

21 February 2024

## HSBC CONTINENTAL EUROPE 2023 ANNUAL AND SECOND HALF RESULTS

On 20 February 2024, HSBC Continental Europe's Board of Directors reviewed the second half year results and approved the bank's consolidated financial statements for 2023.

HSBC Continental Europe delivered a strong financial performance in 2023 with growth in wholesale banking revenues supported by the interest rate environment and increased client activity, moderate credit losses and continued cost discipline.

We completed the sale of our retail banking operations in France on 1 January 2024 and the acquisition of HSBC Private Bank (Luxembourg) SA on 2 November 2023. These transactions, in addition to the integration of HSBC Germany and HSBC Malta<sup>1</sup> into HSBC Continental Europe, support our ambition to be the leading international wholesale bank in Europe servicing corporates and financial institutions, complemented by a targeted wealth and private banking offering.

### **2023 annual results**

**Profit after tax for the period** was €908m in 2023, driven by the inclusion of profits from HSBC Germany and HSBC Malta, higher interest rates and increased client activity. This compared with a loss of €1,090m in 2022 that included impairments related to the sale of our retail banking operations in France and branch operations in Greece.

**Net operating income before change in expected credit losses and other credit impairment charges<sup>2</sup>** was €3,833m, up from €2,002m in 2022, and included the full-year consolidation of the financial results of HSBC Germany and HSBC Malta. The increase was also driven by growth in net interest income in Commercial Banking and Global Banking which benefited from higher interest rates and higher deposit balances. Markets and Securities Services reported growth in revenues from Global Debt Markets and Securities Financing activities. Wealth and Personal Banking<sup>3</sup> revenues also increased, reflecting higher net interest income and higher income from Life Insurance activities.

**Change in expected credit losses and other credit impairment charges<sup>2</sup>** was a charge of €141m, compared with a charge of €124m in 2022. The cost of risk<sup>4</sup>, at 28bps, was moderate and the increase reflected specific provisions and the deterioration of forward-looking economic conditions.

**Operating expenses<sup>2</sup>** were €2,217m, up from €1,660m in 2022. The increase was mainly driven by the full-year consolidation of the financial results of HSBC Germany and HSBC Malta, partly offset by lower infrastructure costs and lower contributions to the Single Resolution Fund.

---

<sup>1</sup> Acquired in November 2022

<sup>2</sup> In respect of continuing operations in accordance with IFRS 5 (see appendix)

<sup>3</sup> In respect of continuing operations, Wealth and Personal Banking is mainly composed of the Life Insurance subsidiaries in France and Malta, the Asset Management subsidiaries in France, Germany and Malta, the retail banking activities in Malta and the Private Banking subsidiary in Luxembourg

<sup>4</sup> Cost of risk divided by customer loans outstanding at the end of the period

**Profit before tax**<sup>2</sup> was €1,475m compared to €218m in 2022.

**The consolidated balance sheet** of HSBC Continental Europe showed total assets of €283bn at 31 December 2023, compared to €279bn at 31 December 2022.

At 31 December 2023, HSBC Continental Europe reported an average liquidity coverage ratio (LCR)<sup>5</sup> of 158% and an average net stable funding ratio (NSFR)<sup>6</sup> of 141%. The bank's fully loaded common equity tier 1 (CET1) ratio was 15.9% and the fully loaded total capital ratio was 20.8%. The fully loaded leverage ratio was 4.2%. The solvency ratio of the Life Insurance company was 287%<sup>7</sup>.

### **2023 second half results**

In respect of continuing and discontinued operations<sup>8</sup>.

**Loss before tax** was €1,329m, compared to a loss before tax of €1,743m in the second half of 2022 that included an impairment of €1,998m in relation to the sale of the retail banking operations in France. This impairment was reversed in the first half of 2023 for an amount of €1,962m<sup>9</sup> as the sale no longer met the criteria for the operations to be classified as held for sale. When the criteria were met again in the second half of 2023, an impairment of €1,842m was recognised, leading to the loss over the period. Excluding these impairments, the profit before tax was €513m, up from a profit before tax of €255m in the second half of 2022.

