HSBC

News Release

21 February 2022

HSBC BANK CANADA
FULL YEAR AND FOURTH QUARTER 2021 RESULTS

Strong performance from credit improvement and broad-based revenue growth

Linda Seymour, President and Chief Executive Officer of HSBC Bank Canada, said:
"Financial performance in 2021 was very strong, continuing the momentum we saw from mid-2020 and creating a solid platform for 2022. Collaboration across business segments and borders led to significant increases in both revenue and profit before tax as lending grew in Commercial Banking and Wealth and Personal Banking. Deposit balances rose in Commercial Banking, advisory and capital market fee income grew in Global Banking[1], and investment funds under management and total relationship balances[2] grew in Wealth and Personal Banking.

"These results also represent an increase over our 2019 results and are even more remarkable in light of being achieved in the midst of a global pandemic coming into its third year. We continue to work closely with, and learn from our incredibly resilient clients across the country as we all aim to emerge from this health crisis."

Highlights[3]

2021 financial performance (vs 2020)

- **Profit before income tax expense was $952m, up $548m or 136%** on improved expected credit losses and higher total operating income.
- **All business segments were profitable in 2021.** Profit before tax has increased across three of our four businesses for the quarter and the year.
- **Total operating income was $2.2bn, up 9.4%** as net interest margins improved and lending and client activity increased while trading income was down.
- **The change in expected credit losses ('ECL') were a release of $45m** compared to a charge of $327m in the prior year, reflecting an improvement in economic conditions relative to 2020.
- **Total operating expenses increased by $15m or 1.2%,** as we continued to invest to grow our business and adopt hybrid working, while prudently managing our costs.
- **Total assets were $119.9bn, up $2.5bn or 2.1%**.
- **Common equity tier 1 capital ratio[4] of 14.0%,** up 30 bps from 2020 of 13.7%.
- **Return on average common equity[5] of 11.7%,** up 700 bps from 2020 of 4.7%.

Q4 2021 financial performance (vs Q4 2020)

- **Profit before income tax expense was $227m, up $67m or 42%,** reflecting growth in total operating income.
- **Total operating income was $579m, up 15%** as net interest margins improved and lending, investment funds under management and client activity grew.
- **ECL was a charge of $8m** primarily driven by an impairment charge from a performing loan in the aviation sector, compared to a release of $1m in the prior year.

1. *Effective from the fourth quarter of 2021, we have separated the business segment previously named 'Global Banking and Markets' into 'Global Banking' and 'Markets and Securities Services' to reflect our new operating segments. All comparatives have been aligned to conform to current year presentation.*
2. *Total relationship balances includes lending, deposits and wealth balances.*
3. *For the quarter and year ended 31 December 2021 compared with the same periods in the prior year (unless otherwise stated). The abbreviations '$m' and '$bn' represent millions and billions of Canadian dollars, respectively.*
4. *Capital ratios and risk weighted assets are calculated using the Office of the Superintendent of Financial Institutions Canada's ('OSFI') Capital Adequacy Requirements ('CAR') guideline, the Leverage ratio is calculated using OSFI's Leverage Requirements ('LR') guideline. The CAR and LR guidelines are based on the Basel III guidelines.*
5. *In evaluating our performance, we use supplementary financial measures which have been calculated from International Financial Reporting Standards ('IFRS') figures. For further information on these financial measures refer to the 'Use of supplementary financial measures' section of this document.*

Analysis of consolidated financial results for the quarter and year ended 31 December 2021[1]

Net interest income for the quarter was $323m, an increase of $48m or 17% compared with the same period in the prior year as our liability mix shifted from debt securities to customer deposits and our lending grew. Net interest income for the year was $1,226m, an increase of $140m or 13% as margins improved, volumes of interest bearing liabilities decreased and lending grew. This growth was partly offset by a reduction in lower yielding financial investments and margin compression in the first quarter of 2021 compared to the prior year due to central bank rate cuts in 2020.

Net fee income for the quarter was $205m, an increase of $20m or 11% compared with the same period in the prior year as investment funds under management, card activity and advisory fees grew, coupled with higher activity in our account services and trade finance services. These increases were partly offset by related fee expense increases.

Net fee income for the year was $794m, an increase of $81m or 11% as investment funds under management, credit facility fees, advisory fees and card activity grew. This was coupled with higher activity in our account services, online brokerage business and trade finance services. These increases were partly offset by related fee expense increases.

Net income from financial instruments held for trading for the quarter was $28m, a decrease of $2m or 6.7% compared with the same period in the prior year. The decrease was mainly driven by unfavourable movement in credit and funding fair value adjustments and lower net interest from trading activities due to the lower interest rate environment. This was partly offset by higher trading activities. Net income from financial instruments held for trading for the year was $112m, a decrease of $20m or 15% as the lower interest rate environment had an impact on net interest from trading activities and Rates trading activities declined. This was partly offset by increases mainly from reduced market volatility and tightening credit spreads.

Other items of income for the quarter were $23m, an increase of $9m, or 64% compared with the same period in the prior year. This was driven by higher gains from financial investments from re-balancing the bank's liquid asset portfolio. Other items of income for the year were $83m, a decrease of $10m or 11%. The decrease for the year was driven by lower gains on the disposal of financial investments from re-balancing the bank's liquid asset portfolio, as well as prior year's gain on the extinguishment of repurchased subordinated debentures.

ECL for the quarter was a charge of $8m, compared to a release of $1m in the prior year's quarter. The charge for the current quarter was primarily driven by an impairment charge from a performing loan in the aviation sector that was partly offset by releases from non-performing loans in the energy sector. The release in the prior year's quarter was primarily driven by improvement in forward-looking macro-economic variables on performing loans forecasted at that time, partly offset by impairment charges from non-performing loans in energy and various other sectors.

ECL for the year was a release of $45m, compared to a charge of $327m in 2020. The release for the year was driven by improvement in the forward-looking macro-economic variables related to performing loans, partly offset by impairment charges from a performing aviation loan and two non-performing energy loans. The charge in the prior year was driven by elevated provisions on performing loans due to the impact of the pandemic coupled with impairments from non-performing loans in the energy sector in the first half of 2020.

Total operating expenses for the quarter were $344m, a slight decrease of $1m or 0.3% compared with the same period in the prior year. The decrease was mainly due to the timing of certain employee compensation and benefit costs, partly offset by an increase in costs associated with strategic investments to grow our business, simplify our processes and provide digital services to meet customers' needs. Total operating expenses for the year were $1,308m, an increase of $15m or 1.2%. The increase for the year was mainly due to costs associated with reorganizing our real estate footprint as we prepare to adopt a hybrid working model, impairment of certain software assets and costs associated with our strategic investments. These increases were partly offset by reduced discretionary spending.

Income tax expense: the effective tax rate for the quarter was 17.6%, compared with 21.9% in the same period in the prior year due to a decrease in tax provisions. The effective tax rate for the year was 24.7%, compared with 23.7% for 2020 due to a decrease in tax provisions coupled with an increase in pre-tax profit.

1. *For the quarter and year ended 31 December 2021 compared with the same periods in the prior year (unless otherwise stated).*

Movement in financial position

Assets

Total assets at 31 December 2021 were $119.9bn, an increase of $2.5bn, or 2.1%, from 31 December 2020. Our asset mix has shifted to support our customers' needs for residential mortgages and commercial loans, with an increase in loans and advances of $8.1bn. Higher reverse repurchase agreements of $3.1bn and higher volumes in trading assets of $1.2bn, also contributed to the increase. These increases were partly offset by reduced financial investments of $4.9bn and cash and balances at central bank of $1.8bn as we supported growth in other asset classes and repositioned the bank's liquidity needs. Derivatives decreased by $2.7bn as a result of the mark-to-market changes from interest rates and foreign exchange.

Liabilities

Total liabilities at 31 December 2021 were $113.0bn, an increase of $2.5bn, or 2.3%, from 31 December 2020. The increase was primarily from repurchase agreements of $4.8bn and higher volumes in trading liabilities of $1.8bn, in line with the movement within the respective asset classes. Customer accounts increased by $1.7bn as a result of deposit growth in Commercial Banking and Wealth and Personal Banking. These increases were partly offset by a decrease in debt securities in issue of $3bn from lower term and wholesale funding. Derivatives decreased by $2.7bn, in line with the movement in derivative assets.

