

14 April 2023

HSBC CONTINENTAL EUROPE UPDATE ON SALE OF RETAIL BANKING BUSINESS IN FRANCE

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- 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, HBCE's French retail banking business no longer classified as held for sale – EUR2bn reversal of impairment as at 31 March 23

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 Purchaser Group has informed us 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 us that they 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 Holdings plc ('HSBC') and HBCE 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 their retail banking operations in France. They will no longer be classified as held for sale. The consequence of this, for HBCE is a EUR2bn reversal of the previously recognised impairment in respect of the sale of the French retail banking operations, with a resulting benefit to common equity tier 1 (estimated at c. 3% based on CET1 as at 31 December 2022).

HSBC remains committed to pursuing the sale providing appropriate terms can be agreed and to supporting our 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 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.

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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. HBCE 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 us, as described under 'Cautionary statement regarding forward-looking statements' contained in the HBCE Annual Report for the year ended 31 December 2022. HBCE 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.