News Release

20 February 2023

HSBC BANK CANADA
FULL YEAR AND FOURTH QUARTER 2022 RESULTS

Record[1] profit before tax and
highest total operating income in a decade

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

"In 2022, total operating income was $2.5bn – our highest in over a decade – and profit before tax was $1.1bn – the highest in our history[1]. This was achieved with solid performance across all of our businesses as clients chose our unique mix of local presence and global connections.

"In Commercial Banking, loans and acceptances grew 16%. Deposit balances, activity on corporate credit cards, and domestic and international payments also increased. In Wealth and Personal Banking, there was strong volume growth in lending and deposit balances as we grew our client base, with a strategic focus on international clients. In Global Banking, growth in transaction banking activities remained strong. Both Global Banking and Market Security Services benefited from central bank rate increases in the year, while also bearing the impact of challenging market conditions.

"I am enormously proud of our team, and want to thank them for everything they have accomplished over the past year."

Highlights[2] 4Q22 financial performance (vs 4Q21)

- **Profit before income tax expense was $292m, up $65m or 29%** with increases across all of our business segments.
- **Total operating income was $714m, up 23%,** our highest on record[3]. Net interest margins improved, along with increases in lending, trading and client activity while underwriting activity was down.
- **Expected credit losses ('ECL') was a charge of $28m** primarily driven by the adverse movement in forward-looking macro-economic variables, compared to a charge of $8m in the prior year which was positively impacted by releases from non-performing loans in the energy sector.
- **Total operating expenses increased by $50m or 15%** mainly due to the re-assessment of the useful life and impairment of intangible assets as a result of the agreed sale of HSBC Bank Canada[4]. Our continued investments to grow our business and support regulatory projects, also contributed to the increase.

Highlights[2] 2022 financial performance (vs 2021)

- **Profit before income tax expense was $1.1bn, up $128m or 13%,** our highest on record[1]. Total operating income was $2.5bn, up 15%, partly offset by a charge in ECL and an increase of 3.8% in total operating expenses.
- **All business segments were profitable in 2022** with increases in profit before tax expense in three of our four businesses.
- **Total assets were $128.3bn, up $8.4bn or 7%**.

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- **Common equity tier 1 capital ratio[5] of 11.6%,** down 240 bps from 2021 of 14.0%.
- **Return on average common equity[5] of 15.0%,** up 330 bps from 2021 of 11.7%.

1. *Record profit before income tax expense for the year, surpassing the highest previously reported in 2012.*
2. *For the quarter and year ended 31 December 2022 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.*
3. *Record quarterly total operating income, surpassing the highest previously reported in the second quarter of 2010.*
4. *On 29 November 2022, HSBC Group announced an agreement to sell its 100% equity stake in HSBC Bank Canada to Royal Bank of Canada ('RBC'). For further information, refer to 'Agreed sale of HSBC Bank Canada' section of this document.*
5. *For further information on these financial measures refer to the 'Use of supplementary financial measures' and 'Financial highlights' sections of this document.*

Analysis of consolidated financial results for the quarter and year ended 31 December 2022[1]

Net interest income for the quarter was $479m, an increase of $156m or 48%, and $1,634m for the year, an increase of $408m or 33%. This was due to the impact of the central bank rate increases in the year and our balance sheet growth across all businesses, with average loan and advances to customers increasing by 12%.

Net fee income was $192m, a decrease of $13m or 6.3% for the quarter. The decrease in fee income was mainly driven by lower underwriting fees in Global Banking and lower fees on investment funds under management in Wealth and Personal Banking largely due to challenging market conditions. These decreases were partly offset by increased net fee income as card and transaction activity grew in both Wealth and Personal Banking, and Commercial Banking, coupled with higher volumes of bankers' acceptances in Commercial Banking.

For the year, net fee income was $779m, a decrease of $15m or 1.9% driven mainly by lower advisory and underwriting fees in Global Banking largely due to challenging market conditions. This was partly offset by increased net fee income as card and transaction activity grew in both Wealth and Personal Banking, and Commercial Banking, coupled with higher remittance fees and volumes of bankers' acceptances in Commercial Banking.

Net income from financial instruments held for trading for the quarter was $33m, an increase of $5m or 18%. The increase was mainly driven by higher net interest income from trading activities in our online brokerage business due to the higher interest rate environment. This was partly offset by lower income from trading activities. Net income from financial instruments held for trading was $99m for the year, a decrease of $13m or 12%. The decrease was driven by lower trading activity coupled with an adverse movement in the value of a loan syndication facility. These decreases were partly offset by higher net interest income from trading activities in our online brokerage business due to the higher interest rate environment.

Other items of income for the quarter were $10m, a decrease of $13m or 57%, and $36m for the year, a decrease of $47m or 57%. The decrease was driven by lower gains from financial investments from re-balancing the bank's liquid asset portfolio.

ECL for the quarter was a charge of $28m primarily driven by the continued adverse movement in forward-looking macro-economic variables in performing loans, in addition to a net charge in non-performing loans. The charge of $8m in the prior year's quarter was primarily driven by an impairment charge from a performing loan that was partly offset by releases from non-performing loans in the energy sector.

ECL for the year was a charge of $110m driven by a significant charge in expected credit losses for a material stage 3 loan that was written-off in the first half of 2022. Change in expected credit losses for performing loans resulted in a net charge driven by adverse movement in forward-looking macro-economic variables in the last nine months of 2022, partly offset by a release in performing loans mainly from COVID-19 related allowances in the first quarter. The release of $45m in 2021 was primarly driven by improvement in the forward-looking macro-economic variables.

Total operating expenses for the quarter were $394m, an increase of $50m or 15%, and $1,358m for the year, an increase of $50m or 3.8%. The increases were mainly due to the re-assessment of the useful life and impairment of intangible assets as a consequence of the agreed sale of HSBC Bank Canada[2] and continued investments to grow our business and support regulatory projects. These increases were partly offset by lower expenses as a result of costs incurred in the prior year to move to hybrid working.

Income tax expense: the effective tax rate for the quarter was 26.7%, compared with 17.6% in the same period in the prior year. The difference in the effective tax rate was primarily due to a decrease in our tax provision in the fourth quarter of 2021. The effective tax rate for the year was 26.7%, compared with 24.7% for 2021. The tax rate for both the current quarter and year is effectively the bank's statutory tax rate, adjusted for incremental tax liabilities.

1. *For the quarter and year ended 31 December 2022 compared with the same periods in the prior year (unless otherwise stated).*
2. *On 29 November 2022, HSBC Group announced an agreement to sell its 100% equity stake in HSBC Bank Canada to Royal Bank of Canada ('RBC'). For further information, refer to 'Agreed sale of HSBC Bank Canada' section of this document.*

Movement in financial position

Assets

Total assets at 31 December 2022 were $128.3bn, an increase of $8.4bn or 7.0% from 31 December 2021. This was mainly due to an increase in financial investments of $8.4bn and higher loans and advances of $4.8bn as volumes to customers increased by 9% mainly from commercial loans and residential mortgages. Higher derivatives of $3.4bn, higher volumes in trading assets of $1.4bn and an increase in other assets of $1.4bn in settlement balances to facilitate client trades also contributed to the increase. These increases were partly offset by reduced cash balances at central bank of $7.6bn and lower reverse repurchase agreements of $3.1bn, as we supported growth in other asset classes.

Liabilities

Total liabilities at 31 December 2022 were $122.4bn, an increase of $9.4bn or 8.3% from 31 December 2021. The increase was primarily from deposit growth in Commercial Banking and Wealth and Personal Banking which contributed to an increase of $8.6bn or 12% in customer accounts. The increases in derivatives, trading liabilities and other liabilities correspond with the movement in derivative assets, trading assets and other assets. These increases were partly offset by lower repurchase agreements of $3.6bn which correspond with the movement in the asset class, reverse repurchase agreements.

Equity

Total equity at 31 December 2022 was $5.9bn, a decrease $1.0bn or 14%, from 31 December 2021. Profits after tax of $0.8bn generated for the year were offset by net losses through other comprehensive income ('OCI') of $0.7bn. The net losses in OCI included adverse movements of $0.5bn on cash flow hedges and $0.2bn on debt instruments at fair value through other comprehensive income as a result of the upward shift in the yield curve. The decrease in equity was also impacted by $0.6bn return of common share capital to the parent, and $0.4bn of dividends on common shares declared in the period.

Overall, the bank is positively exposed to rising interest rates through net interest income, although there is an impact on our capital base due to negative changes in fair values of held to collect and sell financial instruments and derivatives designated in cash flow hedges which are recorded in other comprehensive income.

