). The potential sale is structured such that it may proceed even if the relevant conditions to transfer HSBC SFH and/or the 3% ownership interest in Crédit Logement are not satisfied.

The signing of the MOU has been approved by the boards of directors of HBCE, My Money Group and the Purchaser. The Board of HSBC SFH (France) ('**HSFH**') has been informed of the Potential Transaction.

The MOU records the status of the negotiations between the parties and sets out the information and consultation process of HBCE and the Purchaser with their respective works councils, which will commence shortly. It also contains exclusivity commitments entered into by the parties.

Under the proposed terms of the Potential Transaction, HBCE and the Purchaser have agreed to take certain steps to manage the net asset position of the Business to be delivered at closing of the Potential Transaction ('**Closing**'). This includes HBCE taking steps for HSFH (or a similar vehicle) to issue covered bonds (up to EUR 2.0bn of which may be self-financed by HBCE).

The Potential Transaction is structured such that the parties may proceed to Closing even if the relevant conditions to transfer HSFH are not satisfied. In these circumstances the parties would put in place arrangements replicating for HBCE the economics that would apply had the relevant conditions been satisfied. If the parties were to proceed to Closing without the condition to transfer HSFH being satisfied, there would be deferred transfers to the Purchaser of certain home loans that would otherwise fall within the scope of the Potential Transaction, and HBCE will continue to comply with its obligations under the covered bonds programme. Similarly, if the steps the parties have agreed to take to manage the net asset position of the Business are implemented where the condition to transfer HSFH is not satisfied, the amount of home loans that would initially not fall within the scope of the Potential Transaction may be increased.

The Potential Transaction would be subject to clearance from relevant financial, governmental and regulatory approvals. Approvals would also be required in connection with the transfer of the interests in HSFH. However as noted above, the Potential Transaction would proceed even if these approvals were not obtained.

The Potential Transaction would be expected to close in the first half of 2023.

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Note to editors:

1. HSBC Holdings plc

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,984bn at 31 December 2020, HSBC is one of the world's largest banking and financial services organisations.

2. HSBC Continental Europe

HSBC Continental Europe is a subsidiary of HSBC Holdings plc. HSBC Continental Europe is headquartered in Paris. HSBC Continental Europe includes, in addition to its banking activities in France, the activities of 10 European branches (Belgium, Spain, Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Czech Republic and Sweden). HSBC Continental Europe's mission is to serve customers in continental Europe for their needs worldwide and customers in other Group countries for their needs in continental Europe.

3. HSBC SFH (France)

HSBC SFH (France) is a funding vehicle used by HSBC Continental Europe for the issuance of covered bonds backed by mortgage loans issued by HSBC Continental Europe.

4. Crédit Logement

Crédit Logement operates as a provider of mortgage loan guarantees in the French market.

5. Banque des Caraïbes

Banque des Caraïbes ('BdC') is a universal bank regulated by the ACPR, and is currently operating in the French Caribbean under the My Money Group umbrella. BdC is ultimately controlled by funds and accounts managed or advised by Cerberus Capital Management L.P. The principal business of the Purchaser relates to retail and commercial banking.

6. Promontoria MMB

Promontoria MMB is a financial holding company of My Money Group and is regulated by the ACPR. It owns majority shares notably in Banque des Caraïbes and My Money Bank.

7. My Money Bank

My Money Bank is a bank regulated by the ACPR and is currently operating in Mainland France under My Money Group umbrella. MMB is ultimately controlled by funds and accounts managed or advised by Cerberus Capital Management L.P. The principal business of My Money Bank relates to debt consolidation and commercial real estate.

8. Lazard & Co., Limited

Lazard & Co., Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and Lazard Frères SAS (together “Lazard”) are acting exclusively for HSBC Continental Europe and for no one else in connection with the Potential Transaction and will not be responsible to anyone other than HSBC Continental Europe for providing the protections afforded to their clients or for providing advice in connection with the Potential Transaction. Neither Lazard nor any of their respective affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard in connection with this document, any statement contained herein, the Potential Transaction or otherwise.

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of the group. Statements that are not historical facts, including statements about the group’s beliefs and expectations, are forward-looking statements. Words such as ‘expects’, ‘estimates’, ‘potential’ and ‘reasonably possible’, variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC Continental Europe makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement. Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements.