

# HSBC Continental Europe

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HSBC Continental Europe (HBCE, formerly HSBC France), headquartered in Paris, is a wholly owned subsidiary of HSBC Holdings (HSBCH) and thus part of one of the leading banking groups worldwide. HBCE divides its business into three global divisions: "Global Banking and Markets", which consists of the segments "Markets and Securities Services", "Global Banking" and "GBM Other", as well as "Commercial Banking" and "Wealth and Personal Banking". The capital markets business is a focal point, as Paris is HSBCH's second center for capital markets activities in Europe after London. In funding and liquidity management, HSBCE operates independently of the parent company. In February 2020, HSBCH published a comprehensive strategic plan that includes restructuring the underperforming businesses in the U.S., Europe and the U.K. and reallocating capital towards Asia, where the group sees growth opportunities. Part of this strategy is HBCE's withdrawal from retail banking in France to focus on wholesale banking. Thus, in 2021, an agreement was signed with [My Money Group](#) (MMG) to acquire HBCE's retail business. In addition to 244 branches and approximately 800,000 customers, the transaction includes a volume of EUR 21.5bn in customer loans and EUR 18.9bn in deposits. In addition, the covered bond program of the wholly owned subsidiary HSBC SFH (France) will also be transferred. The transaction is expected to close in H2/2023. Furthermore, the sale of the activities of the Branch in Greece to Pancreta Bank is planned (regulatory approval pending).

## Ratings

	Rating	Outlook
Fitch	AA-	Negative
Moody's	A1	Stable
S&P	A+	Stable

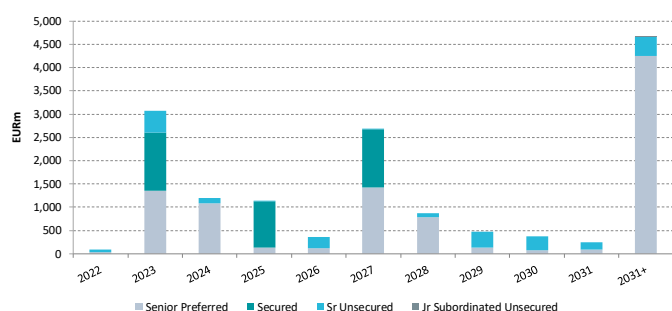
## Homepage

[hsbc.fr](https://hsbc.fr)

## Balance Sheet

(EURm)	2019Y	2020Y	2021Y
Net Loans to Customers	56,956	56,439	60,110
Total Securities	135,159	121,525	101,729
Total Deposits	57,651	61,483	70,231
Tier 1 Common Capital	6,464	5,798	5,742
Total Assets	237,680	237,099	222,664
Total Risk-weighted Assets	48,051	46,113	47,795

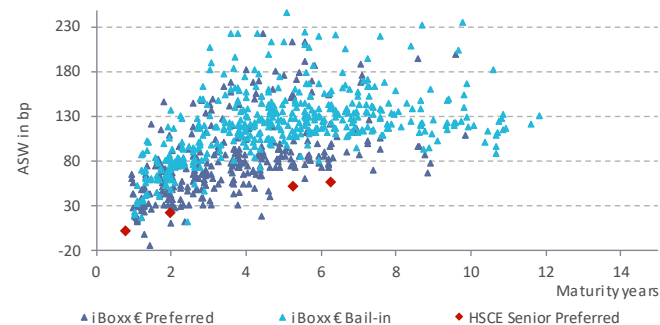
## Redemption Profile



## Income Statement

(EURm)	2019Y	2020Y	2021Y
Net Interest Income	1,095	1,053	987
Net Fee & Commission Inc,	778	858	915
Net Trading Income	1,471	330	1,364
Operating Expense	1,854	2,068	1,939
Credit Commit, Impairment	128	287	34
Pre-tax Profit	-22	-945	285

## Senior Unsecured Bonds (EUR BMK)



## Company Ratios

	2019Y	2020Y	2021Y
Net Interest Margin	0.56	0.49	0.47
ROAE	-0.52	-12.87	3.54
Cost-to-Income	83.25	97.50	87.78
Core Tier 1 Ratio	13.45	12.57	12.01
Liquidity Coverage Ratio	152.00	142.67	145.14
IFRS Tier 1 Leverage Ratio	3.37	3.21	3.09
NPL/ Loans at Amortised Cost	2.10	2.40	2.17
Reserves/Loans at Amort. Cost	1.18	1.44	1.32