Over time, these forward-looking adverse movements are expected to unwind as the instruments reach maturity, although not all will necessarily be held to maturity. Negative fair value changes on cash flow hedges are expected to be offset by higher interest income on hedged risks if interest rates remain around current levels. The negative fair value will decrease with a reduction in interest rates or as the instruments near maturity.

Dividends

Dividends declared in 2022

During the year, the bank declared $51m in dividends on all series of HSBC Bank Canada Class 1 preferred shares and paid such dividends in accordance with their terms. The bank also declared and paid $380m in dividends on HSBC Bank Canada common shares during the first three quarters of 2022. No dividends were declared or paid on HSBC Bank Canada common shares during the fourth quarter of 2022.

Dividends declared in 2023

On 14 February 2023, the bank declared regular quarterly dividends for the first quarter of 2023 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 2023 or the first business day thereafter to the shareholder of record on 15 March 2023.

As the quarterly dividends on preferred shares for the first quarter of 2023 were declared after 31 December 2022, the amounts have not been included in the balance sheet of the bank as a liability. At this time, no dividends have been declared on HSBC Bank Canada common shares during the first quarter of 2023.

Business performance for the year ended 31 December 2022[1]

Commercial Banking ('CMB')

Profit before income tax for the quarter was $185m, an increase of $15m or 8.8% compared with the same period in the prior year. Profit before income tax for the year was $713m, up $32m or 4.7%. This was primarily due to higher operating income partly offset by an unfavourable change in expected credit losses.

Total operating income was $316m for the quarter, an increase of $36m or 13% compared with the same period in the prior year. Total operating income was $1.2bn for the year, an increase of $156m or 15%. CMB has maintained positive momentum in 2022 with loans and acceptances increasing by $5bn or 16% in the year and higher deposit balances of 9.7% compared to 2021. Net interest income has improved due to the impact of the central bank rate increases in the year and higher volumes. Non-interest income has similarly improved with higher volumes of bankers' acceptances, increased activity in corporate credit cards and in domestic and international payments.

Wealth and Personal Banking ('WPB')

We had record[2] profit before income tax expense for the quarter and year. Profit before income tax for the quarter was $106m, an increase of $73m or 221% compared with the same period in the prior year. Profit before income tax for the year was $314m, an increase of $138m or 78%. The increase was due to higher operating income as noted below and lower operating expenses, partly offset by an increase in expected credit losses.

Total operating income for the quarter was $291m, an increase of $76m or 35% compared with the same period in the prior year. For the year, WPB delivered record[2] operating income of $1.0bn, an increase of $167m or 20%. The increase was driven by volume growth in lending and deposit balances and improved margins as a result of the central bank rate increases. For the year, the increase in total operating income was partly offset by lower treasury-related income.

Global Banking ('GB')

Profit before income tax for the quarter was $61m, an increase of $27m or 79% compared with the same period in the prior year. The increase was primarily driven by the increase in operating income described below. Profit before income tax for the year was $131m, a decrease of $12m or 8.4%. The decrease was driven mainly by an unfavourable change in expected credit losses. A slight increase in expenses is offset by higher total operating income, as noted below.

Total operating income for the quarter was $79m, an increase of $26m or 49% compared with the same period in the prior year. Total operating income for the year was $223m, an increase of $3m or 1.4%. Growth in transaction banking activities was strong, due in part to higher spreads and volume. This was offset by lower revenues from capital market and advisory fees, largely due to the challenging market conditions and elevated prior year performance. For the year, the decrease was also impacted by the adverse movement in the value of a syndicated loan facility during the second quarter of 2022.

Markets and Securities Services ('MSS')

Profit before income tax for the quarter was $9m, an increase of $2m or 29%, and $53m for the year, up $15m or 39% mainly due to higher net interest income.

Total operating income for the quarter was $21m, a decrease of $1m or 4.5% mainly due to lower trading activities. Total operating income for the year was $104m, up $14m or 16% mainly as a result of the central bank rate increases in the year.

