HSBC Bank Canada

First Quarter 2021 Interim Report

HSBC

HSBC Bank Canada first quarter 2021 performance

Quarter ended 31 March 2021

Total operating income

$529m ↓ 3.1%

(2020: $546m)

Profit before income tax expense

$232m ↑ 194%

(2020: $79m)

Profit attributable to the common shareholder

$158m ↑ 193%

(2020: $54m)

At 31 March 2021

Total assets

$115.0bn ↓ 2.0%

(At 31 Dec 2020: $117.3bn)

Common equity tier 1 ratio[1]

13.6% ↓ 10 bps

(At 31 Dec 2020: 13.7%)

Commenting on the quarter, Linda Seymour, President and Chief Executive Officer of HSBC Bank Canada, said:

"Throughout the pandemic, our priority has been and will continue to be the safety of our employees and financial well-being of our customers. Even as Canada continues under restrictions made necessary by the pandemic, we and our customers are continuously adapting, building and growing. We are using the power of our global network and expanding suite of digital services to support them - whether they are making their business more sustainable, expanding their supply chains or selling to new markets, purchasing a home or managing their savings and investments.

"The year is off to a good start with profits significantly higher than in the first quarter of 2020. As our customers and the economy adjusted to life with COVID-19, we've seen customer activity increase across all business lines while market volatility decreased and we benefited from the release of expected credit losses as the economic outlook improved. While total operating income is down compared to the first quarter of 2020 on the back of lower interest rates, it has increased from the fourth quarter. In Commercial Banking, loan balances grew and fee income rose on higher volumes of bankers' acceptances, along with expected credit loss releases. Global Banking and Markets experienced strong growth in advisory fees. Wealth and Personal Banking[1], saw record growth[2] in real estate secured lending, as well as funds under management and online broker trading in our wealth management services as we grew our client base and the proportion of international clients within it."

1. *Refer to the 'Use of non-GAAP financial measures' section of the Management's Discussion and Analysis ('MD&A') for a discussion of non-GAAP financial measures.*
2. *Record three months since inception of WPB (previously RBWM) as a single global business in 2011.*

Select awards and recognition

Best Low Interest Credit Card award
creditcardGenius (2021)

Diversity and Inclusion
Governance Professionals of Canada (2021)

Interim report contents

Our global businesses[1, 2]

Our operating model consists of three global businesses and a Corporate Centre, supported by a number of corporate functions and our Digital Business Services teams.

Commercial Banking ('CMB')

We support business customers with banking products and services to help them operate and grow. Our customers range from small enterprises, through to large companies that operate globally.

Global Banking and Markets ('GBM')

We provide financial services and products to corporates, governments and institutions. Our comprehensive range of products and solutions can be combined and customized to meet our customers' specific objectives - from primary equity and debt capital to global trade and receivables finance.

Wealth and Personal Banking ('WPB')[2]

We offer a full range of competitive banking products and services for all Canadians to help them manage their finances, buy their homes, and save and invest for the future. Our business also has an international flavour with a large suite of global investment products and other specialized services available.

Quarter ended 31 March 2021

Total operating income

CMB		GBM		WPB	
$239m (2020: $266m)	↓ 10%	$81m (2020: $76m)	↑ 7%	$207m (2020: $207m)	0%

Profit before income tax expense

CMB		GBM		WPB	
$151m (2020: $47m)	↑ 221%	$58m (2020: $19m)	↑ 205%	$37m (2020: $29m)	↑ 28%

At 31 March 2021

Customer assets[3]

CMB		GBM		WPB	
$28.9bn (At 31 Dec 2020: $28.3bn)	↑ 2.2%	$4.6bn (At 31 Dec 2020: $5.1bn)	↓ 10%	$32.5bn (At 31 Dec 2020: $31.6bn)	↑ 2.9%

1. *We manage and report our operations around three global businesses and the results presented are for these businesses. The consolidated HSBC Bank Canada results presented on the previous page also include the Corporate Centre (see page 13 of the MD&A for more information). The equivalent results for the Corporate Centre were: Total operating income of $2m for the quarter (2020 total operating loss of $3m for the quarter), profit/(loss) before income tax expense was a loss of $14m for the quarter (2020 was a loss of $16m for the quarter) and customer assets of nil (2020: nil).*
2. *Effective from the second quarter of 2020, we made two changes to reportable segments. Firstly, the reallocation of 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. Secondly, to simplify our matrix organizational structure, HSBC Holdings Group ('HSBC Group') merged 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. Effective 31 December 2020, we also renamed our Balance Sheet Management function as Markets Treasury to reflect the activities it undertakes more accurately. For further details, see note 9 of our Annual Report and Accounts 2020.*
3. *Customer assets includes loans and advances to customers and customers' liability under acceptances.*

MD&A contents

Basis of preparation

HSBC Bank Canada and its subsidiary undertakings (together 'the bank', 'we', 'our') is an indirectly wholly-owned subsidiary of HSBC Holdings plc ('HSBC Holdings'). Throughout the Management's Discussion and Analysis ('MD&A'), the HSBC Holdings Group is defined as the 'HSBC Group' or the 'Group'.

The MD&A is provided to enable readers to assess our financial condition and results of operations for the quarter ended 31 March 2021, compared to the same periods in the preceding year. The MD&A should be read in conjunction with our unaudited interim condensed consolidated financial statements and related notes for the quarter ended 31 March 2021 ('consolidated financial statements') and our *Annual Report and Accounts 2020*. This MD&A is dated 23 April 2021, the date that our consolidated financial statements and MD&A were approved by our Board of Directors ('the Board'). The references to 'notes' throughout this MD&A refer to notes on the consolidated financial statements for the quarter ended 31 March 2021.

The bank has prepared its consolidated financial statements in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and should be read in conjunction with the bank's 2020 audited annual consolidated financial statements. The bank's 2020 audited annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and in consideration of the accounting guidelines as issued by the Office of the Superintendent of Financial Institutions Canada ('OSFI'), as required under Section 308(4) of the Bank Act. Certain sections within the MD&A, that are marked with an asterisk (*), form an integral part of the accompanying consolidated financial statements. The abbreviations '$m' and '$bn' represent millions and billions of Canadian dollars, respectively. All tabular amounts are in millions of dollars except where otherwise stated.

Our continuous disclosure materials, including interim and annual filings, are available through a link on the bank's website at www.hsbc.ca. These documents, together with the bank's *Annual Information Form*, are also available on the Canadian Securities Administrators' website at www.sedar.com. Complete financial, operational and investor information for HSBC Holdings and the HSBC Group, including HSBC Bank Canada, can be obtained from its website, www.hsbc.com, including copies of *HSBC Holdings Annual Report and Accounts 2020*. Information contained in or otherwise accessible through the websites mentioned does not form part of this report.

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 MD&A of 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, interbank offered rate ('IBOR') transition, 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 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 are 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.

Who we are

HSBC Bank Canada is the leading international bank in Canada. We help companies and individuals across Canada to do business and manage their finances here and internationally through three global businesses: Commercial Banking, Global Banking and Markets, and Wealth and Personal Banking[1]. No international bank has our Canadian presence and no domestic bank has our international reach.

Canada is an important contributor to the HSBC Group growth strategy and a key player in the Group's work to support customers and drive growth, leveraging its footprint across all key trade corridors, including in North America, alongside the United States and Mexico, Europe and with Asia.

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$2,959bn at 31 March 2021, HSBC is one of the world's largest banking and financial services organizations.

HSBC's purpose – Opening up a world of opportunity – explains why we exist. We're here to use our unique expertise, capabilities, breadth and perspectives to open up new kinds of opportunity for our customers. We're bringing together the people, ideas and capital that nurture progress and growth, helping to create a better world – for our customers, our people, our investors, our communities and the planet we all share.

Shares in HSBC Holdings are listed on the London, Hong Kong, New York and Bermuda stock exchanges. The HSBC Holdings shares are traded in New York in the form of American Depositary Receipts.

1. *Effective from the second quarter of 2020, HSBC Holdings Group ('HSBC Group') merged 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. For further details, see note 9 of our Annual Report and Accounts 2020.*

Impact of COVID-19 and our response

The COVID-19 pandemic has had and continues to have a significant impact on people, businesses, societies and economies around the world. Refer to the 'Impact of COVID-19 and our response' section of our *Annual Report and Accounts 2020* for a description of the impact and our response in 2020. In 2021, we continue to prioritize the safety of our employees and customers.

In Canada, government imposed restrictions on mobility and social interaction beginning in March 2020 have had a significant impact on economic activity. A year later, despite the rollout of vaccines in the first quarter of 2021, there has been an increase in new cases and variants of COVID-19 resulting in some provincial restrictions being put back in place at the end of March 2021 to "circuit break" the third wave. The situation remains fluid as vaccination rates rise, we may see signs of things slowly returning to a "new normal".

Customers, employees and communities

Banking in Canada is deemed an essential service and we have been operating within our Business Continuity Plan ('BCP') to maintain services for customers across all of our lines of business since mid-March 2020. We will continue to be guided in our actions by public health officials.

To reduce the risk and play our part in limiting the spread and impact of this public health crisis, and by implementing new technology solutions, approximately 95% of non-branch staff continue to work from home and we expect this to be the case for the foreseeable future.

To address the additional stress on our people created by the isolation in this extreme environment, we continue to support them with wellness programs including for mental health. Where employees must be on site to perform critical roles, we have precautionary measures in place including enhanced cleaning, protective acrylic shields, and control and screening of customer entry. Branches are open during regular operating hours and we continue to see an elevated use of our digital channels and call centres. We will continue to support our customers with digital products and services and communicate frequently with all customers on our service plans to help them manage the impacts to their finances.

We place great importance on supporting our customers who may be experiencing financial hardship and are working across all of our lines of business to offer them flexible solutions. For further details on customer relief programs, see the Credit risk section on page 17.

Regulators and governments

We are committed to playing our part in the country's economic recovery and are actively participating in Federal government and Bank of Canada programs and helping those most impacted by the pandemic. These programs include the Canada Emergency Business Account ('CEBA') relief program and the Business Credit Availability Program ('BCAP'), which is comprised of the Business Development Bank of Canada ('BDC'), Export Development Canada ('EDC') relief programs and introduced in February 2021, the BDC Highly Affected Sectors Credit Availability Program ('HASCAP'). Under HASCAP, Canadian banks are able to provide low-interest loans ranging from $25,000 to $1 million to businesses that have been heavily impacted by COVID-19 to cover operational cash flow needs. Loans under this new program are fully guaranteed by the BDC. As of 31 March 2021, customers were provided with loans through these programs of $493m.

For further details of the regulatory developments, see the 'Regulatory development' section of the MD&A on page 15.

Impact on risk environment

The impact on financial crime risk and regulatory compliance has also been considered, and the bank remains vigilant regarding the effectiveness of our risk controls during this challenging period when malicious activities - such as cyber-attacks and fraud - tend to increase.

Refer to the 'Risk management' section of our *Annual Report and Accounts 2020* for a description of how the bank manages risk across the organization and across all risk types, outlining the key principles, policies and practices that we employ in managing material risks, both financial and non-financial.

Impact on financial results

For the quarter, expected credit losses resulted in a release of $16m, as forward-looking macro-economic variables improved on performing loans, partly offset by an increase in impairment charges from non-performing loans in the energy and wholesale foods sectors. This compared to the charge of $140m in the same period in the prior year, which was driven by the impairment charges on performing loans reflecting the significant deterioration in forward-looking economic guidance due to the onset of the COVID-19 pandemic. This is described in more detail in the 'Credit risk' section of the MD&A on page 17. As well, lower interest rates continue to impact net interest income for the first quarter of 2021. The uncertainty of the COVID-19 pandemic continues to disrupt economic activities globally and there could be further adverse impact to HSBC Bank Canada's business operations and financial results.

Since the onset of the pandemic the bank has maintained elevated capital and liquidity levels in order to support our customer needs.These ratios remain well in excess of the bank's minimum regulatory requirements. Our common equity tier 1 ratio of 13.6% at 31 March 2021 decreased compared to 13.7% at 31 December 2020, and increased compared to 12.0% at 31 March 2020. Our average liquidity coverage ratio for the quarter ended 31 March 2021 was 176%, a decrease compared to 188% for the quarter ended 31 December 2020, and an increase compared to 156% for the quarter ended 31 March 2020.

HSBC Bank Canada is part of one of the world's largest banking groups. Canada is a key global market for HSBC, with total assets in Canada of $115bn and US$2,959bn globally as of 31 March 2021. HSBC has a strong capital, funding and liquidity position and we are looking to continue to support the Canadian economy, our customers and wider society through this challenge and through the recovery beyond.

Use of non-GAAP 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-Generally Accepted Accounting Principles ('non-GAAP') financial measures and are unlikely to be comparable to similar measures presented by other companies. The following non-GAAP financial measures include average balances and annualized income statement figures, as noted, are used throughout this document.

Return on average common shareholder's equity is calculated as the 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 annualized 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 operating income 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 customer liabilities under 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

($millions, except where otherwise stated)	Footnotes	Quarter ended 31 Mar 2021	31 Mar 2020
Financial performance for the period			
Total operating income		**529**	546
Change in expected credit losses and other credit impairment charges - release/(charge)		**16**	(140)
Operating expenses		**(313)**	(327)
Profit before income tax expense		**232**	79
Profit attributable to the common shareholder		**158**	54
Basic and diluted earnings per common share ($)		**0.29**	0.11
Financial measures (%)	1		
Return on average common shareholder's equity		**11.2**	4.1
Return on average risk-weighted assets	2	**2.4**	0.7
Cost efficiency ratio		**59.2**	59.9
Operating leverage ratio		**1.2**	0.5
Net interest margin		**1.12**	1.33
Change in expected credit losses to average gross loans and advances and acceptances	3	**n/a**	0.84
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances		**0.11**	0.21
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances		**32.4**	39.5
Net write-offs as a percentage of average loans and advances and acceptances		**0.06**	0.11

	Footnotes	At 31 Mar 2021	31 Dec 2020
Financial position at period end			
Total assets		**115,033**	117,347
Loans and advances to customers		**62,459**	61,002
Customer accounts		**69,603**	71,950
Ratio of customer advances to customer accounts (%)	1	**89.7**	84.8
Common shareholder's equity		**5,658**	5,782
Capital, leverage and liquidity non-GAAP financial measures	2		
Common equity tier 1 capital ratio (%)		**13.6**	13.7
Tier 1 ratio (%)		**16.4**	16.4
Total capital ratio (%)		**18.9**	19.0
Leverage ratio (%)		**5.9**	6.0
Risk-weighted assets ($m)		**39,522**	40,014
Liquidity coverage ratio (%)	4	**176**	188

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

Financial performance

Summary consolidated income statement

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Net interest income	**282**	318
Net fee income	**196**	178
Net income from financial instruments held for trading	**30**	26
Other items of income	**21**	24
Total operating income	**529**	546
Change in expected credit losses and other credit impairment charges - release/(charge)	**16**	(140)
Net operating income	**545**	406
Total operating expenses	**(313)**	(327)
Profit before income tax expense	**232**	79
Income tax expense	**(63)**	(13)
Profit for the period	**169**	66

For the quarter ended 31 March 2021 compared with the same period in the prior year, unless otherwise stated.

Performance during the first quarter of 2021 has improved from the prior year. Profit before tax has increased across all our global businesses, building on the momentum from the second half of 2020. During the first quarter of 2021, we generated higher net fee and trading income as customer activity increased and market volatility reduced. We also benefited from lower expected credit losses as the forward-looking macro-economic outlook improved. Lower operating expenses also contributed to higher profit before tax as we continued to prudently manage costs. This is partly offset by the negative impact of central bank rate cuts in 2020. The prior year's results were heavily impacted by the significant deterioration in forward-looking economic guidance and market volatility due to the onset of the COVID-19 pandemic.

Operating income of $529m for the quarter represented a decrease of $17m or 3.1% from the prior year. The impact of central bank rate cuts in 2020 had a negative impact on net interest income. Lower gains on the disposal of financial investments in other items of income, also contributed to the decrease. These decreases were partly offset by increases in net fee income from higher advisory fees in Global Banking and Markets, higher credit facility fees from higher volumes of bankers' acceptances in Commercial Banking and higher funds under management and activity in our online brokerage business in Wealth and Personal Banking. Trading income also improved due to favourable movements in certain credit spreads as the market continues to recover from COVID-19.

Expected credit losses resulted in a release of $16m for the quarter, as forward-looking macro-economic variables improved on performing loans, partly offset by an increase in impairment charges from non-performing loans in the energy and wholesale foods sectors. The charge in the prior year reflects the impact of the significant deterioration in forward-looking economic guidance on performing loans at the onset of the pandemic, coupled with the impairments from non-performing loans due to the decline in oil prices, resulted in charges of $140m in the first quarter of 2020.

Total operating expenses decreased by $14m or 4.3% as we continue to prudently manage costs in response to the current economic environment while strategically making investments to grow our businesses, simplify our processes and provide the digital services our customers are asking for.

As a result, profit before income tax expense was $232m, up $153m or 194% for the quarter.

Performance by income and expense item

For the quarter ended 31 March 2021 compared with the same period in the prior year.

Net interest income

Net interest income decreased by $36m or 11% for the quarter as a result of margin compression due to central bank rate cuts in 2020.

