News Release

22 February 2021

HSBC BANK CANADA
FULL YEAR AND FOURTH QUARTER 2020 RESULTS

Balance sheet strength and resilient performance despite COVID-19 headwinds

Linda Seymour, President and Chief Executive Officer of HSBC Bank Canada, said:

"As we saw across the world, the lives of Canadians and the Canadian economy were shaped in 2020 by COVID-19. A historic drop in GDP in the first half was only somewhat offset by GDP growth in the second half and many of our customers are facing headwinds they never imagined possible. We take great pride in the fact that throughout 2020 we served our customers well as they met these extraordinary circumstances, we took care of our employees and continued to build for a more sustainable future even as these same factors played out in HSBC Bank Canada's results. Increased expected credit losses and decreased operating income resulted in profit before tax of $404m, for a decline of 50% from 2019. This is despite strong cost discipline, an improved economic outlook in the second half which led to lower expected credit losses, and steady increases in non-interest income. Performance in the fourth quarter improved, with profit before tax increasing in two of our three global businesses compared to the third quarter."

Highlights

2020 financial performance (vs 2019)

- **Total operating income** was $2.0bn for the year, down $161m or 7.4%. The impact of central bank rate cuts and maintaining elevated levels of liquidity at lower yields had a negative impact on net interest income in all our global businesses. Trading income also declined due to unfavourable movements in certain credit spreads driven by market volatility, which have not yet returned to pre-COVID-19 levels. These decreases were partly offset by increases in net fee income from cards and increased online brokerage activity in Wealth and Personal Banking[1], and increased credit facility fees from higher volumes of bankers' acceptances in Commercial Banking.
- The **change in expected credit losses** resulted in a charge of $327m for the year, compared to a charge of $78m in the prior year. The charge for the year was primarily driven by the significant deterioration in forward-looking economic guidance related to COVID-19 on non-performing loans, coupled with impairments from non-performing loans in the energy, agriculture and various other sectors.
- **Total operating expenses** increased by $2m or 0.2% for the year. We continued to strategically invest to grow our businesses, balanced with prudent management of costs in response to the current economic environment.
- As a result, **profit before income tax expense** was $404m for the year, down $412m or 50%.

Q4 2020 financial performance (vs Q4 2019)

- **Total operating income** for the quarter was $504m, down $57m or 10%. The impact of central bank rate cuts and maintaining elevated levels of liquidity at lower yields had a negative impact on net interest income in all our global businesses. Trading income in Global Banking and Markets also declined due to lower interest rates.
- The **change in expected credit losses** resulted in a release of $1m for the quarter, compared to a charge of $33m in the prior year. The release was mainly from modest improvements in forward-looking macro-economic variables on performing loans, partly offset by impairment charges from non-performing loans in energy and various other sectors.
- **Total operating expenses** increased by $30m or 9.5% for the quarter mainly due to investment in streamlining initiatives in our support functions.
- As a result, **profit before income tax expense** was $160m, down $53m or 25% for the quarter.

Select financial metrics as at and for the year ended 31 December 2020:

- *Total assets:* $117.3bn (2019: $106.6bn)
- *Common equity tier 1 capital ratio:* 13.7% (2019: 11.3%)
- *Tier 1 ratio:* 16.4% (2019: 13.9%)
- *Total capital ratio: 19.0%* (2019: 16.4%)
- *Return on average common equity[2]:* 4.7% (2019: 11.3%)

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

1. *In the second quarter of 2020, HSBC Holdings Group ('HSBC Group') combined Retail Banking and Wealth Management and Global Private Banking to form Wealth and Personal Banking. Therefore, going forward, our global business Retail Banking and Wealth Management ('RBWM') has been renamed to Wealth and Personal Banking ('WPB'). HSBC Bank Canada did not have a separate business line for Global Private Banking and there have been no changes in assets or liabilities nor any changes in the income or expenses that were previously attributable to the RBWM business line as a result of the change in structure.*
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 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 2020[1]

Net interest income for the quarter was $275m, a decrease of $38m or 12% compared with the same period in the prior year. Net interest income for the year was $1,086m, a decrease of $182m or 14%. The decrease in both the quarter and year reflected the impact of margin compression resulting from central bank rate cuts and maintaining elevated levels of liquidity at lower yields.

Net fee income for the quarter was $185m, an increase of $6m or 3.4% compared with the same period in the prior year. This was driven by higher net fee income from cards and increased online brokerage activity in Wealth and Personal Banking. Commercial Banking had increased net fee income from remittances, increased customer activity and credit facility fees from higher volumes of bankers' acceptances. This was partly offset by lower underwriting fees in Global Banking and Markets.

