HSBC

News Release

17 February 2020

HSBC BANK CANADA
FULL YEAR AND FOURTH QUARTER 2019 RESULTS

Solid revenue growth across all business lines in the fourth quarter offset by on-going normalization of credit losses

Financial performance[1]

Total operating income: $561m for the quarter and $2.2bn for the year ended 31 December 2019, a decrease of $4m or 0.7% and $79m or 3.5%, respectively. The creation of the ServCo group[2] to manage shared services led to lower other operating income of $17m for the quarter and $67m for the year. Decreases in operating income from balance sheet management activities and lower gains on disposal of financial investments, also contributed to the decrease. For the quarter, the decreases were partly offset by strong growth in operating income from our global businesses. For the year, the decreases were partly offset by increased operating income in both Commercial Banking and Retail Banking and Wealth Management.

Expected credit losses: charge of $33m for the quarter and $78m for the year, compared to charge of $19m and reversal of $27m, respectively, in the prior year.

Operating expenses: a decrease of $9m or 2.8% for the quarter and $9m or 0.7% for the year, a result of a reduction in expenses from the creation of the ServCo group[2]. This was partly offset by our continued investments in people, efficiency initiatives and technology to grow our business.

Profit before income tax expense: down $9m or 4.1% for the quarter and $175m or 18% for the year. The decrease reflects the on-going normalization of credit losses in the current year, as well as reduced income from balance sheet management activities and continued investments to grow our businesses. This was partly offset by increases in core operating income from all our global businesses in the quarter, and from both Commercial Banking and Retail Banking and Wealth Management businesses for the year.

Commenting on the results, Sandra Stuart, President and Chief Executive Officer of HSBC Bank Canada said:

“As we close out our most recent three-year strategic plan, we have much to be proud of. Our strategies to grow revenue and market share, and increase customer acquisition have paid off over the last three years. We reach the end of our strategic planning cycle in a much better place than we began it, having met our financial, efficiency and growth goals. We remain one of the top contributors to Group profits.

“2019 was characterized by trade policy uncertainty, slowing GDP growth and continuing low interest rates. Nevertheless, we grew both assets and deposits, operating income increased in two of our three business lines and was down only slightly in the third. Profit before income tax was a healthy $816m, down from 2018 but in line with our expectations - with the normalizing credit environment, Retail Banking and Wealth Management investments, and restructuring charges affecting the bottom line as forecast."

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

1. *For the quarter and year ended 31 December 2019 compared with the same periods in the prior year (unless otherwise stated).*
2. *Effective 1 January 2019, certain central services were transferred to a separate entity, ServCo group. The net impact of the transfer of people, systems and other supporting assets did not have a significant impact on the performance or operations of the bank. The transfer has resulted in a decrease in total operating income of $17m for the quarter and $67m for the year, and a related reduction in total operating expenses of $17m for the quarter and $61m for the year.*

Select financial metrics as at and for the year ended 31 December 2019:

- *Total assets:* $106.6bn (31 Dec 2018: $103.4bn)
- *Common equity tier 1 capital ratio:* 11.3% (31 Dec 2018: 11.3%)
- *Tier 1 ratio:* 13.9% (31 Dec 2018: 13.4%)
- *Total capital ratio: 16.4%* (31 Dec 2018: 16.0%)
- *Return on average common equity[1]:* 11.3% (2018: 14.5%)

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

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 'Use of non-IFRS financial measures' section of this document.*

Analysis of consolidated financial results for the quarter and year ended 31 December 2019[1]

Net interest income for the quarter was $313m, a decrease of $22m or 6.6% compared with the same period in the prior year. Net interest income for the year was $1,268m, a decrease of $24m or 1.9%. The decrease in both the quarter and year was a result of higher costs to fund the growth in lending balances, and lower contribution from balance sheet management activities.

Net fee income for the quarter was $179m, an increase of $15m or 9.1% compared with the same period in the prior year. Net fee income for the year was $677m, an increase of $4m or 0.6%. For the quarter, this was a result of higher underwriting fees in Global Banking and Markets and an increase in funds under management in Retail Banking and Wealth Management. An increase in credit facility fees from higher volumes of bankers' acceptances, also contributed to the growth. For the year, in addition to the increase in credit facility fees, growth in net card revenues and funds under management also positively impacted net fee income. This was partly offset by higher fee expense from costs associated with clearing fees and the brokerage business, along with lower revenues from underwriting fees.