Summary of interest income by types of assets

		Quarter ended					
		31 Mar 2021			31 Mar 2020		
		Average balance	**Interest income**	**Yield**	Average balance	Interest income	Yield
	Footnote	**$m**	**$m**	**%**	$m	$m	%
Short-term funds and loans and advances to banks		**15,259**	**9**	**0.24**	1,205	1	0.45
Loans and advances to customers		**61,941**	**406**	**2.66**	62,020	524	3.39
Reverse repurchase agreements - non-trading		**5,743**	**5**	**0.34**	7,689	39	2.05
Financial investments		**18,456**	**30**	**0.67**	23,999	101	1.69
Other interest-earning assets		**526**	**1**	**0.55**	1,129	3	1.01
Total interest-earning assets (A)		**101,925**	**451**	**1.78**	96,042	668	2.82
Trading assets and financial assets designated at fair value	*1*	**3,500**	**7**	**0.84**	4,042	16	1.55
Non-interest-earning assets		**11,578**	**—**	**—**	12,006	—	—
Total		**117,003**	**458**	**1.57**	112,090	684	2.47

1. Interest income and expense on trading assets and liabilities is reported in 'Net income from financial instruments held for trading' in the consolidated income statement.

Summary of interest expense by types of liability and equity

		Quarter ended					
		31 Mar 2021			31 Mar 2020		
		Average balance	**Interest expense**	**Cost**	Average balance	Interest expense	Cost
	Footnotes	**$m**	**$m**	**%**	$m	$m	%
Deposits by banks	*1*	**1,087**	**—**	**0.04**	1,614	1	0.18
Customer accounts	*2*	**63,094**	**69**	**0.45**	56,763	195	1.38
Repurchase agreements - non-trading		**3,235**	**3**	**0.36**	8,695	38	1.77
Debt securities in issue and subordinated debt		**17,229**	**80**	**1.88**	16,110	100	2.48
Other interest-bearing liabilities		**2,653**	**17**	**2.63**	2,215	16	2.89
Total interest bearing liabilities (B)		**87,298**	**169**	**0.78**	85,397	350	1.66
Trading liabilities	*3*	**3,420**	**7**	**0.84**	2,529	9	1.47
Non-interest bearing current accounts		**7,483**	**—**	**—**	5,704	—	—
Total equity and other non-interest bearing liabilities		**18,802**	**—**	**—**	18,460	—	—
Total		**117,003**	**176**	**0.60**	112,090	359	1.30
Net interest income (A-B)			**282**			318	

1. Includes interest-bearing bank deposits only.
2. Includes interest-bearing customer accounts only.
3. Interest income and expense on trading assets and liabilities is reported in 'Net income from financial instruments held for trading' in the consolidated income statement..

Net fee income

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Account services	**15**	16
Broking income	**7**	4
Cards	**16**	18
Credit facilities	**84**	78
Funds under management	**52**	48
Imports/exports	**3**	2
Insurance agency commission	**1**	1
Other	**12**	14
Remittances	**10**	9
Underwriting and advisory	**25**	11
Fee income	**225**	201
Less: fee expense	**(29)**	(23)
Net fee income	**196**	178

Net fee income increased by $18m or 10% for the quarter. This was mainly a result of higher advisory fees in Global Banking and Markets, an increase in credit facility fees from higher volumes of bankers' acceptances in Commercial Banking, and higher funds under management and activity in our online brokerage business in Wealth and Personal Banking. This was partly offset by an increase in related fee expense as a result of the increased activity and lower fee income from cards due to a rebate received in the prior year.

Net income from financial instruments held for trading

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Trading activities	**29**	37
Credit valuation, debit valuation and funding fair value adjustments	**3**	(22)
Net interest from trading activities	**–**	7
Hedge ineffectiveness	**(2)**	4
Net income from financial instruments held for trading	**30**	26

Net income from financial instruments held for trading increased by $4m or 15% for the quarter. The increase was driven by reduced market volatility and tightening credit spreads, which contributed to favourable valuation adjustments and a reduction in hedge ineffectiveness. This was partly offset by lower trading activities and lower net interest income due to the lower interest rate environment.

Other items of income

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Gains less losses from financial investments	**15**	16
Other operating income	**6**	8
Other items of income	**21**	24

Other items of income decreased by $3m or 13% for the quarter, driven by balance sheet management activities in other operating income and lower gains on the disposal of financial investments from re-balancing the bank's liquid asset portfolio.

Change in expected credit losses

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Change in expected credit loss and other credit impairment charges - performing (stage 1 and 2) - (release)/charge	**(39)**	99
Change in expected credit loss and other credit impairment charges - non-performing (stage 3) - charge	**23**	41
Change in expected credit loss and other credit impairment charges - (release)/charge	**(16)**	140

The change in expected credit losses for the quarter resulted in a release of $16m compared to a charge of $140m in the same period in the prior year. The release for the quarter was primarily driven by improvement in forward-looking macro-economic variables related to performing loans, partly offset by impairment charges from non-performing loans in the energy and wholesale foods sectors.

In 2020, the charge was related to a significant adverse shift in forward-looking economic scenarios driven by the onset of the COVID-19 pandemic impacting the performing loan portfolio, coupled with the impairments from non-performing loans due to the decline in oil prices.

Total operating expenses

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Employee compensation and benefits	**159**	169
General and administrative expenses	**128**	130
Depreciation	**17**	20
Amortization and impairment of intangible assets	**9**	8
Total operating expenses	**313**	327

Total operating expenses decreased by $14m or 4.3% for the quarter mainly due to lower staff costs and reduced discretionary costs in response to the current economic environment. This was partly offset by strategic investments to grow our business, simplify our processes and provide the digital services our customers are asking for.

Income tax expense

The effective tax rate in the first quarter of 2021 was 26.9% which is higher than the statutory tax rate of 26.5% due to an increase in tax provisions. The effective tax rate for the first quarter of 2020 was 17.0%.

Movement in financial position

	At	
	31 Mar 2021	31 Dec 2020
	$m	$m
Assets		
Cash and balances at central bank	**13,024**	15,750
Trading assets	**4,217**	1,719
Derivatives	**3,680**	5,447
Loans and advances	**63,719**	62,272
Reverse repurchase agreements – non-trading	**6,268**	5,996
Financial investments	**16,448**	19,879
Customers' liability under acceptances	**3,591**	4,043
Other assets	**4,086**	2,241
Total assets	**115,033**	117,347
Liabilities and equity		
Liabilities		
Deposits by banks	**1,279**	1,139
Customer accounts	**69,603**	71,950
Repurchase agreements – non-trading	**4,074**	3,227
Trading liabilities	**3,812**	1,831
Derivatives	**3,868**	5,647
Debt securities in issue	**14,490**	17,387
Acceptances	**3,606**	4,062
Other liabilities	**7,543**	5,222
Total liabilities	**108,275**	110,465
Total shareholder's equity	**6,758**	6,882
Total liabilities and equity	**115,033**	117,347

Assets

Total assets at 31 March 2021 were $115.0bn, a decrease of $2.3bn or 2.0% from 31 December 2020. Since the onset of the pandemic the bank has maintained elevated liquidity levels in order to support our customer needs. While we continue to maintain elevated liquidity levels, we have reduced our financial investments by $3.4bn and cash balances at central banks by $2.7bn. Derivatives decreased by $1.8bn as a result of the mark-to-market changes from interest rates and foreign exchange. This is partly offset by increases in volumes and activity in trading assets of $2.5bn and increases in settlement balances from the timing of customer facilitation trades in other assets of $1.8bn.

Liabilities

Total liabilities at 31 March 2021 were $108.3bn, a decrease of $2.2bn or 2.0% from 31 December 2020. Term and wholesale funding decreased by $2.9bn in debt securities in issue. A decline in deposits in all global businesses contributed to the decrease of $2.3bn in customer accounts as a result of repositioning the bank's liquidity needs. Derivatives decreased by $1.8bn which corresponds with the movement within derivative assets. This was partly offset by an increase in other liabilities of $2.3bn and trading liabilities of $2.0bn as a result of the same drivers as noted in the respective assets, and an increase in repurchase agreements of $0.8bn.

Equity

Total equity at 31 March 2021 was $6.8bn, a decrease of $0.1bn or 1.8% from 31 December 2020. The decrease represents a loss of $0.1bn recorded on debt instruments at fair value through other comprehensive income and cash flow hedges, and $0.2bn of dividends on common shares declared in the period. The decrease was partly offset by profits after tax of $0.2bn generated in the period.

Global businesses

We manage and report our operations around the following global businesses: Commercial Banking, Global Banking and Markets, and Wealth and Personal Banking.

Commercial Banking

Commercial Banking ('CMB') offers a full range of commercial financial services and tailored solutions to customers ranging from small enterprises focused primarily on the domestic markets to corporates operating globally.

Review of financial performance[1, 2]

Summary income statement

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Net interest income	**127**	157
Non-interest income	**112**	109
Total operating income	**239**	266
Change in expected credit losses and other credit impairment charges - release/(charge)	**8**	(117)
Net operating income	**247**	149
Total operating expenses	**(96)**	(102)
Profit before income tax expense	**151**	47

Overview

Total operating income decreased by $27m or 10% in comparison to the first quarter of 2020. Results were primarily impacted by lower interest rates, lower average loan balances and lower foreign exchange and derivative income. Despite the year-on-year revenue decline, CMB has maintained positive momentum in 2021 with loans and acceptances increasing by $0.6bn in the first three months and loan margins improving as the cost of liquidity declined from the beginning of year.

Our ambition is to maintain our leadership position as the preferred international financial partner for our clients and to support their plans to prioritize sustainable finance and transition to a net zero carbon economy. Taking advantage of our international network and with continued investments in our front-end platforms for Global Liquidity and Cash Management ('GLCM') and Global Trade and Receivable Finance ('GTRF'), we are well positioned to support our customers with both their domestic and cross-border banking requirements. We continue to invest and improve our customers' digital experiences while ensuring security and resilience and are ready to serve our customers on their path to recovery as the economy reopens.

Profit before income tax increased by $104m or 221% for the quarter, due to a significant decrease in expected credit losses and lower operating expenses.

Financial performance by income and expense item

Net interest income for the quarter decreased by $30m or 19%. This reflects lower margins as a result of central bank rate decreases in 2020 and lower average loan balances.

Non-interest income for the quarter increased by $3m or 2.8% mainly due to higher fees from higher volumes of bankers' acceptances, partly offset by reduced foreign exchange and derivative income.

Change in expected credit losses resulted in a release of $8m for the quarter compared to a charge of $117m in the prior year, as forward-looking macro-economic scenarios improved and oil prices increased, decreasing the probability of default in certain sectors. This was offset by an increase in impairment charges from non-performing loans in the energy and wholesale foods sectors.

Total operating expenses for the quarter decreased by $6m or 5.9%, as we continue to prudently manage costs in response to the current economic environment.

1. *For the quarter ended 31 March 2021 compared with the same period 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. All comparatives have been restated. Effective 31 December 2020, we also renamed our Balance Sheet Management function as Markets Treasury to reflect the activities it undertakes more accurately. For further details, see note 9 of our Annual Report and Accounts 2020.*

Global Banking and Markets

Global Banking and Markets ('GBM') provides tailored financial services and products to major government, corporate and institutional customers worldwide.

Review of financial performance[1, 2]

Summary income statement

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Net interest income	**27**	39
Non-interest income	**54**	37
Total operating income	**81**	76
Change in expected credit losses and other credit impairment charges - release/(charge)	**11**	(14)
Net operating income	**92**	62
Total operating expenses	**(34)**	(43)
Profit before income tax expense	**58**	19

Overview

Total operating income increased by $5m or 6.6% in comparison to the first quarter of 2020. This was a result of strong advisory fees along with favourable movements in certain credit spreads as the market continues to recover from COVID-19. This was partly offset by a weaker performance in Market and Securities Services sales and trading activities.

As the Canadian economy continues to emerge from the COVID-19 pandemic, our Banking and Markets teams continue to work closely with our clients to understand their unique challenges and support them as they look to return to growth.

GBM continues to pursue its well-established strategy to provide tailored, wholesale banking solutions, leveraging HSBC's extensive distribution network to provide products and solutions to meet our global clients' needs.

Profit before income tax increased by $39m or 205% for the quarter, mainly due to the decreased charge in expected credit losses on performing loans from the improvement in forward-looking macro-economic variables, along with higher operating income and lower operating expenses due to prudent cost management.

Financial performance by income and expense item

Net interest income for the quarter decreased by $12m or 31%. The decrease was due to the negative impact from central bank rate decreases along with lower loan balances.

Non-interest income for the quarter increased by $17m or 46% driven by higher advisory fees along with favourable movements in certain credit spreads as the market continues to recover from COVID-19.

Change in expected credit losses resulted in a decrease of $25m driven by improved forward-looking macro-economic variables related to performing loans.

Total operating expenses for the quarter decreased by $9m or 21% mainly due to lower staff costs from streamlining initiatives.

1. *For the quarter ended 31 March 2021 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. All comparatives have been restated. Effective 31 December 2020, we also renamed our Balance Sheet Management function as Markets Treasury to reflect the activities it undertakes more accurately. For further details, see note 9 of our Annual Report and Accounts 2020.*

Wealth and Personal Banking[1]

Wealth and Personal Banking ('WPB') offers a full range of competitive banking products and services for all Canadians to help them manage their finances, buy their homes, and save and invest for the future. Our business also has an international flavour with a large suite of global investment products and other specialized services available.

Review of financial performance[2, 3]

Summary income statement

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Net interest income	**128**	132
Non-interest income	**79**	75
Total operating income	**207**	207
Change in expected credit losses and other credit impairment charges - (charge)	**(3)**	(9)
Net operating income	**204**	198
Total operating expenses	**(167)**	(169)
Profit before income tax expense	**37**	29

Overview

Total operating income was flat compared to the same quarter in the prior year as strong volume growth in total relationship balances[4] was offset by lower spreads due to central bank rate decreases in 2020. Growth in total relationship balances[4] was led by record net sales[5] in funds under management and real estate secured lending.

We grew our overall and international client base as we continue to invest in our distribution channels, along with market-competitive products. We continued to make it easier for our clients to bank with us and improve client experience through digital enhancements, such as, chat bot integration with web messaging, streamlining digital account opening journeys and allowing clients to retrieve additional documents digitally at their convenience.

Profit before income tax expense increased by $8m or 28% for the quarter due to strong volume growth in total relationship balances[4] , lower expected credit losses and operating expenses, partly offset by lower spreads due to central bank rate decreases in 2020.

Financial performance by income and expense item

Net interest income for the quarter decreased by $4m or 3% due to lower spreads as a result of central bank rate decreases in 2020, partly offset by higher volume growth in lending and deposits.

Non-interest income increased by $4m or 5.3% for the quarter due to higher net fee income from funds under management and online broker business.

Change in expected credit losses were $6m favourable due to lower charges for the quarter compared to prior year as a result of improvements in forward-looking economic scenarios.

Total operating expenses for the quarter decreased by $2m or 1.2% due to streamlining initiatives and prudent management of costs in response to the current economic environment, partly offset by strategic investments to grow our business.

1. *Effective from the second quarter of 2020, HSBC Holdings Group ('HSBC Group') merged 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. For further details, see note 9 of our Annual Report and Accounts 2020.*
2. *For the quarter ended 31 March 2021 compared with the same period in the prior year, unless otherwise stated.*
3. *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. All comparatives have been restated. Effective 31 December 2020, we also renamed our Balance Sheet Management function as Markets Treasury to reflect the activities it undertakes more accurately. For further details, see note 9 of our Annual Report and Accounts 2020.*
4. *Total relationship balances includes lending, deposits and wealth balances.*
5. *Record three months since inception of WPB (previously RBWM) as a single global business in 2011.*

Corporate Centre

Corporate Centre contains other transactions which do not directly relate to our global businesses.

Review of financial performance[1, 2]

Summary income statement

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Net interest income	**–**	(10)
Non-interest income	**2**	7
Net operating income/(loss)	**2**	(3)
Total operating expenses	**(16)**	(13)
Profit/(loss) before income tax expense	**(14)**	(16)

Overview

Net operating income for the quarter increased by $5m due to a decrease in liquidity costs in net interest income and lower treasury-related income. Operating expenses increased by $3m for the quarter primarily due to the cost of initiatives to support future growth. The net impact of these movements increased profit before income tax expense by $2m for the quarter.