As of: 21.06.2022; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

## Strengths / Opportunities

- Core location of the Group in the Eurozone
- Capitalisation

## Risks / Weaknesses

- Dependence on capital market funding
- Trading Business

# Covered Bonds

Author: Dr Frederik Kunze

## HSBC France SFH with outstanding covered bonds in the volume of EUR 3.5 billion.

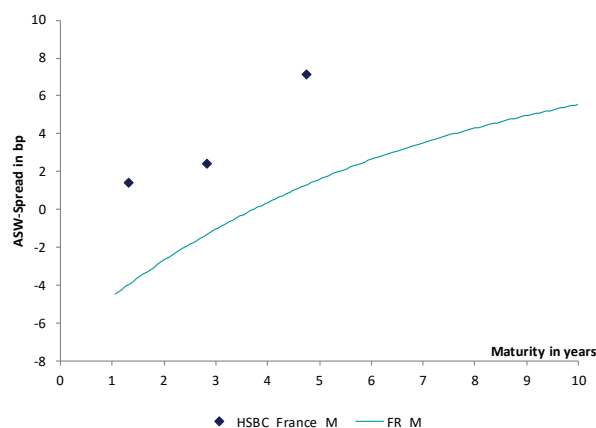
According to the Investor Report of April 30, 2022, the cover pool of HSBC SFH (France) has outstanding covered bonds with a volume of EUR 3.5bn and a weighted average maturity of 3.12 years. As of the same date, these bonds are matched by mortgage cover assets of just under EUR 4.9bn. HSBC SFH (France) is currently represented in the iBoxx EUR Covered with three EUR benchmarks with a total volume of EUR 3.5 billion.

### Programme data

30 April 2022	Mortgage
Covered bonds outstanding	EUR 3,500m
Cover pool volume	EUR 4,900m
Current OC (nominal / legal)	14.3% / 5.0%*
Type	100% residential
Main country	100% France
Main region	50.1% Ile-de-France
Number of mortgage loans	41,909
ØLTV (unindexed / indexed)	52.4% / 44.4%
Share of 10 largest exposures	0.2%*
Fixed interest (Cover Pool / CBs)	100% / 100%
WAL (Cover Pool / CBs)	4,94y / 3.12y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research; HTT data as of March 31, 2022

### Spread trend (BMK) – France



### Mortgage cover assets exclusively of a residential nature

The cover pool consists exclusively of mortgage cover assets. Moreover, the real estate financings are exclusively of French origin and are entirely residential in character. Around 77% of the financed properties are occupied by the owners. In terms of regional distribution, the Ile-de-France region (including Paris) dominates with a share of more than 50%. The next largest shares are attributable to Provence-Alpes-Côte d'Azur (13.7%) and Auvergne Rhône-Alpes (9.1%). The granularity of the cover pool is reflected by the number of loans (41,909) and an average loan size of just under EUR 117,000. All loans have a fixed interest rate and an average term of almost 4.94 years. The cover pool does not contain any non-performing loans.

### Rating and Regulatory

The rating agency Moody's has given the covered bond its top rating of Aaa. Standard & Poor's also assigns a top rating of AAA to the covered bond issues. The covered bonds can thus benefit from a preferred risk weighting of 10% in accordance with CRR. Covered bonds in benchmark format (≥EUR 500 million) can also be used as Level 1 LCR assets in our view. As a member of the euro area, the covered bonds can be purchased by the Eurosystem under the CBBP3 and are eligible for repo transactions with the ECB.

# Appendix

## Contacts at NORD/LB

### Markets Strategy & Floor Research

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### Sales

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Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Sales Europe	+352 452211-515

### Origination & Syndicate

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Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

### Treasury

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Collat. Management/Repos	+49 511 9818-9200
Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

### Trading

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Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Laender/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

### Sales Wholesale Customers

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Firmenkunden	+49 511 361-4003
Asset Finance	+49 511 361-8150

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