Net income from financial instruments held for trading for the quarter was $48m, an increase of $22m or 85% compared with the same period in the prior year mainly driven by higher trading activities. Favourable funding fair value adjustments, as well as favourable credit valuations from tightening credit spreads also contributed to the increase.

Net income from financial instruments held for trading for the year was $165m, an increase of $29m or 21% driven by increased trading activities, higher net interest from trading activities due to product mix, balance sheet management activities, and favourable credit valuations from tightening credit spreads.

Other items of income for the quarter were $21m, a decrease of $19m, or 48% compared with the same period in the prior year. Other items of income for the year were $75m, a decrease of $88m or 54%. The decrease for both the quarter and the year was driven by lower other operating income related to the creation of the ServCo group[2]. This led to a reduction in other operating income with a related decrease in operating expenses. Lower gains on the disposal of financial investments also contributed to the decrease.

Change in expected credit losses for the quarter resulted in a charge of $33m, compared to a charge of $19m in the prior year's quarter. The charge for the quarter was related to impairment charges from non-performing loans in the wholesale and retail trade sector and the impact of changes in macroeconomic variables on performing loans. The charge of $19m in the prior year’s quarter was a result of a number of small charges in the non-performing wholesale portfolio.

The change in expected credit losses for the year was a charge of $78m, compared to the expected credit loss release experienced in 2018. The charge in 2019 was mainly driven by impairment charges from non-performing loans related to accounts in the wholesale and retail trade, mining and agriculture sectors. The ongoing normalization of credit losses mainly from the change in the economic forecast compared to the prior year also contributed to the charges, which were partly offset by the release of provisions in the first quarter from certain customers in the energy service sector. The release in 2018 of $27m was driven by economic factors at the time, which indicated credit quality improvements in the non-performing portfolio, most notably in the energy service sector.

Total operating expenses for the quarter were $315m, a decrease of $9m or 2.8% compared with the same period in the prior year. Total operating expenses for the year were $1,291m, a decrease of $9m or 0.7%. The decrease was a result of a reduction in expenses from the creation of the ServCo group[2]. This was offset by our continued strategic investments in our people, efficiency initiatives and technology to grow our businesses and make it more convenient for our customers to bank with us.

1. *For the quarter and year ended 31 December 2019 compared with the same periods in the prior year (unless otherwise stated).*
2. *Effective 1 January 2019, certain central services were transferred to a separate entity, ServCo group. The net impact of the transfer of people, systems and other supporting assets did not have a significant impact on the performance or operations of the bank. The transfer has resulted in a decrease in total operating income of $17m for the quarter and $67m for the year, and a related reduction in total operating expenses of $17m for the quarter and $61m for the year.*

Income tax expense: the effective tax rate for the quarter was 25.9%, compared with 29.4% in the same period in the prior year. The effective tax rate for the year was 27.0%, compared with 27.6% for 2018. The difference for both the quarter and the year was due to additional tax liabilities recorded in the prior year.

Movement in financial position

Assets

Total assets at 31 December 2019 were $106.6bn, an increase of $3.2bn, or 3.1%, from 31 December 2018. This was primarily driven by strong growth in loans and advances of $4.7bn, as a result of growth in lending balances in our Commercial Banking business and growth in residential mortgages within our Retail Banking and Wealth Management business. These increases were partly offset by a decrease in derivatives of $1.2bn from foreign exchange and interest rate market movements.

Liabilities

Total liabilities at 31 December 2019 were $100.5bn, an increase of $2.7bn, or 2.7%, from 31 December 2018. Customer accounts increased by $3.1bn as result of deposit growth in Retail Banking and Wealth Management and Commercial Banking. Increases in settlement balances from timing of customers facilitation trades contributed to the increase in other liabilities of $1.5bn.

These increases were partly offset by a decrease in non-trading repurchase agreements of $1.1bn related to lower repurchase volumes and balance sheet management activities. In addition, mark-to-market changes from foreign exchange and interest rate market movements resulted in a decrease in derivatives of $1.1bn.