1. *For the quarter ended 31 March 2021 compared with the same period 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. All comparatives have been restated. Effective 31 December 2020, we also renamed our Balance Sheet Management function as Markets Treasury to reflect the activities it undertakes more accurately. For further details, see note 9 of our Annual Report and Accounts 2020.*

Summary quarterly performance

Summary consolidated income statement

	Quarter ended							
	2021	2020				2019		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
	$m	$m	$m	$m	$m	$m	$m	$m
Net interest income	**282**	275	244	249	318	313	313	319
Net fee income	**196**	185	172	178	178	179	168	174
Net income from financial instruments held for trading	**30**	30	29	47	26	48	36	33
Other items of income	**21**	14	27	28	24	21	17	19
Total operating income	**529**	504	472	502	546	561	534	545
Change in expected credit losses and other credit impairment charges - (charge)/ release	**16**	1	2	(190)	(140)	(33)	(17)	(40)
Net operating income	**545**	505	474	312	406	528	517	505
Total operating expenses	**(313)**	(345)	(317)	(304)	(327)	(315)	(311)	(337)
Profit before income tax expense	**232**	160	157	8	79	213	206	168
Income tax expense	**(63)**	(35)	(45)	(3)	(13)	(56)	(56)	(47)
Profit for the period	**169**	125	112	5	66	157	150	121
Profit/(loss) attributable to:								
– common shareholder	**158**	113	101	(8)	54	144	141	112
– preferred shareholder	**11**	12	11	13	12	13	9	9
Basic and diluted earnings per common share ($)	**0.29**	0.21	0.18	(0.01)	0.11	0.29	0.28	0.22

Comments on trends over the past eight quarters

Net interest income continued to increase in the first quarter of 2021 from the third quarter of 2020 due to improvements in net interest margin from improved spread and reduced volumes in liabilities. Net interest income decreased in the third and second quarter of 2020 due to the negative impact of central bank rate cuts and maintaining elevated levels of liquidity at lower yields. Balance sheet management activities drove net interest income higher in the first quarter of 2020. In 2019, net interest income remained relatively flat in the second half of 2019. Net interest income declined in the third quarter from the second quarter as a result of higher costs of liabilities to fund the growth in average interest earning assets, and lower income from balance sheet management activities.

Net fee income is comprised of income from several sources that can fluctuate from quarter to quarter and are impacted by business activity, number of days in the quarter and seasonality. The largest drivers of fluctuation from quarter to quarter are underwriting and advisory fees which are event driven. Otherwise, there is an underlying trend of growth in fees from credit facilities related to higher volumes of bankers' acceptances, funds under management and credit cards. In the first quarter of 2021, net fee income has reached its highest point over the past eight quarters. However, during the third and second quarters of 2020, customer activity decreased due to COVID-19, decreasing net fee income.

Net income from financial instruments held for trading is, by its nature, subject to fluctuations from quarter to quarter. For the first quarter of 2021 and the fourth quarter of 2020, it remained relatively flat. It decreased in the third quarter of 2020 due to unfavourable credit and funding fair value adjustments. In the second quarter of 2020, the increase was related to favourable movements in credit and funding fair value adjustments driven by reduced credit spreads and lower market volatility, as well as increased Rates trading and balance sheet management activities. In the first quarter of 2020, the decrease was a result of increases in certain credit spreads and market volatility related to COVID-19 which led to unfavourable credit and funding valuation movements. This was partly offset by strong Markets trading and sales activities. In the third and fourth quarter of 2019, net income from financial instruments held for trading increased mainly due to higher fixed income trading activities.

Other items of income include gains and losses from the sale of financial investments, which can fluctuate quarterly due to underlying balance sheet management activities. Notwithstanding this, during the second quarter of 2020, other items of income increased from a gain related to the extinguishment of repurchased subordinated debentures.

From the third quarter of 2020 through to the first quarter of 2021, although modest in the third and fourth quarters of 2020, expected credit losses resulted in releases in performing loans as forward-looking macro economic variables improved, which were partly offset by increased impairment charges from non-performing loans in the energy, transportation and construction sectors. This was a material change from the first two quarters of 2020 when deterioration in forward-looking economic guidance due to the pandemic coupled with a weakened energy sector from declining oil prices resulted in increases in charges for expected credit losses. The charges for expected credit losses in 2019 were driven by ongoing normalization of credit losses mainly from the change in the economic forecast reflecting a slowdown in GDP growth compared to the prior year. As well, 2019 saw impairment charges spike in the second and fourth quarters from non-performing loans in the wholesale and retail trade, mining and agriculture sectors.

Our focus has been on growing our business in support of our strategic plan, and we continue to strategically make these investments in 2021. This is balanced with prudent management of costs in response to the current economic environment. In 2020, we streamlined our processes and prioritized digital solutions to assist our customers during the COVID-19 pandemic and beyond.

Economic review and outlook

The predictions and forecasts in this section are based on information and assumptions from sources we consider reliable. If this information or these assumptions are not accurate, actual economic outcomes may differ materially from the outlook presented in this section.

The Canadian economy has proven resilient to the increase in COVID-19 cases in late 2020 and the resulting stringent lockdowns that were imposed. As a result, instead of stumbling in early 2021, the economy looks to have a running start this year. Hence, rather than a small gross domestic product ('GDP') decline in the first quarter, as had been previously anticipated, we now look for GDP growth of close to 6.0% in the first quarter. However, the economy's resilience will be tested in the second quarter, as a third wave of COVID-19 cases has led to some of the most stringent public health restrictions since the first wave of the pandemic. These restrictions are expected to cause GDP to slow toward 2% in the second quarter.

That said, we continue to look for GDP growth to accelerate in the second half of the year, as pandemic restrictions ease, unleashing pent-up demand. With this profile, we expect overall GDP growth of 6.0% in 2021. This is up from our prior forecast of 3.5%, and represents a significant rebound from the 5.4% decline in GDP in 2020 due to the pandemic. The level of economic activity is now expected to reach its pre-pandemic level in the third quarter.

The solid momentum at the end of 2021 is expected to spill-over into 2022, and we now forecast GDP growth of 3.9% next year. This is up from our prior forecast of 2.6% growth. The pace of GDP growth is still expected to slow in 2022 relative to 2021, reflecting the fading of the pent-up demand effect, and the growth limiting effects of scarring due to the pandemic.

Vaccinations to help unleash pent-up demand

A key to the growth rebound in 2021 is more widespread COVID-19 vaccinations, which would allow the restrictions imposed due to the pandemic to be lowered in coming months. Such a development would help unleash pent-up demand for high-contact services such as restaurants, entertainment, travel and personal services. Growth in these categories is expected to be strongest in the second half of the year assuming Canada reaches herd immunity during the third quarter.

There is a lot of room to make up. At the end of 2020, spending on services, in real terms, was still down almost 12% compared to the fourth quarter 2019. As spending on services recovers, we expect this to reflect some rebalancing of spending from goods. As a result of shifts in consumption patterns during the pandemic, spending on goods is 4.6% above pre-pandemic levels.

A run-down of excess savings is also expected to boost consumption this year. At the end of 2020, the household savings rate was 12.7% of disposable income. This was up sharply from 2% at the end of 2019. As a measure of excess savings consider that over the past four years, consumption spending had exceeded disposable income by an average of $25.1bn per year. In 2020, however, disposable income exceeded consumption by $168bn.

As savings decline, consumption is expected to account for 2.6 percentage points of GDP growth in 2021. Residential investment, which hit a 30-year high 8% of real GDP last year, is expected to rise by 14.1% this year, boosting GDP by 1.2 percentage points. Thus, over 73% of GDP growth in 2021 will be due to activities related to the household sector.

In addition to consumption/housing, some savings will go to deferred payments from 2020. For example, some households will have a looming tax liability, as a result of taxable benefit payments received last year to compensate for lost wages during the lockdown. Those benefit payments were not taxed, but will be included in 2020 taxable income. As well, some households had mortgage and credit payments deferred, which will have to be paid off. Finally, some households will hold a higher level of precautionary savings going forward, given very low levels of saving pre-pandemic.

Heavy reliance on consumers

Nonetheless, there are still lingering concerns about COVID-19. In particular, variants are causing a third wave of infections. For example, COVID-19 cases in Ontario hit a record high and the province re-introduced a "stay-at-home" order and restricted activity at non-essential retailers. As a result, the economic recovery is expected to remain unbalanced.

Consumers will play a significant role in getting the recovery on a sustainable growth track. However, there are risks to a heavy reliance on the household sector. For example, there are already some concerns about the housing market, where house prices have increased sharply. This has grabbed the attention of policymakers, with Bank of Canada ('BoC') Governor Tiff Macklem recently observing "some signs of excess exuberance." Meanwhile, Finance Minister Chrystia Freeland has said that the government is watching housing markets across the country "very, very closely and carefully."

With increasing concerns about the housing market, the Office of the Superintendent of Financial Institutions ('OSFI') has proposed raising the interest rate used to stress test uninsured mortgages. There is also a possibility that the federal government might introduce other measures to cool off the housing market during 2021.

That said, with improving global economic growth prospects, including an increase in commodity prices, business capital expenditures on machinery and equipment, and exports are expected to rebound helping to sustain the recovery through 2021 and into 2022.

In addition, to help support the recovery, the federal government has announced a significant increase in immigration targets. To help offset the sharp drop in immigration during the pandemic, the 2021 immigration target was lifted to 401,000, up from 351,000, while in 2022, the target increased to 411,000, up from 361,000.

Fiscal stimulus to continue to support economy

Despite the improved economic performance in 2021, the federal government has pledged to maintain a stimulative fiscal stance. Finance Minister Freeland has said that an important lesson of the 2008 global financial crisis is that the recession was prolonged by "premature fiscal tightening." Hence, Budget 2021 showed spending of $101.4bn over the next three years, at the top end of what the federal government had previously announced to help build toward a "greener, more innovative, more inclusive and more resilient" economy. Almost half of that spending will happen this year, due in part to new spending measures but also due to spending associated with the third wave of the pandemic that led to some temporary programs being extended.

Nonetheless, after hitting a record 16.1% of GDP in 2020-21, the budget deficit is expected to decline to 6.4% of GDP in 2021-22. The debt-to-GDP ratio is expected to peak at 52.1% in 2021-22 and to then slowly decline in coming years. Growth-enhancing investments from Budget 2021 are seen as key to ensuring fiscal sustainability.

Quantitative easing taper on the horizon

Given a more optimistic outlook for economic growth, we believe that the BoC will soon determine that the recovery is "well underway." This is the key criteria prior to beginning to taper its purchases of Government of Canada ('GoC') bonds. We look for the taper to start during the second quarter, thus reducing the amount of quantitative easing. The taper will start as the BoC's holdings of GoC bonds have increased from 12.8% before the pandemic to around 36.5% recently.

Nonetheless, monetary policy will remain very stimulative, and the policy rate is expected to remain unchanged through 2022. The economic conditions to raise the policy rate are much more stringent than those to start to taper. Notably, the BoC wants assurance that economic slack has been absorbed and inflation is sustainably at 2%.

In our view, the BoC will wish to assess the lasting impact of the pandemic on economic potential, which is closely linked to living standards. Specifically, we see the BoC particularly focused on the recovery of two key determinants of potential GDP: business investment and immigration.

The BoC is well aware a long period of low interest rates might contribute to financial stability risks. Nonetheless, we think that the BoC will continue to focus on setting policy to achieve its inflation objective rather than change the policy rate to manage risks to financial stability. There are other macro-prudential policy measures that could be used to manage financial stability risks, although these tools are not in the BoC's tool box.

Regulatory developments

Like all Canadian financial institutions, we face an increasing pace of regulatory change. The summary of some key regulatory changes with the potential to impact our results or operations are described in the 'Regulatory developments' section of our *Annual report and Accounts 2020*. The following is a summary of some key regulatory changes announced in the first quarter of 2021 with the potential to impact our results or operations:

Office of the Superintendent of Financial Institutions ('OSFI')

In January 2021, OSFI launched a three-month consultation with the publication of a discussion paper, 'Navigating Uncertainty in Climate Change - Promoting Preparedness and Resilience to Climate-Related Risks.' The paper focuses on risks arising from climate change that can affect the safety and soundness of financial institutions. OSFI is interested in how stakeholders define, identify, measure, and build resilience to climate related risks. OSFI is seeking feedback on how it can facilitate preparedness for and resilience to these risks.

We are taking part in OSFI's consultations to develop guidance with respect to climate-related risk management.

For the domestic implementation of the final Basel III reforms as set out in the consolidated Basel Framework published by the Basel Committee on Banking Supervision ('BCBS'), on 11 March 2021, OSFI released the proposed revisions to the Capital Adequacy Requirements ('CAR') Guideline, the Leverage Requirements ('LR') Guideline and the Liquidity Adequacy Requirements ('LAR') Guideline (together, 'the Guidelines'), for public consultation. In particular, the CAR Guideline includes the components of capital, credit risk, output floor, operational risk, credit valuation adjustment ('CVA') risk and market risk.

In addition, these revisions include changes to reflect specific capital and liquidity requirements applicable to small and medium sized deposit-taking institutions ('SMSBs'), the draft new SMSB Capital and Liquidity Guideline was released for public consultation as well. For Pillar 3 requirements, OSFI is seeking feedback from SMSB stakeholders, which will be used to develop a proportional set of Pillar 3 disclosure requirements for SMSBs only with tables and templates that are fit for purpose. These mostly have application to the smaller banks. We will be assessing the impact based on the final requirements.

To assess potential impacts of certain aspects of the proposed changes to the Guidelines on the regulatory ratios of deposit-taking institutions ('DTIs'), OSFI is undertaking a domestic quantitative impact study ('D-QIS') on all DTIs.

The revised Guidelines as well as the SMSB Capital and Liquidity Guideline will be implemented on 1 January 2023, with the exception of CVA and market risk on 1 January 2024 and they are open for public consultation until 4 June 2021. We will be participating in the consultation during this period. In addition, on 6 April 2021, OSFI announced the unwinding of the temporary increase to the covered bond limit.

On 13 April 2021, OSFI launched a ten-week consultation with the publication of a discussion paper, 'Assurance on Capital, Leverage and Liquidity Returns' for federally regulated DTIs. The paper focuses on enhancing and aligning assurance expectations given the increasing complexity arising from the evolving regulatory reporting framework, particularly changes resulting from the Basel III reforms.

Through this consultation, OSFI is seeking to engage DTIs, external auditors and other interested stakeholders in a dialogue. The objective is to increase the confidence in the accuracy and completeness of these returns which are used for effective supervision, as OSFI is looking at ways to further improve the consistency, accuracy and timeliness of risk assessments. In particular, OSFI is proposing to broaden expectations in external audit on key regulatory ratios including related controls and processes, and provide clarification on the factors to be considered in the determination of materiality. Areas of senior management attestation and internal audit opinion are also covered.

Comments received in response to this discussion paper will be used to refine and finalize OSFI's assurance expectations. OSFI is targeting the publication of a draft guideline for public consultation by fall 2021, and is considering that the enhanced assurance expectations be effective fiscal 2023 for DTIs.

Government of Canada

In response to the COVID-19 pandemic, the Government of Canada announced in January 2021 the launch of the Highly Affected Sectors Credit Availability Program ('HASCAP'), which will provide financial support to businesses that have been hardest hit by the pandemic. Through HASCAP, the Business Development Bank of

Canada ('BDC') will work with participating Canadian financial institutions to offer government-guaranteed, low-interest loans of up to $1 million. To be eligible for HASCAP, businesses need to show a year-over-year revenue decline of at least 50% in three months, within the eight months prior to their application. They must also be able to show their financial institutions that they have previously applied for either the Canada Emergency Wage Subsidy or the Canada Emergency Rent Subsidy.

We have actively participated in COVID-19-related government assistance programs in the past year and will continue to participate in these programs, including HASCAP, to assist our customers wherever possible.

Other regulators and governments

In December 2020, Financial Transactions and Reports Analysis Centre of Canada ('FINTRAC') published a notice setting out indicators of money laundering and terrorist financing related to virtual currencies to provide reporting entities with a general understanding of what is or could be unusual or suspicious when dealing in virtual currencies.

In December 2020, the Ontario government issued a consultation paper, 'Improving Ontario's Consumer Protection Act: Strengthening Consumer Protection in Ontario,' seeking public feedback on proposed changes to the Consumer Protection Act ('CPA'). The CPA is the law governing most retail transactions by consumers in Ontario and was last fully reviewed over 15 years ago. The proposed changes to the CPA would include strengthened consumer rights, rights to remedies, and protection against unfair practices.

In February 2021, the Canadian Securities Administrators ('CSA') published for comment proposed changes to the registration and oversight framework to provide greater clarity to registrants, while improving the quality of information received by regulators. Proposed changes include how registrants report and manage outside activities, establishing a framework that outlines categories of outside activities to report, as well as codifying existing requirements regarding the oversight of outside activities that are positions of influence.

Other Key Regulatory Changes

Accessibility

In February 2021, the Canada Gazette published the proposed Accessible Canada Regulations ('Proposed Regulations'), which would operationalize the requirements under the Accessible Canada Act ('ACA'). The Proposed Regulations set out requirements for organizations to follow in order to identify, remove, and prevent barriers to accessibility, especially for persons with disabilities.

Accounting matters

The bank's results are sensitive to the accounting policies that underlie the preparation of our consolidated financial statements. A summary of our significant accounting policies are provided in note 2 of our *Annual Report and Accounts 2020*.

The preparation of financial information requires the use of estimates and judgments, and management believes that our critical accounting estimates and judgments are those that relate to expected credit loss, valuation of financial instruments, income taxes and deferred tax assets and defined benefit obligations. There were no changes in the current period to the critical accounting estimates and judgments applied in 2020, which are stated on pages 32, 44 and 75 to 76 of the *Annual Report and Accounts 2020*.

Off-balance sheet arrangements

As part of our banking operations, we enter into a number of off-balance sheet financial transactions that have a financial impact, but may not be recognized in our financial statements. These types of arrangements are contingent and may not necessarily, but in certain circumstances could, involve us incurring a liability in excess of amounts recorded in our consolidated balance sheet. These arrangements include guarantees and letters of credit and are described in the 'Off-balance sheet arrangements' section of our *Annual Report and Accounts 2020*.

