HSBC

News Release

18 February 2019

HSBC BANK CANADA
FULL YEAR AND FOURTH QUARTER 2018 RESULTS

Strong overall performance with profit before tax up 10.7% for the year

Quarter ended 31 December[1,2]:

– *Total operating income*: $565m, up $25m or 4.6%
– *Profit before income tax expense*: $222m, up $16m or 7.8%
– *Profit attributable to the common shareholder:* $148m, up $6m or 4.2%
– *Return on average common equity*[3]: 12.6% (Q4 2017: 11.7%)

Year-ended 31 December[1,2]:

– *Total operating income*: $2,264m, up $194m or 9.4%
– *Profit before income tax expense*: $991m, up $96m or 10.7%
– *Profit attributable to the common shareholder*: $681m, up $51m or 8.1%
– *Return on average common equity*[3]*:* 14.5% (2017:13.3%)

As at 31 December 2018[2]:

– *Total assets:* $103.4bn (31 Dec 2017: $96.4bn)
– *Common equity tier 1 capital ratio:* 11.3% (31 Dec 2017: 10.5%)
– *Tier 1 ratio:* 13.4% (31 Dec 2017: 12.4%)
– *Total capital ratio: 16%* (31 Dec 2017: 14.7%)

The abbreviations '$m' and '$bn' represent millions and billions of Canadian dollars, respectively.

1. *For the quarter and year-ended 31 December 2018 compared with the same periods in the prior year (unless otherwise stated).*
2. *Effective 1 January 2018 the bank adopted IFRS 9 Financial Instruments ('IFRS 9') on a retrospective basis without restatement of prior periods. Results from prior periods are reported in accordance with IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39').*
3. *In measuring our performance, the financial measures that we use include those which have been derived from our reported results. However, these are not presented within the Financial Statements and are not defined under IFRS. These are considered non-IFRS financial measures and are unlikely to be comparable to similar measures presented by other companies. For further information on non-IFRS measures refer to the 'Use of non-IFRS financial measures' section of this document.*

This news release is issued by
HSBC Bank Canada

Head Office:
885 West Georgia Street, Vancouver, BC, Canada
Web: www.hsbc.ca

Overview of results for the quarter and year ended 31 December 2018[1,2]

HSBC Bank Canada reported strong results for the quarter and year with total operating income of $565m for the quarter and $2,264m for the year, an increase of $25m, or 4.6%, and $194m, or 9.4%, respectively. We are continuing to execute our strategy and focus on growth and value creation, building on our solid momentum while continuing to lay a strong foundation for future performance.

Our results were driven by higher net interest income from growth in both lending and deposit balances and improved margins from higher interest rates. In addition, higher gains on the disposal of financial investments and increased revenue from information technology services provided to affiliated HSBC Group companies also contributed to our results.

In Commercial Banking, the biggest contributor to our bottom line, growth was seen across most products and business segments which lead to total operating income of $247m for the quarter and $954m for the year, an increase of $10m, or 4.2%, and $69m, or 7.8%, respectively. We continued to invest in growth initiatives and digital capabilities and are seeing the results of our efforts with lending balances growing at 16%, the highest level since 2010.

In Global Banking and Markets, total operating income was $74m for the quarter, a decrease of $1m, or 1.3%, as higher net interest income from increased interest rates and credit and lending activities was offset by unfavourable credit, debit and funding fair valuation adjustments. For the year, total operating income was $331m, an increase of $29m, or 9.6%, as a result of strong revenue driven by increased infrastructure debt capital markets transactions, increased interest rates, and higher sales and trading in foreign exchange products.

In Retail Banking and Wealth Management, focusing on customer needs led to strong growth in total relationship balances[3], particularly for deposits and mortgages, leading to growth in market share for these products. Despite increasing pricing competitiveness, strong volume growth in retail products and higher margins led to total operating income of $185m for the quarter and $737m for the year, an increase of $8m, or 4.5%, and $62m, or 9.2%, respectively.

Active risk management together with favourable credit conditions led to a net release of $27m in the change in expected credit losses[2] for the year, a reduction from the elevated recovery levels experienced in 2017. For the quarter, the change in expected credit losses resulted in a charge of $19m as a result of a number of small charges in the non-performing wholesale portfolio, as well as an increase in expected credit losses for performing loans driven by forward looking economic factors in both the wholesale and retail portfolios.