Equity

Total equity at 31 December 2019 was $6.1bn, an increase of $0.5bn, or 9.4%, from 31 December 2018. The increase represents profits after tax of $0.6bn generated in the period, gains of $0.1bn recorded on account of financial assets at fair value through other comprehensive income and cash flow hedges, and $0.3bn from the issuance of preferred shares. The increase was offset by dividends of $0.5bn declared in the period.

Dividends

Dividends declared in 2019

During the year, the bank declared and paid $430m in dividends on HSBC Bank Canada common shares, a decrease of $380m compared with the prior year (which included a special dividend of $400m), and $40m in dividends on all series of HSBC Bank Canada Class 1 preferred shares, an increase of $3m compared with the prior year.

Dividends declared in 2020

On 13 February 2020, the bank declared regular quarterly dividends for the first quarter 2020 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 2020 or the first business day thereafter to the shareholder of record on 15 March 2020.

On 13 February 2020, the bank also declared a final dividend of $160m on HSBC Bank Canada common shares in respect of the financial year ending 31 December 2019, which will be paid on or before 30 March 2020 to the shareholder of record on 13 February 2020.

As the quarterly dividends on preferred shares for the first quarter 2020 and the final dividend on common shares for 2019 were declared after 31 December 2019, the amounts have not been included in the balance sheet of the bank as a liability.

Business performance for the quarter and year ended 31 December 2019[1]

Commercial Banking

Total operating income was $252m for the quarter, an increase of $5m, or 2% compared with the same period in the prior year. Total operating income was $991m for the year, an increase of $37m, or 3.9%. Growth was achieved across most products and business segments, and in both net interest income and fee income, in line with the execution of our strategic plan.

We continued to invest in growth initiatives and digital capabilities. These investments underscore our efforts to put the customer first, and we are seeing the results of our efforts with growth in lending balances and double digit revenue growth in multiple regions and corridors. Our Global Trade and Receivables Finance business was named Market Leader and Best Service in Trade Finance in Canada in the Euromoney Trade Finance Survey and our Global Liquidity and Cash Management offering was voted the number one Global and Domestic Cash Manager for Corporates in the Euromoney Cash Management Survey. This is also reflected in the improvement in our customer survey where the percentage of international customers rating our on-boarding experience as 'Excellent' has shown double digit improvement since December 2018.

Profit before income tax for the quarter was $125m, a decrease of $16m or 11% compared with the same period in the prior year. Profit before income tax for the year was $539m, a decrease of $50m or 8.5%. This was primarily a result of higher charges from expected credit losses of $15m for the quarter and of $85m for the year driven mainly by impairments recognized against specific accounts in the non-performing portfolio as well as increases in general provisions held as a result of changes in macroeconomic variables throughout the year. This compared to prior year's release which was driven by economic factors at the time. Operating expenses increased slightly as a result of focused investments in our front line and technology to drive business growth partly offset by prudent cost management and higher operating income, as noted above.

Global Banking and Markets

Global Banking and Markets total operating income for the quarter was $93m, an increase of $19m or 26% compared with the same period in the prior year. The increase was mainly driven by favourable rates trading activities, higher debt capital markets and advisory activities, and funding fair value adjustments. Total operating income for the year was $327m, a decrease of $4m or 1.2%, driven by lower activity in debt and equity capital markets activities and lower rates sales and trading revenues.

We continue to leverage the Group's global network to provide products and solutions to meet our global clients' needs.

Profit before income tax for the quarter was $58m, an increase of $18m or 45% compared with the same period in the prior year mainly a result of strong revenue growth in the quarter. Profit before income tax for the year was $159m, a decrease of $21m or 12% as a result of higher expected credit loss charges, an increase in streamlining costs and marginally lower revenues.

1. *For the quarter and year ended 31 December 2019 compared with the same periods in the prior year (unless otherwise stated).*
2. *Total relationship balances is comprised of lending, deposits and wealth balances.*

Retail Banking and Wealth Management

Total operating income for the quarter was $195m, an increase of $10m, or 5.4% compared with the same period in the prior year. Total operating income for the year was $762m, an increase of $25m or 3.4%, due to higher net interest income and strong growth in total relationship balances[2] as a result of record net sales[4] achieved in 2019.