Net fee income for the year was $713m, an increase of $36m or 5.3%. The increase was driven by higher net fee income from cards and increased online brokerage activity in Wealth and Personal Banking. Commercial Banking increased credit facility fees from higher volumes of bankers' acceptances and higher remittances partly offset by lower credit card fees. Also contributing to the increase were higher underwriting fees in Global Banking and Markets.

Net income from financial instruments held for trading for the quarter was $30m, a decrease of $18m or 38% compared with the same period in the prior year impacted by lower interest rates and change in product mix on net interest from trading activities.

Net income from financial instruments held for trading for the year was $132m, a decrease of $33m or 20% mainly from lower interest rates and change in product mix on net interest from trading activities. Increases in certain credit spreads driven by market volatility, which have not yet returned to pre-COVID-19 levels, also led to unfavourable movements in credit and funding fair value adjustments. This was partly offset by strong Markets sales and trading activities in the first half of 2020 from increased Rates trading and balance sheet management activities.

Other items of income for the quarter were $14m, a decrease of $7m, or 33% compared with the same period in the prior year. This was driven by lower gains on the disposal of financial investments from re-balancing the bank's liquid asset portfolio. Other items of income for the year were $93m, an increase of $18m or 24%. The increase for the year was driven by higher gains on the disposal of financial investments from re-balancing the bank's liquid asset portfolio and gains from extinguishment of repurchased subordinated debentures.

Change in expected credit losses for the quarter resulted in a release of $1m, compared to a charge of $33m in the prior year's quarter. The release for the current quarter was primarily driven by improvement in forward-looking macro-economic variables on performing loans, partly offset by impairment charges from non-performing loans in the energy and various other sectors. The charge in the prior year's 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 forecasted at the time.

The change in expected credit losses for the year was a charge of $327m, compared to a charge of $78m in 2019. The increase was primarily driven by the significant deterioration in forward-looking economic guidance related to COVID-19 on performing loans, coupled with impairments from non-performing loans in the energy sector in the first half of 2020. Beginning in the second half of 2020, modest improvements in forward-looking macro-economic variables driven by vaccine development balanced against the backdrop of second wave infections resulted in moderate releases. These releases were partly offset by impairment charges from non-performing loans in the energy, agriculture and various other sectors.

Total operating expenses for the quarter were $345m, an increase of $30m or 9.5% compared with the same period in the prior year. The increase was mainly due to investment in streamlining initiatives in our support functions and the timing of certain employee compensation and benefit costs. Total operating expenses for the year were $1,293m, an increase of $2m or 0.2%. The marginal increase for the year was primarily due to strategic investments to grow our business, simplify our processes and provide the digital services our customers are asking for, partly offset by lower staff costs and reduced discretionary costs in response to this year's economic environment.

Income tax expense: the effective tax rate for the quarter was 21.9%, compared with 25.9% in the same period in the prior year. The effective tax rate for the year was 23.7%, compared with 27.0% for 2019. The difference for both the quarter and the year was due to a decrease in tax provisions.

1. *For the quarter and year ended 31 December 2020 compared with the same periods in the prior year (unless otherwise stated).*

Movement in financial position

Assets

Total assets at 31 December 2020 were $117.3bn, an increase of $10.8bn, or 10%, from 31 December 2019. Due to the impact of COVID-19, the bank strengthened its liquidity position to support our customers. Placement of these funds increased our cash and balances at central banks to $15.7bn. Derivatives increased by $2.2bn as a result of the mark-to-market changes from both foreign exchange and interest rates due to market volatility mainly from the impact of COVID-19. This was partly offset by a decrease of $3.8bn in financial investments as a result of balance sheet management investment and cash management activities. Trading assets also decreased by $2.6bn with decreased volume of trading activities.

Liabilities

Total liabilities at 31 December 2020 were $110.5bn, an increase of $10bn, or 10%, from 31 December 2019. Customer accounts increased by $9.1bn as result of deposit growth in all global businesses. Increased term and wholesale funding contributed to an increase of $2.8bn in debt securities in issue. Derivatives increased by $2.2bn which corresponds with the movement within derivative assets. This was partly offset by a decrease in non-trading repurchase agreements of $3.9bn from balance sheet management activities.