We continue to invest in people and technology to grow our business and make it more convenient for our customers to bank with us. As a result, operating expenses increased in the global businesses. This was partially offset by a decrease in the Corporate Centre as certain restructuring and streamlining initiatives undertaken from 2015 to 2017 are now complete. The overall result was a decrease in operating expenses of $9m, or 2.7%, for the quarter and an increase of $11m, or 0.9%, for the year.

Profit before income tax expense increased by $16m, or 7.8%, for the quarter and $96m, or 10.7%, for the year as strong revenue growth, active risk management, favourable credit conditions and closely managed costs more than covered the cost of business investment.

1. *For the quarter and year-ended 31 December 2018 compared with the same periods in the prior year (unless otherwise stated).*
2. *Effective 1 January 2018 the bank adopted IFRS 9 on a retrospective basis without restatement of prior periods. Results from prior periods are reported in accordance with IAS 39. Under IFRS 9 the term 'change in expected credit losses' is used. The equivalent term prior to 1 January 2018 under IAS 39 was 'loan impairment charges and other credit risk provisions'.*
3. *Total relationship balances is comprised of lending, deposits and wealth balances.*

Commenting on the results, Sandra Stuart, President and CEO, HSBC Bank Canada said: "We have consistently been a top contributor to HSBC Group profits for many years. As a result, in each of my 3 years as president we have benefited from Group investments in the country and worked hard to build our business in ways that make it better, faster and safer for our customers, informed by our knowledge of other markets and supported by HSBC's extensive global network. This year's 11% increase in profit before tax, 9% increase in revenue and our first year reporting over $100 billion in assets were the result of solid sustainable growth across our three business lines. The investments we continue to make were more than offset by strong revenue growth.

"In the coming year we will continue to execute on our strategy and focus on growth and value creation while actively managing our risks and costs. And we'll be here for our customers as they navigate the world, whatever the future brings."

Analysis of consolidated financial results for the quarter and year ended 31 December 2018[1,2]

Net interest income was $335m for the quarter and $1,292m for the year, an increase of $17m, or 5.3%, and $115m, or 9.8%, respectively. Contributing to the increase for both the quarter and the year were volume growth in both lending and deposits within Retail Banking and Wealth Management, and higher loans and advances in Commercial Banking and Global Banking and Markets. In addition, we benefited from improved margins as a result of higher interest rates. This was partially offset by lower interest from impaired loans and a reduction in deposit balances in Commercial Banking and Global Banking and Markets as some of our customers responded to U.S. tax reforms by repatriating balances to their U.S. parent companies.

Net fee income was $164m for the quarter and $673m for the year, an increase of $5m, or 3.1%, and $20m, or 3.1%, respectively. Credit facility fees increased as a result of higher volumes of bankers' acceptances in both periods. This was partially offset in the quarter by reductions in funds under management and underwriting fees, and for the year by lower net credit card revenues related to enhanced credit card rewards and incentives.

Net income from financial instruments held for trading was $26m for the quarter, a decrease of $5m, or 16.1%. The decrease was primarily due to unfavourable credit and debit valuation, and funding fair value adjustments together with accounting volatility from balance sheet management activities. This was partially offset by increased volumes of foreign exchange transactions, higher net interest from trading activities from higher yields and product mix, and favourable hedge ineffectiveness.

Net income from financial instruments held for trading for the year was $136m, an increase of $11m, or 8.8%, primarily due to increased volumes of foreign exchange transactions, higher net interest from trading activities from higher yields and product mix, and favourable hedge ineffectiveness. This was partially offset by a loss relating to accounting volatility from balance sheet management activities.

Other items of income were $40m for the quarter and $163m for the year, an increase of $8m, or 25%, and $48m, or 41.7%, respectively. The increase for both the quarter and the year was primarily due to higher income from HSBC Group entities from providing information technology services to Group companies. In addition, we benefited from higher gains on the disposal of financial investments arising from the re-balancing of the bank's liquid asset portfolio.