Corporate Centre[3]

Profit before income tax for the quarter was a loss of $69m and $131m for the year. This resulted in a decrease in profit before tax of $52m and $45m, respectively for the quarter and the year. This was mainly due to an increase in operating expenses as a result of the re-assessment of the useful life and impairment of intangible assets as a consequence of the agreed sale of HSBC Bank Canada, as well as continued investments to support the business. These increases in expenses were partly offset by a decrease in expenses as a result of costs incurred in the prior year to move to hybrid working. Lower operating income also contributed to the decrease.

1. *For the year ended 31 December 2022 compared with the same period in the prior year (unless otherwise stated).*
2. *Record year since inception of WPB (previously RBWM) as a single global business in 2011.*
3. *Corporate Centre is not an operating segment of the bank. The numbers included above provide a reconciliation between operating segments and the entity results.*

Agreed sale of HSBC Bank Canada[1]

On 29 November 2022, the HSBC Group announced an agreement to sell its 100% equity stake in HSBC Bank Canada (and its subsidiaries) as well as subordinated debt held by the HSBC Group to Royal Bank of Canada (‘RBC’) for a purchase price of $13.5bn. Subject to regulatory and governmental review and approval, the sale is expected to be completed by late 2023.

There will be a transition period to effectively integrate the operations of HSBC Bank Canada into RBC and we remain committed to meeting our clients’ banking needs during this time.

The sale agreement follows a strategic review of HSBC Bank Canada by the HSBC Group. The review considered HSBC Bank Canada’s relatively low market share and the Group’s ability to invest in HSBC Bank Canada’s expansion and growth in the context of opportunities in other markets, and concluded that the best course of action strategically for the HSBC Group and HSBC Bank Canada was to sell the business.

1. *HSBC Bank Canada and its subsidiary undertakings is an indirectly wholly-owned subsidiary of HSBC Holdings plc (‘the parent’, ‘HSBC Holdings’). HSBC Group means the parent and its subsidiary companies.*

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 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 customers' 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.

Ratio of customer advances to customer accounts is calculated as loans and advances to customers as a percentage of customer accounts.

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 2022	31 Dec 2021	**31 Dec 2022**	31 Dec 2021
Financial performance for the period				
Total operating income	**714**	579	**2,548**	2,215
Profit before income tax expense	**292**	227	**1,080**	952
Profit attributable to the common shareholder	**199**	176	**741**	672
Change in expected credit losses and other credit impairment charges - (charge)/release	**(28)**	(8)	**(110)**	45
Operating expenses	**(394)**	(344)	**(1,358)**	(1,308)
Basic and diluted earnings per common share ($)	**0.36**	0.32	**1.35**	1.22
Financial ratios %[1]				
Return on average common shareholder’s equity	**16.7**	12.1	**15.0**	11.7
Return on average risk-weighted assets	**2.6**	2.3	**2.5**	2.4
Cost efficiency ratio	**55.2**	59.4	**53.3**	59.1
Operating leverage ratio	**8.8**	(6.0)	**11.2**	8.3
Net interest margin	**1.70**	1.18	**1.50**	1.19
Change in expected credit losses to average gross loans and advances and acceptances[2]	**0.14**	0.04	**0.14**	n/a
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances[2]	**0.05**	n/a	**0.12**	0.04
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances	**26.8**	37.1	**26.8**	37.1
Net write-offs as a percentage of average loans and advances and acceptances	**0.05**	0.09	**0.19**	0.09

Financial and capital measures

	At	
	31 Dec 2022	31 Dec 2021
Financial position at period end		
Total assets	**128,302**	119,853
Loans and advances to customers	**74,862**	68,699
Customer accounts	**82,253**	73,626
Ratio of customer advances to customer accounts (%)[1]	**91.0**	93.3
Common shareholder's equity	**4,818**	5,776
Capital, leverage and liquidity measures		
Common equity tier 1 capital ratio (%)[3]	**11.6**	14.0
Tier 1 ratio (%)[3]	**14.1**	16.8
Total capital ratio (%)[3]	**16.4**	19.3
Leverage ratio (%)[3]	**4.7**	5.8
Risk-weighted assets ($m)[3]	**44,656**	39,836
Liquidity coverage ratio (%)[4]	**164**	147