Equity

Total equity at 31 December 2020 was $6.9bn, an increase of $0.8bn, or 13%, from 31 December 2019. The increase represents profits after tax of $0.3bn generated in the year, gains of $0.2bn recorded on account of financial assets at fair value through other comprehensive income and cash flow hedges and $0.5bn from the issuance of common shares. The increase was offset by dividends on common shares of $0.2bn declared in the year.

Dividends

Dividends declared in 2020

During the year, the bank declared and paid $48m in dividends on all series of HSBC Bank Canada Class 1 preferred shares. The bank also declared and paid $160m in dividends on HSBC Bank Canada common shares during the first quarter. No dividends were declared or paid on HSBC Bank Canada common shares for the remainder of the year.

Dividends declared in 2021

On 19 February 2021, the bank declared regular quarterly dividends for the first quarter of 2021 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 2021 or the first business day thereafter to the shareholder of record on 15 March 2021.

On 19 February 2021, the bank also declared a final dividend of $195m on HSBC Bank Canada common shares in respect of the financial year ending 31 December 2020, which will be paid on or before 30 March 2021 to the shareholder of record on 19 February 2021.

As the quarterly dividends on preferred shares for the first quarter of 2021 and the final dividend on common shares for 2020 were declared after 31 December 2020, 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 2020[1,2]

Commercial Banking ('CMB')

Total operating income was $231m for the quarter, a decrease of $27m, or 10% compared with the same period in the prior year. Total operating income was $949m for the year, a decrease of $74m, or 7.2%. The impact of central bank rate cuts and maintaining elevated levels of liquidity have negatively impacted net interest income. Deposits saw strong growth, with year-end balances increasing by $3.5bn. Loan balances declined by $1.9bn for the year as the pandemic impacted customers' demand for credit.

Despite market volatility, we continued to invest in our business while supporting our customers through the pandemic with payment deferrals and access to government schemes. Our investments are aimed at enhancing customer experience, reducing risk and improving efficiencies whilst developing market leading solutions. Our investments support our efforts to put our customers first and resulted in Global Liquidity and Cash Management ('GLCM') being voted the number one Domestic Cash Manager and best for service in Canada in the Euromoney Cash Management Survey. In addition, we were named #1 trade finance bank and #1 in service quality in Canada in the Euromoney Trade Finance Survey.

Profit before income tax for the quarter was $136m, an increase of $6m or 4.6% compared with the same period in the prior year. Profit before income tax for the year was $297m, a decrease of $270m or 48%. The quarter was mainly impacted by a release in expected credit losses driven by improvement in the forward-looking macro-economic variables on performing loans, partly offset by lower operating income, as noted above. Profit before income tax for the year was lower primarily due to the impact of COVID-19 which significantly increased charges from expected credit losses and lowered net interest income. This was partly offset by higher non-interest income and lower operating expenses.

Global Banking and Markets ('GBM')

Total operating income for the quarter was $73m, a decrease of $27m or 27% compared with the same period in the prior year. The decrease was mainly driven by lower net interest from trading activities due to lower interest rates and change in product mix, and a decrease in net interest income from central bank rate cuts and the higher costs of maintaining increased liquidity. Total operating income for the year was $322m, a decrease of $39m or 11%. Income was negatively impacted by the unfavourable movements in certain credit spreads driven by market volatility, decreases in central bank rates and the higher costs of maintaining increased liquidity, partly offset by strong performance in Market & Securities Services sales and trading activities from the first half of 2020.

Throughout the COVID-19 related disruptions and volatile market conditions, the Banking and Markets teams worked closely with our clients to understand their unique challenges and to support them. This increased client activity and income across our products, mainly from Markets trading and sales activities, lending activities and underwriting fees as 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 $42m, a decrease of $22m or 34% compared with the same period in the prior year. Profit before income tax for the year was $135m, a decrease of $55m or 29%. The decrease in both the quarter and year were primarily driven by decreased operating income, as noted above. For the year, this was coupled with higher charges in expected credit losses in the first two quarters due to the deterioration in forward-looking economic guidance.

Wealth and Personal Banking ('WPB')[3]

Total operating income for the quarter was $202m, a decrease of $2m, or 1% compared with the same period in the prior year. Total operating income for the year was $777m, a decrease of $26m or 3.2%. For the quarter and the year, total operating income decreased due to higher net fee income and strong growth in total relationship balances[4] which were more than offset by lower net interest income due to the central bank rate decreases and higher costs associated with maintaining increased liquidity.