Change in expected credit losses[2]: The change in expected credit losses for the quarter was a charge of $19m compared with loan impairment charges and other credit risk provisions of $1m for the same period in the prior year. The result in the current quarter is primarily due to a number of small charges in the non-performing Commercial Banking portfolio, as well as an increase in expected credit losses for performing loans, driven by forward looking economic factors, across all of the global businesses.

The change in expected credit losses for the year was a release of $27m compared with loan impairment recoveries and other credit risk provisions of $108m for the prior year. The release in the current year was primarily driven by provision releases in the Commercial Banking non-performing portfolio from improving credit conditions mainly relating to specific energy services customers.

The elevated recoveries in 2017 were driven by significant reversals of specific provisions in the energy industry, as well as releases in collective provisions, reflecting overall improvements in credit quality.

Total operating expenses for the quarter were $324m, a decrease of $9m, or 2.7%. We continue to invest in our people and technology to grow all of our global businesses, however, this investment was more than offset by a reduction of operating expenses in the Corporate Centre as certain transformation and streamlining initiatives undertaken from 2015 to 2017 are now complete. In addition, we benefited from lower marketing and depreciation expenses in the quarter.

Total operating expenses for the year were $1,300m, an increase of $11m, or 0.9%, as we continue to invest in growing our business and making it more convenient for our customers to bank with us. This was partially offset by lower operating expenses in the Corporate Centre, as referenced earlier, plus lower costs associated with a reduction in our office space and leveraging the scale of centralizing specific business activities in the Group.

Share of profit in associates for the quarter and year were nil compared with nil for the quarter and a gain of $6m for the year 2017. The share of profits represents changes in the value of the bank's investments in private equity funds.

Income tax expense. The effective tax rate for the quarter was 29.4%, compared with 26.1% for the same period in the prior year. The effective tax rate for the year was 27.6%, compared with 25.4% for 2017. The difference for both the quarter and the year was due to additional tax liabilities recorded.

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Movement in financial position

Assets

Total assets at 31 December 2018 were $103.4bn, an increase of $7.0bn, or 7.3%, from 31 December 2017. This was primarily driven by strong growth in loans and advances of $6.8bn, across all of our global businesses. Commercial Banking saw excellent growth across all regions, in line with our strategic plan, leading to the highest lending balance growth since 2010. Strong branding, innovation, and strategic investments, coupled with competitive mortgage rates led to residential mortgage growth within our Retail Banking and Wealth Management business. Increased trade finance activity led to growth in our Global Banking and Markets business.

Other assets increased by $1.3bn primarily due to higher cash collateral posted as a result of movements in the fair value of the derivative portfolio and higher unsettled balances at the period end. Balance sheet management activities led to an increase in financial investments of $1.1bn.

These increases in assets were partially offset by a reduction in trading assets of $1.5bn as part of normal trading activity and a reduction in customers' liability under acceptances of $0.9bn as a result of lower volumes.

Liabilities

Total liabilities at 31 December 2018 were $97.8bn, an increase of $7.1bn, or 7.9%, from 31 December 2017. Higher repurchase volumes and balance sheet management activities led to an increase in non-trading repurchase agreements of $3.6bn. Debt securities in issue increased by $3bn, primarily due to increased wholesale funding.

Customer accounts increased by $2.8bn primarily as a result of successful campaigns run across all global businesses. This growth was partially offset as some of our customers responded to U.S. tax reforms by repatriating balances to their U.S. parent companies.

These increases were partially offset by a reduction in trading liabilities of $1.5bn due to lower net short positions held at period end as a result of normal trading activities.

Equity

Total equity at 31 December 2018 was $5.6bn, a decrease of $0.1bn, or 2.2%, from 31 December 2017, primarily as a result of profits generated in the period of $0.7bn net of dividends paid in the period of $0.8bn, including a special dividend of $0.4m on HSBC Bank Canada common shares paid during the year.

Dividends

Dividends declared in 2018

During the year, the bank declared and paid $810m in dividends, including a special dividend of $400m, on HSBC Bank Canada common shares, an increase of $575m compared with the prior year, and $37m in dividends on all series of HSBC Bank Canada Class 1 preferred shares.

In January 2018, OSFI announced its decision to update the existing capital floor for institutions using advanced approaches for credit risk and operational risk. Effective for the second quarter of 2018, the capital floor is based on the Standardized approach under Basel II framework with the floor factor transitioned in over three quarters. The result was an immediate reduction of RWA, which allowed HSBC Bank Canada to declare and pay a special dividend of $400m.