Equity

Total equity at 31 December 2021 remained flat at $6.9bn from 31 December 2020. The increase in profits after tax of $0.7bn generated in the period was partly offset by $0.4bn of dividends on common shares declared in the period and a loss of $0.2bn recorded on debt instruments at fair value through other comprehensive income and cash flow hedges.

Dividends

Dividends declared in 2021

During the year, the bank declared and paid $45m in dividends on all series of HSBC Bank Canada Class 1 preferred shares, and $435m in dividends on HSBC Bank Canada common shares.

Dividends declared in 2022

On 17 February 2022, the bank declared regular quarterly dividends for the first quarter of 2022 on all series of HSBC Bank Canada Class 1 preferred shares, to be paid in accordance with their terms in the usual manner on 31 March 2022 or the first business day thereafter to the shareholder of record on 15 March 2022.

On 17 February 2022, the bank also declared a final dividend of $200m on HSBC Bank Canada common shares in respect of the financial year ending 31 December 2021, which will be paid on or before 30 March 2022 to the shareholder of record on 17 February 2022.

As the quarterly dividends on preferred shares for the first quarter of 2022 and the final dividend on common shares for 2021 were declared after 31 December 2021, the amounts have not been included in the balance sheet of the bank as a liability.

Business performance for the year ended 31 December 2021[1]

Commercial Banking ('CMB')

Total operating income was $280m for the quarter, an increase of $49m, or 21% compared with the same period in the prior year. Total operating income was $1,041m for the year, an increase of $92m, or 9.7%. CMB has recovered strongly in 2021 with loans and acceptances increasing by $3.5bn and deposit balances increasing by $2.1bn. Net interest income has improved as a result of an increase in volumes and a recovery in lending margins offset by deposit margin compression in the first quarter of 2021 compared to the prior year as a result of central bank rate cuts in 2020. Non-interest income has similarly improved with higher volumes of bankers' acceptances and higher client activity in foreign exchange, international and domestic payments and credit cards.

In 2021, we continued to develop a growing suite of green financial instruments including the launch of five new sustainable finance products for commercial banking clients: green deposits, sustainable trade finance, green revolving credit facilities, sustainability-linked loans and green equipment financing. At the same time, we continued to invest to improve our clients' digital experiences while ensuring security and resilience and delivering on our optimization, productivity and efficiency gain goals. Our investments support our efforts to put our clients first and resulted in our Global Liquidity and Cash Management ('GLCM') being voted the number one Regional Cash Manager for Corporates in North America in the Euromoney Cash Management Survey. In addition, our Global Trade and Receivables Finance ('GTRF') was named #1 trade finance bank and #1 in service quality in Canada in the Euromoney Trade Finance Survey.

Profit before income tax for the quarter was $170m, an increase of $34m or 25% compared with the same period in the prior year. This was primarily due to higher operating income partly offset by an increase in expected credit losses as a result of prior year's release driven by an improvement in the forward looking macro-economic scenarios at that time. Profit before income tax for the year was $681m, up $384m or 129%. This was primarily due to a significant decrease in expected credit losses mainly driven by an improvement in the forward-looking macro-economic scenarios as the economy continues to recover from the pandemic, as well as higher operating income and lower operating expenses.

Global Banking ('GB')[2]

Total operating income for the quarter was $53m, a slight decrease of $1m, or 1.9% compared with the same period in the prior year. This was mainly due to higher loan fees in the fourth quarter of 2020 which did not repeat, lower net interest income from lower balances in 2021, partly offset by higher fee income from capital market activity. Total operating income for the year was $220m, flat compared to the prior year. This was a result of higher fee income from advisory and capital market activity, offset by lower transaction banking volumes and lower deposit margins in the first quarter of 2021 as a result of central bank rate cuts in 2020.

GB 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.

As the Canadian economy continues to emerge from the pandemic, we continue to work closely with our clients to understand their unique challenges, support them as they look to return to growth and in their plans to transition to a net zero carbon economy.

Profit before income tax for the quarter was $34m, a slight decrease of $1m, or 2.9% compared with the same period in the prior year. Profit before income tax for the year was $143m, an increase of $56m or 64%. The increase was mainly due to a favourable movement in expected credit losses on performing loans as forward-looking macro-economic guidance improved, along with lower operating expenses due to prudent cost management and higher total operating income.