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 $m, except per share amounts)	Quarter ended		Year ended	
	31 Dec 2022	31 Dec 2021	**31 Dec 2022**	31 Dec 2021
Interest income	**1,184**	465	**3,219**	1,813
Interest expense	**(705)**	(142)	**(1,585)**	(587)
Net interest income	**479**	323	**1,634**	1,226
Fee income	**222**	231	**891**	902
Fee expense	**(30)**	(26)	**(112)**	(108)
Net fee income	**192**	205	**779**	794
Net income from financial instruments held for trading	**33**	28	**99**	112
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**(1)**	1	**(2)**	5
Gains less losses from financial investments	**—**	8	**2**	43
Other operating income	**11**	14	**36**	35
Total operating income	**714**	579	**2,548**	2,215
Change in expected credit losses and other credit impairment charges - (charge)/release	**(28)**	(8)	**(110)**	45
Net operating income	**686**	571	**2,438**	2,260
Employee compensation and benefits	**(156)**	(148)	**(607)**	(604)
General and administrative expenses	**(174)**	(165)	**(600)**	(570)
Depreciation of property, plant and equipment	**(14)**	(17)	**(63)**	(81)
Amortization and impairment of intangible assets	**(50)**	(14)	**(88)**	(53)
Total operating expenses	**(394)**	(344)	**(1,358)**	(1,308)
Profit before income tax expense	**292**	227	**1,080**	952
Income tax expense	**(78)**	(40)	**(288)**	(235)
Profit for the period	**214**	187	**792**	717
Profit attributable to the common shareholder	**199**	176	**741**	672
Profit attributable to the preferred shareholder	**15**	11	**51**	45
Profit attributable to shareholders	**214**	187	**792**	717
Average number of common shares outstanding (000's)	**548,668**	548,668	**548,668**	548,668
Basic and diluted earnings per common share ($)	**$ 0.36**	$ 0.32	**$ 1.35**	$ 1.22

(Figures in $m)	At	
	31 Dec 2022	31 Dec 2021
ASSETS		
Cash and balances at central banks	**6,326**	13,955
Items in the course of collection from other banks	**9**	9
Trading assets	**4,296**	2,907
Other financial assets mandatorily measured at fair value through profit or loss	**18**	18
Derivatives	**6,220**	2,773
Loans and advances to banks	**344**	1,659
Loans and advances to customers	**74,862**	68,699
Reverse repurchase agreements – non-trading	**6,003**	9,058
Financial investments	**23,400**	14,969
Other assets	**2,591**	1,377
Prepayments and accrued income	**351**	186
Customers' liability under acceptances	**3,147**	3,548
Current tax assets	**172**	148
Property, plant and equipment	**332**	263
Goodwill and intangible assets	**160**	181
Deferred tax assets	**71**	103
Total assets	**128,302**	119,853
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**712**	1,313
Customer accounts	**82,253**	73,626
Repurchase agreements – non-trading	**4,435**	8,044
Items in the course of transmission to other banks	**227**	253
Trading liabilities	**3,732**	3,598
Derivatives	**6,575**	2,978
Debt securities in issue	**15,735**	14,339
Other liabilities	**3,577**	3,517
Acceptances	**3,156**	3,556
Accruals and deferred income	**713**	401
Retirement benefit liabilities	**203**	267
Subordinated liabilities	**1,011**	1,011
Provisions	**54**	74
Deferred tax liability	**1**	—
Total liabilities	**122,384**	112,977
Equity		
Common shares	**1,125**	1,725
Preferred shares	**1,100**	1,100
Other reserves	**(786)**	(23)
Retained earnings	**4,479**	4,074
Total equity	**5,918**	6,876
Total liabilities and equity	**128,302**	119,853

(Figures in $m)	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Profit before tax	**1,080**	952
Adjustments for:		
– non-cash items included in profit before tax	**277**	107
Changes in operating assets and liabilities		
– change in operating assets	**(9,051)**	(5,963)
– change in operating liabilities	**5,789**	3,549
– tax paid	**(27)**	(276)
Net cash from operating activities	**(1,932)**	(1,631)
Purchase of financial investments	**(10,747)**	(4,645)
Proceeds from the sale and maturity of financial investments	**2,008**	9,378
Purchase of intangibles and property, plant and equipment	**(117)**	(96)
Net cash from investing activities	**(8,856)**	4,637
Dividends paid to shareholder	**(416)**	(480)
Return of capital to parent	**(600)**	—
Lease principal payments	**(48)**	(46)
Net cash from financing activities	**(1,064)**	(526)
Net increase in cash and cash equivalents	**(11,852)**	2,480
Cash and cash equivalents at 1 Jan	**19,759**	17,279
Cash and cash equivalents at 31 Dec	**7,907**	19,759
Interest		
Interest paid	**(1,250)**	(734)
Interest received	**3,056**	1,836