**Net operating income before change in expected credit losses and other credit impairment charges** was €76m and included the impairment related to the sale of the retail banking operations in France (€1,842m). This compared to revenues of €(557)m in the second half of 2022, including the previously recognised impairment related to the sale of the retail banking operations in France (€1,998m). Excluding these impairments, revenues were €1,918m, up from €1,441m in the second half of 2022. The increase was mainly driven by the full year consolidation of the financial results of HSBC Germany and HSBC Malta and the higher interest rates.

**Change in expected credit losses and other credit impairment charges** was a charge of €124m, in line with a charge of €123m in the second half of 2022.

**Operating expenses** were €1,281m, up from €1,063m in the second half of 2022. The increase was driven by the full year consolidation of the financial results of HSBC Germany and HSBC Malta.

---

<sup>5</sup> Computed in respect of the EU Delegated act

<sup>6</sup> Computed in respect of CRR II (Regulation EU 2019/876)

<sup>7</sup> LCR, NSFR and the solvency ratio of the Life Insurance company are unaudited

<sup>8</sup> See appendix

<sup>9</sup> This amount excludes the reversal of impairment in the first half of 2023 for €19m related to non-financial assets which were impaired prior to the held for sale classification in 2022

## ***Business disposals and changes of control***

At 31 December 2023, in relation to the sale of the retail banking operations in France, €25.0bn in total assets, including €12.7bn of loans and advances to customers, and €23.7bn in total liabilities, including €20.1bn of customer accounts, were reclassified as held for sale in accordance with IFRS 5 and the overall impact of the held for sale classification was a gain of €143m in 2023. This comprised a reversal of the loss on sale of €2.0bn in the first half of 2023 as the sale became less certain, and a subsequent recognition of loss on sale of €1.8bn as we reclassified the retail banking operations in France as held for sale in the second half of 2023. The sale was completed on 1 January 2024.

HSBC Continental Europe acquired HSBC Private Bank (Luxembourg) SA on 2 November 2023 in response to the requirement for an Intermediate Parent Undertaking in line with EU Capital Requirements Directive for European Union banking entities ('CRD V').

The sale of HSBC Continental Europe's branch operations in Greece to Pancreta Bank SA was completed on 28 July 2023 after close of business.

## ***2023 results per business line<sup>10</sup>***

### **Commercial Banking**

Profit before tax was €762m, up from €358m in 2022, driven by growth in revenues in Global Payment Solutions and the full year consolidation of the financial results of HSBC Germany and HSBC Malta.

At 31 December 2023, customer loan balances of €24.8bn were stable compared to prior year and customer deposits of €39.4bn were up €4.5bn.

HSBC Continental Europe is a key partner for companies seeking to set up abroad and for foreign companies seeking to expand in Continental Europe.

### **Global Banking**

Profit before tax was €321m, up from €175m in 2022, driven by higher revenues in Global Payment Solutions and the full year consolidation of the financial results of HSBC Germany, partly offset by higher provisions for expected credit losses.

At 31 December 2023, customer loan balances of €13.0bn were down €1.0bn and customer deposits of €25.9bn were up €5.5bn, mainly driven by business growth.

Global Banking in HSBC Continental Europe operates as an integral part of the HSBC Group's Global Banking franchise in order to help its clients seize international growth opportunities, leveraging the HSBC Group's expertise and global network.

### **Markets and Securities Services**

Profit before tax was €74m, up from €10m in 2022, mainly driven by higher revenues in Global Debt Markets and Securities Financing, as well as the full year consolidation of the financial results of HSBC Germany.

Customer deposits of €17.4bn at 31 December 2023 were down €3.1bn.

HSBC Continental Europe plays a key role as the HSBC Group's strategic platform for euro-denominated rates products, being a primary dealer in all European debt issuances, and has extended its product capacities, in particular to equities products involving European stocks.

