HSBC

News Release

31 July 2022

HSBC BANK CANADA
SECOND QUARTER 2022 RESULTS

Building on momentum with strong revenue growth

Linda Seymour, President and Chief Executive Officer of HSBC Bank Canada[1], said:

"We reached our highest quarterly total operating income in a decade with increases in three of our four businesses for the quarter and half-year. While central bank rate increases had a positive impact, the more important story is new business and higher transaction volumes across all our business lines. Our long term growth strategy is unchanged while we continue to manage our business prudently and with a careful eye on near term economic indicators.

"I appreciate the clear vote of confidence from the many long term and new clients who have trusted us to help them fulfil their ambitions in challenging times, and the way our team has consistently shown we are there for them. We are building a sustainable business model which will position us and our clients for long term success. No matter where in the world those ambitions take them – whether they need local solutions, global connections or support on their transition to a low carbon economy – we are uniquely qualified to help them."

Highlights[2] financial performance (1H22 vs 1H21)

- **Total operating income was $1,169m, up 8.6%** with balance sheet growth, increases in the central bank rate and increased client activity while trading income was down.
- **Profit before income tax expense was $490m, nominally down $1m or 0.2%.** The decrease was largely due to a significant charge in the change in expected credit losses ('ECL') for stage 3 loans from a material aviation loan offset by strong operating income.
- **All business segments were profitable.**
- **ECL was a charge of $40m,** compared to a release of $56m in the prior year. ECL was primarily driven by the significant charge noted above, coupled with a charge in performing loans driven by an adverse shift in forward-looking macro-economic variables reflecting inflationary pressures and supply chain disruption. This was partly offset by a release in performing loans from COVID-19 related allowances in the first quarter.
- **Total operating expenses were down by $2m or 0.3%** as we continue to prudently manage our costs despite inflationary pressures while strategically making investments to grow our business.
- **Total assets were $125.0bn, up $5.2bn or 4.3%.**
- **Common equity tier 1 capital ratio[3] of 11.1%, down 290 bps** from 2021 of 14.0%.
- **Return on average common equity[4] of 13.3%, up 140 bps** from 2021 of 11.9%.

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

- **Profit before income tax expense was $198m, down $61m or 24%.** The decrease was largely due to a significant charge in ECL for stage 3 loans from a material aviation loan, coupled with a charge in performing loans driven by an adverse shift in forward-looking macro-economic variables. Operating income remains strong at $599m, up 9.5%. Total operating expenses were down by $9m or 2.7%.

1. *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 document, HSBC Holdings is defined as the 'HSBC Group' or the 'Group'.*
2. *For the quarter and half-year ended 30 June 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. *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, and 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. *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 second quarter ended 30 June 2022[1]

Net interest income for the quarter was $369m, an increase of $63m or 21%, and $706m for the half-year, an increase of $118m or 20%. This was a result of balance sheet growth across all businesses and the impact of the central bank rate increases in the year.

Net fee income was $196m, flat for the quarter, and $393m for the half-year, an increase of $1m or 0.3%. Net fee income increased as card and transaction activity grew in both Wealth and Personal Banking, and Commercial Banking, average investment funds under management increased in Wealth and Personal Banking, and volumes of banker's acceptances increased in Commercial Banking. These increases were partly offset by lower advisory fees in Global Banking as a result of the prior year's elevated performance and the timing of transactions in the current year.

Net income from financial instruments held for trading for the quarter was $24m, a decrease of $4m or 14%. The decrease was mainly driven by an adverse movement in the value of loan syndication facilities, partly offset by higher net interest income from trading activities due to the higher interest rate environment and favourable movement in credit and funding fair value adjustments. Net income from financial instruments held for trading was $51m for the half-year, a decrease of $7m or 12%. The decrease was driven by the same factors as described above in the second quarter, coupled with an unfavourable change in hedge ineffectiveness.

