

14 April 2023

HSBC SFH (FRANCE) UPDATE ON POTENTIAL SALE OF HSBC SFH (FRANCE)

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION

- Significant interest rate rises since the sale terms were agreed and the related fair value accounting treatment on acquisition have made completion by the Purchaser Group less certain
- Parties remain committed to the sale, but appropriate amendments yet to be agreed meaning a delay to closing expected if the sale completes
- Given sale is less certain, HSBC's French retail banking business no longer classified as held for sale

On 18 June 2021, HSBC Continental Europe ('HBCE') announced it had signed a Memorandum of Understanding ('MoU') with Promontoria MMB SAS ('My Money Group') and its subsidiary Banque des Caraïbes SA (the 'Purchaser', and together with My Money Group, the 'Purchaser Group') regarding the potential sale of HBCE's retail banking business in France (the 'Transaction'). The parties subsequently entered into a binding framework agreement ('Framework Agreement') on 25 November 2021. My Money Group and the Purchaser are under the control, directly or indirectly, of funds and accounts managed or advised by Cerberus Capital Management L.P.

The Transaction includes the transfer of HBCE's 100% ownership interest in HSBC SFH (France) ('HSFH'), and the transfer of HBCE's rights and obligations under the covered bonds programme issued by HSFH at completion. The Transaction is structured such that it may proceed even if the relevant conditions to transfer HSBC SFH are not satisfied.

HSFH notes that today HSBC Holdings plc ('HSBC') and HBCE have announced that the Purchaser Group has informed HBCE that the significant, unexpected interest rate rises in France since the Framework Agreement was signed in 2021, and the related fair value accounting treatment on acquisition, will significantly increase the amount of capital required by the enlarged Purchaser Group at closing of the Transaction. Unless this issue is addressed, the Purchaser will be unable to obtain regulatory approval for the Transaction. Under the terms of the Framework Agreement, the Purchaser is required to use its best efforts to obtain this approval. However, the Purchaser Group has advised HBCE that they

*This press release is issued by **HSBC SFH (France)**
Registered office: Immeuble Cœur Défense, 110 esplanade du Général de Gaulle, 92400 Courbevoie, France
Website: www.hsbc.fr
SIREN 480 034 917 RCS Nanterre*

consider that they will be unable to obtain regulatory approval without amending the previously agreed Transaction terms. The parties are continuing discussions. If the Transaction does proceed, it is expected that closing will be delayed.

On 30 September 2022, HSBC and HBCE have reclassified HBCE's retail banking operations in France to held for sale as, at that point in time, the Transaction was anticipated to complete in the second half of 2023, subject to the satisfaction of certain conditions including regulatory approval. Each quarter, HSBC and HBCE review the 'held for sale' classification of HBCE's French retail banking operations in accordance with IFRS 5 (an accounting standard which requires a high probability of a transaction completing within a 12-month period).

Given completion of the Transaction has become less certain, as at 31 March 2023 HSBC and HBCE are required to change the accounting classification of HBCE's retail banking operations in France. They will no longer be classified as held for sale.

HSBC has confirmed it remains committed to pursuing the sale providing appropriate terms can be agreed and to supporting its clients and colleagues in France at all times.

If the Transaction has not completed by 31 May 2024, the Framework Agreement will terminate automatically, although that date can be extended to 30 November 2024 in certain circumstances.

HSBC will provide further updates on the Transaction as required.

Notes to Editors

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.

HSBC Continental Europe

Headquartered in Paris, HSBC Continental Europe is an indirectly held subsidiary of HSBC Holdings plc. HSBC Continental Europe includes, in addition to its banking, insurance and asset management activities based in France, the business activities of 10 European branches (Belgium, Czech Republic, Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain and Sweden) and two subsidiaries (Germany and Malta) acquired in November 2022. HSBC Continental Europe's mission is to serve both customers in Continental Europe for their needs worldwide and customers in other Group countries for their needs in Continental Europe.

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. HSBC serves customers worldwide from offices in 62 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,967bn at 31 December 2022, HSBC is one of the world's largest banking and financial services organisations.

Investor enquiries to:

Richard O'Connor

+ 44 (0) 20 7991 6590

investorrelations@hsbc.com

Media enquiries to:

Heidi Ashley + 44 7920 254057 heidi.ashley@hsbc.com

Sophie Ricord + 33 6 89 10 17 62 sophie.ricord@hsbc.fr

Raphaële-Marie Hirsch + 33 7 64 57 35 55 raphaele.marie.hirsch@hsbc.fr

This announcement contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as 'expects,' 'targets,' 'believes,' 'seeks,' 'estimates,' 'may,' 'intends,' 'plan,' 'will,' 'should,' 'potential,' 'reasonably possible,' 'anticipates,' 'project', or 'continue', variation of these words, the negative thereof or similar expressions or comparable terminology. HSFH has based the forward-looking statements on current plans, information, data, estimates, expectations and projections about, among other things, results of operations, financial condition, prospects, strategies and future events, and therefore undue reliance should not be placed on them. These forward-looking statements are subject to risks, uncertainties and assumptions about the HBCE group, as described under 'Cautionary statement regarding forward-looking statements' contained in the HBCE Annual Report for the year ended 31 December 2022. HSFH undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. Investors are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates. No representation or warranty is made as to the achievement or reasonableness of and no reliance should be placed on such forward-looking statements.