Financial instruments

Due to the nature of the bank's business, financial instruments compose a large proportion of our balance sheet, from which the bank can earn profits in trading, interest, and fee income. Financial instruments include, but are not limited to, cash, customer accounts, securities, loans, acceptances, hedging and trading derivatives, repurchase agreements, securitization liabilities and subordinated debt. We use financial instruments for both non-trading and trading activities. Non-trading activities include lending, investing, hedging and balance sheet management. Trading activities include the buying and selling of securities and dealing in derivatives and foreign exchange as part of facilitating client trades and providing liquidity and, to a lesser extent, market making activity.

Financial instruments are accounted for according to their classification which involves the use of judgment. A detailed description of the classification and measurements of financial instruments is included in note 2 of our *Annual Report and Accounts 2020*.

The use of financial instruments has the potential of exposing the bank to, or mitigating against, market, credit and/or liquidity risks. A detailed description of how the bank manages these risks can be found in the 'Risk' section of our *Annual Report and Accounts 2020*.

Disclosure controls and procedures and internal control over financial reporting

The Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO') have signed certifications relating to the appropriateness of the financial disclosures in interim filings with the Canadian Securities Administrators, including this MD&A and the accompanying consolidated financial statements for the quarter ended 31 March 2021. The CEO and CFO are responsible for the design and maintenance of disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting in accordance with IFRS. There have been no changes in internal controls over financial reporting during the quarter ended 31 March 2021 that have materially affected or are reasonably likely to affect internal control over financial reporting.

Related party transactions

We enter into transactions with other HSBC affiliates, as part of the normal course of business, such as banking, short-term borrowing and operational services. In particular, as a member of one of the world's largest financial services organizations, we share the expertise and economies of scale provided by the HSBC Group. We provide and receive services or enter into transactions with a number of HSBC Group companies, including sharing the cost of development for technology platforms used around the world and benefit from worldwide contracts for advertising, marketing research, training and other operational areas.

These related party transactions are on terms similar to those offered to non-related parties and are subject to formal approval procedures. Further details can be found in note 28 of our *Annual Report and Accounts 2020.*

As a wholly-owned subsidiary, all of our common shares are indirectly held by HSBC Holdings.

Risk

Refer to the 'Risk Management' section of our *Annual Report and Accounts 2020* for a description of how the bank manages risk across the organization and across all risk types, outlining the key principles, policies and practices that we employ in managing material risks, both financial and non-financial.

Like many organizations, COVID-19 is impacting our business operations, employees, customers and suppliers. A summary of the impact is covered in 'Impact of COVID-19 and our response' section of the MD&A on page 4 and in the relevant sections as appropriate.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under contract. Credit risk arises principally from direct lending, trade finance and the leasing business, but also from other products such as guarantees and credit derivatives.
There were no material changes to the policies and practices for the management of credit risk in 2021.

A summary of our current policies and practices for the management of credit risk is set out in 'Credit risk management' on page 38 of the *Annual Report and Accounts 2020*.

Payment relief options

In response to COVID-19, we continue to work with our wholesale and personal customers who might need additional assistance to manage their working capital cycle, or supply chain and other risks, or who might need flexibility in managing their loans.

The following table presents the number of accounts and drawn loan balances of accounts under payment relief options implemented by the bank at 31 March 2021.

		At	
		31 Mar 2021	31 Dec 2020
Personal lending			
Number of residential mortgages and home equity lines of credit accounts under payment relief	**Actual**	**14**	389
Drawn loan balance of residential mortgages and home equity lines of credit accounts under payment relief	**$m**	**10**	206
Total residential mortgages and home equity lines of credit balance	**$m**	**30,285**	29,679
Payment relief as a proportion of total residential mortgages and home equity lines of credit	**%**	**–**	0.7
Number of other personal lending accounts under payment relief	**Actual**	**5**	51
Drawn loan balance of other personal lending accounts under payment relief	**$m**	**–**	1
Total other personal lending balance	**$m**	**1,625**	1,452
Payment relief as a proportion of total other personal lending	**%**	**–**	0.1
Wholesale lending			
Number of accounts under payment relief	**Actual**	**3**	55
Drawn loan balance of accounts under payment relief	**$m**	**19**	152
Total wholesale lending balance	**$m**	**30,945**	30,279
Payment relief as a proportion of total wholesale lending	**%**	**0.1**	0.5

Summary of credit risk

The following disclosure presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

The allowance for ECL at 31 March 2021 comprised of $435m in respect of assets held at amortized cost, $33m in respect of loan commitments and financial guarantees, $1m in respect of debt instruments measured at fair value through other comprehensive income ('FVOCI'), and $9m in respect of performance guarantee contracts.

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied*

	Footnotes	At 31 Mar 2021 Gross carrying/ nominal amount	At 31 Mar 2021 Allowance for ECL	At 31 Dec 2020 Gross carrying/ nominal amount	At 31 Dec 2020 Allowance for ECL
		$m	$m	$m	$m
Loans and advances to customers at amortized cost		62,855	(396)	61,410	(408)
– personal		31,910	(91)	31,131	(87)
– corporate and commercial		30,945	(305)	30,279	(321)
Loans and advances to banks at amortized cost		1,260	–	1,270	–
Other financial assets measured at amortized cost		26,354	(39)	27,443	(41)
– cash and balances at central banks		13,024	–	15,750	–
– items in the course of collection from other banks		11	–	13	–
– reverse repurchase agreements non - trading		6,268	–	5,996	–
– customers' liability under acceptances		3,606	(15)	4,062	(19)
– other assets, prepayments and accrued income	1	3,445	(24)	1,622	(22)
Total gross carrying amount on-balance sheet		90,469	(435)	90,123	(449)
Loans and other credit related commitments		43,761	(30)	44,426	(42)
– personal		7,913	–	7,734	(1)
– corporate and commercial		35,848	(30)	36,692	(41)
Financial guarantees	2	1,842	(3)	1,985	(3)
– personal		7	–	7	–
– corporate and commercial		1,835	(3)	1,978	(3)
Total nominal amount off-balance sheet	3	45,603	(33)	46,411	(45)
		Fair value	Allowance for ECL	Fair value	Allowance for ECL
		$m	$m	$m	$m
Debt instruments measured at fair value through other comprehensive income ('FVOCI')	4	16,431	(1)	19,873	(1)

1. *Includes only those financial instruments which are subject to the impairment requirements of IFRS 9. 'Other assets' and 'Prepayments and accrued income' as presented within the consolidated balance sheet include both financial and non-financial assets.*
2. *Excludes performance guarantee contracts.*
3. *Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.*
4. *Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognized in 'Change in expected credit losses and other credit impairment charges' in the income statement.*

The following table provides an overview of the bank's credit risk by stage and segment, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

Stage 1: Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognized.

Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognized.

Stage 3: Objective evidence of impairment, and are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognized.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage*

	Gross carrying/nominal amount[1]				Allowance for ECL				ECL coverage %			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%
Loans and advances to customers at amortized cost	53,761	8,600	494	62,855	(41)	(195)	(160)	(396)	0.1	2.3	32.4	0.6
– personal	30,219	1,583	108	31,910	(13)	(60)	(18)	(91)	–	3.8	16.7	0.3
– corporate and commercial	23,542	7,017	386	30,945	(28)	(135)	(142)	(305)	0.1	1.9	36.8	1.0
Loans and advances to banks at amortized cost	1,260	–	–	1,260	–	–	–	–	–	–	–	–
Other financial assets measured at amortized cost	25,674	656	24	26,354	(3)	(12)	(24)	(39)	–	1.8	100.0	0.1
Loan and other credit-related commitments	37,518	6,166	77	43,761	(7)	(23)	–	(30)	–	0.4	–	0.1
– personal	7,766	134	13	7,913	–	–	–	–	–	–	–	–
– corporate and commercial	29,752	6,032	64	35,848	(7)	(23)	–	(30)	–	0.4	–	0.1
Financial guarantees[2]	1,678	151	13	1,842	(1)	(2)	–	(3)	0.1	1.3	–	0.2
– personal	2	5	–	7	–	–	–	–	–	–	–	–
– corporate and commercial	1,676	146	13	1,835	(1)	(2)	–	(3)	0.1	1.4	–	0.2
At 31 Mar 2021	119,891	15,573	608	136,072	(52)	(232)	(184)	(468)	–	1.5	30.3	0.3

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage (continued)*

	Gross carrying/nominal amount[1]				Allowance for ECL				ECL coverage %			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	$m	$m	$m	$m	$m	$m	$m	$m	%	%	%	%
Loans and advances to customers at amortized cost	49,642	11,292	476	61,410	(45)	(215)	(148)	(408)	0.1	1.9	31.1	0.7
– personal	29,163	1,866	102	31,131	(15)	(53)	(19)	(87)	0.1	2.8	18.6	0.3
– corporate and commercial	20,479	9,426	374	30,279	(30)	(162)	(129)	(321)	0.1	1.7	34.5	1.1
Loans and advances to banks at amortized cost	1,270	—	—	1,270	—	—	—	—	—	—	—	—
Other financial assets measured at amortized cost	26,536	885	22	27,443	(3)	(16)	(22)	(41)	—	1.8	100.0	0.1
Loan and other credit-related commitments	35,262	9,019	145	44,426	(10)	(32)	—	(42)	—	0.4	—	0.1
– personal	7,652	66	16	7,734	(1)	—	—	(1)	—	—	—	—
– corporate and commercial	27,610	8,953	129	36,692	(9)	(32)	—	(41)	—	0.4	—	0.1
Financial guarantees[2]	1,834	149	2	1,985	(1)	(2)	—	(3)	0.1	1.3	—	0.2
– personal	6	1	—	7	—	—	—	—	—	—	—	—
– corporate and commercial	1,828	148	2	1,978	(1)	(2)	—	(3)	0.1	1.4	—	0.2
At 31 Dec 2020	114,544	21,345	645	136,534	(59)	(265)	(170)	(494)	0.1	1.2	26.4	0.4

1. *Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.*
2. *Excludes performance guarantee contracts.*

Measurement uncertainty and sensitivity analysis of ECL estimates*

Methodology

Four economic scenarios have been used to capture the exceptional nature of the current economic environment and to articulate management's view of the range of potential outcomes. Three of these scenarios are drawn from consensus forecasts and distributional estimates. The nature of the current economic environment has led management to choose an additional scenario, which is the fourth scenario, to represent its view of severe downside risks.

Description of economic scenarios

The economic assumptions presented in this section have been formed by the bank, with reference to external forecasts specifically for the purpose of calculating ECL.

These forecasts project a recovery of the world economy in 2021 following an unprecedented contraction in 2020. Vaccination programs are expected to be successful at significantly reducing hospitalizations and deaths enabling economies to re-open and some resumption of travel. Differences across markets in the speed and scale of economic recovery reflect timing differences in the progression of the Covid-19 outbreak, national level differences in restrictions imposed, the coverage achieved by vaccination programs and the scale of support measures introduced by governments.

Economic forecasts are subject to a high degree of uncertainty in the current environment. While risks to the economic outlook are dominated by the progression and management of the pandemic and vaccine rollout, geopolitical risks also present downside threats. These risks include: continued differences between the USA and China over a range of issues, social dissatisfaction in Hong Kong, the evolution of the UK's relationship with the European Union and continued uncertainty in Canadian housing markets.

Four scenarios have been used for the purpose of calculating ECL at 31 March 2021. These are the consensus Central scenario, the consensus Downside scenario, the consensus Upside scenario and an additional Downside scenario.

The following tables disclose key macroeconomic variables and the probabilities assigned in the consensus economic scenarios as well as in the additional scenarios.

Macroeconomic projections[1, 2]

		Central scenario	Consensus Upside			Consensus Downside			Additional Downside		
	Footnote	Five-year average	Five-year average	Best outcome		Five-year average	Worst outcome		Five-year average	Worst outcome	
31 March 2021											
GDP growth (%)		**3.0**	**4.6**	**14.6**	**(2Q21)**	**1.7**	**(0.6)**	**(4Q21)**	**1.9**	**(5.3)**	**(4Q21)**
Unemployment rate (%)		**6.5**	**5.9**	**5.2**	**(3Q22)**	**7.1**	**8.7**	**(2Q21)**	**8.4**	**10.4**	**(1Q22)**
House Price Index (%)		**3.8**	**5.6**	**13.1**	**(1Q22)**	**1.7**	**(4.2)**	**(1Q22)**	**(0.1)**	**(11.0)**	**(1Q22)**
Brent oil prices (US$/barrel)	3	**55.5**	**67.6**	**93.0**	**(4Q21)**	**49.8**	**42.9**	**(4Q21)**	**31.3**	**19.0**	**(2Q22)**
Probability (%)		**70**	**10**			**10**			**10**		
31 December 2020											
GDP growth (%)		2.9	4.4	15.8	(2Q21)	1.6	(3.6)	(1Q21)	1.9	(5.0)	(1Q21)
Unemployment rate (%)		6.8	6.2	5.3	(3Q22)	7.3	9.2	(1Q21)	8.9	11.3	(1Q21)
House Price Index (%)		2.7	3.6	5.2	(1Q21)	1.9	(1.3)	(1Q22)	1.1	(10.4)	(4Q21)
Brent oil prices (US$/barrel)	3	46.6	59.1	81.0	(4Q21)	39.5	26.3	(4Q21)	29.4	17.3	(1Q22)
Probability (%)		70	10			10			10		

1. *Macroeconomic projections at 31 March 2021 are based on average 2Q2021-1Q2026 (31 December 2020: average 1Q2021-4Q2025).*
2. *The 'worst' or the 'best' outcome refers to the quarter that is either the trough or peak in the respective variable, in the first two years of the scenario.*
3. *The Bank considers various oil price benchmarks and applies the specific oil price benchmark which is determined to have the closest fit for each specific ECL allowance model.*

Scenario probabilities

Management has assigned probability weights to scenarios that reflect their view of the distribution of risks. The central scenario has been assigned 70% weight and rest of the scenarios have been assigned 10% weight each.

Management judgmental adjustments

In the context of IFRS 9, management judgmental adjustments are short-term increases or decreases to the ECL at either a customer or portfolio level to account for late breaking events, model deficiencies and expert credit judgment applied following management review and challenge.

Management judgmental adjustments made in estimating the reported ECL at 31 March 2021 are set out in the following table. The table includes adjustments in relation to data and model limitations resulting from the pandemic, late outbreak events, and as a result of the model development and implementation. It shows the adjustments applicable to the scenario-weighted ECL numbers. Adjustments in relation to downside scenarios are more significant as results are subject to greater uncertainty.

Management judgmental adjustments to ECL[1]

	Retail	Wholesale	Total
	$m	$m	$m
Expert credit and model adjustments	**29**	**58**	**87**
Adjustments for FEG and late breaking events	**27**	**—**	**27**
31 March 2021	**56**	**58**	**114**
Expert credit and model adjustments	28	30	58
Adjustments for FEG and late breaking events	26	16	42
31 December 2020	54	46	100

1. *Management judgmental adjustments presented in the table reflect increases to ECL.*

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting ECL.

The ECL calculated for the upside and downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. The impact of defaults that might occur in the future under different economic scenarios is captured by recalculating ECL for loans in stages 1 and 2 at the balance sheet date. The population of stage 3 loans (in default) at the balance sheet date is unchanged in these sensitivity calculations. Stage 3 ECL would only be sensitive to changes in forecasts of future economic conditions if the LGD of a particular portfolio was sensitive to these changes.

For wholesale credit risk exposures, the sensitivity analysis excludes ECL and financial instruments related to defaulted obligors because the measurement of ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios, and it is impracticable to separate the effect of macroeconomic factors in individual assessments.

For retail credit risk exposures, the sensitivity analysis includes ECL for loans and advances to customers related to defaulted obligors. This is because the retail ECL for secured mortgage portfolios including loans in all stages is sensitive to macroeconomic variables.

Wholesale portfolio analysis

The portfolios below were selected based on contribution to ECL and sensitivity to macro-economic factors.

IFRS 9 ECL sensitivity to future economic conditions[1]

ECL of financial instruments subject to significant measurement uncertainty[2]

	31 Mar 2021	31 Dec 2020
	$m	$m
Reported ECL	**209**	252
Consensus central scenario	**175**	195
Consensus upside scenario	**103**	115
Consensus downside scenario	**265**	347
Additional downside scenario	**493**	715
Gross carrying amount/nominal amount[3]	**104,451**	111,095

1. *Excludes ECL and financial instruments relating to defaulted obligors because the measurement of ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios.*
2. *Includes off-balance sheet financial instruments that are subject to significant measurement uncertainty.*
3. *Includes low credit-risk financial instruments such as debt instruments at FVOCI, which have high carrying amounts but low ECL under all the above scenarios.*

Retail portfolio analysis

Exposures modelled using small portfolio approach were excluded from the sensitivity analysis.

