News Release

2 May 2019

HSBC BANK CANADA
FIRST QUARTER 2019 RESULTS

Solid revenue growth in all global businesses

Quarter ended 31 March 2019[1]:

- *Total operating income*: $545m, up $4m or 0.7%
- *Profit before income tax expense*: $229m, down $22m or 8.8%
- *Profit attributable to the common shareholder:* $158m, down $15m or 8.7%
- *Return on average common equity*[2]: 13.3% (31 Mar 2018: 15.5%)

As at 31 March 2019:

- *Total assets:* $108.2bn (31 Dec 2018: $103.4bn)
- *Common equity tier 1 capital ratio:* 11.3% (31 Dec 2018: 11.3%)
- *Tier 1 ratio:* 13.3% (31 Dec 2018: 13.4%)
- *Total capital ratio*[2]*: 15.9%* (31 Dec 2018: 16%)

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

1. *For the first quarter ended 31 March 2019 compared with the same period in the prior year (unless otherwise stated).*
2. *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. For further information on non-IFRS measures refer to the 'Use of non-IFRS financial measures' section of the Management's Discussion and Analysis ('MD&A') of the unaudited condensed interim consolidated financial statements for the quarter ended 31 March 2019.*

This news release is issued by
HSBC Bank Canada

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Overview of results for the first quarter ended 31 March 2019[1]

HSBC Bank Canada reported growth in operating income of $545m for the quarter, an increase of $4m, or 0.7%. Our global businesses experienced strong growth in operating income of $35m, or 7.4%, primarily driven by higher net interest income as a result of higher interest rates and growth in lending balances. This growth was partly offset by lower operating income of $17m as a result of corporate restructuring[2] activity and lower gains on the disposal of financial investments of $14m.

In Commercial Banking, higher loans and advances from new and existing customers and higher volumes of bankers' acceptances led to operating income of $244m for the quarter, an increase of $18m, or 8%. In addition, trade corridor revenue saw double digit growth despite market uncertainties. This growth has been achieved by continuing our focus on new to bank customers, deepening relationships with our existing customers, and leveraging our global network and product offerings.

In Global Banking and Markets, total operating income was $80m for the quarter, an increase of $8m, or 11%. Higher net interest income from higher interest rates, together with increased trade finance activities contributed to the increase. In addition, sales and trading activities were favourable in all Markets asset classes.

In Retail Banking and Wealth Management, total operating income was $184m for the quarter, an increase of $9m, or 5.1%, due to higher margins and strong growth in total relationship balances[3] as a result of our strong branding, innovation and strategic investments to make our bank simpler, faster and better for our customers.

The change in expected credit losses for the quarter resulted in a recovery of $12m compared with a recovery of $28m in the prior year. The recovery in 2019 was primarily due to the release of provisions as a result of improvements in the outlook of certain customers in the energy service sector. The recovery in 2018 was driven by reversals relating to non-performing loans, mostly from accounts in the oil and gas industry.

We continue to invest in people and technology to grow our business and making it more convenient for our customers to bank with us. As a result, operating expenses were $328m for the quarter, an increase of $10m, or 3.1%. This is partly offset by a decrease in expenses as a result of the corporate restructuring[2] activity.

Profit before income tax expense decreased by $22m, or 8.8%, for the quarter. Higher operating income from our global businesses was more than offset by lower expected credit loss recoveries, investments to grow our businesses and lower gains on the disposal of financial investments.

Commenting on the results, Sandra Stuart, President and CEO, HSBC Bank Canada said: *"We are off to a solid start to 2019 with strong revenue growth in all three of our business lines as we deepened relationships with existing customers and welcomed new ones. Products and services leveraging our global network, like Receivables Finance in Commercial Banking and our Multinationals business in Global Banking and Markets saw significant growth. Momentum continued in Retail Banking and Wealth Management with strong sales growth and new customer acquisition. However, overall profit before tax decreased compared to the first quarter of 2018 which had unusually high releases of loan loss provisions and gains on disposals of financial investments. As we continue to invest in providing the new products and services our customers are asking for, costs increased as planned. We are carefully watching the headwinds we see in the economy and are mindful of maintaining cost discipline, ensuring our continuing investments are appropriately balanced with revenues."*

1. *For the first quarter ended 31 March 2019 compared with the same period in the prior year (unless otherwise stated).*
2. *Effective 1 January 2019, certain central services were transferred to a separate entity, with no significant impact on the overall financial results, position or operations of the bank.*
3. *Total relationship balances is comprised of lending, deposits and wealth balances.*

Analysis of consolidated financial results for the quarter ended 31 March 2019[1]

Net interest income was $323m for the quarter, an increase of $17m, or 5.6%. We benefited from higher interest rates compared with the first quarter of 2018. In addition, volume growth in loans and advances relating to new and existing customers in Commercial Banking contributed to the increase, as well as higher volumes in both lending and deposits within Retail Banking and Wealth Management.

Net fee income was $156m for the quarter, an increase of $1m, or 0.6%. Credit facility fees increased as a result of higher volumes of bankers' acceptances. This was partly offset by lower income from funds under management and online broker business, and an increase in fee expenses driven by higher investment advisory fees.

Net income from financial instruments held for trading was $48m for the quarter, an increase of $12m, or 33%. Tightening credit spreads led to favourable credit and debit valuations and funding fair value adjustments. Higher volumes of foreign exchange transactions, higher net interest from trading activities from higher yields and product mix, and favourable hedge ineffectiveness also contributed to the increase. This was partly offset by accounting volatility from balance sheet management activities.

Other items of income were $18m for the quarter, a decrease of $26m, or 59%. The decrease was primarily due to lower gains on the disposal of financial investments from the re-balancing of the bank’s liquid asset portfolio compared to the prior year. In addition, as a result of the corporate restructure[2] other operating income declined with a related decrease in operating expenses.

Change in expected credit losses: The change in expected credit losses for the quarter resulted in a recovery of $12m compared with a recovery of $28m in the prior year. The recovery in 2019 was primarily due the release of provisions as a result of improvements in the outlook of certain customers in the energy service sector. The recovery in 2018 was driven by reversals relating to non-performing loans, mostly from accounts in the oil and gas industry.

Total operating expenses for the quarter were $328m, an increase of $10m, or 3.1%, as we continue to make strategic investments to grow our businesses and making it more convenient for our customers to bank with us. These investments were partly offset by a decrease in employee compensation and benefits partly offset by an increase in general and administrative expenses as a result of the corporate restructure[2]. In addition, general and administrative expenses decreased with an offsetting increase in depreciation relating to the amortization of the right of use lease assets as a result of the implementation of IFRS 16.

Income tax expense. The effective tax rate for the quarter was 27.1%, which was consistent with the same period in the prior year.

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Dividends

Dividends declared in the first quarter 2019

During the first quarter of 2019, the bank declared a final dividend of $140m on HSBC Bank Canada common shares in respect of the financial year ended 31 December 2018 and regular quarterly dividends of $9m for the first quarter 2019 on all series of HSBC Bank Canada Class 1 preferred shares.

Dividends declared in second quarter 2019

On 1 May 2019, the bank declared regular quarterly dividends for the second 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 30 June 2019 or the first business day thereafter to shareholder of record on 15 June 2019.

On 1 May 2019, the bank also declared a first interim dividend of $80m on HSBC Bank Canada common shares in respect of the financial year ending 31 December 2019, which will be paid on or before 30 June 2019 to the shareholder of record on 1 May 2019.

Business performance for the quarter ended 31 March 2019[1]

Commercial Banking

Total operating income was $244m for the quarter, an increase of $18m, or 8%. This was driven mainly by higher lending balances, and to a lesser extent, higher deposit margins as a result of Bank of Canada rate increases.

Commercial Banking continued the strong momentum from 2018. Lending balances grew by 2.9% in the quarter. This was achieved by continuing our focus on new to bank customers, deepening relationships with our existing customers, and leveraging our global network and product offerings. Balances of Receivable Finance, a recent addition to our trade product suite, grew more than 50% year over year. Trade corridor revenue saw double-digit growth despite market uncertainties.

Profit before income tax was $157m for the quarter, flat to prior year, as a result of lower favourable changes in expected credit losses, partly offset by higher operating income and lower operating expenses.

Global Banking and Markets

Global Banking and Markets total operating income for the quarter was $80m, an increase of $8m, or 11%, driven by increased interest rates, and higher Markets trading and sales activities.

We continue to leverage the Group's global network to provide products and solutions to meet our global clients' needs. We have also increased the scale of our Multinational business by improving product penetration with existing customers.