Markets and Securities Services ('MSS')[2]

Total operating income for the quarter was $22m, an increase of $3m, or 16% compared with the same period in the prior year. This was mainly due to an increase in net interest income and higher trading activities. Total operating income for the year was $90m, a decrease of $12m or 12% compared to the prior year. Markets revenue was lower than prior year as a result of lower sales and trading volumes on foreign exchange, rates and credit activities. This was partly offset by favourable movements in certain credit spreads as financial markets continue to recover from the initial impact of COVID-19 in the prior year.

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

As the Canadian economy continues to emerge from the pandemic, we continue to work closely with our clients to understand their unique challenges, support them as they look to return to growth and in their plans to transition to a net zero carbon economy.

Profit before income tax for the quarter was $7m, flat compared with the same period in the prior year. This was due to higher operating income, offset by higher operating expenses. Profit before income tax for the year was $38m, a decrease of $10m or 21%. This was mainly due to lower operating income, partly offset by lower operating expenses due to prudent cost management.

Wealth and Personal Banking ('WPB')

Total operating income for the quarter was $215m, an increase of $13m, or 6.4% compared with the same period in the prior year. Total operating income for the year was $843m, an increase of $66m or 8.5%. The increase was driven by record[3] volume growth in total relationship balances[4], record[3] client activity in our online brokerage business and a favourable shift in product mix, partly offset by lower deposit margins as a result of central bank rate decreases in 2020. The prior year also included higher costs associated with maintaining increased liquidity. Growth in total relationship balances[4] was led by record[3] net sales in investment funds under management and real estate secured lending. Market appreciation also resulted in higher investment funds under management.

We grew our overall and international client base as we continue to invest in our distribution channels and market-competitive products. During the year, we continued to make it easier for our clients to bank with us and improved the client experience through digital enhancements, such as, mobile chat, digital account opening for our international clients who have not yet arrived in Canada and allowing our clients to retrieve additional documents digitally at their convenience. Our continued focus on our clients' needs and digital enhancements helped us win several awards in 2021, including, Outstanding Client Experience in Wealth Management at Global Private Banking Innovation Awards, Best Retail Bank for a Frictionless Banking Experience and Best Technology Implementation by a Retail Bank at Global Retail Banking Innovation Awards.

Excluding 2012, which included a one-time gain, we had record[3] revenues and profit before income tax expense for the year. Profit before income tax for the quarter was $33m, an increase of $18m or 120% compared with the same period in the prior year. Profit before income tax for the year was $176m, an increase of $106m or 151%. The increase is due to higher operating income as noted above and lower expected credit losses, partly offset by higher operating expenses.

Corporate Centre[5]

Profit before income tax for the quarter was a loss of $17m, an increase in profit before income tax of $16m compared with the same period in the prior year. Profit before tax for the year was a loss of $86m, an increase in profit before income tax of $12m. This was primarily due to an increase in net interest income as liquidity costs decreased. For the year, this was partly offset by an increase in operating expenses mainly from the cost of initiatives to support future growth and the move to hybrid working, as well as lower non-interest income as a result of the prior year's gain on the extinguishment of repurchased subordinated debentures.

1. *For the year ended 31 December 2021 compared with the same period in the prior year (unless otherwise stated).*
2. *Effective from the fourth quarter of 2021, we have separated the business segment previously named 'Global Banking and Markets' into 'Global Banking' and 'Markets and Securities Services' to reflect our new operating segments. All comparatives have been aligned to conform to current year presentation.*
3. *Record year since inception of WPB (previously RBWM) as a single global business in 2011.*
4. *Total relationship balances includes lending, deposits and wealth balances.*
5. *Corporate Centre is not an operating segment of the bank. The numbers included above provides a reconciliation between operating segments and the entity results.*

In evaluating our performance, we use supplementary financial measures which have been calculated from International Financial Reporting Standards ('IFRS') figures. Following is a glossary of the relevant measures used throughout this document but not presented within the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

(Figures in $m, except where otherwise stated)