Dividends declared in 2019

On 15 February 2019, the bank declared regular quarterly dividends for the first quarter 2019 on all series of HSBC Bank Canada Class 1 preferred shares, to be paid in accordance with their terms in the usual manner on 31 March 2019 or the first business day thereafter to the shareholder of record on 15 March 2019.

On 15 February 2019, the bank also declared a final dividend of $140m on HSBC Bank Canada common shares in respect of the financial year ending 31 December 2018, which will be paid on or before 30 March 2019 to the shareholder of record on 15 February 2019.

Business performance for the quarter and year ended 31 December 2018[1,2]

Commercial Banking

Total operating income was $247m for the quarter and $954m for the year, an increase of $10m, or 4.2%, and $69m, or 7.8%, respectively. The execution of our strategic plan, coupled with the benefit of higher interest rates are the main drivers of the growth, which was seen across most products and business segments, and in both net interest income and fee income.

Our strategic plan is focused on growing market share through expansion in the Eastern region, increasing productivity by deepening product penetration, streamlining processes, leveraging our differentiated product suite in Global Trade and Receivable Finance and Global Liquidity and Cash Management, and building on our position as the leading international bank with enhanced positioning in key trade corridors. In 2018, these strategic actions led to a 16% growth in lending balances - the highest since 2010, and double digit revenue growth in multiple regions and segments.

We continued to invest in online technology and process enhancements and this has enabled us to drastically increase the speed of completing customer due diligence to the benefit of new and existing clients. This is reflected in our customer survey, which has shown marked improvement - the percentage of customers rating our onboarding experience as 'Excellent' has doubled since December 2017.

Profit before income tax for the quarter was $141m, an increase of $2m, or 1.4%, as higher operating income and lower operating expenses were partially offset by a change in expected credit losses[2]. The decrease in operating expenses for the quarter was driven by streamlining initiatives undertaken in 2017. The change in expected credit loss was a result of a number of small charges in the non-performing portfolio, as well as an increase in expected credit losses for performing loans driven by forward looking economic factors. Profit before income tax for the year was $589m, a decrease of $1m, or 0.2%, as higher operating income was offset by lower loan impairment recoveries than in the prior year. In addition, operating expenses increased as a result of investments in the front line and technology to drive business growth.

Global Banking and Markets

Global Banking and Markets total operating income for the quarter was $74m, a decrease of $1m, or 1.3%, as higher net interest income from increased interest rates and credit and lending activities were more than offset by unfavourable credit and debit valuation, and funding fair value adjustments. For the year, total operating income was $331m, an increase of $29m, or 9.6%, as a result of strong revenue growth driven by increased infrastructure debt capital markets transactions, increased interest rates, and higher sales and trading in foreign exchange products.

We continue to pursue our strategy to provide tailored financial solutions, aiming to be a top tier bank to our priority customers. This strategy has evolved to include a greater emphasis on connectivity between HSBC's global businesses across regions leveraging the HSBC Group's extensive distribution network.

For the quarter, profit before income tax was $40m, an increase of $10m, or 33.3%, as the slight decline in total operating income discussed above was more than offset by a positive change in expected credit loss in the current quarter as a result of active risk management and favourable credit conditions, together with a decrease in operating expenses primarily as a result of the timing of certain expenses. Profit before income tax for the year was $180m, an increase of $10m, or 5.9%, as strong revenue growth more than covered the cost of business investment and a higher change in expected credit losses charge for the year, compared to recoveries in the prior year.

Retail Banking and Wealth Management

Total operating income was $185m for the quarter and $737m for the year, an increase of $8m, or 4.5%, and $62m, or 9.2%, respectively. Focusing on customer needs led to strong growth in both mortgage and deposit balances, generating growth in market share for these products. This, combined with higher margins drove the increase for both the quarter and the year. An offsetting reduction in fee income was primarily due to lower net credit card revenues related to enhanced credit card rewards and incentives for customers.