For the quarter, profit before income tax was $39m, an increase of $2m, or 5.4%, as strong revenue growth more than covered the cost of business investment and a higher change in expected credit losses charge for the period, compared to recoveries in the prior year.

Retail Banking and Wealth Management

Total operating income was $184m for the quarter, an increase of $9m, or 5.1%, due to higher margins and strong growth in total relationship balances[2] as a result of strong branding, innovation and strategic investments to make our bank simpler, faster and better for our customers. This was partly offset by the continued run-off of our consumer finance portfolio, resulting in a $1m decrease in revenues compared to the prior year.

Investments in our distribution channels and digital technologies, along with competitive products and qualification criteria for Premier and Advance propositions, helped us grow our customer base and total relationship balances[2]. We continued to enhance our distribution channel by opening new branches in key urban centres. We also launched HSBC +Rewards MasterCard offering customers our lowest interest rate and rewards on eligible purchases. As a result of these initiatives, we welcomed more than 11,000 new customers to RBWM during the quarter.

Profit before income tax expense was $7m, an increase of $4m, or 133%, mainly due to higher revenues from higher margins and strong growth in total relationship balances[2] and a decrease in expected credit losses largely driven by the impact of forward looking economic factors. These increases were partly offset by higher operating expenses due to continued investments in our distribution channels. In addition, we also continued to invest in the roll-out of retail business banking, credit cards, and Jade, an exclusive service for high-net-worth customers.

Corporate Centre

Profit before income tax was $26m for the quarter, a decrease of $28m, or 52%. Net operating income decreased by $31m, or 46%, primarily due to lower gains on the disposal of financial investments from the re-balancing of the bank's liquid asset portfolio compared to the prior year, and lower other operating income as a result of the corporate restructure[3]. Operating expenses decreased by $3m, or 21%, primarily due to the corporate restructure[3] partly offset by investments in our support functions.

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3. *Effective 1 January 2019, certain central services were transferred to a separate entity, with no significant impact on the overall financial results, position or operations of the bank.*

Financial performance and position

	Quarter ended	
	31 Mar 2019	31 Mar 2018
Financial performance for the period		
Total operating income	**545**	541
Profit before income tax expense	**229**	251
Profit attributable to the common shareholder	**158**	173
Change in expected credit losses and other credit impairment charges - (charge)/release	**12**	28
Operating expenses	**(328)**	(318)
Basic and diluted earnings per common share ($)	**0.32**	0.35
Financial measures %[1]		
Return on average common shareholder's equity	**13.3**	15.5
Return on average risk-weighted assets[2]	**2.3**	2.2
Cost efficiency ratio	**60.2**	58.8
Operating leverage/jaws	**(2.4)**	4.7
Net interest margin	**1.46**	1.50
Change in expected credit losses to average gross loans and advances and acceptances[3]	**n/a**	n/a
Change in expected credit losses on non-performing loans and advances and acceptances to average gross loans and advances and acceptances[3]	**—**	n/a
Total non-performing allowance for expected credit losses to gross non-performing loans and advances and acceptances	**32.6**	29.1
Net write-offs as a percentage of average loans and advances and acceptances	**0.11**	0.16

Financial and capital measures

	At	
	31 Mar 2019	31 Dec 2018
Financial position at period end		
Total assets	**108,164**	103,406
Loans and advances to customers	**55,781**	57,123
Customer accounts	**59,043**	59,812
Ratio of customer advances to customer accounts (%)[1]	**94.5**	95.5
Common shareholder's equity	**4,873**	4,733
Capital measures[2]		
Common equity tier 1 capital ratio (%)	**11.3**	11.3
Tier 1 ratio (%)	**13.3**	13.4
Total capital ratio (%)	**15.9**	16
Leverage ratio (%)	**4.5**	4.6
Risk-weighted assets ($m)	**40,916**	40,142
Liquidity coverage ratio (%)	**138**	132

1. *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 First Quarter 2019 Interim Report.*
2. *The bank assesses capital adequacy against standards established in guidelines issued by OSFI in accordance with the Basel III capital adequacy framework.*
3. *n/a is shown where the bank is in a net recovery position resulting in a negative ratio.*

(Figures in $m, except per share amounts)