Financial performance and position

	Quarter ended		Year ended	
	31 Dec 2021	31 Dec 2020	**31 Dec 2021**	31 Dec 2020
Financial performance for the period				
Total operating income	**579**	504	**2,215**	2,024
Profit before income tax expense	**227**	160	**952**	404
Profit attributable to the common shareholder	**176**	113	**672**	260
Change in expected credit losses and other credit impairment charges - (charge)/release	**(8)**	1	**45**	(327)
Operating expenses	**(344)**	(345)	**(1,308)**	(1,293)
Basic and diluted earnings per common share ($)	**0.32**	0.21	**1.22**	0.48
Financial ratios %[1]				
Return on average common shareholder's equity	**12.1**	7.8	**11.7**	4.7
Return on average risk-weighted assets	**2.3**	1.6	**2.4**	1.0
Cost efficiency ratio	**59.4**	68.5	**59.1**	63.9
Operating leverage ratio	**(6.0)**	(19.7)	**8.3**	(7.5)
Net interest margin	**1.18**	1.03	**1.19**	1.03
Change in expected credit losses to average gross loans and advances and acceptances[2]	**0.04**	n/a	**n/a**	0.49
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances[2]	**n/a**	n/a	**0.04**	0.17
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances	**37.1**	31.1	**37.1**	31.1
Net write-offs as a percentage of average loans and advances and acceptances	**0.09**	0.44	**0.09**	0.18

Financial and capital measures

	At	
	31 Dec 2021	31 Dec 2020
Financial position at period end		
Total assets	**119,853**	117,347
Loans and advances to customers	**68,699**	61,002
Customer accounts	**73,626**	71,950
Ratio of loans and advances to customer accounts (%)[1]	**93.3**	84.8
Common shareholders' equity	**5,776**	5,782
Capital, leverage and liquidity measures		
Common equity tier 1 capital ratio (%)[3]	**14.0**	13.7
Tier 1 ratio (%)[3]	**16.8**	16.4
Total capital ratio (%)[3]	**19.3**	19.0
Leverage ratio (%)[3]	**5.8**	6.0
Risk-weighted assets ($m)[3]	**39,836**	40,014
Liquidity coverage ratio (%)[4]	**147**	188

1. *Refer to the 'Use of supplementary financial measures' section of this document for a glossary of the measures used.*
2. *n/a is shown where the bank is in a net recovery position resulting in a negative ratio.*
3. *Capital ratios and risk weighted assets are calculated using the Office of the Superintendent of Financial Institutions Canada's ('OSFI') Capital Adequacy Requirements ('CAR') guideline, the Leverage ratio is calculated using OSFI's Leverage Requirements ('LR') guideline. The CAR and LR guidelines are based on the Basel III guidelines.*
4. *The Liquidity coverage ratio is calculated using OSFI's Liquidity Adequacy Requirements ('LAR') guideline, which incorporates the Basel liquidity standards. The LCR in this table has been calculated using averages of the three month-end figures in the quarter.*

(Figures in $m, except per share amounts)	Quarter ended		Year ended	
	31 Dec 2021	31 Dec 2020	**31 Dec 2021**	31 Dec 2020
Interest income	**465**	477	**1,813**	2,165
Interest expense	**(142)**	(202)	**(587)**	(1,079)
Net interest income	**323**	275	**1,226**	1,086
Fee income	**231**	205	**902**	796
Fee expense	**(26)**	(20)	**(108)**	(83)
Net fee income	**205**	185	**794**	713
Net income from financial instruments held for trading	**28**	30	**112**	132
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**1**	—	**5**	—
Gains less losses from financial investments	**8**	2	**43**	50
Other operating income	**14**	12	**35**	43
Total operating income	**579**	504	**2,215**	2,024
Change in expected credit losses and other credit impairment charges - release/(charge)	**(8)**	1	**45**	(327)
Net operating income	**571**	505	**2,260**	1,697
Employee compensation and benefits	**(148)**	(159)	**(604)**	(630)
General and administrative expenses	**(165)**	(150)	**(570)**	(545)
Depreciation of property, plant and equipment	**(17)**	(23)	**(81)**	(78)
Amortization and impairment of intangible assets	**(14)**	(13)	**(53)**	(40)
Total operating expenses	**(344)**	(345)	**(1,308)**	(1,293)
Profit before income tax expense	**227**	160	**952**	404
Income tax expense	**(40)**	(35)	**(235)**	(96)
Profit for the period	**187**	125	**717**	308
Profit attributable to the common shareholder	**176**	113	**672**	260
Profit attributable to the preferred shareholder	**11**	12	**45**	48
Profit attributable to shareholders	**187**	125	**717**	308
Average number of common shares outstanding (000's)	**548,668**	548,668	**548,668**	536,510
Basic and diluted earnings per common share ($)	**$ 0.32**	$ 0.21	**$ 1.22**	$ 0.48