---

<sup>10</sup> In respect of continuing operations in accordance with IFRS 5 (see appendix)

## **Global Banking and Markets Other**

Global Banking and Markets Other comprises activities that are outside of the perimeter of Markets and Securities Services and Global Banking. The main activity is Principal Investments which brings together HSBC Continental Europe's core principal investing activities. The profit before tax was €9m, compared to a loss of €70m in 2022.

## **Wealth and Personal Banking**

Profit before tax was €348m, up from a loss of €49m in 2022, driven by the full year consolidation of the financial results of HSBC Germany and HSBC Malta, higher interest rates and higher revenues from Insurance activities which benefited from more favourable market conditions.

Customer loan balances of €11.6bn at 31 December 2023 were up compared to €2.9bn in 2022, driven by the retention of €7.1bn of home loans by HSBC Continental Europe as per the revised terms of the sale of the retail banking operations in France, as well as the acquisition of HSBC Private Bank (Luxembourg) SA.

Customer deposits of €9.5bn at 31 December 2023 were up from €7.4bn in 2022, driven by the acquisition of HSBC Private Bank (Luxembourg) SA.

## **Corporate Centre**

The Corporate Centre comprises operating income and expense items that are not allocated to the global businesses. The loss before tax was €39m, compared to a loss of €206m in 2022 that included the impairment recognised in relation to the sale of branch operations in Greece.

## ***Post-balance sheet events***

The sale of the retail banking operations in France was completed on 1 January 2024.

## Appendix

The audit procedures relating to the accounts are ongoing.

### Summary consolidated income statement

Retail banking operations in France have been re-classified as discontinued operations in accordance with IFRS 5 and accordingly the profit/loss of the discontinued operations has been reported separately in the income statement. In relation to the sale of the retail banking operations in France, HSBC Continental Europe retained a portfolio of €7.1bn of home loans which was originally part of the sale. As a result, and in compliance with IFRS 5, the 2022 comparative data of continuing and discontinued operations have been restated accordingly.

	€m	Year 2023	Year 2022
<b>Continuing operations</b>			
Net interest income		2,534	1,130
Net fee income		1,102	759
Net income/(expense) from financial instruments held for trading or managed on a fair value basis		64	332
Other operating income/(expense)		133	(219)
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>		<b>3,833</b>	<b>2,002</b>
Change in expected credit losses and other credit impairment charges		(141)	(124)
Total operating expenses		(2,217)	(1,660)
<b>Profit/(loss) before tax</b>		<b>1,475</b>	<b>218</b>
Tax expense		(387)	(33)
Profit/(loss) after tax in respect of continuing operations		1,088	185
Profit/(loss) after tax in respect of discontinued operations		(180)	(1,275)
<b>Profit/(loss) after tax for the period</b>		<b>908</b>	<b>(1,090)</b>
<b>Profit/(loss) attributable to shareholders of the parent company</b>		<b>883</b>	<b>(1,092)</b>
Profit/(loss) attributable to non-controlling interests		25	2

### Profit/(loss) for the period by global business

	Continuing Operations						Total
	Wealth and Personal Banking	Commercial Banking	Markets and Securities Services	Global Banking	Global Banking and Markets Other	Corporate Centre	
€m	Year 2023						
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>	730	1,444	803	764	33	59	3,833
<i>o/w net interest income/(expense)</i>	641	1,100	183	453	53	104	2,534
<b>Change in expected credit losses and other credit impairment charges</b>	9	(88)	1	(63)	(1)	1	(141)
<b>Total operating expenses</b>	(391)	(594)	(730)	(380)	(23)	(99)	(2,217)
<b>Profit/(loss) before tax</b>	348	762	74	321	9	(39)	1,475
	Year 2022						
Net operating income before change in expected credit losses and other credit impairment charges	217	906	370	484	27	(2)	2,002
<i>o/w net interest income/(expense)</i>	247	564	(18)	243	(41)	135	1,130
Change in expected credit losses and other credit impairment charges	3	(86)	(1)	(39)	—	(1)	(124)
Total operating expenses	(269)	(462)	(359)	(270)	(97)	(203)	(1,660)
Profit/(loss) before tax	(49)	358	10	175	(70)	(206)	218

## Notable items

On 1 January 2023, HSBC Continental Europe updated its financial reporting framework to no longer report 'adjusted' results, which exclude the impact of significant items. 'Notable items', which are components of our income statement that management considers as outside the normal course of business and generally non-recurring in nature, are now separately disclosed.