IFRS 9 ECL sensitivity to future economic conditions[1]

ECL of loans and advances to customers[2]

	31 Mar 2021	31 Dec 2020
	$m	$m
Reported ECL	**86**	78
Consensus central scenario	**84**	76
Consensus upside scenario	**78**	72
Consensus downside scenario	**91**	81
Additional downside scenario	**99**	92
Gross carrying amount	**31,701**	31,154

1. *ECL sensitivities exclude portfolios utilizing less complex modelling approaches.*
2. *ECL sensitivity includes only on-balance sheet financial instruments to which IFRS 9 impairment requirements are applied.*

Reconciliation of allowances for loans and advances to banks and customers including loan commitments and financial guarantees

Reconciliation of allowances for loans and advances to banks and customers including loan commitments and financial guarantees*[1]

		Quarter ended							
		31 Mar 2021				31 Mar 2020			
		Non-credit impaired		**Credit-impaired**		Non-credit impaired		Credit-impaired	
		Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	Footnote	**$m**	**$m**	**$m**	**$m**	$m	$m	$m	$m
Balance at the beginning of the period		**56**	**249**	**148**	**453**	47	101	118	266
Transfers of financial instruments:	2	**31**	**(32)**	**1**	**—**	4	(10)	6	—
– transfers from stage 1 to stage 2		**(3)**	**3**	**—**	**—**	(6)	6	—	—
– transfers from stage 2 to stage 1		**34**	**(34)**	**—**	**—**	9	(9)	—	—
– transfers to stage 3		**—**	**(2)**	**2**	**—**	—	(8)	8	—
– transfers from stage 3		**—**	**1**	**(1)**	**—**	1	1	(2)	—
Net remeasurement of ECL arising from transfer of stage	2	**(14)**	**5**	**—**	**(9)**	(6)	8	—	2
New financial assets originated or purchased		**3**	**—**	**—**	**3**	3	—	—	3
Changes to risk parameters		**(26)**	**1**	**22**	**(3)**	11	81	40	132
Asset derecognized (including final repayments)		**(1)**	**(2)**	**(1)**	**(4)**	(1)	(1)	(4)	(6)
Assets written off		**—**	**—**	**(10)**	**(10)**	—	—	(18)	(18)
Foreign exchange		**—**	**(1)**	**—**	**(1)**	—	3	2	5
Balance at the end of the period		**49**	**220**	**160**	**429**	58	182	144	384
ECL charge/(release) for the period		**(38)**	**4**	**21**	**(13)**	7	88	36	131
Recoveries		**—**	**—**	**(2)**	**(2)**	—	—	(2)	(2)
Other		**—**	**—**	**—**	**—**	—	—	—	—
Total ECL charge/(release) for the period		**(38)**	**4**	**19**	**(15)**	7	88	34	129

1. *Excludes performance guarantee contracts.*
2. *Transfers of financial instruments represent stage movements of prior period ECL allowances to the current period stage classification. Net remeasurement line represents the current period change in ECL allowances for transfers, without considering changes to credit or other risk parameters.*

	At	Quarter ended	At	Quarter ended
	31 Mar 2021	**31 Mar 2021**	31 Mar 2020	31 Mar 2020
	Allowance for ECL/Other credit loss provisions	**ECL charge/ (release)**	Allowance for ECL/ Other credit loss provisions	ECL charge/ (release)
	$m	**$m**	$m	$m
As above	**429**	**(15)**	384	129
Other financial assets measured at amortized cost	**39**	**(1)**	41	9
Performance guarantee contracts	**9**	**—**	5	2
Debt instruments measured at FVOCI	**1**	**—**	1	—
Total allowance for ECL / Total income statement ECL charge/(release) for the period	**478**	**(16)**	431	140

Credit quality of financial instruments*

We assess the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point in time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments there is no direct relationship between the credit quality assessment and IFRS 9 stages 1 and 2, although typically the lower credit quality bands exhibit a higher proportion in stage 2.

Quality classification definitions

- 'Strong' exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.
- 'Good' exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.
- 'Satisfactory' exposures require closer monitoring and demonstrate an average-to-fair capacity to meet financial commitments, with moderate default risk.
- 'Sub-standard' exposures require varying degrees of special attention and default risk is of greater concern.
- 'Credit-impaired' exposures have been assessed as impaired.

The five credit quality classifications, as defined above, each encompasses a range of granular internal credit rating grades assigned to wholesale and personal lending businesses and the external ratings attributed by external agencies to debt securities.

The personal lending credit quality is disclosed based on a 12-month point-in-time ('PIT') weighted probability of default ('PD'). The credit quality classifications for wholesale lending are based on internal credit risk ratings.

Credit quality classification

	Debt securities and other bills	Wholesale lending		Personal lending	
	External credit rating	Internal credit rating	12-month Basel probability of default %	Internal credit rating	12-month Basel probability-weighted PD %
Quality classification					
Strong	**A– and above**	**CRR1 to CRR2**	**0.000-0.169**	**Band 1 and 2**	**0.000-0.500**
Good	**BBB+ to BBB-**	**CRR3**	**0.170-0.740**	**Band 3**	**0.501-1.500**
Satisfactory	**BB+ to B and unrated**	**CRR4 to CRR5**	**0.741-4.914**	**Band 4 and 5**	**1.501-20.000**
Sub-standard	**B- to C**	**CRR6 to CRR8**	**4.915-99.999**	**Band 6**	**20.001-99.999**
Credit-impaired	**Default**	**CRR9 to CRR10**	**100.000**	**Band 7**	**100.000**

Distribution of financial instruments by credit quality and stage allocation*

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit-impaired	Total	Allowance for ECL	Net
	$m	$m	$m	$m	$m	$m	$m	$m
Debt instruments at fair value through other comprehensive income[1]	**16,119**	**–**	**–**	**–**	**–**	**16,119**	**(1)**	**16,118**
– stage 1	**16,119**	**–**	**–**	**–**	**–**	**16,119**	**(1)**	**16,118**
– stage 2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– stage 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loans and advances to customers at amortized cost	**30,620**	**15,046**	**14,647**	**2,048**	**494**	**62,855**	**(396)**	**62,459**
– stage 1	**30,579**	**13,651**	**9,391**	**140**	**–**	**53,761**	**(41)**	**53,720**
– stage 2	**41**	**1,395**	**5,256**	**1,908**	**–**	**8,600**	**(195)**	**8,405**
– stage 3	**–**	**–**	**–**	**–**	**494**	**494**	**(160)**	**334**
Loans and advances to banks at amortized cost	**1,260**	**–**	**–**	**–**	**–**	**1,260**	**–**	**1,260**
– stage 1	**1,260**	**–**	**–**	**–**	**–**	**1,260**	**–**	**1,260**
– stage 2	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– stage 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other financial assets at amortized cost	**22,136**	**2,036**	**2,042**	**116**	**24**	**26,354**	**(39)**	**26,315**
– stage 1	**22,136**	**1,895**	**1,638**	**5**	**–**	**25,674**	**(3)**	**25,671**
– stage 2	**–**	**141**	**404**	**111**	**–**	**656**	**(12)**	**644**
– stage 3	**–**	**–**	**–**	**–**	**24**	**24**	**(24)**	**–**
Total gross carrying amount on-balance sheet	**70,135**	**17,082**	**16,689**	**2,164**	**518**	**106,588**	**(436)**	**106,152**
Percentage of total credit quality	**65.8 %**	**16.0 %**	**15.7 %**	**2.0 %**	**0.5 %**	**100.0 %**		
Loan and other credit-related commitments	**15,346**	**16,947**	**10,071**	**1,320**	**77**	**43,761**	**(30)**	**43,731**
– stage 1	**15,140**	**15,516**	**6,795**	**67**	**–**	**37,518**	**(7)**	**37,511**
– stage 2	**206**	**1,431**	**3,276**	**1,253**	**–**	**6,166**	**(23)**	**6,143**
– stage 3	**–**	**–**	**–**	**–**	**77**	**77**	**–**	**77**
Financial guarantees[2]	**1,060**	**448**	**250**	**71**	**13**	**1,842**	**(3)**	**1,839**
– stage 1	**1,060**	**430**	**178**	**10**	**–**	**1,678**	**(1)**	**1,677**
– stage 2	**–**	**18**	**72**	**61**	**–**	**151**	**(2)**	**149**
– stage 3	**–**	**–**	**–**	**–**	**13**	**13**	**–**	**13**
Total nominal amount off-balance sheet	**16,406**	**17,395**	**10,321**	**1,391**	**90**	**45,603**	**(33)**	**45,570**
At 31 Mar 2021	**86,541**	**34,477**	**27,010**	**3,555**	**608**	**152,191**	**(469)**	**151,722**

1. *For the purposes of this disclosure gross carrying value is defined as the amortized cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.*
2. *Excludes performance guarantee contracts.*

Distribution of financial instruments by credit quality and stage allocation (continued)*

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit-impaired	Total	Allowance for ECL	Net
	$m	$m	$m	$m	$m	$m	$m	$m
Debt instruments at fair value through other comprehensive income[1]	19,325	—	—	—	—	19,325	(1)	19,324
– stage 1	19,325	—	—	—	—	19,325	(1)	19,324
– stage 2	—	—	—	—	—	—	—	—
– stage 3	—	—	—	—	—	—	—	—
Loans and advances to customers at amortized cost	29,753	14,679	14,357	2,145	476	61,410	(408)	61,002
– stage 1	29,590	12,284	7,624	144	—	49,642	(45)	49,597
– stage 2	163	2,395	6,733	2,001	—	11,292	(215)	11,077
– stage 3	—	—	—	—	476	476	(148)	328
Loans and advances to banks at amortized cost	1,270	—	—	—	—	1,270	—	1,270
– stage 1	1,270	—	—	—	—	1,270	—	1,270
– stage 2	—	—	—	—	—	—	—	—
– stage 3	—	—	—	—	—	—	—	—
Other financial assets at amortized cost	23,143	2,231	1,894	153	22	27,443	(41)	27,402
– stage 1	23,107	2,004	1,412	13	—	26,536	(3)	26,533
– stage 2	36	227	482	140	—	885	(16)	869
– stage 3	—	—	—	—	22	22	(22)	—
Total gross carrying amount on-balance sheet	73,491	16,910	16,251	2,298	498	109,448	(450)	108,998
Percentage of total credit quality	67.1 %	15.5 %	14.8 %	2.1 %	0.5 %	100.0 %		
Loan and other credit-related commitments	16,325	16,224	10,436	1,296	145	44,426	(42)	44,384
– stage 1	15,554	13,773	5,861	74	—	35,262	(10)	35,252
– stage 2	771	2,451	4,575	1,222	—	9,019	(32)	8,987
– stage 3	—	—	—	—	145	145	—	145
Financial guarantees[2]	1,163	477	264	79	2	1,985	(3)	1,982
– stage 1	1,163	469	192	10	—	1,834	(1)	1,833
– stage 2	—	8	72	69	—	149	(2)	147
– stage 3	—	—	—	—	2	2	—	2
Total nominal amount off-balance sheet	17,488	16,701	10,700	1,375	147	46,411	(45)	46,366
At 31 Dec 2020	90,979	33,611	26,951	3,673	645	155,859	(495)	155,364

1. *For the purposes of this disclosure gross carrying value is defined as the amortized cost of a financial asset, before adjusting for any loss allowance. As such the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the balance sheet as it excludes fair value gains and losses.*
2. *Excludes performance guarantee contracts.*

Wholesale lending

Total wholesale lending for loans and advances to customers at amortized cost

		At			
		31 Mar 2021		31 Dec 2020	
		Gross carrying amount	**Allowance for ECL**	Gross carrying amount	Allowance for ECL
	Footnote	**$m**	**$m**	$m	$m
Corporate and commercial					
– agriculture, forestry and fishing		**443**	**(5)**	474	(6)
– mining and quarrying	1	**1,639**	**(87)**	1,464	(95)
– manufacture		**4,529**	**(36)**	4,448	(43)
– electricity, gas, steam and air-conditioning supply		**370**	**(26)**	355	(1)
– water supply, sewerage, waste management and remediation		**119**	**—**	115	—
– construction		**817**	**(10)**	864	(11)
– wholesale and retail trade, repair of motor vehicles and motorcycles		**4,785**	**(40)**	4,663	(39)
– transportation and storage		**2,537**	**(19)**	2,723	(21)
– accommodation and food		**1,426**	**(24)**	1,375	(28)
– publishing, audiovisual and broadcasting		**895**	**(4)**	891	(6)
– real estate		**8,877**	**(22)**	8,454	(34)
– professional, scientific and technical activities		**1,028**	**(5)**	1,028	(5)
– administrative and support services		**775**	**(15)**	770	(20)
– education		**178**	**—**	148	—
– health and care		**185**	**—**	219	—
– arts, entertainment and recreation		**285**	**(1)**	298	(1)
– other services		**175**	**(1)**	133	—
– government		**25**	**—**	25	—
– non-bank financial institutions		**1,857**	**(10)**	1,832	(11)
Total		**30,945**	**(305)**	30,279	(321)
By geography	2				
Canada		**29,228**	**(280)**	28,435	(304)
– British Columbia		**9,240**	**(43)**	8,819	(56)
– Ontario		**10,396**	**(86)**	10,247	(88)
– Alberta		**4,856**	**(113)**	4,820	(115)
– Quebec		**3,424**	**(24)**	3,247	(29)
– Saskatchewan and Manitoba		**920**	**(13)**	904	(13)
– Atlantic provinces		**392**	**(1)**	398	(3)
United States of America		**861**	**(16)**	1,119	(8)
Other		**856**	**(9)**	725	(9)
Total		**30,945**	**(305)**	30,279	(321)

1. *Mining and quarrying includes energy related exposures which constitute approximately 77% of the gross carrying amount and 93% of the allowance for ECL at 31 March 2021 (31 December 2020: Gross carrying amount was 86% and allowance for ECL was 92%).*
2. *Provincial geographic distribution is based on the address of originating branch and foreign geographic distribution is based on the country of incorporation.*

Wholesale lending reconciliation of allowances for loans and advances to banks and customers including loan commitments and financial guarantees*[1]

	Footnote	31 Mar 2021 Non-credit impaired Stage 1 $m	Stage 2 $m	Credit-impaired Stage 3 $m	Total $m	31 Mar 2020 Non-credit impaired Stage 1 $m	Stage 2 $m	Credit-impaired Stage 3 $m	Total $m
Balance at the beginning of the period		**40**	**196**	**129**	**365**	32	70	103	205
Transfers of financial instruments:	2	**22**	**(22)**	**—**	**—**	(1)	(4)	5	—
– transfers from stage 1 to stage 2		**(2)**	**2**	**—**	**—**	(5)	5	—	—
– transfers from stage 2 to stage 1		**24**	**(24)**	**—**	**—**	3	(3)	—	—
– transfers to stage 3		**—**	**—**	**—**	**—**	—	(6)	6	—
– transfers from stage 3		**—**	**—**	**—**	**—**	1	—	(1)	—
Net remeasurement of ECL arising from transfer of stage	2	**(11)**	**3**	**—**	**(8)**	(1)	6	—	5
New financial assets originated or purchased		**2**	**—**	**—**	**2**	2	—	—	2
Changes to risk parameters		**(17)**	**(16)**	**20**	**(13)**	16	69	32	117
Asset derecognized (including final repayments)		**—**	**—**	**—**	**—**	—	—	(1)	(1)
Assets written off		**—**	**—**	**(7)**	**(7)**	—	—	(14)	(14)
Foreign exchange		**—**	**(1)**	**—**	**(1)**	—	3	2	5
Balance at the end of the period		**36**	**160**	**142**	**338**	48	144	127	319
ECL charge/(release) for the period		**(26)**	**(13)**	**20**	**(19)**	17	75	31	123
Recoveries		**—**	**—**	**—**	**—**	—	—	—	—
Other		**—**	**—**	**—**	**—**	—	—	—	—
Total ECL charge/(release) for the period		**(26)**	**(13)**	**20**	**(19)**	17	75	31	123

Quarter ended

1. Excludes performance guarantee contracts.
2. Transfers of financial instruments represent stage movements of prior period ECL allowances to the current period stage classification. Net remeasurement line represents the current period change in ECL allowances for transfers, without considering changes to credit or other risk parameters.

The wholesale allowance for ECL decreased by $27m or 7% as compared to 31 December 2020, and the wholesale lending change in ECL for the period resulted in an income statement release of $19m. This release was primarily driven by improvement in forward-looking macro-economic variables related to performing loans, partly offset by impairment charges from non-performing loans in the energy and wholesale foods sectors.

The ECL release for the period of $19m presented in the above table consisted of $13m relating to underlying risk parameter changes, including the credit quality impact of financial instruments transferring between stage, $8m relating to the net remeasurement impact of stage transfers and $2m relating to underlying net book volume movement. There were nil recoveries during the period.

The total ECL coverage for loans and advances to customers for corporate and commercial at 31 March 2021 was 1.0%, a decrease of 0.1% as compared to 31 December 2020.