(Figures in $m)	At 31 Dec 2021	At 31 Dec 2020
ASSETS		
Cash and balances at central banks	**13,955**	15,750
Items in the course of collection from other banks	**9**	13
Trading assets	**2,907**	1,719
Other financial assets mandatorily measured at fair value through profit or loss	**18**	9
Derivatives	**2,773**	5,447
Loans and advances to banks	**1,659**	1,270
Loans and advances to customers	**68,699**	61,002
Reverse repurchase agreements – non-trading	**9,058**	5,996
Financial investments	**14,969**	19,879
Other assets	**1,377**	1,430
Prepayments and accrued income	**186**	196
Customers' liability under acceptances	**3,548**	4,043
Current tax assets	**148**	28
Property, plant and equipment	**263**	277
Goodwill and intangible assets	**181**	167
Deferred tax assets	**103**	121
Total assets	**119,853**	117,347
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**1,313**	1,139
Customer accounts	**73,626**	71,950
Repurchase agreements – non-trading	**8,044**	3,227
Items in the course of transmission to other banks	**253**	181
Trading liabilities	**3,598**	1,831
Derivatives	**2,978**	5,647
Debt securities in issue	**14,339**	17,387
Other liabilities	**3,517**	3,097
Acceptances	**3,556**	4,062
Accruals and deferred income	**401**	523
Retirement benefit liabilities	**267**	310
Subordinated liabilities	**1,011**	1,011
Provisions	**74**	81
Current tax liabilities	**—**	19
Total liabilities	**112,977**	110,465
Equity		
Common shares	**1,725**	1,725
Preferred shares	**1,100**	1,100
Other reserves	**(23)**	249
Retained earnings	**4,074**	3,808
Total equity	**6,876**	6,882
Total liabilities and equity	**119,853**	117,347

(Figures in $m)	Year ended	
	31 Dec 2021	31 Dec 2020
Profit before tax	**952**	404
Adjustments for:		
– non-cash items included in profit before tax	**107**	467
Changes in operating assets and liabilities		
– change in operating assets	**(5,963)**	2,920
– change in operating liabilities	**3,549**	8,374
– tax paid	**(276)**	(264)
Net cash from operating activities	**(1,631)**	11,901
Purchase of financial investments	**(4,645)**	(8,565)
Proceeds from the sale and maturity of financial investments	**9,378**	12,429
Purchase of intangibles and property, plant and equipment	**(96)**	(62)
Net cash from investing activities	**4,637**	3,802
Issuance of common shares	**—**	500
Dividends paid to shareholder	**(480)**	(208)
Repurchase of subordinated debentures	**—**	(22)
Lease principal payments	**(46)**	(51)
Net cash from financing activities	**(526)**	219
Net increase in cash and cash equivalents	**2,480**	15,922
Cash and cash equivalents at 1 Jan	**17,279**	1,357
Cash and cash equivalents at 31 Dec	**19,759**	17,279
Interest		
Interest paid	**(734)**	(1,140)
Interest received	**1,836**	2,214