We continued to deliver on our strategy which offers a full range of competitive banking products and services for all Canadians to help manage their finances, buy their homes, and save and invest for the future. Our business also has an international flavor with a large suite of global investment products and other specialized services available. Focusing on our customers' needs, we continue to make investments in our branches and digital technologies, along with competitive products, which helped us grow our customer base and total relationship balances[2]. As a result of our initiatives, we welcomed more than 61,000 new customers to Retail Banking and Wealth Management during the year.

Profit before income tax for the quarter was $25m, an increase of $15m or 150% compared with the same period in the prior year, as a result of the strong growth in revenues for the quarter, lower charges in expected credit losses and lower operating expenses. Profit before income tax for the year was $58m, a decrease of $13m or 18%. This was mostly due to higher operating expenses from the investments noted above and higher charges related to expected credit losses. These decreases were partly offset by higher revenues due to strong growth in total relationship balances[2].

Corporate Centre[5]

Total operating income for the quarter was $21m, a decrease of $38m or 64% compared with the same period in the prior year. Total operating income for the year was $105m, a decrease of $137m or 57%. The decrease for both the quarter and year was primarily due to lower non-interest income related to the creation of the ServCo group[3]. Also contributing to the decrease were lower net interest income from balance sheet management activities and lower gains on the disposal of financial investments.

Operating expenses for the quarter were $16m, a decrease of $12m or 43% compared with the same period in the prior year. Operating expenses for the year were $45m, a decrease of $46m or 51%. The decrease in both the quarter and year are primarily related to the creation of the ServCo group[3], partly offset by investments in our support functions.

Profit before income tax for the quarter was $5m, a decrease of $26m or 84% compared with the same period in the prior year. Profit before tax for the year was $60m, a decrease of $91m or 60% as a result of the movements mentioned above.

1. *For the quarter and year ended 31 December 2019 compared with the same periods in the prior year (unless otherwise stated).*
2. *Total relationship balances is comprised of lending, deposits and wealth balances.*
3. *Effective 1 January 2019, certain central services were transferred to a separate entity, ServCo group. The net impact of the transfer of people, systems and other supporting assets did not have a significant impact on the performance or operations of the bank. The transfer has resulted in a decrease in total operating income of $17m for the quarter and $67m for the year, and a related reduction in total operating expenses of $17m for the quarter and $61m for the year.*
4. *Record since inception of RBWM as a single global business in 2011.*
5. *Corporate Centre contains Balance Sheet Management and other transactions which do not directly relate to our global businesses.*

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 profit before income tax expense divided by the average[1] risk-weighted assets.

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 customers' liabilities under 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 assets as a percentage of average[1] gross loans and advances to customers and customers' liabilities under 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[2] relating to stage 3 loans and advances to customers and acceptances as a percentage of stage 3 loans and advances to customers and customers' liabilities under 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 customers' liabilities under acceptances.

The following supplementary financial measure calculated from IFRS figures as noted is used throughout this document.

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

1. *The net interest margin is calculated using daily average balances. All other financial measures use average balances that are calculated using quarter-end balances.*
2. *Change in expected credit losses relates primarily to loans, acceptances and commitments.*

Financial Highlights

Financial performance and position

(Figures in $m, except where otherwise stated)	Quarter ended		Year ended	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Financial performance for the period				
Total operating income	**561**	565	**2,185**	2,264
Profit before income tax expense	**213**	222	**816**	991
Profit attributable to the common shareholder	**144**	148	**555**	681
Change in expected credit losses and other credit impairment charges - (charge)/release	**(33)**	(19)	**(78)**	27
Operating expenses	**(315)**	(324)	**(1,291)**	(1,300)
Basic and diluted earnings per common share ($)	**0.29**	0.29	**1.11**	1.36
Financial measures %[1]				
Return on average common shareholder's equity	**11.4**	12.6	**11.3**	14.5
Return on average risk-weighted assets[2]	**2.0**	2.2	**2.0**	2.3
Cost efficiency ratio	**56.1**	57.3	**59.1**	57.4
Operating leverage/jaws	**2.1**	7.3	**(2.8)**	8.5
Net interest margin	**1.33**	1.50	**1.38**	1.53
Change in expected credit losses to average gross loans and advances and acceptances[3]	**0.20**	0.12	**0.12**	n/a
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances[3]	**0.18**	n/a	**0.1**	n/a
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances	**34.9**	35.8	**34.9**	35.8
Net write-offs as a percentage of average loans and advances and acceptances	**0.06**	0.16	**0.07**	0.15