Other items of income for the quarter were $10m, a decrease of $7m or 41%, and $19m for the half-year, a decrease of $19m or 50%. The decreases were driven by lower gains on the disposal of financial investments from re-balancing the bank's liquid asset portfolio.

The change in ECL for the second quarter of 2022 resulted in a charge of $82m, compared to a release of $40m for the same period in the prior year. The charge for the quarter was primarily driven by a significant charge in ECL for stage 3 loans from an aviation loan that was written-off as a result of further adverse developments. ECL for performing loans also resulted in a charge driven by an adverse shift in forward-looking macro-economic variables mainly related to inflationary pressures and supply-chain disruption caused by the pandemic and the Russian invasion of Ukraine. In 2021, the release was primarily driven by the improvement in forward-looking macro-economic variables in performing loans at that time.

ECL for the half-year resulted in a charge of $40m compared to a release of $56m in the same period in the prior year. The charge for the half-year was driven by a significant charge in ECL for stage 3 loans as a result of a material aviation loan that was written-off during the second quarter of 2022 after further adverse developments. ECL for performing loans resulted in a release in performing loans mainly from COVID-19 related allowances in the first quarter, supported by a relative improvement in macro-economic variables in four of the scenarios used to estimate ECL. This was partly offset by a charge in the second quarter in performing loans driven by an adverse shift in forward-looking macro-economic variables reflecting the effects of inflationary pressures and supply-chain disruption caused by the pandemic and the Russian invasion of Ukraine. In 2021, the release was primarily driven by the improvement in forward-looking macro-economic variables at that time related to performing loans, partly offset by impairment charges from non-performing loans in the energy and wholesale foods sectors.

Total operating expenses for the quarter were $319m, a decrease of $9m or 2.7% and for the half-year were $639m, a decrease of $2m or 0.3%. The decrease in expenses were primarily a result of costs incurred in the prior year to move to hybrid working. In the face of inflationary pressures, we continued to prudently manage costs while strategically making investments to grow our business and support regulatory projects.

Income tax expense: the effective tax rate for the second quarter of 2022 was 26.7%. As the statutory tax rate was 26.5%, there has been a nominal increase in tax liabilities. The effective tax rate for the second quarter of 2021 was 26.8%.

1. *For the quarter and half-year ended 30 June 2022 compared with the same periods in the prior year (unless otherwise stated).*

Dividends

Dividends declared in the second quarter 2022

During the second quarter of 2022, the bank declared regular quarterly dividends of $12m for the second quarter of 2022 on all series of outstanding HSBC Bank Canada Class 1 preferred shares and a first interim dividend of $90m on HSBC Bank Canada common shares in respect of the financial year ending 31 December 2022.

Dividends declared in the third quarter 2022

On 22 July 2022, the bank declared regular quarterly dividends for the third quarter of 2022 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 September 2022 or the first business day thereafter to the shareholder of record on 15 September 2022.

On 22 July 2022, the bank also declared a second interim dividend of $90m on HSBC Bank Canada common shares in respect of the financial year ending 31 December 2022, which will be paid on or before 30 September 2022 to the shareholder of record on 22 July 2022.

As the quarterly dividends on preferred shares for the third quarter of 2022 and the second interim dividend on common shares for 2022 were declared after 30 June 2022, the amounts have not been included in the balance sheet as a liability.

Business performance in the second quarter ended 30 June 2022[1]

Commercial Banking ('CMB')

Total operating income for the quarter was $293m, an increase of $39m or 15%. Total operating income for the half-year was $573m, an increase of $80m or 16%. CMB has maintained positive momentum in 2022 with loans and acceptances increasing by $3.9bn in the first six months and higher deposit balances compared to the second quarter of 2021. Net interest income has improved as a result of higher volumes and the impact of the central bank rate increases in the year. Non-interest income has similarly improved with higher volumes of bankers' acceptances, increased activity in corporate credit cards and in domestic and international payments.

