

*The following is an English translation of the results news release issued in French by CCF, HSBC Holdings plc's subsidiary in France.*

4 March 2002

## CCF FINAL RESULTS 2001

### **Earnings up for the 18<sup>th</sup> consecutive year**

CCF achieved growth in earnings despite a steady deterioration in the economic and financial climate throughout the year.

After restatement for major disposals and acquisitions made during 2000 and 2001, together with a number of exceptional items<sup>‡</sup>, net attributable profit amounted to €65 million, a rise of 7.4 per cent on 2000. Before restatements, net attributable profit totalled €17 million, up 8.3 per cent. The major disposals and acquisitions were: the disposal of CCF Brazil, overseas branches, Charterhouse businesses, offshore private banking subsidiaries, Crédit International d'Egypte, the acquisition of Banque Hervet, and the integration into CCF of HSBC Bank plc's branches in France, Spain, Italy, Belgium and The Netherlands.

Despite the impact of a deterioration in market conditions, net operating income rose by 4.6 per cent to €2,502 million, compared with €2,392 million in 2000 on a comparable basis. In this difficult climate, costs were kept well under control. Growth in operating costs was limited to 1.7 per cent compared with 2000, whilst maintaining strategic investment in key businesses. Consequently, operating profit before provisions rose by 11 per cent to €338 million compared with 2000 on a comparable basis.

Shareholders' funds amounted to €3.5 billion, after the year's transfer to retained earnings. The Tier One capital ratio remained high at 8.1 per cent while return on equity, calculated on the basis of restated net profit, stood at 15.6 per cent.

In the light of these results the Board is proposing a dividend of €5.60 per share, an increase of 36.6 per cent over 2000. The total dividend payment will be €422 million, compared with €307 million for 2000.

Commenting on these results, Charles de Croisset, Chairman of CCF, said: "Once again, CCF has produced good results. Although some businesses were affected by tough economic conditions, performance was resilient on the whole, and our portfolio activities turned in a highly positive performance."

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*Principally capital gains or losses on these disposals, mainly comprising the €177 million capital gain realised, in 2001, when the private banking business was reorganised, restructuring costs and provisions for liability commitments made to employees of certain subsidiaries and the €130 million fund for general banking risks created when the private banking business was reorganised.*

“I am very optimistic about the new development opportunities which have opened up to us in France and its major neighbouring countries as a result of our integration into the HSBC Group.”

### **CCF’s integration into HSBC and changes in structure .**

The key stages of CCF’s integration into HSBC are now complete. The full benefits are already being felt in Corporate and Investment Banking, significantly improving HSBC CCF’s competitive position through its ability to offer major corporate clients new opportunities by drawing on the Group’s worldwide network. It also provides new opportunities in asset management and private banking.

Some major structural changes have been made in order to rationalise locations outside the Euro-zone. CCF Brazil has become part of a new entity called HSBC Investment Bank Brazil, while Crédit International d’Egypte has been sold.

Conversely, CCF has taken over managerial responsibility for HSBC Bank plc’s branches in France, Spain, Italy, Belgium and The Netherlands, merging its own branches with those of HSBC Bank plc.

In March 2001, CCF acquired Banque Herve, strengthening its position in personal and commercial banking. Banque Herve has 86 branches and over 100,000 clients, principally in central France and the Paris region, where it boosted retail banking operating income by 26 per cent.

In private banking, CCF passed ownership of its offshore banking operations in Switzerland, Luxembourg and Monaco to HSBC Republic, the Group’s international private banking business, in which CCF received a significant shareholding.

CCF has also bought out the minority interests in Banque Dewaay in Belgium, and in Sinopia, its specialist quantitative asset management subsidiary, both of which are now wholly-owned subsidiaries.

At the same time, CCF maintained efforts to improve its organisation, and continued to focus strongly on the efficiency of its risk control and compliance systems, mainly through the implementation of Group procedures.

### **Retail and Commercial Banking**

After an excellent year in 2000, Retail and Commercial Banking showed good resilience to the more difficult conditions in 2001. Net operating income grew by 1 per cent to €1,356 million and operating profit before provisions rose by 3 per cent to €386 million on a comparable basis. This performance was driven principally by strong demand for credit, with the retail network’s customer advances up 7.1 per cent to €7.4 billion, and CCF network commercial loans were up as much as 15 per cent. Another factor was the improvement in interest spreads.

The CCF retail network's operating profit before provisions fell by 11 per cent after a 16 per cent rise in 2000, due to its high level customer profile, which makes it more sensitive to market movements. The CCF retail network continued to invest heavily in e-banking, with the remodelling of ccf.fr which is now used by 12 per cent of its customers, and the development of "Elys PC", a highly innovative service designed for business customers. Such initiatives will contribute to the development of CCF's multichannel strategy.

The banking subsidiaries, which are less exposed to the financial markets, achieved an excellent performance. Operating profit before provisions rose by 20 per cent on a comparable basis driven by strong commercial momentum coupled with strict control over costs, which were down 1 per cent on a comparable basis. At Société Marseillaise de Crédit, the major recovery plan undertaken after its acquisition in 1998 has now begun to bear fruit, with operating profit before provisions up 46 per cent to €2 million. In its first year as part of the CCF group, Banque Hervet made a positive contribution even after amortisation of goodwill and funding costs.

### **Corporate and Investment Banking**

Corporate and Investment Banking suffered mixed fortunes during 2001. Corporate banking drew the full benefit of synergies extracted from its integration with the HSBC Group, posting 21 per cent growth in operating profit before provisions. Major investments were made in cash management, with the launch of Hexagon, a service offered by the HSBC Group, and in international finance. These services should strengthen CCF's position with the major French corporate groups and generate new growth opportunities in the future.