(Figures in $m)	Quarter ended		Year ended	
	31 Dec 2022	31 Dec 2021	**31 Dec 2022**	31 Dec 2021
Commercial Banking				
Net interest income	**190**	160	**712**	581
Non-interest income	**126**	120	**485**	460
Total operating income	**316**	280	**1,197**	1,041
Change in expected credit losses - (charge)/release	**(22)**	(8)	**(73)**	29
Net operating income	**294**	272	**1,124**	1,070
Total operating expenses	**(109)**	(102)	**(411)**	(389)
Profit before income tax expense	**185**	170	**713**	681
Wealth and Personal Banking				
Net interest income	**210**	128	**709**	523
Non-interest income	**81**	87	**301**	320
Total operating income	**291**	215	**1,010**	843
Change in expected credit losses - (charge)/release	**(11)**	(5)	**(33)**	7
Net operating income	**280**	210	**977**	850
Total operating expenses	**(174)**	(177)	**(663)**	(674)
Profit before income tax expense	**106**	33	**314**	176
Global Banking				
Net interest income	**61**	22	**160**	92
Non-interest income	**18**	31	**63**	128
Total operating income	**79**	53	**223**	220
Change in expected credit losses - release/(charge)	**5**	5	**(4)**	9
Net operating income	**84**	58	**219**	229
Total operating expenses	**(23)**	(24)	**(88)**	(86)
Profit before income tax expense	**61**	34	**131**	143
Markets and Securities Services				
Net interest income	**18**	7	**49**	24
Non-interest income	**3**	15	**55**	66
Total operating income	**21**	22	**104**	90
Total operating expenses	**(12)**	(15)	**(51)**	(52)
Profit before income tax expense	**9**	7	**53**	38
Corporate Centre[1]				
Net interest income	**—**	6	**4**	6
Non-interest income	**7**	3	**10**	15
Net operating income	**7**	9	**14**	21
Total operating expenses	**(76)**	(26)	**(145)**	(107)
Profit before income/(loss) tax expense	**(69)**	(17)	**(131)**	(86)

1. *Corporate Centre is not an operating segment of the bank. The numbers included above provide a reconciliation between operating segments and the entity results.*

About HSBC Bank Canada

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, is the leading international bank in the country. We help companies and individuals across Canada to do business and manage their finances here and internationally through four businesses: Commercial Banking, Wealth and Personal Banking, Global Banking, and Markets and Securities Services.

HSBC Holdings plc, the parent company of HSBC Bank Canada, is headquartered in London, United Kingdom. HSBC serves customers worldwide from offices in 62 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US$2,967bn at 31 December 2022, HSBC is one of the world's largest banking and financial services organizations.

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

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Caution regarding forward-looking statements

This document contains forward-looking information, including statements regarding the business and anticipated actions of the bank. These statements can be identified by the fact that they do not pertain strictly to historical or current facts. Forward-looking statements often include words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words and terms of similar substance in connection with discussions of future operating or financial performance. By their very nature, these statements require us to make a number of assumptions and are subject to a number of inherent risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. We caution you to not place undue reliance on these statements as a number of risk factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. The 'Risk' section in the Management's Discussion and Analysis in our Annual Report and Accounts 2022 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 interest rate risk), market risk, resilience risk, climate risk (inclusive of transition and physical risk impacts), 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, inflation, 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, interbank offered rate ('IBOR') and Canadian Dollar Offered Rate ('CDOR') 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. Furthermore, HSBC Group announced an agreement to sell its 100% equity stake in HSBC Bank Canada (and its subsidiaries) as well as subordinated debt held by HSBC Group to Royal Bank of

Canada ('RBC'). Subject to regulatory and governmental review and approval, the sale is expected to be completed by late 2023. Risks relating to the effective migration and transition of HSBC Bank Canada's customers, data, systems, processes and people to RBC will be managed through our established risk management programs and processes. 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 the highly competitive and active employment market continues to prove challenging. 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, terrorist acts and geopolitical events. Refer to the 'Factors that may affect future results' section of the Management's Discussion and Analysis in our Annual Report and Accounts 2022 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.