Financial and capital measures

	At	
	31 Dec 2019	31 Dec 2018
Financial position at period end		
Total assets	**106,571**	103,406
Loans and advances to customers	**61,922**	57,123
Customer accounts	**62,889**	59,812
Ratio of loans and advances to customer accounts (%)[1]	**98.5**	95.5
Common shareholders' equity	**5,009**	4,733
Capital measures[2]		
Common equity tier 1 capital ratio (%)	**11.3**	11.3
Tier 1 ratio (%)	**13.9**	13.4
Total capital ratio (%)	**16.4**	16.0
Leverage ratio (%)	**4.9**	4.6
Risk-weighted assets ($m)	**42,080**	40,142
Liquidity coverage ratio (%)	**140**	132

1. *Refer to the 'Use of non-IFRS financial measures' section of this document for a discussion of non-IFRS financial measures.*
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.*

Consolidated income statement

(Figures in $m, except per share amounts)	Quarter ended		Year ended	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Interest income	**690**	674	**2,785**	2,421
Interest expense	**(377)**	(339)	**(1,517)**	(1,129)
Net interest income	**313**	335	**1,268**	1,292
Fee income	**204**	189	**779**	762
Fee expense	**(25)**	(25)	**(102)**	(89)
Net fee income	**179**	164	**677**	673
Net income from financial instruments held for trading	**48**	26	**165**	136
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**—**	(2)	**—**	(2)
Gains less losses from financial investments	**10**	11	**38**	56
Dividend income	**—**	—	**—**	1
Other operating income	**11**	31	**37**	108
Total operating income	**561**	565	**2,185**	2,264
Change in expected credit losses and other credit impairment charges - (charge)/release	**(33)**	(19)	**(78)**	27
Net operating income	**528**	546	**2,107**	2,291
Employee compensation and benefits	**(144)**	(157)	**(658)**	(696)
General and administrative expenses	**(144)**	(154)	**(533)**	(555)
Depreciation of property, plant and equipment	**(19)**	(8)	**(72)**	(32)
Amortization and impairment of intangible assets	**(8)**	(5)	**(28)**	(17)
Total operating expenses	**(315)**	(324)	**(1,291)**	(1,300)
Profit before income tax expense	**213**	222	**816**	991
Income tax expense	**(56)**	(65)	**(221)**	(273)
Profit for the period	**157**	157	**595**	718
Profit attributable to the common shareholder	**144**	148	**555**	681
Profit attributable to the preferred shareholder	**13**	9	**40**	37
Profit attributable to shareholders	**157**	157	**595**	718
Average number of common shares outstanding (000's)	**498,668**	498,668	**498,668**	498,668
Basic and diluted earnings per common share ($)	**$ 0.29**	$ 0.29	**$ 1.11**	$ 1.36

Consolidated balance sheet

(Figures in $m)	**31 Dec 2019**	31 Dec 2018
ASSETS		
Cash and balances at central banks	**54**	78
Items in the course of collection from other banks	**15**	8
Trading assets	**4,322**	3,875
Other financial assets mandatorily measured at fair value through profit or loss	**5**	4
Derivatives	**3,267**	4,469
Loans and advances to banks	**1,169**	1,221
Loans and advances to customers	**61,922**	57,123
Reverse repurchase agreements – non-trading	**6,269**	5,860
Financial investments	**23,645**	24,054
Other assets	**1,580**	2,200
Prepayments and accrued income	**241**	234
Customers' liability under acceptances	**3,500**	3,932
Current tax assets	**26**	51
Property, plant and equipment	**339**	101
Goodwill and intangible assets	**155**	121
Deferred tax assets	**62**	75
Total assets	**106,571**	103,406
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**1,036**	1,148
Customer accounts	**62,889**	59,812
Repurchase agreements – non-trading	**7,098**	8,224
Items in the course of transmission to other banks	**225**	252
Trading liabilities	**2,296**	2,164
Derivatives	**3,431**	4,565
Debt securities in issue	**14,594**	13,863
Other liabilities	**3,384**	1,891
Acceptances	**3,505**	3,937
Accruals and deferred income	**600**	574
Retirement benefit liabilities	**265**	270
Subordinated liabilities	**1,033**	1,039
Provisions	**41**	41
Current tax liabilities	**65**	43
Total liabilities	**100,462**	97,823
Equity		
Common shares	**1,225**	1,225
Preferred shares	**1,100**	850
Other reserves	**39**	(111)
Retained earnings	**3,745**	3,619
Total equity	**6,109**	5,583
Total liabilities and equity	**106,571**	103,406