	Quarter ended	
	31 Mar 2019	31 Mar 2018
Interest income	**680**	540
Interest expense	**(357)**	(234)
Net interest income	**323**	306
Fee income	**179**	176
Fee expense	**(23)**	(21)
Net fee income	**156**	155
Net income from financial instruments held for trading	**48**	36
Gains less losses from financial investments	**8**	22
Other operating income	**10**	22
Total operating income	**545**	541
Change in expected credit losses	**12**	28
Net operating income	**557**	569
Employee compensation and benefits	**(174)**	(182)
General and administrative expenses	**(131)**	(126)
Depreciation	**(18)**	(8)
Amortization and impairment of intangible assets	**(5)**	(2)
Total operating expenses	**(328)**	(318)
Profit before income tax expense	**229**	251
Income tax expense	**(62)**	(68)
Profit for the period	**167**	183
Profit attributable to the common shareholder	**158**	173
Profit attributable to the preferred shareholder	**9**	10
Profit attributable to shareholders	**167**	183
Average number of common shares outstanding (000's)	**498,668**	498,668
Basic and diluted earnings per common share ($)	**$ 0.32**	$ 0.35

(Figures in $m)	**31 Mar 2019**	**31 Dec 2018**
ASSETS		
Cash and balances at central banks	**57**	78
Items in the course of collection from other banks	**11**	8
Trading assets	**5,956**	3,875
Other financial assets mandatorily measured at fair value through profit or loss	**12**	4
Derivatives	**3,289**	4,469
Loans and advances to banks	**1,011**	1,221
Loans and advances to customers	**55,781**	57,123
Reverse repurchase agreements – non-trading	**6,561**	5,860
Financial investments	**25,355**	24,054
Other assets	**3,173**	2,200
Prepayments and accrued income	**332**	234
Customers' liability under acceptances	**6,028**	3,932
Current tax assets	**49**	51
Property, plant and equipment	**351**	101
Goodwill and intangible assets	**125**	121
Deferred tax assets	**73**	75
Total assets	**108,164**	103,406
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**1,224**	1,148
Customer accounts	**59,043**	59,812
Repurchase agreements – non-trading	**9,845**	8,224
Items in the course of transmission to other banks	**161**	252
Trading liabilities	**3,234**	2,164
Derivatives	**3,464**	4,565
Debt securities in issue	**14,499**	13,863
Other liabilities	**3,070**	1,891
Acceptances	**6,037**	3,937
Accruals and deferred income	**453**	574
Retirement benefit liabilities	**270**	270
Subordinated liabilities	**1,039**	1,039
Provisions	**31**	41
Current tax liabilities	**71**	43
Total liabilities	**102,441**	97,823
Equity		
Common shares	**1,225**	1,225
Preferred shares	**850**	850
Other reserves	**6**	(111)
Retained earnings	**3,642**	3,619
Total equity	**5,723**	5,583
Total liabilities and equity	**108,164**	103,406

(Figures in $m)	Quarter ended	
	31 Mar 2019	31 Mar 2018
Commercial Banking		
Net interest income	**151**	139
Non-interest income	**93**	87
Total operating income	**244**	226
Change in expected credit losses - (charge)/release	**14**	34
Net operating income	**258**	260
Total operating expenses	**(101)**	(103)
Profit before income tax expense	**157**	157
Global Banking and Markets		
Net interest income	**24**	23
Non-interest income	**56**	49
Total operating income	**80**	72
Change in expected credit losses - (charge)/release	**(1)**	3
Net operating income	**79**	75
Total operating expenses	**(40)**	(38)
Profit before income tax expense	**39**	37
Retail Banking and Wealth Management		
Net interest income	**126**	114
Non-interest income	**58**	61
Total operating income	**184**	175
Change in expected credit losses - (charge)/release	**(1)**	(9)
Net operating income	**183**	166
Total operating expenses	**(176)**	(163)
Profit before income tax expense	**7**	3
Corporate Centre		
Net interest income	**22**	30
Non-interest income	**15**	38
Net operating income	**37**	68
Total operating expenses	**(11)**	(14)
Profit before income tax expense	**26**	54

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$2,659bn at 31 March 2019. Linked by advanced technology, the HSBC Group serves customers worldwide from offices across 66 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa.

For more information visit www.hsbc.ca or follow us on Twitter: @hsbc_ca or Facebook: @HSBCCanada

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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.