Our ambition is to maintain our leadership position as the preferred international financial partner for our clients and to continue to support their plans to 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 deepen client relationships with our award-winning transaction banking capabilities and to support our clients with both their domestic and cross-border banking requirements. With this continued focus, we won Euromoney's Trade Finance Market Leader and Best Service Awards in Canada in the first quarter of 2022.

Profit before income tax expense for the quarter was $116m, a decrease of $75m or 39%. Profit before income tax for the half-year was $333m, a decrease of $9m or 2.6%. This was primarily due to an unfavourable ECL and higher operating expenses as we strategically make investments to grow our business. These were partly offset by higher operating income.

Wealth and Personal Banking ('WPB')

Total operating income for the quarter was $232m, an increase of $23m or 11%. Total operating income for the half-year was $449m, an increase of $33m or 7.9%. The increases were driven by strong volume growth in lending and deposit balances and improved margins as a result of the central bank rate increases, partly offset by lower treasury-related income.

We continued to grow our client base, with strategic focus on international clients, as we offer market competitive products to meet our clients' needs. We also continue to invest in our acquisition and distribution channels and digital enhancements to improve the client experience. As a result of our enhancements, we were recognized by Cosmopolitan The Daily for the Best International Onboarding Experience and Best Small Business Bank in Canada.

We had record[2] profit before income tax expense for the half-year. Profit before income tax expense for the quarter was $65m, an increase of $11m or 20%. Profit before income tax for the half-year was $125m, an increase of $34m or 37%. This was primarily due to higher operating income, partly offset by an increase in ECL.

Global Banking ('GB')[3]

Total operating income for the quarter was $39m, a decrease of $13m or 25%. Total operating income for the half-year was $86m, a decrease of $26m or 23%. We continued to build on a strong pipeline in the first half of 2022. However, the prior year's elevated performance and the timing of transactions in the current year contributed to a decrease in advisory fees. The decrease in operating income was also impacted by the adverse movement in the value of a loan syndication facility, partly offset by improved performance in the transaction banking portfolio and improved margins from the central bank rate increases in the first half of 2022.

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 expense for the quarter was $15m, a decrease of $24m or 62%. Profit before income tax expense for the half-year was $38m, a decrease of $50m or 57%. This was driven mainly by a decrease in non-interest income and an unfavourable change in ECL, partly offset by an increase in net interest income.

Markets and Securities Services ('MSS')[3]

Total operating income for the quarter was $31m, an increase of $7m or 29%. Total operating income for the half-year was $57m, an increase of $12m or 27%. The increase was a result of the central bank rate increases in the first and second quarter, as well as higher foreign exchange trading income.

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 expense for the quarter was $18m, an increase of $8m or 80%. Profit before income tax expense for the half-year was $31m, an increase of $12m or 63%. This was mainly due to higher operating income and lower operating expenses.

Corporate Centre[4]

Profit before income tax expense for the quarter was a loss of $16m, an improvement from a loss of $35m for the same period in the prior year. Profit before income tax for the half-year was a loss of $37m, an improvement from a loss of $49m for the same period in the prior year. This was mainly due to a decrease in operating expenses as a result of costs incurred in the prior year to move to hybrid working, partly offset by lower non-interest income.

1. *For the quarter and half-year ended 30 June 2022 compared with the same periods in the prior year (unless otherwise stated).*
2. *Record for the six months since inception of WPB as a single global business in 2011.*
3. *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 period presentation.*
4. *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. The following supplementary 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 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 annualized 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		Half-year ended	
	30 Jun 2022	30 Jun 2021	**30 Jun 2022**	30 Jun 2021
Financial performance for the period				
Total operating income	**599**	547	**1,169**	1,076
Profit before income tax expense	**198**	259	**490**	491
Profit attributable to the common shareholder	**133**	179	**336**	337
Change in expected credit losses and other credit impairment charges - (charge)/release	**(82)**	40	**(40)**	56
Operating expenses	**(319)**	(328)	**(639)**	(641)
Basic and diluted earnings per common share ($)	**0.24**	0.32	**0.61**	0.61
Financial ratios %[1]				
Return on average common shareholder's equity	**11.2**	12.6	**13.3**	11.9
Return on average risk-weighted assets	**1.9**	2.6	**2.4**	2.5
Cost efficiency ratio	**53.3**	60.0	**54.7**	59.6
Operating leverage ratio	**12.3**	1.1	**9.0**	1.1
Net interest margin	**1.37**	1.24	**1.32**	1.18
Change in expected credit losses to average gross loans and advances and acceptances[2]	**0.43**	n/a	**0.11**	n/a
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances	**0.35**	0.02	**0.18**	0.07
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances	**27.9**	38.5	**27.9**	38.5
Net write-offs as a percentage of average loans and advances and acceptances	**0.67**	0.12	**0.35**	0.09