We continued to deliver on our strategy to extend our range of competitive banking products and services to help all Canadians manage their finances, buy their homes, and save and invest for the future. We are committed to leveraging our global expertise and international capabilities to improve our products and services, including our wealth management offering and distribution through digital channels. Our brand is more visible in the market as we deliver new digital products and services that save our customers time and allow them to bank when it's most convenient - for example, launching e-credit for small business and digital investing through HSBC Wealth Compass - and competitive pricing.

Profit before income tax was $10m for the quarter and $71m for the year, a decrease of $19m, or 65.5%, and $9m, or 11.3%, respectively. Contributing to the decrease in both the quarter and year was higher operating expenses as we continued to grow our business, the higher cost base associated with our enhanced service model, and to support the growth already achieved. Profit before income tax was further impacted by the change in expected credit losses, which was a charge for both the quarter and the year, primarily due to the impact of forward looking economic factors on our real estate secured personal lending portfolio, and write-offs. These increases were partly offset by higher revenues due to strong growth in total relationship balances[3] and higher margins.

Corporate Centre

Profit before income tax was $31m for the quarter and $151m for the year, an increase of $23m and $96m, respectively. The increase for both the quarter and year is due to lower expenses as we completed certain transformation and streamlining initiatives undertaken from 2015 to 2017 and higher operating income from higher gains relating to the disposal of securities as part of balance sheet management activities.

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3. *Total relationship balances is comprised of lending, deposits and wealth balances.*

Use of non-IFRS financial measures

In measuring our performance, the financial measures that we use include those which have been derived from our reported results. However, these are not presented within the consolidated financial statements and are not defined under IFRS. These are considered non-IFRS financial measures and are unlikely to be comparable to similar measures presented by other companies. The following non-IFRS financial measures are used throughout this document.

Return on average common shareholder's equity is calculated as annualized profit attributable to the common shareholder for the period divided by average[1] common equity.

Return on average risk-weighted assets is calculated as the annualized profit before income tax expense divided by the average[1] risk-weighted assets.

Cost efficiency ratio is calculated as total operating expenses as a percentage of total operating income.

Operating leverage/jaws is calculated as the difference between the rates of change for revenue and operating expenses.

Net interest margin is net interest income expressed as an annualized percentage of average[1] interest earning assets.

Change in expected credit losses to average gross loans and advances and acceptances is calculated as the annualized change in expected credit losses[2] as a percentage of average[1] gross loans and advances to customers and acceptances.

Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances is calculated as the annualized change in expected credit losses[2] on stage 3[2] assets as a percentage of average[1] gross loans and advances to customers and acceptances.

Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances is calculated as the total allowance for expected credit losses relating to stage 3[2] loans and advances to customers and acceptances as a percentage of stage 3[2] loans and advances to customers and acceptances.

Net write-offs as a percentage of average customer advances and acceptances is calculated as annualized net write-offs as a percentage of average[1] net customer advances and acceptances.

1. *Average balances are calculated using quarter-end balances.*
2. *Effective 1 January 2018 under IFRS 9 the terms 'change in expected credit losses' and 'stage 3 assets' are used. The equivalent terms prior to 1 January 2018 under IAS 39 are 'loan impairment charges and other credit risk provisions' and 'impaired assets' respectively.*

(Figures in $m, except where otherwise stated)	Quarter ended		Year ended	
	31 Dec 2018[1]	31 Dec 2017	**31 Dec 2018[1]**	31 Dec 2017
Financial performance for the period				
Total operating income	**565**	540	**2,264**	2,070
Profit before income tax expense	**222**	206	**991**	895
Profit attributable to the common shareholder	**148**	142	**681**	630
Change in expected credit losses - (charge)/release	**(19)**	n/a	**27**	n/a
Loan impairment recoveries and other credit risk provisions	**n/a**	(1)	**n/a**	108
Operating expenses	**(324)**	(333)	**(1,300)**	(1,289)
Basic and diluted earnings per common share ($)	**0.29**	0.28	**1.36**	1.26
Financial measures[2] %				
Return on average common shareholder's equity	**12.6**	11.7	**14.5**	13.3
Return on average risk-weighted assets[3,4]	**2.2**	1.8	**2.3**	2.1
Cost efficiency ratio	**57.3**	61.7	**57.4**	62.2
Operating leverage/jaws	**7.3**	3.0	**8.5**	(3.1)
Net interest margin	**1.50**	1.57	**1.53**	1.50
Change in expected credit losses to average gross loans and advances and acceptances[5]	**0.12**	0.01	**n/a**	n/a
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances[5]	**—**	0.18	**n/a**	n/a
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances[5]	**35.8**	35.8	**35.8**	35.8
Net write-offs as a percentage of average loans and advances and acceptances	**0.16**	0.19	**0.15**	0.14

