

1 May 2023

HSBC BANK CANADA FIRST QUARTER 2023 RESULTS

Another strong quarter

Linda Seymour, President and Chief Executive Officer of HSBC Bank Canada¹, said:

"It has been a good start to the year, and we performed well despite the significant global volatility in the quarter. We continued to see the benefit from our robust balance sheet growth in 2022 as well as from central bank rate increases. Compared to the first quarter of 2022, we also saw growth in deposit balances and the online brokerage business in Wealth and Personal Banking; transaction banking in Global Banking; and lending and deposits in Commercial Banking. Thank you to our team for all they have accomplished, and for their dedication to serving our clients through this unique time with the agreed sale of HSBC Bank Canada.

"Over the coming year, we expect conditions to be more challenging given the economic outlook. As always, we remain fully focused on serving our clients, supporting their plans and helping them to navigate these headwinds, for themselves and their businesses."

Highlights² financial performance (1Q23 vs 1Q22)

- **Profit before income tax expense was \$309m, up \$17m or 5.8%**, setting a new record, surpassing the third quarter of 2022. All business segments were profitable.
- **Total operating income remains strong at \$677m, up \$107m or 19%**, with increases in total operating income across three of our four business segments. Net interest margins improved with growth in lending and increased client activity in cards and credit facility fees. While challenging market conditions drove a decrease in net fee income.
- **Change in expected credit losses ('ECL') was a nominal charge of \$2m** primarily driven by the continued unfavourable forward-looking macro-economic variables on performing loans partly offset by a release in non-performing loans.
- **Total operating expenses were up by \$46m or 14%** 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 Canada³.
- **Total assets were \$123.3bn, down \$5.0bn or 3.9%**, from 31 December 2022.
- **Common equity tier 1 capital ratio⁴ of 12.4%, up 80 bps** from 31 December 2022 of 11.6%.
- **Return on average common equity⁵ of 16.7%, up 120 bps** from 31 December 2022 of 15.5%.

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 ended 31 March 2023 compared with the same period in the prior year (unless otherwise stated). The abbreviations '\$m' and '\$bn' represent millions and billions of Canadian dollars, respectively.

3. 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.

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, 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.

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 first quarter ended 31 March 2023¹

Net interest income was \$452m, an increase of \$115m or 34%. This was due to the impact of the central bank rate increases over the past year and balance sheet growth with average loans and advances to customers increasing by 8.0% compared to the first quarter of 2022.

Net fee income was \$189m, a decrease of \$8m or 4.1% as challenging market conditions resulted in lower fees on investment funds under management in Wealth and Personal Banking and lower underwriting fees in Global Banking. Lower client activity in our online brokerage business in Wealth and Personal Banking also contributed to the decrease. These decreases were partly offset by increased activity in cards across our businesses and an increase in credit facility fees in Commercial Banking from higher volumes of bankers' acceptances. Fee expense increased due to increased activity mainly in cards.

Net income from financial instruments held for trading was flat compared to the same period in the prior year at \$27m. Net interest income from trading activities increased due to the higher interest rate environment offset by lower income from trading activities as a result of current market conditions.

Other items of income for the quarter were \$9m, with no change from the prior quarter.

The change in ECL resulted in a charge of \$2m primarily driven by the continued unfavourable forward-looking macro-economic variables in performing loans partly offset by a release in non-performing loans. This compares to a release in 2022 of \$42m which was mainly driven by an improvement in the macro-economic variables in performing loans, at that time, partly offset by a net charge for a material stage 3 loan.

Total operating expenses were \$366m, an increase of \$46m or 14% 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 Canada² and higher staff-related costs.

Income tax expense: the effective tax rate for the first quarter of 2023 was 27.7%. The statutory tax rate was 27.8% which incorporates the additional tax on banks and life insurance groups announced in April 2022. Compared to the statutory rate, there has been a nominal decrease in tax liabilities. The effective tax rate for the first quarter of 2022 was 26.7%.

1. For the quarter ended 31 March 2023 compared with the same period 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.

Dividends**Dividends declared in the first quarter 2023**

During the first quarter of 2023, the bank declared regular quarterly dividends of \$18m on all series of outstanding HSBC Bank Canada Class 1 preferred shares and paid such dividends in accordance with their terms. No dividends were declared or paid on HSBC Bank Canada common shares during this period.

Dividends declared in the second quarter 2023

On 27 April 2023, the bank declared regular quarterly dividends for the second quarter of 2023 on all series of outstanding HSBC Bank Canada Class 1 preferred shares, to be paid in accordance with their terms in the usual manner on 30 June 2023 or the first business day thereafter to the shareholder of record on 15 June 2023.