Financial and capital measures

	At	
	30 Jun 2022	31 Dec 2021
Financial position at period end		
Total assets	**125,037**	119,853
Loans and advances to customers	**74,326**	68,699
Customer accounts	**75,260**	73,626
Ratio of customer advances to customer accounts (%)[1]	**98.8**	93.3
Common shareholder's equity	**4,667**	5,776
Capital, leverage and liquidity measures		
Common equity tier 1 capital ratio (%)[3]	**11.1**	14.0
Tier 1 ratio (%)[3]	**13.6**	16.8
Total capital ratio (%)[3]	**15.9**	19.3
Leverage ratio (%)[3]	**4.5**	5.8
Risk-weighted assets ($m)[3]	**43,222**	39,836
Liquidity coverage ratio (%)[4]	**141**	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, and 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 $m, except per share amounts)	Quarter ended		Half-year ended	
	30 Jun 2022	30 Jun 2021	**30 Jun 2022**	30 Jun 2021
Interest income	**630**	446	**1,101**	897
Interest expense	**(261)**	(140)	**(395)**	(309)
Net interest income	**369**	306	**706**	588
Fee income	**224**	221	**446**	446
Fee expense	**(28)**	(25)	**(53)**	(54)
Net fee income	**196**	196	**393**	392
Net income from financial instruments held for trading	**24**	28	**51**	58
Changes in fair value of other financial instruments mandatorily measured at fair value through profit and loss	**(1)**	3	**(1)**	3
Gains less losses from financial investments	**—**	7	**2**	22
Other operating income	**11**	7	**18**	13
Total operating income	**599**	547	**1,169**	1,076
Change in expected credit losses and other credit impairment charges - (charge)/release	**(82)**	40	**(40)**	56
Net operating income	**517**	587	**1,129**	1,132
Employee compensation and benefits	**(152)**	(152)	**(303)**	(311)
General and administrative expenses	**(138)**	(127)	**(280)**	(255)
Depreciation and impairment of property, plant and equipment	**(16)**	(30)	**(31)**	(47)
Amortization and impairment of intangible assets	**(13)**	(19)	**(25)**	(28)
Total operating expenses	**(319)**	(328)	**(639)**	(641)
Profit before income tax expense	**198**	259	**490**	491
Income tax expense	**(53)**	(69)	**(131)**	(132)
Profit for the period	**145**	190	**359**	359
Profit attributable to the common shareholder	**133**	179	**336**	337
Profit attributable to the preferred shareholder	**12**	11	**23**	22
Profit attributable to shareholder	**145**	190	**359**	359
Average number of common shares outstanding (000's)	**548,668**	548,668	**548,668**	548,668
Basic and diluted earnings per common share ($)	**0.24**	0.32	**0.61**	0.61