Personal lending

Total personal lending for loans and advances to customers at amortized cost

	Footnote	At 31 Mar 2021 Gross carrying amount $m	31 Mar 2021 Allowance for ECL $m	31 Dec 2020 Gross carrying amount $m	31 Dec 2020 Allowance for ECL $m
Residential mortgages		**28,802**	**(44)**	28,129	(42)
Home equity lines of credit		**1,483**	**(5)**	1,550	(5)
Personal revolving loan facilities		**503**	**(18)**	533	(16)
Other personal loan facilities		**793**	**(4)**	543	(5)
Retail card		**287**	**(14)**	331	(13)
Run-off consumer loan portfolio		**42**	**(6)**	45	(6)
Total		**31,910**	**(91)**	31,131	(87)
By geography	1				
Canada		**31,723**	**(89)**	30,947	(85)
– British Columbia		**15,370**	**(38)**	15,220	(36)
– Ontario		**12,757**	**(31)**	12,018	(29)
– Alberta		**1,626**	**(9)**	1,747	(9)
– Quebec		**1,414**	**(5)**	1,374	(5)
– Saskatchewan and Manitoba		**314**	**(2)**	338	(2)
– Atlantic provinces		**235**	**(4)**	243	(4)
– Territories		**7**	**—**	7	—
Other		**187**	**(2)**	184	(2)
Total		**31,910**	**(91)**	31,131	(87)

1. Geographic distribution is based on the customer address.

Personal lending reconciliation of allowances for loans and advances to customers including loan commitments and financial guarantees*[1]

		Quarter ended							
		31 Mar 2021				31 Mar 2020			
		Non-credit impaired		**Credit-impaired**		Non-credit impaired		Credit-impaired	
		Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
	Footnote	**$m**	**$m**	**$m**	**$m**	$m	$m	$m	$m
Balance at the beginning of the period		**16**	**53**	**19**	**88**	15	31	15	61
Transfers of financial instruments:	2	**9**	**(10)**	**1**	**—**	5	(6)	1	—
– transfers from stage 1 to stage 2		**(1)**	**1**	**—**	**—**	(1)	1	—	—
– transfers from stage 2 to stage 1		**10**	**(10)**	**—**	**—**	6	(6)	—	—
– transfers to stage 3		**—**	**(2)**	**2**	**—**	—	(2)	2	—
– transfers from stage 3		**—**	**1**	**(1)**	**—**	—	1	(1)	—
Net remeasurement of ECL arising from transfer of stage	2	**(3)**	**2**	**—**	**(1)**	(5)	2	—	(3)
New financial assets originated or purchased		**1**	**—**	**—**	**1**	1	—	—	1
Changes to risk parameters		**(9)**	**17**	**2**	**10**	(5)	12	8	15
Asset derecognized (including final repayments)		**(1)**	**(2)**	**(1)**	**(4)**	(1)	(1)	(3)	(5)
Assets written off		**—**	**—**	**(3)**	**(3)**	—	—	(4)	(4)
Foreign exchange		**—**	**—**	**—**	**—**	—	—	—	—
Balance at the end of the period		**13**	**60**	**18**	**91**	10	38	17	65
ECL charge/(release) for the period		**(12)**	**17**	**1**	**6**	(10)	13	5	8
Recoveries		**—**	**—**	**(2)**	**(2)**	—	—	(2)	(2)
Others		**—**	**—**	**—**	**—**	—	—	—	—
Total ECL charge/(release) for the period		**(12)**	**17**	**(1)**	**4**	(10)	13	3	6

1. *Excludes performance guarantee contracts.*
2. *Transfers of financial instruments represent stage movements of prior period ECL allowances to the current period stage classification. Net remeasurement line represents the current period change in ECL allowances for transfers, without considering changes to credit or other risk parameters.*

The personal lending allowance for ECL increased by $3m or 3% during 2021. The ECL charge for the period of $4m presented in the above table consisted of $10m relating to underlying risk parameter changes, including the credit quality impact of financial instruments transferring between stage, $1m relating to the net remeasurement impact of stage transfers and $3m relating to underlying net book volume movement. There were recoveries of $2m during the period.

The write-offs were mainly from personal revolving loan facilities and retail card.

Mortgages and home equity lines of credit

The bank's mortgage and home equity lines of credit portfolios are considered to be low-risk since the majority are secured by a first charge against the underlying real estate.

The following tables detail how the bank mitigates risk further by diversifying the geographical markets in which it operates as well as benefiting from borrower default insurance. In addition, the bank maintains strong underwriting and portfolio monitoring standards to ensure the quality of its portfolio is maintained.

Insurance and geographic distribution[1, 5]

	Residential mortgages					**HELOC[2]**	
	Insured[3]		**Uninsured[3]**		**Total**	**Uninsured**	
	$m	**%**	**$m**	**%**	**$m**	**$m**	**%**
British Columbia	**1,238**	**9 %**	**12,762**	**91 %**	**14,000**	**729**	**100 %**
Western Canada[4]	**706**	**40 %**	**1,064**	**60 %**	**1,770**	**159**	**100 %**
Ontario	**2,098**	**17 %**	**10,403**	**83 %**	**12,501**	**543**	**100 %**
Quebec and Atlantic provinces	**561**	**37 %**	**948**	**63 %**	**1,509**	**69**	**100 %**
At 31 Mar 2021	**4,603**	**15 %**	**25,177**	**85 %**	**29,780**	**1,500**	**100 %**

	Residential mortgages[6]					HELOC[2, 6]	
	Insured[3]		Uninsured[3]		Total	Uninsured	
	$m	%	$m	%	$m	$m	%
British Columbia	1,252	9 %	12,528	91 %	13,780	763	100 %
Western Canada[4]	698	41 %	1,016	59 %	1,714	170	100 %
Ontario	2,094	18 %	9,743	82 %	11,837	555	100 %
Quebec and Atlantic provinces	557	38 %	910	62 %	1,467	70	100 %
At 31 Dec 2020	4,601	16 %	24,197	84 %	28,798	1,558	100 %

1. *Geographic distribution is based on the property location.*
2. *HELOC is an abbreviation for Home Equity Lines of Credit, which are lines of credit secured by equity in real estate.*
3. *Insured mortgages are protected from potential losses caused by borrower default through the purchase of insurance coverage, either from the Canadian Housing and Mortgage Corporation or other accredited private insurers.*
4. *Western Canada excludes British Columbia.*
5. *Residential mortgages and HELOC include Wholesale lending and Personal lending exposures.*
6. *Certain prior year amounts have been reclassified to conform to the current year presentation.*

Amortization period[1]

	Residential mortgages		
	< 20 years	**> 20 years < 25 years**	**> 25 years < 30 years**
At 31 Mar 2021	**19.5 %**	**58.2 %**	**22.3 %**
At 31 Dec 2020	20.1 %	56.0 %	23.9 %

1. *Amortization period is based on the remaining term of residential mortgages.*

Average loan-to-value ratios of new originations[1, 2]

	Quarter ended	
	Uninsured % LTV[3]	
	Residential mortgages	**HELOC**
	%	**%**
British Columbia	**59.5 %**	**55.8 %**
Western Canada[4]	**67.3 %**	**62.4 %**
Ontario	**62.9 %**	**58.7 %**
Quebec and Atlantic provinces	**65.4 %**	**65.4 %**
Total Canada for the three months ended 31 Mar 2021	**62.2 %**	**58.3 %**
Total Canada for the three months ended 31 Dec 2020	62.8 %	57.5 %

1. *All new loans and home equity lines of credit were originated by the bank; there were no acquisitions during the period.*
2. *New originations exclude existing mortgage renewals.*
3. *Loan-to-value ratios are simple averages, based on property values at the date of mortgage origination.*
4. *Western Canada excludes British Columbia.*

Potential impact of an economic downturn on residential mortgage loans and home equity lines of credit

The bank performs stress testing on its personal lending portfolio to assess the impact of increased levels of unemployment, rising interest rates, reduction in property values and changes in other relevant macro-economic variables. Potential increase in losses in the mortgage portfolio under downturn economic scenarios are considered manageable given the diversified composition of the portfolio, the low Loan-to-Value in the portfolio and risk mitigation strategies in place.

Credit-impaired loans

The following table provides an analysis of the gross carrying value of loans and advances to banks and customers that are determined to be impaired (stage 3 financial assets).

Credit-impaired loans and advances to banks and customers*

		At			
		31 Mar 2021		31 Dec 2020	
		Gross carrying amount	**Allowance for ECL**	Gross carrying amount	Allowance for ECL
	Footnotes	**$m**	**$m**	$m	$m
Corporate and commercial		**386**	**(142)**	374	(129)
– agriculture, forestry and fishing		**6**	**(3)**	6	(4)
– mining and quarrying	*1*	**135**	**(49)**	137	(56)
– manufacture		**116**	**(12)**	119	(16)
– electricity, gas, steam and air-conditioning supply		**31**	**(26)**	—	—
– construction		**11**	**(4)**	10	(4)
– wholesale and retail trade, repair of motor vehicles and motorcycles		**46**	**(24)**	53	(19)
– transportation and storage		**7**	**(6)**	7	(6)
– accommodation and food		**2**	**(1)**	5	(4)
– publishing, audiovisual and broadcasting		**10**	**(3)**	12	(4)
– real estate		**11**	**(3)**	13	(5)
– administrative and support services		**10**	**(10)**	11	(10)
– non-bank financial institutions		**1**	**(1)**	1	(1)
Households	*2*	**108**	**(18)**	102	(19)
Loans and advances to banks		**—**	**—**	—	—
Total		**494**	**(160)**	476	(148)

1. *Mining and quarrying includes energy related exposures which constitute approximately 99% of the gross carrying amount and 96% of the allowance for ECL at 31 March 2021 (31 December 2020: Gross carrying amount was 99% and allowance for ECL was 97%).*
2. *Households includes the personal lending portfolio.*

Renegotiated loans

The gross carrying amount of renegotiated loans was $287m at 31 March 2021 (31 December 2020: $289m) and the allowance for ECL was $35m (31 December 2020: $30m).

Liquidity and funding risk

Liquidity risk is the risk that the bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.

Funding risk is the risk that funding considered to be sustainable, and therefore used to fund assets, is not sustainable over time. The risk arises when the funding needed for illiquid asset positions cannot be obtained at the expected terms and when required.

Liquidity and funding risk management

Our liquidity and funding management strategy as described in the 'Liquidity and funding risk' section of our *Annual Report and Accounts 2020* continues to apply. The bank's internal liquidity and funding risk management framework uses the liquidity coverage ratio ('LCR') and net stable funding ratio ('NSFR') regulatory framework as a foundation, and adds additional metrics, limits and overlays to address the risks that the bank considers are not adequately reflected by the external regulatory framework.

We continue to monitor liquidity and funding risk against our stated risk tolerance and management framework.

Compared to the previous quarter the bank's average LCR for the three months ended 31 March 2021 decreased from 188% to 176%. This is predominately driven by a decrease in liquid assets. Our liquid assets as at the three months ended 31 March 2021 decreased by $7bn from 31 December 2020 primarily due to a decrease in customer deposits and short and long-term funding. The bank continues to closely monitor liquidity for changes in customers' needs as well as for any changes in the market driven by COVID-19.

The table below shows the estimated liquidity value unweighted (before assumed haircuts) of assets categorized as liquid and used for the purpose of calculating the OSFI LCR metric. The level of liquid assets reported reflects the stock of unencumbered liquid assets at the reporting date, using the regulatory definition of liquid assets. Liquid assets consist of cash or assets that can be converted into cash at little or no loss of value.

Liquid assets[1]

	At	
	31 Mar 2021	31 Dec 2020
	$m	$m
Level 1	**29,202**	35,864
Level 2a	**2,683**	3,061
Level 2b	**67**	10
Total	**31,952**	38,755

1. *The liquid asset balances stated here are as at the above dates (spot rate) and are unweighted and therefore do not match the liquid asset balances stated in the LCR calculations which are the average for the quarter and are weighted.*

Liquidity regulation

In accordance with OSFI's Liquidity Adequacy Requirements ('LAR') guideline, which incorporates Basel liquidity standards, the bank is required to maintain a LCR above 100% as well as monitor the Net Cumulative Cash Flow ('NCCF'). The LCR estimates the adequacy of liquidity over a 30 day stress period while the NCCF calculates a horizon for net positive cash flows in order to capture the risk posed by funding mismatches between assets and liabilities. As at 31 March 2021, the bank was compliant with both requirements.

OSFI implemented the NSFR starting effective 1 January 2020 for domestic systemically important banks ('D-SIBs'). OSFI is conducting further work to assess requirements for non D-SIBs, which includes the bank. In the UK, implementation of NSFR is expected in 2022. The NSFR requires banks to maintain a stable funding profile relative to the composition of their assets and off-balance sheet activities and reflects a bank's long-term funding profile (funding with a term of more than a year). It is designed to complement the LCR.

The bank's OSFI LCR is summarized in the following table. For the quarter ended 31 March 2021, the bank's average LCR of 176% is calculated as the ratio of High-Quality Liquid Assets ('HQLA') to the total net stressed cash outflows over the next 30 calendar days. HQLA is substantially comprised of Level 1 assets such as cash, deposits with central banks and highly rated securities issued or guaranteed by governments, central banks and supranational entities.

OSFI liquidity coverage ratio[1]

	Average for the three months ended[1]	
	31 Mar 2021	31 Dec 2020
Total HQLA[2] ($m)	**33,703**	38,352
Total net cash outflows[2] ($m)	**19,142**	20,463
Liquidity coverage ratio (%)	**176**	188

1. *The data in this table has been calculated using averages of the three month-end figures in the quarter. Consequently, the LCR is an average ratio for the three months of the quarter and might not equal the LCR calculated dividing total weighted HQLA by total weighted net cash outflows.*
2. *These are weighted values and are calculated after the application of the weights prescribed under the OSFI LAR Guideline for HQLA and cash inflows and outflows.*

Market risk

Market risk is the risk that movements in market risk factors, including interest rates, foreign exchange rates, credit spreads, commodity prices and equity prices will adversely affect our income or the value of our assets and liabilities.

Market risk management

Market risk management is independent of the business and is responsible for establishing the policies, procedures and limits that align with the risk appetite of the bank. The objective of market risk management is to identify, measure and control market risk exposures in order to optimize return on risk and remain within the bank's risk appetite.

Refer to the 'Risk management' section of our *Annual Report and Accounts 2020* for a discussion of how the bank manages market risk as well as a more in depth explanation of our market risk measures.

Value at risk*

Value at Risk ('VaR') is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and at 99% confidence level. The use of VaR is integrated into market risk management and calculated for all trading and non-trading portfolios to have a complete picture of risk.

VaR disclosed in the following tables and graph is the bank's total VaR for both trading and non-trading books and remained within the bank's limits.

Total VaR of $19.8m at the quarter ended 31 March 2021 increased by $8.7m from the prior year, largely due to increased interest rate risk in non-trading books and an increased granularity in the credit spread scenario, which reflects COVID-19 market volatility more accurately. Over the same period, the average total VaR of $21.4m increased by $9.8m. Total VaR is largely driven by non-trading VaR.

The vaccination rollout across the globe along with the large U.S. fiscal stimulus put more upward pressure on interest rates during the quarter, which resulted in increased market volatility in interest rates from market sell-offs. The bank has remained within contained levels of risk. However, market volatility and additional interest rate risk at the quarter end drove the trading VaR increase. The trading VaR of $1.8m at the quarter end and average trading VaR of $1.8m for the quarter increased by $0.7m and $0.3m, respectively.

Total VaR*

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
At period end	**19.8**	11.1
Average	**21.4**	11.6
Minimum	**19.3**	7.2
Maximum	**23.6**	15.7

Non-trading VaR*

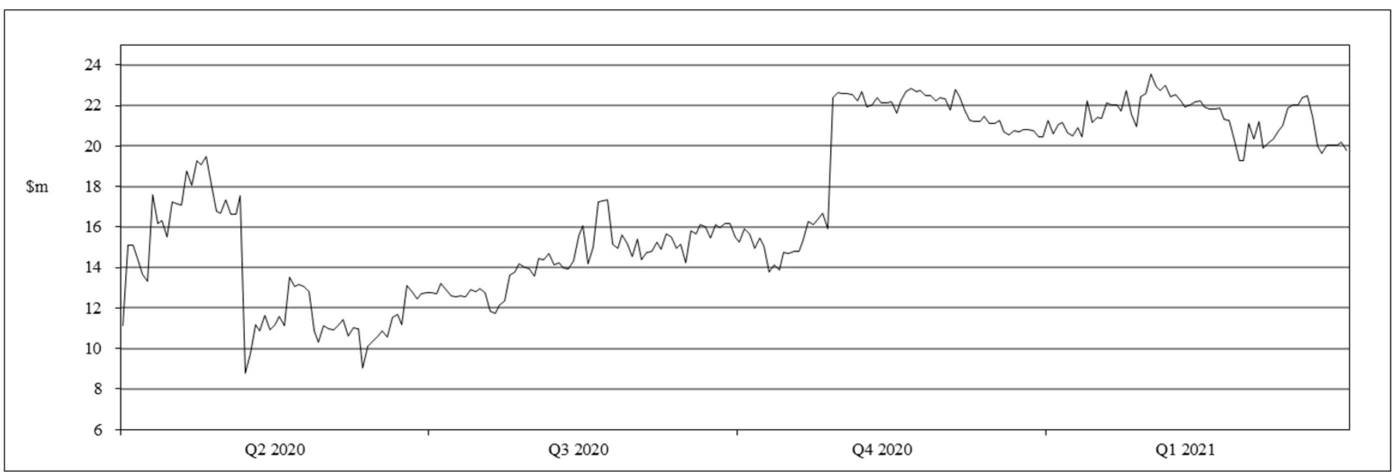
	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
At period end	**21.8**	12.0
Average	**22.5**	11.6
Minimum	**20.3**	7.0
Maximum	**24.6**	15.6

Trading VaR (by risk type)*[1]

	Footnote	Foreign exchange and commodity $m	Interest rate $m	Equity $m	Credit spread $m	Portfolio diversification[2] $m	Total[4] $m
January - March 2021							
At period end		**—**	**1.5**	**—**	**0.9**	**(0.6)**	**1.8**
Average		**—**	**1.7**	**—**	**0.7**	**(0.6)**	**1.8**
Minimum	3	**—**	**0.7**	**—**	**0.3**	**—**	**0.7**
Maximum	3	**—**	**3.4**	**—**	**1.9**	**—**	**3.5**
January - March 2020							
At period end		—	0.9	—	0.5	(0.3)	1.1
Average		—	1.2	—	0.8	(0.5)	1.5
Minimum	3	—	0.6	—	0.3	—	0.6
Maximum	3	—	2.0	—	2.5	—	3.2

1. *Trading portfolios comprise positions arising from the market-making of financial instruments and customer-driven derivatives positions. Trading is aligned to regulatory treatment.*
2. *Portfolio diversification is the market risk dispersion effect of holding a portfolio containing different risk types. It represents the reduction in unsystematic market risk that occurs when combining a number of different risk types, for example, interest rate, equity and foreign exchange, together in one portfolio. It is measured as the difference between the combined total VaR and the sum of the VaRs by individual risk type. A negative number represents the benefit of portfolio diversification.*
3. *As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for these measures. Some small differences in figures presented are due to rounding.*
4. *The total VaR is non-additive across risk types due to diversification effects.*

Daily total VaR. 1 year history of daily figures[1]



1. *The increase in total VaR in the fourth quarter of 2020 was largely due to an increase of granularity in credit spread scenarios, reflecting the volatility as the markets begin to recover from the COVID-19 pandemic. Total VaR fluctuation in the second quarter of 2020 was driven mainly by credit spread scenarios, used to estimate VaR, which reflects the market volatility observed during the onset of the COVID-19 pandemic resulting in bigger swings than in historical trends of VaR.*

Structural interest rate risk

Interest rate risk is the risk of an adverse impact to earnings or capital due to changes in market interest rates. Structural interest rate risk is that which originates from the bank's non-trading assets and liabilities and shareholder's funds.