We achieved record growth[5] in total relationship balances[4] and grew our overall and international client base as we invested in our branches and digital technologies, along with competitive products. Despite the challenging environment under COVID-19, we have continued to serve our clients and support them by keeping our branches, digital platforms and contact centres operational, and by providing financial relief through various initiatives including payment deferral and government lending schemes. We also made it easier for our customers to bank from home and reduce contact through digital enhancements and increasing digital transaction limits.

Profit before income tax for the quarter was $15m, a decrease of $17m or 53% compared with the same period in the prior year. Profit before income tax for the year was $70m, a decrease of $23m or 25%. The decrease in both the quarter and year were primarily due to lower net interest income, as noted above, an increase in expected credit losses related to the pandemic, which was partly offset by higher net fee income. For the year, operating expenses were lower, while higher for the quarter due to timing of expenditures.

Corporate Centre

Profit before income tax for the quarter was a loss of $33m, a decrease in profit before income tax of $20m or 154% compared with the same period in the prior year. Profit before tax for the year was a loss of $98m, a decrease in profit before income tax of $64m or 188%. The decreases for both the quarter and year were primarily due to an increase in operating expenses from investment in streamlining initiatives in our support functions and a decrease in net interest income as liquidity costs increased.

1. *For the quarter and year ended 31 December 2020 compared with the same periods in the prior year (unless otherwise stated).*
2. *Effective from the second quarter of 2020, we have made a change in reportable segments by reallocating Balance Sheet Management from Corporate Centre to the global businesses to better align the income and expenses to the businesses generating or utilizing these activities and as a result Corporate Centre is no longer considered an operating segment. Effective 31 December 2020, we also renamed our Balance Sheet Management function as Markets Treasury to reflect the activities it undertakes more accurately. All comparatives have been restated.*
3. *In the second quarter of 2020, HSBC Holdings Group ('HSBC Group') combined Retail Banking and Wealth Management and Global Private Banking to form Wealth and Personal Banking. Therefore, going forward, our global business Retail Banking and Wealth Management ('RBWM') has been renamed to Wealth and Personal Banking ('WPB'). HSBC Bank Canada did not have a separate business line for Global Private Banking and there have been no changes in assets or liabilities nor any changes in the income or expenses that were previously attributable to the RBWM business line as a result of the change in structure.*
4. *Total relationship balances includes lending, deposits and wealth balances.*
5. *Record year since inception of WPB (previously RBWM) as a single global business in 2011.*

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 ratio 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.*

(Figures in $m, except where otherwise stated)

Financial performance and position

	Quarter ended		Year ended	
	31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Financial performance for the period				
Total operating income	**504**	561	**2,024**	2,185
Profit before income tax expense	**160**	213	**404**	816
Profit attributable to the common shareholder	**113**	144	**260**	555
Change in expected credit losses and other credit impairment charges - (charge)/release	**1**	(33)	**(327)**	(78)
Operating expenses	**(345)**	(315)	**(1,293)**	(1,291)
Basic and diluted earnings per common share ($)	**0.21**	0.29	**0.48**	1.11
Financial measures %[1]				
Return on average common shareholder's equity	**7.8**	11.4	**4.7**	11.3
Return on average risk-weighted assets[2]	**1.6**	2.0	**1.0**	2.0
Cost efficiency ratio	**68.5**	56.1	**63.9**	59.1
Operating leverage ratio	**(19.7)**	2.1	**(7.5)**	(2.8)
Net interest margin	**1.03**	1.33	**1.03**	1.38
Change in expected credit losses to average gross loans and advances and acceptances[3]	**n/a**	0.2	**0.49**	0.12
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances[3]	**n/a**	0.18	**0.17**	0.10
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances	**31.1**	34.9	**31.1**	34.9
Net write-offs as a percentage of average loans and advances and acceptances	**0.44**	0.06	**0.18**	0.07

Financial and capital measures

	At	
	31 Dec 2020	31 Dec 2019
Financial position at period end		
Total assets	**117,347**	106,571
Loans and advances to customers	**61,002**	61,922
Customer accounts	**71,950**	62,889
Ratio of loans and advances to customer accounts (%)[1]	**84.8**	98.5
Common shareholders' equity	**5,782**	5,009
Capital measures[2]		
Common equity tier 1 capital ratio (%)	**13.7**	11.3
Tier 1 ratio (%)	**16.4**	13.9
Total capital ratio (%)	**19.0**	16.4
Leverage ratio (%)	**6.0**	4.9
Risk-weighted assets ($m)	**40,014**	42,080
Liquidity coverage ratio (%)[4]	**188**	140