Fixed-income and forex capital market activities capitalised on the gradual fall in interest rates until November and the exceptionally high volatility in the markets, posting strong growth in earnings, with a 51 per cent rise in operating profit before provisions. CCF has played a crucial role in bolstering the HSBC Group's position in the euro markets, improving the Group's ranking from 22<sup>nd</sup> place in 1999 to 6<sup>th</sup> place in 2001 in the Euro Corporate Bonds league table. HSBC was also nominated by Euroweek magazine as Europe's third best provider of fixed income products to investors in 2001.

By contrast, merchant banking, which encompasses equity brokerage, mergers and acquisitions, and structured finance, faced difficult conditions in the stock markets. Operating profit before provisions was down by 42 per cent although a 9 per cent reduction in costs contained the cost-income ratio to 62.5 per cent. The business benefited from its integration within HSBC's pan-European system, along with the corporate banking business as a whole. The benefits should begin to flow through substantially in a more buoyant climate.

HSBC Bank plc branches in France, Spain, Italy, Belgium and The Netherlands, which are now managed by CCF, achieved a satisfactory performance, despite a contraction in operating profit before provisions down 21.3 per cent on 2000, due to the cost of integrating CCF and HSBC branches in Spain and Italy.

### **Asset Management and Private Banking**

This division was also affected by the challenging conditions in the financial markets. Assets under management fell to €8.6 billion, a decline of 8 per cent of which 6.4 per cent was due to market effect. This put downward pressure on revenue generation.

Heavy investment is being made in HSBC Asset Management Europe in order to strengthen its position both in France and Italy. CCF's acquisition of the minority interests in Sinopia should offer new growth opportunities as the expert in quantitative asset management and the specialist in guaranteed and structured products for the entire HSBC Group. Elysées-Fonds, a specialist in employee savings schemes, has undertaken a major reorganisation programme and launched a new line of "Loi Fabius products" to strengthen its position in what is expected to be a high growth market. However, these preparations for future growth have inevitably led to a rise in operating costs. Consequently, coupled with the contraction in operating income, operating profit before provisions fell by 38 per cent.

CCF's private banking business is undergoing a major reorganisation, alongside other private banking businesses within the HSBC Group. The merger of CCF's subsidiaries and those of HSBC Republic in Luxembourg and Monaco, and HSBC Guyerzeller in Switzerland, should lead to substantial reductions in overheads. Similarly, the agreement reached at the end of the financial year to buy out minority shareholders in Banque Dewaay will make it easier to integrate this bank with other onshore private banks in France and Belgium. Although money inflows from customers remain resilient, very tough market conditions and restructuring costs have dragged down operating profit before provision in the private banking business, by 21 per cent for the French subsidiaries, and by 45 per cent for foreign entities. Banque du Louvre has confirmed its expertise by gaining excellent fund performance rankings.

Finally, private equity and portfolio operations also recorded a strong year thanks notably to the disposal of the Superdiplo stake, coming from the former CCF subsidiary Charterhouse Development Capital.

### **About CCF**

CCF joined the HSBC Group in July 2000. The HSBC Group has more than 7,000 offices in 81 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

For more information about CCF, its activities, products and services, visit [www.ccf.com](http://www.ccf.com)

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<i>2001 Annual Restated Results<sup>†</sup> - Comparison Figures in € million</i>	<i>At 31 December 2001</i>	<i>At 31 December 2000</i>	<i>2001/2000 % variation</i>
Operating income	<b>2,502</b>	2,392	+4.6 %
Operating expenses	<b>(1,664)</b>	(1,637)	+1.7 %
Operating profit before provisions	<b>838</b>	755	+11.0 %
Net provisions for loan losses, off- balance sheet, other items	<b>7</b> <sup>††</sup>	(14)	-
Profit attributable to shareholders	<b>565</b>	527	+7.4 %

<sup>†</sup> *Results for 2000 and 2001 have been restated in order to integrate the major disposals and acquisitions made during 2000 and 2001 (disposal of CCF Brazil, foreign branches, a large part of Charterhouse, offshore private banking subsidiaries and Crédit International d'Egypte, acquisition of Banque Hervet and integration of HSBC Bank plc branches in France, Spain, Italy, Belgium and The Netherlands), together with a number of exceptional items, principally capital gains or losses on these disposals, mainly comprising the €177 million capital gain realised, in 2001, when the private banking business was reorganised, restructuring costs and provisions for liability commitments made to employees of certain subsidiaries, and the €130 million fund for general banking risks created when the private banking business was reorganised.*

<sup>††</sup> *In 2001, as in 2000, net loan provisions were reduced by large write-backs of country risk provisions (€59.1 million in 2001 as opposed to €39.5 million in 2000). Customer risk provisions, excluding SMC, totalled €72.7 million in 2001 against €51.6 million in 2000.*

<i>Results before restatements – Comparison Figures in € million</i>	<i>At 31 December 2001</i>	<i>At 31 December 2000</i>	<i>2001/2000 % variation</i>
Operating income	<b>2,456</b>	2,479	-0.9 %
Operating expenses	<b>(1,627)</b>	(1,675)	-2.9 %
Operating profit before provisions	<b>829</b>	804	+3.1 %
Net provisions for loan losses, off- balance sheet, other items	<b>1</b>	(27)	-
Profit attributable to shareholders	<b>517</b>	478	+8.3 %