(Figures in $m)	Quarter ended		Year ended	
	31 Dec 2021	31 Dec 2020	**31 Dec 2021**	31 Dec 2020
Commercial Banking				
Net interest income	**160**	121	**581**	525
Non-interest income	**120**	110	**460**	424
Total operating income	**280**	231	**1,041**	949
Change in expected credit losses - (charge)/release	**(8)**	6	**29**	(256)
Net operating income	**272**	237	**1,070**	693
Total operating expenses	**(102)**	(101)	**(389)**	(396)
Profit before income tax expense	**170**	136	**681**	297
Global Banking[1]				
Net interest income	**22**	26	**92**	98
Non-interest income	**31**	28	**128**	122
Total operating income	**53**	54	**220**	220
Change in expected credit losses - release/(charge)	**5**	6	**9**	(34)
Net operating income	**58**	60	**229**	186
Total operating expenses	**(24)**	(25)	**(86)**	(99)
Profit before income tax expense	**34**	35	**143**	87
Markets and Securities Services[1]				
Net interest income	**7**	4	**24**	26
Non-interest income	**15**	15	**66**	76
Total operating income	**22**	19	**90**	102
Total operating expenses	**(15)**	(12)	**(52)**	(54)
Profit before income tax expense	**7**	7	**38**	48
Wealth and Personal Banking				
Net interest income	**128**	131	**523**	486
Non-interest income	**87**	71	**320**	291
Total operating income	**215**	202	**843**	777
Change in expected credit losses - (charge)/release	**(5)**	(11)	**7**	(37)
Net operating income	**210**	191	**850**	740
Total operating expenses	**(177)**	(176)	**(674)**	(670)
Profit before income tax expense	**33**	15	**176**	70
Corporate Centre[2]				
Net interest income	**6**	(7)	**6**	(49)
Non-interest income	**3**	5	**15**	25
Net operating income/(loss)	**9**	(2)	**21**	(24)
Total operating expenses	**(26)**	(31)	**(107)**	(74)
Profit before income/(loss) tax expense	**(17)**	(33)	**(86)**	(98)

1. *Effective from the fourth quarter of 2021, we have separated the business segment previously named 'Global Banking and Markets' into 'Global Banking' and 'Markets and Securities Services' to reflect our new operating segments. All comparatives have been aligned to conform to current year presentation.*
2. *Corporate Centre is not an operating segment of the bank. The numbers included above provides a reconciliation between operating segments and the entity results.*

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc ('HSBC Group'), is the leading international bank in the country. We help companies and individuals across Canada to do business and manage their finances here and internationally through four businesses: Commercial Banking, Global Banking[1], Markets and Securities Services[1], and Wealth and Personal Banking. HSBC Group has committed to becoming net-zero in its operations and financed emissions and is working with our customers to accelerate the transition to a low carbon economy.

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 its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US$2,958bn at 31 December 2021, HSBC is one of the world's largest banking and financial services organizations.

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

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1. *Effective from the fourth quarter of 2021, we have separated the business segment previously named 'Global Banking and Markets' into 'Global Banking' and 'Markets and Securities Services' to reflect our new operating segments. All comparatives have been aligned to conform to current year presentation.*

Caution regarding forward-looking statements

This document contains forward-looking information, including statements regarding the business and anticipated actions of the bank. These statements can be identified by the fact that they do not pertain strictly to historical or current facts. Forward-looking statements often include words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words and terms of similar substance in connection with discussions of future operating or financial performance. By their very nature, these statements require us to make a number of assumptions and are subject to a number of inherent risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. We caution you to not place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. The 'Risk management' section in the Management's Discussion and Analysis in our Annual Report and Accounts 2021 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, treasury risk (inclusive of capital management, liquidity and funding risk and structural interest rate 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 including transition and physical risk impacts, interbank offered rate ('IBOR') transition and other risks such as changes in accounting standards, changes in tax rates, tax law and policy, and its interpretation of taxing authorities, risk of fraud by employees or others, unauthorized transactions by employees and human error. Our success in delivering our strategic priorities and proactively managing the regulatory environment depends on the development and retention of our leadership and high-performing employees. The ability to continue to attract, develop and retain competent individuals in an employment market impacted by the COVID-19 pandemic proves challenging. We are monitoring people risks with attention to employee mental health and well-being, particularly in the face of the pandemic. Despite contingency plans we have in place for resilience in the event of sustained and significant operational disruption, our ability to conduct business may be adversely affected by disruption in the infrastructure that supports both our operations and the *communities in which we do business, including but not limited to disruption caused by public health emergencies, pandemics, environmental disasters and terrorist acts. Refer to the 'Factors that may affect future results' section of the Management's Discussion and Analysis in our Annual Report and Accounts 2021 for a description of these risk factors. We caution you that the risk factors disclosed above are not exhaustive, and there could be other uncertainties and potential risk factors not considered here which may adversely affect our results and financial condition. Any forward-looking statements in this document speak only as of the date of this document. We do not undertake any obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required under applicable securities legislation.*