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 the Office of the Superintendent of Financial Institutions Canada ('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.*
4. *The liquidity coverage ratio ('LCR') in this table has been calculated using averages of the three month-end figures in the quarter.*

(Figures in $m, except per share amounts)	Quarter ended		Year ended	
	31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Interest income	**477**	690	**2,165**	2,785
Interest expense	**(202)**	(377)	**(1,079)**	(1,517)
Net interest income	**275**	313	**1,086**	1,268
Fee income	**205**	204	**796**	779
Fee expense	**(20)**	(25)	**(83)**	(102)
Net fee income	**185**	179	**713**	677
Net income from financial instruments held for trading	**30**	48	**132**	165
Gains less losses from financial investments	**2**	10	**50**	38
Other operating income	**12**	11	**43**	37
Total operating income	**504**	561	**2,024**	2,185
Change in expected credit losses and other credit impairment charges - (charge)/release	**1**	(33)	**(327)**	(78)
Net operating income	**505**	528	**1,697**	2,107
Employee compensation and benefits	**(159)**	(144)	**(630)**	(658)
General and administrative expenses	**(150)**	(144)	**(545)**	(533)
Depreciation of property, plant and equipment	**(23)**	(19)	**(78)**	(72)
Amortization and impairment of intangible assets	**(13)**	(8)	**(40)**	(28)
Total operating expenses	**(345)**	(315)	**(1,293)**	(1,291)
Profit before income tax expense	**160**	213	**404**	816
Income tax expense	**(35)**	(56)	**(96)**	(221)
Profit for the period	**125**	157	**308**	595
Profit attributable to the common shareholder	**113**	144	**260**	555
Profit attributable to the preferred shareholder	**12**	13	**48**	40
Profit attributable to shareholders	**125**	157	**308**	595
Average number of common shares outstanding (000's)	**548,668**	498,668	**536,510**	498,668
Basic and diluted earnings per common share ($)	**$ 0.21**	$ 0.29	**$ 0.48**	$ 1.11

(Figures in $m)	At	
	31 Dec 2020	31 Dec 2019
ASSETS		
Cash and balances at central banks	**15,750**	54
Items in the course of collection from other banks	**13**	15
Trading assets	**1,719**	4,322
Other financial assets mandatorily measured at fair value through profit or loss	**9**	5
Derivatives	**5,447**	3,267
Loans and advances to banks	**1,270**	1,169
Loans and advances to customers	**61,002**	61,922
Reverse repurchase agreements – non-trading	**5,996**	6,269
Financial investments	**19,879**	23,645
Other assets	**1,430**	1,580
Prepayments and accrued income	**196**	241
Customers' liability under acceptances	**4,043**	3,500
Current tax assets	**28**	26
Property, plant and equipment	**277**	339
Goodwill and intangible assets	**167**	155
Deferred tax assets	**121**	62
Total assets	**117,347**	106,571
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**1,139**	1,036
Customer accounts	**71,950**	62,889
Repurchase agreements – non-trading	**3,227**	7,098
Items in the course of transmission to other banks	**181**	225
Trading liabilities	**1,831**	2,296
Derivatives	**5,647**	3,431
Debt securities in issue	**17,387**	14,594
Other liabilities	**3,097**	3,384
Acceptances	**4,062**	3,505
Accruals and deferred income	**523**	600
Retirement benefit liabilities	**310**	265
Subordinated liabilities	**1,011**	1,033
Provisions	**81**	41
Current tax liabilities	**19**	65
Total liabilities	**110,465**	100,462
Equity		
Common shares	**1,725**	1,225
Preferred shares	**1,100**	1,100
Other reserves	**249**	39
Retained earnings	**3,808**	3,745
Total equity	**6,882**	6,109
Total liabilities and equity	**117,347**	106,571