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

Business performance in the first quarter ended 31 March 2023¹**Commercial Banking ('CMB')**

Profit before income tax expense was \$207m, a decrease of \$10m or 4.6%. This was primarily due to a decrease of \$34m in ECL release compared to the prior year.

Total operating income was \$310m, an increase of \$30m or 11%. CMB has maintained positive momentum in 2023 with average loan balances increasing by \$4.4bn or 13% and average deposit balances increasing by \$2.3bn or 9% compared to the first quarter of 2022. Net interest income improved due to the impact of the central bank rate increases over the past year and higher average volumes. Non-interest income has similarly improved with higher volumes of bankers' acceptances and increased activity in corporate credit cards.

Wealth and Personal Banking ('WPB')

Profit before income tax expense was a record² \$98m, an increase of \$38m or 63%. This was primarily due to higher operating income, partly offset by an unfavourable change in ECL and an increase in operating expenses.

Total operating income was \$281m, an increase of \$64m or 29%. The increase was driven by improved margins as a result of the central bank rate increases over the past year, strong growth in deposit balances and higher income from our online brokerage business, partly offset by lower investment funds under management and changes in product mix.

Global Banking ('GB')

Profit before income tax expense was \$39m, an increase of \$16m or 70%. The increase was as a result of higher operating income and lower charges in ECL.

Total operating income was \$60m, an increase of \$13m or 28%. Results from transaction banking activities remain strong, due mainly to higher spreads. This was partly offset by lower revenues from capital markets reflecting in part, slower client activity levels and challenging market conditions.

Markets and Securities Services ('MSS')

Profit before income tax expense was \$9m, a decrease of \$4m or 31%. This was mainly due to lower operating income.

Total operating income was \$22m, a decrease of \$4m or 15%. The decrease was mainly due to lower trading income as a result of current market conditions partly offset by higher net interest income driven by the central bank rate increases over the past year.

Corporate Centre³

Profit before income tax expense was a loss of \$44m, compared to a loss of \$21m in the prior year due to increased costs 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 Canada⁴. This was partly offset by higher non-interest income.

1. For the quarter ended 31 March 2023 compared with the same period in the prior year (unless otherwise stated).

2. Record for the first quarter since inception of WPB as a single global business in 2011.

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

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.

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 average¹ common equity.

Return on average risk-weighted assets is calculated as the annualized profit before income tax expense divided by the average¹ 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 average¹ 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 losses² as a percentage of average¹ 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 losses² on stage 3 assets as a percentage of average¹ 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 losses² 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 average¹ 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	
	31 Mar 2023	31 Mar 2022
Financial performance for the period		
Total operating income	677	570
Profit before income tax expense	309	292
Profit attributable to the common shareholder	205	203
Change in expected credit losses and other credit impairment charges - (charge)/release	(2)	42
Operating expenses	(366)	(320)
Basic and diluted earnings per common share (\$)	0.37	0.37
Financial ratios %¹		
Return on average common shareholder's equity	16.7	15.5
Return on average risk-weighted assets	2.8	2.9
Cost efficiency ratio	54.1	56.1
Operating leverage ratio	4.4	5.6
Net interest margin	1.66	1.28
Change in expected credit losses to average gross loans and advances and acceptances ²	0.01	n/a
Change in expected credit losses on stage 3 loans and advances and acceptances to average gross loans and advances and acceptances	0.03	0.01
Total stage 3 allowance for expected credit losses to gross stage 3 loans and advances and acceptances	24.9	33.1
Net write-offs as a percentage of average loans and advances and acceptances	0.04	0.02

Financial and capital measures

	At	
	31 Mar 2023	31 Dec 2022
Financial position at period end		
Total assets	123,267	128,302
Loans and advances to customers	75,000	74,862
Customer accounts	80,910	82,253
Ratio of customer advances to customer accounts (%) ¹	92.7	91.0
Common shareholder's equity	5,166	4,818
Capital, leverage and liquidity measures		
Common equity tier 1 capital ratio (%) ³	12.4	11.6
Tier 1 ratio (%) ³	14.9	14.1
Total capital ratio (%) ³	17.3	16.4
Leverage ratio (%) ³	5.1	4.7
Risk-weighted assets (\$m) ³	44,086	44,656
Liquidity coverage ratio (%) ⁴	172	164

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	
	31 Mar 2023	31 Mar 2022
Interest income	1,256	471
Interest expense	(804)	(134)
Net interest income	452	337
Fee income	221	222
Fee expense	(32)	(25)
Net fee income	189	197
Net income from financial instruments held for trading	27	27
Gains less losses from financial investments	2	2
Other operating income	7	7
Total operating income	677	570
Change in expected credit losses and other credit impairment charges - (charge)/release	(2)	42
Net operating income	675	612
Employee compensation and benefits	(157)	(151)
General and administrative expenses	(150)	(142)
Depreciation and impairment of property, plant and equipment	(14)	(15)
Amortization and impairment of intangible assets	(45)	(12)
Total operating expenses	(366)	(320)
Profit before income tax expense	309	292
Income tax expense	(86)	(78)
Profit for the period	223	214
Profit attributable to the common shareholder	205	203
Profit attributable to the preferred shareholder	18	11
Profit attributable to shareholder	223	214
Average number of common shares outstanding (000's)	548,668	548,668
Basic and diluted earnings per common share (\$)	0.37	0.37