	Continuing Operations		
	€m	Year 2023	Year 2022
<b>Notable items – Revenue</b>		—	(118)
– Disposals, acquisitions and investment		—	(106)
– Changes in fair value of financial instruments		—	7
– Restructuring and other related costs		—	(19)
<b>Notable items – Operating expenses</b>		<b>(8)</b>	(259)
– Disposals, acquisitions and investment		<b>(28)</b>	(9)
– Impairment of non-financial items		—	4
– Restructuring and other related costs		<b>20</b>	(254)

## Summary of consolidated income statement – prior to classification of retail banking operations in France as discontinued operations in accordance with IFRS 5

	Half year to		Year		
	€m	31-Dec-2023	31-Dec-2022	2023	2022
Net interest income		1,314	634	2,483	1,190
Net fee income		612	477	1,291	964
Net income/(expense) from financial instruments held for trading or managed on a fair value basis		2	123	65	334
Other operating income/(expense)		(1,852)	(1,791)	188	(2,016)
<b>Net operating income before change in expected credit losses and other credit impairment charges</b>		<b>76</b>	<b>(557)</b>	<b>4,027</b>	<b>472</b>
Change in expected credit losses and other credit impairment charges		(124)	(123)	(137)	(123)
Total operating expenses		(1,281)	(1,063)	(2,632)	(2,038)
<b>Profit/(loss) before tax</b>		<b>(1,329)</b>	<b>(1,743)</b>	<b>1,258</b>	<b>(1,689)</b>
Tax expense		293	622	(350)	599
<b>Profit/(loss) for the period</b>		<b>(1,036)</b>	<b>(1,121)</b>	<b>908</b>	<b>(1,090)</b>
<b>Profit/(loss) attributable to shareholders of the parent company</b>		<b>(1,050)</b>	<b>(1,123)</b>	<b>883</b>	<b>(1,092)</b>
Profit/(loss) attributable to non-controlling interests		14	2	25	2

## Accounting policy for classifying non-current assets or disposal groups as 'held for sale'

HSBC Continental Europe classifies non-current assets or disposal groups (including assets and liabilities) as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and the sale must be highly probable.

At 31 December 2023, HSBC Continental Europe judged that the sale of its retail banking operations in France was highly probable to complete on 1 January 2024. As such, and in accordance with IFRS 5, the disposal groups were classified as held for sale and re-measured at the lower of the carrying amount and fair value less costs to sell.

## **IFRS 17 'Insurance Contracts'**

On 1 January 2023, HSBC Continental Europe adopted IFRS 17 'Insurance Contracts'. As required by the standard, the bank applied the requirements retrospectively with comparative data previously published under IFRS 4 'Insurance Contracts' restated from 1 January 2022, the transition date. The impact of the transition in 2022 was a reduction of €253m on the revenue and a reduction of €153m to profit before tax.

**Contacts :** Sophie Ricord  
Raphaële-Marie Hirsch

[sophie.ricord@hsbc.fr](mailto:sophie.ricord@hsbc.fr)  
[raphaele.marie.hirsch@hsbc.fr](mailto:raphaele.marie.hirsch@hsbc.fr)

+33 (0) 6 89 10 17 62  
+33 (0) 7 64 57 35 55

### **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 (in Belgium, Czech Republic, Germany, Ireland, Italy, Luxembourg, Netherlands, Poland, Spain and Sweden) and two bank subsidiaries in Continental Europe (in Luxembourg and Malta). 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. With assets of US\$3,039bn at 31 December 2023, HSBC is one of the world's largest banking and financial services organisations.