(Figures in $m)	Year ended	
	31 Dec 2020	31 Dec 2019
Profit before tax	**404**	816
Adjustments for:		
– non-cash items included in profit before tax	**467**	205
Changes in operating assets and liabilities		
– change in operating assets	**2,920**	(4,360)
– change in operating liabilities	**8,374**	3,340
– tax paid	**(264)**	(214)
Net cash from operating activities	**11,901**	(213)
Purchase of financial investments	**(8,565)**	(12,885)
Proceeds from the sale and maturity of financial investments	**12,429**	13,470
Purchase of intangibles and property, plant and equipment	**(62)**	(83)
Net cash from investing activities	**3,802**	502
Issuance of preferred shares	**—**	250
Issuance of common shares	**500**	—
Dividends paid to shareholders	**(208)**	(470)
Repurchase of subordinated debentures	**(22)**	(6)
Lease principal payments	**(51)**	(39)
Net cash from financing activities	**219**	(265)
Net increase in cash and cash equivalents	**15,922**	24
Cash and cash equivalents at 1 Jan	**1,357**	1,333
Cash and cash equivalents at 31 Dec	**17,279**	1,357
Interest		
Interest paid	**(1,140)**	(1,479)
Interest received	**2,214**	2,790

(Figures in $m)	Quarter ended		Year ended	
	31 Dec 2020	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Commercial Banking				
Net interest income	**121**	155	**525**	628
Non-interest income	**110**	103	**424**	395
Total operating income	**231**	258	**949**	1,023
Change in expected credit losses - (charge)/release	**6**	(27)	**(256)**	(47)
Net operating income	**237**	231	**693**	976
Total operating expenses	**(101)**	(101)	**(396)**	(409)
Profit before income tax expense	**136**	130	**297**	567
Global Banking and Markets				
Net interest income	**30**	33	**124**	129
Non-interest income	**43**	67	**198**	232
Total operating income	**73**	100	**322**	361
Change in expected credit losses - (charge)/release	**6**	(2)	**(34)**	(13)
Net operating income	**79**	98	**288**	348
Total operating expenses	**(37)**	(34)	**(153)**	(158)
Profit before income tax expense	**42**	64	**135**	190
Wealth and Personal Banking[2]				
Net interest income	**131**	135	**486**	541
Non-interest income	**71**	69	**291**	262
Total operating income	**202**	204	**777**	803
Change in expected credit losses - (charge)	**(11)**	(4)	**(37)**	(18)
Net operating income	**191**	200	**740**	785
Total operating expenses	**(176)**	(168)	**(670)**	(692)
Profit before income tax expense	**15**	32	**70**	93
Corporate Centre				
Net interest income	**(7)**	(10)	**(49)**	(30)
Non-interest income	**5**	9	**25**	28
Net operating income/(loss)	**(2)**	(1)	**(24)**	(2)
Total operating expenses	**(31)**	(12)	**(74)**	(32)
Profit before income/(loss) tax expense	**(33)**	(13)	**(98)**	(34)

1. *Effective from the second quarter of 2020, we have made a change in reportable segments by reallocating Balance Sheet Management from Corporate Centre to the global businesses to better align the income and expenses to the businesses generating or utilizing these activities and as a result Corporate Centre is no longer considered an operating segment. Effective 31 December 2020, we also renamed our Balance Sheet Management function as Markets Treasury to reflect the activities it undertakes more accurately. All comparatives have been restated.*
2. *In the second quarter of 2020, HSBC Holdings Group ('HSBC Group') combined Retail Banking and Wealth Management and Global Private Banking to form Wealth and Personal Banking. Therefore, going forward, our global business Retail Banking and Wealth Management ('RBWM') has been renamed to Wealth and Personal Banking ('WPB'). HSBC Bank Canada did not have a separate business line for Global Private Banking and there have been no changes in assets or liabilities nor any changes in the income or expenses that were previously attributable to the RBWM business line as a result of the change in structure.*

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 Wealth and Personal Banking. HSBC Holdings plc, the parent company of HSBC Bank Canada, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US$2,984bn at 31 December 2020, HSBC is one of the world's largest banking and financial services organizations.

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 2020 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, capital management, 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, cyber threat and unauthorized access to systems, 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, and its interpretation of taxing authorities, risk of fraud by employees or others, unauthorized transactions by employees and human error. Our success in delivering our strategic priorities and proactively managing the regulatory environment depends on the development and retention of our leadership and high-performing employees. The ability to continue to attract, develop and retain competent individuals in an employment market impacted by the COVID-19 pandemic proves challenging. We are monitoring people risks with attention to employee mental health and well-being, particularly in the face of the pandemic. Despite contingency plans we have in place for resilience in the event of sustained and significant operational disruption, our ability to conduct business may be adversely affected by disruption in the infrastructure that supports both our operations and the communities in which we do business, including but not limited to disruption caused by public health emergencies, pandemics, environmental disasters and terrorist acts. Refer to the 'Factors that may affect future results' section of the Management's Discussion and Analysis in our Annual Report and Accounts 2020 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.