	At period ended	
	31 Dec 2018[1]	31 Dec 2017
Financial position 31 December		
Total assets	**103,406**	96,379
Loans and advances to customers	**57,123**	50,337
Customer accounts	**59,812**	57,054
Ratio of loans and advances to customer accounts[2] (%)	**95.5**	88.2
Common shareholders' equity	**4,733**	4,860
Capital measures[3]		
Common equity tier 1 capital ratio ('CET1') (%)	**11.3**	10.5
Tier 1 ratio (%)	**13.4**	12.4
Total capital ratio (%)	**16.0**	14.7
Leverage ratio (%)	**4.6**	4.9
Risk-weighted assets[4]	**40,142**	45,035
Liquidity coverage ratio (%)	**132**	137

1. *Effective 1 Jan 2018 the bank adopted IFRS 9 on a retrospective basis without restatement of prior periods. Results from prior periods are reported in accordance with IAS 39.*
2. *Refer to the 'Use of non-IFRS financial measures' section of this document for a discussion of non-IFRS financial measures.*
3. *The bank assesses capital adequacy against standards established in guidelines issued by OSFI in accordance with the Basel III capital adequacy framework.*
4. *In Jan 2018, OSFI announced its decision to update the existing capital floor for institutions using advanced approaches for credit risk and operational risk. Effective from the second quarter of 2018, the capital floor was based on the Standardized approach under Basel II framework with the floor factor transitioned in over three quarters. The floor factor was set at 70% for the second quarter of 2018, increasing to 72.5% in the third quarter of 2018 and 75% in the fourth quarter of 2018.*
5. *Effective 1 Jan 2018 under IFRS 9 the terms 'change in expected credit losses' and 'stage 3 assets' are used. The equivalent terms prior to 1 Jan 2018 under IAS 39 were 'loan impairment charges and other credit risk provisions' and 'impaired assets' respectively. n/a is shown where the bank is in a net release position resulting in a negative ratio.*

(Figures in $m, except per share amounts)	Quarter ended		Year ended	
	31 Dec 2018[1]	31 Dec 2017	**31 Dec 2018**[1]	31 Dec 2017
Interest income	**674**	526	**2,421**	1,910
Interest expense	**(339)**	(208)	**(1,129)**	(733)
Net interest income	**335**	318	**1,292**	1,177
Fee income	**189**	182	**762**	729
Fee expense	**(25)**	(23)	**(89)**	(76)
Net fee income	**164**	159	**673**	653
Net income from financial instruments held for trading (2017: Net trading income)	**26**	31	**136**	125
Changes in fair value of long-term debt (2017: Net expense from financial instruments designated at fair value)	**—**	—	**—**	(4)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**(2)**	n/a	**(2)**	n/a
Gains less losses from financial investments	**11**	6	**56**	31
Dividend income	**—**	—	**1**	—
Other operating income	**31**	26	**108**	88
Total operating income	**565**	540	**2,264**	2,070
Change in expected credit losses	**(19)**	n/a	**27**	n/a
Loan impairment recoveries and other credit risk provisions	**n/a**	(1)	**n/a**	108
Net operating income	**546**	539	**2,291**	2,178
Employee compensation and benefits	**(157)**	(168)	**(696)**	(705)
General and administrative expenses	**(154)**	(149)	**(555)**	(537)
Depreciation of property, plant and equipment	**(8)**	(10)	**(32)**	(33)
Amortization and impairment of intangible assets	**(5)**	(6)	**(17)**	(14)
Total operating expenses	**(324)**	(333)	**(1,300)**	(1,289)
Operating profit	**222**	206	**991**	889
Share of profit in associates	**—**	—	**—**	6
Profit before income tax expense	**222**	206	**991**	895
Income tax expense	**(65)**	(54)	**(273)**	(227)
Profit for the period	**157**	152	**718**	668
Profit attributable to the common shareholder	**148**	142	**681**	630
Profit attributable to the preferred shareholder	**9**	10	**37**	38
Profit attributable to shareholders	**157**	152	**718**	668
Average number of common shares outstanding (000's)	**498,668**	498,668	**498,668**	498,668
Basic and diluted earnings per common share ($)	**$ 0.29**	$ 0.28	**$ 1.36**	$ 1.26