Consolidated statement of cash flows

	Year ended	
	31 Dec 2019	31 Dec 2018
Profit before tax	**816**	991
Adjustments for:		
– non-cash items included in profit before tax	**205**	53
Changes in operating assets and liabilities		
– change in operating assets	**(4,360)**	(6,744)
– change in operating liabilities	**3,340**	7,919
– tax paid	**(214)**	(234)
Net cash from operating activities	**(213)**	1,985
Purchase of financial investments	**(12,885)**	(13,442)
Proceeds from the sale and maturity of financial investments	**13,470**	12,182
Purchase of intangibles and property, plant and equipment	**(83)**	(76)
Proceeds from sale of property, plant and equipment	**—**	1
Net cash from investing activities	**502**	(1,335)
Redemption of preferred shares	**—**	(350)
Dividends paid to shareholders	**(470)**	(847)
Issuance of preferred shares	**250**	—
Repurchase of subordinated debentures	**(6)**	—
Lease principal payments	**(39)**	n/a
Net cash from financing activities	**(265)**	(1,197)
Net (decrease)/increase in cash and cash equivalents	**24**	(547)
Cash and cash equivalents at 1 Jan	**1,333**	1,880
Cash and cash equivalents at 31 Dec	**1,357**	1,333
Interest		
Interest paid	**(1,479)**	(1,038)
Interest received	**2,790**	2,369

Global business segmentation

(Figures in $m)	Quarter ended		Year ended	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Commercial Banking				
Net interest income	**152**	152	**608**	586
Non-interest income	**100**	95	**383**	368
Total operating income	**252**	247	**991**	954
Change in expected credit losses - (charge)/release	**(27)**	(12)	**(47)**	38
Net operating income	**225**	235	**944**	992
Total operating expenses	**(100)**	(94)	**(405)**	(403)
Profit before income tax expense	**125**	141	**539**	589
Global Banking and Markets				
Net interest income	**30**	28	**107**	107
Non-interest income	**63**	46	**220**	224
Total operating income	**93**	74	**327**	331
Change in expected credit losses - (charge)	**(2)**	—	**(13)**	(1)
Net operating income	**91**	74	**314**	330
Total operating expenses	**(33)**	(34)	**(155)**	(150)
Profit before income tax expense	**58**	40	**159**	180
Retail Banking and Wealth Management				
Net interest income	**131**	126	**516**	489
Non-interest income	**64**	59	**246**	248
Total operating income	**195**	185	**762**	737
Change in expected credit losses - (charge)	**(4)**	(7)	**(18)**	(10)
Net operating income	**191**	178	**744**	727
Total operating expenses	**(166)**	(168)	**(686)**	(656)
Profit before income tax expense	**25**	10	**58**	71
Corporate Centre				
Net interest income	**—**	29	**37**	110
Non-interest income	**21**	30	**68**	132
Net operating income	**21**	59	**105**	242
Total operating expenses	**(16)**	(28)	**(45)**	(91)
Operating profit	**5**	31	**60**	151
Profit before income tax expense	**5**	31	**60**	151

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. HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US$2,715bn at 31 December 2019, HSBC is one of the world's largest banking and financial services organizations.

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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 2019 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, resilience risk, regulatory compliance risk, financial crime risk, model risk and pension risk. 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, climate change risk, IBOR transition and other risks such as changes in accounting standards, changes in tax rates, tax law and policy, our ability to attract, develop and retain key personnel, risk of fraud by employees or others, unauthorized transactions by employees and human error. Refer to the 'Factors that may affect future results' section of the Management's Discussion and Analysis in our Annual Report and Accounts 2019 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.