	At	
	31 Mar 2023	31 Dec 2022
<i>(Figures in \$m)</i>		
ASSETS		
Cash and balances at central bank	5,958	6,326
Items in the course of collection from other banks	10	9
Trading assets	2,877	4,296
Other financial assets mandatorily measured at fair value through profit or loss	19	18
Derivatives	4,861	6,220
Loans and advances to banks	1,003	344
Loans and advances to customers	75,000	74,862
Reverse repurchase agreements – non-trading	4,930	6,003
Financial investments	22,751	23,400
Other assets	1,750	2,591
Prepayments and accrued income	378	351
Customers' liability under acceptances	3,050	3,147
Current tax assets	141	172
Property, plant and equipment	346	332
Goodwill and intangible assets	114	160
Deferred tax assets	79	71
Total assets	123,267	128,302
LIABILITIES AND EQUITY		
Liabilities		
Deposits by banks	650	712
Customer accounts	80,910	82,253
Repurchase agreements – non-trading	4,281	4,435
Items in the course of transmission to other banks	270	227
Trading liabilities	2,639	3,732
Derivatives	5,074	6,575
Debt securities in issue	14,794	15,735
Other liabilities	3,180	3,577
Acceptances	3,057	3,156
Accruals and deferred income	776	713
Retirement benefit liabilities	207	203
Subordinated liabilities	1,011	1,011
Provisions	45	54
Current tax liabilities	106	—
Deferred tax liability	1	1
Total liabilities	117,001	122,384
Equity		
Common shares	1,125	1,125
Preferred shares	1,100	1,100
Other reserves	(642)	(786)
Retained earnings	4,683	4,479
Total shareholder's equity	6,266	5,918
Total liabilities and equity	123,267	128,302

(Figures in \$m)

	Quarter ended	
	31 Mar 2023	31 Mar 2022
Commercial Banking		
Net interest income	188	162
Non-interest income	122	118
Total operating income	310	280
Change in expected credit losses charges - release	6	40
Net operating income	316	320
Total operating expenses	(109)	(103)
Profit before income tax expense	207	217
Wealth and Personal Banking		
Net interest income	204	141
Non-interest income	77	76
Total operating income	281	217
Change in expected credit losses charges - (charge)/release	(7)	4
Net operating income	274	221
Total operating expenses	(176)	(161)
Profit before income tax expense	98	60
Global Banking		
Net interest income	44	25
Non-interest income	16	22
Total operating income	60	47
Change in expected credit losses charges - (charge)	(1)	(2)
Net operating income	59	45
Total operating expenses	(20)	(22)
Profit before income tax expense	39	23
Markets and Securities Services		
Net interest income	17	9
Non-interest income	5	17
Net operating income	22	26
Total operating expenses	(13)	(13)
Profit before income tax expense	9	13
Corporate Centre¹		
Net interest income	(1)	—
Non-interest income	5	—
Net operating income	4	—
Total operating expenses	(48)	(21)
Profit/(loss) before income tax expense	(44)	(21)

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

Agreed sale of HSBC Bank Canada¹

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, we now expect the sale to complete in the first quarter of 2024 to ensure a smooth transition.

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.

Retirement of Non-Executive Director

Having fulfilled her term, Judith Athaide will leave the HSBC Bank Canada Board effective 30 June 2023, after six years. The Board maintains its gender parity and significant independent director representation.

Reflecting on her service, Samuel Minzberg, Chairman of the Board of Directors, HSBC Bank Canada, said: "Judith's experience in the energy sector and sustainable development, and her dedication to corporate governance were important contributors to our ongoing success. Her collegiality also made her a welcome presence at the boardroom table, and we wish her well in her continued service on other boards."

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. With assets of US\$2,990bn at 31 March 2023, 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

Media enquiries:	Sharon Wilks	647-388-1202	sharon_wilks@hsbc.ca
	Caroline Creighton	416-868-8282	caroline.x.creighton@hsbc.ca

Investor relations enquiries:	investor_relations@hsbc.ca
--------------------------------------	-----------------------------------

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 tax authorities, risk of fraud by employees or others, unauthorized transactions by employees and human error. Furthermore, on 29 November 2022, 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, we now expect the sale to complete in the first quarter of 2024 to ensure a smooth transition. 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.