1. *Effective 1 January 2018 the bank adopted IFRS 9 on a retrospective basis without restatement of prior periods. Results from prior periods are reported in accordance with IAS 39.*

(Figures in $m)	31 Dec 2018[1]	31 Dec 2017
ASSETS		
Cash and balances at central banks	**78**	411
Items in the course of collection from other banks	**8**	25
Trading assets	**3,875**	5,373
Other financial assets mandatorily measured at fair value through profit or loss	**4**	n/a
Derivatives	**4,469**	3,675
Loans and advances to banks	**1,221**	1,221
Loans and advances to customers	**57,123**	50,337
Reverse repurchase agreements – non-trading	**5,860**	6,153
Financial investments	**24,054**	22,913
Other assets	**2,200**	899
Prepayments and accrued income	**234**	213
Customers' liability under acceptances	**3,932**	4,801
Current tax assets	**51**	44
Property, plant and equipment	**101**	106
Goodwill and intangible assets	**121**	90
Deferred tax assets	**75**	118
Total assets	**103,406**	96,379
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**1,148**	1,696
Customer accounts	**59,812**	57,054
Repurchase agreements – non-trading	**8,224**	4,604
Items in the course of transmission to other banks	**252**	299
Trading liabilities	**2,164**	3,701
Derivatives	**4,565**	3,516
Debt securities in issue	**13,863**	10,820
Other liabilities	**1,891**	2,217
Acceptances	**3,937**	4,801
Accruals and deferred income	**574**	475
Retirement benefit liabilities	**270**	346
Subordinated liabilities	**1,039**	1,039
Provisions	**41**	61
Current tax liabilities	**43**	40
Total liabilities	**97,823**	90,669
Equity		
Common shares	**1,225**	1,225
Preferred shares	**850**	850
Other reserves	**(111)**	(61)
Retained earnings	**3,619**	3,696
Total equity	**5,583**	5,710
Total liabilities and equity	**103,406**	96,379

1. *Effective 1 January 2018 the bank adopted IFRS 9 on a retrospective basis without restatement of prior periods. Results from prior periods are reported in accordance with IAS 39 .*

	Year ended	
	31 Dec 2018	31 Dec 2017
Profit before tax	**991**	895
Adjustments for:		
– non-cash items included in profit before tax	**53**	(40)
Changes in operating assets and liabilities		
– change in operating assets	**(6,744)**	(3,982)
– change in operating liabilities	**7,919**	2,232
– tax paid	**(234)**	(159)
Net cash from operating activities	**1,985**	(1,054)
Purchase of financial investments	**(13,442)**	(7,685)
Proceeds from the sale and maturity of financial investments	**12,182**	10,028
Purchase of intangibles and property, plant and equipment	**(76)**	(65)
Proceeds from sale of property, plant and equipment	**1**	—
Net cash from investing activities	**(1,335)**	2,278
Redemption of subordinated liabilities	**—**	(1,400)
Issuance of subordinated liabilities	**—**	1,000
Redemption of loans payable	**—**	(671)
Redemption of preferred shares	**(350)**	—
Dividends paid to shareholders	**(847)**	(273)
Issuance of preferred shares	**—**	350
Net cash from financing activities	**(1,197)**	(994)
Net (decrease)/increase in cash and cash equivalents	**(547)**	230
Cash and cash equivalents at 1 Jan	**1,880**	1,650
Cash and cash equivalents at 31 Dec	**1,333**	1,880
Interest		
Interest paid	**(1,038)**	(743)
Interest received	**2,369**	1,887