Refer to the 'Structural Interest Rate Risk' section of our *Annual Report and Accounts 2020* for a discussion of how the bank manages structural interest rate risk as well as an explanation of our monitoring measures.

Sensitivity of structural interest rate risk in the non-trading portfolio (before-tax impact resulting from an immediate and sustained shift in interest rates):

		31 Mar 2021		31 Mar 2020	
		Economic value of equity	**Earnings at risk**	Economic value of equity	Earnings at risk
	Footnote	**$m**	**$m**	$m	$m
100 basis point increase		**(442)**	**217**	(238)	167
25/100 basis point decrease	1	**99**	**(63)**	178	(45)

1. *Due to the current low interest rate environment, starting in Q2 2020, economic value of equity and earnings at risk sensitivity for a down shock scenario are measured using a 25 basis point decrease, prior period reflects a 100 basis points decrease with key interest rates floored at zero.*

Factors that may affect future results

The risk management section in the MD&A describes the most significant risks to which the bank is exposed that, if not managed appropriately, could have a material impact on our future financial results.

Refer to the 'Factors that may affect future results' section of our *Annual Report and Accounts 2020* and the 'Impact of COVID-19 and our response' section of the MD&A on page 4 for a description of additional factors which may affect future financial results.

IBOR transition

On 5 March 2021, the administrator of LIBOR, ICE Benchmark Administration, announced it will cease publishing most USD LIBOR tenors after 30 June 2023. Plans to cease publication of one week and two month tenors after 31 December 2021 were confirmed. In the bank's judgment uncertainty remains in IBOR reform in relation to USD LIBOR hedges. Accordingly, hedge accounting relationships which reference USD LIBOR designated risks and/or have USD LIBOR hedging derivatives have not been updated to reflect the potential future changes as a result of these recent LIBOR announcements or other developments.

Certain financial instruments presented in 'Financial instruments impacted by IBOR reform' section of our *Annual Report and Accounts 2020*, on the basis of the USD LIBOR cessation date in place as at 31 December 2021, will reach their contractual maturity date prior to 30 June 2023.

Refer to the 'IBOR transition' section of our *Annual Report and Accounts 2020* for further details.

Capital

Our objective in the management of capital is to maintain appropriate levels of capital to support our business strategy and meet our regulatory requirements.

Refer to the 'Capital' section of our *Annual Report and Accounts 2020* for a discussion of how the bank manages its capital.

Regulatory capital and capital ratios in the tables below are presented under a Basel III 'all-in' basis, under which non-qualifying capital instruments are phased out over 10 years starting 1 January 2013.

The bank remained within its required regulatory capital limits during the quarter ended 31 March 2021.

Regulatory capital

Total regulatory capital*

		At	
		31 Mar 2021	31 Dec 2020
	Footnotes	**$m**	$m
Gross common equity	1	**5,658**	5,782
Regulatory adjustments		**(292)**	(308)
Common equity tier 1 capital	2	**5,366**	5,474
Additional tier 1 eligible capital		**1,100**	1,100
Tier 1 capital		**6,466**	6,574
Tier 2 capital	2, 3	**1,014**	1,015
Total capital		**7,480**	7,589

1. *Includes common share capital, retained earnings and accumulated other comprehensive income.*
2. *As part of the new transitional arrangements, effective 31 March 2020, a portion of allowances that would otherwise be included in tier 2 capital has instead been included in common equity tier 1 ('CET 1') capital. The impact is immaterial as at 31 March 2021.*
3. *Includes a capital instrument subject to phase out and allowances.*

Regulatory capital ratios

Risk-weighted assets, actual regulatory capital ratios and capital requirements

		At	
		31 Mar 2021	31 Dec 2020
	Footnotes	**$m**	$m
Risk-weighted assets ('RWA')	1	**39,522**	40,014
		%	%
Actual regulatory capital ratios	2		
– common equity tier 1 capital ratio		**13.6**	13.7
– tier 1 capital ratio		**16.4**	16.4
– total capital ratio		**18.9**	19.0
– leverage ratio		**5.9**	6.0
Regulatory capital requirements	3		
– minimum common equity tier 1 capital ratio		**7.0**	7.0
– minimum tier 1 capital ratio		**8.5**	8.5
– minimum total capital ratio		**10.5**	10.5

1. *In April 2020, OSFI announced certain regulatory flexibility measures to support COVID-19 efforts in light of the evolving situation. Effective 31 March 2020, OSFI lowered the capital floor factor from 75% to 70%. The revised floor factor is expected to stay in place until the first quarter 2023.*
2. *Presented under a Basel III basis with non-qualifying capital instruments phased out over 10 years starting 1 January 2013.*
3. *OSFI target capital ratios including mandated capital conservation buffer.*

Outstanding shares and dividends

		Quarter ended			Year ended		
		31 Mar 2021			31 Dec 2020		
		Dividend	**Number of issued shares**	**Carrying value**	Dividend	Number of issued shares	Carrying value
	Footnotes	**$ per share**	**000's**	**$m**	$ per share	000's	$m
Common shares	*1, 2*	**0.35541**	**548,668**	**1,725**	0.32085	548,668	1,725
Class 1 preferred shares	*3*						
– Series G	*4*	**—**	**—**	**—**	0.50000	—	—
– Series H	*4*	**0.18801**	**20,000**	**500**	0.39471	20,000	500
– Series I		**0.28750**	**14,000**	**350**	1.15000	14,000	350
– Series K		**0.34063**	**10,000**	**250**	1.36252	10,000	250

1. *Dividends recorded in the financial statements are dividends per ordinary share declared in a year and are not dividends in respect of, or for, that year.*
2. *50 million common shares were issued on 30 March 2020 for an aggregate subscription price of $500m.*
3. *Cash dividends on preferred shares are non-cumulative and are payable quarterly.*
4. *Holder of the preferred shares Series G exercised their option to convert the preferred shares Series G into preferred shares Series H on 30 June 2020 in accordance with their terms; initial dividends on preferred shares Series H were declared during the third quarter of 2020 and paid in accordance with their terms in the usual manner on 30 September 2020 or the first business day thereafter.*

Dividends declared in the first quarter 2021

The bank declared a final dividend of $195m on HSBC Bank Canada common shares in respect of the financial year ending 31 December 2020 and regular quarterly dividends of $11m for the first quarter of 2021 on all series of outstanding HSBC Bank Canada Class 1 preferred shares.

Dividends declared in the second quarter 2021

On 23 April 2021, the bank declared regular quarterly dividends for the second quarter of 2021 on all series of outstanding HSBC Bank Canada Class 1 preferred shares, to be paid in accordance with their terms in the usual manner on 30 June 2021 or the first business day thereafter to the shareholder of record on 15 June 2021.

On 23 April 2021, the bank also declared a first interim dividend of $60m on HSBC Bank Canada common shares in respect of the fiscal year ended 31 December 2021, which will be paid on or before 30 June 2021 to the shareholder of record on 23 April 2021.

As the quarterly dividends on preferred shares for the second quarter of 2021 and the first interim dividend on common shares for 2021 were declared after 31 March 2021, the amounts have not been included in the balance sheet as a liability.

Consolidated Financial Statements

Consolidated income statement

		Quarter ended	
		31 Mar 2021	31 Mar 2020
	Notes	**$m**	$m
Net interest income		**282**	318
– interest income		**451**	668
– interest expense		**(169)**	(350)
Net fee income	2	**196**	178
– fee income		**225**	201
– fee expense		**(29)**	(23)
Net income from financial instruments held for trading		**30**	26
Gains less losses from financial investments		**15**	16
Other operating income		**6**	8
Total operating income		**529**	546
Change in expected credit losses and other credit impairment charges - release/(charge)		**16**	(140)
Net operating income		**545**	406
Employee compensation and benefits	3	**(159)**	(169)
General and administrative expenses		**(128)**	(130)
Depreciation and impairment of property, plant and equipment		**(17)**	(20)
Amortization and impairment of intangible assets		**(9)**	(8)
Total operating expenses		**(313)**	(327)
Profit before income tax expense		**232**	79
Income tax expense		**(63)**	(13)
Profit for the period		**169**	66
Profit attributable to:			
– the common shareholder		**158**	54
– the preferred shareholder		**11**	12
Profit for the period		**169**	66
Average number of common shares outstanding (000's)		**548,668**	499,767
Basic and diluted earnings per common share ($)		**$ 0.29**	$ 0.11

Certain sections within the Management's Discussion and Analysis, that are marked with an asterisk (*), and the accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Profit for the period	**169**	66
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income	**(68)**	(61)
– fair value gains	**(78)**	(68)
– fair value gains transferred to the income statement on disposal	**(15)**	(16)
– income taxes	**25**	23
Cash flow hedges	**(36)**	160
– fair value gains	**(28)**	235
– fair value gains reclassified to the income statement	**(21)**	(17)
– income taxes	**13**	(58)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	**16**	14
– before income taxes	**22**	19
– income taxes	**(6)**	(5)
Equity instruments designated at fair value through other comprehensive income	**—**	(3)
– fair value losses	**—**	(3)
– income taxes	**—**	—
Other comprehensive income for the period, net of tax	**(88)**	110
Total comprehensive income for the period	**81**	176
Attributable to:		
– the common shareholder	**70**	164
– the preferred shareholder	**11**	12
Total comprehensive income for the period	**81**	176

Certain sections within the Management's Discussion and Analysis, that are marked with an asterisk (*), and the accompanying notes form an integral part of these consolidated financial statements.

Consolidated balance sheet

		At	
		31 Mar 2021	31 Dec 2020
	Notes	**$m**	$m
Assets			
Cash and balances at central banks		**13,024**	15,750
Items in the course of collection from other banks		**11**	13
Trading assets	*5*	**4,217**	1,719
Other financial assets mandatorily measured at fair value through profit or loss		**10**	9
Derivatives	*6*	**3,680**	5,447
Loans and advances to banks		**1,260**	1,270
Loans and advances to customers		**62,459**	61,002
Reverse repurchase agreements – non-trading		**6,268**	5,996
Financial investments	*7*	**16,448**	19,879
Other assets	*8*	**3,240**	1,430
Prepayments and accrued income		**212**	196
Customers' liability under acceptances		**3,591**	4,043
Current tax assets		**62**	28
Property, plant and equipment		**267**	277
Goodwill and intangible assets		**165**	167
Deferred tax assets		**119**	121
Total assets		**115,033**	117,347
Liabilities and equity			
Liabilities			
Deposits by banks		**1,279**	1,139
Customer accounts		**69,603**	71,950
Repurchase agreements – non-trading		**4,074**	3,227
Items in the course of transmission to other banks		**315**	181
Trading liabilities	*9*	**3,812**	1,831
Derivatives	*6*	**3,868**	5,647
Debt securities in issue	*10*	**14,490**	17,387
Other liabilities	*11*	**5,469**	3,097
Acceptances		**3,606**	4,062
Accruals and deferred income		**398**	523
Retirement benefit liabilities		**287**	310
Subordinated liabilities		**1,011**	1,011
Provisions		**63**	81
Current tax liabilities		**—**	19
Total liabilities		**108,275**	110,465
Equity			
Common shares		**1,725**	1,725
Preferred shares		**1,100**	1,100
Other reserves		**145**	249
Retained earnings		**3,788**	3,808
Total shareholder's equity		**6,758**	6,882
Total liabilities and equity		**115,033**	117,347

Certain sections within the Management's Discussion and Analysis, that are marked with an asterisk (*), and the accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Profit before income tax expense	**232**	79
Adjustments for non-cash items:		
Depreciation and amortization	**26**	28
Share-based payment expense	**2**	3
Change in expected credit losses	**(16)**	140
Charge for defined benefit pension plans	**3**	4
Changes in operating assets and liabilities		
Change in prepayment and accrued income	**(16)**	(44)
Change in net trading securities and net derivatives	**(585)**	110
Change in loans and advances to customers	**(1,454)**	(1,832)
Change in reverse repurchase agreements – non-trading	**1,043**	(216)
Change in other assets	**(1,395)**	(6,623)
Change in accruals and deferred income	**(125)**	(149)
Change in deposits by banks	**140**	2,942
Change in customer accounts	**(2,347)**	2,562
Change in repurchase agreements – non-trading	**847**	1,053
Change in debt securities in issue	**(2,897)**	2,021
Change in other liabilities	**1,949**	3,419
Tax paid	**(84)**	(90)
Net cash from operating activities	**(4,677)**	3,407
Purchase of financial investments	**(731)**	(2,999)
Proceeds from the sale and maturity of financial investments	**4,069**	3,295
Purchase of intangibles and property, plant and equipment	**(9)**	(19)
Net cash from investing activities	**3,329**	277
Issuance of common shares	**–**	500
Dividends paid to shareholder	**(206)**	(172)
Lease principal payments	**(10)**	(14)
Net cash from financing activities	**(216)**	314
Net increase in cash and cash equivalents	**(1,564)**	3,998
Cash and cash equivalents at the beginning of the period	**17,279**	1,357
Cash and cash equivalents at the end of the period	**15,715**	5,355
Cash and cash equivalents comprise:		
Cash and balances at central bank	**13,024**	4,159
Items in the course of collection from other banks and Items in the course of transmission to other banks	**(304)**	(284)
Loans and advances to banks of one month or less	**1,260**	1,087
Non-trading reverse repurchase agreements with banks of one month or less	**1,735**	360
T-Bills and certificates of deposits less than three months	**–**	33
Cash and cash equivalents at the end of the period	**15,715**	5,355
Interest:		
Interest paid	**(251)**	(407)
Interest received	**451**	627

Certain sections within the Management's Discussion and Analysis, that are marked with an asterisk (*), and the accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

			Other reserves			
	Share capital[1]	Retained earnings	Financial assets at FVOCI reserve	Cash flow hedging reserve	Total other reserves	Total equity
	$m	$m	$m	$m	$m	$m
At 1 Jan 2021	**2,825**	**3,808**	**108**	**141**	**249**	**6,882**
Profit for the period	—	169	—	—	—	169
Other comprehensive income/(loss), net of tax	—	16	(68)	(36)	(104)	(88)
– debt instruments at fair value through other comprehensive income	—	—	(68)	—	(68)	(68)
– equity instruments designated at fair value through other comprehensive income	—	—	—	—	—	—
– cash flow hedges	—	—	—	(36)	(36)	(36)
– remeasurement of defined benefit plans	—	16	—	—	—	16
Total comprehensive income for the period	—	185	(68)	(36)	(104)	81
Dividends on common shares	—	(195)	—	—	—	(195)
Dividends on preferred shares	—	(11)	—	—	—	(11)
Issuance of common shares	—	—	—	—	—	—
Shares issued under employee remuneration and share plan	—	1	—	—	—	1
At 31 Mar 2021	**2,825**	**3,788**	**40**	**105**	**145**	**6,758**

			Other reserves			
	Share capital[1]	Retained earnings	Financial assets at FVOCI reserve	Cash flow hedging reserve	Total other reserves	Total equity
	$m	$m	$m	$m	$m	$m
At 1 Jan 2020	2,325	3,745	36	3	39	6,109
Profit for the period	—	66	—		—	66
Other comprehensive income/(loss), net of tax	—	14	(64)	160	96	110
– debt instruments at fair value through other comprehensive income	—	—	(61)	—	(61)	(61)
– equity instruments designated at fair value through other comprehensive income	—	—	(3)	—	(3)	(3)
– cash flow hedges	—	—	—	160	160	160
– remeasurement of defined benefit plans	—	14	—	—	—	14
Total comprehensive income for the period	—	80	(64)	160	96	176
Dividends on common shares	—	(160)	—	—	—	(160)
Dividends on preferred shares	—	(12)	—	—	—	(12)
Issuance of common shares	500	—	—	—	—	500
Shares issued under employee remuneration and share plan	—	(1)	—	—	—	(1)
At 31 Mar 2020	2,825	3,652	(28)	163	135	6,612

1. *Share capital is comprised of common shares $1,725m and preferred shares $1,100m.*

Certain sections within the Management's Discussion and Analysis, that are marked with an asterisk (*), and the accompanying notes form an integral part of these consolidated financial statements.