(Figures in $m)	At 30 Jun 2022	At 31 Dec 2021
ASSETS		
Cash and balances at central bank	**5,172**	13,955
Items in the course of collection from other banks	**16**	9
Trading assets	**5,154**	2,907
Other financial assets mandatorily measured at fair value through profit or loss	**19**	18
Derivatives	**4,836**	2,773
Loans and advances to banks	**517**	1,659
Loans and advances to customers	**74,326**	68,699
Reverse repurchase agreements – non-trading	**6,992**	9,058
Financial investments	**20,385**	14,969
Other assets	**3,448**	1,377
Prepayments and accrued income	**246**	186
Customers’ liability under acceptances	**3,073**	3,548
Current tax assets	**257**	148
Property, plant and equipment	**328**	263
Goodwill and intangible assets	**188**	181
Deferred tax assets	**80**	103
Total assets	**125,037**	119,853
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	**495**	1,313
Customer accounts	**75,260**	73,626
Repurchase agreements – non-trading	**7,327**	8,044
Items in the course of transmission to other banks	**441**	253
Trading liabilities	**3,585**	3,598
Derivatives	**5,326**	2,978
Debt securities in issue	**16,833**	14,339
Other liabilities	**5,272**	3,517
Acceptances	**3,081**	3,556
Accruals and deferred income	**381**	401
Retirement benefit liabilities	**209**	267
Subordinated liabilities	**1,011**	1,011
Provisions	**49**	74
Total liabilities	**119,270**	112,977
Equity		
Common shares	**1,125**	1,725
Preferred shares	**1,100**	1,100
Other reserves	**(618)**	(23)
Retained earnings	**4,160**	4,074
Total shareholder's equity	**5,767**	6,876
Total liabilities and equity	**125,037**	119,853

(Figures in $m)	Quarter ended		Half-year ended	
	30 Jun 2022	30 Jun 2021	**30 Jun 2022**	30 Jun 2021
Commercial Banking				
Net interest income	**173**	142	**335**	269
Non-interest income	**120**	112	**238**	224
Total operating income	**293**	254	**573**	493
Change in expected credit losses charges - (charge)/release	**(77)**	28	**(37)**	36
Net operating income	**216**	282	**536**	529
Total operating expenses	**(100)**	(91)	**(203)**	(187)
Profit before income tax expense	**116**	191	**333**	342
Wealth and Personal Banking				
Net interest income	**156**	134	**297**	262
Non-interest income	**76**	75	**152**	154
Total operating income	**232**	209	**449**	416
Change in expected credit losses charges - (charge)/release	**(4)**	7	**—**	4
Net operating income	**228**	216	**449**	420
Total operating expenses	**(163)**	(162)	**(324)**	(329)
Profit before income tax expense	**65**	54	**125**	91
Global Banking[1]				
Net interest income	**29**	23	**54**	45
Non-interest income	**10**	29	**32**	67
Total operating income	**39**	52	**86**	112
Change in expected credit losses charges - (charge)/release	**(1)**	5	**(3)**	16
Net operating income	**38**	57	**83**	128
Total operating expenses	**(23)**	(18)	**(45)**	(40)
Profit before income tax expense	**15**	39	**38**	88
Markets and Securities Services[1]				
Net interest income	**10**	7	**19**	12
Non-interest income	**21**	17	**38**	33
Net operating income	**31**	24	**57**	45
Total operating expenses	**(13)**	(14)	**(26)**	(26)
Profit before income tax expense	**18**	10	**31**	19
Corporate Centre[2]				
Net interest income	**1**	—	**1**	—
Non-interest income	**3**	8	**3**	10
Net operating income	**4**	8	**4**	10
Total operating expenses	**(20)**	(43)	**(41)**	(59)
Profit/(loss) before income tax expense	**(16)**	(35)	**(37)**	(49)

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 period 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, Wealth and Personal Banking, Global Banking[1], and Markets and Securities Services[1]. 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, UK. HSBC serves customers worldwide from offices in 63 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US$2,985bn at 30 June 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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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 period 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 interest rate risk), market risk, resilience risks, 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, climate change risk including transition and physical risk impacts, 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 tax 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 the highly competitive and active employment market continues to prove 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, 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 2021 for a description of these risk factors, as well as the 'Impact of COVID-19 and our response' section of our Annual Report and Accounts 2021. 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.*