(Figures in $m)	Quarter ended		Year ended	
	31 Dec 2018[1]	31 Dec 2017	**31 Dec 2018[1]**	31 Dec 2017
Commercial Banking				
Net interest income	**152**	150	**586**	545
Non-interest income	**95**	87	**368**	340
Total operating income	**247**	237	**954**	885
Change in expected credit losses - (charge)/release	**(12)**	n/a	**38**	n/a
Loan impairment recoveries and other credit risk provisions	**n/a**	3	**n/a**	93
Net operating income	**235**	240	**992**	978
Total operating expenses	**(94)**	(101)	**(403)**	(388)
Profit before income tax expense	**141**	139	**589**	590
Global Banking and Markets				
Net interest income	**28**	24	**107**	98
Non-interest income	**46**	51	**224**	204
Total operating income	**74**	75	**331**	302
Change in expected credit losses - (charge)	**—**	n/a	**(1)**	n/a
Loan impairment (charges)/recoveries and other credit risk provisions	**n/a**	(7)	**n/a**	6
Net operating income	**74**	68	**330**	308
Total operating expenses	**(34)**	(38)	**(150)**	(138)
Profit before income tax expense	**40**	30	**180**	170
Retail Banking and Wealth Management				
Net interest income	**126**	114	**489**	425
Non-interest income	**59**	63	**248**	250
Total operating income	**185**	177	**737**	675
Change in expected credit losses - (charge)	**(7)**	n/a	**(10)**	n/a
Loan impairment recoveries and other credit risk provisions	**n/a**	3	**n/a**	9
Net operating income	**178**	180	**727**	684
Total operating expenses	**(168)**	(151)	**(656)**	(604)
Profit before income tax expense	**10**	29	**71**	80
Corporate Centre				
Net interest income	**29**	30	**110**	109
Non-interest income	**30**	21	**132**	99
Net operating income	**59**	51	**242**	208
Total operating expenses	**(28)**	(43)	**(91)**	(159)
Operating profit	**31**	8	**151**	49
Share of profit in associates	**—**	—	**—**	6
Profit before income tax expense	**31**	8	**151**	55

1. *Effective 1 January 2018 the bank adopted IFRS 9 on a retrospective basis without restatement of prior periods. Results from prior periods are reported in accordance with IAS 39.*

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, is the leading international bank in the country. We help companies and individuals across Canada to do business and manage their finances internationally through three global business lines: Commercial Banking, Global Banking and Markets, and Retail Banking and Wealth Management. The HSBC Group is one of the world's largest banking and financial services groups with assets of US$2,558bn at 31 December 2018. Linked by advanced technology, the HSBC Group serves customers worldwide across 66 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa.

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Media enquiries to:	**Sharon Wilks**	**416-868-3878**	**sharon_wilks@hsbc.ca**
	Caroline Creighton	**416–868–8282**	**caroline.x.creighton@hsbc.ca**
Investor relations enquiries to:			**investor_relations@hsbc.ca**

Caution regarding forward-looking statements

This document contains forward-looking information, including statements regarding the business and anticipated actions of the bank. These statements can be identified by the fact that they do not pertain strictly to historical or current facts. Forward-looking statements often include words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words and terms of similar substance in connection with discussions of future operating or financial performance. By their very nature, these statements require us to make a number of assumptions and are subject to a number of inherent risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. We caution you to not place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. The risk management section in the Management's Discussion and Analysis in our Annual Report and Accounts 2018 describes the most significant risks to which the bank is exposed and, if not managed appropriately, could have a material impact on our future financial results. These risk factors include: credit risk, liquidity and funding risk, market risk, operational risks (including regulatory compliance, financial crime risk, security risk, and fiduciary risks), reputational risks, pension risks and sustainability risks. Additional factors that may cause our actual results to differ materially from the expectations expressed in such forward-looking statements include: general economic and market conditions, fiscal and monetary policies, changes in laws, regulations and approach to supervision, level of competition and disruptive technology, changes to our credit rating, operational and infrastructure risks, and other risks such as the physical risks associated with climate change, changes in accounting standards, changes in tax rates, tax law and policy, and our ability to attract, develop and retain key personnel. Refer to the 'Factors that may affect future results' section of the Management's Discussion and Analysis in our Annual Report and Accounts 2018 for a description of these risk factors. We caution you that the risk factors disclosed above are not exhaustive, and there could be other uncertainties and potential risk factors not considered here which may adversely affect our results and financial condition. Any forward-looking statements in this document speak only as of the date of this document. We do not undertake any obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required under applicable securities legislation.