1 Basis of preparation and significant accounting policies

HSBC Bank Canada ('the bank', 'we', 'our') is an indirectly wholly-owned subsidiary of HSBC Holdings plc. ('the Parent', 'HSBC Holdings', 'HSBC Group'). Throughout these interim condensed consolidated financial statements ('consolidated financial statements'), the 'HSBC Group' means the Parent and its subsidiary companies.

(a) Compliance with International Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and should be read in conjunction with the bank's 2020 audited annual consolidated financial statements. The bank's 2020 audited annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and in consideration of the accounting guidelines as issued by the Office of the Superintendent of Financial Institutions Canada ('OSFI'), as required under Section 308(4) of the Bank Act. Section 308(4) states that except as otherwise specified by OSFI, the financial statements shall be prepared in accordance with IFRS.

(b) Future accounting developments

Future accounting developments have been disclosed in note 1(c) of the 2020 annual consolidated financial statements of the bank's *Annual Report and Accounts 2020*.

(c) Presentation of information

The bank's consolidated financial statements are presented in Canadian dollars which is also its functional currency. The abbreviation '$m' represents millions of dollars. All tabular amounts are in millions of dollars except where otherwise noted.

Certain sections within the accompanying *Management's Discussion and Analysis*, that are marked with an asterisk (*), form an integral part of these consolidated financial statements.

(d) Critical accounting estimates and assumptions

Management believes that our critical accounting estimates and judgments are those that relate to expected credit loss, valuation of financial instruments, income taxes and deferred tax assets and defined benefit obligations. There were no changes in the current period to the critical accounting estimates and judgments applied in 2020, which are stated on pages 32, 44 and 75 to 76 of the *Annual Report and Accounts 2020*.

(e) Consolidation

The consolidated financial statements comprise the consolidated financial statements of the bank and its subsidiaries as at 31 March 2021. The method adopted by the bank to consolidate its subsidiaries is described in note 2(a) of the 2020 annual consolidated financial statements of the bank's *Annual Report and Accounts 2020*.

(f) Significant accounting policies

There have been no significant changes to the bank's significant accounting policies which are disclosed in note 2 (a) to (r) of the 2020 annual consolidated financial statements of the bank's *Annual Report and Accounts 2020*.

2 Net fee income

Net fee income by global business

	Quarter ended							
	31 Mar 2021				31 Mar 2020			
	Commercial Banking	**Global Banking and Markets**	**Wealth and Personal Banking**	**Total**	Commercial Banking	Global Banking and Markets	Wealth and Personal Banking	Total
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
Account services	**10**	**2**	**3**	**15**	10	2	4	16
Broking income	**—**	**1**	**6**	**7**	—	—	4	4
Cards	**4**	**—**	**12**	**16**	5	—	13	18
Credit facilities	**69**	**15**	**—**	**84**	64	14	—	78
Funds under management	**—**	**—**	**52**	**52**	—	—	48	48
Imports/exports	**3**	**—**	**—**	**3**	2	—	—	2
Insurance agency commission	**—**	**—**	**1**	**1**	—	—	1	1
Other	**8**	**3**	**1**	**12**	9	4	1	14
Remittances	**7**	**2**	**1**	**10**	6	2	1	9
Underwriting and advisory	**—**	**25**	**—**	**25**	1	10	—	11
Fee income	**101**	**48**	**76**	**225**	97	32	72	201
Less: fee expense	**(3)**	**(9)**	**(17)**	**(29)**	(4)	(2)	(17)	(23)
Net fee income	**98**	**39**	**59**	**196**	93	30	55	178

3 Employee compensation and benefits

Included within 'Employee compensation and benefits' are components of net periodic benefit cost related to the bank's pension plans and other post-employment benefits, as follows:

	Quarter ended	
	31 Mar 2021	31 Mar 2020
	$m	$m
Defined benefit plans	**6**	6
– pension plans	**4**	4
– non-pension plans	**2**	2
Defined contribution pension plans	**8**	10
Total	**14**	16

A remeasurement of the net defined benefit liability has occurred in accordance with the bank's accounting policy as described on page 83 of the *Annual Report and Accounts 2020.*

4 Segment analysis

The bank's chief operating decision maker is the Chief Executive Officer, supported by the Executive Committee. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer and the Executive Committee. Global businesses are our reportable segments under IFRS 8 'Operating Segments'. The three global businesses are Commercial Banking, Global Banking and Markets, and Wealth and Personal Banking.

Measurement of segmental assets, liabilities, income and expenses is in accordance with the bank's accounting policies. Segmental income and expenses include transfers between segments and these transfers are conducted at arm's length. Shared costs are included in segments on the basis of the actual recharges made. Various estimate and allocation methodologies are used in the preparation of the segment financial information. We allocate expenses directly related to earning income to the segment that earned the related income. Expenses not directly related to earning income, such as overhead expenses, are allocated using appropriate methodologies. Segments' net interest income reflects internal funding charges and credits on the global businesses' assets, liabilities and capital, at market rates, taking into account relevant terms.

Profit for the period

	Quarter ended									
	31 Mar 2021					31 Mar 2020[1]				
	Commercial Banking	**Global Banking and Markets**	**Wealth and Personal Banking**	**Corporate Centre[2]**	**Total**	Commercial Banking	Global Banking and Markets	Wealth and Personal Banking	Corporate Centre[2]	Total
	$m	**$m**	**$m**	**$m**	**$m**	$m	$m	$m	$m	$m
Net interest income	**127**	**27**	**128**	**—**	**282**	157	39	132	(10)	318
Net fee income	**98**	**39**	**59**	**—**	**196**	93	30	55	—	178
Net income from financial instruments held for trading	**9**	**12**	**11**	**(2)**	**30**	11	1	11	3	26
Other income	**5**	**3**	**9**	**4**	**21**	5	6	9	4	24
Total operating income	**239**	**81**	**207**	**2**	**529**	266	76	207	(3)	546
Change in expected credit losses and other credit impairment charges - release/(charge)	**8**	**11**	**(3)**	**—**	**16**	(117)	(14)	(9)	—	(140)
Net operating income	**247**	**92**	**204**	**2**	**545**	149	62	198	(3)	406
– external	**257**	**80**	**205**	**3**	**545**	170	59	175	2	406
– inter-segment	**(10)**	**12**	**(1)**	**(1)**	**—**	(21)	3	23	(5)	—
Total operating expenses	**(96)**	**(34)**	**(167)**	**(16)**	**(313)**	(102)	(43)	(169)	(13)	(327)
Profit/(loss) before income tax expense	**151**	**58**	**37**	**(14)**	**232**	47	19	29	(16)	79

1. *Prior year amounts have been reclassified to conform to the current year presentation due to change in reportable segments as disclosed in note 9 of our Annual Report and Accounts 2020.*
2. *Corporate Centre is not an operating segment of the bank. The numbers in this column provides a reconciliation between operating segments and the entity results.*

Balance sheet information

	Commercial Banking	**Global Banking and Markets**	**Wealth and Personal Banking**	**Corporate Centre[1]**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
At 31 Mar 2021					
Loans and advances to customers	**26,704**	**3,274**	**32,481**	**—**	**62,459**
Customers' liability under acceptances	**2,235**	**1,344**	**12**	**—**	**3,591**
Total external assets	**40,280**	**25,515**	**49,000**	**238**	**115,033**
Customer accounts	**25,034**	**6,196**	**38,373**	**—**	**69,603**
Acceptances	**2,248**	**1,346**	**12**	**—**	**3,606**
Total external liabilities	**33,830**	**24,662**	**49,360**	**423**	**108,275**
At 31 Dec 2020					
Loans and advances to customers	25,642	3,794	31,566	—	61,002
Customers' liability under acceptances	2,687	1,344	12	—	4,043
Total external assets	41,213	29,110	46,703	321	117,347
Customer accounts	25,188	7,959	38,803	—	71,950
Acceptances	2,703	1,347	12	—	4,062
Total external liabilities	35,345	26,228	48,505	387	110,465

1. *Corporate Centre is not an operating segment of the bank. The numbers in this column provides a reconciliation between operating segments and the entity results.*

5 Trading assets

	Footnote	At 31 Mar 2021 $m	31 Dec 2020 $m
Debt securities			
– Canadian and Provincial Government bonds	1	**3,289**	1,486
– treasury and other eligible bills		**705**	121
– other debt securities		**223**	112
At the end of the period		**4,217**	1,719
Trading assets			
– not subject to repledge or resale by counterparties		**1,851**	1,012
– which may be repledged or resold by counterparties		**2,366**	707
At the end of the period		**4,217**	1,719

1. *Including government guaranteed bonds.*

6 Derivatives

For a detailed description of the type, use of derivatives and accounting policies, refer to note 2 and note 12 of the bank's *Annual Report and Accounts 2020*.

Notional contract amounts and fair values of derivatives by product contract type held

	Notional contract amount[1]		Fair value – Assets			Fair value – Liabilities		
	Held for trading $m	Hedge accounting $m	Held for trading $m	Hedge accounting $m	Total $m	Held for trading $m	Hedge accounting $m	Total $m
Foreign exchange	**131,449**	**64**	**1,533**	**1**	**1,534**	**1,543**	**—**	**1,543**
Interest rate	**366,782**	**15,662**	**1,940**	**203**	**2,143**	**2,032**	**290**	**2,322**
Commodity	**740**	**—**	**3**	**—**	**3**	**3**	**—**	**3**
At 31 Mar 2021	**498,971**	**15,726**	**3,476**	**204**	**3,680**	**3,578**	**290**	**3,868**
Foreign exchange	144,349	64	1,861	—	1,861	1,913	—	1,913
Interest rate	408,615	16,446	3,323	261	3,584	3,317	415	3,732
Commodity	428	—	2	—	2	2	—	2
At 31 Dec 2020	553,392	16,510	5,186	261	5,447	5,232	415	5,647

1. *The notional contract amounts of derivatives held for trading purposes and derivatives designated in hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.*

Derivatives in hedge accounting relationships

Fair value hedging instrument by hedged risk

	At 31 Mar 2021			31 Dec 2020		
		Carrying amount			Carrying amount	
	Notional amount $m	Assets $m	Liabilities $m	Notional amount $m	Assets $m	Liabilities $m
Interest rate	**9,839**	**33**	**283**	10,772	42	415
Total	**9,839**	**33**	**283**	10,772	42	415

Cash flow hedging instrument by hedged risk

	At 31 Mar 2021			31 Dec 2020		
		Carrying amount			Carrying amount	
	Notional amount $m	Assets $m	Liabilities $m	Notional amount $m	Assets $m	Liabilities $m
Foreign currency	**64**	**1**	**—**	64	—	—
Interest rate	**5,823**	**170**	**7**	5,674	219	—
Total	**5,887**	**171**	**7**	5,738	219	—

7 Financial investments

Carrying amount of financial investments

	Footnote	At 31 Mar 2021 $m	31 Dec 2020 $m
Debt securities		**16,431**	19,873
– Canadian and Provincial Government bonds	1	**9,561**	11,782
– international Government bonds	1	**2,719**	2,838
– other debt securities issued by banks and other financial institutions		**3,209**	3,502
– treasury and other eligible bills		**942**	1,751
Equity securities		**17**	6
At the end of the period		**16,448**	19,879
Financial investments		**16,448**	19,879
– not subject to repledge or resale by counterparties		**16,271**	19,788
– which may be repledged or resold by counterparties		**177**	91

1. *Includes government guaranteed bonds.*

8 Other assets

	At 31 Mar 2021 $m	31 Dec 2020 $m
Accounts receivable	**714**	339
Settlement accounts	**1,974**	614
Cash collateral	**546**	470
Other	**6**	7
At the end of the period	**3,240**	1,430

9 Trading liabilities

	At 31 Mar 2021 $m	31 Dec 2020 $m
Net short positions in securities	**3,812**	1,831
At the end of the period	**3,812**	1,831

10 Debt securities in issue

	At 31 Mar 2021 $m	31 Dec 2020 $m
Bonds and medium term notes	**8,139**	9,218
Covered bonds	**3,836**	3,883
Money market instruments	**2,515**	4,286
At the end of the period	**14,490**	17,387

Term to maturity

	At 31 Mar 2021 $m	31 Dec 2020 $m
Less than 1 year	**4,763**	7,456
1-5 years	**9,692**	9,896
5-10 years	**35**	35
At the end of the period	**14,490**	17,387

11 Other liabilities

	At	
	31 Mar 2021	31 Dec 2020
	$m	$m
Mortgages sold with recourse	**2,147**	1,955
Lease liabilities	**222**	226
Accounts payable	**388**	282
Settlement accounts	**2,213**	354
Cash collateral	**410**	225
Other	**80**	49
Share based payment related liability	**9**	6
At the end of the period	**5,469**	3,097

12 Fair values of financial instruments

The accounting policies, control framework and hierarchy used to determine fair values at 31 March 2021 are consistent with those applied for the *Annual Report and Accounts 2020*.

Financial instruments carried at fair value and bases of valuation

		Valuation techniques		
	Quoted market price Level 1	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**	**Total**
	$m	**$m**	**$m**	**$m**
Recurring fair value measurements				
At 31 Mar 2021				
Assets				
Trading assets	**4,064**	**153**	**—**	**4,217**
Other financial assets mandatorily measured at fair value through profit or loss	**—**	**10**	**—**	**10**
Derivatives	**—**	**3,680**	**—**	**3,680**
Financial investments	**16,432**	**16**	**—**	**16,448**
Liabilities				
Trading liabilities	**3,758**	**54**	**—**	**3,812**
Derivatives	**—**	**3,868**	**—**	**3,868**
At 31 Dec 2020				
Assets				
Trading assets	1,659	60	—	1,719
Other financial assets mandatorily measured at fair value through profit or loss	—	9	—	9
Derivatives	—	5,447	—	5,447
Financial investments	19,873	6	—	19,879
Liabilities				
Trading liabilities	1,776	55	—	1,831
Derivatives	—	5,647	—	5,647

Transfers between Level 1 and Level 2 fair values

	Assets		Liabilities
	Trading assets	**Financial investments**	**Trading liabilities**
	$m	**$m**	**$m**
Quarter ended 31 Mar 2021			
Transfer from Level 1 to Level 2	**—**	**—**	**—**
Transfer from Level 2 to Level 1	**—**	**—**	**—**
Quarter ended 31 Mar 2020			
Transfer from Level 1 to Level 2	25	—	53
Transfer from Level 2 to Level 1	—	12	—

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to changes in observability of valuation inputs and price transparency.

Fair values of financial instruments not carried at fair value

The bases for measuring the fair values of financial instruments not carried at fair value are explained on pages 104 and 105 of the *Annual Report and Accounts 2020*.

Fair values of financial instruments not carried at fair value

		At			
		31 Mar 2021		31 Dec 2020	
		Carrying amount	**Fair value**	Carrying amount	Fair value
	Footnote	**$m**	**$m**	$m	$m
Assets					
Loans and advances to customers	*1*	**62,459**	**62,705**	61,002	61,309
Liabilities					
Customer accounts		**69,603**	**69,825**	71,950	72,234
Debt securities in issue		**14,490**	**14,800**	17,387	17,792
Subordinated liabilities		**1,011**	**1,048**	1,011	1,047

1. Loans and advances to customers specifically relating to Canada: carrying amount $59,082m and fair value $59,314m.

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

13 Legal proceedings and regulatory matters

The bank is subject to a number of legal proceedings and regulatory matters arising in the normal course of our business. The bank does not expect the outcome of any of these proceedings, in aggregate, to have a material effect on its consolidated balance sheet or its consolidated income statement.

14 Events after the reporting period

On 23 April 2021, the bank declared regular quarterly dividends for the second quarter of 2021 on all series of outstanding HSBC Bank Canada Class 1 preferred shares, to be paid in accordance with their terms in the usual manner on 30 June 2021 or the first business day thereafter to the shareholder of record on 15 June 2021.

On 23 April 2021, the bank also declared a first interim dividend of $60m on HSBC Bank Canada common shares in respect of the fiscal year ending 31 December 2021, which will be paid on or before 30 June 2021 to the shareholder of record on 23 April 2021.

As the quarterly dividends on preferred shares for the second quarter of 2021 and the first interim dividend on common shares for 2021 were declared after 31 March 2021, the amounts have not been included in the balance sheet as a liability.

There have been no other material events after the reporting period which would require disclosure or adjustment to the 31 March 2021 interim condensed consolidated financial statements.

These accounts were approved by the Board of Directors on 23 April 2021 and authorized for issue.

Shareholder information

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